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IS THE URBAN CRISIS OVER?

HEARING

BEFORE THE

SUBCOMMITTEE ON FISCAL AND INTERGOVERNMENTAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

NINETY-SIXTH CONGRESS

FIRST SESSION

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SUBMISSIONS FOR THE RECORD

TUESDAY, MARCH 20, 1979

IS THE URBAN CRISIS OVER?

TUESDAY, MARCH 20, 1979

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 2220, Rayburn House Office Building, Hon. William S. Moorhead (chairman of the subcommittee) presiding.

Present: Representative Moorehead.

Also present: Jack M. Albertine, executive director; Mark Borchelt, administrative assistant; and Deborah Norelli Matz, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE MOORHEAD, CHAIRMAN

Representative MOORHEAD. The Subcommittee on Fiscal and Intergovernmental Policy of the Joint Economic Committee will please come to order.

I am pleased to welcome our distinguished witnesses and want to thank them for taking time from their busy schedules to appear here.

As you are all aware, there has been a host of news articles in recent months indicating that urban woes are on the decline and, in fact, that cities are enjoying a period of prosperity. They state that the middle class is returning to the cities, that jobs have increased and that cities appear to be in sound fiscal health.

As much as I desperately would like to accept these findings as accurate, and therefore conclude that my years of work in Congress have helped to turn our cities around, I strongly suspect that such a conclusion would be premature.

While I am encouraged by the revitalization efforts occurring in many city neighborhoods and downtown areas, I am not sure they are the harbingers of a new era of fiscal and economic prosperity for our cities.

I am still concerned that the outmigration of urban population continues at a rate which exceeds their inmigration and that net jobs still continue to decline. For example, between March 1975 and March 1977, 5.5 million people moved from central cities to suburbs nationally, while only 2.8 million moved from a suburban to a central city location. In addition, out of 22 large geographically dispersed central cities, for which I have reviewed data, 18 have had their populations decreased by an average of 11.3 percent between 1972 and 1977.

Further, it appears that central city/suburban employment disparities have remained significant and, in many instances, have actually widened in recent years. While in some cases the growth of suburban employment has slowed, this does not necessarily mean that central city employment losses have picked up the slack and are turning around. On the contrary, where suburban employment growth has slowed, it is probably a safe bet that employment losses in the neighboring central city have increased.

Finally, I am deeply concerned about the quality of life in American cities. The unemployment rate for youths and minorities and for minority youth in particular remain frightfully high. The fear of crime is still a major concern of urban residents and city streets, roads, sewers, and bridges continue to deteriorate.

I am deeply disturbed that many of the press articles have presented a misleading picture of the condition of our cities. It seems to me that fiscal solvency, while very important, is only one measure of recovery. The other measures must include an analysis of long-term trends—particularly the ability to withstand another recession—as well as an examination of the sacrifices being made to achieve significant cash reserves. I feel strongly that our Nation's poor should not bear the burden of balancing local budgets.

I have three main concerns about the condition of our cities:

First, the long-term outlook for our cities is not encouraging. In the introduction to the book "The Fiscal Outlook for Cities," Mr. Roy Bahl indicates that "in periods of national recovery, distressed cities do not share proportionately because, in inflationary times, their expenditures increase more rapidly than their revenues. When national growth slows, their economies are likely to be the hardest hit, their tax bases reduced most, and their social-service expenditure requirements hardest pressed. And without a standby countercyclical revenue sharing program, our cities will probably be the big losers in another recession." It seems to me many of our cities are caught in a cycle from which escape seems very near impossible. For this reason, I will be introducing the "Supplemental Fiscal Assistance Amendments of 1979" to provide relief to high unemployment localities.

Second, capital expenditures and city services—particularly to the poor—are being reduced in an effort to generate fiscal surpluses.

Third, the recent media attention to the fiscal condition of cities is misleading and may jeopardize both the existing and future Federal programs to assist cities.

I hope this hearing helps to clear up some of the misperceptions about our cities that are being perpetrated. I turn to you, our experts, for a clear picture of what is actually occurring.

First, our subcommittee would like to hear from my distinguished colleague, the gentleman from New York, Representative Green, who serves with me on the Banking, Finance and Urban Affairs Committee of the House.

Congressman Green.

STATEMENT OF HON. SEDGWICK WILLIAM GREEN, A U.S. REPRESENTATIVE IN CONGRESS FROM THE 18TH CONGRESSIONAL DISTRICT OF THE STATE OF NEW YORK

Representative GREEN. Thank you, Mr. Chairman, for the opportunity to express my thoughts today on the question of whether or not our urban crisis is over. Recent magazine articles, including an article entitled "The Urban Crisis Leaves Town," by T. D. Allman, in Harper's magazine, December 1979, have given the impression that the crisis is indeed over. The Congress must have an accurate assessment of the health of our urban areas if we as legislators are to effectively address the problem of our cities.

I suggest to you that our "crisis" is not over. Economic and demographic trends that have reduced our cities' populations and tax bases have not abated. The three major urban problems cited by Presidential assistant Stuart E. Eizenstat and HUD Secretary Patricia Harris in a January 9, 1978, memo to the President still exist. These three dilemmas are the continued decentralization of population and businesses; the increasing fiscal and social service disparities between central cities and suburban neighbors; and the continued centralization of minorities and the poor in central cities.

Perhaps one reason that the general public might believe that the urban crisis is now over is that the administration does not now speak of urban problems in the same light as last year upon the announcement of the "New Partnership," the name given President Carter's omnibus urban program. A study that I will issue this week as chairman of the urban policy task force of the Republican Research Committee will indicate that the New Partnership never really advanced past the rhetorical stage, and that few, if any, of President Carter's 19 legislative proposals and 4 Executive orders have gotten off the White House drawing board.

President Carter's current budget message proposes cuts of 25 percent to 40 percent in the housing programs that our older cities so desperately need. The most important of these—section 8—started as a 400,000 unit-a-year program under President Ford. Today, it is operating at a 333,000 unit-a-year rate. President Carter proposes to cut it back to 250,000 units next year.

In the light of the failure of the New Partnership to get off the ground, and the lack of substantive Federal initiatives, the administration's reluctance to discuss the urban crisis is politically understandable. I do not suggest that the administration has orchestrated, or as some would say, "Rafshooned," public misconception on the crisis facing our cities. However, I do say that lack of administration zeal for discussing these problems has lent credence to reports that the crisis is over.

The crisis is not over. Middle class families continue to leave our cities. A recent study prepared for the National Tax Association shows that the gap between healthy and sick cities is increasing as the least distressed areas improve and the worst areas deteriorate further. The Census Bureau tells us that between 1970 and 1977, population in our central cities declined 5 percent while the population of our suburbs increased 12 percent. A General Accounting Office report issued last fall entitled, "Housing Abandonment: A National Problem Needing New Approaches," has pointed out some alarming facts about American housing, including the disturbing fact that 113 cities have housing abandonment problems to some degree.

No one could review these trends and arrive at the conclusion that the urban crisis is over. I applaud the initiative of Chairman Moorhead and the members of this subcommittee for holding these hearings. In view of the administration's failure to develop an effective overall urban policy, the role of the Congress is the formulation of such policy must be all the greater.

Representative MOORHEAD. Congressman Green, in your own congressional district, do you believe the same phenomenon is occurring that is revealed in the census?

Representative GREEN. I think perhaps my congressional district shows the source of the article and the problems the article ignores. On the one hand, in the Manhattan midtown central business district, there has been a very substantial turnaround in terms of the commercial real estate and office market.

In other parts of my district, there has been some conversion of properties to middle-class housing. Still, there are other parts of my district where there are examples of housing abandonment similar to South Bronx. The authors may have been misled by the midtown upsurge; but, at the same time, my district clearly exhibits some of the problems in the poor neighborhoods which have not yet been licked.

Representative MOORHEAD. Thank you, Congressman Green, for giving us your thoughts.

We have a distinguished panel of experts appearing before the subcommittee: the Honorable Robert C. Embry, Jr., Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development; Mr. Ronald H. Brown, vice president of the National Urban League, Inc.; Mr. George Sternlieb, director, Center for Urban Policy Research, Rutgers University; and Thomas Muller, principal investigator of the Urban Institute.

Mr. Embry, please begin.

STATEMENT OF HON. ROBERT C. EMBRY, JR., ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. EMBRY. Thank you, Congressman Moorhead.

First, I would like to congratulate you. I am continually amazed to find that when an issue arises pertaining to our urban areas, you are out in front helping to dramatize it and helping to educate the public, and my admiration for that continues.

Second, Congressman Green indicated the administration was unwilling to discuss the urban problem. Yet he quoted a memorandum from Secretary Harris and Mr. Eizenstat who I assure you are members of the administration in good standing. I would have hoped he could have stayed to hear my comments because we are certainly not reluctant to discuss the issue. Indeed, we have tried to stimulate such a discussion.

When I received the invitation to testify on this subject, I was reminded of the often-quoted statement by Aristotle that "men * * * stay together (in cities) for the good life."

Unfortunately, for many cities and thousands of their residents, that is not true today. Conditions in the majority of our large central cities are such that for too many, the good life is still an elusive goal— even though recently a flurry of news articles have appeared announcing that central cities, once fraught with distress, are now in good shape or well on the road toward good health.

Upon the appearance of several of those articles, my staff reviewed the status of our Nation's cities in the context of the President's Urban

Policy and in relation to recent demographic, social, and economic trends. Their report, which I would like to submit for the record at this time, and reports by various other urbanologists and local officials, clearly indicate that while some cities have begun to experience new vitality, investment, and revitalization, our Nation's urban problems still persist.

Representative MOORHEAD. Without objection, your prepared statement, together with the working paper, will be made a part of the record at the end of your testimony.

Mr. EMBRY. Many central cities are still faced with severe economic, social, and environmental difficulties. Fiscal strain has not vanished, and many cities find themselves unable to provide even conventional services, much less funds for maintenance and repairs to streets, sewers, and other important infrastructure.

Furthermore, contrary to media reports, middle-class households are not streaming back into the cities, and in most areas throughout the country, revitalization activities are still very limited. Disinvestment still surpasses investment in numerous older central cities, and continues to result in abandoned housing, blighted neighborhoods, and deteriorated commercial facilities. Racism and poverty still combine to limit opportunities to large numbers of urban residents.

In summary, most American cities still are faced with serious, complex problems that tax their strength and viability. Historically, American cities have proven resilient. I remain optimistic that as a Nation, we have the wherewithal to help respond to their problems.

THE STATUS OF CITIES

At this point, I would like to review with you what I consider key data illustrating the persistent social and economic problems encountered by our larger central cities. My prepared statement contains several tables which I will not discuss in detail here.

A good place to start is to look at the fiscal situation of our cities. Many large central cities face serious fiscal strain and some face severe short-term fiscal problems.

In this time of proposition 13 and other tax limitation efforts, it is important to clarify just how financially sound our cities really are. Recent news reports have stated that cities now find themselves with more revenues than they know how to spend. At the same time, several articles have reported the continuing and varied fiscal problems borne by New York, Cleveland, and Newark. The pressing situations faced by those cities, and their vulnerability to downturns in the economy, should generate more caution on the part of observers eager to proclaim our cities financially sound and healthy again.

It is true that in 1977, the total surplus accumulated by State and local governments amounted to $29 billion. The share of this total belonging to local governments, however, is less than 30 percent; and given the fact that the term "local government" includes towns, counties, special districts, and the like, it is probable that the city portion of the surplus is well under 20 percent.

Even more relevant is the fact that the surplus figure is an aggregate one. As such, it masks the variations in the fiscal health of local governments and blurs the composition of the surplus. While precise data is not available, it is likely that the surplus is concentrated in relatively few cities, and oftentimes is generated as a result of cutbacks in services and reductions or postponements in capital expenditures.

Recent studies by the Treasury Department further deflate the myth of the surplus. They suggest that of the 48 largest cities in the country, 10 face high fiscal strain, and 28 others face moderate fiscal strain. Indeed, this very subcommittee, after surveying 67 large cities, reported that many of those that are most distressed—that is, they exhibit high unemployment and population decline—have significantly slowed down public construction, and at some risk, maintenance of public facilities in order to make ends meet.

I think it very important to endorse very strongly the administration's countercyclical legislation that will be considered by the Congress this session.

Second, unemployment rates are substantially higher in central cities than in suburbs, and most older central cities show, at best. only sluggish employment growth rates.

When unemployment growth rates are used to compare the performance between cities and suburbs, the problems of cities become even more apparent. For instance, data from the Bureau of Labor Statistics show that since 1973, not only have central city unemployment rates been higher than those of suburbs, but since 1975, unemployment rates in suburbs have fallen significantly while rates in cities have remained relatively high.

This situation is highlighted by an analysis of private sector employment growth and decline in central cities and their suburbs. A sample of eight cities shows that between 1974 and 1976, all but two of them experienced a decrease in private sector employment, while all except three of the suburban areas enjoyed increases.

Perhaps even more revealing are the changes in employment rates experienced by large cities between 1970 and 1977. Data for 11 cities show that all except 2 suffered serious losses in employment growth rates.

These figures also speak to another indicator of alleged central city revival that has been touted by the media; that is, the rate at which commercial investment is increasing in distressed cities.

New commercial investment is heaviest in nondistressed cities and suburbs; only a small portion of recent new commercial activity has been located in distressed central cities, and even that investment has been limited to only certain areas of those cities.

Although reliable data is scarce, it does appear that many cities across the country have become recipients of new investment in commercial activity. This investment, however, has not meant a building or employment bonanza for our most distressed cities, as the figures I just discussed suggest. Rather, the cities that are most distressed continue to show sluggish employment growth rates, and face a persistent struggle to maintain their economic bases.

This situation is highlighted by an analysis of available permit data which show that the value, in constant dollars, of nonresidential construction in slow-growing SMSA's was less in the year 1977 than in prerecession years. More importantly, central cities have averaged only 20 to 33 percent of SMSA building permit value for the past several years—a figure that is much lower than their proportion of the population, which is over 40 percent.

Furthermore, little data exist to support the frequently heard, bullish comments about foreign investment. Treasury staff indicate that contrary to often dramatic news reports, aggregate foreign investment has remained relatively stable over the past few years and does not at present exceed $6 billion annually.

In addition, most investment in distressed cities is for acquisitions and not for new construction.

Let me interject here an important distinction. The cities are not fungible. Many people in talking about cities think all cities are the same. Many cities are prosperous and growing, and there is no question that they do not face an urban crisis, but there are other cities that have been distressed and continue to be distressed, and they should not be lost in the statistics.

In general, reported investment activity in cities has rarely been analyzed and almost always presented in a limited, fragmented manner. For instance, while the construction and successful rental of the new Citicorp Tower in New York City has been widely hailed, little note has been made of the fact that New York has lost nearly 600,000 jobs between 1969 and 1978. Nor is publicity given to the fact that New York's net decline in jobs reflects a probable tax loss of almost $500 million—an amount which would almost cover present deficits. Unfortunately, as I indicated earlier, central city job loss is not limited to New York. Indeed, a visible reduction in private sector employment, with slow population growth, are two key factors generating distress in many large central cities.

Lastly, I would like to comment on several recent population migration patterns. At the present time, our analyses show that:

Older central cities continue to lose population at significant rates;

Black migration from central cities to suburbs is limited in numbers;

The percentage of central city residents who are black continues to grow.

The percent of central city residents in poverty continues to rise while central city median family income falls.

Various reports have recently asserted that population migration trends are resulting in large numbers of affluent, white residents moving into central cities. They have also suggested that significant numbers of poor and nonwhite populations are leaving inner city neighborhoods for the suburbs. If these assertions were true, it would please many of those interested in the health of cities, and excite many who for years have sought an end to racism and access to suburban housing markets for lower income minorities. Unfortunately, neither the "back to the city" movement nor the outflow of minorities from cities is presently statistically significant.

Overall population migration patterns continue to strain the economic and social vitality of cities. Between 1975 and 1977, over 1 million more families moved from central cities to suburbs than moved into central cities from suburbs. Population fell, and still continues to fall, dramatically in many older central cities.

In my prepared statement, you will find a table showing the 20 largest cities by population and their percent of population loss or gain between 1970 and 1978. During that period, Cleveland, for instance, lost 17 percent of its residents; Baltimore lost 8.6 percent; Milwaukee declined by 7.8 percent, and San Francisco lost 7 percent of its population. In addition, many cities registering population gains incurred their growth as a result of annexation efforts.

In terms of central city inmigration, it is true that the number of suburb-to-central city movers has increased over the past 20 years. But the increase has occurred because of the growing number of suburbanites, not because any given suburbanite is more likely now than before to move to the city. Consequently, the back to the city movement has had little measurable impact upon the net migration of upper income households. In fact, most studies show that the residential reinvestment movement is fueled primarily by residents who already reside in central cities.

A number of cities have experienced selected neighborhood revitalization, although the pace and scale varies by city and cannot be interpreted as a sign that all cities are on the road to renewed vitality. As one current study of the Nation's 30 largest central cities indicated. for every neighborhood that has been revitalized in recent years, several others have slipped into a more intractable state of disinvestment and decay.

Further, contrary to popular opinion, the net effect of suburb-city migration still results in relative disadvantage to central cities. During 1975–77, the average income of families moving out of cities was $16,000 compared to $15,000 for those coming into cities. Because of net outmigration and the lower average income of inmigrants, central cities lost over $17 billion in family income from 1975 to 1977. Furthermore, the poverty rate in cities was higher in 1977 than 1969.

An important point is not that cities lose population, which is not necessarily bad, but the point is that migration is selective. Cities are still losing middle-class residents and retaining their poor. This is important.

In terms of migration of blacks from central cities to suburban areas, it appears that movement during the past several years has been very limited. In a recent magazine article quoted by Congressman Green, which hailed the end of the urban crisis, the author used 1970–76 data concerning population loss in select congressional districts to advance the thesis that black suburban movers are "now a significant demographic pattern."

Further. the author portrayed the black movement out of the ghetto and into suburbia as a major phenomenon, one suggesting that barriers preventing the poor, jobless, and minorities from moving out of distressed inner city neighborhoods are falling. I wish that was true. Unfortunately, it is not.

Seventy-five percent of all black movers living in central cities moved to another location within the same central city. Because of patterns of discrimination, job location, and housing costs, most black households found their housing choices restricted to nearby inner city neighborhoods. Racism and poverty remain as significant urban problems. Therefore, if certain central city congressional districts have lost black population, other contiguous areas have gained. Generally, the ghettoes have expanded in many central cities.

Furthermore, based on 1975–77 data, white populations continue to move out of central cities at a rate considerably higher than blacks. As a result, even though the total number of blacks in central cities may have declined slightly, the percentage of central city residents who were black increased from just over 22 percent in 1970 to 23 percent in 1976. Conversely, the percentage of suburban residents who were black increased by less than 1 percent between 1970 and 1976, from 4.7 to 5.6 percent.

In conclusion, I know this working paper contains numerous statistics and numbers. It is important, however, that these figures be publicized so that the picture drawn of urban conditions is more accurate and realistic than the one recently portrayed by the media and several errant analysts.

The fact is that some American cities are doing better. Several events have made local public officials and city residents, even those in some of the most distressed cities, hopeful. That is, in some areas, signs of downtown renewal and neighborhood revitalization have become visible. Some cities have experienced a net growth in jobs and fiscal capacity. Recent demographic trends reflecting earlier and increase household formation, smaller household size, and somewhat greater mobility among minorities and the poor have brought new life to once dormant city housing markets. The administration's recent Urban Policy initiatives have been received positively.

But as outlined in my prepared statement, many central cities still face severe economic, social, and environmental difficulties. Cities which were well off in 1960 have stayed that way, while cities with problems in 1960 continued to have them. Indeed, cities which in 1960 were experiencing severe distress conditions have even more severe problems now, while cities which did not show distress conditions in 1960 have improved their positions. Clearly, the rich have gotten richer and the poor poorer. The problems of our most distressed cities appear to have deepened and worsened.

In conclusion, the basic problems and issues which generated the President's urban policy still exist. That is, numerous American cities are still confronted by serious internal difficulties. We cannot wish or write them away. Instead, we must honestly address them. Solutions, however, may not always be readily apparent, given knowledge, resource, and institutional constraints. Nevertheless, by wisely using the resources and information at hand, we can continuously perfect or improve upon urban policies, strategies, and programs. As President Carter has stated, "We reject the possibility of failure. We must commit ourselves to a long-term and continuing effort to meet stubborn urban problems and changing needs."

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions.

Representative Moorhead. Thank you, Secretary Embry.

[The prepared statement of Mr. Embry, together with the working paper referred to, follows:]

Prepared Statement of Hon. Robert C. Embry, Jr.

Mr. Chairman, members of the subcommittee, I would like to thank you for providing this opportunity to discuss the status of cities and their residents.

When I received the invitation to testify on this subject, I was reminded of the often-quoted statement by Aristotle that "men . . . stay together (in cities) for the good life."

Unfortunately, for many cities and thousands of their residents, that is not true today. Conditions in the majority of our large central cities are such that for too many, the good life is still an elusive goal—even though recently a flurry of news articles have appeared announcing that central cities, once fraught with distress, are now in good shape or are well on the road toward good health.

Upon the appearance of several of those articles,[1] my staff reviewed the status of our nation's cities in the context of the President's Urban Policy and in relation to recent demographic, social, and economic trends. Their report—which I would like to submit for the record at this time—and reports by various other urbanologists and local officials, clearly indicate that while some cities have begun to experience new vitality, investment, and revitalization, our nation's urban problems still persist.

Many central cities are still faced with severe economic, social, and environmental difficulties. Fiscal strain has not vanished, and many cities find themselves unable to provide even conventional services, much less funds for maintenance and repairs to streets, sewers and other important infrastructure. Furthermore, contrary to media reports, middle-class households are not streaming back into the cities, and in most areas throughout the country, revitalization activities are still very limited. Disinvestment still surpasses investment in numerous older central cities, and continues to result in abandoned housing, blighted neighborhoods, and deteriorated commercial facilities. Racism and poverty still combine to limit opportunities to large numbers of urban residents.

In summary, most American cities still are faced with serious, complex problems that tax their strength and viability. But historically, American cities have proven resilient, and I remain optimistic that as a nation, we have the wherewithal to help respond to their problems.

THE STATUS OF CITIES

At this point, I would like to review with you what I consider key data illustrating the persistent social and economic problems encountered by our larger central cities. My written statement contains several tables which I will not discuss in detail but which will be included in the submission for the record.

A good place to start is to look at the fiscal situation of cities.

Many large central cities face serious fiscal strain and some face severe short-term fiscal problems.

In this time of Proposition 13 and other tax limitation efforts, it is important to clarify just how financially sound our cities really are. Recent news reports have stated that cities now find themselves with more revenues than they know how to spend. At the same time, several articles have reported the continuing and varied fiscal problems borne by New York, Cleveland, and Newark. The pressing situations faced by those cities, and their vulnerability to downturns in the economy, should generate more caution on the part of observers eager to program our cities financially sound and healthy again.

It is true that in 1977 the total surplus accumulated by state and local governments amounted to $29 billion. The share of this total belonging to local governments, however, is less than 30%; and given the fact that the term "local government" includes towns, counties, special districts, and the like, it is probable that the city portion of the surplus is well under 20%.

More relevant is the fact that the surplus figure is an aggregate one. As such, it masks variations in the fiscal health of local governments and blurs the composition of the surplus. While precise data is not available, it is likely that the surplus is concentrated in relatvely few citiies, and oftentimes is generated as a result of cutbacks in services and reductions or postponements in capital expenditures.

Recent studies by the Treasury Department further deflate the myth of the surplus. They suggest that of the 48 largest cities in the country, 10 face high fiscal strain, and 28 others face moderate fiscal strain.[2] Indeed, this very committee, after surveying 67 large cities, reported that many of those that are

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[1] Harper's magazine, New York Times magazine, and Newsweek are among the publications recently running stories hailing the end of our Nation's urban problems.

[2] The Treasury Department defines fiscal strain in terms of the relative difficulty local governments face responding to functional responsibilities and service requirements.

most distressed—that is, they exhibit high unemployment and population decline—have significantly slowed down public construction, and at some risk, maintenance of public facilities in order to make ends meet.

Unemployment rates are substantially higher in central cities than in suburbs, and most older central cities show, at best, only sluggish employment growth rates.[3]

When unemployment statistics are used to compare the performance between cities and suburbs, the problems of cities become even more apparent. For instance, data from the Bureau of Labor Statistics show that since 1973, not only have Central City unemployment rates been higher than those of suburbs, but since 1975, unemployment rates in suburbs have fallen significantly while rates in cities have remained relatively high.

UNITED STATES, CENTRAL CITY, SUBURBAN, AND NONMETRO UNEMPLOYMENT RATES, 1973–77

Year	United States	Central City	Subrubs	Nonmetro
1977	7.0	8.7	6.3	6.6
1976	7.7	9.2	7.1	7.0
1975	8.5	9.6	8.0	8.0
1974	5.6	6.5	5.3	5.1
1973	4.9	5.9	4.6	4.4

This situation is highlighted by an analysis of private sector employment growth and decline in central cities and their suburbs. A sample of eight cities shows that between 1974–76, all but two of them experienced a decrease in private sector employment, while all except three of the suburban areas enjoyed an increase.

PRIVATE SECTOR EMPLOYMENT IN 8 MAJOR CENTRAL CITIES AND THEIR SUBURBS, 1974–76

[Dollar amount in thousands]

	Central City			Suburbs		
	1974	1976	Percent change	1974	1976	Percent change
Baltimore	$329	$301	−8.5	$313	$311	−0.6
Boston [1]	423	391	−7.6	869	822	−5.4
Denver	275	267	−2.9	219	228	4.1
New Orleans	217	213	1.8	131	140	6.9
Philadelphia	698	639	−8.5	872	867	−.6
St. Louis	331	293	−11.4	464	494	6.5
San Francisco	457	450	−1.5	631	647	2.5
Washington, D.C	310	316	1.9	525	538	2.5

[1] Employment figures refer to Suffolk County (approximtely coterminous with Boston City).

Source: U.S. Bureau cf the Census.

Perhaps even more revealing are the canges in employment rates experienced by large cities between 1970 and 1971. Data for 11 cities show that all except two suffered serious losses in employment growth rates.

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[3] Unemployment statistics are often used as a measure of distress, and in the proper context, can be very useful indicators. Without appropriate analysis and explanation, however, they do not provide even a good assessment of unemployment related problems, much less general urban distress. For instance, they do not relate key information relative to labor force participation, or measure the types and extent of different kinds of unemployment in varied cities. Cities with comparatively high rates of unemployment could reflect, as San Diego and Phoenix do, relatively low rates of chronic unemployment. As a result, their social service costs and fiscal burdens often are considerably less than cities that look better on paper because of marginally lower unemployment rates.

Large city employment loss or gain[1]—1970–77

	Percent
New York	−14.0
Chicago	−18.7
Philadelphia	−19.5
Houston	+35.7
Detroit	−26.9
Dallas	+10.7
Baltimore	−16.4
District of Columbia	−11.6
Milwaukee	−8.3
Cleveland	−18.1
St. Louis	−20.2

[1] Data provided by Dr. Seymour Sachs, The Maxwell School of Syracuse University. Between 1970–77, most large central cities experienced a significant decline in the number of people living and working in the central city; also during that time, suburban populations grew, as did the number of jobs located in suburban areas. Consequently, many central cities show serious losses in employment growth rates between 1970–77.

These figures also speak to another indicator of alleged central city revival that has been touted by the media—that is, the rate at which commercial investment is increasing in distressed cities.

New commercial investment is heaviest in nondistressed cities and suburbs; only a small portion of recent new commercial activity has been located in distressed central cities, and even that investment has been limited to only certain areas of those cities.

Although reliable data is scarce, it does appear that many cities across the country have become recipients of new investment in commercial activity. This investment, however, has not meant a building or employment bonanza for our most distressed cities, as the figures I just discussed suggest. Rather, the cities that are most distressed continue to show sluggish employment growth rates, and face a persistant struggle to maintain their economic bases.

This situation is highlighted by an analysis of available permit data which show that the value, in constant dollars, of nonresidential construction in slow growing SMSA's was less in the year 1977 than in pre-recession years. More important, central cities have averaged only 20 to 33 percent of SMSA building permit value for the past several years—a figure that is much lower than their proportion of the population (which is over 40 percent).

Furthermore, little data exist to support the frequently heard, bullish comments about foreign investment. Treasury staff indicate that contrary to often dramatic news reports, aggregate foreign investment has remained relatively stable over the past few years, and does not at present exceed 6 billion dollars annually. In addition, most foreign investment in distressed cities is for acquisitions and not for new construction.

In general, reported investment activity in cities has rarely been analyzed and almost always it presented in a limited, fragmented manner. For instance, while the construction and successful rental of the new Citicorp Tower in New York City has been widely hailed, little note has been made of the fact that New York has lost nearly 600,000 jobs between 1969 and 1978. Nor is publicity given to the fact that New York's net decline in jobs reflects a probable tax loss of almost $500 million—an amount which would almost cover present deficits. Unfortunately, as I indicated earlier, central city job loss is not limited to New York. Indeed, a visible reduction in private sector employment, with slow population growth, are two key factors generating distress in many large central cities.

Lastly, I would like to comment on several recent population migration patterns. At the present time, our analyses show that:

(*a*) Older central cities continue to lose population at significant rates;

(*b*) Black migration from central cities to suburbs is limited in numbers:

(*c*) The percentage of central city residents who are black continues to grow; and

(*d*) The percent of central city residents in poverty continues to rise while central city median family income falls.

Various reports have recently asserted that population migration trends are resulting in large numbers of affluent, white residents moving into central cities.

They have also suggested that significant numbers of poor and non-white populations are leaving inner city neighborhoods for the suburbs. If these assertions were true, it would please many of those interested in the health of cities, and excite many who for years have sought an end to racism and access to suburban housing markets for lower income minorities. Unfortunately, neither the "back to the city" movement nor the outflow of minorities from cities is presently statistically significant.

Overall, population migration patterns continue to strain the economic and social vitality of cities. Between 1975–77, over one million more families moved from central cities to suburbs than moved into central cities from suburbs. Population fell—and still continues to fall—dramatically in many older central cities. In my statement submitted for the record you will find a table showing the 20 largest cities by population, and their percent of population loss or gain between 1970 and 1978. During that period, Cleveland, for instance, lost 17 percent of its residents, Baltimore lost 8.6 percent, Milwaukee declined by 7.8 percent, and San Francisco lost 7 percent of its population. In addition, many cities registering population gains incurred their growth as a result of annexation efforts.

Large city population loss or gain—1970–78

	Percent
New York	−6.0
Chicago	−8.8
Los Angeles	−2.0
Philadelphia	−6.6
Houston	+18.0
Detroit	−6.6
Dallas	+0.5
Baltimore	−8.6
San Diego	+13.0
San Antonio	+20.0
Indianapolis	−5.0
District of Columbia	−7.4
Phoenix	+17.0
Memphis	+7.0
San Francisco	−7.0
Milwaukee	−7.8
Cleveland	−17.0
Boston	−3.6
New Orleans	−2.0
San Jose	+24.0

Source: U.S. Bureau of the Census.

In terms of central city inmigration, it is true that the number of suburb-to-central city movers has increased over the past 20 years. But the increase has occurred because of the growing number of suburbanites, not because any given suburbanite is more likely now than before to move to the city. Consequently, the back to the city movement has had little measurable impact upon the net-migration of upper-income households. In fact, most studies show that the residential reinvestment movement is fueled primarily by residents who already reside in central cities.

A number of cities have experienced selected neighborhood revitalization, although the pace and scale varies by city and can not be interpreted as a sign that all cities are on the road to renewed vitality. As one current study of the Nation's 30 largest central cities finds, for every neighborhood that has been revitalized in recent years, several others have slipped into a more intractable state of disinvestment and decay.

Further, contrary to popular opinion, the net effect of suburb-city migration still results in relative disadvantage to central cities. The average income of families moving out of cities was $16,000 compared to $15,000 for those coming into cities (1975–77). Because of net outmigration and the lower average income of in-migrants, central cities lost over $17 billion in family income from 1975–77. Furthermore, the poverty rate in cities was higher in 1977 than 1969.

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SELECTED INDICATORS OF SOCIAL AND ECONOMIC DISTRESS AMONG RESIDENTS OF CENTRAL CITIES AND SUBURBS

	Central cities		Suburbs	
	1970	1977	1970	1977
Percentage of population in poverty	14.9	15.8	8.1	6.9
Median family income (constant dollars):				
White	$15,601	$15,069	$17,413	$17,371
Black	$10,188	$9,361	$10,745	$12,037

Source: U.S. Bureau of the Census.

In terms of migration by blacks from central cities to suburban areas, it appears that movement during the past several years has been very limited. In a recent magazine article[4] which hailed the end of the urban crisis, the author used 1970–76 data concerning population loss in select Congressional districts to advance the thesis that black suburban movers are "now a significant demographic pattern." Further, the author portrayed the black movement out of the ghetto and into suburbia as a major phenomenon, one suggesting that barriers preventing the poor, jobless, and minorities from moving out of distressed inner city neighborhoods are falling. I wish that those conclusions were true. Unfortunately, they are not.

Nearly three-quarters of all black movers living in central cities moved to another location within the same central city. Because of patterns of discrimination, job location, and housing costs, most black households found their housing choices restricted to nearby inner city neighborhoods. Racism and poverty remain as significant urban problems. Therefore, if certain central city congressional districts have lost black population, other contiguous areas have gained and generally, the ghettoes have expanded in many central cities.

Further, based on 1975–77 data, white populations continue to move out of central cities at a rate considerably higher than blacks. As a result, even though the total number of blacks in central cities may have declined slightly, the percentage of central city residents who were black increased from just over 22 percent in 1970 to 23 percent in 1976. Conversely, the percentage of suburban residents who were black increased by less than 1 percent between 1970 and 1976 (from 4.7 to 5.6 percent).

RATE OF MOVEMENT OUT OF CENTRAL CITIES,[1] 1975–77

	Gross departure rate[2]	Net departure rate[3]
White	9.0	3.9
Black	3.4	1.3
Spanish/American	6.0	3.0

[1] Goodman, John, "Urban Residential Mobility", (Washington, D.C., Urban Institute, 1978) p. 6.

[2] Gross departure rate-movers out of central cities during 12 mo preceding March 1976 as percent of population of that type in central cities.

[3] Net departure rate-movers out of central cities minus movers into central cities during 12 mo preceding March 1976 as percent of population in central cities in March 1976.

CONCLUSION

I know this statement contains numerous statistics and numbers. It is important, however, that these figures be publicized so that the picture drawn of urban conditions is more accurate and realistic than the one recently portrayed by the media and several errant analysts.

The fact is that some American cities are doing better. Several events have made local public officials and city residents, even those in some of the most distressed cities, hopeful. That is, in some areas, signs of downtown renewal and neighborhood revitalization have become visible. Some cities have experienced

[4] Allman, T. D., "The Urban Crisis Leaves Town." Harper's (December 1978).

a net growth in jobs and fiscal capacity. Recent demographic trends reflecting earlier and increased household formation, smaller household size, and somewhat greater mobility among minorities and the poor have brought new life to once dormant city housing markets. The Administration's recent Urban Policy initiatives have been received positively.

But as outlined in my testimony today, many central cities still face severe economic, social and environmental difficulties. Cities which were well off in 1960 have stayed that way, while cities with problems in 1960 continued to have them. Indeed, cities which in 1960 were experiencing severe distress conditions have even more severe problems now, while cities which did not show distress conditions in 1960 have improved their positions. Clearly, the rich have gotten richer and the poor poorer. The problems of our most distressed cities appear to have deepened and worsened.[5]

In conclusion, I would like to state the basic problems and issues generated the President's urban policy will exist. That is, numerous American cities are still confronted by serious internal difficulties. We cannot wish or write them away. Instead, we must honestly address them. Solutions, however, may not always be readily apparent, given knowledge, resource, and institutional constraints. Nevertheless, by wisely using the resources and information at hand, we can continuously perfect or improve upon urban policies, strategies, and programs. As President Carter has stated, "We reject the possibility of failure. We must commit ourselves to a long term and continuing effort to meet stubborn urban problems and changing needs."

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions you or members of the subcommittee may have.

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[5] Richard P. Nathan and James W. Fossett, "Urban Conditions—The Future of the Rederal Role." Paper prepared for presentation to the National Tax Association (Philadelphia, Pa.: November 1978).

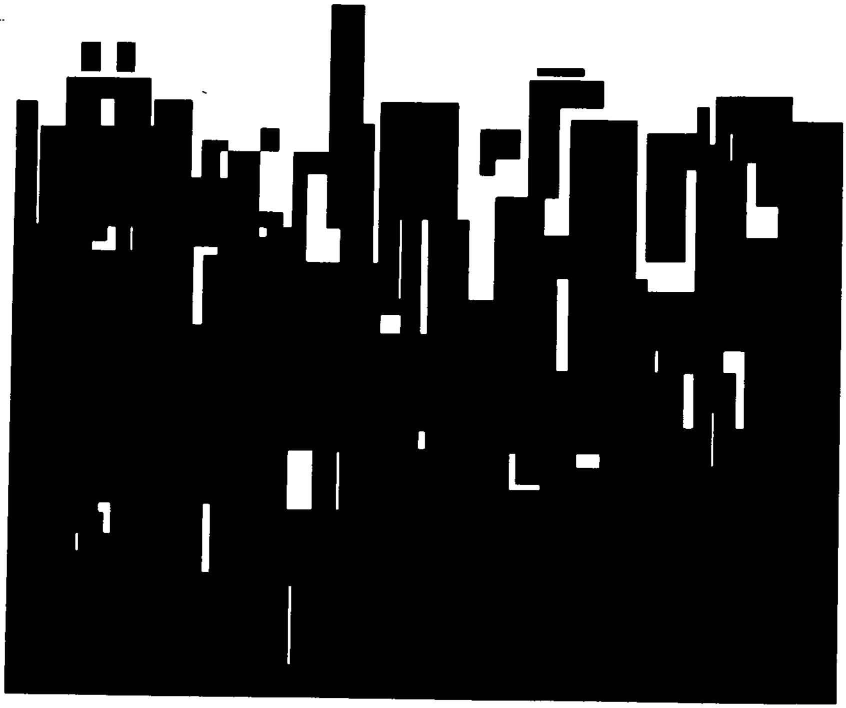
U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Working Paper

Urban Policy and Evaluation

Whither or Whether Urban Distress--

a response to the article
"The Urban Crisis Leaves Town"
by T. D. Allman, Harper's, December, 1978



This is a working paper of the Urban Policy Staff. Comments are welcome.

1

T. D. Allman's recent article in Harper's magazine 'The Urban Crisis Leaves Town' 1/ presents a misleading, often inaccurate and inconsistent portrait of America's urban problems and the status of its larger distressed cities. Using weak data and fragmented anecdotes, Allman concludes that distressed cities no longer face deep economic and social pressures and that past and present urban policies and programs are irrelevant or worse. He weaves together conventional wisdom about urban revitalization with often misplaced abstractions about future urban growth patterns. He mistakes current cyclical economic trends affecting cities for long term or secular trends. He draws improbable conclusions about the health of distressed cities from revitalization experiences now occurring in a limited number of cities or a relatively few areas in cities. 2/

1/ T.D. Allman, "The Urban Crisis Leaves Town," Harper's (December, 1978).

2/ Allman's article is not alone. Recently, numerous reports and articles have appeared in the popular press and in journals asserting that once troubled central cities are now in good shape or are on their way back toward good health. As noted in this paper, many cities have illustrated new vitality, but this nation's urban problems remain with us. Fascination with anecdotes relative to recent revitalization efforts should not substitute for hard analyses. Revitalization efforts, while important, remain limited. Most distressed cities still face significant fiscal, social, and environmental stress.

Part I: The Status of American Cities

Some American cities are doing better. Several events or factors have made local public officials and city residents, even those in some of the most distressed cities, hopeful. An improved national economy combined with federal countercyclical aid has brought to many troubled communities a degree of welcome economic stability and, to some, a net growth in jobs and fiscal capacity. Signs of downtown renewal and neighborhood revitalization have become visible in some urban areas. Recent demographic trends reflecting earlier and increased household formation, smaller household size, and somewhat greater mobility among minorities and the poor have brought new life to once dormant city housing markets. The Administration's recent urban policy initiatives have been received positively.

But, unfortunately, as the paragraphs below will indicate, many central cities still face severe economic, social and environmental difficulties. Fiscal strain has not vanished and restricts the ability of many distressed cities to provide even conventional services and maintain or repair valued public investments in streets, sewers, and the like. Middle class households are not moving to the city in large numbers. Revitalization activities are confined by and large to small areas within most troubled cities, and stem generally from the efforts of intra-city movers. Disinvestment still surpasses investment in numerous older central cities and continues to result in abandoned housing, blighted neighborhoods, and deteriorated commercial facilities. Racism and poverty still combine to limit opportunities open to countless numbers of urban dwellers.

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On balance, while American cities have proved resilient in the face of adversity, and while many happily illustrate new vigor, the basic issues which generated the President's urban policy still exist. That is, numerous American cities confront internal difficulties. We cannot wish or write them away. Instead, we must honestly address them. They are complex. Solutions may not always be readily apparent, given knowledge, resource, and institutional constraints.

Part II of this paper directly responds to the pervasive theme in Allman's article; that is, that most urbanists in this country and the Administration have misread numbers and current city experiences and have misled the American public into believing that there is an 'urban crisis.' Part III comments on some of Allman's key assertions concerning the supposed irrelevance of Federal urban policies and programs, and Part IV briefly addresses the strategies proposed in the article to respond to the author's redefinition of the urban problem.

Part II: How are Central Cities Making Out?

A. Are central cities doing relatively better than their suburbs?

Allman's assertion that central cities and their suburbs are moving toward congruence and his suggestion that central cities have done better of late than their suburban neighbors is based on a misuse and misinterpretation of data. His case rests essentially on a comparison of recent population and employment changes between central cities and suburban cities with populations over 50,000. Thus, his data excludes most typical

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suburban communities. Instead, it includes many older suburban cities, whose characteristics are indistinguishable from their contiguous distressed central cities.1/ The communities are not typical of suburbia. They do not reflect suburban growth characteristics. They do not house most suburban residents.

Allman apparently never looked at data regarding all central cities and suburbs or all large central cities and their suburbs. If he had his conclusions would have been different. For example, Dr. Seymour Sachs, in calculating the annual average percent change in employment for the periods 1960-1970 and 1970-1975 in large central cities and suburbs found that central city/suburban employment disparities have remained significant and indeed increased in most areas of the country.

ANNUAL AVERAGE PERCENT CHANGES IN EMPLOYMENT 2/
(Unweighted Averages)

	1960-1970		1970-1975	
Region	Central City	Suburban Balance	Central City	Suburban Balance
Northeast	- .3	2.9	-1.7	1.8
Midwest	.4	4.0	- .2	3.1
South	2.0	5.2	3.3	5.2
West	2.3	3.4	2.5	4.7

1/ The table used in the article to support the author's position reflects material from an unpublished Rand study. Rand's staff consider the data from the study still in the process of evolution and quite crude. Rates of growth and decline are stated as simple averages. Percentage changes in larger cities are equated with similar percentage changes in smaller cities even though the numbers involved vary significantly.

2/ Seymour Sachs, "Trends in Large City Characteristics... The Role of Annexation" (Unpublished, draft, Syracuse University), p. 24. Dr Sachs analyses is based on virtually complete sample of cities over 150,000 in 1970.

5

Unpublished Bureau of Labor Statistics data concerning unemployment suggests similar conclusions; that is, that the gap between central cities and suburbs rather than closing may indeed be widening.

U.S. CENTRAL CITY, SUBURBAN AND NON-METRO UNEMPLOYMENT RATES

1973-1977

Year	U.S.	Central City	Suburbs	Non Metro
1977	7.0	8.7	6.3	6.6
1976	7.7	9.2	7.1	7.0
1975	8.5	9.6	8.0	8.0
1974	5.6	6.5	5.3	5.1
1973	4.9	5.9	4.6	4.4

In effect, "in 1975, when the national unemployment rate peaked, the central city unemployment rate was 9.6%... and elsewhere (suburbs and non-metro) the rate was 8%. Since 1975 unemployment rates in suburbs...have fallen significantly, but unemployment rates in cities have remained high..." 1/ Further, income growth, particularly in the largest cities, has not risen as fast as income in suburban areas. And "during the recovery median incomes of families living in central cities of the largest SMSAs have grown at just over two thirds of the national rate" 2/, well under the comparative growth rates witnessed in suburban areas.

1/ Reischauer, Robert, The Economy, the Federal Budget and the Prospects for Urban Aid in the Fiscal Outlook for Cities, edited by Roy Bahl (Syracuse: Syracuse University Press, 1978), p. 95.

2/ Ibid, p. 96.

MEDIAN INCOME SMSAs OVER ONE MILLION

	U.S	Central City	Suburbs
1976	$14,958	$13,700	$18,419
1975	13,719	12,957	17,156
1973	12,051	11,440	14,945
1970	9,807	9,900	12,425

B. Are distressed cities doing better than non-distressed cities?

Allman uses comparative unemployment data to reinforce his argument that distressed cities are outperforming other cities and may not need significant outside help. Unfortunately, his logic, analysis and data are not compelling. 1/

(1) Unemployment rates as used by Allman, do not provide a good indicator of even unemployment related problems, let alone general urban distress. They do not relate key information relative to labor force participation or measure the types and extent of different kinds of unemployment in varied cities. Cities with comparatively high rates of unemployment could reflect, like San Diego and Phoenix, relative low rates of chronic unemployment. As a result, their social service costs and fiscal burdens often are considerably less than cities that look better on paper because of marginally lower unemployment rates.

(2) The article presents data suggesting that a limited number of distressed northern cities are narrowing the employment gap between themselves and a number of nondistressed cities. But the data Allman provided apparently reflects totals for only two months (June and July 1978). As such, they mask short term cyclical trends and completely blur longer term patterns.

1/ Statistics are presented suggesting that Cleveland has a lower unemployment rate than Atlanta, and Boston, Baltimore, Detroit and St. Louis all have lower unemployment rates than El Paso. But the pairings and comparisons are spurious. They do not result from any legitimate sampling process. Each of the included cities is vastly different. While their respective unemployment rates are responsive to national economic conditions, unique local economic factors in several of the cities cited by Allman make short term comparisons irrelevant. Moreover, contrary to the impression left by the author, each of the included cities has shown and now shows signs of distress.

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Had the author used a full year (1978) or as close to a full year as possible, his conclusions would have been tempered considerably.[1/] For example, five of the six northern cities cited by Allman exceeded Allman's stated unemployment rate for at least five of the eight months in 1978 for which recorded data is available. Conversely, only three of the six Sunbelt cities surpassed Allman's cited rate for the same period. Further, the rate of unemployment decline among all northern cities was just slightly above that for identified Sunbelt cities--this despite a considerably higher initial unemployment level in Northern cities.

(3) Several extensive and recent studies have identified clearly more relevant urban distress and/or fiscal strain measures than unemployment alone. They include: changes in population and per capita income compared to national average changes; changes in number of jobs compared to national job growth; changes in own source revenue and/or debt obligations compared to changes in per capita income. In this context, all of the cities but one used by Allman to suggest that distressed cities are doing okay because unemployment gaps are narrowing, show signs of fiscal strain, and all of them rank generally among the most severely distressed large American communities. Perhaps more relevant, most larger distressed cities including all the cities mentioned by Allman continue to face simultaneous job and population loss.

1/BLS staff indicate that recent methodological changes in the way data is collected limit the relevance or appropriateness of short term city by city unemployment rate comparisons.

8 LARGE CITY POPULATION AND EMPLOYMENT

	HUD Need Ranking	CBO Economic Need	Brookings Conditions Ranking	Population Loss or Gain (1970-78)	Total Employment 1/ Loss or Gain (1970-1977)
New York	15	2	—	- 6.0%	-14.0%
Chicago	13	8	11	- 8.8	-18.7
Los Angeles	31	24	37	- 2.0	—
Philadelphia	16	10	9	- 6.6	-19.5
Houston	46	43	48	+18.0	+35.7
Detroit	8	14	8	- 6.6	-26.9
Dallas	43	38	45	+ 0.5	+10.7
Baltimore	6	19	13	- 8.6	-16.4
San Diego	53	32	44	+13.0	—
San Antonio	19	—	39	+20.0	—
Indianapolis	57	37	36	- 5.0	—
D.C.	7	25	—	- 7.4	-11.6
Phoenix	56	48	54	+17.0	—
Memphis	23	—	42	+ 7.0	—
San Francisco	25	12	20	- 7.0	—
Milwaukee	27	18	18	- 7.8	- 8.3
Cleveland	4	4	3	-17.0	-18.1
Boston	10	7	7	- 3.6	—
New Orleans	2	26	17	- 2.0	—
San Jose	58	44	56	+24.0	—

PRIVATE SECTOR EMPLOYMENT IN EIGHT MAJOR CENTRAL CITIES AND THEIR SUBURBS 2/
1974-1976

	Central City			Suburbs		
	1974 (000s)	1976 (000s)	Percent Change	1974 (000s)	1976 (000s)	Percent Change
Baltimore	329	301	- 8.5	313	311	- 0.6
Boston a/	423	391	- 7.6	869	822	- 5.4
Denver	275	267	- 2.9	219	228	4.1
New Orleans	217	213	1.8	131	140	6.9
Philadelphia	698	639	- 8.5	872	867	- 0.6
St. Louis	331	293	-11.4	464	494	6.5
San Francisco	457	450	- 1.5	631	647	2.5
Washington, DC	310	316	1.9	525	538	2.5

1/ Data provided by Dr. Seymour Sachs, The Maxwell School of Syracuse University. Between 1970-1977, most large central cities experienced a significant decline in the number of people living and working in the central city, also during that time, suburban populations grew, as did the number of jobs located in suburban areas. Consequently, many central cities show serious losses in employment growth rates between 1970-1977.

2/ SOURCE: U.S. Bureau of the Census.

a/ Employment figures refer to Suffolk County (approximately coterminous with Boston City.)

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As indicated by Richard Nathan of Brookings, "A number of reports and articles have been issued recently which argue that conditions have been improving in a number of the nation's older and declining cities... Our monitoring work indicates signs of new activity and improvements in the economic outlook for some older cities. But it is important that the point not be carried too far. As is often the case with new fashions in policy ideas, generalizations tend to be made too quickly. The most severely distressed cities do not show signs of improvement; quite to the contrary, their problems appear to have deepened and worsened.[1/]"

C. Has private investment increased significantly in distressed cities and are American cities an "alluring" investment opportunity?

Allman suggests that significant commercial and industrial revitalization activities are now taking place in many distressed cities. Thus, by implication, Federal economic development assistance is not warranted at this time. The author offers no hard evidence concerning the supposed economic rebirth of troubled cities. Rather, he provides the reader with numerous interesting but less than convincing fragmented anecdotes, and exaggerates the findings of 'independent' studies or analyses. Regrettably, the facts are not always easy to discern. What data and studies are available add up to a complex picture. For example:

(1) The Urban Land Institute report cited by Allman does not indicate, as he concludes, that 70% of all 'sizeable' cities are experiencing a significant economic revival. This report is based on a limited response to a general questionnaire (and is primarily oriented toward residential

1/ Richard P. Nathan and James W. Fossett, "Urban Conditions—The Future of the Federal Role". Paper prepared for presentation to the National Tax Association (Philadelphia, Pennsylvania, November 1978).

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projects). It indicated that 70 percent of cities with populations of 500,000 or more which responded to their questionnaire are experiencing some degree of rennovation, again primarily residential.[1/]

(2) Most distressed cities have faced a persistent decline in their economic base. While Allman notes the rental of the City Corp Tower in New York, he doesn't note the fact that New York City lost nearly 600,000 jobs since 1969. Nor does he convert New York City's net decline in jobs to a probable tax loss of close to $500 million-almost enough to cover present deficits.[2/] Unfortunately, as indicated earlier (see table on page 8), central city job loss is not limited to New York. Indeed, slow population growth and a visible reduction in private sector employment are two key factors generating distress in many larger central cities.

(3) Distressed cities have not reaped a nonresidential building bonanza. Permit data indicates that the value of nonresidential construction in slowgrowing SMSAs was less in 1977 than in pre-recession years (constant dollars). More important, unpublished data suggests that central cities have averaged 20-30% of SMSA building permit value for the past several years—a figure much less than their proportion of the population (40%+).

1/ Thomas Black, "Private Market Housing Rennovation in Central Cities," Urban Land (November 1975). Black's survey for Urban Land Institute was based on a 250 city sample. 48% of the cities responded to the questionnaire.

2/ Seymour Sachs, "Estimates of Current Employment Trends and Related Information for Large Cities," Urban Roundtable, March 1978.

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(4) Little data exists to support Allman's bullish comments about foreign investment. Treasury Department staff indicate that, contrary to often dramatic news reports, aggregate foreign investment has remained relatively stable over the past few years and does not at present exceed 6 billion dollars annually. Real estate investment seems concentrated in non-distressed cities, while investment in manufacturing seems more evenly balanced. Cumulatively, direct foreign investment in this country remains less than 25% of the total of U.S. direct investment abroad ($137.2 billion).[1/]

(5) Between 1971-1976 property values, reflecting in part new investment, grew much slower in distressed than non-distressed cities.[2/] Conversations with a number of local public officials indicate that the disparities between distressed and non-distressed cities have remained constant and, indeed, in many distressed areas may have even widened since the mid seventies.

Clearly, at the present time distressed central cities face a particularly hard time competing for industry and commerce. Many businessmen deciding to re-locate and/or expand find it difficult to accept such negative externalities as smog, poor water and sewer facilities, bad services, limited housing choices, or the like. Irrespective of the name, the result skews business decisions and leads

1/ Clearly, any final assessment of the net benefits or impact of foreign investment on cities would have to acknowledge the net costs, if any, of U.S. investments overseas. Unfortunately, the data does not exist yet to complete this analysis.

2/ Treasury study of distress.

to either a reduced willingness to invest within troubled city boundaries or a desire to ration investment and limit it to small areas of distressed cities. Clearly, the data portraying distressed central city economic decline continue to illustrate the probable importance of amenity, flexible sites, shelter, and adequate infrustructure in firm locational decisions.

D. Do Cities Have Significant Fiscal Problems?

Allman reports that many troubled cities find "themselves with more revenues than they know how to spend..." Indeed, he suggests that the fiscal problems faced by numerous urban communities in recent years may have been overblown. In any case they appear to be well on the way to solution. Granted, as Allman states, "there was a fiscal crisis in American cities three years ago..." It was... "mistaken for an urban crisis that never existed in the terms that were assumed..."

Repeated news stories, however, reporting New York's, Cleveland's and Newark's continuing and varied fiscal problems should have generated more caution on Allman's part. His analysis is a cursory one.

As the article indicates, State and local governments have accumulated a $29 billion surplus. But, as the article does not point out, the local government's share of this total probably amounts to less than 30% (see table on next page). Indeed, it is likely that the city portion of the total is well under 20%, given the fact that the term local government encompasses towns and counties, special districts, and the like.

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SURPLUS/DEFICIT (000,000) 1/

	1970	1971	1972	1973	1974	1975	1976	1977
NATIONAL								
Social Insurance	6,754	7,491	8,133	8,874	10,117	12,005	15,183	18,047
Other Funds	-3,895	-3,808	5,614	4,129	-2,844	-5,133	5,471	11,511
Deficit/Surplus	2,769	3,683	13,747	13,003	7,273	6,872	20,654	29,588
STATE								
Social Insurance	5,260	5,832	6,390	6,873	8,190	9,700	11,620	
Other	-3,848	-4,299	3,243	- 48	-3,797	-4,782	1,271	
Deficit/Surplus	1,412	1,533	9,633	6,825	4,393	4,918	12,891	
LOCAL								
Social Insurance	1,494	1,659	1,743	2,001	2,287	2,439	2,909	
Other	-137	491	2,371	4,177	884	-1,440	2,637	
Deficit/Surplus	1,357	2,150	4,114	6,178	3,171	999	5,546	

More relevant, the surplus figure is an aggregate one. As such it masks variations in the fiscal health of contributing State and local governments and blurs the composition of the surplus. While precise data is not available, it is likely that the largest share of the surplus allocable to local governments comes from wealthier and more fiscally stable communities. And equally relevant, since one out of two surplus dollars come from insurance and/or pension funds 2/, it is likely that many communities with a surplus cannot freely use it to meet significant local needs.

Clearly, as Dr. Robert Reischauer has observed, "Washington decision makers must become better informed about the nature of State and local budget making. Constrained by constitutions, laws, or tradition to

1/ SOURCE: Survey Current Business, May 1978

2/ These funds are generally not subject to control of local officials.

maintain a balanced budget, the State and local budget process is quite different from that of the Federal government. That these budgets turn out to be in surplus does not necessarily indicate that there is no fiscal strain or distress. Surpluses may be the result of significant cutbacks in real services or of discretionary revenue increases. Some of the former must have occurred during the 1973-77 period because, after adjusting for inflation and population growth, total state and local spending increased by less than 1 percent a year. Revenue burdens, as measured by state and local own-source revenues as a fraction of GNP, have risen slightly over this period, in contrast to the decline experienced at the federal level.[1/]"

Recent studies by the Treasury Department further deflate the myth of the surplus. They suggest that of the 48 largest cities in this country, 10 face high fiscal strain, and 28 others face moderate fiscal strain. Further, the Joint Economic Committee of Congress, after surveying 67 of the 75 biggest U.S. cities, reported that many of the worse off cities—those exhibiting again both high unemployment and population decline—have been forced to postpone and/or reduce needed capital expenditures and have cut back on services in order to make ends meet. Indeed, surplus amounts illustrated by these cities probably result from a significant slow down in construction and maintenance of public facilities and a reduction of public services. They reflect significant efforts on the part of local governments to respond to economic uncertainty and the ability of these same

1/ Reischauer, Ibid, p. 108.

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governments to substitute Federal for local funds for certain expenditures. In effect, as reported by Roy Bahl in a recent book titled *The Fiscal Outlook for Cities*, "in the face of declining economic bases, inflation, and rising public employment costs, cities have managed to stave off the most obvious manifestations of true financial crisis...[1]" To do this many have had to rely increasingly on Federal aid and at the same time defer necessary expenditures for maintenance and restoration of valued public investments (i.e., streets, water lines, etc.).

E. Are cities attracting affluent people from all over the world? Are poor and non-white populations leaving their ghettos today in siginificant numbers? Because of current migration patterns, will cities become richer?

If the factual content of Allman's many assertions concerning the 'back to the city movement' and the movement of poor blacks from the ghetto to suburbia were true, it would not only please many of those interested in the health of cities, but excite many who have for years sought the end to racism and access to suburban housing markets for lower income minorities. But again Allman overwhelms the data with gross statements, many of which are not borne out by a careful reading of the facts.

1/ Bahl, Roy, et. al., *The Outlook for City Fiscal Performance in the Fiscal Outlook for Cities*, edited by Roy Bahl (Syracuse, Syracuse University Press, 1978) p. 28.

Neither the 'back to the city movement' nor the outflow of minorities from cities is presently significant. While neighborhood reinvestment has occurred in some cties, the phenomena is neither recent nor pervasive. Further, although displacement of the poor and disadvantaged resulting from reinvestment and neighborhood revitalization is visible and of concern, the numbers involved are still relatively small.[1/] As a result, the problems appear resolvable through strategic public intervention. Clearly, Allman's assertion that "the newly arrived rich are pushing the poor out" is a gross overstatement.

(1) Back to the City

Overall, population migration patterns continue to sap the economic and social vitality of cities. Between 1975-1977, 1,018,000 more families moved from central cities to suburbs than moved into central cities from suburbs. Population continued to fall dramatically in many older central cities. Significantly, as illustrated in the table on page 8, several major cities have lost more than 5 percent of their population since 1970.

1/ Gentrification, a newly-coined term, has come to mean the process by which a neighborhood occupied by lower-income households undergoes revitalization or reinvestment through the arrival of upper-income households. Available evidence suggests that the process of gentrification is occuring in selected neighborhoods of older cities, but so far has had little and measurable impact upon the net migration of upper-income households involves primarily innercity movers. It is ironic that even before it reaches a statistically significant level, gentrification has begun to acquire a bad name by being linked with the displacement of lower-income households. Observers who once assigned cities the dismal fate of becoming enclaves of the poor (at great cost to the mobility prospects of the poor) are already forseeing that cities will become enclaves of the rich, ignoring the possibility that, thanks to their new-found attractiveness to some members of the middle class, cities may be able to preserve the social heterogeneity for which they have long been treasured. Displacement is a potential problem associated with gentrification, but it is a problem that is amenable to public policy solutions. Most cities have the capacity to provide attractive housing in socially and economically integrated neighborhoods to middle income as well as low-income households, to the mutual benefit of both.

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Suburbanites are not breaking down city doors, as Allman suggests. Nor are they converting large areas or many neighborhoods in cities from slums into a relocated urban suburbia. Indeed, if there is a "crack in the picture window,"[1/] or if suburban residents are becoming disinheartened with life in suburbia, the crack is a relatively small one, and the level of dissatisfaction is not yet strong enough to generate significant moves. It is true that the number of suburb to central city movers has increased over the past 20 years. But the increase has occurred because of the growing number of suburbanites and not because any given suburbanite is more likely now than before to move to the city.[2/] Further, contrary to popular opinion, suburb to city moves do not substantially raise the average socieconomic status of city populations. The average income of families moving out of cities was $16,000 compared to $15,000 for those coming into cities (1975-1977). Because of net outmigration and the lower average income of in-migrants, central cities lost over $17 billion in family income from 1975-1977. Furthermore, the poverty rate in cities was higher in 1977 than in 1969[3/].

Selected Indicators of Social and Economic Distress among Residents of Central Cities and Suburbs

		Central Cities		Suburbs	
		1970	1977	1970	1977
Percentage of Population in Poverty		14.9	15.8	8.1	6.9
Median Family Income (constant dollars)	White	$15,601	$15,069	$17,413	$17,371
	Black	10,188	9,361	10,745	12,037

1/ Title of a popular book by John Keats in the mid-sixties criticizing life in suburbia.

2/ Goodman, John, Urban Residential Mobility (Washington, D.C., Urban Institute, 1978) p. 8.

3/ As indicated in the Census, the majority (62%) of the Nation's metropolitan poor lived in cities in 1976, in contrast to the distribution of the whole population (42% in cities).

Strikingly, median real family income declined for both whites and blacks in central cities between 1970 and 1977. In suburbs, by contrast, median family income fell very slightly among whites, and rose markedly for blacks. Similarly, the incidence of poverty rose in central cities during the period and declined in suburbs.

(2) Black Migration

Allman provides 1970-1976 data concerning population loss in select Congressional districts to buttress his thesis that black suburban movers are "now a significant demographic pattern". Further, he portrays the black movement out of the ghetto and into suburbia as a major phenomenon, one that indicates that the barriers preventing the poor, jobless, and minorities from getting a house with a "picket fence around it are beginning to tumble". Would that Allman's findings were borne out by the data.

In 1970 about 12.9 million blacks lived in central cities. By 1974, the total reached 13.7 million. Last year, the number had decreased slightly to 13.45 million; an important occurrence, given the constant increase in black central city population since after the War. But, the decline is not statistically significant because of the small numbers involved and the fact that Census data is based on a "sample" rather than an exact count.

The flow of blacks to the suburbs is thus far a very limited one. For example, between 1975 to 1977, approximately 170,000 black family heads of households were central city to suburban movers. They constituted only 4% of the 4,388,000 black families living in central cities and their suburbs

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in 1977. And, based on 1975-1977 data, (see table below), whites continue to move out of central cities at a rate considerably higher than blacks. As a result, even though the total number of blacks in central cities may have declined slightly, the percentage of central city residents who were black increased from just over 22% in 1970 to 23% in 1976. Conversely, the percentage of suburban residents who were black increased by less than 1 percent between 1970 and 1976 (from 4.7 to 5.6 percent).

RATE OF MOVEMENT OUT OF CENTRAL CITIES 1/

1975-1977

	Gross Departure Rate 2/	Net Departure Rate 3/
White	9.0	3.9
Black	3.4	1.3
Spanish/American	6.0	3.0

Because of patterns of discrimination, job location, and housing costs, most black households historically have found their housing choices restricted to certain inner city neighborhoods. While precise data for recent years is not yet available, conversations with public officials and a review of many local housing studies suggest that

1/ Goodman, Ibid, p. 6.

2/ Gross Departure Rate—Movers out of central cities during 12 months preceding March 1976 as percent of population of that type in central cities.

3/ Net Departure Rate—Movers out of central cities minus movers into central cities during 12 months preceeding March 1976 as percent of population in central cities in March 1976.

contrary to Allman's assertions, poor and non-white movers continue to move to contiguous areas in the same city. Nearly 70 percent of all black central city movers (1975-1977) are intra city movers; that is, they moved from one area within the central city to another. Movers to the central city of another SMSA accounted for another 8%. Thus, almost 80 percent of all black movers who stayed within a metropolitan area did not relocate outside a central city.1/

Black families who moved from central cities were not the very poor. On the average, they had higher incomes than black family non-movers who remained in central cities.

Central City Black Households--Movers/Non-Movers

	Annual Income (Family)
Movers to Outside Central City	$12,966
Non-Movers in Central City	$12,175

(3) Displacement

Regrettably, hard data and analysis concerning neighborhood revitalization caused displacement in central cities is not yet available. However, those who have begun to look seriously at the problem have indicated that its magnitude in absolute or aggregate terms is not large.

1/ Allman suggests that data reflecting a drop off in black population in select Congressional districts suggests extensive black movement to suburbia. He neglects to look at recent data noted above concerning locations of black movers, and aggregate data illustrating the relatively small numbers of blacks now moving to suburbia.

It appears that:[1/]

1. Revitalization has occured in only a tiny fraction of any city's neighborhood and has affected only a small proportion of their housing stock. Many more neighborhoods have gone through disinvestment, decline, and sometimes abandonment, than have experienced middle- or upper-income reinvestment.

   Since 1968, nearly 55,000 units or only 1/2 of 1 percent of the nearly 20 million units in cities have been affected by revitalization/ restoration efforts. In the Nation's 30 largest central cities reinvestment has affected less than 5 percent of each city's housing stock and in most instances, less than 2 percent.

2. Most households involved in revitalization (more than 70 percent) have not been suburbanites returning to central cities, but intra-city movers converting from renter to owner status.

3. The degree and kind of displacement resulting from revitalization varies by city, and is related to market conditions as well as demographic characteristics. Up to now relatively few households have been involved.

4. In a majority of the revitalized neighborhoods less than half of the units have been improved, suggesting that at least half of the residents of revitalized neighborhoods are not middle-class newcomers.

1/ Conclusions relative to gentrification and displacement emanate from a review of the literature. Among the more important and recent texts: Neighborhood and Renewal by Phillip Clay (Health and Company); Thomas Black, "Private Market Housing Rennovation...(Urban Land Institute); Franklin James, Private Reinvestment in Older Housing (paper prepared for Congressional testimony). We are also indebted to Dr. Kenneth Rosen for sharing early research on displacement.

5. By and large, displacees appear to relocate not in suburbia but in contiguous neighborhoods, a fact related to preference, the availability and costs of homes in nearby areas, and residual discrimination patterns in more distant areas.

F. Do federal funds flowing to cities constitute "a deluge..."?

Federal aid to cities has grown dramatically since 1960 because of a growing national awareness of, and a commitment to respond to, urban problems. However, Allman's varied and disparate statements concerning Federal aid to cities reflect the worst type of journalistic hyperbole. For example, his estimate that cities have received $400 billion since the end of the War on Poverty and will receive $80 billion in fiscal 79 are far off the mark. Both figures include grants-in-aid to all levels of government below the Federal level (i.e., State and local, including counties and towns and special districts), as well as person-oriented assistance, that is, aid to eligible people irrespective of location. If aid to non-central cities were factored out of Allman's totals or, conversely, if only direct aid to central cities were included, they would be reduced by nearly 75 percent. Aid to central cities since the late sixties would roughly approximate $100 billion,[1/] and current grants in aid to cities

1/ Unfortunately, it is difficult to determine precisely how much money cities receive from the federal government because of the complex way federal aid is distributed to beneficiaries. The above estimates, however, are based on reasonable assumptions relative to the flow of funds and are, if anything, liberal.

would range from 25-28 billion dollars,[1/] less than 6% of the federal budget. The table below illustrates the FY 79 totals attributed to central cities by one thoughtful urban analyst.[2/]

1979 Federal Outlays—Central Cities
(Millions of Dollars)

Jobs and Economic Development	6,847.3
Fiscal Assistance	3,637.1
Physical Development	9,102.0
Social and Health Services	5,636.9
TOTAL	25,223.3

Allman's carelessness in interpreting gross totals with respect to Federal aid is matched by marginal concern with accuracy when describing individual Federal programs. Cities are not, as Allman suggests, receiving $4.5 billion annually for environmental protection or $2.4 billion each year in mass transit funds. Far less than 50 percent of the Environmental Protection Agency's funds referred to in the article flows to central cities. And, while it is difficult to ascertain the precise flow of Department of Transportation funds to central cities because a significant share of DOT funds goes to metropolitan-wide groups for areawide programs, the total allocated to central cities is well under the figure recorded in the article.

1/ This range suggests funds flowing to local governments or geographic entities for central city problems. The bulk of these funds do not flow directly to city hall and are therefore are not subject to the clear direction of city officials.

2/ Dr. Anthony Downs, Urban Policy in Setting National Priorities, The 1979 Budget (Washington D.C., Brookings Institution, 1978); p. 181.

Finally, Allman suggests that Senator Proxmire is appalled...to watch community development block grant funds pouring into the richest census tracts... We would share Allman's description of Senator Proxmire's concerns if they were currently true. Since the inception of the program, over 62.6 percent of all CDBG funds have been allocated to benefit low and moderate income persons and families.[1/] More relevant, perhaps, is that the Department of Housing and Urban Development, after evaluating some of the visible abuses in the program during the previous Administration, toughened the performance criteria governing the distribution of CDBG funds. To the extent the statute permits, HUD's priorities are now clear. Cities must use the largest share of their funds to benefit the poor and near poor and to revitalize low and moderate income neighborhoods.

1/ SOURCE: Third Annual Report of Community Development Block Grants Program. Table 4.3, page 62.

Part III. Conceptual Underpinnings and Conclusions

As indicated in the previous section, Allman offers at best weak and at worst inaccurate data and analyses to support his view that city problems have moved to the suburbs. His general assumptions or hypotheses concerning the shape and content of future urban trends and the irrelevancy of past and present urban policies suffer from the same inadequacies. Each of Allman's assumptions is first outlined as a question and then briefly responded to in the paragraphs below.

A. Will American Cities Grow Like Foreign Cities?

Those interested in cities in this country and indeed in other countries have much to learn from each other. Certainly, important parallels exist between foreign cities and our own. In this context, however, it is likely that urban trends in this country are harbingers of the future in other nations and not, as Allman suggests, the other way around. As noted English urbanist, Peter Hall, recently indicated: 1/ "European planners have not been fully conscious until recently just how strongly the tide of urban decentralization has set in their own countries. ...in northern and western Europe, the trends now seem similar to those

1/ "Success Abroad: What Foreign Cities Can Teach American Cities," U.S. Congress. House of Representatives. Committee on Banking, Finance and Urban Affairs, Subcommittee on the City. Hearings. 95th Congress, 1st Session, April 4, 5 and 6, 1977.

in the United States—though they have been discovered more recently, and are almost certainly more recent in origin. They are first, the loss of population and of employment from central city to suburb, evident earliest and most strongly in the large metropolitan areas; and secondly, a tendency for loss of people and jobs from the larger (million-plus) metropolitan areas, associated with a rapid growth of smaller and medium-sized metropolitan areas situated either at the periphery of the larger metropolitan systems, or in peripheral regions."

At a recent meeting of the Organization for Economic Cooperation and Development, no less than 17 of 19 developed nations present reported that inner-city problems were substantial in their urban areas, and that there was a growing coincidence between U.S. distressed city problems and their own.

B. Will American cities increasingly reflect concentrations of the affluent and American suburbs concentrations of the poor? Will urban areas be polarized increasingly along class lines? Will American cities be ringed by shanty towns, bidonvilles, etc.?

Allman implies that the lines between the poor and moderate and higher income groups in this country will become increasingly rigid and fixed. Further, he indicates that more affluent households will push the poor out of central cities into substandard housing in surrounding older suburbs.

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Acceptance by Allman of a class/caste mode of analyses to describe social and economic phenomena in urban areas seems premised more on ideology than empirical observations. While perhaps, useful as an apocalyptic picture of what is possible, data and commentary presented in part II suggest a different scenario. Disproportionate numbers of poor will remain in central cities for some time. The back to the city movement combined with the movement of minorities to suburbs, both relatively small at this juncture, will in all likelihood increase integration at least on a total city and area wide basis.

Shanty towns and bidonvilles on the fringe of central cities do not appear likely. Their evolution is not reflected in the continued improvement of housing conditions in this country, and in the likelihood that higher new housing costs will generate more rehabilitation of and investment in the existing housing stock. At the present time, decennial Census and Annual Housing Survey data show a progressive decline in the proportion of the Nation's housing stock that is dilapidated, substandard, or overcrowded (see table on next page).

Further, housing data (1973-76) certainly do not suggest that suburbs are becoming the slums of the 1970's or 1980's. In suburbs, as in central cities, traditional measures of housing problems such as overcrowding and lack of plumbing have decreased considerably in the period 1969-76. These same indicators, however, suggest that a significantly greater incidence of housing problems remain in central cities. Equally important, for a wide range of housing and neighborhood conditions - heating deficiencies, major cracks and holes, rundown and abandoned housing, poor opinion of housing or neighborhood - a household in the central city had in 1976 a two to four times greater chance of severe housing difficulty than a household in the suburbs. 1/

MEASURE OF HOUSING INADEQUACY 2/

	1940	1950	1960	1970	1975
Percent lacking some or all plumbing	45.2	35.4	16.8	6.5	3.5
Percent dilapidated or needing major repairs	17.8	9.8	6.9	4.5	NA
Percent substandard: Dilapidated or lacking plumbing	49.2	36.9	18.2	9.0	NA
Percent with 1.5 or more persons per room	9.0	6.2	3.6	2.0	1.0

Increased racial and income polarization in this country would have disastrous ramifications, given our Nation's continuing commitments to enhance opportunity, eliminate discrimination, reduce

1/ Appendix F, Table F23 Bunce and Goldberg, "City Need and Community Development Funding," a paper prepared by HUD staff.

2/ Decennial Censuses of Housing U.S. Department of Commerce, Bureau of the Census, and the Annual Housing Survey, U.S. Department of Commerce, Bureau of the Census and U.S. Department of Housing and Urban Development, Office of Policy Development and Research. NA=Not available.

poverty, and expand choice. It is not occurring, at least according to aggregate data at the present time. As noted earlier, although the totals are still relatively miniscule,[1/] blacks, particularly middle class blacks, have begun to move to the suburbs in increasing numbers. The number of poor people, and their proportion to the general population, while subject to cyclical ups and downs, have gone down since 1965.[2/] Most low income households remain wedded to mobility and improvement in the quality of their lives and the lives of their children.[3/] Finally, apart from the busing issue, most white Americans according to surveys, seem more tolerant today on issues related to race than ten years ago.

1/ Allman mistakenly interprets the decline in the number of blacks being in select Congressional districts as a sign that the poor and blacks are moving to suburbia in large numbers. He fails to note that: (1) by and large the move of blacks to suburbia is relatively small; (2) black movers to surburbia are not generally poor.

2/ The Congressional Budgeting Office recently noted that the percentage of families in poverty declined by ...30% between 1965-1975. ... "If income is looked at after taxes and total transfers, the incidence of poverty among families has fallen approximately 56% since 1965.

3/ F. Levy in "How Big the American Underclass?" (Washington, D.C.: Report to U.S. Department of Labor 1976) reviewed income changes of those in poverty over six years. He noted considerable mobility out of poverty. One quarter of his sample left poverty five out of six years; nearly one third were out of poverty fifty percent of the time.

C. <u>Can policies play an important role in guiding Federal efforts? Does the inadvertent impact of Federal programs often negatively affect purposeful Federal efforts to aid cities?</u>

As indicated in the Administration's urban policy analysis and the President's urban policy statement, a gap often exists between what is known and what we want to know; between Federal policy objectives and actual results; between Federal urban policy priorities and the sometimes inadvertent negative urban effects of non-urban Federal programs. However, irrespective of observed difficulties, Allman's characterization of Federal policy making efforts as generally irrelevant or worse is neither accurate nor analytically helpful.

Historically, Federal policies regarding the allocation of staff and dollars have a closer link to Federal behavior when public (and institutional) consensus exists concerning sought after policy objectives and/or results. For example, since 1945, a public concern over Communism has permitted the articulation and implementation of policies supporting large defense expenditures. In a similar vein, since the depression, conscious national policies based on general public support have fostered numerous programs to help the South reach economic parity with other regions of the country.

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Clearly, public support for civil rights through the sixties aided Federal development and implementation of policies and programs aimed at expanding minority opportunities. Just such a clear, broad, if not always deep and focused, consensus among the American people concerning the urban crises and/or the need to respond to the problems of the urban poor sustained (at least initially) the policies and programs of the sixties aimed at helping the poor and cities.

Regrettably at present, there is no deepseated public or institutional agreement concerning urban priorities and/or the relationship of urban to other national priorities. Coalitions which evolved out of the poverty and civil rights movement of the sixties, and which supported an activist Federal urban role no longer are as strong or as well grounded in the mainstream of popular opinion. In essence, while a positive perception of cities is reflected in opinion poll after opinion poll, it is often not capable of easy translation into discrete policies.

Little wonder. The late sixties and early seventies bred legitimate questions among the governed about the strength, wisdom, and truthfulness of their leaders and institutions. Further, optimism, prevalent a decade earlier, concerning our ability to resolve difficult urban problems vanished in light of their seeming impermeability and the apparent willingness of many to wish them away with shallow statements about the end of the "urban crisis."

In the context of the mid seventies, the President's articulation of urban policies and priorities should rate as a significant act of leadership; one made more important because of unstable national economic conditions. His public recognition of the fact that non-urban Federal activities (often the result of legitimate non-urban policies) have had negative impacts on cities is a first. His mandate to Federal agencies to subject policies and programs to urban impact analyses is a rather dramatic break-through. It will facilitate efforts to coordinate Federal behavior toward cities and maximize limited resources. At a minimum, the Administration's commitment to define the urban impact of major Federal activities prior to their initiation will permit the Federal Government to measure the gross benefits and costs of alternatives. In some instances, it will alter agency behavior and allow the urban policy to shape or influence non-urban policies or programs. In other instances, where legitimate national concerns may restrict a commanding role for the urban policy, it will help the Federal Government carefully select among competing priorities.

D. Does the Federal Government have the capacity to target resources?
Although Allman at the end of his article suggests targetting Federal

funds for education and other activities, throughout the piece he asserts that targetting to cities or people in distress is at best difficult and, at worst, impossible. This negative perception concerning targetting, while conventional, deserves a response.

(1) Allman correctly calls attention to the fact that it is tough to control the flow of Federal funds to different areas of the country. Federal assistance serves many purposes. Aid totals mask diverse national objectives, not all of them necessarily geared to regional objectives or city revitalization priorities. Further, we have to live in a political system. Conflicting but legitimate institutional, group, and individual claims on often marginal Federal dollars make it difficult to "target" large amounts of monies for sustained periods of time to particular problems and/or areas. Development of equitable and efficient targetting formulas, in this milieu, is certainly difficult.

(2) The article, however, exaggerates the flow of funds to the sunbelt and suburbia. Indeed, it appears to mistakenly lump procurement with grants-in-aid to reach the conclusion that there is a "rain of funds" to the south. Procurement dollars are governed by statutory criteria which require Federal agencies to weigh price and least cost considerations heavily. Firms in older areas often find themselves at a competitive disadvantage. Sometimes, the cost of doing business in

distressed areas is higher than in growing parts of the Nation (for example, higher taxes, unionization, etc.).

(3) Yet varied Federal policies and programs have been targetted with success. Although the formulas reflect alternate needs, and the impact on beneficiaries has not always been what was hoped for or predicted, many visible positive results have occurred. For example,

(a) without the availability of nearly 16 billion of counter cyclical funds, cities would have faced significant fiscal strain during recent economic downturns. Treasury estimates indicate that the programs involved were reasonably well targetted.

Forty-eight of the largest city governments in the country received 20 percent of the total allocation of economic stimulus funds (anti-recession fiscal assistance, local public works, public service employment). Moreover, 53 percent of all funds going to these cities went to "high strain cities", and 37 percent to moderate strain cities. Put another way, high strain cities received $107 per capita, moderate strain cities $74 per capita and low strain cities $51 per capita.

Clearly, economic stimulus policies and related funds were crucial to the survival of many distressed localities. "In terms of substitution (i.e., additional burdens placed on local resources if cities had to substitute locally generated revenues for stimulus aids), the heaviest burden to sustain the impact of economic stimulus progress allocations for FY 1978 would fall on high strain cities which would be required to impose an average 65 cent property tax increase for each $100 of full market value. Moderate strain cities would need a 40 cents increase and low strain cities would need a twenty-four cents increase in property taxes." 1/

(b) Since the advent of the Carter Administration, Federal policies have led to the increased targetting of community development block grant funds to distressed cities. The table below illustrates need rankings and per capita CDBG allocations for select cities.

1/ U.S. Department of the Treasury, Office of State and Local Finance, "Report on the Fiscal Impact of the Economic Stimulus Package on 48 Large Urban Governments," (January 23, 1978) P. 3.

CDBG Allocations 1/

	HUD Need Rank	Per Capita Allocation Rank
Newark	1	6
New Orleans	2	13
St. Louis	3	1
Cleveland	4	2
Birmingham	5	10
Charlotte	44	48
Jacksonville	45	38
Houston	46	42
Wichita	47	52
Albuquerque	48	51

Clearly, urban oriented policies in recent years have succeeded in targetting funds to a greater extent on distress. While the data is not always as precise, given variations in local revenue totals and Federal program attribution, the tables below suggest the extent to which Federal funds have been concentrated on the most on troubled cities since the advent of the present Administration.

1/ Rankings based on 58 cities over 250,000 persons.

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Direct Federal Aid as Percentage of Own Source General Revenue 1/

			Per Capita Est.	
	1976	1978(Est.)	1976	1978(Est.)
St. Louis	23.6	56.1	86	228
Newark	11.4	64.2	47	291
Buffalo	55.6	75.9	163	239
Cleveland	22.8	60.3	65	190
Boston	31.5	30.2	204	219
Average	29.0	57.3	113	233
Denver	21.1	25.9	90	150
Los Angeles	19.3	39.8	54	134
Dallas	20.0	17.8	51	54
Houston	19.4	23.8	44	71
Phoenix	35.0	58.7	57	117
Unweighted Average Unweighted	23.0	33.2	61	105

1/ Selected Cities; ACIR staff data

Selected Distressed and Non Distressed Cities
Growth in Federal Grants 1/

	% Increase 72-78	% Increase 75-78
St. Louis	674	248
Buffalo	427	154
Cleveland	558	131
Boston	97	81
Philadelphia	297	151
Detroit	136	87
Chicago	329	145
Dallas	777	74
Houston	591	88
Phoenix	689	94
Louisville	214	86
Jacksonville	554	34
Oklahoma City	599	107

E. Did Great Society efforts reflect difficulties in targetting? Did they set up cities for later crises?

Contrary to the thrust of Allman's remarks, urban, income and social service policies and programs of the sixties were reasonably well focussed on distressed communities and people. Despite program imperfections and weaknesses, and despite the gap between objectives and results, assistance did generate improvements in the lives of many poor and near poor residents of our urban areas.

1/ Computed by Richard Nathan, Brookings Institute

For example:

(1) As indicated by Sar Levitan, Federal funds benefitting the poor almost doubled between the sixties and between 1969 and 1974. The rate of growth, however, (adjusted for inflation) declined from near 80 percent during the mid-sixties to 45 percent during the Nixon period. 1/

(2) The failure of intergovernmental assistance to keep pace with inflation during 1974-1975 contributed to severe fiscal problems for many cities. "From growth rates that have averaged 17 percent per annum for the previous decade, the growth in Federal assistance in 1974 fell to 6.6 percent... The President's (Ford) budget in 1977 recorded only a 1.2 percent increase in Federal aid to the State and local sector." 2/

1/ Levitan, Sar, The Promise of Greatness (Cambridge, Harvard University Press, 1975) P. 193.

2/ Peterson,George, "Finance" in the Urban Predicament edited by Gorham and Glazer (Washington, D.C. Urban Institute, 1976) P. 58-61.

(3) Urban programs during the sixties were targetted by and large at larger, older distressed cities and/or poorer residents of these cities. "In 1968...cities under 100,000 in population received 20.3 percent of all Federal grants to cities. By 1976, their share had risen to 30.3 percent. The share for cities over 500,000, by contrast, declined from 62.2 percent in 1968 to 44.4 percent in 1976." 1/

Older troubled cities found themselves facing a severe cut in Federal aid in the transition from the Great Society to the New Federalism. Boston "suffered a 20 percent drop in the dollar amount of the Federal aid between 1971 and 1975..." Houston, conversely, leaped ahead 150 percent in 1973 and 30 percent more in 1974, a pattern that was typical of the group of growing, more affluent cities which previously had received relatively little Federal assistance of any kind. 2/

1/ Nathan Richard, "The Outlook for Federal Grants to Cities in <u>The Fiscal Outlook for Cities</u> edited by Ry Bahl (Syracuse University Syracuse 1978) P. 80.

2/ Peterson, Ibid, P. 62.

(4) Income support programs have played a major role in reducing poverty. Indeed, without the targetting of income support and social service assistance programs during the sixties, many millions of Americans would not have been able to move from poverty status, and the many poor people would not have had access to basic necessities.

Impact of Income Support Programs 1/

	1965	1971
Households (000)	60,402	72,046
Poor without government transfer (000)	15,950	15,059
Poor receiving transfers (000)	10,760	12,095
% Poor receiving transfers	67	80
Lifted out of poverty by transfers (000)	4,730	6,432
% of otherwise poor made non poor by transfers	30	43
% of otherwise poor transfer recipients made non poor	44	53

Finally, Allman forgets that legal and administrative changes initiated between 1960 and 1968 reduced overt discrimination in many urban areas and subsequently opened up new job, housing and education opportunities to many millions of urban Americans. He also fails to note that Federally induced community participation requirements helped minorities and lower income groups gain access to public decision making processes historically unavailable to them.

1/ Levitan, Ibid., P. 201.

Part IV. The Making of Urban Policy

Allman spends considerable time debunking the Federal Government's ability to make and follow through on relevant urban policies or indeed any policies that have an impact on programs. His article, however, curiously ends up with varied policy proposals - more money and innovative programs for education; more concern for the stability of the urban family; more funds for outmoded and deteriorated urban infrastructure.

The author's suggestions are well taken and consistent with many of the basic commitments of the Administration. But they do not add up to a basic recognition that the Nation's distressed cities, especially central cities, are becoming the focus of social and economic distress in this country. As relevant, they do not suggest an understanding of the fact that the concentration of distress in cities is a long term, complex problem; one that cannot be responded to without a comprehensive set of Federal urban policies and the development of strong visible partnerships among all levels of government, the private sector, and community groups.

Unfortunately, as indicated earlier, all the information we might desire will never be available; data gaps we would like to close will continue to exist; and urban priorities may have to compete at times, given resource constraints and other legitimate interests, with other national priorities. Federal policy makers, like their counterparts in State and local governments and in private business, cannot afford to wait until everything is known or until the achievement of absolute wisdom. Yet, because of the intensity of the Nation's urban problems, we have the moral imperative to do the best we can to alleviate distress. While we may not achieve perfection, by wisely using the resources and information at hand, we can continuously perfect or improve upon urban policies, strategies and programs. While we cannot eliminate the risk of failure, we can orient our actions, where certainty doesn't exist, toward probabilities and not possibilities. Using tools like urban impact analyses, we can increasingly and directly link policy objectives and priorities to results.

Clearly, if we have learned any lessons from the recent past, they are that:

1. The Federal Government must continue to play a leadership role in responding to urban distress;

2. Federal resources are not sufficient to make a significant dent without far greater involvement of State governments and the private sector.

3. Given national urban commitments, equity concerns and resource constraints, targetting of resources, no matter how difficult,

is required in order to strategically focus on key urban problems.

4. Simple either/or solutions more often than not will result in wasted resources and marginal, sometimes negative, impacts on cities and their residents.

In this context, the Carter urban policy reflects a strong commitment to forge partnerships with other levels of government and the private sector in fostering the revitalization of cities and expanded choices for their residents. It deserves substantive criticism as it undergoes constant refinement. The Administration's attempt to balance income and service, economic and community development, and people and place strategies should suggest the complex and linked nature of urban problems rather than an inability to articulate often simplistic priorities. Unfortunately, no easy answers exist. But as President Carter has indicated..."we reject the possibility of failure..." We..."must commit ourselves to a long term and continuing effort to meet stubborn urban problems and changing needs."

Representative MOORHEAD. The subcommittee would now like to hear from Mr. Ronald H. Brown, vice president of the National Urban League.

STATEMENT OF RONALD H. BROWN, VICE PRESIDENT FOR WASHINGTON OPERATIONS, NATIONAL URBAN LEAGUE, INC.

Mr. BROWN. I would like to thank you for your invitation to appear at a hearing in which we have a great deal of interest.

Our answer to the question posed in this hearing "Is the urban crisis over?" is a resounding "No."

As you are aware, the National Urban League is a nonprofit organization with some 115 affiliate member organizations based in urban communities across the Nation. As a result, we are deeply concerned about the urban problems facing our constituency—minorities, the poor, the elderly—the majority of whom reside in these urban areas.

The problem of the urban crisis is of grave concern to us because of the processes of disinvestment and reinvestment which are at the core of urban problems. They clearly affect the quality of life of our constituents in a very real and very critical way.

The decline in the quality of life in the Nation's cities over the past two decades has resulted in what has been recently labeled the "urban crisis." Changes in market trends; migration of businesses and of the more affluent to the suburban and rural communities; and poor municipal fiscal management policies have all led to the gradual decline of cities, which we hope can be stemmed now.

In addition, Federal and State Governments have contributed to the demise of cities for it was Federal policies that encouraged urban sprawl and suburban growth. It was the States' insensitivity to the needs of cities that caused and continue to cause the States to neglect to change antiquated and ineffective budgetary and accounting systems that they require cities to use in too many cases. As a result, the tax bases of many cities are severely crippled and rendered less able to finance and manage their resources and provide services needed by their remaining populations.

All of these factors have contributed to the belief that Federal intervention was necessary to save cities from complete decay and have led to the formulation of President Carter's national urban policy, which we support.

However, most urbanologists and governmental officials neglected to notice, as T. D. Allman did in an article entitled "The Urban Crisis Leaves Town," that urban revitalization had already begun without Federal intervention, and that its major symptoms—the displacement of the poor, the black and the elderly, were ignored. Urbanologists and governmental officials failed to realize that the wealthy would not let cities fail, as corporate investments and the influx of American—as well as foreign—capital into the downtown areas, served as an impetus to attract businesses and middle-income groups back into the central city communities. The Urban Land Institute has pointed out that reinvestment is taking place in 70 percent of the deteriorating neighborhoods in American cities. However, the negative impact of this investment on the poor, the black, and the elderly urban populations, has been dismissed.

Those who have suffered the most from urban disinvestment are the poor, the black, and the elderly residents of cities who have been wrongly blamed for the status and conditions of cities. Let there be no mistake, the poor, the black, and the elderly residents of cities did not and do not control the governmental processes that have caused the decline of cities and, hence, the urban crisis. The blame surely does not lie with them.

Now that urban reinvestment is taking hold in a few neighborhoods and downtown areas, the poor, the black, and the elderly are being displaced from their homes in the name of progress and urban revitalization.

Today, it is estimated that 24.5 million black persons live in America and 55.5 percent of these black Americans reside in central cities. Many of these black city dwellers live at or below the poverty level. Not only is black unemployment at its highest level today, but the jobless gap between blacks and whites is the widest it has ever been. At the peak of the 1975 recession, the black jobless rate was 1.7 times the white jobless rate. And by the first half of 1978, the black jobless rate was a record 2.5 times higher than that of whites.

Surely these Americans residing in our cities are the victims of the urban crisis and the crisis is still a very real problem. Initially, it was caused, as previously stated, by the movement of jobs, the white middle-class, businesses to suburban and rural communities, and by Federal and State policies.

While signs appear that urban reinvestment and revitalization have begun to affect a few downtown areas and deteriorated neighborhoods, these signs do not necessarily signal the end to the urban crisis. They may, however, signal a change in the nature of the urban crisis.

When the urban crisis began 20 years ago, employment opportunities in cities were lean for white and black city dwellers alike. Now, jobs are being created in cities and white Americans are being hired, but black city dwellers with the same or similar qualifications are not being hired. Contrary to popular belief, our research has shown that this phenomenon can be attributed to racism and lax enforcement of affirmative action and equal opportunity laws and regulations.

Again, Mr. Allman has pointed out "From Boerun Hill in Brooklyn to Capitol Hill in Washington, D.C., the fastest growing social problem was not the departure of the white middle-class; it was the displacement of the poor and nonwhite, as affluent, taxpaying professionals bid up the prices on brownstone houses and cooperative apartments." The nature of the urban crisis is changing.

Displacement was caused in the 1950's and 1960's by urban renewal, highway construction, and the withdrawal of services needed to maintain life in the neighborhoods. Today, displacement is probably one of the most critical problems of our times. It is not caused by urban renewal or highway construction anymore but by the continued withdrawal of services to neighborhoods, by code enforcements that cannot be met, and revitalization. Still, no government or private party responsible wants to assess and understand the problem and the impact it has on the ability of poor and black Americans to maintain themselves with dignity and to contribute to their communities. You see, no governmental body has studied the problem or developed a rational methodology for understanding or addressing it. No governmental body can or will tell you or me how many poor, black, or elderly persons are being displaced annually.

Twenty years ago the major concerns of the poor, black, and the elderly city dwellers was the effect of the movement of jobs and upper income residents to the suburban and rural communities. The major concerns for these urbanites now are the alarmingly high unemployment rate, and the likelihood that they will lose their homes because of reinvestment and revitalization.

The poor, the black, and the elderly city dwellers all wish to witness and participate in the development, implementation, and benefits of the reinvestment and revitalization of their cities. They wish to become more productive partners in their communities and to put an end to the urban crisis. So far, most revitalization efforts that have been undertaken seek to limit and negate their participation. These types of revitalization efforts violate the human rights of the poor, the black, and the elderly in their endeavors to live with dignity in American cities. Proponents of revitalization strategies that exclude the poor, the black, and the elderly in their plans are guided by a philosophy that blames the cities' ills on these same people. This philosophy redefines the victims of the crisis as the culprits. Racism, class, and age prejudices permeate this view.

We at the National Urban League take issue with this philosophy. We believe that past and present governmental policies and racial discrimination continue to add fuel to the urban crisis. An example is the executive budget submitted to the Congress on January 22, 1979. This proposed budget would cut jobs programs, low-income housing programs, social welfare programs, and social security benefits targeted to those in need who live in cities. If these services are cut at this time, the urban crisis will escalate, regardless of reinvestment, and cities will be made less able to provide needed services to their residents. As Vernon E. Jordan, president of the National Urban League, has warned, "The seeds of despair and unrest may erupt in a way that no one can predict or control."

Urban revitalization and reinvestment will not solve the urban crisis and will, in fact, escalate the severity of the crisis if the needs of the present city dwellers, especially the poor, the black, and the elderly, are not addressed. The urban crisis has not ended; if anything, it is becoming more severe for the poor of our cities.

I wish to conclude my testimony by providing you with a few recommendations that we at the National Urban League feel will improve the Federal efforts aimed at addressing the urban crisis.

Our recommendations are as follows:

One, the Federal Government must acknowledge the severe problems confronting the black urban poor during the urban revitalization process as they, the urban poor, search for employment and decent affordable housing in American cities. Necessary provisions must be included in any Federal effort aimed at addressing the urban crisis.

Two, the Federal Government must adopt a strong antidisplacement policy. Displacement must be considered as a negative impact to be guarded against when designing and administering Federal policies and programs. Federal initiatives must be amended to address displacement and to eliminate its potential for contributing to the problems of the urban poor, the blacks, and the elderly city dwellers.

Three, the Federal Government must monitor the impacts of urban reinvestment on urban employment. Programs must be amended and developed that will enable the poor and unemployed to adjust to the changing dynamics and employment opportunities of today's urban economies.

Four, specific proposals targeted at meeting the housing needs of the poor, the minority, and the elderly residents of cities must be developed in order to reaffirm the Federal commitment to insure that all American families have the opportunity to live in decent housing at affordable prices.

Five, the Federal Government should rededicate and increase its efforts to achieve a comprehensive urban policy that will address the many problems of urban life, rather than acquiescing in the current piecemeal approach.

Six, Federal job training and job creation programs that would increase earnings, productivity, and tax revenues should be expanded and not reduced. The goal of reducing the Federal deficit cannot be met if higher unemployment adds billions in lost tax revenue and in mandated insurance expenditures.

Seven, necessary cuts in Federal spending should be made in areas other than those that are critically important to the poor such as health, income maintenance, employment, and low-income housing programs.

Eight, the Congress should enact into law a national health insurance plan which has universal and mandatory coverage, comprehensive benefits and which assures equal access to quality health care to all Americans, regardless of race, economic condition, or place of residence.

Nine, urban reinvestment and revitalization will not end the urban crisis alone. In order for these tools to be used in finding the solution, reinvsetment and revitalization strategies must be amended to protect the interests of the poor, the black and the elderly residents of cities.

Ten, all levels of government must adopt strong antidisplacement plans and implement them.

Eleven, the Federal Government must fund existing domestic programs at levels that are adequate to meet the needs of the population. Proposed cuts for CETA, low-income housing programs, and changes proposed for social security must be rejected. These programs must be funded, at least, at the fiscal year 1979 levels with an adequate adjustment for inflation. To do otherwise will make the urban crisis more severe.

Twelve, affirmative action and equal opportunity laws and regulations must be more aggressively enforced.

Thank you very much, Mr. Chairman.

Representative MOORHEAD. Thank you, Mr. Brown.

The subcommittee would now like to hear from Mr. George Sternlieb.

STATEMENT OF GEORGE STERNLIEB, DIRECTOR, CENTER FOR URBAN POLICY RESEARCH AND PROFESSOR OF URBAN PLANNING AND POLICY DEVELOPMENT, RUTGERS UNIVERSITY, NEW BRUNSWICK, N.J.

Mr. STERNLIEB. Thank you very much, Mr. Chairman, for the opportunity to meet with you.

I have prepared some remarks which I shall leave for the record and merely hit several topics, some of which are included in the paper and some of which should have been.

First and foremost, the point has been made that there are an infinite number of dimensions to the urban crisis. Second, that cause and effect, symptom and basic dynamics are all intertwined.

I would like to discuss some of these key elements which make it all too evident that the urban crisis is far from over. It is rather reaching a new stage of development.

First, to go over some numbers which have been mentioned here, the decline in central city incomes. This is, in part, as a function of migration, in part as a much more important element, and that is the failure of the cities now to provide what they historically offered which was not good living, which was not good health facilities, which was not good education. What it provided were jobs and a way to boost yourself up and out and to make way for newcomers who would follow in a progression. That capacity at least for its resident poor, has largely aborted in our central cities.

First, on the income data, as indicated earlier, just as a function of selective migration, central cities from 1970 to 1974 lost something on the order of $30 billion of resident income. From 1975 to 1977, another $18 billion has been lost, and preliminary data from 1978 indicates this process is continuing.

Those are numbers that are so big that we don't understand them too well.

Let me just convert $48 billion into rent-paying capacity. The rule of thumb, and God knows where it came from, is that 25 percent of income should be applied for that purpose. There is $12 billion of missing rent-paying capacity, of homeownership capacity. Ultimately that results in a decline in the value of parcels so the city real estate base suffers. Sometimes numbers as big as that really defy our analysis.

Let me focus in on a smaller geographic set, the Bronx, Brooklyn, and Queens, the outer boroughs of New York.

The visitor to New York, and all too frequently, I am afraid, the traveling urbanologist sees the tourist New York, and this is that "golden island" called Manhattan or the center part of it. The outer boroughs, however, are suffering.

The Bronx now is losing 5 percent of its total housing stock each year.

The three boroughs—Bronx, Brooklyn, and Queens—in constant dollars from 1974 to 1977 had a decline in median income of roughly one-seventh of total. Let me repeat that. For every $100 of resident income, in those boroughs in 1974 to 1977, you had a reduction of nearly one-seventh. Again, when one looks at the Bronx, which has become one of the major tourist attractions of the United States—it rivals the Grand Canyon—it is unique to the United States and a very sad uniqueness it is, when one looks at the far reaches of Brooklyn—which no one looks at—and when you see some of the erosion taking place in Queens you have a ground-based notion of what this means.

I guess I am an urbanologist for lack of a better trade. We use lovely phrases like who is going to support the infrastructure. There are very few of us who have seen a label saying infrastructure. But, very clearly, when you look at the built-in costs of cities, those built-in costs require user fees and a user fee is not a pretentious term. It means lots of somebodies putting a coin in the turnstile and using the bus or subway. When you have fewer users and enormous fixed costs, and you have all the problems of the geriatric diseases: an aging bridge system, an aging street system, you can't cut back costs as casually as is sometimes thought. You cannot reduce your support as the number of users go down. In part, that is one of the dimensions of the urban problem.

But now I would like to focus on a smaller one. Most of the data we use for central city employment refers to salary jobs. What is not looked at because the data is not equally available are the self-employed. Here we begin to get some of the dimensions of how central cities have changed in their capacity to provide bridges to middle-class existence; because what we have had as a function of declining incomes, declining populations, changes undoubtedly in the way we do retailing, and the like, but in very substantial part because the market has degenerated, a wipeout virtually of small-scale enterprise.

In your own State of Pennsylvania, we had occasion to do a study of Philadelphia. One goes through the abandoned mill areas and see the Tasty Baking Co. all by itself—and acre after acre after acre of abandoned factories, mills, and the like, and one says those big companies must have moved somewhere. Sometimes our expert does not realize that on every one of those corners, there was a luncheonette, a grocery store, and they are all vacant. Now, those are not the kinds of enterprises that we normally count in our gross national product kinds of analyses. But those are the kinds of byproducts of growth that once existed in the central city and have been virtually wiped out.

What we now have in the central city, at the risk of drastic oversimplification, is a split. There are the people who get to the Government trough, and that is the only trough in town, the people who can join in corporate society and there, with a little nudging by the Federal Government, minority groups are beginning to make their way.

What we also have, unfortunately, are the people who for any of a variety of reasons—education, background, what have you—don't have access to those two avenues. These are the people who for lack of anything better to do would open a corner grocery store, get into business in a sandwich shop. It does not require a hell of a lot of brains—just a lot of good luck. Those have been wiped out.

Again, cause and effect, symptom and basic dynamic.

In our paper, we have looked at the changing nature of who is poor in central city. I found the data very compelling.

Basically, what has evolved is an income problem which is largely concentrated in its most extreme case in female-headed households. By 1977, approximately half of all central city households were husband-wife; female-headed were 13.9 percent, primary individuals nearly a third. Among black central cities households, under 40 percent or 4 in 10 were husband-wife households; 3 in 10 were female-headed. The proportion of female-headed households, since 1970, grew by 45 percent.

The income concommitants of that are enormous. Again, we have data or income by household configuration, and it contains no surprises. When you are dealing in central city with a female-headed household, you are dealing with an income level half that of a husband-wife household; again, that should not come as a surprise.

We know the good life in America increasingly takes two incomes and, second, the female-headed household that we are dealing with typically is encumbered or blessed with youthful dependents. If you take a look at the poverty data which has been referred to—the poverty line is an abstraction, but, for lack of something better, let's use it. What you have is the dominant form of people below that poverty line—the female-headed household and the children thereof.

Households with male co-head, husband and wife households, are decreasing in terms of their poverty incidence, and decreasing very sharply. All the increase in poverty number and proportion is a function of what we used to call a broken household.

In part, let me suggest that these broken households reflect the economic incompetence of the central city, and increase its inability to provide not merely jobs, but business as well.

The comment has been made both here and elsewhere that the central cities are arising and in the last comments that were made, Mr. Brown feared displacement. We have attempted to look at the level of displacement that is taking place. Essentially what is evolving are two cities. One is the new town in town without Government help. It is very small, swinging, containing youthful people who do not need municipal services. Their number is exaggerated enormously because of two factors. One is they are located where the tourists go—it is where your urbanologists go, that is where all experts go—and, second, because too much of our policies are made in Washington.

In Washington, if you take two GS-12's and rub them together, they have an enormous level of taxable income, and they can afford brownstoning in number.

When one leaves Washington, the situation is very different. We have done studies in New York, which probably has the largest brownstoning population, the largest loft conversion population—and it is relatively small. Phiadelphia, again relatively small. Washington, and this is a striking fact of life, within a context in which housing values are shooting sky high, we have substantial abandonment. We still have a decline in population. We have our black middle class moving out as fast as they can get out—and would that they could get out to better places that they are getting out to, but they are getting out.

Let me suggest here in terms of housing, and this I feel is pertinent to the point made earlier, the issue may be less the total number of housing units in central cities, much more the shortage of neighborhoods: neighborhoods that can provide not merely housing but, hopefully, can provide the kinds of business growth opportunities that have virtually disappeared from our central cities.

Thank you.

[The prepared statement of Mr. Sternlieb follows:]

Prepared Statement of George Sternlieb

*New Dimensions of the Urban Crisis**

Introduction

The central cities of the United States are increasingly a focal point for the unfortunates of our society. The expanding concentration of improverished, socially disabled households in urban areas has gained momentum through the 1970's. The resultant impact on the fiscal operating statement—which is merely one of the several indicators—is all too clearcut: the poor cost more, the broken family is much more subject to the disease of juvenile delinquency, of the requirements for intensive social and protective services, than is the case for the more fortunate.

On the other side of the ledger is the decline of buying power and incomes, which in turn is reflected by increased difficulties in maintaining the level of municipally-derived revenues. Abandoned housing, which increasingly characterizes so many of our central cities, is now joined by equivalently ravaged commercial and industrial facilities. Central cities are becoming—and increasingly, must become—wards of the state and federal governments. This is not the result merely of fiscal maladministration, but rather of basic demographic tides.

In the brief analyses which follow, the first element to be examined will be summary data on the impact of selected migration on the incomes of central city residents. The latter, in turn, are the essential dynamos which historically have driven and maintained the independent capacity of cities to support themselves and their human requirements. As is all too evident from the analyses shown—this is a wasting resource. After these summary elements are presented, attention will be directed to underlying dynamics and building blocks, focusing particularly on a key barometer of social unhealth and fiscal disability—the marked rise of the low incomed female-headed family in central cities. In an inflationary era in which increasingly not only the good life, but its minimum requirements depends on the dual income household, the growth of single-spouse families—complicated very frequently with all the problems of youthful dependents—is both he mirror of the cities' trauma—and in very large part accounts for it.

Resident income decline and selective migration from the central city

There are more people and households moving out of central cities than are moving into them; those that move out have higher incomes than their replacements. It is the revenue side of municipal operations and the lag therein which increasingly underlies the fiscal traumas that are surfacing. While much attention has been riveted on the expenditure side of the ledger, which has provided innumerable anecdotes of measures of waste and fiscal irresponsibilities, these are largely excuses and rationalizations which obscure the basic central city problem.

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*This paper was prepared in cooperation with James W. Hughes, professor of urban planning and policy development, Livingston College, Center for Urban Policy Development, Rutgers University.

Exhibit 1

INCOME LOSSES IN CENTRAL CITIES DUE TO NET MIGRATION: 1970 TO 1974 AND 1975 TO 1977

[1970 metropolitan definition]

Subject	Living in cities in 1970	Moved out of cities between 1970 and 1974	Moved to cities between 1970 and 1974	Net change between 1970 and 1974
Income in 1973 of families and unrelated individuals 14 yr old and over who migrated to and from central cities between 1970 and 1974:				
Families (thousands)	16,823	3,363	1,563	−1,800
Mean income (dollars)	13,349	14,169	12,864	[1] −1,305
Aggregate income (billions of dollars)	224.6	47.7	20.1	−27.6
Unrelated individuals (thousands)	6,975	1,066	926	−140
Mean income (dollars)	6,143	7,099	6,092	[1] −1,007
Aggregate income (billions of dollars)	42.8	7.6	5.6	2.0
	Living in cities in 1975	Moved out of cities between 1975 and 1977	Moved to cities between 1975 and 1977	Net change between 1975 and 1977
Income in 1976 of families and unrelated individuals 14 yr old and over who migrated to and from central cities between 1975 and 1977:				
Families (thousands)	16,359	2,003	985	−1,018
Mean income (dollars)	16,120	15,986	14,992	[1] −994
Aggregate income (billions of dollars)	263.7	32.0	14.8	−17.2
Unrelated individuals (thousands)	8,812	994	940	−54
Mean income (dollars)	7,388	8,055	7,612	[1] −443
Aggregate income (billions of dollars)	65.1	8.0	7.2	−0.8

[1] Simple unweighted difference.

Sources: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies P-23: No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1974 and 1970," September 1975; No. 75 "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

In Exhibit 1, data are shown indicating the personal income loss in central cities due to net migration from 1970 to 1974, and 1975 to 1977. Whether it is families or unrelated individuals, the pattern is similar.[1] The more affluent are leaving, the newcomers are less fiscally well endowed. From 1970 to 1974 there was a reduction in aggregate resident income within central cities of $29.6 billion due to migration. In the two years from 1975 to 1977, the equivalent figure was a loss of $18 billion.

In Exhibit 2, these data have been converted into constant dollars (interpolating for 1974 to 1975, for which data are not available). This indicates an average annual net change (between 1970 and 1977) in 1976 dollars of $9.3 billion. Since these data are cumulative, by 1977 there has been a loss, in 1976 dollars, of $64.8 billion. So in the latter year, if no migration had occurred, $64.8 billion more in annual incomes would have accured to central city households than was actually received.

[1] Households are generally of two types: primary families and primary individuals. Primary families comprise two or more related individuals and are usually subdivided into three types—husband-wife families, male head (no wife present) and female head (no husband present). Primary individual households comprise either a single person living alone or two or more unrelated individuals. They are usually subdivided into male and female headed sectors. The Census Bureau, however, plans to replace the term "head" with "householder."

Exhibit 2

Derivation of income losses (1976 dollars) in central cities due to migration; 1970–77 (1970 metropolitan definition)

	Billions
Average annual net change, 1970 to 1974 (1973 dollars)[1]	−7.4
Ratio of 1976 to 1973 Consumer Price Index: 170.5 divided by 133.1 equals 1.28.[2]	
Average annual net change, 1970 to 1974 (1976 dollars)[3]	−9.4
Average annual net change, 1975 to 1977 (1976 dollars)[4]	−9.0
Net change, 1974 to 1975 (1976 dollars)[5]	−9.2
Total change: 1970 to 1977 (1976 dollars)[6]	−64.8
Average annual net change: 1970 to 1977 (1976 dollars)[7]	−9.3

[1] Derived from exhibit 1.
[2] U.S. Bureau of Labor Statistics, Monthly Labor Review.
[3] 1.28 times $7,400,000,000 equals $9,400,000,000.
[4] Derived from exhibit 1.
[5] Mean of annual averages of 2 periods.
[6] Sum of annual averages of all periods.
[7] $64,800,000,000 divided by 7 years equals $9,300,000,000.

Source: CUPR Analysis.

The ramifications of these losses are of very significant magnitude. If we were to use the conventional rule-of-thumb of 25 percent of income alloted to rent, this represents a departure in excess of $16 billion. If we were to further view this decline in rent paying capacity in terms of its impact on housing values, the results are evident. Assume that an efficient, well managed apartment house sells for five times its gross rent roll; the loss of $16 billion in rent paying capacity translates into a $80 billion reduction in residential real estate values—and with it a proportionate decline in municipal income derived from real property taxation. There are equivalent implications, which need little elaboration, on basic retailing and service industries as well. The pattern of empty stores, of old fading central business districts, and of vacated downtown department stores, is a reflection of this declining residential income base.

As best as we can analyze the data, this has been a sustained dynamic process with little sign of abatement. While much has been made of the relatively few cases of middle-class stabilization and/or return to the city—i.e., the "Capital Hill" phenomena and the likes—yet these are relatively trivial. A witness to the phenomenon is the accompanying data in Exhibit 3 on the median annual income of families and indivduals (in constant dollars) for renter households in the boroughs of New York City. The decline since 1969 in all cases has been most substantial, with the overall city median declining from $6,500 to $4,800 over the 1969 to 1977 period. This pattern was largely paralleled from 1974 to 1977, with losses of one-seventh of total income in the brief three-year period. The only exception is a relatively minor 1.9 percent increase (again in constant dollars) in Manhattan. A new town may be evolving intown—the gentrified neighborhoodbut it is a relatively lender ray of light, much too limited to support and bring back with it the aging entites that we call central cities.

Exhibit 3

MEDIAN ANNUAL INCOME OF FAMILIES AND INDIVIDUALS, BY BOROUGH, IN CONSTANT (1967) DOLLARS, FOR RENTER HOUSEHOLDS, NEW YORK CITY, 1964, 1967, 1969, 1974, AND 1977

Characteristics	In dollars					Percent change, 1974 to 1977
	1964	1967	1969	1974	1977	
Total New York City	5,900	6,000	6,500	5,400	4,800	−11.1
Borough:						
Bronx	5,600	5,700	6,000	4,700	4,000	−14.9
Brooklyn	5,880	5,800	6,000	4,900	4,200	−14.3
Manhattan	5,500	5,600	6,100	5,400	5,500	+1.9
Queens	7,100	7,500	8,100	7,000	5,800	−17.1
Richmond	7,100	6,800	7,700	7,100	6,100	−14.1

Source: Peter Marcuse, "Rental Housing in the City of New York" (New York: Housing and Development Administration, 1979).

The underlying demographic realities

Underlying the ominous situation depicted above is a complex chain of demographic shifts.[2] It is a consequence not only of population losses, but a sustained shift in household and family configurations which has seen a rapid growth in those particular family formats of apparently minimal economic viability. Before the more detailed elaborations of the basic phenomena are presented, it is useful to briefly summarize the broader parameters.

1. While the total population of all central cities declined by 4.6 percent (2.9 million persons) from 1970 to 1977, the total number of households increased by 6.3 percent or 1.3 million.

(*a*) The population losses were the result of a decline of almost 4.0 million whites (—8.1 percent) and an increase of 542,000 blacks (4.2 percent).

(*b*) The household gains were the province both of whites (458,000 or 2.7 percent) and blacks (733,000 or 19.1 percent).[3]

2. The increase in the number of households while population is declining is caused by shrinking household sizes. The latter, in turn, is a consequence partly of declining fertility and smaller families.

(*a*) The average family size in central cities has declined from 3.47 persons in 1970 to 3.30 in 1977.

(*b*) The large urban family, the traditional focus of the "urban housing dilemma," is declining markedly. A decline of over 34 percent in the number of seven persons or more families has occurred from 1970 to 1977; the losses for six person and five person families totaled 23.1 and 13.5 percent, respectively.

3. If the latter occurrence was solely the result of the decline in the birth rate, there would be cause to be sanguine. However, it is also a function of increasing family fragmentation.

(*a*) While the number of primary individual households in central cities increased by 30.7 percent, primary families decreased by 2.4 percent. The latter, however, is the residual of a sharp decline in husband-wife families (–7.6 percent) in the context of the rapid growth of female headed (no husband present) families (30.7 percent).

(*b*) By 1977, only 51.8 percent of all households in central cities comprised husband-wife families. Female headed (no husband present) families accounted for 13.9 percent of all households, while primary individual households accounted for 32.1 percent.

4. Partitioning the central city households by race isolates somewhat similar patterns of evolution, but the magnitudes vary significantly.

(*a*) The number of white primary families declined by 6.3 percent, the result of an 8.8 percent decrease in husband-wife families and a 15.5 percent increase of female headed families.

(*b*) While black husband-wife families decreased by 7.8 percent, the female headed equivalents expanded by 48.5 percent. As a result, there was an actual increase (10.1 percent) in primary families.

(*c*) By 1977, only 38.2 percent of black central city households comprised husband-wife families. Female headed families accounted for 29.0 percent of all households.

5. The rise of female headed families in central cities is accentuated if they are considered as a proportion of total primary families rather than total households.

(*a*) 15.2 percent of all central city white families were headed by females in 1977.

(*b*) In contrast, over 41 percent of black families are headed by females in the nation's central cities in 1977. This compares to slightly over 30 percent in 1970.

6. The examination of the incomes attendant to the various family configurations brings to light the scale of the emerging problem.

(*a*) All families in central cities (both white and black) had a median income of $13,952 in 1977. Their counterparts in suburbia had a median income of $17,101. While both experienced absolute declines in real income over the 1970 to 1977 period, the gap between the two has widened.

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[2] For a more comprehensive summary of population trends, see: George Sternlieb and James W. Hughes, "Current Population Trends in the United States." (New Brunswick, N.J.: Rutgers University, Center for Urban Policy Research, 1978).

[3] Other races have not been included in the analysis; consequently the black and white components do not add to the total.

(*b*) Female headed families in central cities had a 1977 median income of $6,658. The median of their suburban counterpart stood at $8,985. Again, the gap has widened over time.

(*c*) Black female headed families in central cities had a median income of only $5,135 in 1977. The suburban equivalent stood at $5,789.

(*d*) Consequently, there are not only sharp urban-suburban income discontinuities, but also a faltering in the level of income accruing to female headed families. And the problem is even more accentuated for black female headed families. The family configuration showing the most dynamic growth in the central city is that with the most severely lagging income.

7. The detailing of the poverty status of individuals by family status over the 1970 to 1977 period indicates the harsh results of these trendlines.

(*a*) For the nation as a whole, the number of individuals below the poverty level declined by 2.2 million people or 8.2 percent. At the same time, there was an increase of 710,000 female heads of families (38.7 percent) under the poverty level. In 1977, 33.0 percent of all female family heads were in poverty.

(*b*) In contrast, the number of individuals below the poverty level in central cities increased by 235,000 individuals or 2.5 percent. There was an increase of 370,000 female family heads (44.7 percent) below the poverty level. In 1977, 37.1 percent of all female family heads were in poverty.

(*c*) Most ominous is the economic situation of black central city residents. The number of individuals below the poverty level increased by 441,000 people or 11.8 percent. Female heads of family in poverty expanded by 57.1 percent; by 1977, 51.1 percent of all female family heads fell below the poverty level.

The evolution and linkage of incomes and household configurations, as well as select migration, has as its ultimate consequence the central city personal income losses and their attendant negative implications as depicted earlier. A more full examination of these critical elements comprise the remaining analyses of this presentation.

Population losses.—The central cities of the United States are losing population; in this retrenchment, it is the very largest of them—those central cities in metropolitan areas with a million or population—which are the heaviest losers. As shown in Exhibit 4, while the total population of the United States from 1970 to 1977 grew by 6.4 percent, the central cities in total lost 4.6 percent of their residents. The experience of the central cities in the largest metropolitan areas was a decline of 7.1 percent. In the central cities of smaller metropolitan areas, losses of 1.6 percent were evidenced.

Exhibit 4

POPULATION BY TYPE OF RESIDENCE: 1970 AND 1977

[Numbers in thousands; 1970 metropolitan definition]

	Total (all races)				White				Black			
			Change: 1970 to 1977				Change: 1970 to 1977				Change: 1970 to 1977	
	1970	1977	Number	Percent	1970	1977	Number	Percent	1970	1977	Number	Percent
U S total	199,819	212,566	12,747	6.4	175,276	184,335	9,059	5.2	22,056	24,474	2,418	11.0
Metropolitan areas	137,058	143,107	6,049	4.4	118,938	122,177	3,239	2.7	16,342	18,048	1,706	10.4
Central cities	62,876	59,993	−2,883	−4.6	48,903	44,951	−3,958	−8.1	12,903	13,451	542	4.2
Suburban areas	74,182	83,144	8,932	12.0	70,029	77,226	7,197	10.3	3,433	4,596	1,163	33.9
Central cities in metropolitan areas of 1,000,000 or more	34,322	31,898	−2,424	−7.1	25,007	21,939	−3,068	−12.3	8,664	8,863	199	2.3
Central cities in metropolitan areas of less than 1,000,000	28,554	28,095	−459	−1.6	23,903	23,012	−891	−3.7	4,245	4,588	343	8.1

Source: Center for Urban Policy Research analysis of data presented in: U S Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies P–23, No 55 "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Racial population shift.—The overall data mask significant shifts in racial character. Central cities as a whole, in the seven year period under consideration, lost nearly one in 12 of their whites (−8.1 percent). Indeed, in the large metropolitan areas, the central city equivalent was nearly a one in eight (−12.3 percent). But gains in black population only partially offset these losses, thus creating the absolute decline. For example, in central cities in metropolitan areas of one million or more, the increase in the number of blacks was only 2.3 percent. The latter resulted from the enormous level of out-migration of central city blacks to suburbia. Current census data indicate, for example, that in the last two years for which data is available (1976 to 1978), this amounted to a net out-migration of some 400,000 people. This process is mirrored by the fully one third (33.9 percent) increase of blacks in suburban areas of our SMSA's.

Household shifts.—Yet within this pattern of population decline there is remarkably little equivalent shrinkage in the need for housing, at least as measured by total units. As shown in Exhibit 5, the number of households has continued to grow even in the central cities most characterized by absolute population losses. It is particularly striking in this context to note the 15.2 increase in the number of black households within the central cities of larger metropolitan areas. This is seven times the increase (2.3 percent) in absolute population growth of this group. As we will note, this represents both a very positive tribute to upgrading in housing—but also a far-less salubrious fragmentation of households.

Exhibit 5

HOUSEHOLDS BY TYPE OF RESIDENCE: 1970 AND 1977

[Numbers in thousands; 1970 metropolitan definition]

	Total (all races)				White				Black			
			Change: 1970 to 1977				Change: 1970 to 1977				Change: 1970 to 1977	
	1970	1977	Number	Percent	1970	1977	Number	Percent	1970	1977	Number	Percent
U.S. total	63, 447	74, 142	10, 695	16. 9	56, 609	65, 353	8, 744	15. 4	6, 178	7, 776	1, 598	25. 9
Metropolitan areas	43, 851	50, 414	6, 563	15. 0	38, 622	43, 649	5, 027	13. 0	4, 733	5, 981	1, 248	26. 4
Central cities	21, 401	22, 741	1, 340	6. 3	17, 254	17, 712	458	2. 7	3, 833	4, 566	733	19. 1
Suburban areas	22, 450	27, 672	5, 222	23. 3	21, 368	25, 937	4, 569	21. 4	900	1, 415	515	57. 2
Central cities in metropolitan areas of 1,000,000 or more	12, 056	12, 246	190	1. 6	9, 230	8, 914	—316	—3. 4	2, 625	3, 025	400	15. 2
Central cities in metropolitan areas of less than 1,000,000	9, 344	10, 494	1, 150	12. 3	8, 024	8, 798	774	9. 6	1, 207	1, 541	334	27. 7

Source: Center for Urban Policy Research analysis of data presented in: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies P-23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Part of the process of household growth in the context of population stability and decline is the actual shrinking size of families, as shown in Exhibit 6. So very much of the housing trauma of the post-World War II era involved the difficulties of housing large-scale families that it is now particularly heartening to see the diminishing need shown in Exhibit 6, both in the average size of families and most significantly, in those families in central cities with five persons or more.

But this is not merely a consequence of a declining birth rate, it is also the drastic change in the configuration of households, most importantly, that of the single spouse family. In Exhibit 7 are shown data on this point for the nation as a whole, all central cities and central cities in metropolitan areas of one million or more people. Primary families as a group in central cities are shrinking both relatively and in absolute numbers. The case is most strinkingly evident in terms of the decline (—965,000 or —7.6 percent) of husband-wife families for all central cities over the 1970–1977 period. For central cities in the larger metropolitan areas, a decline of 12.0 percent or 813,000 families was experienced. In the latter case, husband-wife families have now (1977) achieved minority status, with only 48.8 percent of households in this configuration.

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Exhibit 6

FAMILIES BY SIZE AND TYPE OF RESIDENCE: 1970 AND 1977

[Numbers in thousands; 1970 metropolitan definition]

	U.S. total				All central cities				Central cities in metropolitan areas of 1,000,000 or more people			
			Change: 1970–77				Change: 1970–77				Change: 1970–77	
	1970	1977 [1]	Number	Percent	1970	1977 [1]	Number	Percent	1970	1977 [1]	Number	Percent
Total families	50,967	56,710	5,743	11.3	15,816	15,529	−287	−1.8	8,621	8,144	−477	−5.5
2 persons	18,139	21,530	3,391	18.7	6,033	6,334	301	5.0	3,362	3,336	−26	−0.7
3 persons	10,618	12,472	1,854	17.5	3,407	3,497	90	2.6	1,866	1,837	−29	−1.6
4 persons	9,649	11,483	1,834	19.0	2,798	2,888	90	3.2	1,498	1,468	−30	−2.0
5 persons	6,107	6,209	102	1.7	1,700	1,471	−229	−13.5	897	762	−135	−15.1
6 persons	3,328	2,800	−528	−15.9	936	720	−216	−23.1	497	387	−110	−22.1
7 persons or more	3,126	2,216	−910	−29.1	943	619	−324	−34.4	502	353	−149	−29.7
Average size of family	3.57	3.38			3.47	3.30			3.44	3.31		

[1] 1977 family data include a relatively small number of secondary family heads who are not household heads.

Note: Numbers may not add due to rounding.

Source: Center for Urban Policy Research analysis of data presented in U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies P-23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Exhibit 7

HOUSEHOLDS BY TYPE AND RESIDENCE: 1970 AND 1977

[Numbers in thousands; 1970 metropolitan definition]

	U.S. total				All central cities				Central cities in metropolitan areas of 1,000,000 or more people			
			Change: 1970–77				Change: 1970–77				Change: 1970–77	
	1970	1977	Number	Percent	1970	1977	Number	Percent	1970	1977	Number	Percent
Total	63, 447	74, 142	10, 695	16. 9	21, 401	22, 741	1, 340	6. 3	12, 056	12, 246	190	1. 6
Primary families	50, 967	56, 472	5, 505	10. 8	15, 816	15, 444	−372	−2. 4	8, 621	8, 092	−529	−6. 1
Husband-wife family	43, 717	57, 471	3, 754	8. 6	12, 748	11, 783	−965	−7. 6	6, 783	5, 970	−813	−12. 0
Male head (no wife present)	1, 621	1, 461	−160	−9. 9	587	499	−88	−15. 0	360	304	−56	−15. 6
Female head (no husband present)	5, 629	7, 540	1, 911	33. 9	2, 480	3, 161	681	27. 5	1, 478	1, 817	339	22. 9
Primary individuals	12, 480	17, 669	5, 189	41. 6	5, 584	7, 298	1, 714	30. 7	3, 435	4, 155	720	21. 0
Male	4, 597	6, 971	2, 374	51. 6	2, 139	2, 971	832	38. 9	1, 376	1, 747	371	27. 0
Female	7, 883	10, 698	2, 815	35. 7	3, 445	4, 327	882	25. 6	2, 059	2, 408	349	16. 9
Total	100. 0	100. 0			100. 0	100. 0			100. 0	100. 0		
Primary families	80. 3	76. 2			73. 9	67. 9			71. 5	66. 1		
Husband-wife family	68. 9	64. 2			59. 6	51. 8			56. 3	48. 8		
Male head (no wife present)	2. 6	2. 0			2. 7	2. 2			3. 0	2. 5		
Female head (no husband present)	8. 9	10. 2			11. 6	13. 9			12. 3	14. 8		
Primary individuals	19. 7	23. 8			26. 1	32. 1			28. 5	33. 9		
Male	7. 2	9. 4			10. 0	13. 1			11. 4	14. 3		
Female	12. 4	14. 4			16. 1	19. 0			17. 1	19. 7		

Source: Center for Urban Policy Research analysis of data presented in: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies P–23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Fully one out of seven (14.8 percent) of all households in the central cities in major metropolitan areas are female-headed (no husband present); moreover, the configuration is the dynamic growth element, with an increase of 22.9 percent in such incidence from 1970 to 1977. Indeed, if we were to sum primary individual households headed by females with families headed by the equivalent sex, they would represent virtually one in three of all central city households.

Central city populations, then, are increasingly dominated by household types which, as will be shown subsequently, are characterized by relatively low incomes. a major problem which cuts across racial partitions.

Race and household configuration.—The decline in primary families is largely a white phenomenon, undoubtedly in part as a function of select migration. The whites who are increaisng in number and proportion in the central city are largely in primary individual households. Indeed, husband-wife families declined both among whites and blacks in central cities with the former showing a loss of nearly a million, the latter approximately 150,000 (Exhibit 8). The only family type expanding in number within central cities among whites was female-headed (no husband present), with an increase slightly under 250,000. The faster growing incidence of this phenomenon among blacks, however, is indicated by the 432,000 increase in black female headed (no husband present) families. Nearly 60 percent of the total growth of black households over the 1970 to 1977 period was in this format.

Exhibit 8

CENTRAL CITY HOUSEHOLD TYPE BY RACE: 1970 AND 1977

[Numbers in thousands; 1970 metropolitan area definition]

	White				Black			
			Change: 1970 to 1977				Change: 1970 to 1977	
	1970	1797	Number	Percent	1970	1977	Number	Percent
Total	17,254	17,712	458	2.7	3,833	4,566	733	19.1
Primary families	12,665	11,870	−795	−6.3	2,917	3,122	295	10.1
Husband-wife family	10,667	9,730	−937	−8.8	1,891	1,744	−147	−7.8
Male-head (no wife present)	439	340	−99	−22.6	136	146	10	7.4
Female head (no husband present)	1,559	1,800	241	15.5	890	1,322	432	48.5
Primary individuals	4,589	5,842	1,253	27.3	916	1,354	438	47.8
Male	1,688	2,298	601	35.6	409	631	222	54.3
Female	2,901	3,553	652	22.5	507	723	216	42.6
Total	100.0	100.0			100.0	100.0		
Primary families	73.4	67.0			76.1	70.3		
Husband-wife family	61.8	54.9			49.3	38.2		
Male head (no wife present)	2.5	1.9			3.5	3.2		
Female head (no husband present)	9.0	10.2			23.2	29.0		
Primary individuals	26.6	33.0			23.9	29.7		
Male	9.8	12.9			10.7	13.8		
Female	16.8	20.1			13.2	15.8		

Source: Center for Urban Policy Research analysis of data presented in: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies p-23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1970 and 1978," November 1978.

Thus, the white population of central cities is decreasingly that of primary families, increasingly that of single individuals. The sum of these produce a relatively minor increase in total household numbers. Among blacks there is an equivalent decline of husband-wife families to a level where they represent only 38.2 percent of total households—and are nearly matched by a female-headed (no husband present) 29 percent incidence—nearly triple that of white central city households. One out of three (33.0 percent) white households now is in the primary individual sector. The incidence among blacks is nearly as high at the three in ten level (29.7 percent).

The vigor of the shift in household formation in terms of the percentage of primary families headed by females is emphasized by Exhibit 9, which shows the ratios of such households in 1977 versus 1970. There is significant growth both for whites and for blacks; the level of absolute gain, however, in the latter group is nearly double that of the former. Indeed, in all central cities, the growth ratio for the seven years under consideration among blacks is at the 1.34–1.35 level.

By 1977 more than four in ten of all black primary families in central cities were headed by a female.

Income and family configuration.—There appears to be a significant relationship between low incomes and female-headed households. This holds true both for whites as well as blacks, but is much more compelling for the latter group. As shown in Exhibit 10, for example, all families in central cities in 1977 had money incomes of slightly under $14,000. Families with female heads, however, had incomes of less than half that, $6,658. For white families with female heads total money income was $7,914. For blacks it was an abysmally low $5,125. And these ratios are degenerating over time, when contrasted with equivalent data for suburban areas.

Exhibit 9

PERCENTAGE OF PRIMARY FAMILIES HEADED BY FEMALES, BY RACE AND TYPE OF RESIDENCE: 1970 AND 1977 (1970 METROPOLITAN AREA DEFINITION)

Type of residence	Total (all races) 1970	Total (all races) 1977	Total (all races) Ratio 1970–77	White 1970	White 1977	White Ratio 1970–77	Black 1970	Black 1970	Black Ratio 1970–77
U.S. total	11.0	13.4	1.22	9.2	10.7	1.16	28.0	36.8	1.31
Metropolitan areas	11.7	14.5	1.26	9.7	11.6	1.21	28.9	37.7	1.30
Central cities	15.7	20.5	1.31	12.3	15.2	1.24	30.5	41.2	1.35
Suburban areas	8.4	10.6	1.26	7.9	9.6	1.21	22.2	27.9	1.26
Central cities in metropolitan areas of 1,000,000 or more	17.1	22.5	1.32	13.1	16.0	1.22	30.8	41.7	1.35
Central cities in metropolitan areas of less than 1,000,000	13.9	18.3	1.32	11.5	14.4	1.25	30.0	40.1	1.34

Note: Ratios computed from unrounded percentages.

Source: Center for Urban Policy Research analysis of data presented in U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies P-23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

For every category shown, the ratio between central city and suburban incomes from 1970 to 1977 has declined sharply. All central city families, regardless of their configuration, have incomes which are not keeping pace with equivalent configurations in suburbia, as well as declining in absolute dollars over time.

Female headed households in central cities have shown the most marked decline in real incomes over time. The selective migration of blacks to suburbia undoubtedly underlies, at least in part, the one substantial increment (and again these are data in constant dollars) of income accruing to families from 1970 to 1977: total black families in suburbia experienced an income gain of almost $1,300 from $10,745 in 1970 to $12,037 in 1977. The black income decline in central city is clearly linked with the selective migration of husband/wife families and the residual dominance of female headed households.

Exhibit 10

TOTAL MONEY INCOME IN 1969 AND 1976—FAMILIES BY SEX, RACE, AND TYPE OF RESIDENCE

[In constant 1976 dollars, families as of March 1977 and April 1970]

	Central cities	Suburban areas	Ratio of central city to suburban
Total all races:			
All families:			
1970	$14,566	$17,160	0.85
1977	13,952	17,101	.82
Families with female head:			
1970	7,586	9,351	.81
1977	6,658	8,539	.78
White:			
All families:			
1970	15,601	17,413	.90
1977	15,069	17,371	.87
Families with female head:			
1970	9,014	9,842	.92
1977	7,914	8,985	.88
Black:			
All families:			
1970	10,188	10,745	.95
1977	9,361	12,037	.78
Families with female head:			
1970	5,494	5,425	1.01
1977	5,125	5,789	.89

Note: 1970 metropolitan definition.

Source: Center for Urban Policy Research analysis of Data Presented in U.S. Department of Commerce, Bureau of the Census, Current Population Report, Special Studies P-23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

The increasing trauma of rental housing.—In another context, reference has been made to the increasing problem of rental housing in central cities—the issues of delinquency and foreclosure, particularly in HUD held guaranteed mortgages.[4] Within this context, it is important to focus on the data shown in Exhibit 11, which shows median incomes of household types in central cities by race and tenure for 1973 and 1976. (These are not constant dollars).

Certainly there has been much more vigor of income growth among owners than holds true of renters, with the level of growth in the former triple that of the latter. And this holds true for blacks as well, but it much more extreme. Among the two or more person black households who are owners, incomes increased 21.2 percent. Despite the declining value of the dollar over time, black renters experienced only a 1.5 percent increase.

The latter ratio was very largely the result of a declining real income among renter families headed by females. For this category there was an absolute decline of 11.3 percent in incomes. And this obviously would be the more accentuated if it were in constant dollars.

Increasingly the central city is the focal point of the poor. Selective migration, and limited economic opportunities for advancement have produced this result.[5] It is mirrored in the next set of data to be presented here—that on poverty status.

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[4] See George Sternlieb and Robert W. Burchell, "Multifamily Housing Demand: 1975–2000." A Study prepared for the use of the Subcommittee on Priorities and Economy in Government of the Joint Economic Committee, Congress of the United States. (U.S. Government Printing Office, Washington, D.C., 1978.)

[5] See analysis in: George Sternlieb and James W. Hughes, "The Wilting of the Metropolis," Hearings before the Committee on Banking, Currency, and Housing, U.S. House of Representatives, *Toward a National Urban Policy* (U.S. Government Printing Office, Washington, D.C., 1977).

Exhibit 11

MEDIAN INCOME OF HOUSEHOLD TYPES IN CENTRAL CITIES BY RACE: 1973 AND 1976

(1970 METROPOLITAN DEFINITION)

	Total (all races)				Black			
			Change: 1973-76				Change: 1973-76	
	1973 [1]	1976 [2]	Number	Percent	1973 [1]	1976 [2]	Number	Percent
Owner occupied:								
2 or more person households	$12,900	$15,800	$2,900	22.5	$10,400	$12,600	$2,200	21.2
Male head, wife present	13,600	17,000	3,400	25.6	11,700	14,700	3,000	25.6
Other male head	12,800	14,000	1,200	9.4	11,300	11,000	−300	−2.7
Female head	8,000	9,200	1,200	15.0	7,000	7,200	200	2.9
1 Person households	4,400	5,900	1,500	34.1	3,900	4,100	200	5.1
Renter occupied:								
2 or more person households	8,300	8,800	500	6.0	6,500	6,600	100	1.5
Male head, wife present	9,600	11,500	1,900	19.8	8,400	10,400	2,000	23.8
Other male head	8,300	8,200	−100	−1.2	5,900	7,900	2,000	33.9
Female head	5,800	5,300	−500	−8.6	5,300	4,700	−600	−11.3
1 Person households	4,600	5,500	900	19.6	3,500	4,400	900	25.7

[1] 1973 income is that received in 1972.
[2] 1976 income is that received in 1975.

Source: U.S. Department of Commerce, Bureau of the Census, Annual Housing Survey, 1973, 1976.

Poverty status.—Nationally poverty is declining in incidence. In the 1970 to 1977 period under consideration, there was a decline of 2.2 million persons who met the poverty criteria. Exhibit 12 presents the data on individuals by family status who fell below the poverty level.

Every category was reduced except for females who were heads of families; in this group there was an absolute increase of 710,000 indviduals, nearly 40 percent. Indeed almost a third of all females who head families fall into the poverty category.

The basic problem is much more clearly focused when the analysis is limited to central cities as shown in Exhibit 13. Unlike the national pattern, there is an absolute increase in the number of persons in central cities who fall below the poverty line. While the total central city population declined by 4.6 percent, those in poverty status increased by 2.5 percent. This occurred despite a decline in poverty status among males who headed families and their wives. This gain was completely obliterated—and practically all of the total loss accounted for—by the increase in females who headed families—and their children as well. In central cities female family heads who were under the poverty line increased by 44.7 percent over the seven-year period. By 1977, 37.1 percent of such individuals were below the poverty line.

Exhibit 12

POVERTY STATUS IN 1976 AND 1969, PERSONS BY FAMILY STATUS, U.S. TOTAL, ALL RACES [1]

[Numbers in thousands]

Family status	1970	1977	Change: 1970 to 1977		Percent below poverty level	
			Number	Percent	1970	1977
All persons	27,204	24,975	−2,229	−8.2	13.8	11.8
In families	21,?50	19,632	−1,618	−7.6	11.7	10.3
Head	5,500	5,311	−189	−3.4	10.8	9.4
Male	3,667	2,768	−899	−24.9	8.1	5.6
Female	1,833	2,543	710			
Wives	3,438	2,606	−832	−24.2	7.9	5.5
Related children under 18 yr	10,560	10,081	−479	−4.5	15.3	15.8
Other family members	1,752	1,634	−118	−6.7	9.8	7.1
Unrelated individuals	5,954	5,344	−610	−10.2	37.1	24.9
Male	1,913	1,787	−126	−6.6	29.9	19.7
Female	4,041	3,557	−484	−12.0	41.9	28.7

[1] Families and unrelated individuals as of March 1977 and April 1970. Excludes unrelated individuals under 14 yr old members of the Armed Forces living in barracks and college students in dormitories.

Source: Center for Urban Policy Research analysis of data presented in: U.S. Department of Commerce, Bureau of the Census, Current Population Reports Special Studies, P–23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Exhibit 13

POVERTY STATUS IN 1976 AND 1969, PERSONS BY FAMILY STATUS, CENTRAL CITIES, ALL RACES [1]

[Numbers in thousands]

Family status	1970	1977	Change: 1970 to 1977		Percent below poverty level	
			Number	Percent	1970	1977
All persons	9,247	9,482	235	2.5	14.9	15.8
In families	6,852	7,302	450	6.6	12.5	14.3
Head	1,755	1,961	206	11.7	11.1	12.6
Male	928	764	−164	−17.6	7.0	6.2
Female	827	1,197	370	44.7	33.5	37.1
Wives	861	718	−143	−16.6	6.7	6.1
Related children under 18 yr	3,692	4,017	325	8.8	18.4	23.9
Other family members	544	606	62	11.4	8.7	8.8
Unrelated individuals	2,396	2,180	−216	−9.0	33.1	24.6
Male	801	796	−5	−.6	27.1	20.6
Famale	1,594	1,384	−210	−13.2	37.3	27.7

[1] Families and unrelated individuals as of March 1977 and April 1970. Excludes unrelated individuals under 14 yr old, members of the Armed Forces living in barracks and college students in dormitories.

Source: Center for Urban Policy Research analysis of data presented in: U.S. Department of Commerce, Bureau of the Census, Current Population Reports Special Studies, P–23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Male headed families and wives are climbing out of poverty. Female headed families increasingly are subjected to all of its limitation and strictures.

The incidence of such groups, in turn, has strikingly impacted the fiscal vigor of central cities—while increasing the stress on the social services provided to them. And, this is increasingly a problem which is impacting the black citizens of central cities. As shown in Exhibit 14, the number of black persons in families in poverty status in central cities grew by more than one in nine (10.9 percent) from 1970 to 1977. Among unrelated individuals, there was an increase of one in six (17.7 percent). While there was a significant reduction of male heads and wives in poverty, it was more than overcome by the single largest poverty status growth group—that of female heads of families, which increased by nearly a quarter of a million (57.1 percent).

By 1977 more than half (51.1 percent) of the black females who headed households were below the poverty line. In turn, they substantially accounted for the 42.1 percent of all black related children under 18 years within families who also met the poverty designation.

The urban crisis is not over—it is rather entering on its most fearful challenge. The demographic shifts within our society have left major urban areas increasingly the focal point for the distressed—not merely the impoverished, but the increasingly impoverished. A thin facade of office structures, of swinging new groups, distracts the eye from the functional reality.

Exhibit 14

POVERTY STATUS IN 1976 AND 1969, PERSONS BY FAMILY STATUS, CENTRAL CITIES, BLACKS[1]

[Numbers in thousands]

Family status	1970	1977	Change: 1970 to 1977 Number	Change: 1970 to 1977 Percent	Percent below poverty level 1970	Percent below poverty level 1977
All persons	3,726	4,167	441	11.8	29.1	31.0
In families	3,196	3,543	347	10.9	27.7	30.2
Head	725	908	183	25.2	24.9	28.0
Male	290	223	−67	−23.1	14.3	11.7
Female	436	685	249	57.1	49.1	51.1
Wives	260	194	−66	−25.3	13.9	11.3
Related children under 18 years	1,940	2,081	141	7.3	36.5	42.1
Other family members	271	360	89	32.8	18.9	19.8
Unrelated individuals	530	624	94	17.7	41.7	36.4
Male	197	274	77	39.1	32.6	31.6
Female	333	350	17	5.1	50.0	41.4

[1] Families and unrelated individuals as of March 1977 and April 1970. Excludes unrelated individuals under 14 yr old, members of the Armed Forces living in barracks and college students in dormitories.

Source: Center for Urban Policy Research Analysis of Data Presented in: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Special Studies, P–23, No. 55, "Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970," November 1978.

Representative MOORHEAD. The subcommittee would now like to hear from Thomas Muller, principal investigator of the Urban Institute. Mr. Muller, please proceed.

STATEMENT OF THOMAS MULLER, PRINCIPAL INVESTIGATOR, THE URBAN INSTITUTE

Mr. MULLER. Thank you, Mr. Chairman.

I also have a prepared statement for the record, but I would like to summarize some of the comments and perhaps also comment on some of the other speakers' remarks, having the advantage of being the last person on this panel.

Representative MOORHEAD. Without objection, your prepared statement will be made a part of the record.

Mr. MULLER. Without restating many of the comments already made, I certainly concur that there is no evidence of any massive inmigration of middle income household to our cities. Indeed, the opposite is taking place. For every higher income family coming into a city, three have left, at least as far as the data available for the 1975–78 period indicate.

While there is some improvement in selected cities, in general the pattern of movement out of cities of middle-income people is continuing. Indeed, the population losses would be much more severe except for one fact which many of us fail to take note of—large-scale immigration to this country, particularly to cities along the coast from other nations.

I noted in my comments to this subcommittee 3 or 4 years ago that this issue needed examination because we did not know the fiscal and other economic implications of this immigration. Unfortunately, we know no more today than we did 4 or 5 years ago when the issue was first being discussed. We do not know the real effects of immigration, although it is evident that in some cities, like Newark, N.J., there is upgrading in some neighborhoods as a result of this movement and possibly some displacement of other minorities, but facts in this area are practically nonexistent.

We do know that cities inland—Pittsburgh, St. Louis, and Cleveland—which do not have large immigration, had and are continuing to have sharp population losses.

Our cities in the South which have traditionally been growing—population growth has been reduced to a trickle—because annexation has slowed down. For a combination of reasons, the rate of annexation by cities in the last 2 or 3 years has been at its lowest level in decades and this has affected the growth rate of most Southern and Western cities.

Indeed, outmigration from our cities is not restricted to any particular region. In recent years, the rate of outmigration from Southern cities has been more rapid than from cities in the Northeast and North-central States. Again, we are continuing to deal with a national, not regional phenomenon.

As to the relationship between a strong fiscal posture and the overall economic health of a city, not surprisingly, one finds a very strong correlation.

Recently the Joint Economic Committee completed a very detailed survey of business leaders and factors affecting their investment/relocation decisions. Interestingly, the business community views our cities very much as do researchers. They view cities as belonging to one of two categories—those with a strong economic base which are healthy, tend to have low taxes, and tend to provide what they consider quality services—Dallas, Phoenix, Seattle, and others, particularly in the Northeast which are viewed as having a poor business and investment climate, cities which also have high business taxes, high personal taxes, while their services are perceived to be poor by business leaders. Their perception of cities are very much like the views expressed this morning. There are those which are healthy, although they may have some particular problem, and there are those which unfortunately remain at the other end of the spectrum, such as Detroit.

Not surprisingly, business investment is going to cities considered healthy. The level of investment in those urban areas is twofold or threefold higher on a per capita basis than to the balance of our urban areas. This in itself has direct fiscal implications. What this points out is that business leaders prefer to invest in areas which have low business taxes, good public services, a well developed infrastructure, and which, overall, have a business climate which they view to be positive. This is in addition to the fact that, growing areas have a large current market, and an expanding future market, which, by itself, is encouraging aditional investment into those areas.

I am somewhat less pessimistic than other persons on this panel in that, in my view overall, the fiscal conditions of our cities have improved in the last 3 or 4 years. Let me state briefly the reasons for this belief, but also note that in case of another economic downturn, conditions will again become critical.

There are at least four factors which caused the improvement in the fiscal situation of our cities—one is related to the rather slow but positive growth of a national economy between 1978 and 1979. There is a trickle down effect to our cities—not all, but many cities, including those in the Northeast. The gentleman from the Urban League noted that high unemployment continues, but there has been some improvement. Second, a number of cities have cut back on municipal employment and have attempted to stabilize employee wages. Our older cities had to adjust their public sector economies to the loss of tax base—and many bit the bullet, so to speak—improved their fiscal management and then helped their fiscal situation. Third, there has been a very sharp drop in capital outlays in cities. While this provides some fiscal relief in the short run, in the long run, it will necessitate total replacement costs rather than more limited maintenance and repair outlays.

Finally, there has been a sharp rise in Federal assistance to our cities. Between 1972 and 1977, the State's share of total city revenues actually declined. While most people believe this State aid is increasing, their share of city budgets shows some decrease. The total reduction in local share of all city revenue in the last 5 years has been the result of increased Federal funding. In the absence of these Federal funds, our cities in general and our older and more distressed cities in particular, would have substantially higher tax burdens than they currently have. This further suggests if there is reduction in Federal assistance, their fiscal situation would indeed deteriorate. Growing cities are also not problem free. There is a catchup effect in southern and western cities as a result of large inmigration of households and business firms in the last decade. Crime rates are also higher in areas of rapid growth. Thus, their outlays are increasing at a faster rate than tax revenues. Actually, both our growing and declining cities have some fiscal problems, but over all, their posture is better than it was 4 or 5 years ago.

An important question is what would happen if we had another recession. There is no question that older cities cannot cut back substantially more on municipal employment without deteriorating services to a level that will lead to more outmigration. There was some slack in the system in the early 1970's. I am one of the persons favoring a reduction in the municipal work force in older cities simply because these cities could not afford the high payrolls, but there is just so much in a system that can give. Unfortunately, we are at a point now where, in a recession, cities would have to cut back more on services. In the long run, this would be counterproductive.

Capital outlays, if they are delayed further, can cause us major problems in the 1980's. Even today inadequate maintenance is a serious issue. We don't think much about this because we don't see bridges deteriorating and the streets that need repaving except in the downtown areas but, nevertheless, the problem remains.

Finally, many of our older cities depend on a local income tax as a major part of the tax base. The income tax is a very sensitive tax to a recession because as employment decreases, the revenue base decreases proportionately.

Most of our cities unfortunately are not in a position to be able to overcome revenue losses which could result from a downturn in the national economy. Although the situation is better than at the height of the 1974–75 recession, they are not in a strong enough position to overcome a downturn of any magnitude.

Finally, let me deal with the question of what should be the role of various levels of government, given that a downturn takes place, as many economists are now predicting. Frankly, State governments themselves, through restricting either revenues or expenditures, have imposed major limitations on what cities can do, and this applies to both cities which are growing and those declining.

Let me first cite two examples of growing areas. One is Kitsap County in the State of Washington where the Federal Government is building a large military facility, the Trident submarine base. The State government restricts revenue collections to 6 percent above its previous year's average. This rapidly growing county thus cannot obtain sufficient revenue to provide infrastructure for its added population and, therefore, it applies more pressure on the Federal Government to fund capital needs.

In the State of California, as a result of proposition 13, almost all growing areas have added fees, added charges on housing. For example, the city of San Diego has just proposed a $4,500 fee per pupil in order to build public schools, the argument being that these cities no longer have the revenue base to provide capital facilities. Unfortunately, this adds to the cost of new housing, which is already extremely high, particularly in California, but also in many other regions of the country. This itself is leaving more and more people out of the owner-occupied housing market.

What we find is that constraints placed on expenditures and revenues have effects not visualized by many people—the increase in the cost of buying a new house—which is very, very discouraging to young households, although those families with two or more workers continue to purchase housing.

If we look at the effect of limitations in a declining area, Newark, N.J., can serve as a good illustration. Newark had a small fiscal surplus last year and this fiscal year. Unfortunately, because of a State cap on expenditures which are paid from local revenue, the city was unable to use these funds for payrolls and had to lay off a number of policemen and some part-time teachers. Again, Newark was anticipating additional countercyclical revenue to be used to fund these workers. Funds which were not appropriated. This is an example of a problem where, because of State-imposed limitations, local governments could not respond and provide adequate police protection, and public education.

States themselves have imposed limits, the effects of which, in my view, the Federal Government cannot be held accountable.

To summarize, we still have outmigration from cities. Income differences, as Mr. Embry stated earlier, have increased. Growth of large southern and western cities is slowing down.

There is a strong linkage between private sector investment and the quality of the public sector. To the extent we can encourage more private investment in cities, this would create the necessary employment and tax base so cities can do more for themselves, and be less dependent on external revenue sources.

Finally, although the business climate in cities is better today than it was several years ago and the fiscal climate has also improved, cities will be unable to, it appears, provide necessary services for their residents if another recession reduces the level of local revenue.

Thank you.

Representative MOORHEAD. Thank you, Mr. Muller.
[The prepared statement of Mr. Muller follows:]

PREPARED STATEMENT OF THOMAS MULLER

I. POPULATION MOVEMENT AND ITS EFFECTS ON CENTRAL CITIES SINCE 1970

Recent and emerging migration patterns

In recent months, several articles have suggested that the urban crisis is basically over, based on the premise that economic conditions in general, and fiscal conditions in particular in our older cities, have improved to the point that they can resist furture downturns. Further, it is argued that young, middle class households are returning to our cities, improving the economic health of these jurisdictions, but causing some displacement of low income families.

An examination of population data does not confirm this pattern. It does appear that the rate of population decline in many older cities was somewhat lower in the 1973–1976 period than in the previous three years (See Table 1). This lower population decline is concentrated among cities with continuous steep population losses between 1960 and 1976, as shown below:

St. Louis: —31 percent.
Cleveland: —29 percent.
Pittsburgh: —26 percent.
Detroit: —21 percent.

By 1976, both Pittsburgh and St. Louis reached lower population levels than those 70 years earlier.

Most of the large cities which grew rapidly in the 1960's and early 1970's are no longer experiencing growth at earlier rates. This is attributable primarily to lower rates of annexation as illustrated in Table 2. Among cities shown, only Dallas annexed large land areas between 1973–75 compared to the previous three years.

If we examine central city migration patterns since 1960, it is probable that the rate of central city outmigration actually increased between 1975 and 1978, despite more rapid movement to cities from aborad as compared to the 1970–1975 period. During an eight years span, over nine million more persons left central cities than moved in (See Table 3).[1] However, absolute population losses have been less than would be expected, since there has been substantial immigration to cities, particularly to those along the coastlines. For example, over 12 percent of students in Newark, New Jersey, public schools are in bilingual programs, with students from both Portugal and Hispanic nations. In some instances, these new immigrants are upgrading decaying neighborhoods. However, these newcomers cannot be considered gentry, but rather yet another wave of blue collar and low wage service workers.

Income of central city migrants

The fiscal effects of migration are influenced primarily by the income of those moving in and moving out. For example, if those leaving cities have lower incomes than immigrants, the change in population can be considered positive. If, indeed, there is "gentrification," one would expect to find a positive shift in income levels. However, the most recent information fails to support such a trend. Four out of five family heads which left cities between 1975 and 1978 had incomes of over $15 thousand per annum; and for every family head in this income group who came to the city, almost three left. Among younger households with family heads between the ages of 25 and 34, about three are leaving for every one moving into the central city (See Table 4).

Based on these data, the premise that our central cities are becoming repopulated with young, above average income households is a myth. This is not to argue that there are, indeed, some cities in which there is an influx to selected neighborhoods with quality housing and convenient location to centers of employment. Collectively, however, such a pattern does not appear to be emerging.

Regional movement

The casual observer frequently perceives outmigration from central cities as a phenomenon taking place primarily in northern cities. In part, this impression may be the result of annexation in southern and western areas which frequently

[1] The nine million estimate includes persons who may have moved twice—once between 1970–1975 and once between 1975 and 1978.

masks movements within established boundaries. It is therefore surprising to find that the most rapid outmigration is from southern cities. During the three year period (1975–1978), almost 1.5 million more persons moved out of southern cities compared to those moving in, a rate of population loss twice as rapid as found in the Northeast (See Table 5). While the South gained over one million persons as a result of migration from northern states between 1975 and 1978, suburban and non-metropolitan areas were the principal recipients of this migration.

TABLE 1.—POPULATION CHANGE—LARGE U.S. CITIES, 1960–76

[In thousands]

Year	Number cities	Total change	Annual change
Cities with declining population between 1960–70:			
1960 to 1970	14	−1,048	−105
1970 to 1973	14	−787	−262
1973 to 1976	14	−527	−176
1970 to 1976	14	−1,314	−219
Estimated net outmigration 1970–76		−1,813	−302
Cities with growing population between 1960–70:			
1960 to 1970	13	511	51
1970 to 1973	13	266	89
1973 to 1976	13	103	34
1970 to 1976	13	369	62
Net migration	13		
New York City:			
1960 to 1970	1	3	
1970 to 1973	1	−250	−83
1973 to 1976	1	−222	−74
1977	1	−112	−112
New migration 1970–77		−801	−134
All large cities:			
1960 to 1970	28	−534	−53
1970 to 1973	28	−771	−257
1973 to 1976	28	−629	−210
1970 to 1976	28	−1,400	−233
Net migration: 1970–1976 [1]	28	−2,885	−481

[1] Estimate derived from migration at county level.

Source: Bureau of the Census, Population Estimates and Projections, series p. 25, p. 26.

TABLE 2.—ANNEXATIONS BY LARGE CITIES 1970–75

City	Square miles added		Percent change in land area, 1970–75
	1970–73	1973–75	
Dallas	5	39	17
Houston	64	10	13
San Antonio	70	10	44
Denver	19	0	16
Columbus	23	15	28
Memphis	44	20	28
Fhoenix	21	4	11
San Diego	6	0	2
Total	252	98	
Per annum	84	49	

Source: Bureau of the Census.

TABLE 3.—CENTRAL CITY MIGRATION 1960–78

	1960–70	1970–75 [1]	1975–77	1975–78
Intranational: [1]				
Central cities [3]	−3,449	−7,018	−3,321	−4,628
Suburbs	8,756	5,423	2,718	2,527
Total metropolitan area	5,307	−1,595	−603	−1,101
Annual migration rate from central cities [4]	−345	−1,403	−1,661	−1,543
Movers from abroad:	NA	3,604	2,010	2,697
Central City		NA	786	1,066
Suburban		NA	792	1,105
Outside States		NA	732	526
Annual movers from abroad		285	393	355

[1] Population 5 yr old and over.
[2] Population 8 yr old and over.
[3] Data relates to city boundaries as of 1970.
[4] These annual rates are only rough approximations. There are no reliable data on annual migration from the Bureau of the Census or from other sources.

Source: Bureau of the Census. Geographic Mobility March 1970 to March 1975 and Geographic Mobility March 1975 to March 1978.

TABLE 4.—CENTRAL CITY MIGRATION PATTERN BY FAMILIES, 1975–78

[In thousands]

	Number of families [1]			Movers from			
	Central city	Suburbs	Percent central city of suburbs	Central city to suburbs	Suburbs to central city	Abroad to central city	Central city net change
Family income:							
Under $5,000	371	225	165	41	32	12	+3
$5,000 to $10,000	905	1,070	85	184	78	44	−62
$10,000 to $15,000	1,407	1,966	72	244	106	36	−102
$15,000 to $25,000	2,983	5,571	54	702	245	25	−432
$25,000 and over	2,049	5,020	41	423	168	30	−235
Total	7,715	13,852	56	1,594	629	147	−818
Age of family head:							
14 to 24 yr	1,204	1,281	94	373	119	37	−217
25 to 34 yr	3,660	5,482	67	843	295	94	−454
35 to 44 yr	2,826	4,883	58	335	143	45	−433
45 to 54 yr	2,893	4,546	64	64	44	8	−12

[1] Number of husband-wife family heads, with head 14 to 54 yr old.

Source: Bureau of the Census (see table 3).

TABLE 5.—MIGRATION FROM CENTRAL CITIES BY REGION, 1975–78

[In thousands]

Region	Intra-national	From abroad	Total	Total population	Migration as percent of base population
Northeast	−763	249	−514	14,818	−3.5
North central	−1,231	182	−1,049	14,092	−7.4
South	−1,705	285	−1,420	16,600	−8.6
West	−975	377	−598	11,536	−5.2
Total	−4,674	1,093	−3,581	57,046	−6.3

Source: Bureau of the Census.

II. WHAT IS THE RELATIONSHIP BETWEEN LOCAL FISCAL SOLVENCY AND GOOD ECONOMIC HEALTH?

There is little doubt that the most important prerequisite to fiscal well-being is a sound local private sector economy. Capital investment leads to an expanded tax base which can provide improved public facilities and services. Based on a national survey of business leaders, a recent report prepared by D. Matz, staff economist for the Joint Economic Committee, indicates that cities with the most favorable business climate—Dallas and Phoenix—are considered to have good public facilities and services such as schools as well as comparatively low personal and business taxes.[2] The opposite conditions are found in cities rated as having a poor business climate. A favorable climate depends, in part, on a strong fiscal posture which can encourage further investment. The importance of investment in residential and business property can be observed by comparing property values in cities with growing and declining populations.

The continuing fiscal weakness of many older cities is related to the low level of capital investment and low per capita property values. As shown in Table 6, the mean value of real property subject to the property tax in declining cities is only $7,300 per capita. By comparison, per capita real property value in growing urban areas was over $20,000, or almost three times more, while income in growing areas was only 28 percent higher. Income-property value differences can be explained by several factors, including more tax-exempt property in older cities (such as public housing), higher shares of transfer payments in older cities which do not reflect earned income, lower current investment in commercial and industrial facilities, and lower increases in the value of residential property. New York City (and Minneapolis) are exceptions among cities with population losses, since their CBDs, particularly Manhattan, have experienced substantial commercial investment of recent vintage.

Most declining cities have slower rates of residential property increases per unit compared to growing cities as well as reductions in the absolute number of taxable units. Effective property taxes declined sharply in growing cities as a result of rapid growth in property values (see Table 7).

New York City and Chicago are exceptions among declining cities. These cities, despite population declines, had real increases in property value, more taxable units, and lower effective tax rates in 1976 compared to 1966. This is another indication that New York and Chicago, as major national and international centers of commerce, are maintaining viable economies. Despite the low ratings given New York in terms of business climate, Manhattan (but not other boroughs of the city) remains a strong center for specialized services and international trade.

The low rate of capital investment in manufacturing and other facilities in most northern urban areas was noted in a previous report.[3] Since the report was issued, the level of investment has increased, but major regional gaps remain.

Despite the obvious linkage between private sector vigor and fiscal health, it is feasible for cities to remain fiscally sound by sharply curtailing their expenditures and exercising prudent fiscal management in the face of economic decline. However, a strong economy is no assurance against poor management of financial affairs which can result in fiscal insolvency. With few exceptions, however, a vigorous private sector should also result in a healthy municipal sector.

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[2] D. Matz, "Central City Business—Plans and Problems," Joint Economic Committee, Congress of the United States, January 1979.

[3] See Thomas Muller. "Central City Business Retention: Jobs, Taxes, and Investment Trends," presented to the U.S. Department of Commerce 2d Urban Roundtable, March 1978.

TABLE 6.—PER CAPITA REAL TAXABLE PROPERTY VALUE AND INCOME

City	1975 income	1976 property value	Ratio
Declining cities:			
St. Louis [1]	$4,278	$5,962	1.4
Buffalo	4,234	10,716	2.5
Detroit [1]	4,661	6,251	1.3
Hartford	4,201	4,763	1.1
Pittsburgh [1]	4,919	8,711	1.8
Philadelphia	4,660	8,162	1.8
Springfield	4,337	8,532	2.0
Boston	4,503	7,963	1.7
Baltimore	4,577	7,038	1.5
Jersey City	4,555	4,905	1.1
Mean	4,493	7,300	1.6
Growing cities:			
Dallas County (Dallas)	5,688	15,993	2.8
Harris County (Houston)	5,815	27,438	4.7
San Diego	5,357	19,470	3.6
San Francisco	6,522	25,947	4.0
Mariposa County (Phoenix) [1]	5,072	16,118	3.2
Tulsa	5,842	17,683	3.0
Fairfax County	7,472	27,920	3.7
Orange County (Orlando)	4,726	16,521	3.5
Denver [1]	6,032	16,732	2.8
Nashville	4,887	16,238	3.3
Mean	5,741	20,006	3.5
Other: New York	5,222	15,093	2.9

[1] Included in Joint Economic Committee survey.

Source: 1977 Census of Governments "Taxable Property Values," vol. 2; "Population Estimates and Projections," Series P-25.

TABLE 7.—CHANGE IN SINGLE FAMILY UNITS, MARKET VALUE AND EFFECTIVE TAX RATE, 1966 AND 1976

City	Number of single family units (thousands)		Average value		Effective tax rate	
	1966	1976	1966	1976	1966	1976
Declining:						
Baltimore	199	188	8.9	16.2	$3.47	$2.54
Cleveland	138	85	15.6	21.5	1.75	1.79
Detroit	331	263	10.6	16.2	1.91	3.47
St. Louis	118	71	12.1	15.1	1.70	1.92
Percent	—23		46		10	
Growing:						
Houston	NA	239	15.1	41.2	1.79	1.04
San Diego	107	155	19.0	54.8	2.02	1.97
San Jose	75	128	19.5	51.2	2.22	2.01
Phoenix	123	165	14.3	29.9	2.21	1.46
Percent	49		161		—21	
Other:						
New York City	307	320	21.7	59.9	2.00	1.91
Chicago	294	301	17.3	42.8	1.94	1.71
Percent	3		163		—8	

Source: Bureau of the Census, "1977 Census of Governments, Part II, Property Values."

TABLE 8.—PERCENT REVENUE BY SOURCE: 1972 AND 1977

City category	Number	State 1972	State 1977	Federal 1972	Federal 1977	Local total 1972	Local total 1977	Local tax 1972	Local tax 1977
Declining	8	19	20	10	22	71	58	53	42
Growing	8	10	9	12	23	78	68	53	44
New York City	1	44	41	3	9	53	50	44	42
All cities		24	23	7	15	69	62	48	43

PERCENT CHANGE: 1972 AND 1977

	State	Federal	Local tax
Declining	5	120	—21
Growing	—10	92	—17
New York City	—7	200	—5
All cities	—4	114	—10

Source: Bureau of the Census, "City Government Finances in 1971-72 and 1976-77."

III. HAVE THERE BEEN RECENT IMPROVEMENTS IN THE FISCAL CONDITION OF CITIES?

Since the deep 1974–1975 recession, the fiscal condition of most cities, including those with a declining economic base, has improved. These improvements are the result of several factors noted below:

(1) Growth of the national economy, leading to revenue increases without higher tax rates or added demand for public services in cities with population declines.

(2) Cutbacks in public employment in several older cities and stabilization of wage increases for municipal workers, thus reducing the rate of payroll growth.

(3) Reductions in capital outlays leading to reduced long-term debt and thus debt service.

(4) Sharp rise in federal assistance. While the share of state aid has remained stable for cities in general, school districts serving cities in some areas have received added state aid in recent years. (See Table 8.)

In southern and western cities with strong regional economies, past imigration created lags in service expansion. These cities, such as Houston and Phoenix, have increased their outlays considerably to meet the rising demand for services. In addition, rapidly growing cities have rising crime rates, requiring additional public safety expenditures. Despite sharp increases in Federal aid, local taxes in growing cities since 1972 increased at a faster rate than personal income increasing their tax burdens shomewhat (see Table 9). Nonetheless, per capita outlays and taxes in growing cities remain considerably below those of jurisdictions undergoing decline. Tax burdens in declining cities remained stable, with the notable exception of New York City.

TABLE 9.—PER CAPITA LOCAL TAXES AND OUTLAYS: 1972 AND 1977

City category	Number	Local taxes 1972	Local taxes 1977	Local taxes Percent change	Operating outlays 1972	Operating outlays 1977	Operating outlays Percent change	Capital outlays 1972	Capital outlays 1977	Capital outlays Percent change
Declining	7	$143	$274	42	$320	$537	68	$52	$91	75
Growing	8	91	145	59	127	236	86	54	89	65
New York City	1	485	806	66	1,017	1,574	55	134	55	—66

	Change in local taxes (percent)	Change in money income [1]	Difference
Declining	42	43	2.4
Growing	59	51	—13.6
New York City	66	34	—48.5

[1] Income change for 1970–75 period.

Source: Bureau of the Census; "City Government Finances In 1971-1972 and 1976–1977."

IV. ARE THE OLDER CITIES STRONG ENOUGH FISCALLY TO WITHSTAND ANOTHER RECESSION?

A response to this question requires an examination of each factor which resulted in improved conditions discussed in the previous section.

(1) Another recession would adversely affect the level of revenue from two major local sources: property taxes and sales taxes. In addition, a large share of older cities with fiscal problems are heavily dependent on local income taxes as a major source of municipal revenue. Baltimore, Cincinnati, Cleveland, Detroit, Newark, New York and Philadelphia would be particularly hard hit, since reduced employment during a recession is immediately reflected in lower income tax receipts. Among cities with growing economies, practically none is dependent on local income taxes. Thus, the fiscal effects of a recession would be less immediate.

(2) Cutbacks in public employment levels have been considerable in several large cities, such as New York and Detroit. Substantial additional reductions caused by a recession could have a serious negative effect on both the scope and quality of services provided, which could further jeopardize business investment. In retrospect, the 1974–1975 recession made it politically feasible for many city administrators to improve the efficiency of the public sector, and thus adjust public employment to declining populations. I argued several years ago at Congressional hearings that this was an essential step in restoring the fiscal health in a number of older cities. Since that time, the ratio of teachers to pupils and other municipal employees per capita in New York, for example, has been approaching the average of other large cities. Recent employment reductions in several cities have restored the historic ratio of per capita public employment between large and small cities. It is important to note that, throughout our nation's history, it has been more expensive to provide services in large cities as compared to smaller cities.

Further reductions are likely to be counterproductive. While I would be unwilling to state that in all jurisdictions a proper balance between the ability to afford large payrolls and service demand has been reached, substantial progress has been made, probably more than many anticipated.

(3) Capital outlays have been reduced by twenty-five percent (in constant dollars) between 1975 and 1977. These reduced outlays, in most instances, represent only postponement of needed infrastructure improvements. Another severe recession would further delay these capital needs, causing further deterioration of facilities, leading to even greater outlays and replacement of structures during the 1980's.

(4) The rise in Federal assistance has made it possible to avoid increases in local tax burdens in older cities during recent years. In the absence of Federal aid, tax burdens would have risen, since the share of state aid to declining cities remained stable, while the state share of total revenue for all cities has actually declined in recent years (See Table 8).

V. IN VIEW OF THE CURRENT PROPOSITION 13-TYPE OF PRESSURE AT THE LOCAL LEVELS AND MOUNTING PRESSURE AT THE FEDERAL LEVEL FOR A BALANCED BUDGET, WHAT ROLE SHOULD THE FEDERAL GOVERNMENT PLAY VIS-A-VIS THE STATE AND LOCAL SECTORS?

There appears to be little doubt that political pressure for a balanced Federal budget will continue. Concurrently, taxpayers at the local and State level are likely to support limits on local and State outlays. These conditions create a dilemma for legislators who are willing to assist urban areas requiring aid while attempting to preserve a proper balance between Federal revenues and expenditures.

Insofar as cities with weak economies are concerned, current political and economic realities suggest that State government be ready to assume a larger fiscal role if another economic downturn takes place. State-imposed revenue or expenditure limits have increased pressures to seek Federal assistance in both growing areas, such as Kitsap County, Washington, and older cities such as Newark, New Jersey. Newark currently has a fiscal surplus, which cannot be applied to its current operating needs because of State legislated expenditure constraints. While 40 percent of its non-uniformed municipal employees are CETA workers, the city recently had to reduce the number of police personnel and teachers. This situation was caused by the city's anticipating Federal countercyclical assistance which did not materialize.

The need for Federal revenue sharing directly to States appears less justified now compared to the mid-1970's in view of rapid revenue growth at the State level. Between 1975 and 1977, State personal income tax receipts increased by 35 percent, corporate profit taxes by 48 percent. If revenue sharing funds were to be directly distributed to localities, local governments' fiscal posture would be strengthened. While the question of the most equitable distribution of revenue sharing is an issue beyond the scope of these comments, reauthorization discussions can provide an opportunity to re-examine the Federal-State-local fiscal role.

As shown in Table 10, in eleven out of fifteen large cities, Federal aid in fiscal 1977 exceeded State assistance. While most of these cities are not responsible for public schools, non-local funds available for common municipal functions are predominantly Federal.[4] In cities such as Cleveland and those in Texas, Federal assistance is from three to ten times as great as State funding; a notable exception to the general pattern is New York City, where direct Federal payments equaled only sixteen percent of State revenue.

It is my opinion that the aggregate level of Federal assistance to local governments is currently sufficient to maintain a reasonable balance between local and Federal responsibility for most local services. Substantial increases in Federal aid could jeopardize the ability of local governments to maintain at least limited fiscal independence. I would, however, support the premise that local governments should not be responsible for the cost of meeting Federal mandates resulting from excessive agency regulations or specific legislative actions. The cost of these mandates should be met from Federal revenue.

A reallocation of Federal aid with fewer "strings" and reduced reporting requirements would be well received by most localities, although it is essential to recognize that some social responsibilities cannot be met without targeting aid to particular recipient groups. The state responsibility for monitoring fiscal affairs of cities needs to be strengthened further since this is expected to remain a state responsibility except in unusual circumstances such as those faced in New York City.

In summary, a greater fiscal role for States during an economic downturn is a reasonable means of dealing with the pressures to balance the budget at the Federal level. If States restrict the ability of localities to raise revenues, they should not expect the Federal government to fill the resultant void.

TABLE 10.—FEDERAL AND STATE ASSISTANCE TO LARGE CITY GOVERNMENTS IN FISCAL 1977

City	Federal Revenue: Total (millions)	Federal Revenue: Per capita	State revenue, total (millions)	Federal/State revenue ratio
Expanding economy:				
Los Angeles	$205	$75	$102	2.0
San Diego	48	62	26	1.9
Denver	50	141	68	.7
Jacksonville	42	79	43	1.0
Dallas	36	44	6	6.0
Houston	50	38	8	6.2
San Antonio	53	68	5	10.6
Stable/declining economy:				
New Orleans	65	116	35	1.9
Boston [1]	112	176	172	.6
Detroit	213	297	212	1.0
St. Louis	57	109	28	2.0
Cleveland	93	146	27	3.4
Philadelphia	246	135	142	1.7
Pittsburgh	37	81	23	1.6
New York [1]	[1] 938	123	5,834	.2

[1] Including public schools.

Source: Bureau of the Census, "City Government Finances In 1976–77."

[4] Nationally, state revenue accounts for about 45 percent of public school funding.

Representative MOORHEAD. Mr. Muller, you were mentioning examples of State restrictions on the receipts and expenditures of cities. The Federal Government cannot be held accountable for local fiscal problems in these instances. It would seem to me where the problems are self-inflicted by the State or the residents of a State, the Federal Government really should not provide assistance.

Mr. MULLER. I agree. Unfortunately, local officials feel that since they have less access to States, they are under the pressure to obtain Federal grants. In New Jersey, Federal aid is not subject to any expediture limitation. The limit is only on revenue raised locally, which makes it that much more advantageous to obtain more Federal grants or aid. While States impose constraints, localities place pressure on their officials to seek money in Washington since that is the only alternative they have to raising their own tax rates other than reducing service.

What I am suggesting is if we have an economic downturn, the State role should become greater in aiding some of our cities with severe fiscal policies, because State governments, because of their tax base, has been increasing much more rapidly than the Federal tax base. They depend substantially on local income tax and corporate taxes, so most States are fiscally in good shape.

Therefore, I am suggesting to the extent States restrict local government from doing what they would otherwise do, that is, pay for certain services themselves. The States should have to bear the responsibility for the effects such constraints will have on the fiscal posture of these cities if there is another economic downturn.

Representative MOORHEAD. Secretary Embry, do you agree with the philosphy just expressed?

Mr. EMBRY. Very strongly. You will recall it was the President's view, as an ex-Governor, that so long as the Federal Government assumed the responsibility for cities as a totally Federal responsibility, we will not develop needed partnerships. The Federal Government must do more than it has done in the past and should amend programs which have contributed to the urban situation. But, we need to find a way to increase the role of the States.

Governor Dukakis pointed out the numerous ways States could help cities. Regrettably, his leadership is no longer available. We must determine exactly what States are doing and what they are not doing so that we can help make suggestions to the Congress.

Representative MOORHEAD. I would like to ask a very basic philosophical question. There seems to be a difference among the members of the panel as to what the urban crisis actually is. Mr. Brown referred to "change in the urban crisis." Mr. Sternlieb used the phrase "new phase of urban crisis," Mr. Muller seemed to be, I gather, a little less pessimistic than the other panel members. I don't know if you really addressed the question of whether the crisis is of a different character or not. Are we facing just the same old thing, and therefore, either the same programs or maybe slightly improved ones would be the answer or are we facing a different kind of crisis?

Mr. EMBRY. As you pointed out, there are many facets to the crisis.

On Mr. Brown's second point, the unemployment problems in the cities are disproportionately minority—they always have been—but the gap is increasing. The unemployment statistics particularly among the inner city youth community are growing dramatically, whereas among white males, it has been decreasing. We must do better as a nation in this area.

Now on Mr. Brown's first point. Certainly in those limited neighborhoods where middle-class people are moving back in and there are minority or low-income tenants being displaced, we have a problem.

I think Mr. Brown is correct; there is no city in the United States nor is the Federal Government responding effectively to this problem. Not enough has been done, but I don't think the problem is yet a sizable one or that we can't lick it. I don't think the problem is displacement of low-income people from cities or neighborhoods when you consider most neighborhoods in the city, so I would disagree if I interpret Mr. Brown's remarks as saying that. Perhaps he was only talking about those neighborhoods where this is a problem.

Mr. BROWN. What I was attempting to do was to identify new dimensions of the problem. I would not disagree with Mr. Embry's comment. It is unfortunate we have to respond we don't know what the displacement effects are.

Mr. Muller indicated those things which happened in Newark. I don't think HUD or most cities know. I think it is intolerable not to know. The fears have not grown out of irrational paranoia or the mind of unthinking people. They have grown out of a record and history of poor people being displaced for a variety of reasons.

In the 1950's and 1960's, I attempted to point out that there was urban removal which in the black community was known as black removal which was the principal result of urban renewal. It has been because of highway construction and development in the cities. So, there is a history of concern about the interests of minority group people and poor people as we seek to revitalize those interests not being taken heed of and those interests not being taken into consideration.

What we would urge is that it is time to find some answers as to what the real impacts of displacement are, if there are any, and try to come up with solutions to help policymakers become more sensitive to that issue and to make sure as we do plan the revitalization of our cities that we don't ignore those interests and we make sure if there is displacement that at least there is the option of affordable housing in locations which don't cause people to have to move across country to find a place where they can afford to live. So their interests and concerns have to be taken into consideration, and that is really the thrust of our case.

Mr. EMBRY. I could not agree more with Mr. Brown's statement. Historically, migration patterns in this country, whether it is in or out of cities, have not appreciably benefited low-income and minority persons.

Mr. BROWN. Mr. Muller, who seems to be the optimist among us, I think, made a comment to the effect that "If we get into another recession." There is no question but that we are going to have another recession. It is a question of when. We all know we have a cyclical economy with hills and valleys, and we know we are going to have a recession. We know sitting here today what people are going to be most detrimentally affected by that recession. We can identify them by group, race, age, and poverty level. We can identify exactly what they are going to be about.

What is most distressing is we take no concerted action as a nation to intervene to protect the interests of those who will be disproportionately affected.

What we would urge is that we do some thinking, and we try to find a way to make that economic downturn one that has more equity in its result; that spreads the burden around a little bit because for too long the same people who are easily identifiable have borne a disproportionate burden in every economic downturn. I think it is time to end that process.

Mr. STERNLIEB. We could debate the issues of what is the urban crisis and what it does mean to us probably endlessly. For the moment, let me suggest that one definition of central city is a place which in terms of its concentration of people attracted jobs and more activities which, in turn, attracted more people. and in the very development of a critical mass, provided a whole range of opportunities for plutocrats at one end, little businessmen and just guys who wanted to push a truck at the other; that in the unpeeling of the onion, it seems to have lost this capacity.

What we have in the central city now are people for whom that place no longer can provide access to the bigger and better world.

We could talk about the city of glamour and the city of fun, and the like, but that is another city—there is an issue of how do you put that "other" city together with a minimum amount of damage; but that would be another discussion. In that "other" city, we have an increasingly concentrated group of people who are now wards of the State in all of its forms, for whom the private market has very little to offer and for whose children, for the moment, there does not seem to be a hell of a lot that we know to do for them. That is problem No. 1. It is not going to go away. It is increasing.

The data of poverty and the trauma that goes with it; such as busted households are going only one way, and that is from bad to worse.

In terms of the fiscal crisis, the fiscal crisis has now changed the entire Federal system of Government, and there is no way of putting humpty-dumpty back together again.

There has been a concentration of criticism and concern on municipal expenditure patterns. This is held particularly by critics outside the municipality, in large part because "we" could put the blame on those fellows down there in city hall—and there was plenty to blame. There is no question of it.

On the other hand, in terms of the real big picture, it is one in which the revenue sources are wasting assets because those revenues ultimately depend upon action, population, job base, and they are degenerating in the face of the declining infrastructure Mr. Muller referred to, and the poor simply cost more to support.

So, bit by bit by bit, we are doing what we always do by way of major changes in our life; we don't plan them or even legislate; we back into them. Maybe that is as good a way as any of evolving, but I would not swear to it. Not only is there a poor population which is a ward of the State in all of its forms, but increasingly the major cities, which were the children of business, are now the wards of the State.

The reason that we have those cap rates that Tom was referring to here was an effort at reform. New Jersey passed its cap rate before Proposition 13 ever come into being, because there was the feeling that a variety of municipal unions and officeholders were simply using money and their positions of power to secure higher and higher wages without increasing the levels of service. In an effort to control that, we passed cap rates. That is why they are there as a mechanical defense. Then we wonder when some new exigency comes down the road and you have to do something. Well, unfortunately, you have a law in front of you, but that is noise in the system.

I am not excusing the States in any way, shape or form. The issue of whether States are wealthy has been obscured by the fact of pension funding which accounts for a good deal of the nominal surplus; the reality is that a very few States are swimming in money.

California, in the wisdom or lack of wisdom of its political leaders, permitted a tax revolt to occur largely because they were storing up money instead of giving it back to the taxpayers. If that is a true surplus, I will eat it.

The future goes only one way: to the older cities, particularly the industrial cities that have no capacity for supporting themselves independently. Whether the Federal Government should have put itself into a position of being in the retail business with direct contribution to the municipalities or whether it should have used an intermediary buffer organization is now a moot point. You are in that business, and that business is going to be a growth business. The poor cost more and the self-derived revenues given a shrinking base tend to be harmful, again, as Mr. Muller indicated.

We have seen cities move from the real estate tax which everybody agreed was the worst of all taxes to sales taxes, and then you wonder why the shopper is going down to the shopping center outside the tax jurisdiction; to the payroll tax and again let me cite Philadelphia. Nobody is going to be bothered by a 1 percent tax, but 4.3 percent tax and you go down the road a piece.

We have done the easy things. We have done a fair number of the hard things, like laying off municipal employees. There are no fall guys anymore. Sure, we can turn to this or that city or this or that State that is doing something foolish, which is not doing what it should be doing, but that it seems to me, is just an avoidance of the basic reality.

Mr. MULLER. Mr. Chairman, perhaps the most dramatic way one can illustrate the differentials between our cities—I believe this panel, as a group, has difficulty in defining what the urban crisis is—because we have a crisis that is not national. Much of the data with respect to income, for example, is misleading. When we calculate earned income, we find greater differences among cities than total income, which includes transfer payments.

But, more important from a tax and economic health perspective is the level of investment which is reflected in property values. We can illustrate differences amongst our cities.

Let me cite a few.

The city of San Diego, for example, had, for every person in the city during 1976, $26,000 in property value. In Houston, the per capita valuation was $27,000; Dallas, $16,000; Fairfax County, Va., $28,000; Orange County, $16,000; and Tulsa, Okla. $18,000.

These cities do not have exceptionally high income. Only a few are substantially above average. When we go to the other side of the ledger and look at St. Louis, Mo., with $5,800 per capita in taxable properties, Hartford, Conn., $4,700; Baltimore, $7,000; Jersey City, $4,900 and Philadelphia $8,100, we see differences.

Amongst the cities measured, property values varied by more than two to one. Our income data tend to mask those differences because, while the differences in taxable property values are more than two to one, differences in income are only 25 percent. Since we include in our income data, transfer payments, and in many of our older cities, a substantial share of income is comprised of transfer payments. What these data suggest is given those differences in commercial, residential, and industrial property, if we have an economic downturn, the cities which have a large and stable property base probably will be able to manage, unless a recession is very severe. Property taxes do not adjust quickly to downturns, since people and firms keep paying their mortgages and property taxes. Also, there is a year's time lag between change in tax assessments and when property taxes are collected.

Cities with strong tax bases are not in distress, although we need to recognize that these cities do have pockets of poverty, they exist in San Diego as well as Houston. We have high unemployment among minority youths in all of our cities, but collectively, we do have a group of cities which are in good economic shape.

By way of contrast, we have the other cities which I believe Mr. Embry and Mr. Brown also noted. Actually we are finding increasing differentials between many of our cities. Some of our older cities are not growing at all in terms of their economic and some other cities are doing well.

When we speak about an urban crisis, it is fair to state that, indeed, we have two. This is an oversimplification, but useful for illustration. We have two categories of cities which have a regional pattern of the type of crisis considered in this hearing, which this panel would refer to as primarily one in the older cities which have a large industrial base.

Let me comment briefly on the question of foreign investment because there seems to be some question about what impact it has. I returned recently from a trip to San Diego, and based on conversations I had with people in banking and mortgage investment, growing cities, including San Diego, have large foreign investment. We cannot trace their source because it is invested through intermediaries. Land is purchased in large quantities in and near these cities because foreign investors want their money where the business climate is good and where they see business potential. Funds are flowing into Houston, San Diego, San Francisco, and Manhattan, for that matter, but there are cities which are attracting, practically no foreign investors.

I am not suggesting that foreign investment is always important. It is selective; not involving such places as Altoona, Pa. or Newark, N.J. As long as we have little domestic or foreign investment, the urban crises will continue in these areas.

Representative MOORHEAD. I have heard some very interesting points raised here this morning. Mr. Brown seems to be playing the devil's advocate. I don't believe we should adopt policies to discourage revitalization of cities. However, we must be careful if it is encouraged. It seem to me revitalization should be voluntary. If it is voluntary, it will be gradual and people can adjust to it. Our policies must provide relief, particularly to the tenants who have no recourse, when revitalization takes place.

Mr. BROWN. I think the two approaches are not mutually exclusive. I would not advocate abandoning revitalization that has some sensitivity to the needs of the poor of our urban areas. I think it is unfortunate, for example, that there was considerable debate within the administration about the 1980 budget. There has been a diminution for housing for low-income people. I think that is a tragedy. I would be hopeful that the Congress would do something about that in reviewing the budget. We are in a situation now where we either spend too much time looking at the demand side of the equation or the supply side of the equation. Housing subsidies speak to the demand side, helping poor people afford housing, but at the same time, if you are not building housing that low-income people can afford, you aid in driving up the price of housing for everybody.

While we are urging housing subsidies and other programs which help the poor live in decent, affordable housing, we have to build new housing for low- and moderate-income families.

Representative MOORHEAD. Mr. Muller, you talked about the increased problems that the cities will face when we have a recession. Do you have any other suggestions, a formula perhaps, for distributing the money where it is most needed other than considering only the unemployment figure?

Mr. MULLER. Unfortunately, our data is perhaps too incomplete. It is a reasonably good indicator of conditions, but sometimes it can be misleading.

As an example, note the city of San Diego has relatively high employment. There is no question that the city is healthy fiscally. However, it attracts unemployed persons seasonally from other areas, so that unemployment data indicates high unemployment. In the winter of 1975, for example, we had several thousand auto workers from Detroit who were laid off, spending their winter in San Diego. These unemployed workers showed up in San Diego's figures. This shows the difficulty of using unemployment as the only indicator.

I believe in terms of revenue sharing that we may need some adjustment—perhaps the share which is going to States could be refocused and a requirement imposed on States to redistribute some of their shares to local governments more directly.

I believe our policies have worked reasonably well over the last 3 or 4 years. No one is fully satisfied, but I am sure Congress has a very delicate balance trying to maintain its own fiscal stability while, at the same time, providing assistance to those communities which need it.

I would agree that the Department of Housing and Urban Development needs to take steps to target much of our aid. We do have differentials among our urban areas, and those have to be taken into account when we distribute Federal funds, because the Federal Government in reality is the most effective level for income redistribution. It is fairly well agreed now that a major cause of New York's fiscal plight above and beyond mismanagement or other internal problems, was that the city tried to do too much for its residents. It tried to provide welfare services, hospitals, universities through its own income distribution.

and economists believe such a distribution has to take place at a higher level of government. Otherwise, what can happen is the same phenomena as in the point. Mr. Sternlieb raised; the city needs more revenue, property taxes are increased broadly, creating additional differentials between cities and suburbs, and encouraging much more movement out of the city. A policy which, in the short run, appears to be fiscally productive, as in Philadelphia, by raising its payroll taxes, is detrimental in the long run. A businessman can move his facility a few miles away and have his workers in effect earn 4 percent more income than they could if he remained. Thus cities trying to raise more local revenue are placed at a disadvantage with competing areas.

If we look at effective tax rates on property between cities in the Southwest, for example, and those in the Northeast, the differences are staggering. Yet because of higher per capita in property values, the cities of Houston, Dallas, or Phoenix, can raise more revenue per capita than, let us say, Philadelphia or Boston with a much higher tax rate, in part because, much of the tax base in older cities is exempt, and thus off the tax rolls.

In our older cities, a good deal of commercial space is now utilized by the sector. If one looks at the storefronts in Newark, N.J., for example, one finds that among those which have storefronts open, a substantial proportion are utilized by some Government program; the Job Corps, Poverty, or other program, so that the property is tax exempt—it is off the tax rolls. Many cities trying to attract industry have provided tax abatements, also reducing tax rolls, although this may prove to be a benefit in the long run.

My view is that from the Federal Government's perspective, we need to target aid based on the needs of the cities, because it is the only mechanism we have which can at least reduce the differential we find among our urban areas.

Representative MOORHEAD. In your testimony, Mr. Muller, you indicated southern cities have lost a greater percentage of their population than any other region. Why is that, and what are the implications particularly for the fiscal future of the cities in the South?

Mr. MULLER. I think it is 1975–78 which is outmigration which appears to be more rapid. One reason, one factor which I cited was that the 1960's, many cities were growing only because of annexation. Annexation has now slowed considerably.

For example, the city of Richmond, in 1970 annexed 45,000 people, but will no longer be able to annex in the future. Some States such as Colorado, have passed legislation that there can be no further annexation by some of its cities, such as Denver. Cities' boundaries are now more fixed than they were in the past.

The second reason suggested—and I don't have the documentary evidence—is school busing. There is a belief in some cities, like Memphis, Tenn., or Richmond, Va., that this was a factor in outmigration of middle-income households. Unfortunately, our data is just not very good. Unfortunately, or fortunately, depending upon one's perspective, most Americans want to have a single house on a half acre of land. Most people recognize the cost of housing is such that such a home is beyond their means unless they owned a house previously, but they still have the vision of moving out to a low-density area.

In Southern cities where economies are relatively strong, many people have taken advantage of their ability to purchase more housing outside city boundaries, but it is no longer the case in part of the Northeast. I believe a combination of factors explains these phenomenon.

In the long run, this migration need not necessarily be bad, as I believe Mr. Embry suggested in his comments. Loss of population by itself should not be considered necessarily negative in the long run. The fact is that many of our cities were crowded in the 1950's and 1960's, probably too crowded.

The problem of outmigration is those who can afford to leave, move, and those remaining are families who cannot afford to purchase housing outside the city. In the long run, if the current trend continues, some Southern cities, such as Richmond and probably Atlanta, will have a problem. But I believe there is a lag of perhaps 5 or 10 years. There may be a problem, but I am not sure whether or not it will develop.

Representative MOORHEAD. Mr. Sternlieb.

Mr. STERNLIEB. The Southern cities in some way can be thought of in the old statistician's ploy. You have a bucket of water that is freezing and a bucket of water that is boiling. You put a hand in each bucket and in the mean your temperature should be good. Actually, it is pretty damn uncomfortable.

If you look at places in the proverbial growth areas, and superimpose a physical map of a classic Northeastern city, you will discover all the central city trauma of the Northeast. It is obscured by the geographic entity of very large cities of perhaps 1,000 square miles.

Statistically on average, if you measure the entire city, they look pretty good. Partition out that city and you will see in places like Houston, for example, slums that would feel right at home in the Bronx. There might be a little different construction materials, but you are damn close to it . You would have a dangerously high unemployment rate again in these areas. You would have a dependency ratio very much like your Northeastern cities.

It seems to me in the course of our discussion, we have been moving from fiscal crisis; such as if you are in the banking business—"How much money are you going to have to put up; otherwise, your city will go bust on you"—compared to the role of the city in terms of what is going to happen to the folks in that city?

The point was made by several of us here that cities can't afford to tax themselves into a noncompetitive condition.

I think one of the new aspects of the urban crisis, let's call it functional rather than fiscal, is that increasingly in the United States as a whole, we have run out of geographic entities. We used to think if you could get just the metropolitan area to support the real city; everything would be OK. There are some who have the feeling that the big States cannot support the cities. Governor Carey of New York State, for example, has a very real problem in this regard. We are moving up to the next level of geographic extraction—the United States— one hears murmurs in the background asking: Can the United States afford to go with what a fair number of people think of as losers? Can it go to where the infrastructure is old, where the cost of doing business is at least initially expensive because don't we face low tax area competition not only in the United States but in the world as a whole?

One of the things that give us a fair amount of sleepless nights is the question Are we really so weak as to be unable to afford to pick up all of the United States but, rather, we must concentrate on competing effectively with Taiwan, with India, with the Western European countries? In a certain sense we are now dealing with a homogenized world and those taxes that Tom Muller referred to are as easily seen by the businessman in the Philippines as they are in Georgia or as they are in New York.

Therefore, there was temptation to view the urban problem as a simple question. What is the minimal cost resolution to sort of support those folks in the central city so they don't holler too much? And this in contrast to some of the verbiage that we used to have? Even in the 1960's we did not have the realities but we had the verbiage of how we were going to change things.

I think there are a fair number of Americans, particularly now, who are too worried about their own middle class pockets and the future of the competitive nature of the U.S.A. as a geographic entity to really worry about how do you take care of the poor. Maybe they will always be with us.

Representative MOORHEAD. I think that is a good question for the other members of the panel. I would raise it just a little bit differently. I hope there will be a compassionate people to take care of the poor, but should we get involved with this possibly losing investment as Mr. Sternlieb called it? That is, say that Newark, for example, can never again be a thriving economic entity because economic forces that are wracking it are such that it was designed for the 19th century or older and we are trying to invest money to bring it up into the 20th or 21st century. Is that a wise investment of our funds or should we recognize that a city is in trouble? How does HUD feel about that?

Mr. EMBRY. That issue was very much at the heart of the debates of our urban policy group. The answer is not clearly self-evident. It may be a waste of public money to attract private investment in an area that will never attract private development. That is why we insist on private sector commitments in our VOAG program.

While we should give priorities to the most distressed communities, we should be putting money in where private investment will come in and there will be long-term private jobs and not continually publicly subsidized jobs. There are people in those areas that cannot be helped through long-term economic development. Perhaps they need to be given more mobility so they can be helped in other places.

On the other hand, we cannot adopt a policy that assumes that everyone has infinite mobility, that everyone can move from distressed areas to nondistressed areas because that is just not true in terms of education, resources, motivation, and family ties and neighborhood ties, and many other circumstances.

It is an interesting point.

Lou Harris does a frequent poll of American attitudes toward race relations and poverty. The popular perception is that proposition 13 and other similar indicators show the American white public, the majority public, is less willing to accept assistance to low-income people 5, 10, 15 years. It is surprising how quickly we forget the resistance to many of the initiatives of the 1960's. But the Lou Harris polls indicate that is not true, that there has been a steady progression of willingness of Americans to accept assistance to the more distressed member, both economically and racially of our society.

Some of the people who are making the decisions in State and local government feel they are expressing the will of America when they cut back on various social programs. Clearly, the majority of the public in America is willing to accept a lot more than is being done, but they are not being led and pushed toward achieving that.

So, we certainly do not accept the proposition that we must write off areas of the country that appear to be uneconomic. There are many types of strategies involved. Federal aid, Federal regulations and Federal tax codes all must be examined to be sure that they don't harm distressed cities and the poor.

Representative MOORHEAD. Gentlemen, I have a bill to manage on the floor of the House today. This subject is fascinating and I would like to continue on, but I must leave. Because of my schedule, I have to adjourn this meeting at this time, and if there is anything additional you gentlemen would like to submit for the record, you may do so.

The subcommittee stands adjourned.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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