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AMERICA'S URBAN CRISIS: SYMPTOMS, CAUSES, SOLUTIONS

PETER DREIER*

I. INTRODUCTION

Perhaps the biggest challenge facing America today is the crisis in its cities. The obstacles to success are to some extent economic, given the federal budget deficit. The end of the Cold War, however, offers an unprecedented opportunity to reorder national priorities and address long-unmet domestic needs.

In reality, the obstacles are primarily political and ideological. Federal priorities are shaped by power politics, and cities have become increasingly isolated in national politics. The nation's changing demographics, particularly the growth of the suburbs, also play an important part in shaping national priorities. Today, fewer members of Congress represent only cities. A growing number of districts incorporate cities and nearby suburbs; some have become entirely suburban. Even those members of Congress who represent only cities now have weaker ties to organized voters; with the rise of national political action committees, congressional loyalties have shifted from urban political machines to national corporate campaign contributors. While the nation's major corporations have no single political agenda, powerful sectors within the business community influence government decisions regarding tax, spending, and regulatory policies in ways that undermine healthy cities.

In addition, many Americans believe that even if there were ample money, we would not know what to do with it, or at least could not guarantee that it would be spent wisely or efficiently to solve the nation's urban problems. Many pundits argue, and many Americans believe, that America has tried to save its cities, but that the cities resist being saved. Twenty-five years after the *Kerner Commission Report*, the condition of America's cities is in many ways worse than ever. From this reality, reinforced by an enormous corporate-sponsored ideological assault on

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government activism (particularly during the 1970s and 1980s),¹ many Americans have concluded that problems such as poverty and crime may be intractable. At the very least, there is considerable public skepticism about the capacity of the federal government to solve the cities' social and economic problems.

In general, public opinion is more supportive of local government than of Washington. In fact, during the past decade, many local governments have developed innovative ways to deliver basic services, improve management. They also have created partnerships with community-based organizations, increased citizen participation in decision-making, and expanded the legal and regulatory tools for addressing issues such as housing, crime, and economic development. Many of the successful efforts to "reinvent" government have occurred at the local level.² Efforts of this type are reported regularly in journals such as *Governing*, but they rarely find their way into the mainstream media.

The fact remains, however, that cities lack the resources to address the problems they confront. Until the nation's political climate is more hospitable to addressing these problems, cities will face continued isolation in national politics. That transformation won't be easy. Cities remain under attack as symbols of the failure of activist government and well-intentioned, but naive, liberalism. The conservative attack on cities is merely a part of a larger privatization agenda to reduce government and discredit public endeavors of economic uplift. Politically, cities suffer from voter backlashes against crime, drugs, illegitimacy, youth violence, minorities, the "undeserving" poor, and government itself. To the critics and cynics, programs such as public housing, Model Cities, Urban Development Action Grants (UDAGs), and welfare represent well-intentioned government gone awry. To an increasingly skeptical public, giving cities more money means handing tax dollars to politically-connected developers (symbolized by the recent HUD scandal), big-city mayors who dole out patronage jobs to loyal constituents or incompetent bureaucrats, poor people who engage in destructive anti-social behavior, or well-meaning do-gooders who run social programs that seem neither to lift the poor out of poverty nor to teach them middle-class values. But there are increasing indications—including the Clinton-Gore victory in November 1992—that the public mood is shifting. This Essay assumes that the political will *can* be mobilized to address the nation's urban cri-

1. KEVIN PHILLIPS, *THE POLITICS OF RICH AND POOR* 59-66 (1990); Peter Dreier, *Capitalists vs. the Media: An Analysis of an Ideological Mobilization Among Business Leaders*, 4 *MEDIA, CULTURE & SOC'Y* 111, 111-32 (1982); Herbert Gans, *Deconstructing the Underclass*, 56 *J. AM. PLAN. ASS'N*, Summer 1990, at 271, 271-77.

2. DAVID OSBORNE & TED GAEBLER, *REINVENTING GOVERNMENT* (1992).

sis. First, it examines the growing isolation of cities in national politics. It then reviews the symptoms and root causes of the urban crisis. Finally, it proposes a policy agenda for addressing these problems and confronting the political dilemmas.

II. THE POLITICAL LANDSCAPE

In April 1992, while the largest civil disorder in American history was erupting in Los Angeles, staffers at *The Atlantic* magazine were editing an article by political analyst William Schneider entitled *The Dawn of the Suburban Era in American Politics*.³ The confluence of these two events reflects the dilemma of America's urban crisis; in ways not discussed in Schneider's article, however, it also suggests solutions.

At a meeting the previous August, the nation's mayors discussed the idea for a "save our cities" march in Washington to be held in the midst of the presidential election. The mayors got a variety of unions, public interest groups, church organizations, and other groups to agree to co-sponsor the march, which they set for May 6. Only a few weeks before the scheduled event, the march was attracting little interest from presidential candidates or the media. But the L.A. riots erupted a week before the scheduled march, which guaranteed a significant turnout—over 150,000 people—and reasonable media coverage.⁴

Indeed, for a few weeks following the Los Angeles riots, America's urban crisis was a hot topic. It was the subject of congressional debate, discussed on television talk shows, and featured in newsmagazine cover stories. Sociologists and other urban experts expounded their theories about underlying causes and remedies. In the midst of a heated race for the White House, President Bush and his Democratic rivals visited Los Angeles and other cities to demonstrate their concern. Once the journalists left Los Angeles, however, Congress passed a meager quick-fix emergency urban aid package,⁵ the candidates for President turned their attention to other issues, and the plight of America's cities returned to political obscurity.

3. William Schneider, *The Suburban Century Begins*, ATLANTIC, July 1992, at 33-44. Perhaps to link Schneider's essay to the then-current national election, the title on the magazine's cover was *The Dawn of the Suburban Era in American Politics*.

4. See, e.g., Barbara Vobejda, *Mayors' Pleas Take On a New-Found Urgency*, WASH. POST, May 16, 1992, at 1A.

5. After a month of political posturing and bargaining, the White House and Congress agreed on a \$1.3 billion package, including a \$500 million summer jobs program for youth and loans and grants to rebuild homes and businesses destroyed in the Los Angeles riots and the April flood in downtown Chicago. See Clifford Krauss, *Bush and Congress Reach an Accord on Aid for Cities*, N.Y. TIMES, June 18, 1992, at A1, B12.

In his *Atlantic* cover story, timed to coincide with the two parties' nominating conventions, Schneider noted that the 1992 election would be the first in which suburbanites represented a majority of voters, echoing the view expressed in Thomas and Mary Edsall's popular book, *Chain Reaction*,⁶ published a year earlier. In their book, the Edsalls argue that "[s]uburbanization has permitted whites to satisfy liberal ideals revolving around activist government, while keeping to a minimum the number of blacks and the poor who share in government largess."⁷ They concluded that "the nation is moving steadily toward a national politics that will be dominated by the suburban vote" and that "a politics of suburban hegemony will come to characterize presidential elections."⁸ Schneider also argued that changing demographics are moving American politics away from cities. We have begun a "suburban century" in American politics, Schneider wrote, in which candidates for national office, and for a majority of congressional seats, can ignore urban America without paying a political price.⁹

Schneider noted that in 1960 the nation was divided about equally between urban, rural, and suburban residents. By 1990, the urban population had declined to 31.3%, the rural population had fallen to 22.5%, and the suburban population had grown to 46.2%, nearly half of the nation. Given suburbanites' higher rate of voter participation, they now account for a majority of voters.

The Edsalls' book and Schneider's essay helped frame media coverage of the 1992 elections, including the presidential campaign.¹⁰ Reporters and columnists spilled a lot of ink describing the race for the White House as a contest for the "swing" suburban vote, especially the disaffected working-class and middle-class "Reagan Democrats." Suburban-

6. THOMAS B. EDSALL & MARY D. EDSALL, *CHAIN REACTION: THE IMPACT OF RACE, RIGHTS, AND TAXES ON AMERICAN POLITICS* (1991) .

7. *Id.* at 228.

8. *Id.* at 229, 231.

9. Schneider, *supra* note 2, at 33-44. Schneider had outlined his argument almost a year earlier in *Rule Suburbia*, 23 NAT'L J. 2335, 2335 (Sept. 28, 1991). Even earlier, a *USA Today* reporter interviewed Schneider about the bankruptcy of Bridgeport, Connecticut. Anticipating what he would write a few months later, Schneider said: "It signifies the abandonment of the American city and the suburbanization of American politics. . . . Bridgeport could be the beginning of a problem that's going to spread all over the country." Bruce Frankel, *Connecticut City's Bankruptcy May Be "Dangerous" Precedent*, USA TODAY, July 16, 1991, at 3A.

A Bush Administration official appeared to confirm Schneider's view when, soon after the Los Angeles riots, he told the *Boston Globe* that urban poverty and unemployment among black youth are "not our issue, not our constituency." Michael Kranish & Peter G. Gosselin, *Aides Split Over Bush Urban Plan*, BOSTON GLOBE, May 17, 1992, at 1, 19.

10. See Fred Barnes, *Up Against the Mall*, NEW REPUBLIC, Oct. 21, 1991, at 43; Robert Reinhold, *Chasing Votes from Big Cities to the Suburbs*, N.Y. TIMES, June 1, 1992, at A1.

ites even seemed to have an impact on the candidates' strategies. Unfortunately, Schneider's view reflects what has become the conventional wisdom among a growing number of political analysts, journalists, office holders, and social scientists—and what threatens to become a self-fulfilling prophecy.

On September 1, 1991, following an interview with three big-city mayors on NBC's "Meet the Press," panelist David Broder, the influential *Washington Post* political columnist, said:

I think it's very unlikely [that urban affairs will be a central issue in the Presidential campaign]. There is nobody who is really city-based who is in the race at this point. And I think the focus will be on who can swing the suburban vote. Politically, that's where the numbers are now.¹¹

Bob Herbert of the *New York Daily News*, another panelist, agreed, observing:

Not only are the cities in trouble, the cities are in trouble for a long time to come. I think the fact that the urban agenda is not going to be a big campaign issue in '92 by either party is proof that the cities have been abandoned. Neither party sees any value in making that part of their campaign.¹²

The truth, however, is that during the entire postwar period, cities have only had a major voice in national politics either when business leaders wanted to improve the commercial climate of downtowns or when disenfranchised people disrupted business as usual with protests or riots. When urban mayors and political machines helped deliver the vote for Presidents and congressional candidates, they had greater access than they do now. But the proof of urban clout is in the way federal policies help or hurt cities, and, as described below, most federal policies during the entire postwar era—housing, transportation, defense, and others—have promoted the *suburbanization* of residents and businesses. For many years, political observers had opined that Americans fled to the suburbs to escape urban problems. In reality, their move to the suburbs was subsidized by a host of federal policies. Federal aid to cities—whether to revitalize downtowns or to help low-income neighborhoods—has served, in effect, to "clean up" the problems created by federally assisted disinvestment.

These demographic changes have significant political repercussions, as the Edsalls and Schneider point out,¹³ but they should not be viewed

11. *Meet the Press*, (NBC television broadcast, Sept. 1, 1991).

12. *Id.*

13. EDSALL & EDSALL, *supra* note 6, at 228.

as a major sea-change in national politics, but as part of an ongoing trend. What *is* relatively novel, however, is the view that not only are cities *politically* weak, but that they are also *economically* obsolete.

The bankruptcy or near-bankruptcy of several major cities led to a spate of recent stories about the fiscal problems of America's cities and about the political implications of the widening gap between cities and suburbs. *USA Today* quoted the ubiquitous Schneider, who claimed that Americans no longer believe in the "myth" that cities are the engines of industry or centers of culture and that "they don't want to pay for them anymore."¹⁴

A week later, *Newsweek* ran a story entitled *Are Cities Obsolete?*, arguing that with the decline of manufacturing and the suburbanization of people and jobs, cities no longer have a central function in American society. The newsmagazine's thesis was summarized by Daniel Mandelker, a Washington University law professor: "We don't need [cities] anymore."¹⁵ In the *New Republic*, columnist Fred Barnes wrote that the idea of the federal government's aiding the cities is "no longer viable" because

suburban politicians make entire careers out of protecting their constituents from the spillover of urban social disorder. And there's another reason, familiar to any suburban parent, for the lack of concern for cities. Suburban kids scarcely go into the city anymore. Mine don't, anyway. When I was growing up in the suburbs (Arlington, Virginia) going into the city was a treat. My kids, third-generation suburbanites, regard it as an ordeal, they respond to the centrifugal pull of malls.¹⁶

Around the same time, *Washington Post* reporter Joel Garreau argued in a book entitled *Edge City: Life on the New Frontier*, that the growth of suburban office/retail/residential complexes, such as Tyson's Corner, Virginia—usually at the intersection of interstate highways—represents the wave of the future, rendering cities and central business districts increasingly obsolete. Rather than view this development as a product of federal policy decisions, Garreau viewed it primarily as the result of developers responding to consumer demand. Garreau's widely quoted book helped confirm the pessimistic analysis of America's cities.¹⁷ *Edge City* paralleled a more academic work by economist Thomas Stan-

14. Frankel, *supra* note 9, at 3A.

15. *Are Cities Obsolete?*, NEWSWEEK, Sept. 9, 1991, at 42.

16. Barnes, *supra* note 10, at 43.

17. For critical reviews of *Edge City*, see Jane Holtz Kay, *No Place Like Home*, 253 THE NATION 454 (Oct. 14, 1991), and Robert Wood, *The Developer as Folk Hero*, BOSTON GLOBE, Sept. 1, 1991, at A12.

back, published the same year, *The New Suburbanization: Challenge to the Central City*, which identified the changing industrial and occupational composition of central cities and suburbs during the 1970s and 1980s.¹⁸

Following closely on the heels of *Edge City*, the *New York Times* sponsored a survey to analyze the changing role of New York City in the metropolitan area. Two headlines reflect its findings: "Region Around New York Sees Ties to City Faltering"; "For Many in the New York Region, The City is Ignored and Irrelevant."¹⁹

For years, mayors and other urban advocates had warned that cities were ticking time bombs, waiting to explode. When the Los Angeles riots erupted, many hoped that it would catalyze a major national commitment to revitalize the cities—an urban Marshall Plan. Unfortunately, such pleas fell on deaf ears. Although the 1992 Democratic and Republican conventions took place shortly after the L.A. riots, and took place in two troubled cities—New York and Houston, respectively—the problem of urban decay was conspicuously absent from the speeches and the party platforms—as well as from the subsequent campaigns. This fact was not lost on the nation's urban leaders.

As a result of economic and demographic changes, as well as of media coverage of urban affairs emphasizing the negative aspects of city life, cities have experienced a growing political isolation during the past decade.²⁰ The strong political coalitions of the New Deal and the Great Society, including the labor movement and big-city mayors, have been shattered. Groups such as the United States Conference of Mayors (USCM) and the National League of Cities wield less clout in Washington lobbying circles today than in the past. The most recent effort to build an urban-centered electoral coalition, the National Rainbow Coalition, was marginalized after the Democrats' 1988 presidential defeat.

"We're tired of coming to Washington with a tin cup in our hands," said Boston Mayor Ray Flynn when he assumed the presidency of the USCM in 1991. The dramatic decline in federal aid to cities during the Reagan-Bush years forced mayors and their urban allies to rethink how

18. THOMAS M. STANBACK, JR., *THE NEW SUBURBANIZATION: CHALLENGE TO THE CENTRAL CITY* 1-120 (1991).

19. William Glaberson, *For Many in the New York Region, The City is Ignored and Irrelevant*, N.Y. TIMES, Jan. 2, 1992, at A1; Elizabeth Kolbert, *Region Around New York Sees Ties to City Faltering*, N.Y. TIMES, Dec. 1, 1991, at A1.

20. See Jonathan Walters, *Cities on Their Own*, GOVERNING, Apr. 1991, at 27, 27-32. For a discussion of media coverage of the Los Angeles riots, see Edwin Diamond, *It's Deja Vu All Over Again*, NEW YORK, June 1, 1992, at 40-43. For a discussion of media coverage of housing problems, see Peter Dreier & Alex Dubro, *Housing: The Invisible Crisis*, WASH. JOURNALISM REV., May 1991, at 20-24.

to put cities back on the nation's agenda. They recognize that moral appeals to social justice and human suffering are difficult to sustain, particularly during periods of economic distress among the middle class. A *New York Times*/CBS national poll conducted the week following the L.A. riots found that 60% of Americans believed the nation was spending "too little" on cities—up from 46% in 1988.²¹ Urban advocates realize, however, that this sentiment is unlikely to prevail—or translate into policy prescriptions—unless suburbanites believe that they, too, have a stake in revitalizing our cities, beyond short-term "riot insurance." This rethinking has led mayors and urban advocates to emphasize increasingly both the continuing economic importance of cities to metropolitan regions and to the nation in an effort to find common ground between cities and the rest of America.²² This theme was summarized by Boston Mayor Ray Flynn in his 1991 inaugural speech as President of the USCM: "As cities go, so goes America."

For example, in November 1990, in preparation for the 1992 presidential elections, the mayors of the nation's largest cities held an Urban Summit in New York City to begin framing a new way to discuss cities.²³ Usually such meetings turn into a catalog of fiscal, economic, and social problems. At this meeting, however, the mayors agreed that it was important to emphasize the *value* of cities as well as their problems. When the mayors issued their statement, they titled it *In the National Interest*.²⁴

To make their case, the mayors released the results of a national survey, conducted in October 1990, which sought to ascertain how city dwellers and suburbanites perceive cities—specifically the ones in which, or near which, they live—by interviewing respondents who live in or around the nation's 100 largest cities. The survey found that people living further from cities (broken down by those who live within twenty miles and those who live within twenty-one to sixty miles) have a positive attitude toward their central city. A vast majority of suburbanites are willing to pay higher taxes to provide programs such as housing for the poor (74%), AIDS treatment (72%), AIDS prevention (71%), and public schools (66%). In fact, of the thirteen programs identified in the sur-

21. Robin Toner, *Los Angeles Riots Are a Warning, Americans Fear*, N.Y. TIMES, May 11, 1992, at A1.

22. See, e.g., Rob Gurwitt, *The Painful Truth About Cities and Suburbs: They Need Each Other*, GOVERNING, Feb. 1992, at 56, 56-60; Mark K. Joseph, *Baltimore Makes the Suburbs Richer*, BALTIMORE SUN, Oct. 13, 1991, at 3M; David Rusk, *America's Urban Apartheid*, N.Y. TIMES, May 21, 1992, at A29. Rusk is the former mayor of Albuquerque, New Mexico.

23. See Alan Ehrenhalt, *The Mayors Need to Agree on a Message: Innovation or Desperation*, GOVERNING, Sept. 1991, at 11.

24. IN THE NATIONAL INTEREST: THE 1990 URBAN SUMMIT (Ronald Berkman et al. eds., 1992) [hereinafter IN THE NATIONAL INTEREST].

vey, only two—middle-income housing (47%) and mass transit (40%)—received less than majority support. The survey also asked out-of-city residents how they *use* the city. Among those who live within twenty miles of the nearest big city, 46% of the households have at least one member who works in the city, 67% depend upon that city for major medical services, and 43% have household members who attend, or will soon attend, an institution of higher education based in the city.²⁵

To strengthen their argument, American's urban leaders (including the National League of Cities and the U.S. Conference of Mayors) sponsored several academic studies to examine the economic ties between cities and suburbs, and between cities and the national economy. One study, looking at population and economic trends in metropolitan areas, found that declining cities lead to declining suburbs, while growing cities correlated with growing suburbs.²⁶ Another study demonstrated that those metropolitan regions with the widest disparities between city and suburbs achieved the lowest rates of economic growth and prosperity.²⁷ This finding corroborates the belief of 46% of suburban homeowners (in the Goldberg survey) that a long-term economic decline in the city would reduce the market value of their property.

The USCM report, *Does America Need Cities?*, sponsored in collaboration with the Economic Policy Institute, directly confronted the analysis of cities as economically obsolete.²⁸ It labelled as tragically wrong the notion that a majority of Americans can live in suburban and rural prosperity while the center of our metropolitan areas decay. Now that the United States no longer dominates the global economy and is currently engaged in fierce global competition, the nation as a whole cannot afford the burden of large numbers of unemployed and underemployed people in the inner cities. Further, the report argued, because urban decay spreads from inner cities to inner ring suburbs to outlying areas, investment in cities will yield the greatest return for improving the nation's economy.

Although this "common ground" approach is partially rooted in the cities' political weakness and their resulting need to adopt an "if-you-can't-beat-'em-join-em" strategy, it also arises from the very real ties be-

25. Arthur S. Goldberg, *Americans and Their Cities: Solitude and Support*, in *IN THE NATIONAL INTEREST*, *supra* note 24, at 37, 37-45.

26. Hank Savitch et al., *Ties That Bind: Central Cities, Suburbs and the New Metropolitan Region*, 7 *ECON. DEV. Q.*, No. 4, (forthcoming Nov. 1993).

27. LARRY C. LEDEBUR & WILLIAM R. BARNES, *CITY DISTRESS, METROPOLITAN DISPARITIES, AND ECONOMIC GROWTH* (1992).

28. JOSEPH PERSKY ET AL., *DOES AMERICA NEED CITIES?—AN URBAN INVESTMENT STRATEGY FOR NATIONAL PROSPERITY* (1991). For the sake of full disclosure, the reader should know that the author was involved in designing this report.

tween changing cities and changing suburbs. Not all suburbs resemble the affluent communities depicted in most TV sitcoms from the 1950s and 1960s, such as "Leave It To Beaver" and "Father Knows Best," or more recent shows, such as "Thirtysomething." Many blue-collar inner-ring suburbs, and even many white-collar suburbs, face social, fiscal, and economic troubles similar to those facing the cities. There is still no empirical research, however, that adequately differentiates suburbs based on these economic and demographic characteristics—a task that would enhance the capacity of urban leaders to build coalitions.

In this regard, the U.S. Census definitions are not helpful. The Edsalls and Schneider relied on the census to make their claims about the suburbs' growing electoral strength, as well as about the widening economic and political gap between cities and suburbs. But what some demographers and political analysts call suburbs are actually small and medium-size cities that share many of the characteristics of nearby central cities. In the Boston area, for example, the Census Bureau classifies both Somerville and Chelsea as suburbs, but these troubled industrial communities share the same poverty, fiscal troubles, and social problems as Boston. Many metropolitan areas have communities like these.²⁹

Similarly, the newer, growing communities outside cities share many features and problems with larger, older cities. Although fewer suburbanites now commute to the central cities, their fates are still intertwined. Many bedroom suburbs may seek to quarantine themselves from the economic and social problems created by a troubled economy—widening income disparities, rising poverty, and the environmental and related problems created by sprawl—but they cannot do so successfully without reverting to a fortress-like siege mentality that undermines the quality of life.

At the metropolitan level, political fragmentation, racism, and other obstacles have made it difficult for cities and suburbs to craft common solutions. Only a few cities are in a position to annex outlying areas. Efforts to forge metropolitan-wide government, with a few exceptions (such as Jacksonville and Indianapolis), have met with strong resistance, particularly by suburbanites. Special purpose districts or authorities—governing parks or transportation, for example—have made the most headway, but they deal with very specific issues.³⁰

29. See, e.g., Peggy McCarthy, *Cities on the Brink*, BOSTON GLOBE, Apr. 5, 1992, at 36 (discussing the bankruptcy of West Haven, Connecticut); Nicholas Lemann, *Naperville: Stressed Out in Suburbia*, THE ATLANTIC, Nov. 1989, at 34-38; John McCormick & Peter McKillop, *The Other Suburbia*, NEWSWEEK, June 26, 1989, at 22-24.

30. Richard C. Hartman, Academics Look at Regional Governance (summary of discussion at above-mentioned seminar; on file with author); Arnold Howitt, Metropolitan Govern-

In this context, cities will have to build political (rather than governance) coalitions with suburbs, particularly at the federal level, based on their common destinies. From this perspective, no serious effort to revitalize America's struggling economy can succeed without paying attention to the cities. The urban crisis, although its symptoms are particularly concentrated in our cities, is really a national problem. The problems facing cities and their residents are a major drain on our nation's productivity. Most of the nation's underproductive workforce and infrastructure is located in cities. Unless they can become part of the solution rather than the problem, they will continue to handicap America's efforts to compete successfully in a fast-changing global economy.

Whether this reality is translated into public policy remains to be seen. During the 1992 presidential campaign the candidates' basic strategy was to focus on the suburban vote. Having captured the Democratic nomination by June, Clinton attended the USCM's June conference and agreed to adopt some of the group's recommendations, including a public works initiative that linked improving cities with national economic growth.³¹ Although Clinton campaigned in many inner city neighborhoods, and although the Democrats launched a small-scale voter registration drive in inner cities, the Clinton campaign continued to define the key battleground as the suburbs.

Nonetheless, there were signs that the "common ground" message was taking root. Twice in May, with the L.A. riot embers still smoldering, Bill Clinton campaigned in the Republican California suburbs of Orange and San Diego counties, linking the problems of suburbanites with those of the inner cities.³² Post-election analysts concurred that while Clinton won a majority of the urban vote (in a three-way race that included independent candidate Ross Perot, a Texas businessman who captured 19% of the popular vote), including large margins in low-income and minority neighborhoods, the key to Clinton's victory was his success

ance in the 1990s (background memo prepared for a seminar on metropolitan governance, John F. Kennedy School of Government, Harvard University, July 1991; on file with author); see also Sarah Bartlett, *Cooperation Treaty is Signed to Bolster Regional Economy*, N.Y. TIMES, Oct. 8, 1991, at A1 (describing an agreement between New York, Connecticut, and New Jersey); see also Katherine Barrett & Richard Greene, *The Nutmeg Doughnut: Why America's Richest State Has Three of the Country's Poorest Cities*, FIN. WORLD, Feb. 18, 1992, at 50-51 (explaining that Connecticut's tax structure has led to a polarization of the classes).

31. B. Drummond Ayres, Jr., *Mayors Applaud Clinton's Promise to Remake American Economy*, N.Y. TIMES, June 23, 1992, at A19.

32. Chris Black, *Clinton Links Suburbanites to Solutions for Urban Ills*, BOSTON GLOBE, May 10, 1992, at 9; David Lauter, *Clinton Tells Orange County Not to Ignore Cities*, L.A. TIMES, May 31, 1992, at A1.

in capturing (or making gains over earlier Democratic candidates) the suburban vote, particularly in the inner-ring suburbs.³³

During his first few months in office, Clinton proposed an economic recovery package that included a significant increase in federal assistance to cities, appointed a strong urban advocate (former San Antonio Mayor Henry Cisneros) to head HUD, and met several times with the nation's leading mayors to discuss their problems and agenda. But the nation's urban crisis is still far from the top of the country's agenda. Until we engage in a serious rethinking of how to discuss the role of America's cities in our political and economic life, the problems of urban America will continue to gnaw at our social fabric.

III. SYMPTOMS

No other major industrial nation has allowed its cities to face the type of fiscal and social troubles—such as the concentration of poverty—confronting America's cities. Other nations do not permit the level of sheer destitution and decay found in America's cities. We see the consequences of inattention every day: growing poverty, homelessness, violent crime, and infant mortality; widening racial and economic segregation; crumbling infrastructure; and deepening fiscal traumas.

A. Poverty and Declining Living Standards

During the 1980s, the rich got richer, the middle class saw their living standards decline, and more Americans suffered in poverty. The dramatic increase in poverty was concentrated in the cities.³⁴

33. See James A. Barnes, *Tainted Triumph?*, 7 NAT'L J. 2537, 2537-41 (1992).

34. Statistics in this section come from the following sources: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, SLOW ECONOMIC GROWTH LOWERS MEDIAN HOUSEHOLD INCOME AND INCREASES POVERTY RATE IN 1991 (1992); BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, SERIES P-60, NO. 180, MONEY INCOME OF HOUSEHOLDS, FAMILIES, AND PERSONS IN THE UNITED STATES: 1991 (1992); BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, SERIES P-60, NO. 181, POVERTY IN THE UNITED STATES: 1991 (1992); BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, SERIES P-60, NO. 177, TRENDS IN RELATIVE INCOME: 1964 TO 1989 (1991); FRANK S. LEVY & RICHARD C. MICHEL, THE ECONOMIC FUTURE OF AMERICAN FAMILIES 1-132 (1991); KATHERINE MCFATE, POVERTY, INEQUALITY AND THE CRISIS OF SOCIAL POLICY (1991); LAWRENCE MISHEL & DAVID FRANKEL, THE STATE OF WORKING AMERICA: 1990-1991 (1991); ISAAC SHAPIRO & ROBERT GREENSTEIN, SELECTIVE PROSPERITY: INCREASE INCOME DISPARITIES SINCE 1977 (1991); Julie Kosterlitz, *Measuring Misery*, 22 NAT'L J. 1892, 1892 (1990); Paul Krugman, *The Rich, the Right, and the Facts*, AM. PROSPECT, Fall 1992, at 19, 19-31; Patricia Ruggles, *Measuring Poverty*, FOCUS, Spring 1992, at 1, 1-9; Jason DeParle, *House Data on U.S. Income Sets Off Debate on Fairness*, N.Y. TIMES, May 22, 1992, at A16; Sylvia Nasar, *A Very Good Time for the Very Rich*, N.Y. TIMES, Mar. 5, 1992, at A1; Robert Pear, *Ranks of U.S. Poor Reach 35.7 Million, the Most Since '64*, N.Y. TIMES, Sept. 4, 1992, at A1; David Wessel, *The Wealthy Watch Gains of 1980s Become Political Liabilities*, WALL ST. J., Apr. 8, 1992, at A1; Poverty

In that decade, junk-bond junkies, merger maniacs, and savings and loan speculators rode roughshod over the American economy. Corporate CEOs paid themselves large salaries and bonuses, while laying off workers and busting unions. The Reagan-Bush White House cut taxes for the wealthy, theorizing that the wealthy would invest their money so that the benefit's would "trickle down" to the middle class and the poor. Federal funds available for domestic problem solving were reduced significantly.

While the wealthiest Americans prospered, most families did not benefit from the decade's growth. The richest 1% of the population received 60% of the economic growth. Their average pre-tax family income swelled from \$315,000 in 1977 to \$560,000 in 1989. By the end of the decade, according to the *Wall Street Journal*, the 2.5 million Americans at the top of the income scale were taking in as much each year as the 100 million people at the bottom.

Between 1980 and 1989, average hourly wages fell more than 9%. Hourly benefits—such as pensions, health insurance, and paid time off—fell by 13.8%. The vast majority of workers saw their wages and their spending power decline. American families worked more hours and weeks. For middle-class families, only the addition of another income—typically a working wife—kept their overall household income steady. At the same time, the bottom 40% of families had actual declines in household income.

In 1991, 14.2% of all Americans—and 21.8% of all children—lived below the official poverty line. The number of poor Americans—35.7 million—represents the most poor people since 1964. The poverty rate was 11.6% in 1980, 12.8% in 1989, and 14.2% in 1991. The number of poor increased by 4.2 million between 1989 and 1991 alone. During the past three decades, thanks to federal social policies, poverty among the elderly has declined dramatically, while poverty among young families has increased.

But poverty is actually much worse than official figures show. According to Patricia Ruggles of the Urban Institute, the government's official poverty line (\$13,924 for a family of four) is based on out-of-date standards (originally calculated in the early 1960s) and "does not reflect

Levels, Rates and Ranks: Places with Population Greater than 50,000 (information compiled for author by the Bureau of the Census, 1992); Two Million More Americans Become Poor as Recession Hits and Wages and Incomes Decline (background memo prepared by the Center on Budget and Policy Priorities, Sept. 26, 1991); New Census Report Shows Dramatic Rise Since 1979 in Workers with Low Earnings [hereinafter New Census Report] (background memo prepared by the Center on Budget and Policy Priorities, May 11, 1992).

a realistic minimum level of living."³⁵ Using Ruggles's updated standards, the poverty rate would climb to over 23%, while more than 50 million Americans—and one of every three children—would be considered poor.

In addition to an increase in the overall number of poor Americans, the poor are now poorer, and they are poorer for a longer period of time, than a decade earlier. During the 1980s and early 1990s, the poor also got a smaller share of the nation's income: In 1979 the poorest 20% of the population had 5.1% of the country's pre-tax income; by 1991, their share fell to 3.8% of the total.

Most poor Americans are white, but the poverty *rate* among blacks (32.7%), Hispanics (28.7%), and Asians (13.8%), is higher than the rate among whites (11.3%). During 1989-91, however, poverty increased among every race and in every region of the country. More than 60% of poor blacks, 59% of poor Hispanics, and 34% of poor whites live in central cities.

In fact, the poor are increasingly concentrated in America's cities. Using the official poverty standards, the percentage of poor people living in cities increased from 30% in 1968 to 43.1% in 1989. Nationwide, about one-fifth (19%) of central city residents are poor, but in some cities the figures are much higher.³⁶ The poverty rates among children in major cities are even more dramatic.³⁷

During the past decade, much attention was paid to the so-called "urban underclass"—poor people who live in "ghetto" neighborhoods (where at least 40% of the population is poor). Some observers believe that this concentration of poverty exacerbates the problems associated with being poor: high rates of crime, dependency on welfare, slum housing, drug use, chronic unemployment, and other problems. But while much attention was paid to "ghetto" neighborhoods, most of the urban poor do *not* live in such areas. In 1980, for example, there were 2.4 million poor people living in ghettos.³⁸

35. PATRICIA RUGGLES, *DRAWING THE LINE: ALTERNATIVE POVERTY MEASURES AND THEIR IMPLICATIONS FOR PUBLIC POLICY* 30 (1990).

36. For example, about one-third of the entire population in Detroit, New Orleans, Camden, and Miami, and over one-quarter of the population in Philadelphia, Chicago, Lawrence (Mass.), Hartford, Atlanta, Newark, Buffalo, Cleveland, St. Louis, Youngstown, El Paso, Provo, and New York lives in poverty.

37. The poverty rates for children in the following cities are: New Orleans (38.7%), Baltimore (32.5%), New York (31.8%), Memphis (31.6%), Detroit (31.5%), Cleveland (31.3%), Boston (30.9%), Chicago (30.8%), and Philadelphia (30%).

38. *Inner City Poverty in the United States* 1 (Lawrence E. Lynn, Jr. & Michael G. H. McGeary eds., 1990); see Mark Littman, *Poverty Areas and the Underclass: Untangling the Web*, MONTHLY LAB. REV., Mar. 1991, at 19, 19-32.

B. Homelessness

During the 1980s, a new element entered the landscape of America's cities—homeless people sleeping in alleyways and subways, in cars, and on park benches. A *New York Times* poll in 1990 reported that 68% of urban Americans see the homeless in the course of their daily routine. Nationally, the figure was 54%, an 18% increase in four years.³⁹ Since the early 1980s, the USCM has conducted an annual survey of homelessness in major American cities. Despite the period's economic growth, each year the study has found that the demands by people seeking emergency housing increased substantially from the previous year. In 1991, requests for emergency shelter increased 13% on average in the cities surveyed. The exact number of homeless people in America is uncertain, and efforts by the Census Bureau to count the homeless have failed. The most widely-cited report, conducted by the Urban Institute in 1987 (prior to the current recession), estimated the number of homeless at 600,000 on any given night and 1.2 million over the course of the year.⁴⁰

As the 1980s began, the initial stereotype of a homeless person was of an alcoholic or mentally ill middle-aged man or "bag lady"—many of them victims of deinstitutionalization resulting from the Community Mental Health Act of 1963. By mid-decade, however, surveys found that families and children were the fastest growing subgroup among the homeless population. In the 1991 USCM survey, children comprised 24% of the homeless population in the survey cities. In its 1990 survey, the USCM found that about one-quarter of the homeless worked at part-time or full-time jobs. Approximately one-third of homeless single men are veterans. A 1988 report by the U.S. General Accounting Office, reviewing nine research studies, provided estimates of the number of mentally ill among the homeless that varied from ten to forty-seven percent. Substance abusers, some of whom may be considered mentally ill, comprise perhaps one-third of America's homeless. Clearly a significant number of homeless persons suffer some kind of personal pathology, but this focus can be misleading. It is unclear, for example, how much of their alcoholism, drug abuse, or mental illness is a *result*, rather than a cause, of their homelessness. More importantly, when more low-rent housing was available—including many rooming houses that were lost to gentrification—even people on the margins of society could afford a roof over their heads.

39. See JOEL BLAU, *THE VISIBLE POOR: HOMELESSNESS IN THE UNITED STATES* 3 (1992).

40. MARTHA R. BURT, *OVER THE EDGE: THE GROWTH OF HOMELESSNESS IN THE 1980S* 13 (1992).

Between 1970 and 1989, the income of households in the bottom quartile dropped from \$10,080 to \$7,558 (in constant 1991 dollars). Meanwhile, supply of low-rent apartments (affordable to bottom-quartile households paying no more than 30% of income for rent) declined from 5.8 million units to only 2.8 million units. By 1989, there were 4.1 million more poor households than low-rent apartments. More than 60% of poor renters pay at least 70% of their meager income for housing.⁴¹ The number of poor households living in overcrowded apartments—doubling- or tripling-up—has increased. With no income cushion to fall back on, millions of families are one missed rent check from eviction—and on the brink of homelessness.

C. *Infant Mortality*

In the shadow of some of the world's most sophisticated medical centers, infants in many urban neighborhoods die at rates comparable to Third World countries. The nation's infant mortality rate in 1989 was ten infant deaths per 1000 live births. Thus the United States ranks twentieth in the world, behind much poorer countries such as Singapore, Hong Kong, Spain, and Ireland. The rate of infant mortality in most American cities, however, is significantly higher than the national rate. In Washington, D.C., for example, in 1989 there were 22.9 infant deaths per 1000 live births.⁴² Among blacks, the infant mortality rate is 18 deaths per 1000 live births. This, too, compares unfavorably with many poorer countries; in fact, thirty nations—including Hungary, Poland, and Cuba—have lower rates. Black children in *cities* are even more vulnerable.⁴³ These dramatically high rates are linked to the results of poverty: Poor pre-natal nutrition among low-income mothers which leads to low birth-weight babies and lack of access to nutritional and medical care, such as immunizations.

D. *Violent Crime*

In 1991 alone, 26,250 people were murdered in the United States, an increase of 21% in five years, according to the National Center for

41. EDWARD B. LAZERE ET AL., *SAN FRANCISCO-OAKLAND CALIFORNIA, A PLACE TO CALL HOME: THE CRISIS IN HOUSING FOR THE POOR* xi (1990).

42. Figures for other cities include the following: Detroit (21.1 per 1000), Philadelphia (17.6 per 1000), Chicago (17.0 per 1000), Memphis (16.7 per 1000), and Cleveland (16.3 per 1000).

43. This is suggested by black infant mortality rates in the following cities: Washington (26.5 per 1000), Detroit (23.9 per 1000), Philadelphia (23.5 per 1000), Los Angeles (22.9 per 1000), Chicago (22.4 per 1000), Indianapolis (21.8 per 1000), Columbus (21.1 per 1000), Phoenix (21.0 per 1000), San Diego (20.3 per 1000), and Cleveland (20.0 per 1000).

Health Statistics (NCHS).⁴⁴ This is the highest murder rate of any major nation. Many cities set new homicide records that year, but local officials expect that the trend will continue upward despite the fact that the demographic group with the most offenders (teenage males) is declining as a percentage of the population.

The rising murder rate reflects a growing epidemic of violence in the United States, particularly in its cities. According to the National Crime Survey (NCS), 5.8 million violent crime offenses occurred in the United States during 1989, including 135,410 rapes, 1.1 million robberies, and 4.63 million assaults. According to the NCS, however, only 45% of violent crime offenses are reported to the police. Approximately 5% of all households nationwide had a member who experienced one or more violent crimes.

America has the highest crime rate in the industrialized world. A murder is committed every twenty-five minutes, a rape every six minutes, a burglary every ten seconds, and a larceny every four seconds. About three-quarters of Americans age twelve and over will be assaulted in their lifetime, and a third of them will be robbed. Two of every five Americans will be injured in an assault or robbery. Eight percent of American women will be raped.

While these statistics are frightening, causing many Americans to live in fear, the likelihood that a person will be a victim of a crime varies dramatically depending on where he or she lives. Although the media and some politicians play to the fears of middle-class suburbanites (such as George Bush's "Willie Horton" advertisements in the 1988 campaign), the reality is that inner-city residents are the most frequent victims of violent crime.

People who live in cities, particularly large cities, are more likely to be victims of violent crime (40.6 offenses per 1000 residents) than suburbanites (26 per 1000) or rural dwellers (21.1 per 1000). Poor people are

44. Statistics in this section come from the following sources: MARC MAUER, AMERICANS BEHIND BARS, WASH., D.C.: THE SENTENCING PROJECT (1992); U.S. DEP'T OF JUSTICE, BUREAU OF JUSTICE STATISTICS, VIOLENT CRIME IN THE UNITED STATES (1991); W. John Moore, *Crime Pays*, 23 NAT'L J. 1218, 1218 (1991); Dennis Cauchon, "Lock 'em Up Policy" Under Attack, USA TODAY, Sept. 1, 1992, at 4A; Dennis Cauchon & Desda Moss, *Doctors Vow to Wage War on Violence*, USA TODAY, June 10, 1992, at 1A; John Childs, *Partners in Crime*, Z, June 1991, at 84-86; Philip J. Hiltz, *More Teenagers Being Slain by Guns*, N.Y. TIMES, June 10, 1992, at A19; Jonathan Marshall, *How Our War on Drugs Shattered the Cities*, WASH. POST, May 17, 1992, at C1; Michel McQueen, *People with the Least to Fear from Crime Drive the Crime Issue*, WALL ST. J., Aug. 12, 1992, at A1; Barry Weisberg, *The Seduction of Violence*, NAT'L BAR ASS'N MAG., Apr. 1991, at 17, 17-18; *Around U.S., Cities Confront a Record Year for Homicides*, BOSTON GLOBE, Dec. 22, 1991, at 25; *Crime Peril Said Double in Cities*, BOSTON GLOBE, June 8, 1992, at 8; *Violent Crime by Young is Up 25% in 10 Years*, N.Y. TIMES, Aug. 30, 1992, at 1-27.

at higher risk of experiencing violent crime than others. Blacks are more likely than whites to be victims of a violent crime. Overall, 4.4% of blacks, 3.9% of Hispanics, and 3.4% of whites were victims of violent crime in 1989. Violent crimes typically involve members of the same race. In 1990, 72% of violent crimes committed against whites were committed by other whites, while 84% of violent crimes committed against blacks were committed by other blacks.

Murder is the nation's tenth leading killer. It is *the* leading cause of death among black teenagers. A study of eighty urban areas found that from 1987 to 1989, more than one out of every thousand black males aged fifteen to nineteen was murdered. In some cities, including Washington, D.C., Los Angeles, Detroit, and Jacksonville, the rate was double the national average. Although blacks represent only twelve percent of the nation's population, they comprise *half* of all murder victims. In fact, blacks are *six* times more likely than whites to be murdered. The rate of homicide among teenagers in suburbs (5 per 100,000) is substantially lower than in large cities (28 per 100,000).

Almost two-thirds of all murders (64%) involve firearms, especially handguns. In a recent survey in five cities, 28% of inner-city high school males said they had been threatened with a gun; 17% have actually been shot at. Emergency rooms at inner-city hospitals report a growing number of patients hurt by gunfire. A study at King Drew Medical Center in Los Angeles found that in 1985 only 19% of its patients suffered from gunshot wounds. By 1991, that figure grew to 51%.

The rising violence in American society is linked to the epidemic of drugs. In Washington, D.C., for example, the rate of homicides identified as drug-related increased from 21% in 1985 to 80% in 1988. Many poor inner-city residents turn to crime to pay for their drug use. But some studies suggest that, while much of the drug sales take place in America's ghettos, much of the drug *use* takes place elsewhere. A Rand Corporation survey in 1985 found that only 22.8% of cocaine users in the Washington, D.C. area actually lived in the city; most (77.2%) users live in the Virginia and Maryland suburbs. The inner city serves, in effect, as a drug supermarket—the wholesalers and consumers live elsewhere, but the “street traffic” among retail drug dealers takes place in cities, where competition for the market generates violent crime. Law enforcement officials focus their efforts on inner-city drug dealing, rather than white buyers in suburban communities.

The United States has the highest rate of incarceration in the world—ten times more prisoners per capita than Japan or than any Western European nation. More than 1.2 million inmates were held in the nation's prisons in 1991—more than double the figure in 1980.

Blacks, 12% of the nation's population, make up 44% of those in local, state, and federal prisons. A disproportionately high number of these blacks come from low-income backgrounds in inner cities.

The dramatic rise in the prison population is linked to the "war on drugs," and its long mandatory sentences for drug offenders. In 1980, 25% of federal prison inmates were incarcerated on drug charges. By 1992, drug offenders represented 58% of the federal prison population and are projected to fill 69% of prison beds by 1995. Since 1987, these prisoners have made up three-quarters of new inmates. About 70% of federal anti-drug funding is directed toward law enforcement, while only 30% is tied to treatment and prevention. As a result, only a tiny proportion of prison inmates in need of drug treatment actually receive any treatment. Furthermore, the "get tough" policy, putting more Americans behind bars, has obviously not solved the crime problem, since the violent crime rate has grown dramatically during the 1980s. Despite the doubling of the prison population, few Americans feel safer than they did a decade ago.

In 1991 alone, the U.S. spent \$20.1 billion on building and operating prisons. Adding in the costs of taking care of people on probation and parole, the total rose to \$26.2 billion. These costs—plus the additional costs for police and courts—contribute to the fiscal crises facing state and local governments.

E. Segregation

America's metropolitan areas are racially segregated: Within metropolitan areas, and within cities, whites, blacks, Hispanics, and other minorities are increasingly isolated from each other. Sociologists have coined the term "hypersegregation" to describe this pattern.⁴⁵ The 1990 U.S. census shows that 30% of black Americans live in virtually all-black (90% or more black) neighborhoods. Most other blacks live in neighborhoods that are still overwhelmingly black. Sixty-two percent of non-Hispanic blacks live in blocks that are 60% or more black. Forty percent of the Hispanic population live in blocks that are 60% or more Hispanic. At least two out of every three white Americans live in essen-

45. Data in this section draws on the following sources: Dan Gillmor & Stephen K. Doig, *Segregation Forever?*, 14 AM. DEMOGRAPHICS, Jan. 1992, at 48; Douglas S. Massey & Nancy K. Denton, *Hypersegregation in U.S. Metropolitan Areas*, 26 DEMOGRAPHY 373, 373-91 (1989); Douglas S. Massey & Nancy A. Denton, *Suburbanization and Segregation in U.S. Metropolitan Areas*, 94 AM. J. SOC. 592, 592-626 (1988); William P. O'Hare & William H. Frey, *Booming, Suburban and Black*, 14 AM. DEMOGRAPHICS, Sept. 1992, at 30; David J. Dent, *The New Black Suburbs*, N.Y. TIMES, June 14, 1992, (Magazine) at 6; David Judkins et al., *Patterns of Residential Concentrations by Race and Hispanic Origin* (Mar. 20, 1992) (unpublished manuscript, on file with author).

tially all-white neighborhoods. In the largest 50 metropolitan areas, 37% of blacks live in all-black neighborhoods. In most major American cities, more than 70% of the population would have to move to achieve proportional integration.

The 1980s witnessed a growing gap between the black poor and the black middle class. Many middle-class blacks moved out of urban ghettos. However, most did not relocate to integrated neighborhoods; instead they moved to segregated middle-class neighborhoods within cities or in adjacent suburbs. Hispanics experienced the same trends, as did Asians, but to a lesser extent.

F. *Crumbling Infrastructure*

Periodically, when a major bridge collapses, a dam or sewer system bursts, or a train derails—causing death or costing huge sums to repair—media attention and political debate is drawn temporarily to the problems of America's crumbling infrastructure.

America is sitting on a fragile foundation. Its roads, bridges, mass transit, airports, ports and waterways, sewers, wastewater treatment facilities, and solid waste disposal facilities are out-of-date and in disrepair. In most metropolitan areas, traffic is gridlocked. Congestion and flight delays at most airports are now the rule, not the exception. The U.S. also lags far behind other industrial nations in creating a modern, high-speed rail system. During the past decade, several major reports examined the nation's capital investment needs; the estimates ranged from \$37.8 billion to \$140.5 billion per year.

Without a strong infrastructure, neither people nor goods can be moved efficiently. Capital plants must be maintained and, over time, rebuilt. In older areas with deteriorating facilities, and in newer areas with rapid population growth, new facilities must be built. Except for highways, most urban infrastructure systems—transit, water, sewer—are a century old and far beyond their useful lives. Boston has lead in its pipes. New York City's century-old water mains regularly give out at key intersections. Los Angeles's old waste landfills are ruined by toxic wastes.⁴⁶ In New York State alone, 68% of its bridges (11,808 out of 17,313) are either structurally deficient or functionally obsolete—that is, inadequate for current traffic.⁴⁷

46. Donna Shalala & Julia Vitullo-Martin, *Rethinking the Urban Crisis: Proposals for a National Urban Agenda*, 55 J. AM. PLAN. ASS'N 3, 6 (1989).

47. THE CASE FOR A NEW STATE-LOCAL INFRASTRUCTURE PROGRAM 6 (1991) (statement of Richard P. Nathan); see Marshall Kaplan, *Infrastructure Policy, Repetitive Studies, Uneven Response, Next Steps*, 25 URB. AFF. Q. 371, 371-88 (1990); Felix Rohatyn, *What the Government Should Do*, N.Y. REV. BOOKS, June 25, 1992, at 26, 26-27.

America's 83,000 local governments are responsible for managing and maintaining over 70% of the nation's public works facilities. Three-quarters of the 250 million trips made by Americans each day are made in metropolitan areas; over 80% of these trips are made in private cars. The public transit systems in many cities—which millions of people, especially the poor, rely on—are physically deteriorating, but consumers cannot afford major fare increases to pay for repairs and replacement. Cities lack the resources to build and repair their crumbling infrastructure, undermining the economies of their regions and the country. Despite this problem, federal grants to state and local governments for public works projects have declined dramatically. In the 1980s, non-military public investment in the U.S. fell to 2.4% of GNP—half of the 1970s rate, and one-quarter of that during the 1950s and 1960s.

According to the Economic Policy Institute (EPI), a major public works investment will boost the private economy and overall economic prosperity. EPI found that a dollar spent today on public infrastructure produces from two to five times more payoff in GNP growth than a dollar spent on tax cuts or deficit reduction.⁴⁸

G. *Fiscal Trauma*

Cities, trapped by rising costs, shrinking resources, and inexpandable borders, are now confronting fiscal calamity. Many cities face bankruptcy and are operating under severe austerity budgets. In the past few years, Bridgeport, Connecticut, East St. Louis, Illinois, and Chelsea, Massachusetts plunged into bankruptcy. A number of other cities, including Philadelphia and New York, teeter on the edge of insolvency.

To avert fiscal collapse, many cities have closed schools, hospitals, health centers, police stations, and fire stations. They have laid off essential employees and reduced basic services, such as maintaining parks, repairing roads, and enforcing housing and health codes. A 1992 survey of 620 municipalities found that 53.9% were running deficits, 39.5% had cut work forces, and 61.2% reduced their capital investments.⁴⁹

A number of factors contribute to this deepening fiscal crisis: City residents, who are increasingly poor, cannot pay sufficient taxes, but they require more services. Further, most cities are responsible for providing services not only to residents, but also to commuters and tourists, neither of whom pay taxes. Meanwhile, the cost of providing public services has increased. Beginning in the 1980s, three phenomena—homelessness,

48. DAVID ASCHAUER, PUBLIC INVESTMENT AND PRIVATE SECTOR GROWTH 16 (1990).

49. MICHAEL PAGANO, CITY FISCAL CONDITIONS IN 1992, at v-viii (1992).

crack cocaine, and AIDS—placed additional burdens on city services. These trends were exacerbated by both the federal and state governments' dramatic cuts in fiscal assistance to local governments.

Many states impose restrictions on cities' ability to raise revenues. Even if cities were allowed greater leeway, however, they would be caught in a fiscal Catch-22. Poor residents cannot afford to pay higher taxes or fees, but city officials fear that imposing higher taxes on affluent residents or business would induce them to leave, aggravating the fiscal crisis.

In *America's Ailing Cities*, Helen Ladd and John Yinger conclude that "[a]lthough the financial difficulties of these cities may be exacerbated by politics or management practices . . . [t]he policy tools available to city officials are weak compared to the impact on city finances of national economic, social, and fiscal trends."⁵⁰

IV. ROOT CAUSES

The plight of America's cities will not be solved without addressing the root causes of urban decline. These include five major trends and federal policies that have undermined the economic, social, and political health of cities.

A. *Corporate Flight and Economic Restructuring*

The electronics revolution has hastened the development of a global economy and footloose multinational corporations. Since the early 1970s, there has been a tremendous flight of previously high-wage (primarily manufacturing) industries from U.S. cities to locations with more "favorable" business conditions—low wages, weak or nonexistent unions, and lax environmental laws—found mainly in suburbs, rural areas, and Third World countries.⁵¹ The U.S. government promoted this flight with national tax policies that encouraged business to relocate to new sites (rather than modernizing and expanding their plants and equipment

50. HELEN F. LADD & JOHN YINGER, *AMERICA'S AILING CITIES: FISCAL HEALTH AND THE DESIGN OF URBAN POLICY* 292 (1991).

51. For example, the percentage of overall employment in manufacturing in major cities declined dramatically between 1953 and 1970 and again between 1970 and 1986. The respective figures for 1953, 1970, and 1986, respectively, in the following cities are: New York City, 35.9%, 25.8%, 14.8%; Philadelphia, 45.5%, 33.3%, 16.7%; Boston, 28.4%, 18.1%, 9.0%; Baltimore, 38.1%, 28.6%, 17.1%; St. Louis, 44.9%, 35.3%, 23.0%; Atlanta, 27.4%, 19.4%, 12.8%; Houston, 26.8%, 23.1%, 14.0%; Denver, 24.7%, 19.0%, 11.3%; and San Francisco, 20.3%, 14.7%, 9.4%. See John D. Kasarda, *Structural Factors Affecting the Location and Timing of Urban Underclass Growth*, 11 *URB. GEOGRAPHY* 234, 234-64 (1990) (discussing the demographic and economic conditions underlying the differential rise of urban poverty in northern cities).

in cities) and with foreign policies that propped up Third World governments that suppress dissent.

According to demographer John Kasarda:

The largest cities of the North spawned our industrial revolution in the late 19th and early 20th centuries, generating massive numbers of blue-collar jobs that served to attract and economically upgrade millions of disadvantaged migrants. More recently, these same cities were instrumental in transforming the U.S. economy from goods processing to basic services (during the 1950s and 1960s) and from a basic service economy to one of information processing and administrative control (during the 1970s and 1980s).⁵²

In the process, many blue-collar jobs that once constituted the economic backbone of cities and provided the employment opportunities for their poorly educated residents have either vanished or moved. These jobs have been replaced, at least in part, by knowledge-intensive white-collar jobs with educational requirements that exclude many with substandard educations.⁵³ Since 1980, the Fortune 500 industrial companies have eliminated 3.9 million employees from their payrolls. Between 1978 and 1982 alone, Los Angeles lost about 70,000 high-paying manufacturing jobs, much of it concentrated in the predominantly black neighborhoods of south central L.A. Firms like General Motors and Bethlehem Steel relocated or closed their plants. Textile sweatshops, employing undocumented immigrants at below minimum wages, represent the only growth in Los Angeles's manufacturing sector. At the same time, in Los Angeles and other metropolitan areas, employment growth areas emerged in outlying suburban areas, especially in the light manufacturing, high technology, and retail services sectors.

In a global economy, cities have little control over local economic conditions, but in the absence of any *federal* effort to help cities, American cities have to compete with each other for tax revenue. This has led to an unhealthy bidding war to attract private capital investment, allowing multinational firms to pit cities against cities, states against states, and even the U.S. against other countries to bring jobs and tax base revenue. In many cases, local efforts to improve the local "business climate" often mean lowering wages, health and safety standards, and environ-

52. John D. Kasarda, *City Jobs and Residents on a Collision Course: The Urban Underclass Dilemma*, 4 *ECON. DEV. Q.* 313, 313 (1990) [hereinafter Kasarda, *Collision Course*]; see John D. Kasarda, *Urban Industrial Transition and the Underclass*, 501 *ANNALS AM. ACAD. POL. SOC. SCI.* 26, 26-47 (1989).

53. See Kasarda, *Collision Course*, *supra* note 52, at 313.

mental safeguards.⁵⁴

During the 1970s and 1980s, some cities sought to revitalize their downtowns with new office buildings, medical and educational complexes, hotels, urban shopping malls, convention centers, and sports complexes. For example, in 1970 only fifteen cities could have handled a trade show for 20,000 people; by the late 1980s, some 150 cities could do so.⁵⁵

To cope with disinvestment and fiscal crises, many city development officials became "entrepreneurs," competing with other cities for corporate investment. Some cities sought to lure businesses with tax breaks and other subsidies (such as the \$100 million tax abatements granted Trump Tower in New York). Many economists claim that the bidding war has gone too far. They view these incentives and subsidies as unnecessary give-aways; this private investment, they argue, would have taken place anyway. One expert observed: "Corporations are playing cities like a piano. They understand the tune. But the cities don't."⁵⁶ But many city officials view these subsidies as important ammunition in the competitive war for new business and jobs. (This debate continues today over the effectiveness of urban "enterprise zones" for attracting jobs and businesses to inner cities.)

Of course, many cities could not compete on an equal footing—due to the lack of either good locations or adequate resources. Cities were not equally successful in making the economic transition from producing goods to producing information. Many cities tried, without much success, to retain existing blue-collar jobs, or to lure new developers, tourists, and jobs. According to Bernard Frieden, "most large northeastern and midwestern cities lost manufacturing jobs faster than they gained

54. For a discussion of the potentials and limitations of progressive "redistributive" policies at the local level, see *RESTRUCTURING THE CITY* (Susan Fainstein et al. eds., 1986); *UNEQUAL PARTNERSHIPS* (Gregory D. Squires ed., 1989); Pierre Clavel & Nancy Kleniewski, *Space for Progressive Local Policy: Examples from the United States and the United Kingdom*, in *BEYOND THE CITY LIMITS* 199-234 (John Logan & Todd Swanstrom eds., 1990); Richard F. DeLeon, *The Urban Antiregime: Progressive Politics in San Francisco*, 27 *URB. AFF. Q.* 555, 555-79 (1992); Peter Dreier & Bruce Ehrlich, *Downtown Development and Urban Reform: The Politics of Boston's Linkage Policy*, 26 *URB. AFF. Q.* 354, 354-75 (1991); Peter Dreier & W. Dennis Keating, *The Limits of Localism: Progressive Housing Policies in Boston, 1984-1989*, 26 *URB. AFF. Q.* 191, 191-216 (1990).

55. BERNARD FRIEDEN & LYNNE SAGALYN, *DOWNTOWN, INC.* 270 (1989).

56. Robert Guskind, *Games Cities Play*, 21 *NAT'L J.* 634, 634 (1989); see Peggy McCarthy, *City Wars*, *BOSTON GLOBE*, Nov. 23, 1992, at 53; John Schwartz et al., *Can You Top This?* *NEWSWEEK*, Feb. 17, 1992, at 40 (describing the competition between Hartford, Conn. and nearby Springfield, Mass. to attract businesses).

white-collar ones."⁵⁷ As a result, many American cities still have not recovered from the loss of blue-collar industry and jobs. As factories closed down and waterfronts were left vacant, downtown department stores went out of business.⁵⁸ Neighborhood business districts that had provided many retail stores and local jobs declined.⁵⁹ The tax bases of many cities suffered, making it more difficult for local governments to provide municipal services. The devastation of Youngstown, Detroit, Flint, Newark, Camden, Bridgeport, and Gary is perhaps the most visible symbol of the decline of American manufacturing in the global economy.

Sadly, even those cities that *did* successfully revitalize their downtown economies have not stemmed the growing tide of poverty only blocks away from the glittering glass and steel. Not surprisingly, the percentage of America's poor living in cities grew from 30% in 1968 to 37% in 1979 to 43.1% in 1989.

Why? The service economy is predominantly a low-wage economy, and most of its jobs offer no career ladder or upward mobility. The "working poor" is the fastest-growing sector of the nation's poverty population. A recent Census Bureau study found that almost one-fifth of all full-time workers now earn poverty-level wages (\$12,195 in 1990). In 1979, 12.1% of all full-time year-round workers earned poverty-level wages. By 1990, the percentage grew to 18%, or 14.4 million workers. Among white workers, 17.1% received poverty wages; among black workers, 25.3%; among Hispanic workers, 31.4%. One-fourth of women workers (24.3%) and one-seventh (13.9%) of male workers earned wages below the poverty line.⁶⁰

As William J. Wilson points out in *The Truly Disadvantaged*, the urban poor—disproportionately people of color and young people—face a widening mismatch between their skills and available jobs.⁶¹ The exodus of many jobs, particularly entry-level jobs, to suburban locations exacerbated the problem, creating, according to Christopher Jencks, "the

57. Bernard J. Frieden, *The Downtown Job Puzzle*, 97 PUB. INTEREST, Fall 1989, at 71, 73.

58. This trend continues. See Sarah Lyall, *In Downtown Syracuse, the Streets Get Empty*, N.Y. TIMES, Aug. 21, 1992, at B1; Stephanie Strom, *Macy Says It Will Close 8 Stores, Including 4 in the New York Area*, N.Y. TIMES, May 21, 1992, at A1; Charles Strum, *Newark Journal; No Miracle on Market Street for Final Retail Holdout*, N.Y. TIMES, May 21, 1992, at B4.

59. See Bill Turque et al., *Where the Food Isn't: Supermarkets Have Fled the Inner Cities, Leaving the Poor to Pay More for Less*, NEWSWEEK, Feb. 24, 1992, at 36.

60. See New Census Report, *supra* note 34.

61. WILLIAM J. WILSON, *THE TRULY DISADVANTAGED: THE INNER CITY, THE UNDERCLASS, AND PUBLIC POLICY* 39-46 (1987).

difficulty inner-city residents have finding a job many miles from home and the difficulty they have reaching such a job once they find it."⁶²

Some argue that the key factor is not workers' inadequate skills or education, but the overall labor market and, in the case of minorities, discrimination. Some suggest that in a tight job market with low unemployment, even unskilled workers have better job prospects. Between 1958-60 and 1968-70, the overall unemployment rate fell from 6% to 4%, and the unemployment rate among black high school dropouts fell from 16% to 9%. By 1978-80, overall unemployment rose to 6%; unemployment among black high school dropouts rose to 21%. Among white high school dropouts it increased from 5% to 11%.⁶³ During the mid 1980s, the Boston area experienced an economic boom, with overall unemployment below 3% by 1985. Black unemployment that year was down to 5.6%.

But as the American economy restructures—in terms of the types, earnings, and locations of jobs—central city residents without appropriate skills suffer, even when overall unemployment is relatively low. The educational requirements of most jobs are growing. Therefore, even though the number of young people completing high school is growing among *all* races,⁶⁴ the opportunities for those who do not complete high school (or who complete high school without acquiring the necessary skills) are declining. Between 1973 and 1989, the annual incomes of low-skilled white men in their twenties fell by 14%; for blacks, 24%. Incomes for white male high school dropouts in their twenties fell by 33%; for blacks, 50%.

B. *Suburban Exodus*

Since World War II, the United States has witnessed one of the most dramatic population shifts in its history—the movement of Americans from cities to suburbs. Suburbanization is actually part of a larger trend, reflected in three interrelated demographic shifts: from the Snowbelt (the older industrial regions of the North and Midwest) to the Sunbelt

62. CHRISTOPHER JENCKS, *RETHINKING SOCIAL POLICY: RACE, POVERTY AND THE UNDERCLASS* 123 (1992). For in-depth discussion of the effects of economic change on urban minorities, see JAMES H. JOHNSON JR. & MELVIN L. OLIVER, *ECONOMIC RESTRUCTURING AND BLACK MALE JOBLESSNESS IN U.S. METROPOLITAN AREAS* (1991); James Rosenbaum & Susan J. Popkin, *Why Don't Welfare Mothers Get Jobs? A Test of the Culture of Poverty and Spatial Mismatch Hypotheses* (unpublished manuscript, on file with author).

63. JENCKS, *supra* note 52, at 125.

64. In 1970, 44% of blacks and 22% of whites in their early twenties had not completed high school. By 1985, the figures were 19% for blacks and 13% for whites. *Id.* at 128.

(the South and Southwest); from rural to metropolitan areas; and, within metropolitan areas, from central cities to suburbs.

Some observers have concluded that America's postwar suburban migration in so short a period was a "natural" evolution, a result of millions of separate decisions by individual consumers seeking a single-family home, improved public schools, and a better life for their families. It is often described as the "white flight" or "suburban exodus" of consumers anxious to leave troubled neighborhoods for greener pastures.

In reality, the power brokers in America's corporate board rooms and developers' suites, and their allies in the White House and Congress, played a critical role in this suburbanization. As historian Kenneth Jackson describes in *Crabgrass Frontier*, these consumer choices were shaped (in fact, subsidized) by federal government policies that both pushed people out of cities and pulled them into suburbs. These included highway-building policies that opened up the hinterlands to speculation and development; housing policies that offered government-insured mortgages to whites in suburbia (but *not* in cities); and bulldozer urban renewal policies that destroyed working class neighborhoods, scattering their residents to blue-collar suburbs, to make way for downtown business development.⁶⁵ Likewise, as described below, the population shift from the Snowbelt to the Sunbelt followed the move of business, subsidized by federal tax policy and anti-union laws and by the siting of Pentagon facilities and contracts.

This population shift, while not inevitable, is quite dramatic. During the first two-thirds of this century, immigrants from abroad (mostly Europe) and from rural parts of the United States (mostly the South) moved to the booming manufacturing cities of the North and Midwest. In the past few decades, immigration from abroad has stemmed primarily from Mexico, Latin America, and Asia—and the primary ports of entry are Los Angeles, San Francisco, San Diego, Miami, Houston, and other sunbelt cities. Likewise, internal migration within the United States has shifted to the South and Southwest regions.

At the same time, America's metropolitan areas grew significantly. The nation's 284 metropolitan areas now have a total of 192.7 million residents and account for 77.5% of the U.S. population. During the 1980s, metropolitan areas grew by 11.6%, while nonmetropolitan areas grew by only 3.9%. In that decade, the largest metropolitan areas (those exceeding one million in population) grew the fastest (led by Sunbelt ar-

65. KENNETH T. JACKSON, *CRABGRASS FRONTIER: THE SUBURBANIZATION OF AMERICA* 190-218, 283-87 (1985); see Robert Fishman, *Megalopolis Unbound*, 14 WILSON Q., Winter 1990, at 25-48.

eas), while smaller metropolitan areas grew more slowly or, like Youngstown, Utica, Dubuque, Duluth, or Wheeling, declined. The thirty-nine metropolitan areas with a population of over one million comprise over half (50.1%) of the nation's population. (In 1950, there were only fourteen metropolitan areas with as many as one million residents, accounting for under thirty percent of the U.S. population). Of these thirty-nine largest metropolitan areas, only five (Detroit, Cleveland, Pittsburgh, New Orleans, and Buffalo) experienced overall population decline during the 1980s.

Since the turn of the century, while metropolitan areas grew as a proportion of the nation's overall population, the suburban *share* of the metro population has grown steadily. This process accelerated beginning with the 1950s. In 1950, cities accounted for 32.8% of the nation's population; suburbs, 23.3%. By 1960, cities still had a small margin over the suburbs, 32.8% to 30.9%; but by 1970, the suburbs (37.6%) had surpassed the cities (31.4%). By 1980, cities had 30% of the nation's population, compared with 44.8% for suburbs. By 1990, the cities had 31.3%, while the suburbs had 46.1%.⁶⁶

Since the 1960s, and especially in the past decade, most older industrial cities lost population. During the past three decades, St. Louis lost nearly half its population; Detroit lost more than one-third; Boston, Atlanta, Philadelphia, and New Orleans lost more than one-fifth. At the same time, Sunbelt cities like Houston, Miami, Phoenix, and Los Angeles increased in population.

In *every* region of the country—even where city populations are increasing—the fastest-growing parts of the metropolitan areas are the surrounding suburbs.⁶⁷ Los Angeles, for example, grew by 17.4%, while its suburbs grew by 29.5%; Baltimore lost 6.4% of its population while its suburbs grew by 16.5%. During the 1980s, only four of the thirty-nine metropolitan areas with a population of over one million experienced growth in the major central city at a rate more rapid than the metropolitan area as a whole. One of these was New York City; in the other three (Portland, Columbus, Charlotte), the city's growth was aided by large annexations from the suburbs.

Two things, however, remain constant regardless of region or whether the metropolitan area is growing or declining. First, city populations have gotten poorer. Second, the percentage of minorities in cities

66. These statistics are taken from WILLIAM FREY & ALDEN SPEARE JR., *U.S. METROPOLITAN AREA POPULATION GROWTH 1960-1990: CENSUS TRENDS AND EXPLANATIONS* (1991); and BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, *METROPOLITAN AREAS AND CITIES: 1990 CENSUS PROFILE NO. 3* (1991).

67. See WILSON, *supra* note 61.

has grown dramatically; in many cities, people of color now comprise the majority of the population.

America's cities now face a shrinking tax base and fiscal traumas. In 1960, the per capita income of cities was 5% greater than their surrounding suburbs. In 1980, the ratio had fallen to 89% *below* the suburbs; by 1989, to 84%. In some metropolitan areas, the economic disparities between city and suburbs are particularly acute. Newark's per capita income was only 43.1% of its suburbs; Paterson, N.J., 46.6%; Cleveland, 53.4%; Hartford, 53.6%; Detroit, 53.6%; Milwaukee, 62.9%; Gary, 63.4%; Baltimore, 64.3%; Philadelphia, 65.4%; Dayton, 66%; Chicago, 66.3%; Miami, 67.2%; and New York, 67.6%.⁶⁸ As noted earlier, however, these aggregate figures mask the variations among suburban communities.

C. *Pentagon Drain*

The Pentagon has played a critical role in the flight of business, jobs, and people from cities. During the postwar period, military spending has accounted for the largest part of the federal budget. The Pentagon's decisions to locate military facilities and to grant defense contracts has greatly influenced the growth and decline of geographic areas. It has served as America's *de facto* "industrial policy," a form of government planning that has shaped dramatically the location of businesses and jobs.

During World War II, the major sites of military manufacturing—shipbuilding, the auto industry (which produced tanks and trucks for war), and aerospace—were in major cities. After the war, those sites began to change due to the influence of Cold War priorities and politics, including the influence of key congressmen in utilizing the "Pentagon pork barrel" to bring jobs to firms and workers in their districts. The multiplier (ripple) effects of Pentagon spending has dramatically changed the population and employment map of the entire country.

In reality, Pentagon spending is highly concentrated geographically. Most military installations are in rural (or once-rural) areas, while the vast majority of production and research dollars are concentrated in a few metropolitan locations. As Markusen and Yudken write:

Several major metropolitan areas in the nation are also highly dependent upon defense spending, particularly the Los Angeles and Boston areas, the Washington, D.C. area as a defense services center, San Diego as a naval center, and Seattle as a one-

68. These statistics are taken from LEDEBUR & BARNES, *supra* note 27.

company military-industrial city.⁶⁹

The production of weapons and the undertaking of military research and development has spawned new industries and new fields, but in doing so, much of the nation's resources and scientific expertise have been diverted from civilian production and research. Likewise, military production and research and the siting of facilities has helped some areas and drained others. Rather than employing research and development funds to help modernize the nation's basic manufacturing industries, for example the steel and automobile industries, or developing new civilian industries to make the United States more competitive internationally, for example, high speed rail, the Pentagon's priorities helped undermine key industrial sectors and the cities where they were located.

Even in those metropolitan areas that have won the Pentagon sweepstakes, however, the bulk of Pentagon dollars are located in suburbs, not central cities. In 1990 alone, for example, eighteen out of the twenty-five largest cities suffered a total loss of \$24 billion in their balance of payments with the Pentagon. In Los Angeles, for example, taxpayers sent \$4.74 billion to the Pentagon and received only \$1.47 billion back—a net loss of \$3.27 billion, or \$3000 per family. That translates into almost 100,000 jobs.⁷⁰

A study by Employment Research Associates for the Boston Redevelopment Authority analyzed all of the money coming into each city through military contracts and salaries. It then compared this sum to the amount drained out of the city by federal taxes going to the Pentagon. The sums lost are enormous. New York City loses \$8.4 billion a year; Los Angeles, \$3.3 billion; Chicago, \$3.1 billion; Houston, \$1.7 billion; Dallas, \$731 million; and Detroit, over \$900 million.⁷¹

The employment impact of this drain-off of funds is equally dramatic. Money going out means jobs lost. New York loses approximately 250,000 full-time jobs annually; Los Angeles and Chicago each lose about 100,000 jobs; Houston, over 50,000 jobs; Detroit, about 30,000 jobs; and Dallas, 22,000 jobs. The biggest losers have been the nation's industrial heartland, the areas surrounding the Great Lakes.

69. ANN MARKUSEN & JOEL YUDKEN, *DISMANTLING THE COLD WAR ECONOMY* 171 (1992); see also ANN MARKUSEN ET AL., *THE RISE OF THE GUNBELT: THE MILITARY REMAPPING OF INDUSTRIAL AMERICA* (1991) (discussing the economic impact of the military-industrial complex).

70. Report to the Boston Redevelopment Authority by Employment Research Associates, Lansing, Michigan (1992) (unpublished manuscript, on file with author); see Steven Greenhouse, *Study Says Big Cities Don't Get Fair Share of Military Spending*, N.Y. TIMES, May 12, 1992, at A20.

71. See Report to the Boston Redevelopment Authority, *supra* note 70; Greenhouse, *supra* note 70, at A20.

Even those cities gaining overall dollars and jobs from the Pentagon find that overdependence on military contracts has its downside, making them vulnerable to "downturns in the military spending cycle."⁷² For example, both Seattle (dominated by Boeing, the nation's largest defense contractor) and St. Louis (where defense contractor McDonnell-Douglas is the largest employer) experienced severe economic hard times when the Pentagon reduced its funding for specific weapon systems or selected another contractor. Politics influences the rise and fall of regions and cities as a result of Pentagon spending.⁷³

The \$1.3 billion emergency urban aid program, passed by Congress after the L.A. riots and signed by President Bush last summer, pales in comparison to what the Pentagon drains from America's cities. The Department of Defense saps that much just from New York City every six weeks.

D. Redlining

Redlining (discrimination in mortgage lending) by banks and insurance companies leads to a self-fulfilling prophecy of urban neighborhood decline.⁷⁴ Since its enactment in 1977, federal bank regulators have failed to enforce the Community Reinvestment Act, the nation's major anti-redlining law. Under pressure by the banking industry, both the White House and Congress looked the other way while America's banks redlined cities, denying loans to home buyers and small business entrepreneurs, while (thanks to deregulation) engaging in an orgy of speculation that led to the savings and loan crisis.⁷⁵

Studies of local mortgage lending during the past decade have shown consistently that banks provide fewer loans to minority neighborhoods than to white neighborhoods with comparable socio-economic characteristics.⁷⁶ This helps account for the low level of homeownership

72. MARKUSEN & YUDKEN, *supra* note 69, at 173.

73. For example, in September 1992, President Bush, far behind Governor Clinton in the Missouri polls, traveled to St. Louis to announce the sale to Saudi Arabia of F-15 jet fighters, which are manufactured by McDonnell-Douglas, the state's largest employer. The sale was highly questionable on defense and foreign policy grounds, but Bush made little pretense of discussing geopolitics. He emphasized the 7000 local jobs generated by the weapon.

74. Paulette Thomas, *Small Businesses, Key to Urban Recovery, Are Starved for Capital*, WALL ST. J., June 11, 1992, at A1.

75. Peter Dreier, *Redlining Cities: How Banks Color Community Development*, 34 CHALLENGE, Nov.-Dec. 1991, at 15, 17-19; see FROM REDLINING TO REINVESTMENT: COMMUNITY RESPONSES TO URBAN DISINVESTMENT (Gregory D. Squires ed., 1992).

76. See CHARLES FINN, MORTGAGE LENDING IN BOSTON'S NEIGHBORHOODS 1981-87 (1990); Ann B. Shlay, *Financing Community: Methods for Assessing Residential Credit Disparities, Market Barriers and Institutional Reinvestment Performance in the Metropolis*, 11 J. URB.

in minority neighborhoods. Residential redlining is compounded by commercial redlining, making it even more difficult for small businesses to open or expand in inner city areas.⁷⁷ For example, Los Angeles County had 1068 supermarkets in 1970, but only 694 in 1990; most of the boarded-up markets are in the city's minority areas. There is one supermarket for every 40,646 residents in South Central Los Angeles, compared with one supermarket for every 23,224 residents in the county.⁷⁸

Prior to 1991, mortgage lending studies looked at disparities by *geographic areas*. Recent improvements in the federal Home Mortgage Disclosure Act, brought about through pressure from community activists, allowed researchers to look at disparities in mortgage loans to *individuals* by race, income, and gender. Using 1990 and 1991 data, the Federal Reserve Board looked at the rates at which banks accept and reject mortgage applications from white, black, and Hispanic consumers. The first study examined 5.26 million home loan applications made in 1990 nationwide, and also looked at the data for nineteen metropolitan areas. The study found that banks rejected blacks and Hispanics for home mortgages more than twice as often as whites with similar incomes. The second study, conducted a year later, found the disparities remained the same.⁷⁹

In October 1992, the Federal Reserve Bank of Boston published the most conclusive study to date demonstrating lending discrimination. It looked at the credit-worthiness of applicants in the Boston area to determine whether differences in rejection rates could be caused by differences in wealth, employment and credit histories, debt burdens, or other factors. It found substantial disparities between white and minority applicants, even taking into account these factors.⁸⁰

The absence of banks in inner city neighborhoods compounds the problem of bank redlining. During the past few decades, banks have disinvested physically as well as economically from America's cities. For example, the riot-torn areas of Los Angeles, home to more than 500,000

AFF. 201 (1989); Bill Dedman, *The Color of Money*, ATLANTA J. & CONST., May 1-4, 1988, at A1 (series of articles).

77. Thomas, *supra* note 74, at A1.

78. Richard W. Stevenson, *Riots Inflamed a Festering South-Central Economy*, N.Y. TIMES, May 6, 1992, at A23. Supermarkets have fled inner cities across the country. See Turque et al., *supra* note 59, at 36.

79. Glenn B. Canner & Dolores Smith, *Home Mortgage Disclosure Act: Expanded Data on Residential Lending* (1991); Mitchell Zuckoff, *Study: Denial Rate on Loans Still High for Minorities*, BOSTON GLOBE, Oct. 28, 1992, at 43.

80. ALICIA H. MUNNELL ET AL., MORTGAGE LENDING IN BOSTON: INTERPRETING HMDA DATA (Federal Reserve Bank of Boston Working Paper No. 92-7, 1992).

residents, have only nineteen bank branches.⁸¹ Economic factors account for much of this segregation, but not all of it. Because minorities are poorer than white Americans, they have fewer options in terms of renting or owning a home. Even those minority residents with the financial resources to provide such options, however, are often victims of discrimination by realtors and lenders. Recent studies by the Urban Institute and the Federal Reserve Bank document that blacks experience discrimination, regardless of income. Banks continue to redline minority neighborhoods and deny loans to black consumers at a rate much higher than for whites with similar incomes. Realtors continue to steer black families looking to rent an apartment or buy a home into segregated areas.⁸²

Redlining by insurance companies, in terms of both residential and commercial policies, also exacerbates the problem of urban disinvestment. As the *New York Times* noted: "A lack of property insurance can strangle a neighborhood's economy. Banks usually refuse to give mortgages on uninsured property, and small businesses find it next to impossible to lease equipment or order goods on consignment if they are unprotected against fire, theft or civil disturbances."⁸³

Insurance company policies—such as minimum policy requirements for homeowner or retail insurance—discriminate against cities and, in particular, minority areas. In addition, the location of insurance agents' offices (disproportionately in suburban areas), and the absence of agents who live in or are familiar with urban neighbors, create a discriminatory effect.⁸⁴

E. Federal Cutbacks

As noted above, federal government policies have encouraged, even subsidized, the flight of businesses, jobs, and people from America's cities. Then, to rub salt in these wounds, the federal government during the

81. Bill Montague, *Study: Many L.A. Lenders Fail Minorities*, USA TODAY, May 12, 1992, at B1; see James Bates, *Large Banks Pressed to Hasten Rebuilding with Flow of Credit*, L.A. TIMES, May 5, 1992, at B3.

82. For detailed discussion, see MARGERY AUSTIN TURNER ET AL., HOUSING DISCRIMINATION STUDY: ANALYZING RACIAL AND ETHNIC STEERING *passim* (1991); MARGERY AUSTIN TURNER ET AL., HOUSING DISCRIMINATION STUDY: SYNTHESIS 25-33 (1991); Margery Austin Turner, *Discrimination in Urban Housing Markets: Lessons from Fair Housing Audits*, 3 HOUSING POL'Y DEBATE 185, 185-215 (1992).

83. Peter Kerr, *Riots Raise Concerns About Insurance Redlining*, N.Y. TIMES, May 4, 1992, at D2.

84. Gregory D. Squires et al., *Insurance Redlining, Agency Location, and the Process of Urban Disinvestment*, 26 URB. AFF. Q. 567, 567-88 (1991); see Junda Woo, *Insurers May Not "Redline" Appeals Court Says*, WALL ST. J., Oct. 22, 1992, at B14.

Reagan and Bush administrations slashed federal aid to cities, reversing five decades of steady growth in federal urban assistance.

The government cut three kinds of programs—direct grants to local governments, loans and grants to private and nonprofit groups for economic development and housing, and programs to help individuals cope with (or lift themselves out of) poverty. In addition, the federal government (and some states) imposed a large number of mandates on cities, costing these cities billions of dollars without providing additional funds, further exacerbating local fiscal crises.⁸⁵

By withdrawing federal funds and increasing federal mandates, Washington was telling local governments to do more with less. Unfortunately, despite popular notions of local government corruption and mismanagement, there was little fat to trim. Washington's "fend-for-yourself federalism" simply meant that financially strapped localities had to cut programs and services during a time of growing needs.⁸⁶

The combined impact of these cuts and mandates has been devastating to local governments' ability to deliver services and to urban residents' capacity to cope with poverty and the various health, housing, and other problems associated with poverty. Because the number of poor Americans grew significantly during the past decade, while concentration of the poor in cities increased, cities experienced the most serious repercussions from the cutbacks in programs designed to serve individuals. The recession, which began in 1989, exacerbated the local fiscal crisis by undermining the capacity of local governments to raise revenues from property taxes.

During his administration, President Reagan completely eliminated general revenue sharing, which in 1980 had provided \$10.8 billion in direct funds to local governments (\$1.75 billion to cities with a population of over 300,000).⁸⁷ In 1980, federal dollars accounted for 14.3% of city budgets. In 1992, it is less than 5%. During the 1980s, some state governments provided funding to fill at least part of that gap, but in the late 1980s states began cutting local aid to the bone.⁸⁸ According to one ex-

85. U.S. ADVISORY COMM'N ON INTERGOVERNMENTAL RELATIONS, FEDERAL STATUTORY PREEMPTION OF STATE AND LOCAL AUTHORITY 37 (1992); JANET KELLY, STATE MANDATES (1992); Joseph F. Zimmermann, *Regulating Intergovernmental Relations in the 1990s*, THE ANNALS, May 1990, at 48-59; Joseph F. Zimmermann, Federal Induced State and Local Government Costs (paper delivered at the American Political Science Association meetings, Washington, D.C., Sept. 1991).

86. See Richard Hill, *Federalism and Urban Policy: The Intergovernmental Dialectic*, in THE CHANGING FACE OF FISCAL FEDERALISM 35, 35-55 (Thomas R. Swartz & John E. Peck eds., 1990).

87. Demetrios Caraley, *Washington Abandons the Cities*, 107 POL. SCI. Q. 1, 1-30 (1992).

88. INTERGOVERNMENTAL RELATIONS: CHANGING PATTERNS IN STATE-LOCAL FI-

pert, "if New York City had held on to the same percentage of its general expenditures funded by federal and state aid in 1989 as in 1980, it would have had some \$4 billion more to spend and not had a budget crisis in 1990 and 1991, when it was forced to cut services and raise local taxes."⁸⁹ From the states' perspective, Medicaid was by far the biggest budget-buster. Because states were required to allocate more of their own revenues to match federal dollars, they had less available to help cities.

Washington also slashed successful urban programs such as public works, economic development, job training, and transit by more than 70%. The federal government reduced funding for public service jobs (CETA) and job training from \$9.8 billion in 1980 to \$3 billion in 1990. Community development block grants (CDBG) were cut from \$6.2 billion to \$2.8 billion. Local public works grants, which totalled \$660 million in 1980, were eliminated entirely.

Federal housing assistance to the poor, budgeted at approximately \$30 billion in 1980, also fell prey to Congress's sweeping budget cuts, suffering a reduction of over 70%. During the late 1970s, for example, the federal government added over 300,000 new subsidized housing units a year. By the end of the 1980s, that number was under 30,000. These cuts parallel a dramatic rise in homelessness and a deepening housing crisis among poor and working class Americans.

Programs targeted primarily to individuals—Medicaid, welfare (AFDC), food stamps, child nutrition, WIC, and housing vouchers—either increased slightly or remained about the same. The overall budget levels are misleading, however, because during the 1980s the number of poor people *eligible* for such programs increased significantly. As a result, *fewer* individuals actually received assistance; those who did received *smaller* benefits. For example, AFDC payments and food stamps benefits did not keep pace with inflation; as a result, families receiving AFDC were worse off at the end of the decade than they were before. Between 1980 and 1990, the average AFDC benefit dropped from \$3506 to \$3218 per family in 1990 constant dollars. Similarly, during the recession that began in 1989, a growing number of unemployed Americans were cut off from receiving unemployment benefits because the time limit for eligibility had expired.

As local governments "downsize" their operations, the poor and

NANCES (1992); Michael deCoursey Hinds, *States' Strained Finances Reveal Recession's Toll*, N.Y. TIMES, July 28, 1992, at B6; Michael deCoursey Hinds, *80's Legacy: States and Cities in Need*, N.Y. TIMES, Dec. 30, 1990, at A1.

89. Caraléy, *supra* note 87, at 9.

working-class residents of America's cities are pitted against each other for these shrinking resources. This leads to heightened social and racial tensions. It also makes it more and more difficult for local officials to govern effectively.

V. POLICY SOLUTIONS

Cities on their own cannot solve the problems of poverty or of urban decay. Cities are trapped by boundaries that will not expand and are subject to a national—and increasingly global—economy over which they have no control. For most of the period since World War II, and increasingly over the past twelve years, federal policies have contributed to the decline of the cities. It will require federal policies—with the help of state and local governments and community organizations—to bring cities back.

Thirty years ago, Americans were confident that they could eradicate poverty and urban decay. Unfortunately, many of the programs designed to achieve these goals proved unsuccessful. Many of today's opinion-makers have learned the wrong lessons from the inadequate stop-and-go efforts of the past three decades. They argue that the government has tried and failed. This argument is unpersuasive, however, because most of these efforts were underfunded, misguided, and sought to serve too many goals. The "war on poverty," for example, was never really given a chance. Still, some of the programs that emerged from that period have demonstrated success, despite limited funding and commitment.⁹⁰ The magnitude of America's economic problems and its urban ills have grown, requiring new ideas and new approaches. Nonetheless, the view promoted by right-wing think tanks and pundits during the Reagan/Bush years—and accepted in part by many others—that the federal government can play no constructive role, or that "nothing can be done" because the problems are so intractable, contradicts much evidence and experience.

The key to revitalizing America's cities is to close the *investment gap* that lies at the root of America's economic troubles and competitive decline. There are three major components to a federal investment strategy to revitalize cities: *First*, the government must stimulate national economic growth and create jobs (with the goal of a full-employment economy), focusing major investment in the nation's physical infrastructure. *Second*, it must improve the nation's human infrastructure and the productivity of its current and future workforce. *Third*, it must invest in

90. JOHN E. SCHWARZ, AMERICA'S HIDDEN SUCCESS: A REASSESSMENT OF TWENTY YEARS OF PUBLIC POLICY 31-45 (1983).

urban neighborhoods to improve the economic, physical, and social conditions of these communities.

While the first two components are not place-specific—not targeted directly to cities—they will have a disproportionate impact on cities, because the nation's crumbling infrastructure, underutilized workforce, and most troubled populations are concentrated there. At the same time, federal policymakers must recognize that rebuilding urban neighborhoods requires direct investment to compensate for decades of disinvestment.

Without getting lost in details, it is possible to outline the broad principles and key elements of each investment strategy.

A. *Jobs and Economic Growth*

Most economists agree that investing in a jobs-creating program to rebuild the nation's crumbling infrastructure, including public transportation (highways, bridges, aviation facilities), water, waste disposal, and sewer systems, is the most efficient way both to jump-start the economy and promote long-term growth.⁹¹ The United States, having fallen far behind Japan and Europe in investing in its infrastructure, does not have a first-class mass transit system; plans to build a high-speed rail in the Boston-Washington corridor are still in the discussion stage.⁹²

In early 1992 the USCM released a report, *Ready to Go*, identifying over 7200 public works projects currently on hold across the country because cities lack the funds to implement them. Once started, these projects would create 418,400 construction jobs and, calculating the multiplier effects of such investment, over one million jobs within a year.

State and local governments own the bulk of the nation's public infrastructure—38% in the form of highways and streets, 16% as water and sewer systems, and 30% as schools, hospitals, and other buildings. Improvement in public infrastructure generates substantial returns to the private economy, including dramatic increases in GNP and productivity. Moreover, infrastructure located in cities provides substantial benefits throughout the entire metropolitan region. From a cost-benefit perspective, repairing and extending the existing infrastructure yields greater returns than building *new* facilities in outlying areas.⁹³

Beyond infrastructure, there is a rationale for a broader public jobs initiative, targeted not only to public works, but also to public service.

91. See, e.g., ASCHAUER, *supra* note 48.

92. See Peter H. Stone, *The Faster Track: Should We Build a High-Speed Rail System?*, AM. PROSPECT, Fall 1992, at 99, 104.

93. PERSKY et al., *supra* note 28.

Since the New Deal (with its Works Progress Administration, National Youth Administration, and Civilian Conservation Corps programs), other administrations have used public jobs creation as a countercyclical tool to combat the high unemployment accompanying a recessionary economy, although subsequent efforts paled in scope to the New Deal program. But even in healthy economic times, some areas of the country and some sectors of the population (especially young people) suffer from high unemployment.

Opponents criticize such efforts as "make-work" jobs, but such an initiative can serve several goals: reducing unemployment, replacing welfare with work (thus reducing unemployment insurance and welfare expenditures, while turning underutilized workers into tax-paying workers), and providing needed services. Some recent proposals include a public jobs program as a major component of any comprehensive welfare reform. For example, Senator David Boren (D-Okla.) has proposed a Community Works Program Administration designed to create jobs for the unemployed and welfare recipients; a number of model work programs for youth, such as Public/Private Ventures in Pennsylvania and Youth Build (based in Boston, with affiliates in seven other cities), have shown success.⁹⁴

Although major investment in public infrastructure is a valuable first step toward sustained economic growth and job creation, additional steps are required. New sources of capital (particularly pension funds) must be tapped; research and development priorities must be changed to improve the productivity of the civilian economy, particularly in new growth sectors (such as telecommunications); trade, tax, and bank reform policies must encourage private enterprises to invest in productive jobs (as opposed to speculation and mergers) and to remain in the United States.

In the past, getting a job was the solution to poverty. But today, at least one-fifth of all full-time workers receive poverty-level wages. If the poverty standard is updated, as many as 30 million Americans may be counted among the "working poor."⁹⁵ Expanding the earned-income tax credit, or increasing the minimum wage (which has fallen far behind in-

94. Much of this material on job initiatives was drawn from SAR A. LEVITAN & FRANK GALLO, *SPENDING TO SAVE: EXPANDING EMPLOYMENT OPPORTUNITIES* (1991); Peter T. Kilborn, *For the Urban Young, Carpentry Skills and Hope*, N.Y. TIMES, June 8, 1992, at A1; and Alan Murray, *New Deal's WPA and CCC Enjoy Renewed Vogue As Washington Tackles Poverty and Urban Decay*, WALL ST. J., June 1, 1992, at A14.

95. John E. Schwarz & Thomas J. Volgy, *Social Support for Self-Reliance*, AM. PROSPECT, Spring 1992, at 67, 69. Schwarz and Volgy present their work in detail in their new book, JOHN E. SCHWARZ & THOMAS J. VOLGY, *THE FORGOTTEN AMERICANS* (1992).

flation in the past twelve years), would address this concern. Equally important, changes in the nation's unfair labor-management laws, which currently impede union organizing efforts, would help increase wages and benefits among poverty-level workers, particularly in the service- and light-manufacturing sectors.

Finally, a plan for economic renewal must confront the question of economic conversion. The end of the Cold War provides both an opportunity for and an obstacle to revitalizing America's cities. Current Pentagon spending levels can be cut by one-third to one-half over the next five years without endangering national security. These funds—over \$150 billion a year—could be directed both to deficit reduction and to new priorities, including cities.

Congressional debates on closing military facilities or cutting weapons systems no longer revolve primarily around national security concerns, but around the short-term adverse effects these cuts have on communities, workers, and firms that rely on military spending. The failure of Congress in early 1992 to enact legislation to tear down the budget wall between military and domestic spending reflected this basic dilemma: Even those lawmakers who favor cutting defense spending do not want cuts that will hurt workers, firms, and communities in their home districts. It is unreasonable to expect communities and companies to deal with their economic pain alone, but that is basically what is taking place. Although many in Congress have proposed comprehensive conversion bills, they have gone nowhere. Despite Congress's having appropriated the small sum of \$200 million for military "adjustment" in 1990, only half of the dollars were spent by the Department of Defense by 1992.

America now needs a conversion plan to shift resources into improving the civilian economy and meeting social needs, including the improvement of the nation's cities. Such a plan would involve allocating funds for retooling plants and retraining workers, as well as providing income maintenance and job relocation benefits and small business assistance to help subcontractors and supplier firms. The plan should also help local communities adjust to military base closures and major reductions at defense contracting firms and to change R&D priorities.

There is already considerable debate concerning how to carry out a post-Cold War conversion strategy that will minimize short-term pain and maximize the long-term benefits to the nation's economy.⁹⁶ An ef-

96. See MARKUSEN & YUDKEN, *supra* note 69; MARION ANDERSON ET AL., CONVERTING THE AMERICAN ECONOMY: THE ECONOMIC EFFECTS OF AN ALTERNATIVE SECURITY POLICY (1991); MARION ANDERSON, A SHIFT IN MILITARY SPENDING TO

fective conversion plan by necessity involves elements of national planning and industrial strategy, but it must also incorporate local communities and businesses planning efforts. A federal agency to coordinate conversion planning should be located *outside* the Pentagon. This agency could coordinate a series of task forces and advisory committees, involving representatives of all parties with a stake in the peace dividend, including urban mayors and community leaders, to advise the President and Congress on a conversion plan.

B. *The Workforce: Today and Tomorrow*

There is growing recognition that America has fallen far behind its competitors in investing in "human capital"—its current and future workforce. A growing voice within American business is now joining more traditional liberal sectors in calling for expanding the nation's social programs. Both *Fortune* and *Business Week* featured post-riot articles calling for a major national investment in human capital—such as job training, health care, child care, and education (from Head Start through post-high school)—to improve the productivity of the workforce.⁹⁷ These business publications recognize that the social and economic costs of unemployment, welfare, and an unprepared workforce are a drain on America's competitiveness in the world economy. President Clinton echoed this view during his presidential campaign, constantly repeating the refrain: "We cannot afford to waste anyone."

Economists argue that the United States cannot (and should not) compete with Third World nations to attract low-skill, low-wage jobs. The future of the American economy, they suggest, lies in attracting high-wage, high-skill, high-productivity jobs. Thus, attention must focus on preparing the workforce for the twenty-first century economy.⁹⁸ While there is some debate over this formulation—some economists argue that preparing the workforce will not guarantee that good jobs will be created; others observe that the more *immediate* problem is finding jobs for today's low-skilled youth—there is no controversy over the need to invest more in America's youth and its workforce.

Although the competency skills of American youth in reading, math, and science have improved steadily, they still lag far behind that of

AMERICA'S CITIES (1988); BETTY G. LALL & JOHN T. MARLIN, BUILDING A PEACE ECONOMY: OPPORTUNITIES AND PROBLEMS OF POST-COLD WAR DEFENSE CUTS (1992); Ann Markusen, *Dismantling the Cold War Economy*, WORLD POL. J., Summer 1992, at 389-99.

97. See *The Economic Crisis of Urban America*, BUS. WK., May 18, 1992, at 38; *What We Can Do Now*, FORTUNE, June 1, 1992, at 40, 41-48.

98. See ROBERT B. REICH, THE WORK OF NATIONS (1991); Robert B. Reich, *The Real Economy*, ATLANTIC, Feb. 1991, at 35, 35-52.

their counterparts in Europe and Japan. The overall high school graduation rate, as well as the rate among inner-city youth, has increased steadily. A high school diploma alone, however, does not guarantee that students have the required learning skills or competencies to succeed in the labor market. Among high school drop-outs, the problem of inability to compete is even worse.

New and expanded initiatives in education and training are needed. Some successful programs during the past decade suggest how this goal can be accomplished.⁹⁹ Preschool programs, such as Head Start, have demonstrated substantial success for disadvantaged youth; participants perform better in school and are more likely to graduate high school. But Head Start, funded at \$2.2 billion in 1992, currently reaches only one-fourth of the 2.5 million eligible children; a fully-funded program would cost \$7.7 billion by 1994.

Even the benefits of preschooling are sometimes undermined by students' school experiences and the other obstacles confronting inner-city youth. Most inner-city schools do not work for their students or the larger society. A school reform program should include the following key elements: Changes in school governance (such as school-based management) and school funding (to narrow disparities between poor and wealthy localities); more parental involvement in active learning (including programs that teach parents to help teach their children); growing use of magnet schools; stronger integration between schools and after-school programs (such as recreation) and community health programs; changes in teacher training and retraining (to emphasize child development as well as pedagogy); changes in expectations toward student performance; and curriculum revisions to address the experiences of inner-city students (including immigrant children).

Successful programs—such as those run by James Comer in New Haven and Deborah Meier in New York City—demonstrate that inner-city schools can be turned around. There is growing recognition, however, that mainstream schools cannot work for all students. At-risk youth—particularly adolescents and young teens from inner-city neighborhoods—need special help addressing questions of self-esteem and making positive “life-choices” in order to avoid falling into the subcul-

99. Some of the ideas in this discussion draw on THE URBAN INST., *CONFRONTING THE NATION'S URBAN CRISIS* (1992) [hereinafter *CONFRONTING THE NATION'S URBAN CRISIS*]; BILLY J. TIDWELL, *PLAYING TO WIN: A MARSHALL PLAN FOR AMERICA* (1991); THE COMMON GOOD: *SOCIAL WELFARE AND THE AMERICAN FUTURE* (1989); Albert R. Karr, *Job Corps, Long Considered a Success, Gets Entangled in Political Tug-of-War*, WALL ST. J., June 1, 1992, at A14; and the final report of the National Commission on Children and several reports by the Children's Defense Fund.

ture of gangs, drugs, teenage parenthood, and consequent poor school performance. A number of successful programs run primarily by community agencies—involving mentoring, streetworkers, community service (such as Boston's City Year program) and school-work linkages—have demonstrated some success. More intensive programs—such as urban prep schools—also have shown positive results.

The United States also must revise dramatically the way it prepares youth, particularly urban youth, for the job market. The current major job-training program, the Job Training Partnership Act (JPTA), has not demonstrated much success. Mainstream vocational education programs are not tied to the labor market, especially for noncollege bound youth. Either they train youth for jobs that no longer exist or for dead-end jobs with no potential for mobility. A growing number of companies support inner-city high school apprenticeship programs, but these ad hoc efforts do not add up to a comprehensive approach. America's European competitors place greater emphasis on ongoing training and retraining of noncollege students and adults. School-to-work transition programs must involve public schools, community colleges, and vocational/technical schools. The United States needs greater cooperation between educational institutions and private employers, more private sector involvement for worker education and training, training programs that focus on ready-to-work skills and that anticipate changes in the job market, and clearer performance standards, including a comprehensive system of certification for technical and professional skills.

More intensive residential "youth center" programs, such as the Job Corps and Youth Build, are needed to provide at-risk youth with an alternative to the regular school system. The Jobs Corps program (annual cost: \$20,000 per participant) has proven very effective, particularly for at-risk youth, but there are long waiting lists. According to one study, every \$1 spent on the Job Corps returns \$1.46 in higher taxes and lower welfare, crime, and prison costs. Job Corps graduates have more employment and higher pay than similar youths who do not participate.¹⁰⁰ In the Jobs Corps' immersion approach, young people, especially high school drop-outs, move out of their neighborhoods into special Job Corps centers for an average of eight months, where they learn the discipline of high-performance work, along with special skills instruction and ready-to-work socialization. The Job Corps, which now serves only 60,000 youth a year with a \$920 million budget, should be dramatically expanded as part of a nationwide effort to provide at-risk youths with the

100. CONFRONTING THE NATION'S URBAN CRISIS, *supra* note 99, at 12; Karr, *supra* note 99, at A14.

necessary job skills. A similar program, called Youth Build (financed by several major foundations), has been successful in several cities, not only by providing inner-city young people (ages seventeen to twenty-five, mostly high school drop-outs) with job skills, but also by addressing issues of self-esteem and social skills. Several members of Congress have proposed a small federally funded demonstration program based on Youth Build's success.¹⁰¹

Education and training efforts alone will not make America's workforce competitive in the world economy if the population's physical, social, and mental health remain in trouble. Investment in human capital also must involve a national health insurance plan and adequate child care allowances to allow parents real choices about entering the labor force. School breakfast and lunch programs and expanded public health efforts through neighborhood-based community health centers (including immunization for all children) cost relatively little, but have large pay-offs.

C. *Rebuilding Urban Neighborhoods*

National policies that promote economic growth and that invest in people are necessary, but not sufficient, to improve America's cities and its most troubled neighborhoods. Just as a rising tide does *not* lift all boats, neither does a rising economy lift all troubled low-income neighborhoods, nor does it prevent stable neighborhoods from declining.

In the past, federal policies have done more to hurt urban neighborhoods than help them, mostly by subsidizing the exodus of people and jobs. Even many policies specifically created to upgrade inner-city neighborhoods have had mixed results, in part because they were not well designed to achieve specific ends. For example, rebuilding cities requires more than changing a neighborhood's physical conditions—the mistake made by the urban renewal programs of the past.¹⁰² It involves knitting together the economic and social fabric of urban neighborhoods. People live in houses or apartments, but they also live in *communities*, which provide the economic and social supports that foster individual and family well-being and mitigate against anti-social behavior. People-oriented policies that help individuals lift themselves “up” may also give those individuals opportunities to move “out.” Thus, place-specific policies designed to improve low-income neighborhoods require a careful bal-

101. Kilborn, *supra* note 94, at A1.

102. See, e.g., Marshall Kaplan, *American Neighborhood Policies: Mixed Results and Uneven Evaluations*, in THE FUTURE OF NATIONAL URBAN POLICY 210, 210-24 (Marshall Kaplan & Franklin James eds., 1990).

ance: The programs must assist residents in upgrading physical, economic, and social conditions that make urban neighborhoods attractive to people with many choices, but without displacing or harming the people with few choices.

In the past decade, we have learned a great deal about what works and what does not work. Turning these neighborhoods around requires policies that are place-specific. This includes several elements, discussed in turn below: providing *jobs for neighborhood residents*; creating a *vital neighborhood business district* with adequate retail services; creating *decent affordable housing*, especially homeownership, for residents; promoting *public safety* so that residents, entrepreneurs, and others feel free from crime and disorder; and fostering strong *community institutions* through which residents participate in improving their own neighborhoods.

Jobs for neighborhood residents. To bring jobs to inner city neighborhoods, conservative policy analysts and former HUD Secretary Jack Kemp have suggested some version of enterprise zones. These are essentially bribes (tax breaks and exemptions from regulations) to businesses to invest in urban neighborhoods troubled by high rates of poverty and unemployment. Experience so far suggests, however, that these zones simply intensify the bidding wars that already pit cities against each other to attract investment. Many studies also show that most businesses view tax incentives as only a marginal factor in deciding where to locate plants and offices. According to *Business Week*, "a General Accounting Office study found that infrastructure, low crime rates, and access to labor markets were more important factors in site selection than tax rates."¹⁰³

Thirty-seven states have sponsored more than 500 enterprise zones. This experience suggests that most of the jobs and businesses will be imported from another city or nearby neighborhood not quite devastated enough to fit the enterprise zone criteria. This zero-sum game—robbing St. Petersburg to pay St. Paul—offers no new jobs and does not reduce the overall unemployment rate. Moreover, the program offers no guarantee that the jobs will pay decent wages or go to inner-city residents.

An effective enterprise zone program should provide businesses with incentives only if they create *new jobs* in the inner cities and *hire inner-*

103. *Situation Critical But Not Helpless*, BUS. WK., May 18, 1992, at 44, 45. For reviews of the experience with enterprise zones, see Robert Guskind, *Enterprise Zones: Do They Work?*, J. HOUSING, Jan.-Feb. 1990, at 47; Rochelle Stanfield, *Battle Zones*, 24 NAT'L J. 1348, 1348-52 (1992); Jill Zuckman, *All About Enterprise Zones*, AM. CAUCUS, Aug. 31-Sept. 13, 1992, at 1; Tom Furlong, *Enterprise Zone in L.A. Fraught with Problems*, L.A. TIMES, May 19, 1992, at D1.

city residents for those jobs. Employers must also receive assistance for job-related training. In contrast, "programs that offer capital gains tax breaks dissipate their benefits. Owners tend to invest in capital rather than jobs, and shy away from the risks of local labor."¹⁰⁴

In recent decades, inner-city job creation has proved most successful when linked with local entrepreneurs, including community-based non-profit economic development organizations (typically called community development corporations or CDCs).¹⁰⁵ The problem is that for decades, urban entrepreneurs have been swimming against the tide, facing unwilling lenders, few equity sources, and poor infrastructure, and having access to little of the technical expertise that large firms buy with ease. Without adequate access to capital, both debt and equity, adequate infrastructure and municipal services, and technical expertise, urban neighborhood businesses will remain small, struggling ventures.

The lessons of the success stories in neighborhood economic development are clear. Federal programs must provide seed capital, equity, and loans to community-based groups and small for-profit entrepreneurs to support neighborhood-based job creation projects. Senator Edward Kennedy recently proposed a National Community Economic Partnership Act along these lines. The federal government could also assist start-up entrepreneurs by establishing small business development centers, modeled on several successful existing programs, to help provide basic capacities (auditing services, automated inventory control, business planning, accounting control systems). Federal policies can also target specific fiscal assistance to local governments specifically for improving infrastructure and municipal services to inner-city business districts.

Many inner-city residents, however, are not likely to work *in* the neighborhoods where they live. In addition to people-oriented programs that provide residents with job skills, policies are needed also to overcome barriers to employment discrimination by race and to provide transportation to downtown and suburban employment. In one inner-city neighborhood in Chicago, for example, only 18% of residents had access to a car. Where public transportation from inner-city neighborhoods to these jobs exists at all, it often involves lengthy commutes and transfers. William J. Wilson has recommended that the federal government create both job-information centers to help residents find jobs, and

104. CONFRONTING THE NATION'S URBAN CRISIS, *supra* note 99, at 17.

105. See NEAL R. PIERCE & CAROL F. STEINBACH, ENTERPRISING COMMUNITIES: COMMUNITY-BASED DEVELOPMENT IN AMERICA (1990); Patrick Barry, *RX for Sick Cities*, 15 THE NEIGHBORHOOD WORKS, Aug.-Sept. 1992, at 16, 16-23.

car-pooling systems necessary to get to them.¹⁰⁶

Creating vital neighborhood business districts. Strong neighborhoods provide most of the services that residents need on a day-to-day basis. Grocery stores, bank branches, clothing stores, pharmacies, and other retail services are critical. Not only are these services convenient for shoppers, but their presence guarantees that residents will meet in the course of their daily routines, reinforcing a sense of community. Such businesses also provide jobs and opportunities for entrepreneurship among local residents.

Many of the same policy tools described in the preceding section have been used to revitalize neighborhood business districts. CDCs and small entrepreneurs have played a major role in these efforts.¹⁰⁷ In addition, policies that encourage private capital and credit toward these geographic areas are essential. Despite lack of enforcement by federal regulators, the Community Reinvestment Act (CRA) has been a successful tool used by local governments and community organizations to attract bank financing, primarily for housing development and homeowner mortgages, and to pressure banks to open branches in inner cities.¹⁰⁸ *Commercial* loans are as important to neighborhood strength as home mortgages. Congress should expand the CRA to incorporate commercial loans as part of the regulators' evaluation of banks' lending performances. The Home Mortgage Disclosure Act (HMDA) should also add commercial loans to the data required on all bank reports, which identify where, and to whom, banks have made loans. Further, *insurance companies* should be added within the CRA's jurisdiction, given the important role that insurance plays in the success or failure of neighborhood business districts.

*Affordable housing.*¹⁰⁹ In the past, the federal government has depended primarily on market forces to provide housing to the poor—a strategy that has not worked. As noted above, only 29% of low-income households receive federal housing assistance: 1.36 million live in public housing, 1.65 million live in federally subsidized but privately owned developments, and 1.06 million receive rent certificates to help them find

106. Timothy Noah & David Wessel, *Urban Solutions: Inner City Remedies Offer Novel Plans—And Hope, Experts Say*, WALL ST. J., May 4, 1992, at A1.

107. See PIERCE & STEINBACH, *supra* note 105; Barry, *supra* note 105, at 18-23.

108. Dreier, *supra* note 75, at 15-23.

109. This section draws on Peter Dreier & John Atlas, *Housing and Urban Development, in CHANGING AMERICA: BLUEPRINTS FOR THE NEXT ADMINISTRATION* (Mark Green ed., 1992).

housing in the private marketplace.¹¹⁰ Rebuilding inner-city neighborhoods requires a variety of tested strategies. First, substandard housing must be upgraded, while new housing must be built to fill in the vacant lots that scar inner-city neighborhoods. The major delivery system for carrying out this objective should be community-based housing development groups. Perhaps the silver lining in the dark cloud of the past decade's housing crisis has been the emergence of thousands of grassroots, neighborhood-based, nonprofit housing development organizations in inner cities across the nation.¹¹¹ Such organizations have patched together resources from local and state governments, foundations, corporations, churches, and other sources to build and rehabilitate housing against enormous odds. Through these increasingly sophisticated efforts, they have been able to leverage significant public and private investment in inner-city neighborhoods. In 1990, Congress passed a small program to encourage the expansion of the nonprofit housing sector; it required cities to set aside at least 15% of the \$1.5 billion HOME (housing block grant) program to fund community-based nonprofit groups. To realize the full potential of this sector, comparable to the successful "third sector" housing program in Canada, this small program should be expanded. Moreover, as in Canada, federally assisted housing should promote economic and social diversity by encouraging mixed-income developments, rather than ghettoizing the poor.¹¹² Single-family homeownership (such as New York's church-sponsored Nehemiah program, which builds low-cost homes and provides low-interest mortgages to low-income families) and limited equity cooperative housing developments sponsored by nonprofit agencies are preferable to rental projects. The federal government should also provide special mortgage subsidies to encourage working-class families to purchase and fix up homes in inner-city neighborhoods—a reversal of postwar subsidies that encouraged the middle class to move *out* of cities.

Second, the government should improve the nation's existing public

110. CONNIE CASEY, CHARACTERISTICS OF HUD-ASSISTED RENTERS AND THEIR UNITS IN 1989, at 4 (1992).

111. PIERCE & STEINBACH, *supra* note 105; NEAL R. PIERCE & CAROL F. STEINBACH, CORRECTIVE CAPITALISM: THE RISE OF AMERICA'S COMMUNITY DEVELOPMENT CORPORATIONS (1987); AVIS VIDAL, REBUILDING COMMUNITIES: A NATIONAL STUDY OF URBAN COMMUNITY DEVELOPMENT CORPORATIONS (1992); CHANGING THE ODDS: THE ACHIEVEMENTS OF COMMUNITY-BASED DEVELOPMENT CORPORATIONS (1991); COMMUNITY-BASED DEVELOPMENT: INVESTING IN RENEWAL, EXPANDING HORIZONS: A RESEARCH REPORT ON CORPORATE AND FOUNDATION GRANT SUPPORT OF COMMUNITY-BASED DEVELOPMENT (1991); Alex Kotlowitz, *Community Groups Quietly Make Strides in Inner-City Housing*, WALL ST. J., Sept. 17, 1992, at A1.

112. Peter Dreier & J. David Hulchanski, *Affordable Housing: Lessons from Canada*, AM. PROSPECT, Spring 1990, at 119, 119-25.

housing and federally assisted privately owned developments. This involves giving residents a strong voice in management and, where tenants seek to do so, ownership. This should occur, however, only with adequate physical rehabilitation and ongoing financial assistance to avoid future foreclosures and physical decay. Megablock projects should be reconfigured physically to integrate them into surrounding neighborhoods, such as the successful efforts in Boston's Commonwealth and Alice Taylor projects. HUD should give residents a strong voice in reforming tenant selection and eviction policies; for example, tenants who "make it" should not be evicted, but allowed to remain, to provide role models and contacts for job opportunities. Eviction policies should make it easier to rid developments of tenants engaged in criminal activities, including drug dealing and use. Finally, residents of subsidized developments should be linked to on-site community support services (job training, child care, health care, substance abuse programs), such as the successful Family Development Center at Baltimore's Lafayette Court housing project.¹¹³

Third, HUD should provide all eligible low-income households with rental vouchers, but require that the program be metropolitan-wide, so that residents can have greater choice and have opportunities to live outside inner cities. Chicago's successful Gautreaux Program, which provides housing counseling to low-income participants, should be replicated nationwide. Started in the 1970s, the program has allocated over 3800 vouchers for low-income families, half of whom have found apartments in the suburbs. Gautreaux fosters racial and economic integration and deconcentrates poverty. Participants who find suburban apartments are more likely to find jobs; their children are more likely to do well in school.¹¹⁴ A universal rental allowance program would be the most effective strategy for dramatically reducing homelessness; in addition, some provision for community support services for homeless people with additional problems (i.e., substance abuse) would be needed.

Public safety. Community involvement in anti-crime efforts is the most effective strategy for promoting public safety and reducing disorder. This, in turn, helps attract people and jobs to inner cities. Reducing the *fear* of crime, and the perception of public disorder and chaos, is as important as reducing the crime rate itself. Community-oriented policing—

113. For a discussion of efforts to improve subsidized housing developments, see LANGLEY KEYES, *STRATEGIES AND SAINTS* (1992); John Atlas & Peter Dreier, *From "Projects" to Communities: How to Redeem Public Housing*, AM. PROSPECT, Summer 1992, at 74, 74-85.

114. James E. Rosenbaum & Susan J. Popkin, *Employment and Earnings of Low-Income Blacks Who Move to Middle-Class Suburbs*, in *THE URBAN UNDERCLASS* 342-55 (Christopher Jencks & Paul E. Peterson eds., 1991).

getting beat cops out of cars, onto neighborhood streets, and engaged in problem-solving—has demonstrated success in several cities. Resident-sponsored “crime watch” efforts also help build trust between residents and law enforcement officials as well as build solidarity among neighbors. These efforts involve a range of activities—boarding up buildings, improving lighting, organizing “take back the streets” programs, setting up rape crisis hot lines, and creating computerized arson-prevention programs.

Violence fueled by drug abuse and trafficking comprises a major element of the urban crime problem. Interdiction policies have failed. Education and treatment programs are more effective, but drug treatment on demand must be a critical component of an urban anti-crime strategy. Such programs save \$11.50 for every dollar spent, much of it in reduced incarceration costs.¹¹⁵ Programs to help at-risk youth are another key component of an urban anti-crime policy.

Community organizing. CDC-sponsored economic and housing development, resident-management of subsidized housing, and neighborhood crime watches are all part of community self-help and empowerment strategies. Their success depends, at least in part, on strong resident involvement in neighborhood improvement efforts. Community organizing efforts have had their ups and downs, but even during the fallow 1980s, which saw dramatic cutbacks in the federal VISTA program, community organizations played an important role in successful, though small-scale, inner-city improvement.¹¹⁶ National networks such as ACORN, the Industrial Areas Foundation, Citizen Action, and National Peoples Action, as well as more local initiatives, fostered citizen activism on a wide range of neighborhood-level and national issues. Much of the recent anti-redlining successes, for example, are a direct result of community organizing. A number of foundations and church groups helped fund these efforts. While historically skeptical of mainstream politics, these groups became increasingly engaged in electoral politics, helping to elect their own, and other, activists. Some of the nation’s most progressive mayors, state legislators, and urban Congress members were catapulted to office by these organizing efforts.

115. CONFRONTING THE NATION’S URBAN CRISIS, *supra* note 99, at 18.

116. See HARRY C. BOYTE, COMMONWEALTH: A RETURN TO CITIZEN POLITICS (1989); HARRY C. BOYTE ET AL., CITIZEN ACTION AND THE NEW POPULISM (1986). Articles in a number of periodicals, such as *Social Policy* and *American Prospect*, have followed the recent history of community organizing efforts. For an overview, see Karen Paget, *Citizen Organizing: Many Movements, No Majority*, AM. PROSPECT, Summer 1990, at 115, 115-28.

VI. CONCLUSION

Clearly, any effort to address the nation's urban crisis must result from serious rethinking about how these problems are framed and should build coalitions of mutual self-interest between cities and suburbs.

The major obstacle to carrying out some version of this urban policy agenda is not economic, but political. The political influence of powerful business interests, and the Pentagon and military contractors, have distorted national priorities. Add to this equation the changing metropolitan demographics, congressional gerrymandering, and the impact of racism, and the prospects for building a national agenda that helps rebuild cities appear difficult. Overcoming these obstacles requires political reforms that will level the playing field and give relatively powerless groups a strong voice in setting national priorities. The two most important reforms needed are changing the nation's voter registration laws and modifying its campaign finance rules.

Unless urban residents vote, their concerns will be ignored. The United States has the lowest level of voter turnout of any major democracy. Typically, only about half of the eligible electorate vote in a presidential election year and even less in off years. Registration is the major barrier; more than two-thirds of those who are registered actually vote. Poor and minority voters, particularly those in large cities, are the least likely groups to register to vote. Once at the polls, urban voters—particularly the poor and minorities—tend to vote overwhelmingly for Democrats in national elections. The 55% turnout in the 1992 presidential election was the largest in almost thirty years. In the three-way 1992 presidential race, the Clinton-Gore ticket received 53% of the vote in central cities; the margin was higher in the larger cities.

In Canada, when an election is called, a complete national registration is carried out in a matter of weeks by a federal agency called Elections Canada. In national elections over 70% of eligible voters normally go to the polls. In the United States, by contrast, the onus is entirely on the individual to register. A major reason for the low rate of urban voting is the nation's complex, crazy-quilt voter registration laws. Rules differ from state to state and, often, from community to community. This obstacle could be partly cured with passage of the National Voter Registration Act—the so-called “motor voter” bill sponsored by Senator Wendell Ford, passed by Congress, and vetoed by President Bush in July, 1992. It would significantly increase voter participation by streamlining and improving voter registration efforts, particularly by permitting registration at motor vehicle registries, welfare and unemployment offices, and other sites. With or without this legislation, community

groups, unions, churches, and others have to do a better job at mobilizing the poor to vote.¹¹⁷

Even with a more activated electorate, however, the principle of “one person, one vote” is distorted by the power of big money in American politics. It distorts priorities on tax policy, defense spending, bank reform, and other issues, depriving cities and the poor of government assistance. Perhaps the most egregious example is the banking industry’s influence over Congress, leading to industry deregulation during the early 1980s, the S&L crisis, and the massive taxpayer bail-out, still underway.

The average race for United States Senate now costs well over \$1 million; House races cost well over \$300,000; and presidential campaigns cost over \$100 million. Most of these funds are spent on paid media, especially television advertising. Candidates for office and incumbents in office spend so much time raising funds, primarily from wealthy individuals and businesses, that they cannot spend enough time paying attention to other constituents. Big money shapes the kind of legislation Congress passes or does not pass. It even determines who can afford to run for office. At the local level, big money—particularly from real estate, banking, and related business sectors—plays a major role in local politics, where land use issues are often paramount.

Reform of the nation’s campaign finance laws should incorporate the following elements: public financing of elections; free broadcast time to political candidates; strict ceilings on the amounts that candidates for office can raise in an election season; strict ceilings on the amount individuals can donate to candidates; prohibition of campaign contributions from political action committees; and strict limits on “soft money” donations, which serve to end-run campaign finance limits.

The end of the Cold War offers an unprecedented opportunity for America to reorder its priorities and devote its talent and resources to domestic matters, including the rebuilding of our cities. Whether the nation seizes the opportunity, or wastes it, is a question of political will.

117. FRANCES FOX PIVEN & RICHARD E. CLOWARD, *WHY AMERICANS DON'T VOTE* 247 (1988); BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, *VOTING AND REGISTRATION IN THE ELECTION OF NOVEMBER 1988* (1989); U.S. GENERAL ACCOUNTING OFFICE, *VOTING: SOME PROCEDURAL CHANGES AND INFORMATIONAL ACTIVITIES COULD INCREASE TURNOUT* (1990); Clifford Krauss, *Senate Passes Bill to Force States to Make Voter Registration Easier*, N.Y. TIMES, May 21, 1992, at B11; Richard M. Valelly, *Vanishing Voters*, AM. PROSPECT, Spring 1990, at 140, 140-50.

