

# Bush to Cities: DROP DEAD

BY PETER DREIER

**I**t's a powerful indictment of our political system that it took a riot to get our national leaders in Washington—Republicans and Democrats—to pay attention to America's cities. Following the Los Angeles uprising, both the White House and Congress finally began scrambling to come up with an urban agenda.

The White House's first response was to repeat its "law-and-order" mantra—the theme of President Bush's televised address and several major speeches. Then Bush waited a few days and jetted out to Los Angeles to tour the devastated neighborhoods. He made two short, carefully orchestrated side trips to Philadelphia and Baltimore, looking for a few more "points of light"—successful programs that cost no money but appear to alleviate poverty, reduce crime, and promote business investment in inner cities. But he continued to ignore calls for anything substantive—such as programs demanded by the crowd of 200,000 marchers in Washington, D.C., in mid-May, who chanted, *SAVE OUR CITIES*. (In Dallas with Bush, White House spokesman Marlin Fitzwater commented, "I don't know anything about it. We have marches every weekend.")

Following his whirlwind tour of selected ghettos, Bush dusted off a few programs—enterprise zones, privatizing public housing, school "choice"—that Housing and Urban Development Secretary Jack Kemp had sought, unsuccessfully, to get the President to embrace during the past three years. Even those conservative editorial

writers who find these programs appealing recognized that Bush's \$2 billion urban package was a joke in terms of addressing even the symptoms—much less the root causes—of America's urban crisis.

Here's a capsule view of Bush's quick-fix panacea for urban decay:

¶ Enterprise zones are essentially bribes (tax breaks and exemptions from regulations) to businesses to invest in urban neighborhoods troubled by high rates of poverty and unemployment. In reality, these zones simply intensify the bidding wars that already pit cities against each other to attract investment. Many studies show that most businesses view tax incentives as only a marginal factor in deciding where to locate plants and offices.

If the bribes are large enough, of course, a few *new* businesses might start up. But experience so far—thirty-seven states have sponsored more than 500 enterprise zones—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—doesn't add any new jobs or reduce the overall unemployment rate. Moreover, the program doesn't guarantee that the jobs will pay decent

wages or go to ghetto residents. Meanwhile, the tax breaks come out of the coffers of local governments that are already financially strapped, or out of the Federal Treasury, while the regulatory rollbacks threaten health and safety standards.

¶ President Bush's cure for America's inner-city housing crisis is to turn public-housing tenants into homeowners. Who could oppose giving the poor a shot at the American Dream? But Kemp's pet program—called Homeownership Opportunities for People Everywhere (HOPE)—is full of holes.

Last year, Kemp proposed putting \$1 billion into HOPE. Congress cut the budget by 60 per cent and Bush went along with the lower figure because the package included funding for his pet project, the space station. Now Bush is back with the \$1 billion version, which he claims will help 36,000 tenants purchase their apartments.

Unlike England, where many middle-class families live in public housing (making an ownership program workable), U.S.-style public housing is for the very poor. In 1988, the average tenant's income was \$6,539; only about 40 per cent of the nonelderly households in public housing have a wage earner.

Without ongoing subsidies, public-housing tenants—who now pay 30 per cent of their incomes for rent—cannot afford the monthly costs of homeownership even if the homes are sold for one dollar. Payments for the utilities and taxes alone, not to mention repair and maintenance costs, exceed their current rents. In Kemp's few showcase projects, HUD poured in huge

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DAVID MCL HANS

subsidies—for example, about \$150,000 per unit at the Kenilworth-Parkside project in Washington, D.C.—to make them work. The HOPE plan offers subsidies for only five years; then tenants are on their own. And HOPE provides few safeguards to prevent the new homeowners from selling their homes for windfall profits, thereby reducing the housing stock available to the poor.

Kemp's efforts to sell public housing to residents will, if successful, simply get HUD out of the low-income housing business—a decoy for the larger "privatization" agenda.

More importantly, public housing represents only 2 per cent of the nation's housing stock—1.3 million units altogether. Even in America's ghettos, in other words, few residents live in public housing. So even if Kemp were successful in privatizing the entire public-housing system, the impact would be small.

Only one-fifth of America's poor live in subsidized housing of any kind—public housing run by local governments, privately owned projects subsidized by HUD, or private apartments where tenants pay rent with vouchers. That leaves more than five million poor families that

receive no help. Most of them live in substandard apartments or pay more than half their limited incomes just to keep a roof over their heads.

During the Reagan-Bush era, Federal housing funds were slashed by more than 70 per cent. Handing over the keys to public housing might help a few lucky families. But there would probably be massive foreclosures when low-income owners were unable to keep up the payments. That's no way to repair the slums.

¶ On the crime front, Bush has failed to support the Brady bill or other measures to control possession of firearms. Instead,

the President's urban-aid package includes an initiative to "weed out" hard-core criminals from urban neighborhoods and "seed" those neighborhoods with social programs. None of these programs can do any harm—in fact, such ideas as community policing and drug treatment make sense. But the President's proposal is so underfunded (\$500 million) that it will spread only a few dollars to only a handful of cities.

**T**he plight of America's cities won't be solved without addressing the root causes of urban decline. Administration officials acknowledge that Bush's platform is no new war on poverty but is more like a defense against charges he has done little. As one official told the *Boston Globe*, urban poverty and sky-high unemployment among black youth are "not our issue, not our constituency."

But the root causes remain. They include five major trends that have undermined the economic, social, and political health of cities.

¶ *Suburban Exodus.* For three decades after World War II, the United States witnessed a dramatic population shift—the movement of Americans from cities to suburbs. This was not, as some observers concluded, a "natural" migration of consumers anxious to leave troubled neighborhoods for greener pastures. The power brokers in America's corporate boardrooms and developers' suites, and their allies in the White House and Congress, played a critical role. As historian Kenneth Jackson relates in *Crabgrass Frontier*, Federal policies shaped—in fact, subsidized—consumer choices, pushing people out of cities and pulling them into the suburbs.

These policies included highway-building that opened 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 that destroyed working-class neighborhoods to make way for downtown business development, scattering the residents to blue-collar suburbs.

America's cities now face a shrinking tax base and a fiscal crisis. In 1960, the per-capita income in cities was 105 per cent of the per-capita income in surrounding suburbs. By 1980, per-capita income in cities had fallen to 89 per cent of the suburban level, and by 1987, to 59 per cent. In Los Angeles, the per-capita income was 67 per cent of the suburban income in 1987.

¶ *Corporate Flight.* The electronics revolution has hastened the development of a global economy led by footloose multinational corporations. Since the early 1970s, high-wage industries have fled from U.S. cities to locations offering more "favorable" business conditions—low wages, weak or nonexistent unions, and lax en-

vironmental laws—in suburbs, rural areas, and Third World countries.

The United States promoted this flight with tax policies that encouraged business to relocate to new sites (rather than modernizing and expanding their plants and equipment in cities) and with foreign policies that propped up Third World governments that suppress dissent. Since 1980, the Fortune 500 industrial companies have dropped 3.9 million employees from their payrolls. South Central Los Angeles and nearby areas lost 70,000 high-paying manufacturing jobs between 1978 and 1982 alone; such firms as General Motors and Bethlehem Steel relocated or closed their plants. The only growth in the Los Angeles manufacturing sector is in the number of textile sweatshops that employ undocumented immigrants at less than minimum wage.

Many American cities still haven't recovered from the loss of blue-collar industry and jobs. Some urban centers sought to revitalize their downtowns with new office buildings, medical and educational complexes, hotels, urban shopping malls, convention centers, and sports complexes. But such efforts—even when successful—have not stemmed the rising tide of poverty only blocks away from the glittering glass and steel. The portion of America's poor living in cities grew from 30 per cent in 1968 to 42 per cent today.

Why? Because the service sector is predominantly a low-wage economy, and most of its jobs offer no career ladder or upward mobility. A recent Census Bureau study found that almost one-fifth of all full-time workers now earn poverty-level wages. As University of Chicago Professor William Julius Wilson points out in *The Truly Disadvantaged*, the urban poor—disproportionately people of color and young people—face a widening gap between their skills and available jobs. Between 1973 and 1989, the annual incomes of low-skilled white men in their twenties fell by 14 per cent; for blacks, 24 per cent. Income for white male high-school dropouts in their twenties fell by 33 per cent; for blacks, 50 per cent.

These disparities widened during the 1980s, while the biggest looters in American history—the junk-bond junkies, the merger maniacs, and the S&L speculators—rode roughshod over the American economy. Greedy corporate CEOs paid themselves giant salaries and bonuses, while laying off workers and busting unions. The Reagan-Bush White House cut taxes for the rich—on the specious theory that the wealthy would invest their money so that the benefits would "trickle down" to the middle class and the poor.

As a result, the richest 1 per cent of the population gobbled up almost two-thirds of the decade's economic growth, while living standards for the majority of American families stagnated.

¶ *Pentagon Drain.* The military budget has played a critical role in the flight of business, jobs, and people from cities. A new study by Employment Research Associates for the Boston Redevelopment Authority found that the Pentagon has sucked tax dollars out of cities. In 1990, for example, taxpayers in nineteen of the twenty-five largest cities sent more money to the military than they took in from military contracts, salaries, and facilities. In Los Angeles, taxpayers sent \$4.74 billion to the Pentagon and received only \$1.47 billion back—a net loss of \$3.27 billion, or \$3,000 per family. That translates into almost 100,000 jobs.

¶ *Redlining.* Both the White House and Congress looked the other way while America's banks redlined cities, denying loans to homebuyers and small-business entrepreneurs, while engaging in an orgy of speculation that resulted in the S&L crisis.

Redlining (by insurance companies as well as banks) leads to a self-fulfilling prophecy of decline. Federal bank regulators have failed to enforce the 1977 anti-redlining law, the Community Reinvestment Act. A report by the Federal Reserve last October found that blacks and Hispanics were rejected for home mortgages more than twice as often as whites with similar incomes. The riot-torn areas of Los Angeles, home to more than 500,000 residents, have only nineteen bank branches. Los Angeles County had 1,068 supermarkets in 1970, but only 694 in 1990; most of the boarded-up markets are in the city's minority areas.

¶ *Federal Cutbacks.* Under Presidents Reagan and Bush, the Federal Government slashed aid to cities. Reagan eliminated revenue sharing, compounding the urban fiscal crisis. In 1980, Federal dollars accounted for 14.3 per cent of city budgets; today, the Federal share is less than 5 per cent. During the 1980s, some state governments filled part of that gap, but now states are cutting local aid to the bone.

Washington also slashed successful urban programs—public works, economic development, job training, health and nutrition, schools, housing, and job training—by more than 70 per cent. During the late 1970s, for example, the Government added more than 300,000 new subsidized housing units a year. Last year, that number dropped below 30,000. These cuts parallel a dramatic rise in homelessness and a deepening housing crisis among poor and working-class Americans.

To avert fiscal collapse, many cities have been closing schools, hospitals, police and fire stations; laying off essential employees; reducing such basic services as maintenance of parks and roads; neglecting housing and health codes, and postponing or canceling capital improvements. As local governments "downsize" their operations, the poor and working-

class residents of America's cities are pitted against each other for these shrinking resources.

**N**o other major industrial nation has allowed its cities to face the fiscal and social troubles confronting America's cities. None permits the level of sheer destitution and decay found in America's cities. We see the consequences every day:

¶ In the homeless shelters and soup kitchens, which—according to annual U.S. Conference of Mayors surveys—have seen a burgeoning demand for their services each year.

¶ In the unemployment lines, which have swelled dramatically. By "official" counts, almost nine million Americans are out of work; in reality, the number is much higher if you include people who are working part-time or who have given up looking for work.

¶ In the faces of thirty-six million Americans living in poverty—including more than one in five children—who have little hope that things will improve.

¶ In the rising rates of infant mortality that have reached Third World levels in many urban neighborhoods.

¶ In the growing number of people for whom the basics of the American Dream—owning a home, getting a college education for the children, having access to decent health care, even holding a steady job—are now increasingly out of reach.

What's the solution?

Such groups as the U.S. Conference of Mayors, the Urban League, and the AFL-CIO have advanced serious programs to revitalize the nation's economy and rebuild the cities. They include closing the investment gap that is at the root of America's economic troubles and competitive decline. This involves three initiatives:

¶ *Infrastructure.* The United States has fallen far behind Japan and Europe in maintaining its infrastructure.

Most economists agree that investing in a jobs-creating program to rebuild the nation's crumbling infrastructure and build a first-class mass-transit system is the most efficient way to jump-start the economy. The U.S. Conference of Mayors recently released a report, *Ready to Go*, identifying more than 7,200 public-works projects that are on hold across the country because cities lack the funds. These projects would create 418,400 jobs this year.

¶ *Work Force.* Some sectors of American business are now joining liberal activists 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 (including Head Start)—to improve the productivity of the work force. They see the social and economic

costs of unemployment, welfare, and an unprepared work force as a drain on America's competitiveness in the world economy.

¶ *Urban Neighborhoods.* Rebuilding cities requires knitting together the fabric of urban neighborhoods.

It means significant Federal aid to encourage small businesses and nonprofit housing construction. It also means putting resources into such community self-help programs as crime watches, neighborhood-organizing projects, and programs of mentoring and counseling to help young people withdraw from drugs and gangs.

**C**an we afford it? Even mainstream experts believe we can cut the military budget in half within five years without hurting "national security." That translates into about \$125 billion a year—enough, according to the Economic Policy Institute, to revitalize the economy and reverse urban decay.

The major problem is that the Bush Administration and many members of Congress, Democrats and Republicans alike, don't view urban residents as an important constituency. Even the "urban-revitalization" package put forward by the Democratic Congressional leadership is a case of what Boston Mayor Ray Flynn, president of the U.S. Conference of Mayors, called "the bland leading the blind."

Political demographics tell the story. This year, for the first time in history, an absolute majority of voters in the Presidential election will be suburbanites. In 1970, 33 per cent of Americans lived in cities, 40 per cent lived in suburbs, and 27 per cent lived in rural areas. By 1990, city dwellers accounted for only 29 per cent of all Americans; suburbanites, 48 per cent, and rural residents, 23 per cent. And city residents—disproportionately poor, young, and minorities—vote at lower rates than their suburban counterparts.

Fewer members of Congress today represent cities. More districts incorporate cities and nearby suburbs, and it's the suburbanites who command their attention. Even those members of Congress from cities today have weaker ties to organized voters: the rise of national political-action committees has shifted their loyalties from urban political machines to national corporate campaign contributors.

The most telling sign of their indifference is the failure in March of the Democratic-controlled Senate and House to break down the budget walls between military and domestic spending. This guarantees that despite the end of the Cold War, there will be no peace dividend to invest in rebuilding our cities.

To turn the political tide toward cities, three things must happen:

*First*, the urban-oriented constituencies—big-city mayors, labor unions, civil-

rights groups, and community organizations—must build political bridges with suburbanites. A *New York Times*/CBS nationwide poll conducted the week after the Los Angeles riots found that 60 per cent of Americans thought the nation was spending "too little" on cities—up from 46 per cent in 1988. But this sentiment is unlikely to prevail unless suburbanites believe that they, too, have a stake in revitalizing our cities, beyond short-term "not insurance."

Cities are the engine of our nation's economy. Two new studies—one by Larry Ledebur of Wayne State University and William Barnes of the National League of Cities, another by Hank Savitch of the University of Louisville—show that declining cities lead to declining suburbs. Many inner-ring blue-collar suburbs share the same social, fiscal, and economic troubles facing the cities. Even bedroom suburbs cannot quarantine themselves from the economic and social problems created by a troubled economy, widening income disparities, and rising poverty. But until this message gains political currency, urban advocates will be fighting an uphill battle.

*Second*, urban residents have to vote or their concerns will be ignored. A major reason for the low rate of urban voting is the nation's complex state-by-state system of voter-registration laws. This obstacle could be partly cured with passage of the National Voter Registration Act—the so-called "motor voter" bill which would require states to allow citizens to register when they obtain their driver's, fishing, or hunting licenses, or let them register by mail, or at such state agencies as welfare and unemployment offices. The bill, sponsored by Senator Wendell Ford, Kentucky Democrat, with the support of many grassroots groups, passed the Senate on May 20, is likely to pass the House, but will probably be vetoed by President Bush.

But with or without this legislation, community groups, unions, churches, and others have to do a better job at mobilizing the poor to vote.

*Third*, America needs a conversion plan to turn the war economy into a peace economy. The recent Congressional failure to tear down the budget walls reflects a major dilemma: Even those lawmakers who favor cutting military spending don't want cuts that will hurt workers, firms, and communities in their home districts.

All people of good will condemn the rioting and looting in the streets of Los Angeles. But we must also condemn the Republican and Democratic policymakers in Washington who have turned their backs on America's cities.

In the aftermath of the Los Angeles riot, Americans must exert pressure on all political candidates to tear down the budget walls, invest in domestic needs, and rebuild the cities. ■