



Background

Executive Summary

No. 1216

September 1, 1998

WHAT TO DO ABOUT THE CITIES

RONALD D. UTT, PH.D.

America's older cities continue to deteriorate. More than three decades of federal programs and hundreds of billions of dollars in federal, state, and local spending have done little to stem the decline that has been under way in most older cities since 1950. Indeed, these programs may have served both to accelerate and to deepen the decline.

Much of the failure of these programs can be attributed to a series of policies that attempted to recreate in these cities the social, technological, and economic relationships that characterized America's urban communities at their peak in the 1920s but that have very little relevance today. In particular, and in an attempt to recapture their commercial dominance, cities have emphasized the interests of business and suburban commuters, and more recently of tourists, and the industries that serve them. In pursuit of this goal, cities have diminished the quality of life for their residents, whose relentless and uninterrupted flight over the past five decades is one of the chief reasons that most older cities have not recovered yet, despite costly efforts to revive them.

A number of historical factors combine to explain the plight of American cities:

- The evolution and character of dominant cities were shaped by the Industrial Revolution and the technology of the time, when transportation costs were high and choices limited.
- Expanding opportunities for manufacturing necessitated the concentration of labor, capital, and related support services in densely populated cities and milltowns so that all participants in the process were within walking distance of one another, of a rail station, or of a port.
- Later, the advent of inexpensive, mass-produced internal combustion engines greatly lowered transportation costs while greatly increasing transportation choices, thereby freeing people and businesses from the dense urban environments that earlier technologies required.
- As people moved, businesses followed their customers; and the suburbs became increasingly self-sufficient in commerce, jobs, culture, and entertainment.

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- The slow decline that began around 1950 accelerated after 1970 in response to the rapid deterioration in the quality of life within most urban environments as crime soared and the quality of education collapsed.

By misreading the problem, governments at all levels implemented policies that thwarted self-renewal and exacerbated the forces that contributed to the deterioration of cities. For the most part, these policies confused effect with cause and, in the process, pursued the impossible at the expense of the improvable. Specifically, these policies:

- Placed excessive emphasis on such costly infrastructure projects as urban renewal programs, highways, public housing, mass transit, and commercial structures that destroyed neighborhoods but provided few benefits to city residents or city businesses.
- Emphasized such costly schemes often while neglecting such basic city services as public safety and quality education that are important to existing and potential residents.
- Implemented costly social welfare schemes to offset declining business activity. These schemes created concentrated pockets of poverty, crime, and social dysfunction that further hastened the demise of cities.

Government programs to remedy urban decay have served largely to foster dependency, to concentrate existing and emerging social problems within the central cities, and to favor businesses and commuters over city residents. As Indianapolis Mayor Stephen Goldsmith notes, "Federal urban policy drives wealth out of our cities. In fact, if we specifically designed a 'suburban policy' to drive investment out of our cities, it would look a lot like our current system."

Some notable successes in recent years, however, demonstrate that dramatic progress can be made if local leaders are committed to a different philosophy. A new breed of mayor has demon-

strated that the simple act of providing such basic city services as functioning schools and safe streets at levels of quality comparable with those in the suburbs are likely to have a powerful payoff by attracting and holding hardworking, taxpaying households, as well as the job-creating businesses to serve them.

Although the responsibility for improvements in schools, law enforcement, and basic public services lies primarily with local officials, and to a lesser extent with state governments, there nevertheless are a number of initiatives that federal policy makers can pursue to help to facilitate urban revitalization. These include:

- Ending the U.S. Department of Transportation's centrally planned, command-and-control transportation policies and give states, cities, and communities more discretion in allocating federal transportation funds.
- Reforming the U.S. Department of Housing and Urban Development's housing assistance and community development programs to end the costly and inefficient project-based housing programs that destabilize inner-city neighborhoods. States and communities should have more say in how federal housing funds are allocated, and they should be permitted to link housing assistance programs more closely with welfare reform initiatives in order to reverse long-term patterns of dependency.
- Further deregulating the federal job training initiatives of the U.S. Department of Labor and the U.S. Department of Education to allow states and cities to devote more resources to imparting basic education skills that most urban public school systems currently provide only inadequately.

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WHAT TO DO ABOUT THE CITIES

RONALD D. UTT, PH.D.

America's older cities are still in trouble. More than three decades of federal programs and hundreds of billions of dollars in spending to stem the decline have had little effect on the pace of deterioration—and may have accelerated it. These cities have been steadily losing jobs, businesses, and residents since 1950, but the decline worsened after 1970. Of the top 20 cities in 1970, the 12 located east of the Mississippi River had lost 3.5 million residents, or 17 percent of their populations, by 1996. Philadelphia, Pennsylvania, and Boston, Massachusetts, are now at their lowest populations since 1900 and St. Louis, Missouri, has not had so few people since 1880 (see Table 1).

Although the reasons for these declines are varied and complex, chief among the things that caused the declines to accelerate beginning in 1970 are a marked deterioration in the quality of urban life and basic city services, measured primarily in terms of crime, schools, and poverty. In 1992, when the nationwide crime rate was at its worst, the 12 major cities that lost population had an average murder rate more than three and a half times higher than the national average and nine times higher than their surrounding suburbs.

Other measures of social dysfunction also are at their extreme in the older, urban environment. In comparison with national averages, the poverty rate is 82 percent worse, the share of female-headed households is 100 percent higher, the

unemployment rate is 35 percent higher, and the infant mortality rate is 68 percent higher than the national average. Student achievement in the urban public schools is well below that in other schools, and more than 40 percent of the pupils who had entered the ninth grade dropped out of high school before graduation (see Table 2).

As many American cities became less attractive places to live, more and more of their residents chose to leave and move to other cities and communities that maintained a higher quality of living. Businesses and jobs quickly followed their customers and workers to the more attractive locales, setting in motion a chain reaction of deterioration that still characterizes many older cities. Those cities that consistently provided, or re-established, high-quality basic public services and a livable environment are the ones that held onto their populations or reversed earlier declines.

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Table 1

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Central City Populations in Thousands, 1890–1996

Cities by 1970 Rank	1890	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	1996	1996 Rank
New York City	2507	3437	4767	5620	6930	7455	7892	7782	7896	7072	7323	7381	1
Chicago	1100	1698	2185	2701	3376	3397	3621	3550	3369	3005	2784	2721	3
Los Angeles	50	102	319	577	1238	1504	1970	2479	2812	2967	3485	3554	2
Philadelphia	1049	1293	1549	1824	1951	1931	2072	2003	1949	1688	1586	1478	5
Detroit	206	286	466	994	1568	1623	1850	1670	1514	1203	1028	1000	10
Houston	26	45	79	138	292	385	596	938	1234	1595	1631	1744	4
Baltimore	434	509	558	733	805	859	950	939	905	787	736	678	15
Dallas	38	43	92	159	260	295	434	679	844	904	1007	1053	9
Washington, D.C.	230	279	331	438	489	663	802	764	757	638	607	543	21
Cleveland	261	382	560	796	900	898	915	876	751	574	506	498	25
Indianapolis	105	169	234	314	364	387	427	491	737	701	731	746	12
Milwaukee	204	285	374	457	578	587	637	741	717	636	628	590	19
San Francisco	299	343	417	507	634	635	775	740	716	679	724	735	13
San Diego	16	18	40	74	147	203	334	573	694	847	1111	1117	6
San Antonio	38	53	97	161	232	253	408	588	654	786	936	1068	8
Boston	448	560	670	748	781	771	801	697	641	563	574	558	20
Memphis	64	103	131	162	253	293	396	498	624	646	618	597	19
St. Louis	452	575	687	773	822	816	857	750	622	453	397	351	47
New Orleans	242	287	330	387	459	495	570	628	593	558	497	477	29
Columbus	88	126	181	237	290	306	376	471	540	565	633	657	16

Note: Cities selected were the top 20 in 1970.

Source: Data for years 1890 through 1920 from *World Almanac*, 1929; for 1930 through 1950 from *Information Please Almanac*, 1960; for 1960 through 1990 from U.S. Bureau of the Census, as presented by the Wendell Cox Consultancy in *Urbanized Areas: Ranked by Central City Population*, available on the Internet at <http://www.publicpurpose.com/dm-uacr.htm>; 1996 from U.S. Bureau of the Census at <http://www.census.gov/population/estimates/metro-city/SC100K96.txt>.

Although the Clinton Administration, as well as many Members of Congress and most mayors, contend that the worst has passed and that the problems of urban areas are on the mend, the facts indicate otherwise for many of America's most troubled cities. Eleven of the 12 Eastern cities that have lost significant shares of their population since 1970, as well as dozens of smaller, older cities, have continued to experience steady declines in residents, jobs, and businesses through the 1990s; and such cities as Baltimore, Maryland, Detroit, Michigan, Philadelphia, and New Orleans, Louisiana, have murder rates that have changed little since the beginning of the decade. Anyone who believes the older cities have bottomed out should visit Camden, New Jersey, Gary, Indiana, or East St. Louis, Illinois, to see just how far down the urban bottom can lie.

After more than 30 years of federal involvement and the expenditure of more than a half a trillion dollars of state and federal urban revitalization money, it is becoming increasingly apparent that this vast array of federal programs not only failed to bring the cities any relief, but may well have

been an important contributing factor in the acceleration of their decline. The reason for this unintended result is that urban planners and policy makers have continued to cling to the now-obsolete notion of cities as workplaces and "spending places," rather than as places to live. As this study will show, technological changes in the early part of this century undermined the cities' historic economic dominance, and efforts to restore such dominance have been of very limited success but often have had a major negative impact on the cities' ability to maintain a livable environment.

Federal, state, and local government programs to remedy urban decay have served largely to foster dependency, to concentrate existing and emerging social problems within the central cities, and to favor business and commuters over residents in most revitalization schemes. As a result of these counterproductive policies, cities became increasingly unattractive places to live, and existing and prospective residents responded accordingly. As Indianapolis Mayor Stephen Goldsmith (R) recently noted,

Table 2

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Measures of Central City Social Stress

	Female Headed Households, 1990	Poverty Rate 1989	Infant Deaths per 1,000 Births, 1988	Unemployment Rate 1997	Murders per 100,000 1996	Rapes per 100,000 1996
New York	18.0%	19.3%	13.2	9.4%	13.3	31.8
Chicago	19.6	21.6	15.2	6.0	28.6	*
Los Angeles	13.6	18.9	10.1	7.8	20.3	41.8
Philadelphia	20.3	20.3	17.5	6.9	27.9	46.1
Detroit	30.3	32.4	21.0	7.9	42.7	110.9
Houston	14.6	20.7	11.3	6.2	14.8	56.5
Baltimore	24.6	21.9	18.0	9.3	45.9	89.5
Dallas	13.6	18.0	9.3	4.9	20.4	69.8
Washington, D.C.	19.5	16.9	23.3	7.9	73.1	47.8
Cleveland	22.7	28.7	17.0	9.2	20.8	*
Indianapolis	13.6	12.5	12.6	3.2	14.7	*
Milwaukee	19.8	22.2	12.1	5.6	20.7	44.8
San Francisco	9.9	12.7	8.4	4.0	11.0	40
San Diego	11.2	13.4	8.1	4.3	6.9	31.5
San Antonio	15.7	22.6	9.5	4.6	11.5	62.3
Boston	16.8	18.7	13.9	4.2	10.7	75.0
Memphis	21.9	23.0	17.6	5.7	25.5	125.0
St. Louis	20.5	24.6	14.6	7.2	44.4	*
New Orleans	24.1	31.0	12.7	6.6	74.5	79.9
Columbus	14.2	17.2	14.2	3.1	13.9	89.2
U.S.	10.8	12.8	9.2	4.9	7.4	36.1

Note: * = Not available.

Source: Columns 1 and 2 from George Hall and Deirdre Gaqui; *1997 County and City Extra: Annual City County Data Book*, Column 3 from U.S. Bureau of the Census at <http://www.census.gov/ftp/pub/statab/ccdb/ccdb309.txt>; Column 4 from Bureau of Labor Statistics, Local Area Unemployment Statistics on <http://www.bls.gov>; Columns 5 and 6 from U.S. Department of Justice, Federal Bureau of Investigation, *Crime in the United States: Uniform Crime Reports, 1996*, Table 6.

Federal urban policy drives wealth out of our cities. In fact, if we specifically designed a “suburban policy” to drive investment out of our cities, it would look a lot like the current system.¹

The problem with many of today’s urban revitalization policies is that they attempt to recreate urban social and economic arrangements unique to the first half of the 20th century, when the available technologies dictated dense urban

environments and a concentration of manufacturing and commerce. Those technological limits have since disappeared, and the compelling necessity of regional economic centers disappeared with it by the middle part of this century. Nonetheless, most government urban policies attempt to revive this obsolete social and economic construct, increasingly through the expenditure of substantial public funds on questionable infrastructure projects.

1. Stephen Goldsmith, *The Twenty-First Century City: Resurrecting Urban America* (Washington, DC: Regnery Publishing, 1997), p. 89.

The distinguished urban scholar Jane Jacobs was one of the first to recognize the potentially harmful nature of such costly government revitalization schemes in an early stage of their development. In response to the emerging conventional wisdom that an increase in government spending would reverse the urban decline then under way in the late 1950s, Jacobs wrote in 1961:

But look what we built with the first several billions: Low income projects that become worse centers of delinquency, vandalism and general social hopelessness than the slums they were supposed to replace.... Cultural centers that are unable to support a good bookstore. Civic centers that are avoided by everyone but bums, who have fewer choices of loitering place than others. Commercial centers that are lackluster imitations of standardized suburban chain-store shopping. Promenades that go from no place to nowhere and have no promenaders. Expressways that eviscerate great cities. This is not the rebuilding of cities. This is the sacking of cities.²

Unfortunately for many of America's cities, this same philosophy of urban development continues today. But the development schemes of the past several decades have confused effect with cause, placing jobs before residents. So instead of focusing on ways to make cities more livable, government policy makers and local boosters have emphasized policies to encourage suburban people to work and spend money in the city and promoted costly infrastructure investments at the expense of such basic public services as law enforcement and quality schools. After five decades and hundreds of billions of dollars in government spending, the cities that followed this path have neither jobs nor residents and have become increasingly dependent on federal and state governments to keep them afloat.

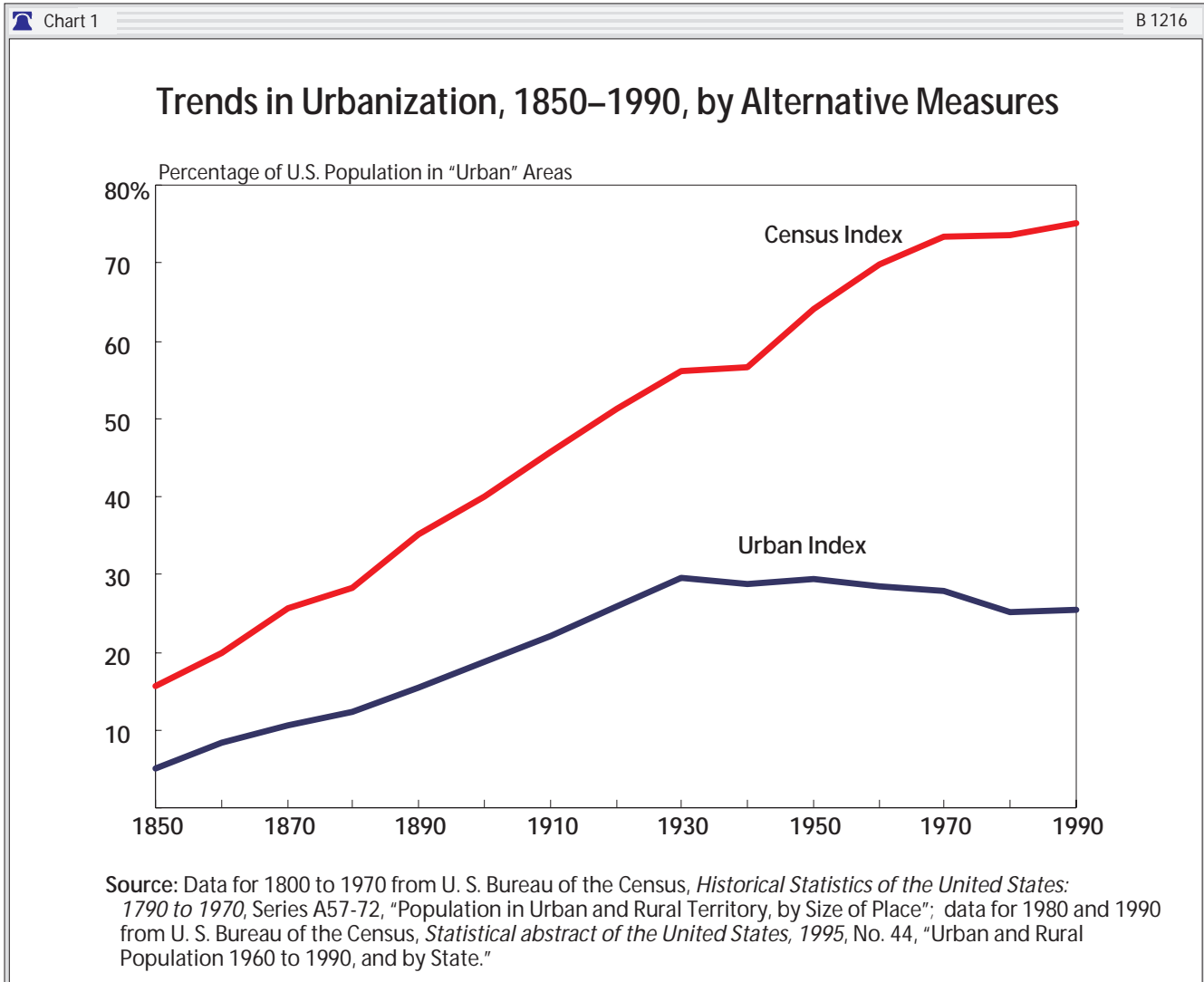
A legacy of such stunning and extraordinary failure should encourage Congress and the President, and mayors and governors, to rethink the nature of government support for the cities and to develop and implement a new agenda that works. The federal experience with urban revitalization is one of sustained and costly failure. But the emergence this decade of a few notable successes in older cities demonstrates that dramatic progress can be made in troubled urban environments if local leadership is committed to a different philosophy: Cities and communities with effective local leadership that provide high-quality public services to residential households will maintain and attract a thriving population. And by attracting families and individuals with nothing more complicated than good schools and safe streets for low taxes, cities and communities also will foster commercial vitality and a booming job market.

HOW AMERICA'S CITIES FELL FROM GRACE

The Modern American City Emerges

The cities as Americans once knew them, and the model that public officials and urban experts want to recreate, reflect social and economic arrangements unique to the technology available when cities became the dominant economic, cultural, and political force of the United States—roughly from the late 19th century to the outbreak of World War II. Since that time, the special (and limiting) circumstances that encouraged the rise of cities have been supplanted by further technological changes that rendered the social and economic structures of the older cities obsolete. Indeed, had it not been for the economic disruption caused by the Great Depression and World War II, which slowed the adoption of modern transportation technologies for more than two decades, American cities would have begun their descent earlier. As Table 1 illustrates, the populations of several major cities grew very slowly or hardly at all between 1930 and 1950, while most cities in the Northeast

2. Jane Jacobs, *The Death and Life of Great American Cities*, The Modern Library Edition (New York, NY: Random House, 1993), p. 6.



and Midwest experienced declining populations beginning in 1950.³

In 1850, only 5 percent of the U.S. population lived in cities with more than 100,000 people,

compared with nearly 30 percent in 1960.⁴ Chart 1 illustrates the historic progress of American urbanization, defined by the share of the U.S. population living in cities with more than 100,000 residents.⁵ This urbanization index nearly

3. The five “sunbelt cities”—San Antonio, Houston, Dallas, Los Angeles, and San Diego—grew in population because they also were able to grow in land area through annexation since 1950. Thus, their postwar population change is not comparable with the older Eastern cities that had maintained their original borders. For example, in terms of square miles, since 1950 San Antonio grew more than fourfold while Houston increased nearly four times its 1950 land area.
4. *Historical Statistics of the United States*, U.S. Bureau of the Census, Washington, DC, 1995, Series A57–72, Population in Urban and Rural Terminology, size of place, 1790 to 1970, p. 11.
5. Chart 1 presents the changes over time in two definitions of “urban,” a concept that is relative rather than absolute and thus dependent on the issue under consideration. The definition used here defines *urban* as places with more than 100,000 people because the focus of the analysis is on the problems generally associated with the large, older urban areas. In contrast, the U.S. Bureau of the Census considers any incorporated jurisdiction with more than 2,500 to be urban, thereby lumping Purcellville, Virginia, with Philadelphia, Pennsylvania.

quadrupled from 1850 to 1900 as the industrial revolution went into full swing and peaked in 1930 when almost 30 percent of the population lived in large urban areas. This urban share held steady until 1950 but then began to decline gradually. By 1990, communities with more than 100,000 people accounted for one-quarter of the population, about the same degree of urbanization as 1920 by this measure.

Prior to the emergence of the industrial revolution, technology had advanced only slowly, and much of the world's economic activity was little changed from the technologies in use over the preceding millennium. Low worker productivity in agriculture and manufacturing required that substantial portions of the workforce be devoted to farming. In 1860, five out of ten American workers were employed in agriculture, compared with less than 2 percent today.

The advent of the industrial revolution, the invention of the steam engine, and the development of the techniques of mass production dramatically altered economic relationships, and in the process, encouraged the concentration of a large workforce within densely populated urban areas. With transportation options limited to water, rail, drayage, and walking, it was essential that factories be located near both water and rail, and that workers live within walking distance of the plant or their place of employment or of a rail line that served them. The concentration of manufacturing within the newly expanding urban areas, in turn, encouraged the development and concentration of other businesses to serve both manufacturers and their employees within convenient access of one another.

Near the turn of the century, the development of electricity and natural gas delivery systems further enhanced the economic advantage of urban areas because the then high distribution/transportation costs of gas and electricity limited the availability of these new sources of energy to densely populated areas, further encouraging businesses and households to remain or locate there. As late as 1930, fewer than 5 percent of the farms in America had electricity. The availability of

inexpensive telephone services, also largely confined to urban areas, further enhanced the comparative advantage of the cities and encouraged their rapid growth between 1890 and 1930, as the population trends in Table 1 and Chart 1 show.

The Cities Peak

The comparative advantage of the cities began to diminish, however, first when the concentration of workers within factories and neighborhoods allowed for their easy organization into labor unions, which, in turn, contributed to an increase in wages and production costs compared with less-urbanized parts of the country. The concentration of economic activity within narrow geographic boundaries also increased the cost of land and other services in comparison with other regions. With cost pressures mounting in urban areas, society had an incentive to adopt quickly any technological change that allowed businesses and consumers some relief from rising prices. Such relief came when technological change in transportation caught up with the rapid changes that had been occurring in manufacturing, energy, and telecommunications.

Second, the change that revolutionized transportation and undermined the newly pre-eminent role of the cities was the development of a reliable, mass-produced internal combustion engine that reduced transportation costs while greatly expanding transportation choices. Quickly adapted to all transportation uses, inexpensive vehicles powered by the internal combustion engine freed individuals and businesses from the limited locational choices forced on them by the technologies available at the onset of the Industrial Revolution.

With economic forces no longer favoring, or requiring, dense living and working arrangements, individuals and businesses acquired greater freedom to choose where to live and work. For many, the preferred choice more closely conformed to that which characterized living and work arrangements prior to the Industrial Revolution. Free again to exercise their preference for privacy, greenery, and open spaces, individuals moved to the suburbs by the tens of thousands.

What some saw as a transitory flight from fleeting urban problems was, in fact, something more fundamental, far-reaching, and irreversible. Initially manifesting itself as simply a change in residence, with the cities' continuing to maintain their pre-eminent position in commerce, employment, entertainment, and culture, this simple change in the places where people preferred to live set in motion forces that soon would undermine the cities' inherited advantages. Retail establishments were the first to adjust to the change by following their customers to the suburbs. And while established businesses created suburban satellites, newly created retail and service establishments increasingly chose to begin life in the suburbs rather than in the central cities, thereby undermining the cities' heretofore dominant role as the incubator of commercial creativity and innovation.

Other businesses, along with the jobs they provided, soon followed to be closer to their workers and to operate in a less-congested, less-costly setting, and employment-creating new businesses increasingly got their start in the suburbs—not the city. In a process described by Joel Garreau in his provocative book, *Edge City: Life on the New Frontier*, suburbs increasingly became self-sufficient in jobs, commerce, culture, and entertainment, supplanting cities throughout the United States as centers of wealth creation, jobs, commerce, and popular culture. As Randal O'Toole noted in a recent analysis of federal urban transportation programs,

For many city officials, the most upsetting thing about the suburbs is not that they seem to be parasites on the cities but that the suburbs do not even need the cities. With jobs, shopping areas and various cultural facilities moving to the suburbs, central city downtowns have declined in importance. In fact, as Frank Lloyd Wright realized as early as 1922, the invention of the telephone, automobile

and electric lighting made downtowns obsolete.⁶

By becoming good places to live, suburbs also became good places to do business as entrepreneurs and commercial establishments responded positively to the availability of high-quality public services in exchange for low taxes. As this paper demonstrates later, cities that have avoided or reversed a decline in population have done so by focusing on the provision of quality services that are of primary benefit to residents.

Rapid Urban Decline

At the same time that technological change began to undermine the cities' dominant position in the economy, similar technological changes occurring elsewhere in the United States unleashed other demographic forces that added to the cities' problems and hastened their decline. The internal combustion engine that allowed for the greater dispersal of living and working relationships also allowed for the inexpensive mechanization of agriculture, thereby diminishing the need for, and depressing the wages of, unskilled field labor, particularly in the South. At the same time, the federally subsidized electrification of rural communities encouraged the introduction of other, labor-saving technologies into the farm economy, further diminishing the need for unskilled labor.

Confronted with unemployment and/or falling wages in the agriculture sector because of Depression-induced price deflation, tens of thousands of unskilled farm hands, many of whom were African-American, left the South to take better-paying jobs in Northern, urban communities. Between 1930 and 1959, the number of African-American and white sharecroppers dropped from 776,000 to 122,000.⁷ The migration of unskilled African-Americans to the urban areas exacerbated existing racial animosities and accelerated the flight to the suburbs that already

6. Randal O'Toole, "ISTEA: A Poisonous Brew for American Cities," Cato Institute *Policy Analysis* No. 287, November 5, 1997, p. 5.

7. Fred Siegel, *The Future Once Happened Here* (New York, NY: Free Press, 1997), p. 47.

had been under way in most older cities. By the early 1960s, these racial animosities and the related discriminatory conditions in which many minorities lived had contributed to a series of destructive and violent urban riots that further accelerated the exodus of middle-class residents and businesses from older urban cities.

In the process, the older cities became one more major American institution profoundly affected by the occasional demographic shifts that have characterized the American experience. But unlike earlier demographic changes that altered the national landscape, the slow demise of the older cities became an object of national political concern and the subject of numerous national policy initiatives designed either to mitigate the loss or to restore to the cities the prominence they once had by attempting to reverse the demographic trends that were emptying them of jobs, businesses, and middle-class residents.

One reason for the national focus on urban issues was that the demise of the older cities coincided with the rise of the civil rights movement, and issues of urban revitalization became linked inextricably with the well-being of the minority households now concentrated in older urban areas. The urban riots of the early 1960s added a sense of urgency to this issue and led to the creation and implementation of a growing number of costly federal initiatives designed to aid the cities, including the creation of the Department of Housing and Urban Development (HUD) as part of the Great Society initiative announced by President Lyndon B. Johnson in his 1965 State of the Union Address. Unfortunately for the cities, the Great Society initiatives, and the others that followed, hastened their demise by undermining their historic role of fostering the upward mobility of newly arrived residents—thereby exacerbating many of the emerging urban problems.

As businesses and employed residents of all classes moved to other locales, the cities began to deteriorate, and today harbor dangerous concentrations of every social ill that can afflict a society. Whether crime, educational decline, welfare dependency, illegitimacy, drug addiction, infant

mortality, or family dissolution, measures of societal dysfunction reach their extreme within the cities, worsened over the past several decades, and continue to exist at destructively high levels. Table 2 presents several summary measures of urban social dysfunction for the 20 major cities and compares them with national averages.

This brief overview of the major social and economic trends that have shaped American cities over the past century and a half provides the framework for the evaluation of the various policies that could be implemented to improve cities' ability to reverse the economic and social deterioration of the past several decades. Such a review is important because the underlying objective of much of the postwar era's urban revitalization schemes is the recreation of the urban environment of the 1930s, when cities were at or near their peak. But the technological and economic forces that contributed to the creation of those cities disappeared long ago. Attempts to reverse this trend and/or recreate the past have led city leaders and federal policy makers to focus attention and resources on the incurable at the expense of the improvable.

THE HIGH COST OF FLAWED POLICIES

Although America's older cities began their entry into a period of declining population and business concentration in 1950, this process was not necessarily a negative trend that would undermine the well-being of cities. Instead, the decline in both the number of manufacturers and residents could be seen as a "market-induced" convergence toward competitive social parity with the suburbs. To the extent that severe congestion, high densities, and proximity to noisy and dirty manufacturing plants diminished the quality of urban life and induced residents to leave, the process of depopulation would reduce each of these liabilities to less-bothersome levels, thereby improving the quality of urban life and encouraging residents to remain. In effect and in general, the cities were in the process of taking on some suburban characteristics by achieving a more residential character.

Unfortunately for cities, this naturally occurring equilibrating process was misread or misunderstood, and civic leaders and elected officials, supported by federal policies and federal dollars, effectively ended the process of natural renewal through a series of costly and often counter-productive initiatives that began in the 1950s and have continued through the present. Failing to appreciate that cities are living, organic communities in which people make their homes and shape their lives through thousands upon thousands of independent acts and decisions that give character and life to a community, government, figuratively and literally, bulldozed through this process in a misguided effort to recreate the economic powerhouses cities once had been.

Although the second half of this paper addresses these failed policies in greater detail, it is worth pausing briefly here to consider the folly of these hugely costly infrastructure projects because they continue to be seen by both local politicians and many national leaders as the salvation of the cities at a time in which most other glaring deficiencies in past government urban policy are in the process of correction, however slowly.

Edifice Wrecks

Urban policies adopted in the 1950s and continuing through the present have encouraged older cities to focus on costly, infrastructure-intensive redevelopment schemes designed to bring more visitors and employees into the city and maintain the importance of the cities as cultural and business centers, often at the expense of their residents, whose quality of life frequently is diminished by these redevelopment schemes. The urban renewal programs of the late 1950s and early 1960s, operated by the U. S. Urban Renewal Administration (incorporated into the newly created Department of HUD in 1967), encouraged and financed the clearing of vast tracts of privately owned, low- to moderate-income housing and related commercial areas to make room for highways, new office buildings, hotels, and multi-unit public housing projects. In the process of clearing and rebuilding, cities lost viable neighborhoods filled with permanent workers and consumers to

office complexes occupied by transitory suburban commuters.

In a futile attempt to attract and maintain jobs in central cities, the urban renewal programs also cleared neighborhoods to make way for highways to facilitate access by suburban commuters. By aiding inner-city entry and exit, such highways further undermined the cities by making it more convenient for suburban commuters while diminishing the quality of urban life and disrupting transportation patterns within the city.

Although these programs of intentional neighborhood destruction have been abandoned by and large, their replacements have continued the pattern of favoring visitors over residents, and most current federal urban initiatives maintain this imbalance. President Bill Clinton's 1997 revitalization proposal for the District of Columbia was laden with pork-barrel spending projects and tax subsidies for business, but was silent on law enforcement and education. Although Congress then rejected the worst elements of this package, the President re-proposed them in 1998 with a \$150 million initiative, five-sixths of which were tax subsidies for businesses and pork-barrel projects, including money toward a new \$800 million convention center.

The urge to build highways through cities has diminished, too, but federal policy makers have shifted their emphasis to such capital-intensive urban transit systems as light rail systems and subways, whose construction disrupts urban environments for extended periods of time in order to provide convenient, subsidized transit to suburban commuters while often diminishing the transit options for urban residents. And even though some urban residents benefit from the proximity to the new system, many more suffer because its high cost necessitates cutbacks in such other urban transportation services as road repair and comprehensive bus service.

Although light rail systems increasingly substitute for the urban highways of the past, publicly funded convention centers and stadiums, subsidized hotels, reconstructed public housing projects, and financial incentives to large

employers to remain or relocate are the modern versions of the 1950s urban renewal strategies. Although different in intent, they are comparable in effect, providing most of the benefits to visitors and commuters while residents incur the costs of higher taxes, misallocated public funds, increased congestion, and a diminished quality of life.

Despite four decades of federal and local efforts to revitalize urban economies through such costly infrastructure projects and increased social service spending, the objects of all of this attention and munificence, the older cities, are worse off than ever; and the real casualties of this failure are not just the taxpayers whose money has been squandered but the most vulnerable of the hapless urban residents whose hopes and dreams have been dashed and whose lives have been diminished, prematurely ended, or relegated to permanent subsistence and dependency.

A recent report by the Control Board of Washington, D.C., nicely captures the essence of the irreparable damage done to innocent victims when it notes that the longer a student remains within the District's school system, the further he falls behind in educational achievement. And this has occurred in a city that has been the beneficiary of substantial ongoing federal financial support, and that spends more on each of its citizens than any other city in the United States.⁸

HOW TO REVIVE AMERICA'S CITIES

Understanding the New Role of Cities

Developing a successful approach to urban revitalization must begin with the recognition that the cities' now-diminished role as regional commercial centers is permanent and the result of technological forces that will continue to evolve in ways that will diminish further the need for the concentration of businesses in densely populated

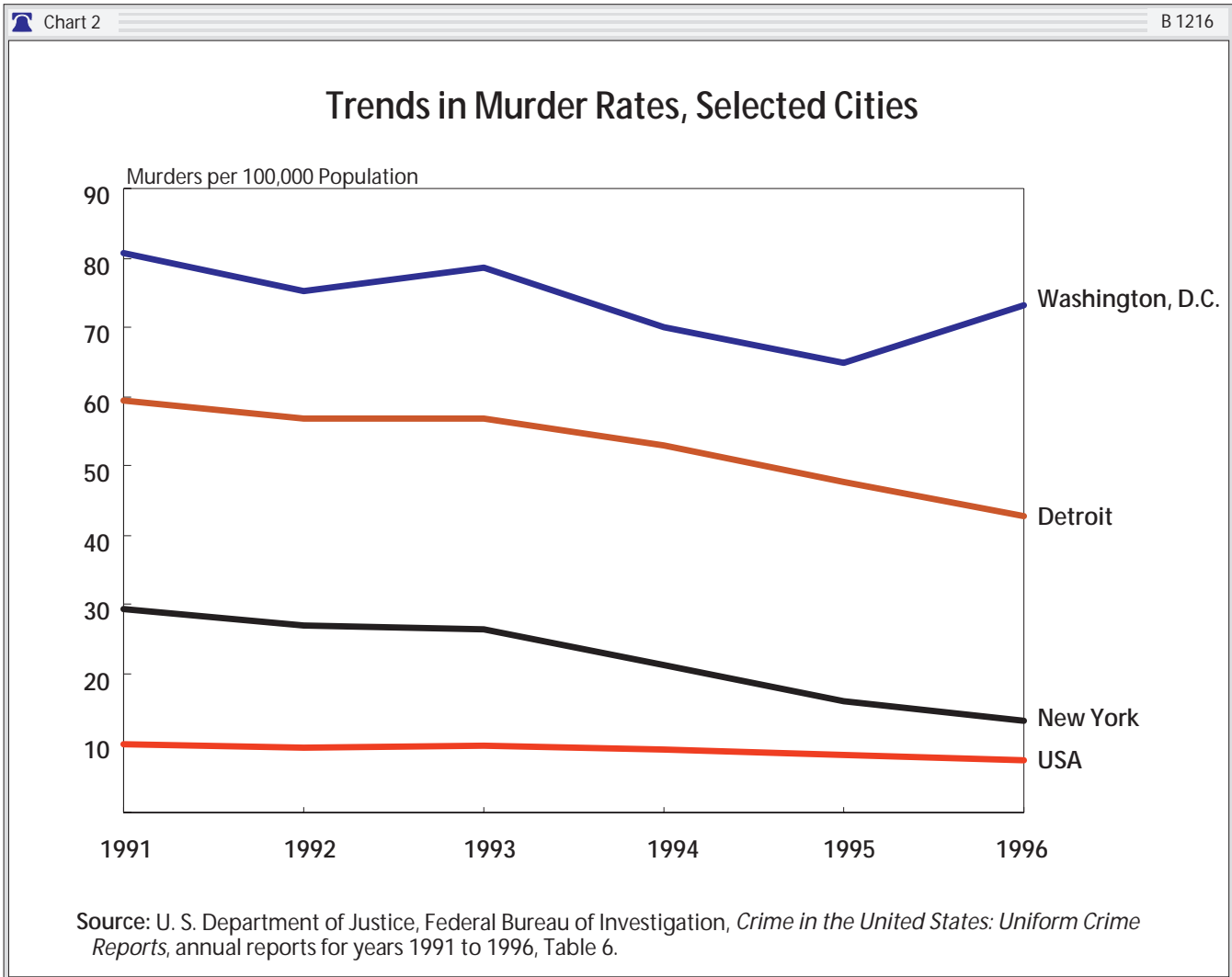
urban centers. Instead, cities must follow the development strategy that worked so well for the now-thriving suburbs by placing primary emphasis on becoming an attractive place to live. Although officials at all levels of government, and urban experts of all stripes, pay lip service to the goal of enhanced livability, in actual practice it is a low priority, or a priority in conflict with (and thus subordinate to), the more traditional urban business-development schemes, as President Clinton's two recent proposals to revitalize the District of Columbia illustrate. This must change, and the steps that cities can take to effectuate the change are straightforward, inexpensive, and of proven success in those few cities that have implemented them.

Even though city living is not everyone's preference, there are enough households that do value the special benefits of an urban environment such that measurable improvements in the quality of city life would begin to stem, and then to reverse, the exodus as more urban households chose to remain and others relocated to take advantage of proximity to work, cultural activities, entertainment, and other distinctly urban attributes.

One city that has achieved a substantial reversal of fortune by effectively combining the inherent advantages of an urban center with significant improvements in basic public services is New York City under Mayor Rudolph Giuliani (R). Since taking office in 1994, Mayor Giuliani has made dramatic progress against all types of crime, reducing the murder rate to its lowest level since 1967. He is also about to embark on further improvements of the city's already successful welfare reform program, and recently even threatened the inevitability of school vouchers unless public school performance improves.⁹ By confronting and resolving problems that contribute to a city's diminished quality of life, New York is one of only three of the larger cities east of the Mississippi to

8. U.S. General Accounting Office, *District of Columbia: Revenues Compared with Those of Selected Cities*, GAO/GGD-97-135R, June 26, 1997, p. 4.

9. Rachel L. Swarns, "Giuliani Picks Wisconsin's Daring Welfare Chief to Run City's System," *The New York Times*, January 8, 1998, p. A25; David Seifman and Susan Rubinowitz, "Vouchers Loom If Schools Fail: Rudy," *The New York Post*, January 22, 1998, p. 19.



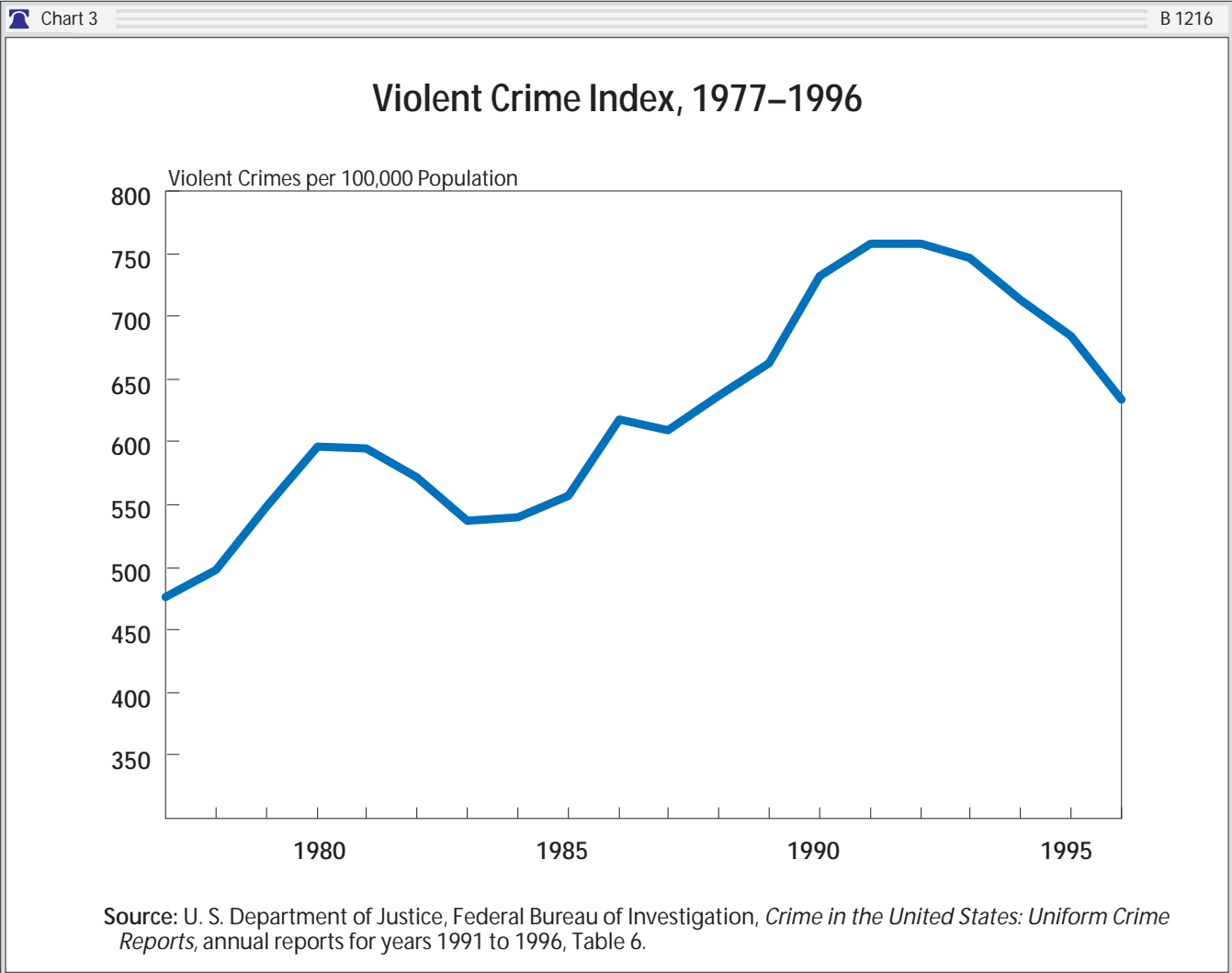
experience an increase in population since 1990 (see Table 1).

Chart 2 shows New York City's crime rate against those of several other older cities as well as the national average. Although New York City is moving in the right direction, severe problems remain, crime and poverty still are high compared with the competing suburbs, and the troubled school system, with its 40-percent dropout rate, has yet to be reformed. But notwithstanding these remaining problems, New York City's recent success against crime and the subsequent population gains demonstrate the tangible benefits that follow from tangible improvements.

Indianapolis, Indiana, another older city east of the Mississippi to gain residents this decade, has

benefited, too, from an outstanding local leadership that has made tough decisions to shake up the status quo and make innovative changes in the city's management of basic public services. As a result of these changes, and a history of good government over the past few decades, crime and murder rates in Indianapolis are well below the big-city average, its unemployment rate is the lowest of all the big cities and well below the national average, and its poverty rate is just below the national average—making it the only Eastern or Midwestern city to achieve this distinction.

The importance of these two examples is that they demonstrate that the pervasive problems that bedevil many older cities are amenable to swift and effective remedies, and that these remedies rely almost exclusively on local leadership and



improved management and very little on the availability of additional financial resources. Indianapolis, for example, successfully operates with revenues of just \$4,086 per resident, compared with \$7,673 for the improving New York City and \$8,286 for deeply troubled Washington, D.C.¹⁰

Cities Must Save Themselves

By placing the primary focus on making cities an attractive place to live, cities begin the process of establishing themselves as attractive places to do business by following a script successfully used by suburbs over the past several decades to attract

residents and businesses from the central cities. Cities that have held their populations or reversed the outflow are those that emphasized improvements in the quality of life, a goal most readily achieved by reducing crime, improving education, and adopting work-oriented welfare reform programs.

Although each of these public policy areas receives some federal financial support and involvement, under current law the cities have an enormous amount of discretion in how they perform these services. The record demonstrates that meaningful improvements in these services will be

10. U.S. General Accounting Office, *District of Columbia: Revenues Compared with Those of Selected Cities*, p. 4. See also Stephen Moore and Dean Stansel, "The Myth of America's Underfunded Cities," *Cato Institute Policy Analysis* No. 188, February 22, 1993.

rewarded by more positive demographic trends. Other important, but strictly local, policies that deter depopulation include tax reduction, regulatory reform, and other administrative initiatives to accommodate and encourage substantially more residential real estate development and renovation. The next section discusses each of these initiatives in more detail.

But the Federal Government Can Help

Policy areas of importance to cities' well-being, but that are outside the direct influence of cities' political leadership are the federal urban programs operated by the Department of Housing and Urban Development, the Federal Transit Administration within the Department of Transportation, and, to a lesser extent, the "jobs" programs of the Departments of Labor and of Education. As will be discussed, some of these costly programs have diminished the quality of life in cities substantially, thereby exacerbating the adverse population trends effecting cities for much of the past several decades, while other federal urban programs merely have squandered valuable resources that otherwise might have played a useful revitalization role if they had been deployed more thoughtfully.

WHAT A CITY CAN DO TO REVIVE ITS NEIGHBORHOODS

Making the Cities Safer

As Chart 3 and Table 3 demonstrate, America in general—and America's older cities in particular—has been subject to high and rising crime rates for more than four decades. This sustained escalation in violence seemed to defy every effort to stop it. This inexorable rise in violent crime led many people to view serious urban crime as a natural and inevitable side-effect of modern society, and this fatalistic approach to the problem, in turn, took the pressure off public officials to do anything about it because most people came to believe that nothing could be done. But for those city residents who did care about crime, a move to the safer suburbs provided a swift, certain, and inexpensive solution.

Efforts to seek safer neighborhoods probably contributed to a very significant portion of the urban depopulation trends of the past several decades. Although virtually all older cities have crime rates higher than the national average, the severity of the urban crime problem is even more extreme when the comparisons are limited to the cities versus their suburbs. Table 3 provides such comparisons for the 20 cities under review in this paper. In 1992, for example, when the crime rate in the United States was near its peak, one's chance of being murdered in any one of the 12 top cities that had lost population since 1970 was nine times that of their suburbs, while in the 8 cities whose populations had *increased* over the period, the murder rate was nearly five times greater than that in their suburbs.

Using the same numbers but tracking population changes just since 1990, eight of the cities that have continued to lose residents through the 1990s also experienced a worsening of their murder rate relative to that of their suburbs; that is, the suburbs' safety advantage improved faster than it did in the cities. In contrast, the eight cities that have gained population since 1990 improved their safety relative to that of the suburbs since the peak crime year, 1992. Only one city, San Francisco, California, gained population while experiencing a worsening of its relative murder rate; but San Francisco's historically low murder rate may have offset the influence of the relative differences. Three cities had to be excluded from the analysis because of incomplete data for 1996.

A recent consultant's report on the District of Columbia quantifies the impact of crime on the depopulation of the city. According to a report on the study:

Crime appears to play a key role in taxpayers' decision to flee.... After analyzing changes in rates for major crimes according to postal zip codes, and matching the data against the number of taxpayers who left those zip codes, the report concluded that incidents of rape are most closely linked with people's decision to move out. Overall, an increase in one crime per zip

		1991	1992	1993	1994	1995	1996
New York	City	29.3	27	26.4	21.3	16.1	13.4
	Suburb	3.9	4.2	4.3	3.0	3.4	3.7
Chicago	City	32.9	33.1	30.3	33.1	30	28.6
	Suburb	3.1	3.4	*	*	*	*
Los Angeles	City	28.9	30.3	30.5	23.8	24.5	20.3
	Suburb	15.1	14.8	15.4	14.6	14.5	11.9
Philadelphia	City	27.6	26.4	28.1	25.9	*	27.1
	Suburb	3.6	3.6	4.6	3.8	*	2.7
Detroit	City	59.4	57	56.8	52.9	47.6	42.7
	Suburb	3.8	3.6	3.2	3.8	2.7	2.3
Houston	City	36.4	27.4	25.9	21.3	18.2	14.7
	Suburb	9.6	8.1	6.7	6.7	6.5	5.5
Baltimore	City	40.6	44.3	48.1	43.4	45.6	45.8
	Suburb	3.3	4.3	4.1	3.3	3.8	3.7
Dallas	City	48.6	37	30.4	27.7	26.5	20.4
	Suburb	6.7	5.1	5	4.5	3.5	3.7
Washington, D.C.	City	80.6	75.2	78.5	70	64.9	73.1
	Suburb	7	6.3	6.3	6.1	6.1	5.6
Cleveland	City	34.3	30.6	33.1	26.1	26	20.8
	Suburb	2.8	2.7	*	*	*	*
Indianapolis	City	19.4	17.8	*	*	*	14.7
	Suburb	3.5	3.5	*	*	*	3.8
Milwaukee	City	25.6	22.7	25.2	22.1	22.2	20.7
	Suburb	1.5	1.6	1.1	1	0.8	0.9
San Francisco	City	12.8	15.6	17.5	12.3	13.4	11
	Suburb	6.2	7.2	4.1	3.2	4.6	1.5
San Diego	City	12.7	14.7	11.5	9.7	7.9	6.9
	Suburb	6.9	7.8	7.6	6.2	7.2	5.7
San Antonio	City	21.7	23.4	22.3	19.4	14.2	11.5
	Suburb	8	7.9	9.7	7.4	3.7	4.8
Boston	City	19.7	12.7	17.7	15.3	17.4	10.7
	Suburb	1.7	2.3	1.7	1.7	1.3	1.3
Memphis	City	28	27.3	32	25.3	29	25.5
	Suburb	6.1	8.2	7.4	8.3	7.3	7.1
St. Louis	City	65	57.3	68.9	63.6	55	44.4
	Suburb	7.1	7.7	*	*	*	*
New Orleans	City	68.9	55.2	80.2	85.9	74.5	71.9
	Suburb	12.5	10.2	10.4	9.6	7.6	7.8
Columbus	City	17.6	21.6	16.2	15.4	12.1	13.9
	Suburb	2.3	1.5	1.6	1.7	2	2
United States		9.8	9.3	9.5	9	8.2	7.4

Note: * = Not available.

Source: Table 6 of annual editions from 1991 to 1996 of U.S. Department of Justice, Federal Bureau of Investigation *Crime in the United States, Uniform Crime Reports for the United States*. City murder rates are calculated as the ratio of central city murders to city population. Suburban rates are calculated as the ratio of the number of murders in the metropolitan statistical area less the number of murders in the central city to the population of the metropolitan statistical area less the population of the central city. This definition of "suburbs" will sometimes include highly urbanized, high crime areas in the calculations, such as East St. Louis as a suburb of St. Louis, and Chester and Camden as Philadelphia suburbs.

code over the period of 1989–95 is associated with 5.3 taxpayers no longer [living] in the District.¹¹

One additional rape per zip code is associated with the loss of 461 residents moving out of that zip code.¹² Studies of crime in other cities find a similar pattern of depopulation in response to above-average crime rates.¹³

Like so many other wrongheaded nostrums that public officials have concocted to improve cities, the old wisdom argued for more money to hire more police; indeed, this notion was the central premise of President Clinton's 1994 crime bill.¹⁴ As Heritage Foundation scholars have pointed out, the popular assumption that more cops mean less crime is not supported by the scientific evidence or by the many empirical investigations that find no statistically significant relationship between the number of police and the prevalence of crime. The District of Columbia, with one of the worst crime rates in the United States (73 murders per 100,000, compared with New York City's 13.3 and the national average of 7.4 in 1996),¹⁵ also has a large number of police relative to most other cities. The District of Columbia has a larger number of sworn police officers per capita (7.18 per 1,000 population) than Detroit (5.18), Chicago, Illinois (5.00), New York City (4.23), Baltimore (4.20), Philadelphia (4.06), and Los Angeles, California (2.66).¹⁶

America's fatalistic approach to urban crime came to an abrupt end, however, in 1994 when New York City's newly elected mayor, Rudolph

Giuliani, made rapid and substantial crime reduction a high priority of his administration and appointed William Bratton police commissioner. Bratton changed the approach of the New York Police Department to crime from one that basically was reactive (responding to 911 calls, for example) to a proactive policy emphasizing problem-solving and crime prevention, and adopting a community policing strategy that emphasized partnership with the community.

Bratton's approach also required a concentration of police resources on "hot spots," or neighborhoods and addresses that account for a disproportionate share of the community's crime, and on otherwise minor crimes that have an important bearing on the quality of life in a community. This latter emphasis meant that no crime was too small or trivial to escape police attention, and such quality-of-life concerns became priorities for the newly energized police force. Expert witnesses at a recent congressional hearing on urban crime explained the practice in the following way:

New York City consummated a marriage of old-fashioned police work and modern social science. The social science component was the 1980s work of James Q. Wilson, then at Harvard University, and Professor George Kelling of Northeastern University. Wilson and Kelling developed the theory that there is a direct relationship between crime and disorder, popularly known as the "broken window" syndrome. If a broken window is not fixed, more windows will be broken. The

11. D'Vera Cohn, "D.C. Revenue Survives Loss of Residents," *The Washington Post*, January 12, 1998, p. A10.

12. Robert Strauss, "The District of Columbia's Individual Income Tax: Structure, Characteristics, and Policy Alternatives," A Research Report to the D.C. Tax Revision Commission, January 6, 1998, pp. 31–32.

13. *Ibid.*, p. 30.

14. See Stephen Glass, "The Hollow Crime Bill: An Anatomy of a Policy Fraud," *The New Republic*, November 17, 1997. (This article is not included among the author's articles that have been identified as completely or partially fabricated. See "The Editors: To Our Readers," *The New Republic*, June 1, 1998, p. 8).

15. *Crime in the United States, 1996*, Uniform Crime Reports, United States Department of Justice, Federal Bureau of Investigation, September 28, 1997, p. 13 and Table 6, pp. 84–110.

16. Robert E. Moffit, "Rethinking the Role of the Police," Testimony before the Senate Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, April, 30, 1997, p. 10.

broken window, like the price of a share on the stock market, is an unmistakable signal to the criminal population. The incidents of disorder, including public drunkenness, public urination, graffiti, vandalism, prostitution, and even the physical deterioration of a neighborhood, send a powerful message to the criminal population. That message: The people in the neighborhood really don't care about the neighborhood, and therefore they are not likely to call the police. Disorder leads to fear, and fear leads to urban decay.¹⁷

At the same time and in addition to his innovative crime fighting strategies, the new commissioner tightened up the police department's management and held police captains accountable for success in their precincts—or the lack thereof.¹⁸ Once the broad principles were established, key decisions on crime fighting were devolved down to the precinct commander, who determined the ways in which to allocate resources and became responsible for reducing crime in his precinct. These new standards of personal responsibility were a major change from the past, and not all of the commanders were comfortable with them. As a result, about half were replaced within the first two years of the program, leaving New York City with a new law enforcement management team fully committed to preventing crime.

Another component of Bratton's strategy emphasized establishing procedures for selecting better-quality police officers and providing them with more appropriate training.

Crime rates quickly fell during Giuliani's

	Murders 1996	Murders 1997	Change
New York City	983	770	-21.7%
Chicago	789	757	-4.0
Los Angeles	709	574	-19.0
Philadelphia	420	410	-2.4
Detroit	428	469	9.6
Houston	261	254	-2.7
Baltimore	330	312	-5.5
Dallas	217	209	-3.7
Washington, D.C.	397	300	-24.4
Cleveland	103	77	-25.2
Indianapolis	*	*	*
Milwaukee	130	122	-6.1
San Francisco	82	59	-28.0
San Diego	79	67	-15.2
San Antonio	117	95	-18.8
Boston	59	43	-27.1
Memphis	155	138	-11.0
St. Louis	166	153	-7.8
New Orleans	351	267	-23.9
Columbus	89	84	-5.6

Note: * = Not available
Source: U.S. Department of Justice, *Uniform Crime Reports: 1997 Preliminary Annual Release*, Federal Bureau of Investigation, Table 1, May 17, 1998.

administration, and have continued to fall to levels once thought impossible. In 1997, based upon preliminary calculations, New York City experienced 767 homicides, compared with 2,262 in 1992—thereby registering the lowest number of murders since 1967.¹⁹ As a result of this success, cities and communities throughout the country are restructuring their police forces to implement the “New York” strategy, and several already are achieving positive results, as Chart 3, Table 3, and Table 4 illustrate.

17. *Ibid.*, p. 12.

18. See William J. Bratton, “Cutting Crime and Restoring Order: What America Can Learn From New York's Finest,” in Edwin Meese III and Robert E. Moffit, eds., *Making America Safer: What Citizens and Their State and Local Officials Can Do to Combat Crime* (Washington, DC: The Heritage Foundation, 1997).

19. Roberto Suro, “Drop in Murder Rate Accelerates in Cities,” *The Washington Post*, December 31, 1997, p. A1.

Although the crime rate has begun to fall nationally and in several older cities, it remains too high; for most cities, it remains well above the levels that triggered the exodus of residents in the 1970s. As the various studies and relationships reveal, cities must reduce their crime rates to levels approaching that of their suburbs if they are to be competitive in offering an attractive community to working families.

Is this an impossible goal? Not really. New York City's 1997 preliminary murder rate amounted to an estimated 10.4 murders per 100,000 population, compared with 29.3 per 100,000 in 1991. New York City's murder rate is now near the national average, and less than four times its projected suburban rate, compared with an eight-fold difference in 1991. New York City achieved even greater success in reducing forcible rapes, which, at 31.8 per 100,000, is better than any other major American city and is below the national average of 36.1 per 100,000. This is an impressive performance, and helps to explain why New York City is experiencing an increase in its population while every other older Eastern city suffers continued declines.

According to preliminary 1998 data, New York City's crime rate has continued to fall. Through the first half of the year, the number of murders fell by 23 percent. At a press conference announcing the results, New York City's current police commissioner, Howard Safir, said the murder rate has dropped so significantly that Bellevue and Columbia-Presbyterian Hospitals are trying to find new ways to train their trauma surgeons.²⁰

As a result of New York City's success, many cities and suburbs have implemented law enforcement reforms based on the New York model. Indeed, in early 1998, Philadelphia went so far as to replace the chief of its troubled police

department with one of former New York Police Commissioner Bratton's deputies, John F. Timoney. As Table 3 shows, Philadelphia's murder rate hardly has changed this decade; and the 2.4-percent decline in the number of murders committed in 1997 is mediocre compared with the progress made in other major cities, and in the United States as a whole.

Table 4 presents preliminary estimates by the Federal Bureau of Investigation (FBI) for the number of murders in major American cities for 1996 and 1997. Although all but 2 of the top 20 cities showed a decline—in fact, some experienced significant declines in excess of 20 percent—on average the decrease in crime in the cities conformed to nationwide trends. Between 1996 and 1997 the FBI's murder index fell by 11 percent in both the suburbs and in cities with populations over 500,000 people, which means that, on average, the suburbs retained their safety advantage over large central cities.²¹

One of the sharpest declines in the murder rate took place in Washington, D.C., where the number of murders fell by almost 25 percent; or from 397 murders to 300. Although this represents substantial progress, it probably does not represent enough of a decline for Washington to lose its title as the "world's murder capital." At an estimated 55.2 murders per 100,000 population (compared with 73.1 in 1996), Washington is likely to remain the world's most dangerous city when the FBI's final estimates are released in November. This continued degree of danger is one reason that an estimated 10,000 residents moved out of Washington in 1997.²²

Restoring Quality Education

Unfortunately for city residents and their children, today's urban public schools are the most

20. Murray Weiss, "Tumbling Murder Rate Leads Drop in City Crime," *The New York Post*, June 18, 1998, p. 7.

21. "Uniform Crime Reports: 1997 Preliminary Annual Release," U.S. Department of Justice, Federal Bureau of Investigation, May 17, 1998.

22. New Orleans offered Washington, D.C., a spirited challenge for this title in 1996 but lost it by a few percentage points. Because New Orleans experienced a decline of 23 percent in the number of murders in 1997, the winner of the murder capital title will hinge on which city experiences the greater population flight during the year.

troubled in the country. Year after year, they fail to impart even the most basic elements of knowledge to their students. This has encouraged middle-class families to leave cities for the suburbs or to send their children to private schools. As a result, the majority of students in urban schools are disadvantaged racial minorities, and the absence of the opportunity to receive a decent education robs these families and their children of the most important chance they have to become productive, self-reliant citizens and achieve the American dream.

Although it is difficult, if not impossible, to find good-quality data on educational attainment that would allow for meaningful comparisons of educational performance among cities, and between cities and their suburbs, there is enough anecdotal evidence to indicate that the differences are extreme and that the quality of education in many urban schools is dreadful. Some recent findings from the District of Columbia's public schools probably are typical of the schools in most troubled cities and merit some attention here because the District, as the nation's capital, is managed directly by Congress and, therefore, has borne the full brunt of federal efforts to achieve urban revitalization. Some findings from a 1996 review of student performance include:²³

- Only 2 percent of the city's 10th-graders are performing at *grade* level in the Stanford 9 math test;
- Scores for 89 percent of the students taking this test fell below *basic*, indicating they have "little or no mastery of fundamental knowledge and skills for this grade level";
- At seven high schools, 70 percent of the students in grades 10 and 11 could not read at *basic* level, let alone *grade* level;
- 56 percent of the students who do graduate from D.C. public schools could not pass the U.S. armed forces vocational aptitude test; and
- 85 percent of D.C. high school graduates entering the University of the District of Columbia require an average of two years' remedial education before beginning course work.

As Table 5 demonstrates, insufficient funds are not the problem confronting the typical dysfunctional urban school system. Columns 1 and 2 in the table show that school spending for 9 of the 20 cities under review was higher than the national average, and that 10 of the 20 were higher than the level of spending for all the school systems within that city's state. For cities in which spending was lower than the state average, however, 4 were lower by less than 1 percent of their state's per pupil spending average.

The Washington, D.C., schools, which are awash in money compared with others, somehow fail to convert these ample financial resources into an education system of even average quality. Table 5 illustrates other dimensions of the problems of dysfunctional urban school systems, including high dropout rates (column 3) and a student attrition rate (column 4) that indicates that as many as 60 percent of the ninth-graders entering these systems fail to graduate.

Notwithstanding the fact that these problems are of long duration and the object of numerous reform initiatives, there is little to show for most of these reform efforts. The problem is becoming worse in many cities as poorly educated parents are forced to send their children to the same failed systems. Federal education policy has little to offer these schools because the elementary and secondary education systems still are largely funded and operated by local officials operating under state-imposed standards and guidelines.

But considering the poor performance of the other federal urban polices, such as those for housing, community development, transportation, and job training, it probably is just as well that the federal role in education is limited and indirect. And considering the federal establishment's

23. Susan Ferrechio, "DC Students Abysmal on Tests," *The Washington Times*, November 18, 1997, p. A1.

Table 5

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Select Statistics on Central City School Systems

	Spending per Pupil 1993-94		High School Drop Out Rate	Attrition, Grades 9-12	% of Children in Free Lunch Program		% Minority 1995	Teacher/Pupil Ratio, 1995
	City	State	City	City	City	State	City	
New York	\$7504	\$9175	*	59%	*	12%	83%	19.2
Chicago	5613	5630	8.0%	52	*	*	89	18.0
Los Angeles	4954	4921	12.0	47	70%	44	88	25.1
Philadelphia	5456	6983	10.2	54	*	*	79	19.2
Detroit	6601	6658	*	68	63	25	94	23.0
Houston	4558	4898	10.2	60	55	39	88	17.3
Baltimore	5471	6958	*	63	64	25	85	18.2
Dallas	4941	4895	4.0	61	65	39	87	16.8
Washington, D.C.	9187	9187	20.9	35	63	*	96	15.0
Cleveland	6280	5971	*	65	80	24	79	17.2
Indianapolis	6324	5630	*	72	62	22	58	18.0
Milwaukee	6978	6717	*	52	47	15	75	*
San Francisco	4898	4921	4.3	34	53	44	87	21.7
San Diego	5145	4921	4.4	31	53	44	70	23.6
San Antonio	5275	4898	7.3	59	80	39	94	16.6
Boston	7782	6959	7.5	39	*	*	81	*
Memphis	4333	4338	*	49	*	*	84	18.7
St. Louis	7298	5114	20.8	73	77	29	81	13.2
New Orleans	4240	4519	8.5	48	76	52	94	22.2
Columbus	6549	5971	*	76	50	24	57	17.6
U.S.	5767		5.4	30	*	*	*	*

Note: * = Not available

Source: Column 1 and Column 8 from U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 1997*, December 1997, Table 92; Column 2 from *Digest of Education Statistics 1997*, Table 168; Columns 3 through 7 from *Education Week*, Vol. XVII, Number 17, January 8, 1998.

predilection for government-owned monopolies operating with a tenured work force, what few meaningful reforms have occurred at the state and local level otherwise might have been stifled or misdirected by federal red tape, prohibitions, and interference.

The federal government's opposition to such innovative reforms as vouchers and charter schools is consistent with its attitude toward reform initiatives that rely on choice and competition—and thereby undermine the protected position of the existing education system. This anti-competitive attitude at the federal level is shared by many state and local school officials, administrators, and teachers who believe that the competition from vouchers, private and parochial schools, and charter schools would undermine their

privileged position as the sole providers of public education services within their communities.

Although vouchers have made very limited headway in some of older cities—notably Milwaukee, Wisconsin, and Cleveland, Ohio—and charter schools have made modest inroads in scores of communities throughout the country, strong opposition to both—sometimes combined with less-than-enthusiastic support from parents—will continue to deter either type of reform from near-term implementation in troubled urban schools in which teachers unions tend to be most influential. As a result, near-term education-reform strategies for older urban areas are likely to be limited to a fundamental overhaul within the confines of the existing, monopolistic structure. Although such overhauls are second-best solutions that lack

the immediate benefits available with vouchers, such an overhaul, if done right, still can yield major improvements of a magnitude similar to that now being achieved in law enforcement through the application of the Bratton/New York City model in communities throughout the country.

Whereas New York City has become the standard for police reform, Chicago may acquire that reputation in school reform if improvements from its recent overhaul continue. As a result of seven teacher strikes in a year, financial mismanagement, declining test scores, deteriorating infrastructure, and falling enrollment as parents pulled their children from the schools, Mayor Richard Daley (D) took over Chicago's school system in 1995 and appointed Paul C. Vallas to the newly created position of chief executive officer (CEO) to run the schools.²⁴

Vallas moved quickly, signing a new, four-year contract with the teachers union during his first three weeks. Over the next three weeks, Vallas developed a four-year financial plan to eliminate the \$1.4 billion deficit in the school system's budget. Part of the savings will come from eliminating unnecessary positions and by privatizing some of the maintenance work. With the financial situation stabilized and labor peace restored, Vallas turned his attention to completing a comprehensive education plan focusing on the fundamentals of delivering a quality education to a disadvantaged student body. This plan included expanding the early childhood program by 10,000 students, establishing after-school academic remediation programs at 417 schools, lengthening the school day by an hour at 164 schools, and establishing all-day programs at 100 schools. Vallas also ended the practice of "social promotion" by sending 150,000 underperforming students to summer school, including 90,000 into academic remediation programs.

For the high schools, Chicago's new school

management team developed a rigorous core curriculum that eliminated many nonessential electives while adding more math, more science, and other quality courses. According to an analysis done for the new CEO, typical urban students receive only 200 minutes per day of instruction in core subjects while suburban students may spend as much as 300 minutes on such subjects, leading to a 100-minute-per-day educational disadvantage, or a "knowledge gap" of 18,000 minutes per year.

Leaving nothing to chance, Vallas will ensure that the new curriculum is taught properly in a school system in which teacher quality may be highly variable by developing a uniform instructional curriculum that provides detail down to the daily lesson plan. At the same time, teachers and principals have been held to a higher level of accountability, schools have been put on probation, and nonperforming schools have been reconstituted.

As part of his reform program, Vallas put 109 of Chicago's schools on "academic probation." Such schools receive extra money and consultants to help with their improvement. If they fail to improve, Vallas "reconstitutes" them, as he did in summer 1997 with the city's seven worst-performing high schools, in which five principals and 200 teachers were relieved of their duties.²⁵ Unfortunately, about half these teachers were rehired by principals at other Chicago public schools. The law permitting their dismissal applies only to "crisis" schools, not to schools in general where principals retain the prerogative to choose teachers.²⁶

Although Chicago's reform plan has been in place for nearly three years, measurable improvements have already occurred: enrollment is up, attendance is up, test scores are up across the board in each of the last three years, ACT scores²⁷ are at their highest level in a decade, and the

24. See "Chicago: Viewing Education Through a Performance Prism: An Interview with Paul C. Vallas," *School Reform News*, from <http://www.heartland.org/educational/october/vallas.htm>.

25. Bruce Upbin, "Chain Saw Paul," *Forbes*, April 6, 1998, p. 66.

26. "Bad Teachers Out, Bad Teachers In," *The Chicago Tribune*, May 25, 1998.

graduation rate has increased from 61 percent three years ago to 65.2 percent today.

Chicago's effort to overhaul its schools has encouraged a few other school districts to take similar actions. In Prince George's County, Maryland, the superintendent took swift action in spring 1997 against six of the system's underperforming schools by replacing five of the six principals and "suspending" all teachers. The teachers were allowed to reapply for their jobs; but only one-third were rehired, and new ones were hired or transferred from other schools to fill the vacancies. Despite this effort, the county's schools still are deeply troubled, student performance is next-to-the-last of the state's school systems, and the state of Maryland is threatening a takeover if measurable improvement does not occur soon.

Even though Chicago's effort to overhaul its schools is encouraging, the success of such an approach is dependent largely on the skill, judgment, and courage of the individuals selected to lead the schools through the reform process and to maintain the high standards thereafter. As is apparent from the absence of any fundamental overhaul at other troubled school systems, most public school leaders avoid such dramatic actions and apparently are content with the status quo. Moreover, not every attempted major overhaul leads to meaningful reform and success, as appears to be the unfortunate situation in Washington, D.C.; Prince George's County, Maryland; and Kansas City, Missouri.

Inspired by the early success of the Chicago effort, Washington, D.C.'s congressionally created Control Board relieved the existing school board of most of its duties and transferred the responsibility for the schools to an emergency board of trustees and a new superintendent with vast powers and substantial financial resources. But in its first two years, the new leadership became mired in serious allegations of mismanagement and delayed, by more than a year, the implementation of an academic program to address the system's manifest

educational deficiencies. As a result of escalating criticism from the community, General Julius Becton, Jr. (U.S. Army, Ret.), the Control Board-appointed superintendent, ultimately resigned; and, a few months later, the appointed chairman of the emergency board of trustees was dismissed. Despite small gains over the two years under new management, academic performance remains at a very low level: In reading, 46 percent of 11th-graders tested below *basic*, compared with 50 percent a year ago; while in math, 83 percent scored below *basic*, down from 89 percent the previous year.²⁸

The turmoil and disappointing results of this well-intentioned effort to overhaul the District of Columbia's schools illustrates the reasons that such administrative remedies are only second-best solutions that are highly dependent on the skill and energy of a single individual holding vast powers over the system. As a result, if the appointed leader fails, all else fails with him. But with such competitive-based solutions as vouchers or charter schools, failure is decentralized and automatically corrected because parents have the opportunity to respond quickly to failure and disappointment by switching schools, thereby forcing bad schools to get better or lose their funding. Although school systems and teachers unions continue to resist vouchers and other fundamental reforms, parents—particularly those whose children attend troubled schools—are becoming strong advocates.

In contrast, because the District of Columbia's new emergency school board is appointed, not elected, and because the public schools maintain their monopoly position, the parents of District students have no recourse but to move or pay for a private school. This necessity is one of the reasons that the District continues to lose approximately 10,000 residents per year to the surrounding suburbs. Experiencing similar frustration with New York City's failed school system, Mayor Giuliani recently warned that government vouchers

27. The American College Test (ACT) is an alternative to the Scholastic Aptitude Test (SAT).

28. Valerie Strauss, "D.C. Test Results Seen as 'Progress,'" *The Washington Post*, June 11, 1998, p. D1.

enabling parents to enroll their children in private or parochial schools would be inevitable if public schools did not improve dramatically.²⁹ Indeed, New York City currently administers a very small voucher program, established by Mayor Giuliani, called the School Choice Scholarships Foundation; last year 22,700 applications were received for the program's 1,300 scholarships.³⁰

Until cities take steps to raise the quality of education to levels common in the surrounding jurisdictions, whether through administrative or competitive-based solutions, they will continue to deteriorate as residents and businesses move elsewhere in search of quality public services.

Reforming Welfare

Although New York's success demonstrates that better policing will reduce crime, an essential component of a comprehensive crime-reduction strategy that achieves measures of personal safety comparable with that of the suburbs is a reduction in the proportion of a city's citizens who are poor and on welfare. By reducing the incentive to work and become educated, the implementation of generous welfare programs beginning in the 1960s undermined the traditional role of cities in fostering the upward mobility of unskilled and poorly educated immigrant populations—a role they had played effectively for more than a century, and for several generations of immigrants.

In her path-breaking 1961 work, *The Death and Life of Great American Cities*, Jane Jacobs observed that a "metropolitan economy, if it is working well, is constantly transforming many poor people into middle-class people, many illiterates into skilled (or even educated) people, many greenhorns into competent citizens."³¹ But in the late 1960s and early 1970s, this process came to an end for many of the new arrivals to the city, and the legacy of that loss is the pervasive culture of inter-generational poverty that infects large areas of American cities, old and new.

Urban crime is concentrated in the poorer sections and often is at its worst in neighborhoods with high concentrations of households on welfare, as demonstrated by the high rates of crime in or near public housing projects, whose residents receive some form of public assistance. Poverty, and thus dependence on welfare, also are important factors associated with poor performance in schools and employment prospects later in life. For this reason, progress against welfare dependency will yield important benefits in crime reduction, educational improvement, and economic opportunity.

As shown in Table 2, older cities contain a disproportionate share of troubled households. Their share of female-headed households often is twice the national average; and three times that measure in the case of Detroit, in which fully 30 percent of the households are headed by a female. The urban poverty rate, as revealed in Table 2, also is substantially higher than the national average and relatively higher in the cities that continued to lose population during the 1990s. These same cities are the ones with the highest infant mortality rate and, as illustrated in Table 3, also have the highest rates of crime. Befitting a city in which fully one-third of its families are headed by a single parent, Detroit also has one of the highest poverty rates—nearly one-third of its residents. It also is one of the few cities in which the crime rate has remained alarmingly high through the mid-1990s.

Recognizing that the existing welfare system encouraged and perpetuated financial dependency and was responsible for a significant share of the social dysfunction concentrated in older cities, Congress in 1996 enacted a major reform of welfare—the Personal Responsibility and Work Opportunity Reconciliation Act—that put the emphasis on getting a job and allowed the states more flexibility in meeting that goal. As a result, many states have adopted successful welfare reform programs that have made dramatic

29. Seifman and Rubinowitz, p. 19.

30. David Seifman, "School Choice Program Draws Record Crowd," *The New York Post*, February 27, 1998.

31. Jane Jacobs, *The Death and Life of Great American Cities* (New York, NY: Vintage Books, 1961), p. 288.

reductions in dependency in many parts of the country. Since the Act went into effect in 1996, welfare caseloads across the country dropped by 2.2 million; and by more than 4.4 million since 1994, when several states implemented successful demonstration programs. As a result of these reforms, the welfare caseload across the country now contains fewer than 10 million people for the first time in more than 25 years.³²

In states that have implemented effective programs, the decline in caseloads has been substantial: 58 percent in Wisconsin, 52 percent in Oregon, and 50 percent in Mississippi by mid-1997.³³ In places in which few, if any, reforms have been implemented, welfare has risen, remained nearly the same, or declined only slightly in response to the improving economy. Implementation has been most modest, and success sometimes slow in coming, in the central cities, in which the degree of dependency and social dysfunction are most severe, long term, and intergenerational. For example, Wisconsin, which has implemented the country's most successful welfare reform program during the administration of Governor Tommy Thompson (R), has reduced its Aid to Families with Dependent Children (AFDC) caseload by 95 percent outside Milwaukee, and by 60 percent within Milwaukee.

Perhaps one key reason for the disparity in performance was the difference in the characteristics of Wisconsin's case load. Outside the central cities, the typical welfare recipient had been on assistance for a relatively short time, had been employed at one time, was (or had been) married, and was from a family that had been self-sufficient. But for many urban welfare recipients, dependence on public assistance often was of a long-standing, intergenerational nature. Moreover, many recipients never had held a job before, had limited education, and, if a parent, never had been

married. The welfare recipient was also more likely to live in a neighborhood, or a public housing project, in which many other residents also were the beneficiaries of some form of public assistance and, therefore, in a neighborhood in which a condition of dependency is the norm. Exacerbating an already bad situation was the fact that many city officials and social workers frequently were sympathetic to their clients' condition and, thus, unenthusiastic about implementing meaningful welfare reform that might reduce caseloads and eliminate welfare department jobs.

Although Milwaukee's welfare caseload was slow to yield to Governor Thompson's reforms, it ultimately did decline and soon is expected to reach success rates typical of those prevailing in other parts of the state. As a result of this success against an entrenched urban caseload, many elements of Wisconsin's reform program serve as models for other cities and states, as well they should because the success of the program has been extraordinary. For example:

- In the past 11 years, Wisconsin's caseload for AFDC has dropped by 81 percent, compared with a drop of only 6 percent for the United States as a whole;
- In inner-city Milwaukee, the caseload has fallen by 60 percent;
- For the rest of the state (outside Milwaukee), the caseload has fallen by 95 percent; and
- In 57 of Wisconsin's 77 counties, the welfare caseload has dropped by 95 percent.³⁴

Beginning ten years ago and extensively utilizing waivers first granted by President Ronald Reagan's Department of Health and Human Services to conduct a series of welfare reform demonstration projects in communities throughout the state, Wisconsin soon began to experience

32. Robert Pear, "Number on Welfare Rolls Dips Below 10 Million," *The New York Times*, January 21, 1998, p. A13.

33. Merrill Matthews, Jr., "Making Welfare Work: Lessons from the Best and Worst State Welfare Reform Programs," National Center for Policy Analysis *Policy Background* No. 143, December 4, 1997.

34. Robert Rector, "Welfare: Expanding Reform," in Stuart M. Butler and Kim R. Holmes, eds., *Issues '98: The Candidate's Briefing Book* (Washington, DC: The Heritage Foundation, 1998), pp. 210-211.

significant declines in the welfare caseload as a result of many of the reforms implemented on a demonstration basis. When certain reforms yielded positive results, they were applied elsewhere, while other approaches that didn't work were dropped or modified. According to one analyst who has studied the Wisconsin success in detail,

The general thrust of welfare reform in the Thompson administration has been to require reasonable behavior by recipients as a condition of receiving aid. An early example was *Learnfare*. Enacted in 1987, the *Learnfare* program required welfare recipients to ensure that their school age children attended school regularly, and reduced welfare payments to families with truant children. Although *Learnfare* did not reduce the AFDC rolls directly, it did have a symbolic importance, sending a clear message to both the bureaucracy and the welfare clientele that, for the first time, the government seriously intended to demand constructive behavior of welfare recipients and to sanction those who were derelict.³⁵

The centerpiece of Governor Thompson's reform was the requirement that a growing share of those on AFDC rolls engage in such employment-related activities as training and closely supervised job searches. One demonstration program in Sheboygan County required most AFDC recipients to conduct a tightly supervised job search immediately after applying for welfare benefits. Individuals who failed to find employment within a few weeks were required to perform community service work until they could find a private-sector job.

One 1994 pilot program that started in 18 counties but was expanded to 60 two years later was titled Work First and provided new welfare

applicants with counseling on the negative effects of dependency, offered short-term aid (such as car repairs to get to work or to go to job interviews) that might eliminate the need to go onto the AFDC rolls. Work First also required most new applicants to begin working in private-sector or community service jobs almost immediately after enrolling in welfare.

A 1995 pilot program called Work Not Welfare placed an absolute time limit of 24 months on receiving AFDC payments and was implemented in two counties. A new Pay for Performance system, which tightened up the work requirements, was implemented in 1996 in all Wisconsin counties. Under the old system, any welfare recipient who failed to obtain a private-sector job might be required to perform community service. Failure to do even this much would result in a reduced welfare check—a modest penalty that did not deter the worst-case welfare recipients. But under Pay for Performance, welfare checks were in direct proportion to hours worked, and those who performed no work received no welfare. In the first seven months after the implementation of Pay for Performance and the extension of Work First to the entire state, the welfare caseload dropped 14 percent in Milwaukee and 33 percent in the rest of Wisconsin.³⁶

As a result of ten years of experimentation, the successful components of Wisconsin's welfare reform experiments and demonstration projects were combined into a unified program called Wisconsin Works (W-2) and implemented throughout the state in 1997. Based on its proven successful and extensive experimentation, W-2 is a program worthy of imitation in America's older cities, in which the welfare burden is more significant and the problems more extreme.

According to a review of the program by the Hudson Institute,³⁷ W-2 is a work-based system of public aid that replaces unconditional cash

35. Robert Rector, "Wisconsin's Welfare Miracle," *Policy Review: The Journal of American Citizenship*, March/April 1997, p. 20.

36. *Ibid.*, p. 23.

37. Andrew Bush, "Replacing Welfare in Wisconsin," *Hudson Briefing Paper*, July 1996.

entitlements with a system of services, subsidies, penalties, and opportunities to help individuals and parents to establish their own means of support and to maintain financial independence and self-sufficiency. To ensure top performance among welfare system service providers, Wisconsin no longer will rely exclusively on existing state welfare offices, but will contract on a competitive basis with public, private for-profit, and private nonprofit organizations to help to operate the system. In addition to selecting providers on a competitive basis, service providers will be encouraged to maintain operations at maximum effectiveness by a system of rewards for job placements, for keeping participants employed, and for moving participants to higher-paying jobs.

New York City, too, has implemented a series of important work-related welfare reforms over the past several years. These reforms have achieved some success in reducing the welfare caseload in a city often associated with welfare at its most generous. Although Mayor Giuliani's initial welfare reforms encouraged more than 300,000 welfare recipients to leave the public assistance rolls over the past three years, much more needs to be done to reduce the country's second-largest welfare caseload. Of the 314,000 mothers on welfare, only slightly more than 15,000 participate in workfare.³⁸ In an effort to increase its success rate, New York City recently hired Jason Turner, the former director of Wisconsin's welfare reform effort, to take over its system and implement Wisconsin-style reforms.

Encouraging Housing Construction, Renovation, and Rehabilitation

Improving a city's schools and public safety will encourage households to stay and others to move in, but taking full advantage of a city's special attributes will require that city to remove or

modify rules, regulations, zoning, and other practices that discourage private initiative in the creation of a suitable stock of housing and attractive residential locales. Years of unchecked deterioration and diminished levels of construction and renovation activity have caused a disproportionate share of the urban housing stock to become obsolete or deteriorated—or both. Cities must encourage new construction or substantial renovation by private entrepreneurs.

A good starting point to stimulate the supply of attractive housing options is the reform of zoning laws, use permits, and other limiting regulations that historically served the purpose of discouraging mixed-use structures within neighborhoods by rigidly separating commercial from residential use.³⁹ In the case of older cities, such zoning may serve to discourage residential units in the central core, or from such other attractive locations as unused or underutilized waterfront property that otherwise might command premium rents or prices. According to Mayor John O. Norquist (D) of Milwaukee:

Separated single use zoning hurts U.S. cities. If governments would get rid of some of their prohibitions on combining commercial and residential uses, developers could build low cost housing on top of venues like video stores, supermarkets, fast food outlets, or drug stores. Developers will respond as they have in Japan, Western Europe, and Canada as well as a few U.S. cities like Charleston, South Carolina, and San Francisco.⁴⁰

Expediting changes in zoning and use permits also allows for the efficient redeployment of underutilized commercial space to residential use, as happened in New York City, first with the conversion of obsolete manufacturing and warehouse space to residential lofts and, more recently, with

38. Rachel L. Swarns, "Giuliani Picks Wisconsin's Daring Welfare Chief to Run City's System," *The New York Times*, January 8, 1998, p. A25.

39. The U.S. practice of rigid, single-use zoning stems from a 1930 Hoover Administration proposal for a model zoning ordinance that emphasizes the separation of housing from commercial activity.

40. John O. Norquist, "How the Government Killed Affordable Housing," *The American Enterprise*, July/August, 1998, p. 69.

the conversion of older, well-located office buildings to apartments.

Although the mixing of residential and commercial use in an urban core is uncommon in the United States, it is the norm in Europe, Asia, and Latin America. Much of the vitality, commercial energy, and cosmopolitan charm of such cities as London, England; Paris, France; Rome, Italy; and, to some extent, New York City stem from the proximity of residences to the central core, and the positive effect this has on commercial opportunities and the quality of life. Indeed, by sustaining this vitality and energy, European cities have succeeded in making a central city address a preferred residence for both the middle class and the moneyed elite. But because of restrictions on mixed-use neighborhoods, many urban cores in the United States are deserted after the close of the workday and on weekends; this phenomenon discourages many job-creating, tax-paying retail establishments from locating in central cities.

Similar reforms must be made in building codes and the permit process to ensure they do not hinder the development and/or renovation of central city residential units unreasonably. Other limiting regulations, such as rent control or low-income set-asides must be abolished to put central city residential development prospects on par with suburban opportunities. Similarly, local property taxes should be reviewed to determine the extent to which commercial-scale tax assessments deter close-in residential construction.⁴¹ Otherwise, construction capital will continue to flow to places where it is welcome and secure, and at present, suburbs and exurbs are more welcoming than central cities.

WHAT THE FEDERAL GOVERNMENT CAN DO TO GET OUT OF THE WAY

Effective urban revitalization strategies depend almost entirely on local initiative, leadership, and

management. Targeted urban initiatives that flow from Washington, D.C., often are counterproductive and offer few opportunities for local leaders to improve on them. Reform of these federal programs—largely operated by the Departments of HUD and Transportation—begins in Washington, D.C., and requires action from Congress and the President. This section discusses three changes in strategy that would help those cities that are prepared to make the necessary improvements in local services.

End Federal Transportation Policies That Diminish Cities

The advent of the automobile and its rapid adoption by most American households not only enhanced locational choices by allowing convenient living in the suburbs; it also further diminished the attractiveness of the central core of older cities that were not well-suited to auto usage. By the 1950s, when autos had become the primary form of transportation for all but the poorest of Americans, the central city was inconvenient for those households and businesses that valued mobility. This inconvenience contributed to the urban exodus that began in earnest in the 1950s.

Recognizing the importance of convenient, low-cost transportation in locational decisions, cities attempted to remain competitive in transit by holding down fares for buses, trains, and trolleys. Through the 1950s and early 1960s, most urban transit systems were private, and cities or their transit commissions attempted to maintain central city competitiveness by rejecting requests for fare increases. When the private transit systems ultimately went bankrupt, cities took them over and increasingly subsidized fares to keep them competitive with autos. According to one recent analysis, fares paid by transit users in 1994 covered only about one-fourth of the operating and capital costs incurred by the urban transit systems in the United States.⁴²

41. Legislation recently introduced in Congress by Delegate Eleanor Holmes Norton (D-DC) and Senators Connie Mack (R-FL) and Joseph Lieberman (D-CT) is typical of the neglect of housing and households. Proposing to revitalize the District of Columbia by way of generous cuts in tax rates, these legislative proposals would have offered a zero capital gains tax rate to all investments in the District of Columbia except for residential rental housing.

At the same time, cities attempted to become automobile-friendly by encouraging the construction of limited-access highways into or through the urban core, often as part of an urban renewal program. Although these highways benefited suburban commuters and may have helped slow the loss of jobs and commerce to the suburbs, they imposed significant costs and inconvenience on existing and prospective city residents.

In one older city after another, intrusive highways built to facilitate commuting destroyed, gutted, truncated, and isolated neighborhoods, often diminishing inner-city mobility by imposing lengthy barriers stretching for several city blocks.⁴³ In an effort to limit the negative impact of these commuter arteries, many cities placed the new highways along waterfront properties, which, at the time, served a diminished commercial purpose. Although this helped to avoid the destruction of neighborhoods and businesses, it did so by precluding from future development desirable and valuable waterfront property that could have attracted upscale residential development. Examples include Washington, D.C.'s Whitehurst Freeway, New York City's Roosevelt Drive and East River Drive, Philadelphia's I-95, Pittsburgh's Penn Lincoln Parkway, and Cleveland's Memorial Shoreway. Perhaps as a sign of things to come, New York City currently is ripping down the elevated, Hudson River-hugging West Side Highway to make room for waterview residential and commercial development.

Although inner-city highway construction by

and large has ceased because of high costs and intense opposition, federal, state, and local officials have shifted their focus to urban transit operations, with a disproportionate emphasis on new, light rail systems to try to attract commuters from their cars or suburban shoppers from their malls. Because such systems are costly to build and operate, they invariably divert resources from such ordinary transportation services as improved streets or more frequent bus service that would serve urban residents better. This has occurred in Washington, D.C., where the high cost of maintaining the rail system has forced a 27-percent cutback in bus service and reductions in road repair.⁴⁴ In Los Angeles, a group of minority residents contend the city's transit agency has neglected the bus routes that serve them by spending 70 percent of its budget on a rail system that carries only 8 percent of the system's riders, most of whom are white and well-to-do.⁴⁵ In response to the threat of a lawsuit, Los Angeles has put a hold on light rail construction.

And even though suburban commuters may be the greatest beneficiaries of these new, costly rail systems, the evidence suggests that even they are not much impressed. All 14 major metropolitan areas with new or substantially expanded light rail systems built during the 1980s suffered declines in transit usage over that same period. Indeed, of the 39 metropolitan areas with populations in excess of 1 million people, only two—Houston, Texas, and Phoenix, Arizona—experienced an increase in the share of commuters using transit.⁴⁶

42. O'Toole, p. 13. Transit riders paid \$6.3 billion in fares in 1994, but transit operations cost \$17.3 billion, while another \$5.6 billion was spent on capital improvements, yielding an annual deficit of \$16.6 billion to be covered by federal, state, and local sources—including \$6 billion diverted from the gasoline tax paid by highway users.

43. In its recent master plan for the revitalization of the District of Columbia, the federally funded National Capital Planning Commission proposed the demolition of a branch of the interstate highway system that forms an impassable wall that divides the city's north from its south in the vicinity of the Capitol.

44. Amanda Ripley, "Missing the Bus," *The City Paper* (Washington, DC), January 23, 1997, p. 25; and Stephen C. Fehr, "D.C. \$1 Billion Short of Funds to Fix Streets," *The Washington Post*, December 18, 1997, p. D1.

45. "Los Angeles Proposes Rail Construction 'Indefinite Hold,'" December, 17, 1997, *Urban Transportation Fact Book*, prepared by Wendell Cox Consultancy, available on the Internet at <http://www.publicpurpose.com>.

46. Wendell Cox, "Reinventing Transit: Putting Customers First," *American Legislative Exchange Council State Factor*, Vol. 19 No. 5 (December 1993), p. 4.

Despite an estimated \$340 billion of federal, state, and local spending lavished on transit systems (including buses, trolleys, and subway and other rail) since 1960, transit's share of the commuting market fell in all but 2 of the 39 major metropolitan markets between 1980 and 1990 and now accounts for less than 6 percent of commuters across the country. Table 6 shows transit's share of the market in 1980 and 1990 for the 20 cities reviewed in this paper.

For the United States as a whole, the 1980s saw a decline of 17 percent in transit's market share; between 1970 and 1990, the share fell by 42 percent.⁴⁷ In metropolitan markets, transit's share has fallen from about 8 percent to 6 percent, while central city transit usage fell over the same period from just over 14 percent to slightly less than 12 percent. Only five metropolitan areas—New York City, Chicago, Washington, D.C., Boston, and Philadelphia—had transit shares in excess of 10 percent, and only New York City, with a 26-percent share, exceeded 20 percent. In all other cities, major and minor, transit's share of the commuter market was less than 10 percent; most, in fact, were less than 5 percent.⁴⁸

Typical of the absence of any meaningful positive impact from costly transit investments is the experience of Washington, D.C. When planned in the late 1960s, the District of Columbia's Metrorail system was projected to cost \$2.5 billion and carry 959,000 passengers per weekday. More important, it also was expected to help revitalize the city. But by 1997, the cost of the system already had passed \$10 billion, and weekday patronage had reached only 533,000.⁴⁹ As for the promised revitalization, the District of Columbia has seen nothing but relentless deterioration since the system was started. Since 1970, when planning and construction began on the new light rail system, the

	1980	1990	Change
New York	29.6%	26.8%	-9.3%
Chicago	16.4	13.4	-18.6
Los Angeles	5.0	4.5	-10.1
Philadelphia	12.7	10.1	-18.4
Detroit	3.7	2.4	-20.2
Houston	2.8	3.7	+28.8
Baltimore	10.0	7.4	-25.7
Dallas	3.4	2.3	-32.5
Washington, D.C.	15.1	13.3	-11.5
Cleveland	7.8	4.5	-42.1
Indianapolis	2.8	2.0	-30.7
Milwaukee	7.0	4.8	-31.2
San Francisco	11.3	9.1	-19.8
San Diego	3.2	3.2	-0.9
San Antonio	4.5	3.6	-19.7
Boston	12.9	10.3	-19.7
Memphis	4.7	2.7	-42.6
St. Louis	5.6	2.8	-49.3
New Orleans	10.6	6.9	-34.9
Columbus	4.5	2.7	-41.4
All metro areas	7.4	5.7	-25.6

Source: Wendell Cox Consultancy, *Urban Transportation Fact Book*, table "Public Transport Work Trip Market Share: 1960–1990: 33 U.S. Metropolitan Areas," <http://www.publicpurpose.com/ut-jtw60.htm>, as derived from U.S. Census Bureau data.

District of Columbia's population fell from 757,000 to 528,964 in 1997, while such other indices of community well-being as the crime rate, jobs, quality of education, and welfare dependency have worsened just as rapidly. Of course, the new Metrorail system did not cause this civic collapse, but it did little or nothing to stem the decline or spur the promised revitalization. This is a poor result for a \$10 billion investment. One only can imagine how different the situation would be today in Washington, D.C., if the energy and civic commitment invested in the Metrorail system had been devoted instead to maintaining quality schools and effective law enforcement.

47. *Ibid.*, p. 3.

48. Alan E. Pisarski, *Commuting in America: The Second National Report on Commuting Patterns and Trends* (Lansdowne, VA: Eno Transportation Foundation, 1996), p. 63.

49. Martin Wohl, "Metro's Off-Track Bet," *The Washington Post*, June 23, 1996, p. C8.

Despite nearly identical non-results in other declining cities receiving multibillion-dollar federal transit investments, urban experts, respected academics, elected officials, and high-level bureaucrats continue to honor the myth that costly transit projects are engines for urban revitalization. President Clinton recently summed up the essence of this popular delusion when he observed that “Investment in critical mass transit projects is key to rebuilding our cities and stimulating economic development throughout the Nation,” while Federal Transit Administrator Gordon J. Linton did the President one better when he added, “These investments help pull together people and their communities so they can fully realize the promise of America.”⁵⁰

Improving urban transportation systems requires transferring both the financial resources and the decision-making back to the states and, at the same time, eliminating much of the costly federal transportation regulations that favor unionized workers and centrally managed monopoly systems over market-driven, decentralized, competitive arrangements. Under present federal transportation programs, the federal government collects revenues derived from the federal fuel tax (18.3 cents per gallon of gasoline) and returns this money to the states with designated earmarks that determine how much should be used for highways and how much for transit.

These earmarks, established by congressional committees in consultation with the Department of Transportation, further determine how much of the money goes to new construction, how much goes to operating expenses, and what types of systems can be started or expanded—and which ones are rejected. In late 1997, the House and Senate Appropriations Committees designated 65 specific light rail projects for funding, and determined the level of funding each would get, approving, for example, \$44.6 million for the Atlanta North Springs project and \$63.4 million for the Salt Lake City South LRT project.

In June 1998, Congress enacted, and President Clinton signed into law, legislation that would extend these programs for another six years, albeit with 40 percent more spending. Approximately 20 percent of the funds to be spent under this legislation will be devoted to transit, despite the fact that less than 4 percent of commuters use mass transit to commute to work. Moreover, a disproportionate share of these funds will be used to construct or extend light rail systems, which, as noted earlier, have facilitated the flight of residents and workers from the cities to the suburbs.

In an attempt to end command-and-control transportation funding practices under the management of a central bureaucracy, Senator Connie Mack (R-FL) and Representative John Kasich (R-OH) introduced legislation that would devolve all federal transportation spending directly to the states by allowing them to collect and keep the fuel tax and to spend the revenues on projects they determine are important—without the regulatory encumbrances now appended to the money as it flows through Washington, D.C. If ultimately enacted, cities would be free to develop transportation systems that benefit their residents rather than suburban commuters, unions, and major construction companies.

Notwithstanding the array of evidence that would suggest a more skeptical attitude toward the benefits of transit for cities, the prevailing wisdom among urban scholars and activists is, and has been, that federal highway programs have facilitated the exodus from the cities to the suburbs. Typical of this view is the following observation by one urban scholar:

[T]here are, and have been, a slew of state and federal policies that underwrite suburban development and drain the vitality of older suburbs. Government transportation spending is skewed toward the extension of roads into the countryside, making commercial strips

50. “President Clinton, Secretary Peña Announce \$2 Billion Federal Commitment to Transit,” U.S. Department of Transportation Press Release, March 13, 1996, FTA 05-96.

and housing subdivisions economically feasible.⁵¹

The problem with this statement, as well as with many similar statements, is that the facts do not support it. Indeed, with the federal government's spending 20 percent of its surface transportation funds (raised entirely from motorists) on transit in support of the only 3.18 percent of commuters who use mass transit to get to work, compared with the 93.23 percent who drive (and the 2.76 percent who walk or bicycle!),⁵² it is difficult to figure how such an allocation of federal resources could be seen as *skewed toward the extension of roads*.

Similar to this charge is the more frequently made assertion that the advent of the interstate highway system contributed to the cities' decline, a compelling line of argumentation for connoisseurs of *post hoc ergo propter hoc* reasoning because both the decline of older cities and the creation of the interstate highway system can be traced accurately to the early 1950s. Unfortunately, this, too, does not stand up to scrutiny, as a map of any metropolitan area will illustrate. Until the late 1970s, federally funded interstate highways served largely to connect distant metropolitan areas. These highways often terminated miles from a city's borders because of citizen opposition to any further construction in densely developed close-in suburbs and older cities.

As a result, the rapid expansion of the suburbs that took place during this period did so without any encouragement from interstate highways. Although many of the interstate highways since that time have extended through, or to, central cities, urban flight was well under way by the time this occurred; many of the suburbs that today offer the stiffest competition to central cities remain unconnected to those cities by an interstate highway. As is so often the case, Jane Jacobs said it best nearly 40 years ago when cars first were

suspected as the culprits of urban demise:

Automobiles are often conveniently tagged as the villains responsible for the ills of cities and the disappointments and futilities of city planning. But the destructive effects of automobiles are much less a cause than a symptom of our incompetence at city building.⁵³

A more important factor in the growth of the suburbs is the sheer number of people now living in major metropolitan areas and the impossibility of housing them within the central cities. At its peak after World War II, Washington, D.C., housed 802,000 people, compared with about 530,000 today. Returning Washington to that crowded measure of density would still leave 4.2 million suburban residents in need of a place to live. Doing the same in Philadelphia would force its population to rise to more than twice the peak level reached in 1950. Thus, with or without interstate highways or any other subsidy suspected of tilting locational choice in favor of the suburbs, U.S. population growth since World War II has left Americans with no practical alternative but to expand outward from crowded central cities.

Get HUD Out of the Cities

At the urging of President Johnson, HUD was established in 1967 to be the federal government's lead agency to address and resolve the urban problems that had begun to emerge by the early 1960s. The most visible and dramatic manifestation of these problems were the violent and destructive urban riots of the early and mid-1960s. Because many believed that inadequate housing was an important contributing factor to urban decay and unrest, subsequent urban revitalization schemes would center on housing issues. Created by combining a number of existing New Deal federal housing agencies and administrations, the new department embarked on an ambitious and costly

51. Bruce J. Katz, Letter to the Editor, *Policy Review: The Journal of American Citizenship*, May/June 1998, p. 3.

52. All figures come from the U.S. Bureau of the Census, as compiled and presented on <http://www.publicpurpose.com>, "US Public Transport Journey to Work Market Share: 1995."

53. Jacobs, *The Death and Life of Great American Cities* (Modern Library edition), p. 10.

series of housing construction programs that offered government subsidies to buyers and builders. Within a few years, these generous subsidies stimulated the building industry to achieve record levels (1971 to 1973) of new housing and apartment construction that have yet to be surpassed.

But as has happened too often with HUD programs, this record performance was riven with fraud and excessive costs; in the early 1970s, George Romney became the first of several HUD secretaries and high officials to have their reputations tarnished by programmatic mismanagement. Although the programs that led to the excesses were modified or terminated, their replacements often soon foundered for the same reasons and HUD now confronts multibillion-dollar exposures in deferred maintenance and accumulated losses.

Unfortunately for cities, the vast majority of these housing mistakes were committed within their borders; older cities now find themselves stuck with vast, deteriorated housing projects that concentrate the poorest and most vulnerable urban residents into some of the most dangerous communities in the United States.⁵⁴ As Mayor Norquist of Milwaukee recently observed:

Federal intervention in housing has been a disaster for cities and the people who live in them. After a succession of fiascoes associated with attempts to eradicate slums, build housing for the poor, and pursue other seemingly noble goals, it should be obvious that government efforts often make urban conditions worse rather than better.⁵⁵

Former Clinton Administration HUD official Bruce Katz, now director of the Brookings Institution's Center on Urban and Metropolitan Policy, acknowledged government's checkered history of housing policy when he recently wrote: "Perhaps the worst thing that federal and state policies have done to cities and older suburbs has been to concentrate populations of poor people within their borders."⁵⁶

A recent HUD report on the nature of the households served by its housing programs bears this out. Only 13 percent of assisted households were married couple families in 1993, and of those in public housing—a HUD program concentrated in older central cities—only 10 percent were married. Moreover, about 66 percent of total assisted households with children had only one adult. Median household income, at \$7,267 per year, was lowest among public housing tenants, and only 29 percent of public housing tenants reported any income received from wages and salaries.⁵⁷

High rates of crime also characterize these central city housing projects. The festering crime in these HUD-subsidized projects spreads throughout the city and provides existing city residents and businesses with one more incentive to move elsewhere as the dysfunctional social culture of these federally sponsored public housing projects spills over into surrounding neighborhoods. The once-thriving African-American middle-class community of Marshall Heights in Washington, D.C., has been abandoned by its former residents and now is the site of one-third of the city's public housing units and one of the highest crime rates in the city.⁵⁸ According to one recent critical analysis of HUD and its programs, this occurrence is

54. Most of the country's public housing is in the East and Midwest and therefore concentrated in the older cities subject to the severest deterioration. Moreover, most of the public housing was built prior to 1975. See John C. Weicher, *Privatizing Subsidized Housing*, AEI Studies in Policy Reform (Washington, DC: American Enterprise Institute for Public Policy, 1997), pp. 3, 27.

55. Norquist, p. 68.

56. Bruce J. Katz, "Urban Solutions: Beyond City Limits," *Brookings Policy Brief* No. 33, June 1998, p. 3.

57. U.S. Department of Housing and Urban Development, *Characteristics of HUD-Assisted Renters and Their Units in 1993* (Washington, DC: Department of Housing and Urban Development, Office of Policy Development and Research, May 1997), pp. 11–15.

repeated in other cities:

A 1993 study found that crime in Los Angeles housing projects, for instance, was three times greater than crime in surrounding high-crime neighborhoods. Chicago's Robert Taylor Homes, with 0.5 percent of that city's population, has accounted for 11 percent of its murders.⁵⁹

Federal grants to eliminate drug use targeted at public housing alone amounted to \$200.00 per public housing unit in 1998, a stark and frightening testimony either to the severity of the problem or to the ineffectiveness of the program.⁶⁰ However destructive the presence of these public housing projects may be to the well-being of older cities, HUD nevertheless will spend \$5.4 billion in fiscal year (FY) 1998 to operate and maintain these invidious infections on the urban landscape.⁶¹

In addition to its housing programs, HUD also is responsible for the federal government's urban revitalization responsibilities through the programs administered by HUD's Office of Community Planning and Development (OCPD), which annually accounts for \$4.6 billion, or about one-fifth of HUD's annual spending. Although presumptively the lead entity in the federal government's urban revitalization efforts, in practice the OCPD is primarily a housing-support agency; much of its urban revitalization activities center around its investment in, or renovation of, housing for low-income families.

In addition to providing subsidized housing, other OCPD programs have a strong social service component. Sub-offices within the OCPD illustrate this orientation toward social welfare,

including the Office of HIV/AIDS Housing, the Interagency Council on the Homeless, the Office of Affordable Housing Programs, and the Office of Special Needs Housing. Even the OCPD's empowerment zone program, which represents Bill Clinton's substitute for Ronald Reagan's enterprise zone program, places much more of an emphasis on social welfare than on economic revitalization. As a result, the empowerment zone program has had limited success in making meaningful improvement in the cities and communities in which it has been established.

Whereas traditional enterprise zones emphasize tax incentives to spur business and economic development, the empowerment zone concept emphasizes federal spending on a variety of such social welfare-type programs as job training, counseling, daycare, homeowner counseling, small business loans, seniors programs, youth programs, neighborhood cleanup, community gardens, food coops, ecological sustainability, needs of the homeless, health care, cultural events, and murals.⁶²

As one academic expert who has studied both types of programs observes,

the current Empowerment Zones legislation lacks major incentives for job creation (as it is more of a welfare program than an economic development program), and how there is a great need for additional economic incentives, as concluded from the evidence of my two research studies.⁶³

Notwithstanding the high cost and limited success of those empowerment zones already in place and the destructive nature of subsidized urban

58. U.S. General Accounting Office, *Community Development: Comprehensive Approaches Address Multiple Needs But Are Challenging to Implement*, GAO/RCED/HEHS-95-69, p. 21.

59. Howard Husock, "Repairing the Ladder: Toward a New Housing Paradigm," Reason Foundation *Policy Study* No. 207, July 1996, p. 13.

60. Weicher, p. 14.

61. Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, 1998, Report 105-53 [To accompany S. 1034], pp. 29-30.

62. U.S. General Accounting Office, *Community Development: Comprehensive Approaches Address Multiple Needs But Are Challenging to Implement*.

housing, President Clinton's FY 1999 budget proposes \$1.7 billion to fund an additional 20 empowerment zones and another \$1.6 billion in new tax credits for additional subsidized housing.⁶⁴

Oddly, HUD's current leadership acknowledges the department's poor performance but is reluctant to move boldly in the direction that would shift its resources from those programs destructive of communities to those that genuinely help those in need in ways that leave inner cities unscathed. In mid-1997, at the announcement of yet another HUD reform initiative, Secretary of HUD Andrew Cuomo described his department as the "poster child for inept government" that "has been plagued for years by scandal and mismanagement."⁶⁵ But the reforms proposed fall well short of the bold initiatives of former Secretary of HUD Henry Cisneros and instead attempt to do little more than make important cosmetic changes in the vast array of failed programs that clutter HUD's bureaucracy.

One such project is HUD's new initiative to recruit an "urban Peace Corps" called the Community Builder's Fellowship,

equipped with laptop computers that will effectively serve as mobile offices and technology links, providing the latest information on how the agency can assist communities and what HUD-funded efforts are already underway.⁶⁶

If this is a serious effort to respond to community needs and wishes, and not a gimcrack to garner publicity, the Community Builder's Fellowship also should offer communities the option of pressing the delete key on those computers.

Other federal or federally encouraged programs that may have disproportionately negative effects on older urban neighborhoods include historic preservation, regulations on structures containing lead-based paint, and regulations concerning the development of areas designated as "brownfields." Historic preservation laws allow communities containing structures of some historic interest or significance to declare themselves historic preservation districts. All future construction and renovation has to conform to designs, renovation techniques, and building materials that meet some defined historic standard as promulgated by a community's historic preservation board. Although well-meaning in intent, in practice these standards have forced landowners to comply with cumbersome bureaucratic approval processes, confined improvements within a limited range of options, and forced costly renovation techniques and materials on landowners. Confronted with both inordinate costs and delays, many residents opt not to improve their properties, and potential new entrants to the neighborhood are discouraged from buying. As a result, in many such designated areas, which frequently are concentrated in older urban neighborhoods, the major community attribute that is preserved is the deteriorated condition of many of the structures.

Lead-based paint, which was commonly used in residential structures through the early 1950s, must be removed for a structure to be eligible for funds from various federal programs, including HUD's HOME programs and Community Development Block Grants. Because a large portion of the pre-1950s housing stock is located within central cities, such restrictions can place a disproportionate burden on owners, renovators, and prospective buyers of inner-city properties. In more affluent areas of the city or in the older,

63. Terry Van Allen, *The Impact of Enterprise Zones on Employment* (San Francisco, CA: Austin & Winfield, 1995), Author's Note.

64. *Budget of the United States Government, Fiscal Year 1999* (Washington, DC: Government Printing Office, 1998), pp. 115–120.

65. "Cuomo Announces Historic Management Reforms for HUD to Stamp Out Fraud and Abuse and Improve Performance," HUD News Release No. 97–109, June 26, 1997, p. 1.

66. "HUD Wants You!... As a New Recruit for Community Builders," HUD News Release No. 98–123, March 18, 1998, p. 1.

surrounding suburbs, and including housing purchased with mortgages insured by the Federal Housing Administration, the existence of lead-based paint is a matter for negotiation between buyer and seller, and costly remediation efforts seldom are an issue or outcome.

Similar to the constraints placed on home sales and renovation by the presence of lead-based paint is the community-encompassing environmental regulations applied to brownfield sites, typically places in which past industrial and commercial activities may have led to contamination by toxic chemicals. Because some of these chemicals may be harmful to humans at certain concentrations, designated brownfields are subject to extensive testing as well as the possibility of costly remediation and unlimited future liability. Recognizing that such sites are confined largely to older inner cities and that federal regulations could deter further economic development in areas already deemed commercially unattractive, efforts had been under way to ameliorate the regulatory burden of brownfield regulations through more reasonable risk assessment, cost-effective remediation, and expedited approvals.

Lately, these efforts to expedite urban development through environmental regulatory reform have confronted an unexpected setback from the U.S. Environmental Protection Agency (EPA), which recently proposed linking pollution to civil rights. Dubbed "environmental justice," this EPA effort would require "all companies to analyze how pollution would affect minority communities before getting necessary permits for releasing pollution in the air and water or creating solid waste."⁶⁷ As onerous as many environmental regulations are to business development, linking them as well to highly sensitive civil rights issues would

hobble urban development further by discouraging businesses from locating in communities with significant minority populations. Already, many businesses that had planned inner-city investments have started to postpone or back out of their plans as a result of this new federal approach to environmental regulation.

Acknowledging that these and other federal regulations may have an adverse impact on inner cities and on the availability of affordable housing, the 1991 report by the Advisory Commission on Regulatory Barriers to Affordable Housing recommended to then President George Bush and Secretary of HUD Jack Kemp the creation of an interagency Affordable Housing Regulatory Review Board to provide waivers or adjustments to federal regulations to increase the supply of affordable housing.⁶⁸

Reform Federal Job Training Programs

Similar in intent and success to the ineffective and counterproductive HUD programs are the 163 federally funded job training, counseling, and placement programs, many of which are operated by the Departments of Labor and Education in cooperation with state and local governments. The Departments of Labor and Education fund most such programs (about 60 percent), while 13 other federal departments and agencies, including HUD, share the remainder. Only a few of the programs have been subject to rigorous assessment, and what findings there are indicate a record of failure and serve to demonstrate further that government can do very little to alter the likelihood of diminished employment success when city school systems neglect the first 12 years of education.⁶⁹

Another favorite of the Clinton Administration and Congress to encourage economic

67. David Mastio, "EPA Rule Troubles Business: Some Balk at Plans, Citing Civil Rights, Pollution Linkage," *The Detroit News*, April 26, 1998.

68. *Not in My Back Yard: Removing Barriers to Affordable Housing*. Report to President Bush and Secretary Kemp by the Advisory Commission on Regulatory Barriers to Affordable Housing, Washington DC, 1991, p. 6-5.

69. See Scott A. Hodge, ed., *Balancing America's Budget* (Washington, DC: The Heritage Foundation, 1997), pp. 295-297, for a discussion of these programs and their inadequacies. See also Mark Wilson, "Reforming the Federal Job Training Programs: How Congress Can Avoid Previous Failures," Heritage Foundation *FYI* No. 151, September 30, 1997.

development and increase employment are targeted jobs tax credits that allow businesses (in general or in low-income areas) to reduce their taxes by a portion of the wages paid to eligible workers—usually those that were unemployed or on welfare. There have been several such programs over the past several decades, including the Targeted Jobs Tax Credit (TJTC), which was replaced by the Work Opportunity Tax Credit, which, in turn, was supplemented with the Welfare to Work Tax Credit. Government studies of the program, including one by the Clinton Administration's Department of Labor, have found such tax incentives to be ineffective in boosting the employment of the targeted beneficiaries.

Charles Masten, the inspector general at the Department of Labor who had conducted an audit of the TJTC program, stated that it had “virtually no impact on employers’ decisions to hire members” of these groups. The audit showed that nearly 92 percent of the workers hired would have been hired anyway. Auditors estimated that the program cost \$374 million a year and produced benefits of only \$147 million, thereby yielding benefits of only 37 cents for every \$1 spent. Masten concluded that the program was a “wind-fall for employers since the program [was] inconsequential in encouraging the employment” of the welfare recipients and other groups it was intended to help.⁷⁰ Even President Clinton's former secretary of labor, Robert Reich, was skeptical of the credits when he concluded that “Investing scarce resources in programs that don't deliver cheats workers who require results and taxpayers who finance failure.”⁷¹

The Congressional Research Service came to a similar conclusion when it found that:

The TJTC cannot be considered a success in light of most studies’ findings. The

program helped relatively few members of the eligible population get jobs. Moreover, TJTC-eligibles typically were employed in subsidized jobs of short duration, which could not have afforded them much chance to acquire the skills and experience that might qualify them for unsubsidized jobs.⁷²

Notwithstanding the program's two-decade history of costly ineffectiveness, targeted jobs tax credits continue as one of the preferred mechanisms of Congress and the Clinton Administration for fostering urban economic development. In 1997, for example, President Clinton proposed, and Congress accepted, a targeted jobs tax credit as part of the multibillion-dollar bailout of the District of Columbia. As is clear from the similar ineffectiveness of the many federal job training programs, these costly gimmicks are poor substitutes for urban public schools that fail to impart an adequate education to the students that attend them.

Because public elementary and secondary schools in the United States operate under local control and funding and in accordance with a state's education laws, the federal government's role in local education technically is indirect and tangential. But the Department of Education, created in 1979, now spends more than \$30 billion per year, and is able to link a school system's eligibility for federal dollars to the school's adherence to certain federal rules, regulations, procedures, and programs. This power gives the Department of Education significant influence over what and how a school teaches its students.

Unfortunately for the students enrolled in failed inner-city schools, nothing the Department of Education offers provides any meaningful incentives for schools to improve the quality of their

70. Office of the Inspector General, U.S. Department of Labor, *Targeted Jobs Tax Credit Program: Employment Inducement or Employer Windfall?* August 1994, as cited in Joint Economic Committee, U.S. Congress, “The Inefficiency of Targeted Tax Policies,” April 1997.

71. Joint Economic Committee, U.S. Congress, “The Welfare-to-Work Tax Credit,” *Joint Economic Committee Report*, March 1997, p. 5.

72. *Ibid.*, p. 5.

instruction or holds those schools accountable for their lack of performance. As a result, a sustained pattern of relentless failure by any public school system in no way would jeopardize its access to federal money. In most cases, all that is required to maintain federal funding is adherence to a series of rules and regulations and the creation of local bureaucracies to oversee the programs. Indeed, because many of the Department of Education's programs and funds are targeted to troubled schools, poor student performance actually can enhance a school system's prospects for getting even more federal money.

As a result, federal involvement in elementary and secondary education is no more effective than federal job training. If Congress chooses to maintain a Department of Education, however ineffective it has been, then its education spending should be available through block grants—with a state's or community's continued eligibility contingent on improved performance by students.

CONCLUSION

Thanks to the recent emergence of a new breed of city leader who understands that urban revitalization begins at home, and that he alone has the responsibility, authority, and resources to implement positive change, America stands on the brink of a new approach to urban revitalization. Following decades of a growing dependence on money, directives, and guidelines from Washington, D.C., that did nothing to halt the decline and deterioration of older cities, this new breed of city leader has discovered that the simple act of providing basic city services at levels of quality competitive with those offered by the suburbs are likely to have a powerful payoff by attracting and holding hard-working, tax-paying households and businesses to serve them.

As the studies on the influence of crime reveal, cities whose violent crime rates are closer to the national average, and to those in their suburbs, are cities that have held on to their populations or are actually gaining. And as a result of this finding, an increasing number of cities are revamping their police departments and making progress against

crime. Although it is too early to tell, it is likely that improvements in public education now getting under way in a few cities will have a powerful influence on holding onto residents.

Once the population stabilizes and residents begin to think of the city as their permanent home rather than a place to get started before moving elsewhere, these residents, through their actions, their votes, and their civic participation, will begin to reshape their communities in ways that ultimately will establish them as attractive places to live and do business. What these revitalized cities will look like is anyone's guess, but whatever they become and the manner in which they get there should not be held hostage to approved national objectives, or assisted and guided by HUD or any other federal entity.

Reference is made earlier to the process by which independent and uncoordinated human action by thousands of new arrivals gave rise to prosperous and livable communities in the suburbs. Indeed, America's now-troubled older cities achieved their earlier greatness in this fashion. These same powerful forces that derive from the exercise of individual will can be harnessed to achieve livable communities in the wreckage of America's troubled urban environments. Joel Garreau captures the essence of this phenomena when he observes at the very beginning of his best-selling book that:

Americans basically are pretty smart cookies who generally know what they're doing.... [T]he one thing that Americans have demonstrably done better than any other culture in history—for centuries—is handle chaos and change, and invent the future. Americans are part of a wildly individualistic, determined culture that may or may not know how to resolve dilemmas, but that does attack obstacles—compulsively and reflexively. Americans believe, endearingly and in spite of all evidence, that for every problem there is a solution.... Once Americans have chosen a future, it is open to being molded and

shaped, but anyone merely standing in its way is inviting a trampling.⁷³

After four or five decades of failure, it is time for government to get out of the way and give urban

citizens free rein in devising strategies to save their cities.

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73. Joel Garreau, *Edge City: Life on the New Frontier* (New York, NY: Doubleday, Anchor Books, 1991), pp. ixx–xx.