

IN DEPTH

Carter throws peanuts to cities

By Marc A. Weiss and Erica Schoenberger

Last November, just after the demise of the main elements of President Carter's urban legislative package, Presidential adviser Anne Wexler commented, "There has been no diminution in our commitment. We're just looking for a new strategy to get it introduced and passed." Now that President Carter has announced his proposed budget for 1980, the "new" urban strategy is, peanuts for the cities.

In order to pave the way for an \$11 billion increase in defense spending, Carter has wadded a heavy axe on a wide variety of urban aid programs and other social services that benefit low and moderate income people and minorities.

CETA jobs, already slashed last year by 100,000 are due for further cuts of 158,000 positions under Carter's budget proposals. New York City alone will be forced to lay off 7,000 CETA employees.

A separate program, the summer jobs for youth, which is particularly needed in urban ghettos, is being pared back by a whopping 25 percent. Carter's solution: 14-year-olds will lose eligibility.

Public housing and subsidized rental assistance for low and moderate income families is slated to be cut by nearly 10 percent, although low-interest housing rehabilitation loans in newly chic inner city neighborhoods will be increased. Since most of these loans go to higher-income individuals, this seems to be a clear case of adding insult to injury.

Urban League president Vernon Jordan argues that Carter's austerity policy combined with an already intolerable unemployment rate is pushing black Americans to "the brink of disaster."

A friend in the White House?

The drastic cutbacks in federal urban assistance are all the more striking given Carter's pledge just last spring that "the cities of our country have a friend, an ally and a partner in the White House." This pledge was the capstone of the President's announcement of a "comprehensive national urban policy." March 23, 1978, promising an extra \$5 billion in new city programs and a reordering of federal urban priorities. Most urban leaders are now puzzling over the precise whereabouts of their friendly partner.

Carter's announcement came nearly two years after making a campaign promise in July 1976 to focus federal attention on solving urban problems if elected President. By July 1977, many of the voters who helped put Carter into office on the basis of this and similar pledges were angry at the White House's lack of responsiveness. Vernon Jordan made a critical speech that galvanized the administration into action. A flurry of Cabinet-level meetings and federal task forces resulted in the set of proposals the President unveiled with considerable fanfare last March.

The substance of the proposed urban policy fell roughly into four categories. First, President Carter promised more interagency coordination and a new process called "Urban Impact Analysis" whereby the federal government would try to consider the specifically urban impacts of any new programs or policies. The purpose of this process is to avoid a repetition of the disastrous impact FHA mortgage insurance, interstate highway funding, federal energy policies and other "non-urban" programs have had on central cities in the past 30 years.

A second element of the proposed strategy was to increase the "targeting" of federal spending whereby urban-oriented programs would concentrate on the "most distressed" cities, neighborhoods and people. Targeted efforts were to include the location of federal facilities, federal procurement policy, fiscal assistance to city treasuries, public works funding, and public service jobs programs.

The third idea stressed in Carter's approach was the notion of "leveraging a modest amount of federal dollars to induce a greater commitment of private resources to economic revitalization of cities. The bulk of this program consisted of large subsidies to business in the form of tax credits, loans, loan guarantees, and grants. In addition, smaller sums were promised to neighborhood and self-help groups to help finance housing rehabilitation and other projects.

Do not pass Go...

The high point of all this hoopla came last August when Carter signed Executive Orders implementing the Urban Impact Analysis, the interagency review process, and the targeting of federal facilities and procurement. On the Congressional front, however, things were considerably bleaker. Almost all of the legislative proposals were on their way to defeat.

All of the administration's "highest priority" urban programs, including public works, supplemental fiscal aid and countercyclical revenue sharing, and incentive grants to states, ran aground on Capitol Hill. Public service jobs also sank, as did the National Development Bank. The only major initiatives to clear Congress were an employment tax credit and the extension of the investment tax credit to rehabilitated structures. These two business subsidies were passed only after they shed their urban image and were "folded into" the markedly pro-business 1978 Tax Bill.

One reason for the failure of this huge package of legislation is the lack of any significant backing by the Carter administration. It seems that President Carter was content to fulfill his campaign pledge to promulgate an urban policy and equally content to see that policy fail. One Congressional staffer characterized the administration's disorganized and unenthusiastic lobbying effort as "a bunch of second tier Treasury people rap-tap-tapping on everybody's door." The only hard lobbying for some of the proposals was done by the urban constituencies themselves.

The Great Leap Backward.

The much-heralded national urban policy has left behind scant traces of glory. Of the four Executive Orders, the interagency review process is clearly meaningless, and the targeting of federal facilities and procurement has thus far been honored more in the breach than the observance. Federal agencies and the scandal-ridden General Services Administration are already in a fit of utter confusion over the previous Presidential mandates to target their activities to high-unemployment rural areas, women and minorities, veterans, handicapped individuals, and a host of other people and places.

Urban Impact Analysis (UIA) remains the most promising of the Executive Orders, but it too is fraught with problems. To begin with, unlike Environmental Impact Statements, UIAs are not legally binding. Secondly, UIAs only apply to new federal initiatives, not existing programs or policies. Thirdly, each agency decides which initiatives it wants to at-

alyze and performs the analysis on itself. And finally, the ideology of UIAs shift the terms of debate by blaming the federal government for urban ills, rather than the private sector, which certainly must bear its share of the responsibility. Private corporations should also be required to account for their own negative urban impacts.

Of last year's tattered legislative package, the sole born-again administration initiative for 1980 is Carter's proposal for a National Development Bank. This controversial measure has the virtue in Carter's eyes of being as big a boondoggle for the business community as last year's Tax Bill. By limiting the Bank's subsidies to only the most credit-worthy clients, Carter is ensuring that the primary recipients of this federal beneficence will be large corporations that are least in need of assistance.

Whether any new jobs will be created by this approach is highly doubtful, since several detailed studies by Professors Bennett Harrison and Sandra Kanter in Boston and Roger Vaughn of the RAND Corporation have convincingly demonstrated that these types of business incentives have virtually no effect on corporate decisions, and merely reward them for doing what they would have done anyway. Smaller, high-risk companies or community-based and cooperative enterprises that could significantly benefit from federal capital subsidies, will not be eligible for National Development Bank loans.

The notion that the National Development Bank could generate even the slightest bit of excitement among urban groups was quickly squelched in November when the National League of Cities refused to endorse the measure after President Carter actively solicited their support.

Since one of the other major initiatives is even being contemplated by the administration, at this point the "national urban policy" is just about dead. The

New York Times recently quoted Richard Nathan of the Brookings Institution as saying, "The heyday of urban policy may turn out to have been the period just before the announcement of the Carter urban program."

Obstacles and opportunities.

Part of the reason for the difficulties that the urban efforts encountered in Congress last year is that the constituency groups themselves are divided as to how to proceed. Representatives of declining Northeastern and Midwestern cities pushed for targeting spending on the basis of slow growth rates in jobs and population, while southern urban lobbies are more concerned about targeting to cities with large numbers of low income people. In other words, each side in the urban wing of the "Frostbelt-Sunbelt" controversy wants more for itself and is unwilling to compromise. Neither side has the votes and Carter gets off scot-free with promises but no programs.

Even if the warring regional congressional delegations had united and Carter's entire program had passed, however, the most serious city problems would still have persisted. The unequal distribution of income, wealth and power, racial and sexual discrimination, and the unbridled dominance of large corporations on all our lives will not disappear with increased countercyclical revenue sharing.

Continued efforts at organizing on the local level aimed at creating viable alternative economic institutions and attaining political power are necessary steps to ensure that the next national urban policy is more than just a big smile from the White House.

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