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### \* COMPARATIVE STATE POLITICS NEWSLETTER BEGINS PUBLICATION \*

The Political Science Department at the University of Kentucky announces the publication of Comparative State Politics Newsletter. The editor of the Newsletter is Professor Malcolm Jewell. It will appear five times a year and the price of a subscription to individuals is \$5.00. Institutions may subscribe at a cost of \$10.00 per year. The first issue of the Newsletter (Vol. 1, No. 1) is dated October, 1979.

The CSF Notebook welcomes the Comparative State Politics Newsletter to the field of publications covering topics that are important and interesting to the membership of the Conference For Federal Studies. We wish it good luck and great success for many years to come. We hope to cooperate with it in any way that will produce benefits for our respective readerships. To help Conference for Federal Studies members decide whether they would like to subscribe to the Newsletter we are reprinting the following excerpts from the first issue which more fully explain its purposes and goals.

"Briefly, we plan to report on current developments and current research on government and politics in the fifty American states. We will focus attention on state parties and elections, constitutional developments, the legislative, executive, and judicial branches, and state opinion polls.

We will not try to duplicate the work of the press in covering election campaigns or returns. We will not try to summarize public policy outputs of the state governments, which are already reported by publications of the Council of State Governments and other specialized groups. Our purpose is to collect and communicate information on how the governmental and political processes work at the state level--information that would interest those who will be reporting developments in individual states that may be unusual, or appear to be part of a trend, or tend to support or contradict research findings in the comparative state politics field.

Although the Newsletter is edited and produced by the Political Science Department at the University of Kentucky, this is actually a cooperative enterprise, in which political scientists who are interested in state government and politics exchange information about their states. We are seeking to improve communications among those who are engaged in teaching, research and practice in this field, but who often lack specific, current information about other states."

Subscription requests and inquiries about the Comparative State Politics Newsletter should be addressed to: Department of Political Science, University of Kentucky, Lexington, KY 40506.

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### THIRD ANNUAL REVIEW READY FOR PUBLICATION

The next issue of PUBLIUS will be the third edition of its annual review of the major stories that arose in the American federal system during the preceding year. "The State of American Federalism 1979" continues the

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• Temple University, Gladfelter Hall, Philadelphia, Pennsylvania 19122 .  
•  
• Editor: Benjamin R. Schuster .  
• Editorial Assistant: Monica Wysong .  
• Productions: Theresa B. Taylor .  
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traditions initiated by its two predecessors. In a highly readable fashion, the articles in this year's annual review examine those contemporary public policy issues which reveal the essential dynamics of American federalism. As the following table of contents reveals, the topics covered range from the efforts to deal with the country's sudden influx of Indochinese refugees to the crisis generated by the leakage of buried chemical wastes near Niagara Falls, N. Y. A special feature of the issue is a symposium on the "Energy Crisis of 1979" which includes five articles dealing with various aspects of the crucial energy question and its impact within all parts of the federal system.

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PUBLIUS Vol. 10, No. 1

The State of American Federalism: 1979

Stephen L. Schechter, Special Editor

From the Editor of PUBLIUS

"The State of American Federalism: 1979" - by Stephen L. Schechter,  
Special Editor

"Entering the 1980s: The Citybelt-Cybernetic Frontier - by Daniel J. Elazar

"The Indochinese Legacy: The Refugee Act of 1979" - by Edwin B. Silverman

"The 1979 Energy Crisis in Intergovernmental Perspective"

Symposium Introduction - by Alfred R. Light

Energy Conservation and the States: Approaches to Implementing National  
Policy - by James L. Regins

The Governor's Push for Emergency Energy Powers - by Alfred L. Light

Carter's Nuclear Licensing Reform vs. Three Mile Island - by Richard T.  
Sylvester

The Struggle to Implement a National Surface Mining Policy - by Donald C.  
Mengel and Terry D. Edgmon

The Priority Energy Project Act: A New Remedy for the Law's Delay -  
by Walter B. Stahr

"The Intergovernmental Cleanup at Love Canal: A First Crack at the Sleep-  
ing Giant of the Decade" - by Rae Tyson

"The Home Mortgage Revenue Bonds Controversy" - by Susannah E. Calkins  
and Leanne R. Aronson

"Presidential Campaigning, Federalism and the Federal Election Campaign  
Act" - by John F. Bibby and Cornelius P. Cotter

"Managing Leviathan: The Intergovernmental Management Agenda for 1980"  
- by George J. Gordon

As we have stated many times in these pages, the previous editions of PUBLIUS' annual review were widely regarded as excellent supplementary texts for many different kinds of college and university courses. Instructors have been uniformly enthusiastic in their reports that students in undergraduate and graduate classes found the articles in both annual reviews to

helpfully illustrate and clarify much of the material they encountered in their texts and other readings. Repeat orders for the issue have been the rule in almost every case. As a way of encouraging more instructors to adopt the annual review in their courses we are continuing our policy of offering a 20% discount on the purchase price of single copies when 10 or more copies are ordered. This offer is also applicable to the first two editions of the annual review (1977 and 1978), the contents of which are still very timely and, thus, quite useful for courses in present and forthcoming semesters for some time to come.

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### NEW PUBLICATIONS

The Center for the Study of Federalism announces the availability of the following publications:

"Sticking-Points and Ploys in Federal-Local Relations"

by Donald B. Rosenthal, State University of New York at Buffalo

In this monograph, Professor Rosenthal attempts to clarify our understanding of the bargaining relationship which is at the core of most intergovernmental transactions in the American federal system. He does so by examining seven cases of federal-local interaction across a wide spectrum of policy areas. The cases include: the snow disaster of 1977, sewage plant improvement in a local suburb, flood control for Elliot Creek, the establishment of a health maintenance organization (HMO) in Erie County, construction of a mass transit system for the city of Buffalo, the city's efforts to write a Housing Assistance Plan (HAP) under the federal Community Development Block Grant (CDBG) program, and integration of Buffalo's public school staff.

Professor Rosenthal's major goal in this study is "...to look at a series of cases and to characterize the nature of the bargaining process, the factors which defined the bargaining approaches employed by the several parties to the process and the reasons for the outcomes achieved." In the course of doing this he uncovers a number of ways in which the process of intergovernmental relations is subject to interruptions and interference (sticking points) and the various strategies (ploys) by which the actors in the system attempt to overcome such problems. The result is a very reasonable monograph which adds a new dimension to the literature on federal-local relations and considerably advances the theoretical discussion of bargaining theory in the context of American federalism. Because of its very readable style, we highly recommend "Sticking-Points and Ploys in Federal-Local Relations" for use in both undergraduate and graduate classes. Price: \$3.50 apiece, 10% discount on orders of ten or more.

"The Literature of Systematic Quantitative Comparison in American States  
Politics: An Assessment Revised with an Updated Bibliography"  
by Robert L. Savage, University of Arkansas

This is a revised version of a Center Report originally published in 1976. In this report Professor Savage reviews the major contemporary approaches to the comparative study of state politics and then presents an extensive bibliography of sources related to this field of scholarship. Professor Savage is particularly concerned in his analysis with the dominant image of state politics that has emerged from these four approaches. He presents an alternative model along with five related potential problem areas as a first step toward developing a comprehensive theory of state political action.

It is Professor Savage's contention that "...the future of this mode of research is likely to reach its full potential only if its adherents become more aware of...the infinite complexity of the reality of American state politics..." We think that "The Literature of Systematic Quantitative Comparison in American State Politics" is a useful starting point as well as an invaluable resource for most research efforts involving some aspect of state political systems. It is "must" for anyone engaged in policy analysis studies related to state governmental arenas. Price: \$3.00

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#### ANNOUNCEMENT OF GRADUATE RESEARCH ASSISTANTSHIPS

The Center for the Study of Federalism has several openings for graduate research assistants for the 1980-81 academic year. The assistantships offer graduate students a unique opportunity to participate in the diverse range of activities that constitute the Center's ongoing program and research agenda. Students should be aware that in all of the activities and projects undertaken by the Center - whether scholarly in a traditional way or more empirically oriented - every effort is made to combine the highest level theoretical inquiry with the most pertinent practical questions and procedures. In addition, assignments of tasks and responsibilities try to maximize the fit between each student's personal academic program and the Center's immediate needs and long-range goals. Stipends for each assistantship average around \$4,000.00 per year and include full tuition remission for graduate enrollment at Temple University. Previous assistants have come from a number of academic departments including political science, urban studies, journalism, and social administration. For more information or for application forms contact Dr. Benjamin R. Schuster at the Center for the Study of Federalism.

# WHY SIXTY BILLION FEDERAL DOLLARS HAVE NOT SAVED THE CENTRAL CITIES

An Exchange  
by

Howard E. Shuman  
Administrative Assistant to  
Senator William Proxmire

Donna Shalala  
Assistant Secretary of  
Policy Development and Research  
U. S. Department of Housing & Urban Development

Paul R. Dommel  
Senior Fellow  
The Brookings Institution

NOTE: The CFS Notebook is very happy to present the following exchange of views on a topic that should be of great interest to most Conference for Federal Studies members. In the first of the following set of papers, Howard E. Shuman, administrative assistant to Senator William Proxmire, briefly assesses the current status of the federal government's multifaceted urban policy and describes those factors he thinks have been most responsible for achieving that status. His analysis is commented on in succeeding pieces by Donna Shalala, assistant secretary of Policy Development and Research at the U. S. Department of Housing and Urban Development, and Paul Dommel, senior fellow and director of the Community Development Block Grant Monitoring Project at the Brookings Institution.

Each of the participants in this exchange continues to have some input into the national urban policy-making process. It is clear that they do not always agree with one another. However, we think that the issues raised in the interchange deserve the broadest airing and the widest circulation possible. We hope that the package stimulates considerable thought on the part of Conference members and urge them to utilize this forum for continuing the dialogue initiated here.

Howard E. Shuman\*

It is fashionable for mayors to say "We need a Marshall Plan for the Cities." But we already have a "Marshall Plan for the Cities." Massive funds now pour out of Washington to the urban and metropolitan areas of the country. There is \$6 billion in general revenue sharing, \$3.5 billion in Community Development funds, \$400 million for Urban Development Action Grants (UDAG which some people think should be called UDOG), \$4.5 billion for subsidized housing, \$1 billion in municipal bond subsidies, \$4.5 billion in water and sewer grants, \$2.4 billion in mass transit funds, \$2.7 billion in airport aid and \$11 billion in CETA money. When one adds in the funds for individuals--unemployment compensation, Aid to Families with Dependent Children, food stamps, --and adds in the money for law enforcement, hospitals, research grants, highways, etc., the total is at least \$80 billion. When we subtract the amounts which go to the states and rural areas the amount which cities and metropolitan areas receive is at least \$60 billion a year.

The Marshall Plan provided some \$13 billion to 17 European countries with a population somewhat larger than that of the United States over a period of five years, or about \$2.6 billion a year.

So, we have a Marshall Plan for the cities, a plan which provides 23 times per year the amount we spent annually for Europe and, even when we allow for inflation, about ten times more than we put into Europe each year under the Marshall Plan.

The magnitude of federal aid was made clear in a recent study by the Advisory Commission on Intergovernmental Relations. It showed that for every \$100 dollars of general revenues raised locally by 15 selected major cities, the federal government put up \$47.50. In 1957, the federal government put up \$1.10 for every \$100 of general revenue raised by these cities and in 1967 it was only \$5.20. Now it is almost \$50 for every \$100 the cities raise. We have seen a veritable flood of federal money whose purpose is to stop the hemorrhaging of the lifeblood of the cities.

Some will say this proves that merely throwing dollars at problems doesn't solve them. But money is a partial answer and money does help. Why then are things still so bad in the cities and why is President Carter

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\*Prepared for delivery at the 1979 Annual Meeting of The American Political Science Association, the New York Hilton Hotel, New York, New York, August 31-September 3, 1978. Copyright by The American Political Science Association, 1978.

proposing and Congress disposing of yet another urban package?

There is no simple answer but the best single answer is that these massive funds are not targeted to those who have the problems and need the funds the most. Lots of money goes out in a mindless way for diffused purposes, from a myriad of agencies, and authorized by a plethora of Congressional Committees.

Highways and Mass Transit are at DOT, general revenue sharing and the New York Loan are at the Treasury, housing is at HUD, welfare at HEW, CETA at Labor, and water and sewer grants at EPA. Some critics aver that as he who controls sewers controls urban development a sensible reorganization might well put EPA in charge of urban policy.

There are fundamental reasons why funds are not targeted and Congress and the President are frustrated over urban policy. I will mention only three.

The first is the Paterson Plan effect. For those Ph.D. candidates whose course of study has emphasized behavioural psychology and mathematical and computer sciences but which ignores the Federalist Papers and the proceedings of the Constitutional Convention let me explain that I am not referring to Floyd Patterson the boxer but to the original New Jersey Paterson who proposed a federal legislature giving each State equal representation. The ultimate solution embodied in Ellsworth's Connecticut Compromise gave us Article I., Section 3 of the Constitution which, since amended, provides that the Senate of the United States shall be composed of two Senators from each State, elected by the people thereof, for six years, and each Senator shall have one vote. The Paterson Plan was also the father of that part of Article V., the amending provision, which provides that "...no State without its consent, shall be deprived of its equal Suffrage in the Senate." This is the one provision of the Constitution which cannot be changed. What this means is that the Senate is now the only Constitutionally gerrymandered legislative body in the country. It is one of the fundamental reasons why funds are diffused. It benefits the small states with lots of Senators and very few people as against the large states with lots of people and very few Senators.

The 17 largest and 17 smallest states each have 34 votes but the former have 70% of the population and the latter only 7%--one-tenth as many. Theoretically the 7% could defeat a treaty, prevent conviction for impeachment, beat a Constitutional amendment, or sustain a veto.

I have watched over the years while progressive proposals, civil rights bills, changes to the filibuster rule, and natural gas regulation, to name three, were defeated by votes of about 62 to 38 only to find that the Senators comprising the 38 votes represented 60 to 70 percent of the population.

This tells us a number of things. It tells us why there must be an overwhelming consensus in the country before highly controversial matters can become law. It also tells us why special interest groups make proportionately larger campaign contributions to Senatorial campaigns in the states with a small population as against those in California, Illinois, or New York. It takes a lot less money to influence a race in a state with a population of 400,000 than one with 10 to 20 million people. But the winner in each has one equal vote in the Senate of the United States.

I have watched some mountain state Senators whose states could not survive for a week without the largess they get from the federal government--public works; reclamation projects; sugar, wool, lead and zinc, and timber subsidies; and the grazing and maintenance benefits from federal land--weep and wail over the federal debt and deficit spending. These disproportionate beneficiaries of the federal till remind me of what the British journalist Labourchere said about Gladstone, "I don't mind Mr. Gladstone having all the aces up his sleeve. What I object to is his insistence that the good Lord put them there."

Because of Mr. Paterson, the formulas by which funds are passed out provide a minimum amount to each of the 50 States which is almost always proportionately larger than the populations of the so-called "tin cup" states. There are numerous examples. One small state which received its minimum amount under a transportation bill found that it had no railroads or rolling stock for which the funds could be used. It therefore set up a commission financed from that state's formula share to determine how the funds might be spent in the future.

Recently, the Tower amendment to the Urban Development Action Grant program, a program originally targeted to the poorest urban areas, provided eligibility for such affluent cities as Wauwatosa, Wisconsin and Greenwich, Connecticut. To illustrate further, I once heard Senator Chavez of New Mexico, who for years handled the public works bill, complain about Senator Paul Douglas' critical opposition to the pork barrel with the words, "I don't understand why the Senator from Illinois is against this bill. There's something in it for everybody."

A second reason is the Baker v. Carr syndrome. If the Senate suffers from the Paterson Plan, a fundamental reason for the diffusion of funds by the House is the outgrowth of that great Supreme Court decision. In Baker v.

Carr, the Supreme Court determined that apportionment was not merely a political issue but one which the courts could decide. A subsequent case, Reynolds v. Sims, provided that people rather than trees or acres should be represented in popularly elected legislatures. Baker v. Carr did not shift power from the rural areas to the cities, as many had hoped, but from the rural areas to the middle class suburbs. In the House, the combination of rural and suburban Members and the coalition of those who vote with them is generally powerful enough to defeat the targeting of funds to down and out urban pockets of distress. Witness the defeat of Secretary Harris' regulations to require that 75 percent of the Community development funds--which by law must go primarily to low and moderate income persons--go to those areas where low and moderate income persons live.

There is in existence at this moment a House and Senate Conference Committee on the 1978 Housing and Community Development Act which is in conflict and is contending on this very issue. A House provision provides for a one House veto of HUD regulations. It is a direct outgrowth of the proposed regulation that 75% of the funds must go to low and moderate income areas. Incidentally, that is a misnomer. An area with only half of its people in the low and moderate income groups qualifies as one which is "primarily" made up of low and moderate income persons. Fifty percent of 75 percent is 37.5 percent so that even under the HUD regulation as much as 62.5 percent of the money could go to those above the low and moderate income levels. But the House wants a chance to veto even the watered down "low and moderate" regulations.

There is another amendment in the House bill which would do away with the "primarily for low and moderate income" language and provide for three primary and co-equal purposes for which CD money could be used; namely, for low and moderate income persons, to eliminate or prevent slums and blight, and to meet urgent needs. The language also provides that the Secretary may not disapprove of any application because it emphasizes one of the three over the others.

Finally, there is a conflict in the Conference over the "expected to reside" provision. The law provides that to get Community Development funds there must be a Housing Assistance Plan telling how the community is going to provide housing for low and moderate income persons who reside or are "expected to reside" in the community. HUD's regulations interpret the "expected to reside" language to require communities to provide their fair share of housing for low and moderate persons in the area.

Under a House amendment, "expected to reside" is defined to mean only those who are expected to reside because of "employment" in the community. Such a definition would allow a very high income suburban bedroom

community to continue to get community development funds even if it zoned out industry and provided for five acre lots. The Senate rejected a Griffin of Michigan Amendment providing that the community itself was to decide who was "expected to reside" in the towns or cities.

These amendments grow out of the Livonia, Michigan case where HUD withheld funds because the city refused to provide low and moderate income housing. They are essentially efforts to tighten the white suburban noose around the black central cities and to prevent the poor, and especially poor families, from breeching the suburban Berlin Walls while leaving the CD funds intact. They are the children of the suburban-rural conservative coalition in the House.

A third reason for the proliferation rather than targeting of funds is what I call the modern version of the Lincoln Steffens or Ida Tarbell effect. As it was not the politicians alone who were corrupting the cities but the politicians in league with powerful business and economic forces who were corrupting the cities. In the modern version the politicians join with the economic and down-town business community not to corrupt the cities but to corrupt the purposes and intent for the use of the funds which go to the cities.

In a study of the first year of the use of the Community Development funds, the National Association of Housing and Redevelopment Officials (NAHRO) found that more CD money went to high income city census tracts than to low income city census tracts. In a study of the use of funds in the second year, NAHRO found that not only more but 50% more CD funds went to upper income census tracts in spite of the requirements of the law that the program go primarily to low and moderate income groups.

Even in Milwaukee, one of the most honest and best run cities in the country, the first Community Development project was to rehabilitate the old downtown Pabst Theatre whose patrons are primarily from the more powerful and affluent groups in the community. The second was the renewal of a downtown area where one of the best restaurants is located. When their first UDAG application, proposing among other things a luxury hotel for the downtown area, was rejected by HUD because it failed to provide a sufficient local contribution, the City successfully reapplied after getting a new and needed federal building which even though essentially provided by the federal government was counted as part of the local contribution.

The point is that even the best cities and the best Mayors listen to and represent the Establishment in their cities; i. e., those who are vocal and have power, wealth, and political clout. As both the Urban Renewal program, with its improper emphasis on downtown renewal at the expense of

Negro removal, proved--and the new UDAG program is proving--mayors much prefer shiny new downtown buildings with the aura of progress to the grubby problem of renewing and rehabilitating broken down neighborhoods.

## II

If these are some of the Constitutional, Congressional, and political problems of carrying out an urban policy, the President and the Secretary of Housing and Urban Development have their problems too. Here are some of them:

1. Fundamentally, I believe the failure to pass the major civil rights legislation enforcing the 14th and 15th Amendments in 1957 instead of seven and eight years later in 1964 and 1965, plus the breakdown in society occasioned by the Vietnam War, were major causes of the 1967-68 riots and the intractability of the urban problem.

In 1957, the general comment was how responsible and law abiding the "Negroes" had been even in the face of massive discrimination and separate but unequal institutions and opportunities. The delay of equal voting and 14th Amendment rights until 1964 and 1965, the unfairness of the draft, the failure of urban renewal and the lack of decent, safe, and sanitary housing led to the civil disorders of the hot summer of 1967, the rise in crime, and the breakdown in the fabric of society. We did too little too late and it has come home to haunt us.

2. There is the problem I have already mentioned, namely the diffusion of power over federal programs. Even now HEW is contesting with HUD over housing programs, and Commerce and Treasury along with HUD all want a part of the proposed Urban Bank. In 1975, during the first New York City loan request, I drafted and Senator Proxmire signed a series of letters to every major department of the Federal government asking what contingency plans they had in case New York City went bankrupt. Who would provide for paying the firemen and the police? What would happen to the schools? Would the hospitals stay open? How would the garbage be collected? In short, what provisions and what contingency plans did each Department have in case New York went under? Only the Defense Department had any substantive reply and that was because they have a contingency plan for everything including the breakdown of the fabric of our cities. HUD, the Department of Housing and Urban Development, had no plans at all.

3. The President and the Secretary of HUD inherited an unbelievably bad agency. For years it was the Housing and Home Finance Agency and did not have Cabinet status. It attracted some good people with the passage of the 1949 Housing Act but lost them when the Eisenhower Administration backed off the promise of a decent home in a suitable living environment for every

American family. HUD was slowly re-energized under Kennedy, Johnson, and in the first term of Nixon under Secretary Romney, but what good staff had been attracted left in droves after the 1973 housing moratorium. Symptomatic of its problems were that only two-thirds of the 800,000 public housing units promised in 1949 to be built in six years were built after twenty years and that more houses were destroyed than were built under direct government programs. In fact when I was with the Douglas Commission in the late 1960's we determined that more land in America's central cities was dedicated to cemeteries than to publicly assisted housing. We still do more for the dead than the living. All this led us to call HUD the Department of No Housing and Urban Development and to urge that its name be changed from HUD to DUD.

After the moratorium in which all the housing and categorical programs were stopped or closed down, HUD tied with the Department of Agriculture as the U.S. government's all-time best example of Parkinson's law, namely give an agency more money and it will produce less. Parkinson showed that as the number of major ships in the British Navy declined, the number of bureaucrats and spending for the British Admiralty went up. At the USDA, spending has risen as the number of farms and farmers has gone down.

HUD qualified as a sterling example of Parkinson's law when after it stopped assisted housing and abolished its categorical programs its staff did not decline. Assisted housing starts per employee fell from 22 in fiscal year 1972 to 12 in fiscal year 1976. And its budget doubled from fiscal 1973 to fiscal year 1976 while the production of assisted housing was cut in half.

One incident tells us a very great deal about the management and goals of HUD at the time of the 1973 housing moratorium. It coincided with the energy crisis and gave the Senate Appropriations Committee an opportunity to cut out the limousines for the Under Secretary, the Assistant Secretaries, and the head of FHA at HUD. The frenzied lobbying that took place on that bill by HUD's hierarchy focused on keeping their limousines while they fought against funding the housing programs. It was a reminder of the self pity shown by that imperious figure, Lord Reith, the first head of the BBC, who wrote in his diary that he loathed the common people. He was also Minister of Information and Transportation under Neville Chamberlain, but was removed by Winston Churchill. After a luncheon with Lord Portal who both succeeded him in the Cabinet and to the entitlement of his limousine, Lord Reith noted in his diary:

"He (Lord Portal) sailed off in the car I had, leaving me to push about in bus queues and such like. I had a great struggle with myself. Tears flooded my eyes several times."

4. Most major programs have a name, Truth in Lending, the Peace Corps, the Equal Rights Amendment. But at HUD the programs have numbers instead of names. No one can march to the drum beats of Section 221 (d) (3) or Section 202 or Section 315. At HUD the number one, primary housing program is called "Section 8." In World War II, that was the name the military applied to its discharge for mental deficiency. There is no way public programs can call forth the inspiration and dedication needed to make them work when they are named for the complicated numbers of the law. (Let hear it for Section 235!).

There is a reason why programs at HUD were called by a number. Housing assistance programs cost lots of money and involve heavy subsidies. For years this fact was hidden by keeping them off budget, highly complicated, and unknown except to the experts and HUD's clientele. Having numbers instead of names helped keep the corporation closed and the programs mysterious in order to avoid public criticism or budgetary cuts.

5. In addition to the 1973 housing moratorium, the Nixon Administration saddled HUD with the extraordinary problem of requiring that housing funds to be expended over 40 years go in the budget as a one year budget authority figure. Housing thus becomes the most difficult program to increase--a \$1 billion increase in outlays requires a \$40 billion increase in budget authority--and the easiest program to cut--cutting out \$1 billion in outlays reduces budget authority by \$40 billion. It's a cheap way to make the budget look good. There is thus no way 40 year housing money can compete with one year defense or public works or water project funds. Housing should be treated as it would be by a well run private business, with a double entry showing an expenditure or liability on one side and a blue chip asset, secured by land and a mortgage which returns principle and interest, on the other side. The degree to which the latter is not met in subsidized housing is its genuine annual budgetary cost. What I am calling for is a capital budget for housing.

6. Finally, HUD suffers from its architects, planners, and bureaucrats. In the United States we have horizontal cities. Only Manhattan is a vertical city. But the influence of Le Corbusier, Walter Gropius, and Mies van der Rohe copied by unimaginative architects has led to high rise housing for the poor. It was learned by modern architects as modern theory and repeated as a catanism with cataclysmical results. In addition, a large part of the housing bureaucracy was originally trained in New York City. As a result one can drive into a small town in Wisconsin, Iowa, or South Dakota and find two local high rise structures. One is the grain elevator and the other is HUD's housing for the elderly. These influences are international. Pruitt Igoe in St. Louis has its opposite number in the "Piggeries" in Liverpool, England where a 24-story high rise composed of family units and modelled on Le Corbusier's Unite d'Habitation in Marseille looks like a World War II

bomb site. When I visited it in 1977, the local housing official explained that they were waiting for the Queen's visit in that Jubilee Year in order to celebrate the event by blowing it up. This indicated to me that even now the English have a sense of occasion not always present when we destroy our failures.

There must be no more St. Louis Pruitt Igoes or Chicago Robert Taylor Homes. Garden apartments are more efficient than massive high rise warrens. Modern architects must turn away from their massive windowless cement fortress structures which have been dubbed Hitler bomb shelter architecture. They are no place to bring up kids. When one looks at the Piggeries or the Robert Taylor homes one is reminded that John Ruskin had seven principles of architecture. These buildings offend against all seven.

### III

What has the Carter Administration done since January 20, 1977 to deal with these problems and these circumstances? There are two general and several specific answers to that question.

In general, they have brought a determination and dedication to targeting the funds to those who need help the most. Also, they have staffed the upper echelons of HUD with highly competent, experienced, and dedicated people. The two previous Secretaries and the three previous Under Secretaries of HUD did not have a day of experience in housing, community development, or urban problems. In the case of Secretary Lynn and Under Secretary Mitchell, they were appointed to preside over the liquidation of HUD's programs while sustaining the bureaucracy. Mrs. Hills, on the other hand, made some constructive changes, especially in harnessing the bureaucracy, although she was seriously limited by Presidential policy and Office of Management and Budget hostility.

Mrs. Harris moved in precise and particular ways. She put her own stamp on HUD. Unlike the Secretary of State for example, she is the architect of the policies and programs which the Administration has proposed rather than merely carrying out the policies which the President put forth. The new Community Development Block Grant program formula, favoring the older, poorer, and blight ridden cities was proposed and passed. Money to fund assisted housing, in order to meet the housing goals in the 1968 Act, was requested, authorized, and appropriated. The distinction between a reservation (an allotment of an assisted housing unit to a city or area which had previously never become a unit one could see, feel, or touch) and an actual housing start, was made. The touchstone is "starts," not "reservations," and assisted housing units are actually being built.

While HUD had to back off the 75 percent CD formula, the new regulations provide for virtual automatic acceptance of a city's proposals which include the 75 percent formula. They go to the head of the line. What Mrs. Harris failed to get by way of the stick, due to the intransigencies of key House members, she may achieve through the use of the carrot.

Considerable emphasis has been placed on the neighborhoods and rehabilitation in the regular housing and CD programs. Mrs. Harris won her fight with Fannie Mae (The Federal National Mortgage Association) over their failure to buy mortgages to aid low income areas and poor families. Fannie Mae, as Senator Aiken proposed the United States do in Vietnam, declared victory and withdrew.

HUD hung tough against the insurance industry over flood insurance and saved consumers ten to fifteen million dollars. The cut-off of funds to the Livonia, Michigans of the country has had salutary effects and improved HUD's credibility.

My only criticism to date is over UDAG. I believe there is a grave danger that it will become a throwback to downtown urban renewal, neglect the neighborhoods, and bring HUD and its program into disrepute by providing subsidies to build luxury hotels.

Enough for a summary of Administrative actions. What about Carter's new Urban Policy? The President's new Urban Package is now--or part of it is now--before Congress. Congressional Quarterly called it a "Smorgasbord!" The keystone, the Development Bank, has been proposed but will be dealt with next year. Commerce is the chosen agency but HUD and Treasury are waiting in the wings to share in its administration. The soft public works bill, to be administered by the Economic Development Administration, is before the Public Works Committees in the House and Senate. They are balking at providing labor intensive projects to hire low income workers and are thrusting for the more traditional public works projects.

The State Incentive Grant proposal, which is the only proposal over which HUD has exclusive jurisdiction, was jointly referred to both Banking and Government Operations Committees but was so lacking in precision that it was postponed until next year. The Fiscal Assistance program, a substitute for the existing countercyclical revenue sharing, is to be a Treasury administered program passed on by the House and Senate Government Operations Committees. Proposed to be targeted to towns and cities suffering from long term economic problems, it ran into trouble in the House when the formula appeared to increase the number of cities eligible and included some very affluent areas. It is now undergoing a rescue operation by Senator Muskie in the Senate. Finally, there are tax proposals favoring employers

who provide CETA jobs and as incentives to locate in distressed city areas. These will be heard by the House Ways and Means and Senate Finance Committees.

"Smorgasbord" is the word. Here are five major programs to be administered by four different agencies and heard by at least eight different committees in the House and Senate. They are in various stages of gestation, from a gleam in the eye to the third trimester. Some of those actually proposed are lacking the precision required to pass. But even if they do pass, don't hold your breath for an immediate Renaissance of the cities.

The Paterson Plan is riveted in the Constitution. The Senate will continue to pass Tower amendments to favor the growth of the sun belt as against the older dilapidated areas and to provide something for everybody everywhere. The House will propose more interpretative amendments as the representatives of the suburbs and their rural and conservative allies out-vote those from the city core. Mayors will push forward their plans for downtown showcases and stroke the egos and interests of their vocal establishment.

Programs will be administered by a plethora of agencies with conflicting goals and provide a diffusion of effort. Even if the House amendments to the Community Development program lose, poor people and poor areas in the central cities will get only the crumbs from the overall federal grants table.

And as Secretaries come and Secretaries go, that inert bureaucracy called HUD, --Dear HUD--or DUD, will live on.

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Donna Shalala

In his provocative article Howard Shuman provides a sharp critique of the federal government's past and current efforts to aid the cities. Mr. Shuman, the former staff director of the Douglas Commission, maintains that urban aid is not targeted to those with the greatest needs and the greatest problems. "Lots of money goes out in mindless ways," he says, "for diffused purposes, from a myriad of agencies."

Those of us with management responsibilities for urban programs acknowledge the legacy of problems we have inherited. But we are working to overcome the mistakes of the past, and we are making progress, using the new tools that the Carter Administration's Urban Policy has given us. This major Administration initiative is based on the assumption that more federal dollars, in and of themselves, will not ease the distress that afflicts so much of urban America. Currently, the federal government allocates more than \$80 billion a year to urban areas through a broad range of funding

channels. While additional funds may be needed to fill in the gaps in existing programs, the more important need is to make sure that existing resources are used wisely and productively. "The greatest flaw in past federal policy," President Carter stated in his 1978 Urban Policy message, "was not that we failed to spend money. It was that too many programs were ineffective and too many did not work or had their benefits canceled out by other federal and state activities."

The Urban Policy, which seeks to redirect the full range of federal programs and policies towards the goal of urban revitalization, recognizes that the responsibility for strengthening the cities extends far beyond HUD. This key Administration initiative looks to the interrelationship of such diverse program areas as taxation, labor relations, energy, agriculture, and defense procurement--all of which have such a profound effect on urban areas and the lives of those who live in them.

The President's Urban and Regional Policy Group, on which I served, examined this elaborate network of programs and policies, and came up with a plan to bring more cohesion and focus to the federal government's urban involvement. Our group recommended 160 changes in 38 existing programs to make them more urban oriented by eliminating or changing regulations viewed as anti-urban. In the area of waste management, for example, we recommended that the Environmental Protection Agency alter its guidelines for water and sewer grants to discourage large projects in developing areas, which have in the past contributed to urban sprawl. Other policy changes, accomplished through administrative action, involved Defense Department procurement, minority contracting, the location of new federal facilities and the improved coordination of economic development planning and programming.

Out of the Urban Policy came a new tool to help the federal government sharpen its urban focus--the Urban and Community Impact Analysis, a process aimed at insuring that the federal agencies do not inadvertently take actions which contradict Urban Policy goals. Under this new process, each federal agency submitting a major domestic initiative must include its own urban impact analysis. The White House Domestic Policy Staff and the Office of Management and Budget will review these submissions and make sure that any anti-urban impacts of proposed federal policies receive attention at the highest levels in the Administration.

The Administration's urban policy has helped give those agencies that don't have the words "urban" and "housing" in their name a new awareness of their responsibilities to aid the nation's cities. At the same time, it has helped our Department see its mission more clearly.

Even before the Urban Policy was unveiled last year, HUD was taking enormous strides, under former-Secretary Harris' leadership, to serve our constituency more effectively. Our current Secretary, Moon Landrieu, is bringing his own hallmark of excellence to the work begun by his predecessor. Howard Shuman has described the difficult situation that Secretary Harris inherited in 1977--a badly bruised agency still not fully recovered from the devastation caused by the 1973 housing moratorium.

Enormous strides were made during the thirty months that Patricia Roberts Harris served as Secretary. To begin with, HUD made clear to communities all across the country that they must respond to the housing needs of low and moderate income people if they were to get the benefits of the \$3.6 billion Community Development Block Grant program. Since January 1977, we estimate that the amount of block grant funds directly benefiting low and moderate income people has increased by nearly \$350 million.

In the area of housing, the Department's efforts were dramatically expanded. Starts on new and rehabilitated units under the Section 8 program during the previous two administrations totaled less than 33,000 units. For Fiscal Year 1977 and 1978, we achieved over 265,000 starts. In all, we have made some 486,000 units available through Section 8, a fivefold increase over the previous Administration's record.

Through the Public Housing Urban Initiatives program, HUD began a major effort to revitalize those public housing projects that were the most severely distressed. In October of 1978, Secretary Harris announced that 67 Public Housing Authorities would share nearly \$264 million in federal funds aimed at upgrading living conditions in troubled housing projects and improving the management efficiency of the Public Housing Authorities. Though there must be no more Pruitt Igoes or Robert Taylor Homes, as Mr. Shuman says, we must make sure that our existing public housing stock is conserved and well utilized. The urban initiatives program is intended to do just that.

While "urban" may be our Department's middle name, we have not ignored the housing needs of Rural America. Last year, our Task Force on Rural and Non-Metropolitan areas was established to deal with rural housing concerns. HUD's Rural Assistance Initiatives, developed in response to the Task Force's recommendations, is providing incentives to promote the entry of rural builders and financiers into the rural housing market. This new Departmental initiative is also overhauling existing programs, procedures and forms to make them more workable in rural areas. HUD is also increasing its funding allocation to rural research. These efforts include projects such as the Annual Housing Survey, Rural Housing Needs Assessment and Research on Credit Availability in Rural Areas.

Our major mission continues to be, as it has been since the Department was established in 1966, the building of strong, vital, healthy cities. To this end, we have launched a major new urban initiative, the Urban Development Action Grants. Mr. Shuman singles out UDAG for criticism, maintaining that it is a throwback to the days of downtown urban renewal. He says that UDAG neglects the neighborhoods and will bring HUD and its programs into disrepute by providing subsidies to build luxury hotels. But the UDAG track record tells another story. In its short history, this flexible new development tool has generated \$4.5 billion in private investment in distressed cities. It has created more than 70,000 new jobs, 116,000 construction jobs and kept more than 78,000 jobs in distressed communities. And, to the surprise of many early critics, UDAG projects will ultimately provide more than 40,000 new and rehabilitated housing units. UDAG has funded downtown hotels but it has also provided grants to more than 150 neighborhood projects. One of the largest awards made since the inception of the program, in fact, was a \$13.5 million grant to the City of Denver for a neighborhood revitalization project in the heart of Denver's Hispanic community.

The success of the UDAG program and other Departmental initiatives have been spurred in large part by new management initiatives aimed at providing more flexibility, responsiveness and accountability in the operation of our programs. At one time, Department critics like Howard Shuman may have called HUD the Department of No Housing and Urban Development. Those days are now behind us. Much more needs to be done, but we have come a long way in the last thirty months. We have earned our role as the Administration's lead agency on urban issues, its urban advocate. We intend to prosecute that responsibility vigorously.

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Paul R. Dommel

Somewhere in Mr. Shuman's paper are some messages of importance in understanding urban problems and policy issues, but the messages are drowned out by some shrill polemics and, in some places, questionable interpretations of facts and events.

The central and most important point of the paper is the case made for targeting a greater share of federal aid funds to the neediest cities. The targeting point comes very early in the paper and suggests that what follows will be a reasoned case of why such targeting is necessary, what kinds of cities are in distress, and the reasons--institutional and political--why targeting policy is so difficult to achieve. To some extent this line of analysis is pursued in the brief discussion of representation in the Senate and House of Representatives and how the two votes per state in the Senate and

one-man, one-vote representation in the House put the cities at a disadvantage. Even in that portion of the paper he could not resist adjectival editorializing.

But the real problems with his analysis comes midway through the paper and can best be shown by illustration.

1. He attributes the causes of the urban riots, which actually started with Watts in 1965, to delays in enactment of civil rights legislation and a "breakdown in society occasioned by the Vietnam war." The civil rights legislation of 1964 and the Voting Rights Act of 1965 had their most direct impact on removing certain legal barriers and discriminating practices in such areas as public accommodations and voting rights. As such, their impact was felt primarily in the South. But the rioting occurred primarily in cities in the North where neither public accommodations nor voting rights was the central problem, but rather economic opportunities, poor housing and housing discrimination, and law enforcement issues. This is not to say there was no connection between the problems of southern blacks and the urban riots, but the linkage does not seem to be as strong and as direct as that stated by Mr. Shuman. As to the causal link with the Vietnam war, it should be noted that the start of the urban riots preceded the outbreak of discontent over the war which gained high visibility in the later 1960s when the major escalations in U.S. involvement occurred.

2. While I am prepared to neither attack nor defend the Department of Housing and Urban Development, I did find it a bit spurious to attribute many of the failures of and disappointments with some urban policies solely to HUD as an institution. For example, it is not clear to me why the long delay in building all of the public housing units promised in 1949 was solely attributable to the HUD bureaucracy. The stories are legion about the resistance which public housing projects met in many cities from the local citizenry. Site location was a crucial local political problem underlying the inability to do all that might have been done. Tied in with this was budget funding levels for public housing.

The brief discussion of Nixon's decision to provide the full funding implications of housing programs in the budget is oversimplified. I am not suggesting a different motive for Nixon's decision, but there are larger issues involved. First, there is a case to be made for an out-front presentation of the full funding implications of any program, whether it be housing policy or long-term budget costs of Army Corps of Engineers projects.

Understanding the budgetary costs of tax policies was the reasoning in the 1974 budget reform legislation for requiring presentation of tax expenditures. Second, what is really the key issue here, particularly in this day of a balanced budget psychology, is the need to overhaul the federal budget to separate out the capital budget. The problem for Mr. Shuman seems to be that displaying the full funding implications of housing policy had adverse implications for a particular piece of public policy which he seems to strongly support.

4. Returning to the central targeting message of the paper, the reader is left with the impression that the institutional representation in the House and Senate has resulted in unrelieved spreading of funds to places that do not need it. Such spreading has become an important characteristic of federal grant policy in recent years through general revenue sharing and the block grants. But there have been some positive actions and signs for those who, like myself, side with Mr. Shuman on the targeting issue. Congress should receive some credit for accepting the dual formula system in the community development block grant which significantly improved the targeting of that program. Also, last year the Senate adopted an amendment by Senator Danforth that had the effect of improving the targeting of the proposed supplemental fiscal assistance program. Unfortunately, this program failed to come to a final vote in the House because of reasons not related to the merits of the legislation.

To conclude, it is unfortunate that Mr. Shuman has allowed an important message on urban policy to be sublimated by some questionable rhetorical forays into some very complex areas.

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Rejoinder

Howard Shuman

With respect to Mr. Dommel, his objections essentially center on the fact that in a short speech before the Annual Meeting of the APSA, I chose to try to be lively, provocative, and irreverent rather than fatuous and dull, and that it was impossible to cover or develop every topic fully in a few minutes.

On one point of substance, as one who was deeply involved in Civil Rights legislation from 1956 through 1966 (see "Senate Rules and the Civil Rights Bill, a Case Study" The American Political Science Review, Vol. LI, No. 4, December 1957) and who followed and preceded the riots city by city in the hot summers of 1966-1968, I remain strongly of the opinion that the failure to act in 1956 and 1957 was a crucially important ingredient in the riots of the 1960's.

With respect to the statement by Donna Shalala (who incidentally has done an absolutely superb job at HUD), I see no conflict except for our differing views over UDAG. Only time will prove who is right.

