

PROPOSED APPROACH TO A TASK FORCE AGENDA

I. Basic Premise

The basic premise of this proposed approach to an agenda is the following proposition: There is widespread dissatisfaction with the present specific-program approach of the federal government to urban problems; therefore our task should be to respond to this dissatisfaction [redacted] in the most meaningful possible ways. Such dissatisfaction is [redacted] one of the main conclusions which emerged from the Ribicoff hearings, and it also is the theme of Paul Ylvisaker's earlier "agenda paper." Both these documents called for an as-yet-unformulated "new approach" to urban problems. However, seeking a new approach is not the only possible or relevant response to [redacted] dissatisfaction with the effectiveness of existing approaches. In fact, there are four possible responses, all of which have some merit.

II. Possible Responses to the Basic Premise

These four responses can be put in the form of the following questions, here stated with some tentative ideas about how they might be answered:

1. Is it really true that current programs are ineffective? Although it is certainly true that current federal programs have not "turned around" the major trends in any <sup>single</sup> [redacted] city, they may be quite effective in relation to the efforts put into them. However, we really do not know how effective they are because we do not have any ways to measure program effectiveness in [redacted] urban areas very accurately. Therefore, this response suggests that the Task Force explore the following issues:

~~1.~~ What mechanisms for effective program evaluation can be created and sustained at both local and federal levels? What alternative approaches to program evaluation are possible, and what incentives could be mobilized to effectuate each?

~~2.~~ How can future decision-making be affected so that more alternative program possibilities will be looked at, locally and federally?

2. Is the ineffectiveness of current programs possibly caused by their inadequate scale rather than inappropriate design -- hence would they become much more effective if greatly expanded in magnitude? When the early government spending programs advanced by Franklin Roosevelt's ~~was~~ administration to cure the Great Depression fizzled out in the downturn of 1937, many critics blamed the poor design of these programs and condemned the entire idea of federal spending as an aid to prosperity. But then when government spending really became enormous in the war effort of the early ~~1940's~~ 1940's, unemployment and recession vanished almost instantly, and the economy expended civilian output at the same time that it produced huge amounts of military goods. To most economists, this experience dramatically proved that government spending indeed can banish unemployment and recession if undertaken on a large enough scale to be effective. Similarly, it can perhaps be argued that urban renewal and public housing have failed to ~~solve~~ "solve the low-income housing problem" mainly because they have been undertaken in such tiny amounts. Even the design flaws in these programs (such as creating massive concentrations of broken families in public housing developments) might be radically altered if the programs were expanded in scale by a factor of, say, 10 to 20, since a greatly expanded clientele would have to be served.

It seems crucial for the Task Force to answer this question for the following reasons:

- a. Insofar as inadequate scale alone is responsible for any ineffectiveness of current programs, it might be a gross social policy error to shift emphasis to looking for some non-existent "new approach" when the real need was for <sup>vastly</sup> more of the old approaches.
- b. There is a <sup>natural</sup> tendency for various federal agencies <sup>and for Congress</sup> to look for some relatively inexpensive "cure" for urban ghetto problems. If this tendency is inherently bound to fail because all "cures" are extremely

costly, the President should be apprised of this fact so he will not delude himself considering "cheap cures," and so he can begin influencing public opinion to accept the costliness of adequate measures.

Pursuing this response to the basic premise would cause the Task Force to investigate the actual past magnitude of each major federal urban program (as measured in total and annual expenditures over, say, the past 30 years) against some ~~universe~~ universe in which that program must operate. For example, total public housing expenditures -- and results in terms of units built -- might be compared to total U.S. expenditures on housing construction, and units built in the U.S. ~~total~~. Separate calculations might be made in sub-areas (such as New York) where the relative scale might be much higher than the national average, just to test what might happen if the national effort were raided. Similar quantifications could be made for health programs, welfare programs, urban renewal, anti-delinquency programs, etc. Results might be similar to those already made in agriculture, where it can be shown that over 40% of all farm income in the U.S. comes directly from federal payments.

3. What are some possible alternatives to the current programmatic approach?

Dissatisfaction with what we have does not necessarily prove there are better ways to do things; perhaps the truth is merely that "life is tough." Yet the following alternatives might be fruitfully investigated by the Task Force:

a. Creating stronger incentives for private effort and investment in producing solutions to urban ghetto problems. Specifically, the

following types of incentives might be investigated:

- 1) <sup>Making significant</sup> positive profits possible <sup>by having</sup> ~~the~~ the federal government create a significant market for some service relevant to the ghetto, such as rehabilitated housing, jobs for unskilled and problem workers, (created by paying employers premiums to hire and use them), new housing, and educational programs.

- 2) Removing existing incentives to "act badly" in ghetto areas, such as low assessment for slum property, high depreciation allowances, any depreciation allowance at all for property not in full compliance to codes, counting such non-compliance property as an asset for financial institutions, ~~and~~ and higher property assessments for rehabilitated property.
- 3) Reduction of red-tape and regulation through such programs as the "turn-key" approach to public housing.
- 4) Creation of permissive incentives through allowing tax credits for investments in ghettos or certain kinds of job training.

b. Shifting the locus of ~~the~~ program formulation or the allocation of resources to urban problems away from the federal government to some other spot. The following methods of redistributing income collected by the federal government would be means of accomplishing this:

- 1) Giving block grants to states.
- 2) Giving block grants to central cities.
- 3) Creating a guaranteed annual income for at least those persons now on welfare or social security who cannot be expected to work.
- 4) Giving block grants to metropolitan areas that create area-wide governments to use them.
- 5) Combining present federal grants into broader "comprehensive program grants."

The Task Force might investigate all of these devices in order to answer the following questions about each one:

---What "strings" should be attached to such income transfers? What institutional change should be aimed at ~~such~~ <sup>by making grants</sup> "purchases of innovation"?

--- ~~What size~~ <sup>what size</sup> grant/s would be necessary to persuade the institutions involved to make the desired changes?

---What would the recipients be likely to do with the money?

---How large a multiplier effect would such money have? Would this differ from its effects if retained by the federal government?

---What is the net desirability of this device?

Since the Model Cities Program can be viewed as a device for shifting some control over programs to local governments, it might be evaluated under this heading too.

desirable  
4. What/changes or additions to current programs can be relatively easily identified to make them more effective? In spite of the seemingly widespread feeling that "marginal tinkering" with present programs will not produce any significant improvements in cities, some/changes or new program possibilities might be ~~valuable~~ relatively easily identified. Examples might be as follows:

- a. Creating a HUD Assistant Secretary for Research with a significant research budget, as recommended earlier.
- b. Creating scattered site public housing ~~by~~ <sup>by</sup> renting existing dwellings so as to disperse Negro and low-income families to all parts of each metropolitan area, especially nearer job opportunities.
- c. Changing FHA procedures in a variety of specific ways, including separation of "prudent investor" activity from "social-underwriter" activity.
- d. Following the recommendations about neighborhood centers and subsidized home ownership made earlier.

Thus, from these four responses to the basic premise, the Task Force can formulate a number of specific research projects for investigation by the staff and outside experts. Policy conclusions for the final report can then be based upon these findings.



III. Suggested Methods of Proceeding

It is suggested that the Task Force proceed on the basis of the following recommendations and actions:

1. All four of the responses described above should be pursued, rather than any one or two alone.
2. Subcommittees should be formed to pursue these four responses -- perhaps one subcommittee for each response, or perhaps with a different division of labor, but keyed to the four-response format.
3. Specific research assignments should be defined for all four responses by the Task Force as a whole insofar as possible, and then by subcommittees meeting separately.
4. These research assignments should be assigned to both staff members and "outside experts" where the expertise of the latter is relevant. Money should be procured to pay such experts for papers focussed on their policy views or factual views, varying from case to case. (The term "both" does not imply overlapping assignments, but utilization of both types of service.)
5. Tentative reporting dates for all research assignments should be created within the next month, though the dates may be later than that.
6. After reporting dates and assignments are set, a full time-table for the Task Force should be created. If necessary, further extension of our time period should be requested.

A. Downs

3/9/67