

Subcommittee on Executive Reorganization of the
Senate Committee on Government Operations

Afternoon session: December 5, 1966

Witness: Walter P. Reuther

Subject: Problems of the Cities

Mr. Reuther was accompanied by Jack T. Conway former Deputy Director of the Housing and Home Finance Agency and OEO. Mr. Reuther delivered his statement on behalf of the six and one-half million industrial workers represented by the Industrial Union Department of the AFL-CIO and the million and one-half members of the United Automobile, Aerospace and Agricultural Implement Workers of America.

He advocated a weaving of all the elements, housing, anti-pollution control and others, in combating urban blight. He said that these efforts must entail the most participation possible by everyone affected and there must be a maximum coordination of effort.

He also said that the problems of cities are beyond the economic capabilities of the local governments. However, he feels that the real drive and thrust must come from the local level.

[Mr. Reuther proposed the creation of a National Nonprofit Housing Corporation consisting of the best minds from labor, finance, industry, education, etc. He prefers this nongovernmental type of corporation because such an organization would not be entrenched in the bureaucratic patterns which are to be found in the government. He also thinks that this type of organization would not involve in-fighting which is sometimes prevalent in government organizations. In his opinion, a private organization would be much more flexible.

Mr. Reuther, in suggesting that the task of rebuilding the city be done by the total community, described the Detroit Metropolitan Citizens' Development Authority, of which he is now chairman. He said that this Authority is trying to rebuild the city and to qualify Detroit as a Demonstration City. This Authority now has the active participation of industry, retail stores, churches, civil rights groups and many others. He said they are trying to create a community partnership.

✓ Mr. Reuther described the three kinds of money which the group will use to build housing as "seed money", development money and mortgage money. He said that the seed money is needed to make the plans and stimulate interest in the program, but will not be returned to the donors or the government if made through grants. In this regard, he said that union pension funds could probably be used only for mortgage money because the funds are controlled by Boards which must decide whether the investment of the money is secure. He said that seed money and development money would not be a permissible investment for most pension funds.

One function of the nonprofit corporation, according to Mr. Reuther, would be to stimulate and encourage the building of low income housing by giving technical assistance to builders who would operate for a profit. He said that there would necessarily be experts available or on call. He said that the key to the whole problem of providing low income housing is to demonstrate the practical capability of making public planning compatible with private planning and building.

Mr. Reuther said that he is very enthusiastic about the Demonstrations Cities Bill. However, he criticized Congress' attitude toward the appropriation of money for domestic programs. He thinks that these programs should be funded ahead of time, so that the Departments will know what money is available and have the money in time to plan ahead. He thinks long term commitments should be made for domestic programs as well as for military programs and foreign aid.

While criticizing present practices of land use in cities, Mr Reuther suggested that a land bank should be created to help local communities provide land for low and moderate income housing. He said that the U. S. could learn a lot from Great Britain. He also pointed out that there are no slums in Sweden.

Mr. Reuther contended that the only way to reduce the cost of building houses is to apply modern, advanced technology as it has been applied to such fields as space exploration. He believes that a house worth \$16,000 according to present standards could be developed and sold for \$8,000 if industry is shown how to do it by research instigated by the government or a private non-profit corporation.

[Mr. Reuther was highly critical of the present systems of mass transportation in this country. He said that the car industry will eventually suffer from self-strangulation on the highways. He thinks it is ridiculous for a person to carry a ton and a half of metal with him to work everyday.

Main questions raised by Subcommittee:

1. Participation by private industry in rebuilding cities.

Mr. Ribicoff asked Walter Reuther what ratio would be desirable for participation by private industry and government in rebuilding cities. Mr. Reuther replied that he thought the minimum ratio should be \$1 of government money for every \$5 of private funds used. This was the ratio proposed by David Rockefeller.

2. Teaching migrants to live in the city.

The Chairman asked who teaches the farm people how to live in cities and how to avoid turning housing into slum areas. He claimed this is often the plight of public housing in many cities. Mr. Reuther said that the unfortunate thing is that most new city dwellers learn from the people who know the least about how to live in a city. He said that leadership must be organized from the slums to go back into the slums and show people how

to live and take care of rehabilitated and new housing.

[Senator Ribicoff said that later on in the hearings there will be an exposition of how public housing becomes a slum.

3. Government capability of curing ills of urban America.

Senator Ribicoff asked how is the government organized to take care of the problems of urban America. Mr. Conway said that the government is ready for a new Hoover Commission. He made the following suggestions which would in his opinion strengthen the government's ability to deal with the urban crisis:

- a. Strengthen the hand of the Secretaries and Agency heads.
- b. Group functions together as was done in the Defense Department and coordinate from above.
- c. Create another arm of the President to balance off the trimming and cutting of programs done by the Bureau of the Budget. This arm would plan and develop programs from which the President could select the most useful. The advanced planning function of the executive branch should not come under the Bureau of the Budget, because it should be done out front and not behind closed doors.
- d. Fund ahead so that the agencies won't have to beg for money each year.
- e. Create a mechanism (such as a local coordinator) which can take all the tools available and fit them to the needs of local communities rather than vice versa. Mr. Conway said that it takes a genius at the local level now to know how to take advantage of federal programs.

4. Role of labor in revision of the city.

Mr. Reuther admitted that organized labor has not done enough to help revitalize the cities. He wants labor to take a broad role. However, he showed much pride in a project undertaken by organized labor in the Watts area. He said that labor has created the Watts Neighborhood Unity Action Committee and he put in the record a report made by this committee in November of 1966. He said that eleven unions are participating. They created a council and have done such exciting things as holding classes and building playgrounds.

5. Community Development Corporations at the local level.

Senator Kennedy who was not present asked through the Chairman whether Mr. Reuther was in favor of Community Development Corporations at the

local level. Mr. Reuther said he is very much in favor of them. He wants a National Corporation to work with the total problem and to be backed up by local corporations.

6. National Nonprofit Housing Corporation.

Senator Ribicoff said that the only person he could think of who would be capable of assembling the necessary level of representation from foundations, universities, labor, finance, industry and other fields to participate in the national corporation, would be the President. The Senator said that he hopes the President will consider this proposal.

7. How to avoid continuation of a welfare state.

Congressman James Scheuer (D - N.Y.) who was present at the hearings asked Mr. Reuther how third generation welfare families and predictable drop-outs can be avoided. Mr. Reuther said that the recommendations made by the President's Commission on Automation should be implemented. He said that welfare programs often emphasize the wrong things and discourage incentives, such as earning outside money. He thinks that a recipient should be allowed to do this without losing his welfare payment so that the person will aspire to living on a higher plane.

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Mr. Reuther said that another way to avoid a welfare state and put people to work is to have a standardized computerized employment system. At present, Mr. Reuther claimed, the fifty entrenched state systems are obstacles to the setting up of efficient computers which could match an unemployed person to a job within a matter of minutes. Mr. Reuther said that the whole person, his hobbies as well as his skills, is not taken into account under the present State systems.

8. Missing element in the slums.

Congressman Scheuer asked what is the missing element that has not been used to help the city and whether this element is more subsidized housing? Mr. Conway said that one reason the government has not helped enough in subsidizing housing is that in the beginning HHFA was a financial institution made available for private industry. He said that the Agency was not people oriented.

Change in Witness schedule:

Anthony Dechant, President, National Farmers Union will not testify on Tuesday December 6. Dr. William Doebele, Graduate School of Design, Harvard University was shifted from Wednesday to Tuesday instead.

Melvin Thom, National Indian Youth Council has been added to the list for Monday, December 12.

Members present:

Senator Ribicoff
Congressman James H. Scheuer, (D-NY)