

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	DOB (Partial) (1 page)	06/24/1993	P6/b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Kathryn Way
OA/Box Number: 3511

FOLDER TITLE:

Housing [1]

2013-0854-S

ms674

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 14, 1993

MEMORANDUM FOR: THE MEMBERS OF THE HUD ECONOMIC INDEPENDENCE
WORKING GROUP
FROM: *SK Jim J FB* Steve Redburn/Jim Jordan/Issa Barrett
SUBJECT: Housing Reform Progress

At our June 30th meeting, OMB and HUD promised to organize a "skunk works" to develop policy options before the next meeting of the Working Group. The following efforts are underway so far:

- On July 7th HUD and OMB staff met to put together a list of policy options for HUD programs that could be written up and brought back to the larger group. That smaller group is scheduled to meet again on July 16th. The informal minutes of the July 7th meeting are attached.
- Treasury staff is working on options for tax policy changes related to housing and economic independence.
- HHS staff (Britten and Rolston) are developing a paper that focuses on the coordination of housing with other services to support economic independence.

The next meeting of the Working Group is scheduled for August 3rd, from 1:00-2:30 p.m., in room 248 of the Executive Office Building. Sorry for the hiatus. It was necessary to fit everyone's crowded calendars. We will try to circulate drafts on the policy options to everyone in the mean time.

The minutes of the June 30th meeting of the Working Group are attached. Also attached is an interesting article on Segregation, the Concentration of Poverty, and the Life Chances of Individuals.

c: Chris Edley

Meeting on Housing Reform, FSS and Economic Independence
June 30, 1993

Overview of the Meeting

This meeting was the follow-up to the meeting of June 14, concerning strategies to heighten the effectiveness of the FSS program in its existing areas and to increase the numbers of participants and the rate of service to wait-listed families. The intended thrust of the meeting was the establishment of clear goals/principles for reform, the interpretation of pertinent data, and finally, housing assistance as a means of economic independence.

Completed Tasks

Participants from NEC, Treasury, HUD and OMB presented the information/data promised at the previous meeting.

- NEC presented the Background Considerations, Principles and Premises paper (Peter Yu), describing five conceptions of housing policy with regard to urban policy and the policies of race, shelter rights and welfare. Concerning economic independence, it was concluded that the scope of the working group's effort should either be economic independence alone or an integration of variables such as vouchers and tax credits, market issues and housing discrimination.
- Treasury presented the paper on its role in housing, which include the low-income housing tax credit and the Affordable Housing Disposition Program.
- HUD (Stegman) presented a packet of information and data findings. Time was devoted primarily to discussing the background of the housing debate and the success of the Charlotte Gateway Program. Further, it was argued that the purpose of housing assistance should be re-defining need-based housing to meet the 12% turnover rate in public housing (nationally). Without stable, secure housing for families, opportunities for mobilization decrease. Case management is also a huge problem for local HA's to implement the Charlotte model.
- OMB presented supplementary goals and principles focusing on addressing the issues raised by concentrated poverty, financial disincentives to escape dependency as they may negatively effect motivation, and costs related to budget constraints as well as extra support (case management, administration) and the need for drawing from savings to support programs.

Synopsis

Mike Stegman stated that among the four million families receiving assistance, the median income of the poorest communities is 17% of that of the general population. 900,000 of those are AFDC supported. Charlotte's success was due to its HA's effective case management of one-hundred families in its "two-phase" program: (i) remediation (diagnostic testing for skills enrichment, education & job training, GED prep. and child care assistance); (ii) evaluation (ongoing).

The group raised concerns over maximizing the portability of certificates and vouchers, the absence of a systematic model for human capital development, motivation from housing support (PHA's, managers and case workers) to families, where can low-income housing be built and who gets housing? Are specific families targeted for the FSS program?

Regarding HUD's role, what is being done to effect the economic chances of publicly assisted families? There is an apparent clash between welfare and housing policies (e.g., 18 month disallowance, as income rises, what is being done with rent, ceiling rents?). Also, there are concerns with self-selection, creaming, and congressional law(s) stating that increases in federal housing assistance mandate increases in FSS initiative by PHA's (incremental). This is seen as most difficult in major cities.

Chris Edley charged the group to derive specific policy initiatives on their respective areas in time for the next meeting, toward meeting deadlines for FY 1995 Budget.

Attendees (abbreviated listing):

Michael Stegman (HUD)
Ken Ryder (OMB)
Steve Redburn (OMB)
Jim Jordan (OMB)
Harry Myers (OMB)
Issa Barrett (OMB)
Elana Sigall (OMB)
Peter YU (NEC)
Alicia Munnell (Treasury)
Brian DeLong (Treasury)

- Wolf, W. C., and Fligstein, N. D. (1979). "Sex and authority in the workplace: The causes of sexual inequality," *American Sociological Review* 44, 235-252.
- Woodward, J. (1965), *Industrial Organization: Theory and Practice*, Oxford Univ. Press, London.
- Zey, M. G. (1984), *The Mentor Connection*, Dow Jones-Irwin, Homewood, ILL.

Segregation, the Concentration of Poverty, and the Life Chances of Individuals

DOUGLAS S. MASSEY

Population Research Center, NORC/University of Chicago

ANDREW B. GROSS

Center for Studies in Demography and Ecology, University of Washington

AND

MITCHELL L. EGGERS

Population Research Center, NORC/University of Chicago

We outline a theoretical model that identifies residential segregation as a primary structural cause of the geographic concentration of poverty in U.S. urban areas. From this theory we specify and estimate a multilevel equation that links minority poverty and segregation within metropolitan areas to the concentration of socioeconomic deprivation within neighborhoods. We then estimate a second set of multilevel equations that connect neighborhood poverty rates to individual-level outcomes commonly associated with the underclass: male joblessness, teenage motherhood, and single parenthood. Our results link economic and social structures at the metropolitan level to individual outcomes that operate to perpetuate poverty and lead to the creation of the underclass. © 1991 Academic Press, Inc.

A fundamental goal of sociology is to explain individual behavior in terms of social structure. Although people function as independent actors, the possibilities they face and the decisions they make are inevitably constrained by the positions they occupy in the social order. The structure of society can be conceptualized as a series of categories formed by the intersection of different dimensions of social differentiation. People may be divided into nominal groups (such as races) or ordered hierarchically into ranked classes (such as income intervals, see Blau, 1977, pp. 1-18).

Social structure is important because one's structural position in society

Send requests for reprints to Dr. Douglas S. Massey, Population Research Center, NORC/University of Chicago, 1155 East 60th Street, Chicago, IL 60637.

has important implications for the benefits and opportunities one receives. Otherwise identical infants placed into poor black and rich white families will lead very different lives, have contrasting experiences, and face discrepant opportunity sets that ultimately will generate divergent outcomes with respect to education, income, occupation, attitudes, tastes, wealth, and a host of other important variables.

Sociologists have long recognized the importance of structural categories that are geographically defined, and have focused particularly on the division of urban space into distinct neighborhoods. Neighborhoods not only reflect the past achievements of their inhabitants, but to a large degree they determine the possibilities for future socioeconomic success (Logan and Molotch, 1987). Since people who occupy the same space are likely to interact frequently and intensively, neighborhoods have a profound effect on the values, beliefs, and knowledge of the people who grow up and live within them; and social relationships with neighbors strongly influence the nature and strength of connections to the rest of society.

Long ago Robert Park argued that "it is because geography . . . determine(s) so irresistibly . . . the associates with whom each one of us is bound to live that spatial relations come to have, for the study of society and human nature, the importance which they do" (Park, 1926, p. 231). Likewise, Giddens (1980, pp. 108-110) considers neighborhood segregation to be one of the most significant factors promoting class consciousness and class stratification; and Blau (1977, p. 92) points out that "the segregation of social strata reinforces the negative effect of inequality. . . ." In short, a variety of theorists have argued that where one lives determines a lot about who one knows, what one learns, and how one is connected to society.

This structuralist perspective has recently played a prominent role in the debate on the urban underclass. William Julius Wilson (1987) has argued that the concentration of poverty within certain inner city neighborhoods during the 1970s created a new and uniquely disadvantaged social environment. The elimination of high-paying, semi-skilled manufacturing jobs, the suburbanization of employment, and the emergence of a two-tiered service economy polarized the class distribution of minority groups. This polarization occurred just as expanding civil rights allowed middle and upper income families to leave minority neighborhoods in large numbers. According to Wilson, the conjunction of increasing inequality and class-selective out-migration concentrated poverty within minority neighborhoods and created a social milieu lacking the incentives, and role models necessary for success in postindustrial

that people living in neighborhoods of concentrated poverty experience social isolation that excludes them from the job network

system that permeates other neighborhoods and that is so important in learning about or being recommended for jobs that become available in various parts of the city" (p. 57). From this social and economic isolation there is a "ripple effect" of related social dislocations, notably the proliferation of single-parent families: "unlike the situation in earlier years, girls who become pregnant out of wedlock invariably give birth out of wedlock because of a shrinking pool of marriageable, that is employed, black males" (p. 57). In short, concentrated poverty leads to male joblessness and, hence, to unwed childbearing and single parenthood.

The theories of Hirschl and Rank (1991a, 1991b) also suggest a connection between concentrated poverty and deleterious individual outcomes. High concentrations of poverty create an environment in which unwed childbearing, male joblessness, and welfare dependency not only cease to be deviant, but become the norm. In areas where a majority of people are poor, men *expect* not to work as adults and women *expect* to bear children out of wedlock and to spend large portions of their lives on welfare. In such areas, stigma that is normally attached to joblessness, welfare receipt, and unwed childbearing may be absent (Moffitt, 1983) or even inverted (see also Rank and Hirschl, 1988).

Empirical research has verified the marked increase poverty concentration that Wilson hypothesized (Bane and Jargowsky, 1988; Jargowsky and Bane, 1990), particularly among blacks and Puerto Ricans living in older urban areas of the northeast and midwest (Massey and Eggers, 1990). Verification of the effects of concentrated poverty on individual behavior, however, has proved more difficult. An exhaustive review of the research literature by Jencks and Mayer (1990) revealed a general scarcity of studies connecting neighborhood conditions to individual outcomes. Several studies, however, suggest that exposure to concentrated poverty encourages unwed childbearing among black women (Hogan and Kitagawa, 1985; Crane, 1991) and reduces men's chances of finding well-paid jobs (Datcher, 1982; Corcoran, Gordon, Laren, and Solon, 1989).

In this paper we seek to document and clarify the empirical connection between concentrated poverty and individual behavior. By drawing upon a unique source of data that connects individual outcomes to tract characteristics, we examine the effect of neighborhood poverty levels on the employment and childbearing experiences of whites, blacks, and Hispanics in large metropolitan areas. In addition, we also seek to connect neighborhood conditions to broader structural arrangements in society. Using another dataset, we show how certain features of metropolitan social organization determine the degree of neighborhood poverty experienced by different groups. Putting these two analyses together, we link male joblessness, teenage childbearing, and single-parent families at the individual level to just three structural factors that operate at the metropolitan level to concentrate poverty: the overall rate of poverty in a group, its

segregation in society, and its numerical representation within public housing.

CONCEPTUAL MODEL

Structural conditions are features of the metropolitan environment that are beyond the control of the individual; they operate at the aggregate level to influence the fate of large numbers of people who share the same structural position. The particular structural variables that interest us here are the poverty rate that a group displays and the degree of residential segregation that it experiences. Group poverty rates are the outcome of macroeconomic forces that determine the location, availability, and wages of jobs within different metropolitan labor markets. We agree with Wilson (1987) that poverty rates were driven up by the structural transformation of the urban economy during the 1970s and 1980s. Evidence shows that the suburbanization of employment, the elimination of manufacturing jobs, and the proliferation of low-paying service occupations contributed to a sharp rise in poverty among blacks and Hispanics (Eggers and Massey, 1991a, 1991b).

We disagree, however, with Wilson's hypothesis that class-selective out-migration caused the geographic concentration of poverty. In fact, poor and middle class blacks have nearly identical rates of out-migration from poor neighborhoods (Gramlich and Laren, 1990), and there is little evidence that middle class blacks have either integrated with whites (Denton and Massey, 1988) or gravitated to racially homogenous middle income enclaves (Massey and Eggers, 1990). Rather, the degree of poverty concentration that different groups experience is strongly determined by an interaction between a group's overall rate of poverty and its degree of residential segregation in society (Massey and Eggers, 1990). When a highly segregated group experiences a high or rising rate of poverty, geographically concentrated poverty is *inevitable* (Massey, 1990).

In theoretical terms, this outcome occurs because segregation confines any increase in poverty to a small number of spatially distinct neighborhoods. Rather than being spread uniformly throughout a metropolitan environment, the newly poor families created by an economic downturn are restricted to a small number of densely settled, tightly packed, and geographically isolated areas. Given a high level of residential segregation, therefore, the mathematics are such that any increase in the poverty rate *must* produce a spatial concentration of poverty; no other result is possible (Massey, 1990).

Since rates of poverty and levels of segregation differ so substantially between whites, blacks, and Hispanics, individual members of these groups are structurally constrained to experience markedly different levels of neighborhood poverty. The geographic concentration of poverty is built into the experience of blacks, and to a lesser extent Hispanics; but ex-

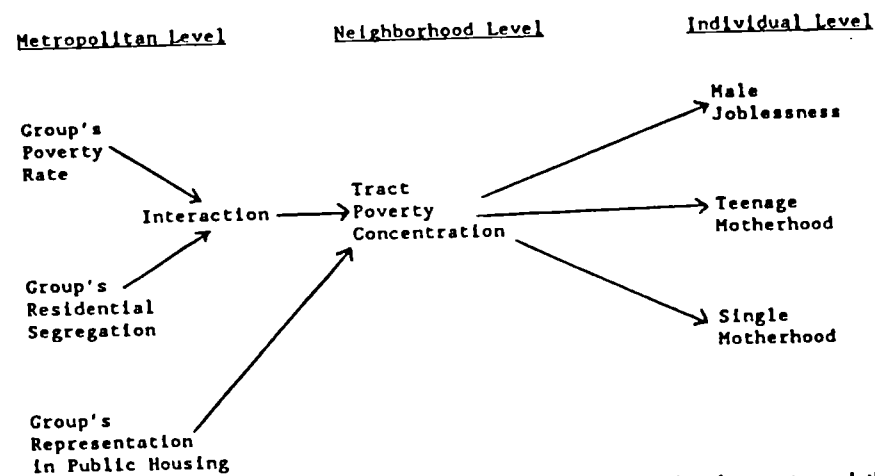


FIG. 1. Conceptual model of the structural causes of neighborhood poverty and the behavioral outcomes associated with it.

posure to high levels of neighborhood poverty is alien to the experience of most whites. To the extent that unwed childbearing and joblessness follow from prolonged exposure to concentrated poverty, therefore, these individual disadvantages are ultimately produced by the structural organization of U.S. metropolitan areas. The mere fact that blacks are segregated as well as poor means that individual African Americans are more likely to suffer joblessness and to experience single parenthood than either Hispanics or whites, quite apart from any disadvantages they may suffer with respect to personal or family characteristics.

Our conceptual model of the process by which these disadvantages are generated is depicted in Fig. 1. It shows causal connections between variables specified at three levels of analysis: metropolitan forces act to concentrate poverty at the neighborhood level, and neighborhood poverty, in turn, promotes male joblessness, unwed childbearing, and single motherhood among individuals. At the metropolitan level, a group's overall poverty rate interacts with its level of segregation to drive up the concentration of poverty within neighborhoods that group members inhabit. Groups that are simultaneously very poor and very segregated are constrained to live in areas with substantially higher poverty rates than groups that are either poor but not segregated (Hispanics outside the northeast) or not segregated and not poor (whites in most urban areas).

The model also includes a third exogenous factor that exacerbates the concentration of poverty above and beyond this interaction between segregation and poverty: the extent to which each group is numerically represented in public housing. During the period between 1950 and 1970, public housing was employed on a massive scale to maintain the residential

color line and reinforce patterns of racial segregation (Hirsch, 1983; Goldstein and Yancey, 1986; Bauman, 1987). In order to check the expansion of black neighborhoods that occurred during large-scale migration from the rural south, black neighborhoods near certain white areas were razed and converted to institutional or middle-income residential uses. To house the displaced minority residents, public housing projects were constructed in other black neighborhoods located farther away from threatened white districts.

As a result of these policies, the overwhelming majority of low-income public housing residents are black (Bickford and Massey, 1991) and nearly all low-income family housing projects are located in black neighborhoods (Hirsch, 1983; Goldstein and Yancey, 1986). These patterns have not affected the overall level of racial segregation so much as the geographic concentration of poverty, however. Because poverty is a criterion for entry into low-income housing, the selective targeting of projects to black neighborhoods greatly exacerbated the degree of poverty concentration that blacks experience (Massey and Kanaiaupuni, 1991). A large stock of public housing builds concentrated poverty into the residential structure of the ghetto.

The level of neighborhood poverty that a group experiences, therefore, is determined by three exogenous factors: its overall poverty rate, its level of segregation in society, and its representation in low-income public housing projects. Exposure to concentrated poverty, in turn, affects a variety of individual-level outcomes. As Wilson and others have argued, residence in a very poor neighborhood increases the likelihood of labor force withdrawal among men, it raises the probability of teenage childbearing among women, and it inflates the odds of single motherhood. If our broader model is correct, however, these individual outcomes—and many of the differences between blacks, Hispanics, and whites—ultimately stem from the different structural conditions that each group faces in U.S. metropolitan areas.

DATA AND METHODS

The theoretical model we have outlined ideally requires a dataset containing variables defined at three levels of analysis. Unfortunately no such file exists for 1980, and we must employ two different sources of information, one of which contains information on tracts and metropolitan areas, and the other of which contains data on tracts and individuals. The former dataset is the 1980 Summary Tape File 4A (STF4A—see U.S. Bureau of the Census, 1980) and the latter is a special tabulation of the 1980 5% Public Use Microdata Sample (PUMS) that was constructed to include a limited set of tract-level variables (U.S. Bureau of the Census, 1989).

Our analysis focuses on three racial/ethnic groups: whites, blacks, and

Hispanics. In all cases, whites and blacks have been defined to exclude Hispanics, who were identified from the 100% Spanish Origin item (U.S. Bureau of the Census, 1982). In order to estimate a fully integrated and empirically consistent model, we extracted from each data source all records pertaining to the nation's 50 largest standard metropolitan statistical areas (SMSAs). Even though we use two different data files to estimate our model, both sources ultimately cover the same universe.

The two data files were employed to estimate two different kinds of equations. The first kind expresses tract poverty as a function of metropolitan characteristics, and it is estimated using the STF4A extract:

$$TPOV = f(GPOV, GPOV * GSEG, GPUB), \quad (1)$$

where TPOV is the total poverty rate in a census tract, GPOV is the poverty rate of whites, blacks, or Hispanics, GSEG is the level of segregation from whites (which is interacted with the former variable), and GPUB is a count of the number of units of low-income, family housing inhabited by members of each group. All variables on the right-hand side of the equation are measured at the SMSA level and are matched to census tracts in each metropolitan area. TPOV and GPOV are taken directly from the STF4A file while GPUB is drawn from Bickford and Massey (1991), who obtained it from the U.S. Department of Housing and Urban Development (1987).

GSEG is defined as the degree of a group's residential dissimilarity from whites. Indices of black-white and Hispanic-white dissimilarity were obtained from Massey and Denton (1987), who computed them directly from the STF4A files. The level of white-white dissimilarity is, of course, zero, since whites cannot be segregated from themselves. By choosing nonHispanic whites as our standard for comparison, therefore, we are implicitly assuming that they experience no restrictions on residential mobility because of their race. As we have conceptualized segregation, whites are not segregated by definition.

To estimate the equation, separate multilevel data files were created for whites, blacks, and Hispanics. Each file contained overall poverty rates for all tracts in the 50 metropolitan areas, which were in turn matched to group-specific indicators defined at the metropolitan level: the group's poverty rate in the metropolitan area where the tract was located, the group's segregation from whites in that SMSA, and the number of low-income public housing units inhabited by group members in the SMSA. The proportion of all group members residing in each tract was attached as a weight to all records. The three group-specific files were then concatenated to form one large data file, and Eq. (1) was estimated using weighted least squares (WLS), employing the weights just defined. Because the dependent variable—the tract poverty rate—had a limited range, it was transformed into a logit prior to estimation so as not to violate the

assumptions underlying WLS (the logit of any proportion, p , is defined as $\text{logit}(p) = \log[p/(1 - p)]$).

Data from the special PUMS extract was used to estimate a second set of equations that connected neighborhood poverty rates to three individual-level outcomes:

$$\text{NOWORK} = f(\text{TPOV}, \text{CONTROLS}) \quad (2)$$

$$\text{BIRTH} = f(\text{TPOV}, \text{CONTROLS}) \quad (3)$$

$$\text{FHEAD} = f(\text{TPOV}, \text{CONTROLS}) \quad (4)$$

The first of these equations examines the effect of neighborhood poverty on male joblessness. NOWORK is defined to equal 1 if a male was jobless during the prior year (either unemployed or out of the labor force) and 0 if he worked at all; the equation was estimated over two groups of respondents: teenage males aged 16 through 19 and young men aged 20 to 35. The second equation examines teenage childbearing: BIRTH equals 1 if a woman has ever given birth to a child and 0 if not, and was estimated for women aged 15 through 18. The last equation considers the likelihood of female-headed families: FHEAD equals 1 when a young woman is a household head and has a child, and 0 otherwise; it was estimated for all women aged 19 to 30. Because these dependent variables are dichotomous, all equations were estimated using maximum likelihood logistic regression techniques.

Each of the outcomes was predicted from the tract poverty rate (TPOV) and a set of individual-level control variables that vary from equation to equation (described below). Since the effect of concentrated poverty on behavior is hypothesized to be nonlinear (see Crane, 1991), we express TPOV as a series of dummy variables when it is used on the right-hand side of the equation (with categories corresponding to 0–9%, 10–19%, 20–29%, 30–39%, 40–49%, and 50%+, with the first one being the reference category).

The estimation of these three equations from the special PUMS file brings up two methodological issues that require discussion. First, a cross-sectional relationship between tract poverty and male joblessness may occur because high concentrations of poverty disrupt job networks and provide negative role models (as Wilson argues), or it may simply be that out-of-work men gravitate to poor neighborhoods, or that working men leave for better neighborhoods (see Tienda, 1990). Class-selective migration, in other words, constitutes an alternative hypothesis.

Since it is *prolonged* exposure to concentrated poverty that is posited to have deleterious effects on individual life chances, we estimate Eqs. (2) through (4) only for those respondents who lived in the same house for 5 years or more. By excluding recent migrants from the analysis, we control (however imperfectly) for the effect of selective migration, and

by defining migration so strictly (i.e., excluding *all* movers) we build a conservative bias into the analysis. By defining migration at the household level, we undoubtedly exclude some respondents who changed houses but stayed in the same neighborhood. If neighborhood poverty operates as Wilson suggests, the exclusion of these people lessens the likelihood of finding a significant relationship between poverty concentration and individual behavior.

A second methodological issue arises because the Census Bureau added a small amount of random noise to the tract variables it appended to the special PUMS file. This action was taken to protect the confidentiality of respondents by making it impossible to match an individual record with a particular census tract. The addition of random error to tract poverty rates creates no special problems for estimation, however, since it is unbiased. By definition it is uncorrelated with disturbance terms and therefore conforms to the identifying assumptions underlying maximum likelihood estimation.

In addition, we recoded the poverty rate into a series of six categorical variables corresponding to successive levels of neighborhood poverty (0–9%, 10–19%, etc.). This procedure reduces the total amount of random error that can affect the analysis: only noise that shifts a poverty rate across an interval boundary can influence the coefficient estimates reported here. Moreover, since the error is unbiased, its effect on estimates is conservative: it inflates standard errors but does not influence the coefficient estimates themselves. It therefore makes it more difficult to detect the relationships we seek to verify, so if we find statistically significant relationships, we can be sure they are real.

METROPOLITAN STRUCTURE AND NEIGHBORHOOD POVERTY

Our leading hypothesis is that segregation and poverty interact at the metropolitan level to distribute economic deprivation unequally among neighborhoods inhabited by whites, blacks, and Hispanics. The summary data shown in Table 1 certainly conform to this view. They show that blacks are much more likely to live in poor neighborhoods than either Hispanics or whites. On average, blacks in the nation's largest metropolitan areas reside in areas where nearly 23% of the families are in poverty, while some 44% of all blacks live in tracts where more than 20% of the families are poor (the cutoff Wilson used to define a poverty area); and 7% are located in areas where at least half the families are in poverty.

In contrast, Hispanics live in tracts that are only 15% poor, on average, and only 32% of Hispanics reside in areas where the poverty rate exceeds 20%. Only 4% of all Hispanics can be found in neighborhoods where more than 50% of the families are poor. Compared to either minority, however, whites are hardly exposed to poverty at all: 95% live in areas

TABLE 1
Distribution of Whites, Blacks, and Hispanics among Tracts Classified by Their Poverty Rate: Fifty Largest Metropolitan Areas, 1980

	All persons			Persons in poor families		
	Whites	Blacks	Hispanics	Whites	Blacks	Hispanics
<i>Percentage living in tracts where poverty rate is:</i>						
0-9%	82.3	32.5	42.5	65.6	15.8	24.0
10-19%	12.8	23.9	25.9	21.1	20.7	25.5
20-29%	3.2	17.3	14.7	7.9	20.1	18.0
30-39%	1.1	11.7	8.0	3.3	16.7	13.3
40-49%	0.4	7.2	4.8	1.3	11.0	9.2
50% +	0.2	7.4	4.0	0.9	15.8	10.0
<i>Average poverty rate in census tracts inhabited by group members</i>	6.6	22.5	15.1	7.4	30.2	21.8

where less than 20% of the families are poor and only 0.2% can be found in tracts where the poverty rate exceeds 50%. The average poverty rate in tracts where whites reside is just under 7%.

These intergroup differences are heightened when we focus on the poor of each group. Whereas poor whites live in neighborhoods that are just over 7% poor, on average, the average poverty rate in areas inhabited by poor blacks is about 30%, and for poor Hispanics it is 22%. In addition, the vast majority of poor whites (87%) live in tracts that are less than 20% poor, whereas a substantial majority of blacks (64%) live in tracts that exceed this poverty rate, and 16% of all blacks live in areas where more than 50% of all families are poor. Poor Hispanics lie between these two extremes: about half live in tracts that are under 20% poor, and 10% reside in areas where the poverty rate exceeds 50%.

These figures make it obvious that poor blacks, and to a lesser extent poor Hispanics, experience neighborhood environments characterized by much higher levels of poverty than poor whites. Table 2 considers the extent to which these intergroup differences can be explained by three metropolitan-level factors: the total rate of poverty a group experiences, the interaction between its rate of poverty, its degree of residential segregation, and its numerical representation in public housing.

All three explanatory terms have highly significant and quite powerful effects on the degree of neighborhood poverty. (Note, however, that the number of degrees of freedom is considerably less than the 54,442 census tracts; rather it equals the number of independent observations minus the

TABLE 2
Weighted Least Squares Logistic Regression of Tract Poverty Rate on Three Metropolitan-Level Characteristics: Tracts in Fifty Largest U.S. Metropolitan Areas

Metropolitan variables	Outcome: Tract poverty rate		
	Regression coefficient	Standard error	Statistical significance
Group's rate of poverty	2.993	0.127	0.0001
Group's segregation × group's poverty rate	3.353	0.138	0.0001
Number of units of public housing inhabited by group (000)	0.010	0.001	0.0001
Intercept	-3.233	0.013	0.0001
R^2	0.295		
N	54,442		

number of parameters estimated, or 3 groups times 50 SMSAs minus 4, or 146). Naturally, the rate of poverty that a group experiences in the metropolitan area as a whole has a strong effect on the degree of poverty concentration its members experience at the neighborhood level (see the rather large coefficient of 2.993, $p < .001$); but as hypothesized, the effect of metropolitan poverty is significantly exacerbated by segregation (see the interaction coefficient of 3.353, $p < .001$). A high rate of total poverty leads to a far greater concentration of neighborhood poverty when a group is highly segregated. The geographic concentration of poverty is further heightened by having a large number of group members living in low-income housing (see the coefficient of .010, $p < .001$).

Together, these three metropolitan-level variables explain about 30% of the variance in neighborhood poverty rates. This is a very high degree of explanatory power considering that *none* of the predictors is defined at the tract level. The model accounts for nearly a third of the variation in poverty rates among some 54,000 tracts using predictors that have only 150 independent data points each (one value for each of three groups in 50 SMSAs). Thus, knowing only three things about a group at the metropolitan level—its poverty rate, its level of segregation from whites, and its numerical representation in public housing—we can predict with fair accuracy the kind of neighborhood environment that its members experience.

NEIGHBORHOOD POVERTY AND INDIVIDUAL OUTCOMES

Table 3 moves the level of analysis down the structural hierarchy and considers the effect of neighborhood poverty on the probability that a teenage male did not work during the year prior to the census. The

TABLE 3

Maximum Likelihood Prediction of the Probability of Not Working among Men Aged 16-19 Who Are Not in School and Not in Armed Forces: Respondents Located in the Fifty Largest U.S. Metropolitan Areas

Independent variables	Outcome: Not working		
	Regression coefficient	Standard error	Statistical significance
Years of age	—	—	—
16	—	—	—
17	-0.698***	0.115	0.001
18	-1.082***	0.123	0.001
19	-1.413***	0.137	0.001
Personal background			
Native born (Yes = 1)	0.069	0.191	0.717
Speaks English well (Yes = 1)	0.018	0.319	0.954
Married (Yes = 1)	-0.143	0.465	0.757
Completed high school (Yes = 1)	-0.426***	0.109	0.001
Race/ethnicity			
White	—	—	—
Black	0.724***	0.111	0.001
Hispanic	-0.146	0.129	0.258
Household economic status			
Head employed full time	-0.158***	0.114	0.001
Head employed part time	-0.652***	0.170	0.001
Head unemployed	-0.319	0.204	0.117
Head not in labor force	—	—	—
Per capita income	-0.057***	0.012	0.001
Household social status			
Female headed family (Yes = 1)	0.128*	0.095	0.033
Head native born (Yes = 1)	-0.491***	0.154	0.001
Head speaks English well (Yes = 1)	0.104	0.213	0.626
Household head's education			
Not high school graduate	—	—	—
High school graduate	-0.060	0.098	0.542
Some college	0.023	0.120	0.849
College graduate	0.204	0.146	0.163
Neighborhood poverty rate			
0-9%	—	—	—
10-19%	0.076	0.109	0.486
20-29%	0.215	0.137	0.116
30-39%	0.419**	0.160	0.009
40-49%	0.314	0.199	0.114
50% +	0.651**	0.217	0.003
Intercept	2.136**	0.388	0.001
X ² for Covariates	559.126***		
Somers' D	0.468		
N	3,509		

* $p < .05$.

** $p < .01$.

*** $p < .001$.

equation was estimated for all males aged 16-19 who were not in school and not in the armed forces and the control variables include the respondent's age, nativity, English language ability, marital status, high school graduation status, and race and Spanish origin. Since most of these teenage respondents lived with their parents, the equation also included several household-level controls: the head's employment characteristics, nativity, English language ability, and education. We also held constant the household's per capita income and the gender of its head (but household income was defined to exclude contributions made by the respondent).

A quick inspection of the control variable coefficients reveals that the likelihood of joblessness among teenage males varies in fairly predictable and straightforward ways. Joblessness falls as age and household income rise, and is lower among young men who have completed high school and among those in households where the head is employed or native born. Our interest, however, is less in the effects of control variables than in the effects of neighborhood poverty and its consequences for teenage joblessness.

Consistent with Wilson's arguments, the likelihood that a teenage male was jobless in the prior year rises steadily as the concentration of neighborhood poverty increases. Compared to the interval 0-9% poor (the reference category), the coefficients for neighborhood poverty rise progressively from 0.076 (n.s.) in the interval 10-19% to a maximum of 0.651 in the interval above 50% ($p < .003$); and except for one coefficient (for the interval 40-49%) the increase is monotonic. In earlier specifications of the model, we also examined other indicators of neighborhood composition, including the relative number of jobless men in the tract and the percentage of minority members it contained. In this and all subsequent analyses, other tract-level variables added nothing to the explanatory power of the model above that already provided by the neighborhood poverty rate alone.

Despite this striking relationship between neighborhood poverty and teenage joblessness, however, the differential between black and white youths persisted: the highly significant coefficient of 0.724 for black race ($p < .001$) means that teenage black males are considerably more likely to be jobless than white teenagers, even after taking account of their more disadvantaged personal, family, and neighborhood circumstances. In contrast, Hispanic teenagers display roughly the same proclivity for joblessness as white youths, once background characteristics are controlled.

Table 4 continues the analysis by considering the determinants of joblessness among young men aged 20 to 35. Again the control variables behave in expected fashion: joblessness declines sharply with rising age and education and is lower among native born and married men. Among

TABLE 4

Prediction of Probability of Not Working among Males Aged 20-35 Who Are Not in School and Not in Armed Forces: Respondents in the Fifty Largest U.S. Metropolitan Areas

Independent variables	Outcome: Not working		
	Regression coefficient	Standard error	Statistical significance
Years of age			
20-21	—	—	—
22-23	-0.278*	0.109	0.011
24-25	-0.113	0.115	0.327
26-27	-0.331**	0.125	0.008
28-29	-0.531***	0.134	0.001
30+	-0.464**	0.162	0.004
Personal background			
Native born (Yes = 1)	0.715***	0.158	0.001
Speaks English well (Yes = 1)	0.178	0.243	0.458
Married (Yes = 1)	-0.846***	0.109	0.001
Education			
Not high school graduate	—	—	—
High school graduate	-0.505***	0.087	0.001
Some college	-0.680***	0.110	0.001
College graduate	-1.327***	0.211	0.001
Race/ethnicity			
White	—	—	—
Black	0.596***	0.117	0.001
Hispanic	0.192	0.143	0.179
Neighborhood poverty rate			
0-9%	—	—	—
10-19%	0.175	0.109	0.107
20-29%	0.303*	0.119	0.011
30-39%	0.523***	0.135	0.001
40-49%	0.719***	0.159	0.001
50%+	1.009***	0.160	0.001
Intercept	-1.457***	0.271	0.001
X ² for Covariates	458.451***		
Somers' D	0.421		
N	3,833		

* $p < .05$

** $p < .01$

*** $p < .001$

these young adults, however, the link between neighborhood poverty and male joblessness is even stronger than among teenagers. The coefficients rise in a perfect monotonic series from the lowest poverty interval to the highest, going from 0.175 (n.s.) in the interval 10-19% to a value of 1.009 in the interval 50%+ ($p < .001$). As young men are exposed to higher and higher levels of neighborhood poverty, therefore, their likelihood of

meaningful participation in the labor force progressively declines; but as before, this fact does not begin to erase the large differential between blacks, on the one hand, and whites and Hispanics, on the other.

Table 5 considers the effect of neighborhood poverty on the probability of motherhood among girls aged 15 to 18. In general, the likelihood of early motherhood increases with age and, not surprisingly, is higher among girls who are married than those who are not; it also tends to fall as household income rises and is somewhat lower among teenagers in families where the head is educated at a high school level or above. As before, the coefficients for neighborhood poverty are consistent with Wilson's theory: exposure to neighborhood poverty tends to promote teenage childbearing, although the relationship is not monotonic or particularly strong; and again one of the strongest effects in the model is black race. Black teenagers are much more likely to become mothers than whites no matter what the level of neighborhood poverty and no matter what their personal or family circumstances.

The last analysis we consider examines the probability of becoming a female family head among women aged 19 to 30. As the estimates of Table 6 indicate, the likelihood of heading a family with children rises sharply with age, falls quite strongly with rising education, and not surprisingly, it is lower among those women who are married and those who are working (we did not exclude married women because many black women become female family heads through separation without obtaining a divorce—see McCarthy, 1978).

Unlike the equation examining teenage motherhood, however, the effect of neighborhood poverty on single parenthood is very strong, and it monotonically ascends as the rate of neighborhood poverty increases. Female-headed families are considerably more likely to occur among women living in neighborhoods with high levels of poverty than among those residing in low poverty areas. As in earlier equations, this striking fact does not begin to erase the black-white differential, however. Black women are still considerably more likely than whites to experience single parenthood; but in contrast to other analyses, the Hispanic and black coefficients are roughly equal. Holding personal characteristics and neighborhood poverty constant, therefore, both black and Hispanic women are more likely to head families with children than are whites.

These four analyses of neighborhood effects on individual outcomes have supported the theoretical arguments of Wilson in one sense, but not another. On the one hand, we have presented fairly strong and consistent empirical evidence to show that prolonged residence in a poor neighborhood increases the likelihood of male joblessness, teenage childbearing, and single parenthood among women. Moreover, the higher the rate of neighborhood poverty, the higher the probability that these deleterious outcomes occur. The relationships were especially strong in predicting

TABLE 5

Prediction of the Probability that a Woman Aged 15-18 Has a Child: Respondents in the Fifty Largest U.S. Metropolitan Areas

Independent variables	Outcome: Has had a child		
	Regression coefficient	Standard error	Statistical significance
Years of age			
15	—	—	—
16	0.851**	0.274	0.002
17	1.424***	0.259	0.001
18	1.956***	0.269	0.001
Personal background			
Native born (Yes = 1)	-0.342	0.434	0.614
Speaks English well (Yes = 1)	-0.343	0.784	0.662
Married (Yes = 1)	0.272***	0.033	0.001
Completed high school (Yes = 1)	-0.337	0.235	0.151
Currently working (Yes = 1)	-0.401	0.213	0.060
Race/ethnicity			
White	—	—	—
Black	1.239***	0.378	0.001
Hispanic	0.085	0.448	0.850
Household economic status			
Head employed full time	-0.011	0.177	0.949
Head employed part time	0.402	0.248	0.105
Head unemployed	-0.186	0.313	0.551
Head not in labor force	—	—	—
Per capita income	-0.246***	0.042	0.001
Household social status			
Head native born (Yes = 1)	0.549	0.408	0.179
Head speaks English well (Yes = 1)	0.161	0.502	0.748
Household head's education			
Not high school graduate	—	—	—
High school graduate	-0.361*	0.181	0.046
Some college	-0.186	0.246	0.450
College graduate	0.373	0.370	0.314
Neighborhood poverty rate			
0-9%	—	—	—
10-19%	0.252	0.234	0.281
20-29%	0.479*	0.240	0.046
30-39%	0.249	0.268	0.351
40-49%	0.207	0.329	0.529
50% +	0.561*	0.281	0.045
Intercept	-3.978	0.986	0.001
X ² for Covariates	335.672***		
Somers' D	0.656		
N	3,651		

* $p < .05$.** $p < .01$.*** $p < .001$.

TABLE 6

Prediction of the Probability that Females Aged 19-30 Head a Family with Children: Respondents in the Fifty Largest U.S. Metropolitan Areas

Independent variables	Outcome: Head of family		
	Regression coefficient	Standard error	Statistical significance
Years of age			
19-20	—	—	—
21-22	0.602*	0.270	0.026
23-24	1.543***	0.255	0.001
25-26	2.171***	0.252	0.001
27-28	2.815***	0.253	0.001
29-30	3.129***	0.249	0.001
Personal background			
Native born (Yes = 1)	-0.273	0.178	0.125
Speaks English well (Yes = 1)	0.363	0.254	0.153
Married (Yes = 1)	-2.129***	0.142	0.001
Currently working (Yes = 1)	-0.598***	0.101	0.001
Education			
Not high school graduate	—	—	—
High school graduate	-0.477***	0.119	0.001
Some college	-0.490***	0.126	0.001
College graduate	-0.924***	0.158	0.001
Race/ethnicity			
White	—	—	—
Black	1.493***	0.229	0.001
Hispanic	1.375***	0.255	0.001
Neighborhood poverty rate			
0-9%	—	—	—
10-19%	0.279	0.145	0.054
20-29%	0.451**	0.154	0.004
30-39%	0.521**	0.170	0.002
40-49%	0.843***	0.187	0.001
50% +	1.029***	0.186	0.001
Intercept	4.499***	0.413	0.001
X ² for Covariates	912.176***		
Somers' D	0.665		
N	5,188		

* $p < .05$.** $p < .01$.*** $p < .001$.

joblessness among young adult men and in determining the likelihood of single parenthood among young women.

On the other hand, even adjusting for the disadvantaged personal, family, and neighborhood circumstances that blacks face, the discrepancies between them and other groups persist. This finding is consistent with

the results of Testa, Astone, Krogh, and Neckerman (1989), who used data from Wilson's Urban Poverty and Family Life Project to show that even after controlling for male joblessness and neighborhood poverty, black men were much less likely than white or Mexican men to wed the mother of their children. Although the concentrated poverty that blacks systematically face may be a key factor in accounting for their persistent poverty, it clearly is not a complete explanation.

LINKING INDIVIDUAL OUTCOMES TO METROPOLITAN STRUCTURES

Despite the fact that racial differentials persist even when neighborhood conditions are controlled, our analyses nonetheless reveal that a significant portion of black joblessness, teenage pregnancy, and single motherhood is explained by the high concentration of neighborhood poverty that blacks experience, and that concentrated black poverty can be traced, in turn, to broader structural forces that promote segregation and poverty at the group level within U.S. metropolitan areas.

This chain of effects—from metropolitan conditions to neighborhood composition to individual outcomes—can be made more concrete by using the models we have estimated. First we predict levels of neighborhood poverty from elements of metropolitan structure; then we insert these predicted poverty concentrations in the individual equations to predict joblessness, teenage motherhood, and single parenthood from neighborhood poverty, holding personal and family traits constant. This exercise, which is conceptually equivalent to deriving a reduced form equation from a linear system of equations, is carried out in Table 7.

The top section of the table uses the equation of Table 2 to generate predicted proportions of poor that group members can expect to encounter in their neighborhoods given a metropolitan-wide level of segregation and rate of poverty. The next panel down computes these poverty concentrations assuming extensive representation in public housing (46,000 units—the number of black-occupied family public housing units in New York). The third panel uses the equation of Table 4 to predict the likelihood that a young black male is jobless assuming the personal and family characteristics listed at the bottom of the table and systematically inserting into the equation the neighborhood poverty rates predicted in the second panel of Table 7. Finally, the bottom panel uses the equation in Table 6 to predict the likelihood that a young black woman heads a family with children, again assuming the personal characteristics listed at the bottom of the table and employing the predicted neighborhood poverty rates listed in the second panel of the table.

As the top two sections of the table show, the interaction between a group's poverty rate and its degree of segregation in society has a profound effect on the level of neighborhood poverty concentration that its members

TABLE 7
Predicted Neighborhood Poverty Rates, Probabilities of a Young Man Not Working, and Likelihoods of Heading a Single-Parent Family

Group's total poverty rate	Group's level of residential segregation				
	0	30	60	90	100
Predicted poverty concentration assuming no public housing					
10%	.051	.056	.061	.067	.069
20%	.067	.081	.097	.116	.123
30%	.089	.117	.150	.193	.209
40%	.116	.163	.226	.304	.333
Predicted poverty concentration assuming extensive public housing					
10%	.078	.085	.094	.102	.106
20%	.102	.122	.145	.172	.182
30%	.133	.172	.219	.275	.296
40%	.172	.237	.317	.409	.442
Predicted probability that a young black man does not work* (assuming extensive public housing)					
10%	.358	.358	.358	.399	.399
20%	.399	.399	.399	.399	.399
30%	.399	.399	.430	.430	.430
40%	.399	.430	.484	.533	.533
Predicted probability that a young black woman heads a single-parent family ^b (assuming extensive public housing)					
10%	.228	.228	.228	.280	.280
20%	.280	.280	.280	.280	.280
30%	.280	.280	.316	.316	.316
40%	.280	.316	.332	.406	.406

* A native born black male, age 25, who speaks English well and is an unmarried high school graduate.

^b A native born black female, age 25, who speaks English well and is an unmarried high school graduate who is not working.

experience. Being a member of a group with a poverty rate of 10% and no segregation, an individual can expect to live in a neighborhood that is roughly 5% poor. As the poverty rate rises to 40%, the level of neighborhood poverty increases to about 12% in the absence of segregation; but as segregation and poverty both rise, the level of poverty concentration increases dramatically, reaching about 33% with complete segregation and a poverty rate of 40%.

When a group is represented extensively in public housing, levels of neighborhood poverty are increased systematically—from 3 to 11 percentage points depending on the poverty rate and segregation level assumed. This general increase, however, does not alter the basic finding revealed earlier: poverty concentration still rises sharply as a group's segregation and poverty rate increase. Thus, when a group's poverty rate

grows from 20% to 30% (which occurred among blacks in Chicago between 1970 and 1980) the degree of poverty concentration grows dramatically (from 17% to 27%) when the increase occurs under conditions of high segregation (say 90, the level observed in Chicago during the 1970s).

The third panel shows the extent to which the three structural metropolitan factors are translated into individual joblessness among black men through the intervening variable of neighborhood poverty. According to our estimates, a 25-year-old black man had a 36% chance of being jobless in a metropolitan area where the black poverty rate was 10% and there was no segregation. Increasing the overall rate of black poverty to 40% increased the probability of joblessness slightly to just under 40%; but increasing both segregation and poverty raised the probability of joblessness dramatically, to 53% when segregation and poverty both reached their maximum. High levels of segregation and black poverty thus interact to produce a high concentration of poverty in neighborhoods where blacks live and this, in turn, generates a high probability of male joblessness.

A similar pattern is observed when we examine the effect of segregation and poverty on the probability of being a female family head. With no segregation and a 10% poverty rate, the likelihood that a 25-year-old black woman would head a family with children was 23%; but as the black poverty rate increased to 40% and segregation went to its maximum, the probability of single parenthood nearly doubled to 41%. This 18-point increase is solely attributable to the effect of two metropolitan conditions; all other personal and family characteristics are held constant.

SUMMARY AND DISCUSSION

In this paper we have shown theoretically and empirically how personal behaviors that are widely associated with the underclass, and which outwardly appear to be idiosyncratic and wholly individual, are in fact linked to structural conditions in society that are beyond individual control or influence. In particular, the degree of residential segregation and the rate of poverty that a group experiences in a metropolitan area interact to determine the concentration of poverty that its members experience in neighborhoods. As poverty rises in a racially segregated environment, blacks are exposed to progressively higher levels of neighborhood poverty and increasing income deprivation, no matter what their individual social and economic characteristics.

The concentration of poverty that arises from the conjunction of high poverty rates and high levels of segregation leads, in turn, to a variety of deleterious individual outcomes. Long-term residence in a poor neighborhood lowers the odds that a black man will find a job, and increases the probability that a black woman will bear children out of wedlock and

end up heading a family with children. Living in a neighborhood that is 40% poor—which is the case for a quarter of poor blacks in our sample—is associated with a 53% chance of being jobless for a 25-year-old black man and a 41% chance of heading a family with children for a black woman of the same age.

Although these findings appear to be clear, consistent, and straightforward, one caveat must be borne in mind. The inference that structural arrangements cause neighborhood conditions that determine individual behavior is inferred from theory rather than from the design of the research itself. Since the data are cross-sectional, strictly speaking they can only yield results that fail to contradict our causal arguments, but they cannot by themselves sustain an imputation of causality.

The effect of metropolitan structure on the concentration of neighborhood poverty has been demonstrated elsewhere using a fully dynamic model (see Eggers and Massey, 1991b). In essence, the transformation of the urban economy from the production of goods to the processing of information increased the incidence of poverty among blacks, which because of segregation was confined exclusively to black neighborhoods, thereby driving up the geographic concentration of poverty. As our theoretical model predicts, trends in poverty interacted significantly with trends in segregation, so this relationship is probably not the weak link in the analysis.

The most serious threat to the causal interpretation we attribute to the model most likely concerns the relationship between neighborhood poverty and individual outcomes such as joblessness, teenage childbearing, and single parenthood. Although the associations are clear, the causal arrows could, in fact, also move in the opposite direction if there were a selective process of migration whereby poor people prone to joblessness and family disruption moved to poor neighborhoods.

In the absence of class-specific migration rates, we cannot fully eliminate this alternate hypothesis, but we did control for it within the limits of our data by eliminating all movers from the analysis. Our study considers only the effects of long-term residence in poor neighborhoods on the likelihood of individual behaviors associated with the underclass. Even if there were originally class-selective migration into different neighborhoods, all subjects had at least 5 years of exposure to local poverty rates, during which time the selection effects would be progressively diminished by the more recent effects of the neighborhood environment. A more definitive resolution to this problem, however, carries substantial data demands that are now beyond the ability of publicly available datasets to satisfy.

In summary, these findings are consistent with the structuralist view of William Julius Wilson (1987) and others who argue that neighborhood conditions dramatically affect individual possibilities for socioeconomic success. But they also broaden Wilson's theoretical approach by linking

neighborhood poverty rates to one particular feature of metropolitan social organization. Although Wilson correctly identified one structural cause of poverty concentration—the overall increase in minority poverty that occurred during the 1970s—his theoretical model did not recognize the crucial importance of segregation in mediating the geographic effects of rising poverty rates. In the absence of segregation, recent increases in black poverty would *not* have produced the substantial growth in poverty concentration observed in recent years.

As the principal structural feature responsible for the concentration of poverty during the 1970s, we argue that segregation is deeply implicated in the promulgation of individual outcomes associated with the underclass. As long as segregation continues to be imposed on African Americans because of the color of their skin, racism remains a salient cause of class stratification and racial inequality in the United States. In the words of Thomas Pettigrew (1979), segregation remains the "structural linchpin of American race relations."

REFERENCES

- Bane, M. J., Jargowsky, P. A. (1988). "Urban Poverty Areas: Basic Questions Concerning Prevalence, Growth, and Dynamics," Paper prepared for the Committee on National Urban Policy, National Academy of Sciences.
- Bauman, J. F. (1987). *Public Housing, Race, and Renewal: Urban Planning in Philadelphia, 1920-1974*, Temple University Press, Philadelphia.
- Bickford, A., and Massey, D. S. (1991). "Segregation in the second ghetto: Racial and ethnic segregation in U.S. public housing, 1977," *Social Forces* 69, 999-1024.
- Blau, P. M. (1977). *Heterogeneity and Inequality: A Primitive Theory of Social Structure*, Free Press, New York.
- Corcoran, M., Gordon, R., Laren, D., and Solon, G. (1989). "Effects of Family and Community Background on Men's Economic Status," Working Paper 2896, National Bureau of Economic Research, Cambridge, MA.
- Crane, J. (1991). "The pattern of neighborhood effects on social problems," *American Journal of Sociology* 96, 1226-59.
- Datcher, L. (1982). "Effects of community and family background on achievement," *Review of Economics and Statistics* 64, 32-41.
- Denton, N. A., and Massey, D. S. (1988). "Residential segregation of blacks, hispanics, and asians by socioeconomic status and generation," *Social Science Quarterly* 69, 797-817.
- Eggers, M. E., and Massey, D. S. (1991a). "The structural determinants of urban poverty," *Social Science Research*, forthcoming.
- Eggers, M. E., and Massey, D. S. (1991b). "A Longitudinal Analysis of Urban Poverty: Blacks in U.S. Metropolitan Areas 1970-1980," *Social Science Research*, forthcoming.
- Giddens, A. (1980). *The Class Structure of the Advanced Societies*, Hutchinson, London.
- Goldstein, L., and Yancey, W. L. (1986). "Public housing projects, blacks, and public policy: The historical ecology of public housing in Philadelphia," in *Housing Desegregation and Federal Policy* (J. M. Goering, Ed.), pp. 262-89, University of North Carolina Press, Chapel Hill, NC.
- Gramlich, E., and Laren, D. (1990). "Geographical Mobility and Persistent Poverty," Unpublished paper, Department of Economics, University of Michigan.
- Hirsch, A. R. (1983). *Making the Second Ghetto: Race and Housing in Chicago, 1940-1960*, Cambridge University Press, Cambridge.
- Hirschl, T. A., and Rank, M. R. (1991a). "The Effect of Population Density on Welfare Participation," *Social Forces*, forthcoming.
- Hirschl, T. A., and Rank, M. R. (1991b). "Does Urbanism Affect Welfare Participation?" Paper presented at the Annual Meetings of the Population Association of America, March 22-23, Washington, D.C.
- Hogan, D. P., and Kitagawa, E. M. (1985). "The Impact of Social Status, Family Structure, and Neighborhood on the Fertility of Black Adolescents," *American Journal of Sociology* 90, 825-55.
- Jargowsky, P. A., and Bane, M. J. (1990). "Neighborhood Poverty: Basic Questions," Discussion Paper H-90-3, Malcom Wiener Center for Social Policy, John F. Kennedy School of Government, Harvard University, Cambridge, MA.
- Jencks, C., and Mayer, S. E. (1990). "The social consequences of growing up in a poor neighborhood," in *Inner City Poverty in the United States*, (L. E. Lynn, Jr., and M. G. H. McGeary, Eds.), pp. 111-186, National Academy of Sciences, Washington, D.C.
- Logan, J. R., and Molotch, H. L. (1987). *Urban Fortunes: The Political Economy of Place*, University of California Press, Berkeley and Los Angeles.
- Massey, D. S. (1990). "American apartheid: Segregation and the making of the underclass," *American Journal of Sociology* 95, 1153-88.
- Massey, D. S., and Denton, N. A. (1987). "Trends in the residential segregation of blacks, hispanics, and Asians," *American Sociological Review* 52, 802-25.
- Massey, D. S., and Eggers, M. L. (1990). "The ecology of inequality: Minorities and the concentration of poverty 1970-1980," *American Journal of sociology* 95, 1153-1188.
- Massey, D. S., and Kanaiaupuni, S. M. (1991). "Public Housing and the Concentration of Poverty," Unpublished paper, Population Research Center, University of Chicago, Chicago, IL.
- McCarthy, J. F. (1978). "A comparison of the probability of the dissolution of first and second marriages," *Demography* 15, 345-59.
- Moffitt, R. (1983). "An economic model of welfare stigma," *American Economic Review* 73, 1023-35.
- Park, R. E. (1926). "The urban community as a spatial pattern and a moral order," in *The Urban Community*, (E. W. Burgess, Ed.), pp. 1-35, University of Chicago Press, Chicago.
- Pettigrew, T. F. (1979). "Racial change and social policy," *Annals of the American Academy of Political and Social Science* 441, 114-31.
- Rank, M. R., and Hirschl, T. A. (1988). "A rural-urban comparison of welfare exits," *Rural Sociology* 53, 190-206.
- Testa, M., Astone, N. M., Krogh, M., and Neckerman, K. M. (1989). "Employment and marriage among inner-city fathers," *Annals of the American Academy of Political and Social Science* 501, 79-91.
- Tienda, M. (1990). "Poor people and poor places: Deciphering neighborhood effects on poverty outcomes," Population Research Center Discussion Paper OSC 90-2, University of Chicago, Chicago, IL.
- U.S. Bureau of the Census (1980). *Census of Population and Housing 1980, Summary Tape File 4A*, [MRDP] NPDC ed. Washington, D.C., U.S. Bureau of the Census [producer]. Ithaca, NY, National Planning Data Corporation (NPDC) [distributor].
- U.S. Bureau of the Census (1982). *1980 Census of Housing and Population Users' Guide, Part A, Text*, U.S. Government Printing Office, Washington, D. C.
- U.S. Bureau of the Census (1989). *Census of Population and Housing 1980, Special Tab-*

ulation of Public Use Microdata Sample with Tract Data. [MRDF] NORC ed. Washington, D.C., U.S. Bureau of the Census [producer]. Chicago, IL, National Opinion Research Center (NORC) [distributor].

U.S. Department of Housing and Urban Development (1987). Public Housing—Size of Project, Vacancies, and Segregation Through 1977. [MRDF] COMPDATA ed. Washington, D.C., HUDR42 Database, U.S. Department of Housing and Urban Development [producer]. Arlington, VA, COMPDATA Services Corporation [distributor].

Wilson, W. J. (1987). *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. University of Chicago Press, Chicago.

Rasch Measurement and Differences between Women and Men in Self-Esteem

JAMES A. McRAE, JR.

University of South Carolina

Most researchers who investigate sociological influences on emotional well-being or distress employ correlational methods as justification for the scales used as measures of distress (factor analysis) and to describe the effects of various factors on distress (regression). This paper suggests that log-linear and related models offer certain advantages over the linear model which have largely been ignored. An analysis of the cross-classification of items included in a widely used measure of self-esteem suggests that one of the items must be eliminated to approximately achieve measurement as defined by Rasch. The resultant latent variable shows no difference in self-esteem between women and men. An analysis of the additive index which includes all of the items, however, reveals that women have lower self-esteem than do men. This apparent difference results solely from a difference on the discrepant item: women are less likely than men to report that they often, rather than sometimes or rarely, can do things as well as most other people.

© 1991 Academic Press, Inc.

One of the most persistent findings in research on sex differences in mental health is that women report less well-being or more distress than men do. In fact, Dohrenwend (1975) reports that sex, socioeconomic status, and residence (urban vs rural) are the three sociological factors that consistently affect the prevalence of mental disorder. Most researchers, though, do not have information on mental disorder or illness. Rather, they have responses to questions about mood that are asked in national or community surveys of samples of the population. Such questions typically ask if or how frequently respondents felt or experienced something that is deemed to be a symptom of a particular or generalized disorder. The investigator often performs a factor analysis and reports that a certain

Statement of ownership, management, and circulation required by the Act of October 23, 1902, Section 4205, Title 39, United States Code of

SOCIAL SCIENCE RESEARCH II

Published quarterly by Academic Press, Inc., 5217 San Marino Drive, Orlando, FL 32837-0908. Number of issues published annually: 4. Editor: Dr. James D. Wright, Department of Sociology, Tulane University, 316 Newcomb Hall, New Orleans, LA 70118.

Owned by Academic Press, Inc., 1156 Sixth Avenue, San Diego, CA 92101. Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, and other securities known as Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner. Names and addresses of individuals who are stockholders and securities of a corporation which (itself is a stockholder or holder of bonds, mortgages, or other securities of the publishing corporation have been included in paragraphs 2 and 3 where the interests of such individuals are equivalent to 1 percent or more of the total amount of the stock or securities of the publishing corporation.

Total no. copies printed average no. copies each issue during preceding 12 months: 1990, single issue nearest to filing date: 1990. Paid circulation (a) to term subscribers by mail, carrier delivery, or by other means average no. copies each issue during preceding 12 months: 651; single issue nearest to filing date: 655. Sold (b) through agents, news dealers, or other means average no. copies each issue during preceding 12 months: 0; single issue nearest to filing date: 0. Free distribution by mail, carrier delivery, or by other means average no. copies each issue during preceding 12 months: 0; single issue nearest to filing date: 0. Total no. of copies distributed average no. copies each issue during preceding 12 months: 651; single issue nearest to filing date: 655.

Signed Evelyn Sasser, Social Vice President

Address correspondence to James A. McRae, Jr., Department of Sociology, University of South Carolina, Columbia, SC 29208, or N040300 at UNIVSCVM via BITNET. This research was funded in part by NIMH Grant RO1-MH40666. I thank D. R. Ladkau and S. E. Morrison for assisting with the research and C. J. Brody, O. D. Duncan, M. Stenbeck, and the SSR reviewers for comments on an earlier draft. The data of Americans View Their Mental Health were provided by the Inter-University Consortium for Political and Social Research.

421

0889-080X/91 \$3.00

Copyright © 1991 by Academic Press, Inc. All rights of reproduction in any form reserved.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	DOB (Partial) (1 page)	06/24/1993	P6/b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Kathryn Way
OA/Box Number: 3511

FOLDER TITLE:

Housing [1]

2013-0854-S
ms674

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.



DEPARTMENT OF THE TREASURY
WASHINGTON

[001]

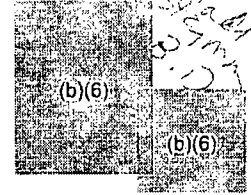
JUN 24 1993

ASSISTANT SECRETARY

MEMORANDUM FOR HOUSING REFORM AND ECONOMIC
INDEPENDENCE WORKING GROUP

FROM: Alicia H. Munnell *[Signature]*
Assistant Secretary
for Economic Policy

SUBJECT: The Treasury Department's Role in Low- and
Moderate-Income Housing



The Treasury department is responsible for two notable activities that help provide housing for low- and moderate-income households -- the low-income housing tax credit and the Resolution Trust Corporation's (RTC) Affordable Housing Disposition Program (AHDP). In addition, the Treasury administers several other provisions of the Internal Revenue Code that affect low- and moderate-income housing. Several Treasury agencies influence many aspects of the housing industry through various regulatory activities.

Low Income Housing Tax Credit

Section 42 of the Internal Revenue Code provides for a tax credit in annual installments over 10 years for newly constructed or substantially rehabilitated low-income rental housing. For most newly constructed and substantially rehabilitated housing, the credit percentages provide a credit stream with a present value equal to 70 percent of the total qualified expenditures. In the case of housing receiving other federal subsidies and the acquisition of an existing building that is substantially rehabilitated, the credit percentages provide a credit with a present value equal to 30 percent of the total qualified expenditures. Generally, that part of the building for which the credit is claimed must be rented to qualified low-income tenants at restricted rents for 15 years after the building is placed in service.

Generally, in order for a credit to be claimed with respect to a building, the building owner must receive a credit allocation from the appropriate credit authority. The low-income housing credit is allocated by State or local government authorities subject to an annual limitation for each state. The population component of the annual State credit limitation was \$1.25 per resident for 1992, but this portion of the State credit limitation could not be allocated after June 30, 1992. Treasury has estimated that the outlay equivalent value of this tax credit will increase from \$1.13 billion in FY 1992 to \$1.53 billion in FY 1994, with associated revenue losses of roughly equal magnitude.

The low-income housing tax credit expired after June 30, 1992 and is likely to be extended. Its proponents argue that the low-income housing credit encourages the private sector to construct and rehabilitate the nation's rental housing stock and to make it available to the working poor and other low-income families. It is claimed that in addition to tenant-based housing vouchers and certificates, the credit is an important mechanism for providing federal assistance to rental households.

Significant issues have been raised about the efficiency of the credit. A Congressional Budget Office staff memorandum concludes:

The low-income housing credit is intended to address two problems: the shrinking supply of affordable housing for poor people, and the standard quality of units typically available to poor people. However, the low-income housing credit, like other supply subsidy mechanisms, is unlikely to increase substantially the supply of affordable housing. Subsidized housing largely replaces other housing that would have been available through the private, unsubsidized housing market. Moreover, while the new subsidized housing is almost certainly better than the housing it replaces, the improvement in quality is generally worth much less to tenants than its costs to the government. As a result, the government can provide assistance of equal value to tenants through housing vouchers at a fraction of the cost of credits.¹

A HUD-sponsored study indicates that a ratio of tax credits to housing voucher costs of about 2.5 can be used as a standard to assess overall efficiency.² Both this study and the CBO analysts do allow that tax credits are potentially more effective tools than housing vouchers to revitalize particular neighborhoods and to provide affordable housing to low-income households in very tight housing markets. In this regard, a particularly lucrative credit is available for buildings in areas designated "hard to develop".

¹CBO Staff Memorandum "The Cost-Effectiveness of the Low-Income Housing Tax Credit Compared with Housing Voucher" (April 1992, Congressional Budget Office).

²"Evaluation of the Low-Income Housing Tax Credit" Final Report - (February 28, 1991, Department of Housing and Urban Development).

The Affordable Housing Disposition Program

Perhaps the most positive development to emerge from Treasury's management of the savings-and-loan crisis is the Resolution Trust Corporation's (RTC) Affordable Housing Disposition Program (AHDP). Title V(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended by the RTC Refinancing, Restructuring, and Improvement Act of 1991 directs the RTC to use its portfolio of foreclosed properties to provide affordable housing opportunities for moderate-, low-, and very low-income households when feasible. Since January 1990, the AHDP has closed sale on about 17,000 single family homes and 38,000 apartment units. In addition, about 700 properties have been donated to nonprofit and public agencies to help special populations such as the homeless and the handicapped.

Single family homes in the RTC's inventory judged affordable for very low- to moderate-income households are sold exclusively to eligible households, nonprofit and public agencies during a three-month marketing period. In certain circumstances, the RTC provides up to 25 percent of the sale price of the homes for necessary repairs. During the first 30 days of a marketing period, multi-family units are made available to public agencies, and then to nonprofit for an additional 30 days. If there are no public agency or nonprofit bids on a property, it is then made available to all bidders including for-profit entities. Condominiums can be handled in a same fashion as single-family units or the RTC may choose to sell condominiums in bulk following procedures similar to those that apply to multi-family units.

The RTC provides considerable assistance to buyers. The RTC offers its own financing to single-family buyers at favorable terms as well as home ownership counseling. For multi-family units, the RTC offers bridge loans for up to two years for up to 1 percent down. This provides time for the agencies to rehabilitate a property, secure permanent financing, and, in many cases, arrange a sale to a community-based organization. In addition, the RTC provides an array of attractive permanent financing options.

After some initial problems, the RTC's handling of the AHDP has been widely viewed as especially competent. Perhaps most important, they have not been hamstrung by unnecessarily restrictive legislative provisions and regulations. In addition, the RTC is well managed and has been able to recruit first-rate staff, many of whom have been made available from the direct and indirect consequences of the savings-and-loan crisis and the collapse of the housing industry. Further, the RTC relies heavily on private contractors to provide underwriting,

assessment, and housing counseling services. It appears they have been quite judicious in their choice of such contractors.

Other Treasury Activities

In addition to the low-income housing tax credit, Treasury is responsible for other provisions of the Internal Revenue Code that directly affect low-and moderate-income housing. These include tax exemption for interest on qualified revenue bonds to finance the purchase of housing by low-income, first-time home buyers and bonds to finance for low-and moderate-income rental housing.³ The Internal Revenue Service, the Office of Thrift Supervision, and the Comptroller of the Currency issue regulations that affect all aspects of the industry and, in particular, shape the behaviors of for-profit and non-profit organizations involved in the development and management of low-and moderate-income housing units.

DISTRIBUTION:

Chris Edley, OMB
Harry Meyers, OMB
Steve Redburn, OMB
Elana Sigall, OMB
Issa Barrett, OMB
Brad Delong, Treasury
Michael Stegman, HUD
Joseph Stiglitz, CEA
Kevin Berner, CEA
Heather Ross, NEC
Peter Yu, NEC
Jim Jordan, FEMA

³The most significant tax related impact on housing is, of course, the deductibility of mortgage interest and state and local property taxes for owner occupied homes. Treasury estimates that in FY 1994, the outlay equivalent tax expenditure for these provisions will amount to \$62.1 billion per year.

June 16, 1993

Background data for the Economic Independence Group.

Peter Yu comments:

Assessment of current low-income housing stock:

- P.1 {
- o Number of low-income units;
 - o Vacancy
 - o Average Fair Market Rent*

- P.2 {
- o Age
 - o Condition

Assessment of current Federal effort:

- o HUD efforts -- type/program/dollars/amount*
- 3,4 o Welfare (AFDC, SSI) overlap**
- 5 o Cumulative work disincentive**
- ~~6,7~~ o Evaluation of ^{FSS} ~~HOME~~, Moving to Opportunity

Detailed Characteristics of recipient persons:

- P.8 o Age
- P.9 o Work Status
- P.10 o children: #/age
- o Length of State fo working age/ able bodied
- o Where do they go (move to)*
- o Where do they come from (current living arrangements before HUD assistance)*
- o Why leave HUD assistance (dollars, conditions, safety)*
- o Public Assistance recipients ~ duplicative
- o Who is leasing -- [age & children] duplicative
-- education**

* See next page

Jim Jordan of OMB has promised to provide:

- * Average Fair Market Rent
- * HUD Efforts -- program/dollars/amount

HUD Data Sources Do Not Cover:

- * Where assisted families go when they leave assisted units
- * Living arrangements before receiving assistance
- * Why families leave HUD assistance

Size and Occupancy of the Assisted Housing Stock

Public and Indian Housing Stock: 1.35 million

Vacant: 110,000

Vacancy Rate: 8.5 percent

Multifamily Housing Stock with Project-Based Assistance:
1.9 million

This category includes Section 8 New Construction and other Project-Based, Rent Supplement, Section 236, Section 202 without Certificates or Vouchers, and Section 221(d)3 Below Market Interest Rates. (It does not include the Section 8 Certificates and Vouchers programs, which do not involve long-term commitments by the Federal government to particular structures. HUD has awarded funds to subsidize nearly 1.4 million units of assistance through Certificates and Vouchers.)

Vacancies in private project-based assisted housing are not tracked; vacancy losses in one portion of that stock, assisted insured multifamily units, came to 3.4 percent of potential tenant-paid rents.

Age and Condition of Assisted Housing Stock

Public Housing

35 percent of public housing program units are located in buildings constructed before 1960. 26 percent are in projects built between 1960 and 1970. Of the remaining 39 percent, nearly all were built in the 1970s.

The condition of the public housing stock may be summarized by the Backlog Cost: the cost of needed repairs or replacements to existing physical systems plus items that must be added to meet local codes or HUD modernization standards plus lead-based paint abatement plus handicapped access. In 1990, the estimated Backlog Cost was \$13.4 billion, or \$10,300 per unit. The distribution of the need is highly skewed, with on the one hand 36.2 percent of units needing somewhere between no work at all and \$5000 of fixup, and on the other hand 0.5 percent of units needing between \$60,000 and \$85,000 per unit.

Private Project-Based

HUD has no readily accessible comprehensive data source on age for the entire stock of private project-based assisted housing. For the part of the stock with HUD-insured or HUD-held mortgages (about 70 percent of the total), the breakdown of the mortgage origination year is as follows:

Pre-1970: 6 percent
1970-1979: 54 percent
1980 to present: 40 percent

These figures understate the age of the housing for the 14 percent of mortgages that involve refinancing or reinsurance of the property.

The estimated Backlog cost for the part of the assisted stock with HUD-insured or HUD-held mortgages is \$2.3 billion, or \$1,520 per unit.

Welfare (AFDC, SSI) Overlap -- Data Source 1**AFDC Families by Type of Shelter Arrangement, FY 1989****Total: 3.8 million**

In public housing: 9.6% (365,000)
HUD or other rent subsidy: 13.9% (528,000)
Owner-occupied: 4.7%
Unsubsidized private rental: 62.9%
Group Quarters: 1.6%
Rents Free: 6.5%
Unknown: 0.7%

Source: Characteristics and Financial Circumstances of AFDC Recipients, FY 1989, Department of Health and Human Services, Family Support Administration, Office of Family Assistance

Note: This is the most official tabulation of the overlap between housing assistance and AFDC, but the proportion of AFDC recipients receiving housing assistance is probably higher than stated. State Quality Control program officials probably rely on self-report by recipients for this item, and the Section 8 programs are not accurately reported in surveys. HUD does not have an administrative source of data on the AFDC/Section 8 overlap in place.

Welfare (AFDC, SSI) Overlap -- Data Source 2.

Housing Problems of Very-Low-Income Renters with Children

Absolute numbers are in thousands of households; Columns (3) through (6) sum to column (2), except for rounding

(1) Category	(2) Total	(3) Having Worst- Case Needs ¹	(4) Other Housing Problems ²	(5) No Housing Problems	(6) Assisted
Total	5,867	2,117	1,531	530	1,688
Percent	100.0	36.1	26.1	9.0	28.8
Female Head, No Spouse	3,626	1,380	651	223	1,371
Percent	100.0	38.1	18.0	6.2	37.8
Receive Welfare Income ³	2,388	908	352	112	1,016
Percent	100.0	38.0	14.7	4.7	42.5
Three or More Children	1,842	635	573	107	528
Percent	100.0	34.5	31.1	5.8	28.6

¹Very low-income renters have worst-case needs if they receive no housing assistance and have: (1) excess rent burden (greater than 50 percent of income) or (2) a severely inadequate unit. The great majority of households in this category have only excess rent burden.

²Usually AFDC, although the question includes SSI. Welfare income is under-reported.

³Very low-income renters have other housing problems if they receive no housing assistance and have: (1) rent burden between 30 and 50 percent of income; (2) a moderately inadequate unit; or (3) crowded quarters (more than one person per room).

Source: American Housing Survey 1989.

Cumulative Work Disincentive

The marginal tax from HUD's 30 percent rule is almost zero so long as the family is on AFDC, because of AFDC's dollar for dollar benefit reduction rate.

A family which is not on AFDC but receives Food Stamps and housing assistance would have a 54 percent marginal tax rate on wage income (30 percent from HUD, 24 percent from Food Stamps).

Family Self-Sufficiency

Public Housing Agencies (PHAs) receiving new increments of Section 8 funding or public housing development funding are obliged to set up a Family Self-Sufficiency (FSS) program. The minimum number of families to be enrolled in this program is, in general, equal to the number of incremental Section 8 and/or public housing development units received from FY 1992 appropriations forward, plus units received under special competitive awards from FY 1991 appropriations. FSS participation is not mandatory for assisted families, and housing assistance may not be delayed to any family because of refusal to participate in FSS.

In FSS, a contract of participation between the PHA and the assisted family specifies the milestones of progress the family is expected to meet in the process of becoming self-sufficient. It also specifies the services that the PHA will obtain in the community to help the family become self-sufficient. Such services might include child care, job training, education, parenting or financial management classes, substance abuse counseling, and transportation. To facilitate obtaining these services, the PHA is obligated to set up a Program Coordinating Committee of local service providers and other public and private organizations. The initial contract length must not be more than 5 years, but contracts may be renegotiated at the discretion of the PHA and the family.

In assisted housing, the tenant contribution to rent is set at 30 percent of adjusted income. In FSS, however, any increases in the tenant contribution (because of increases in income) are deposited in an escrow account so long as income remains below 50 percent of area median income. (Above 50 percent of area median income, the escrow deposit is frozen at the 50 percent of median level.) The escrow payment will be returned to the family when all forms of housing assistance end, but will be forfeited if the family failed to leave housing assistance within ten years of enrollment or if found noncompliant with the terms of the contract. Under amendments in the Housing and Community Development Act of 1992, the escrow must also be released to the family upon leaving the Aid to Families with Dependent Children program; upon completion of contract milestones, the PHA may also release escrow funds to the family to use for an FSS-related purpose, or as partial down payment on a home under the Section 8 homeownership program.

The FSS program requires the services of a case manager for the participant families. It may also entail other costs. Additional operating subsidy to cover the cost of program operation may be paid for public housing FSS programs. Section 8 FSS program costs must be paid out of the Section 8 administrative fee; no increase in this fee for FSS participants is authorized.

Moving to Opportunity

Moving to Opportunity for Fair Housing (MTO) is a set-aside program of Section 8 vouchers or certificates. Families are eligible for assistance under MTO if they meet the following conditions: (1) they have children, (2) they live in public housing or Section 8 project-based assisted housing, (3) this housing is in an area of concentrated poverty. MTO is a competitive program; participating PHAs must serve central cities with over 350,000 people within metropolitan areas with more than 1.5 million people.

The purpose of MTO is to assist families living in high-poverty project-based assisted housing to move to privately owned housing units in low-poverty areas. The hope is that this change will make a significant difference in the life opportunities of both the adults and the children in the assisted families.

Many of the families will receive counseling services from non-profit organizations modeled on the Gautreaux program of the Leadership Council for Metropolitan Open Communities in Chicago. In that program, which is a court-ordered remedy for segregation in the public housing program, assisted black families can only use their certificates in mostly white neighborhoods; they receive various kinds of assistance from the program staff in finding appropriate units in such neighborhoods. The MTO counseling program will be similar, except that families assisted under it will have to use their certificates or vouchers in low-poverty areas rather than white areas.

Under the Gautreaux program, several thousand black families have received initial placements in white neighborhoods since the program started. Followup studies by researchers at Northwestern University have found encouraging patterns of educational attainment among the children of these families. However, these patterns may be influenced by the high degree of self-selection and screening of participants, and the Northwestern findings may be influenced by these effects, rather than by the impact of the program.

HUD will use the FY 92 and FY 93 funding for MTO to assist two groups: families who receive Gautreaux-like assistance, and families who receive standard Section 8 assistance. Families will be assigned randomly to the two groups, and HUD will track their achievements over time.

Age of Householder

Age	Public housing	Certificate /voucher	Private Project- based	All income- eligible renters
Under 35	21%	42%	27%	39%
35-64	41	35	33	35
65 or older	38	23	40	26
Median age	56 yrs	40 yrs	56 yrs	41 yrs

Income and Sources

Received income from:	Public housing	Certs/ vouchers	Private project- based	All income- eligible renters
Wages	35%	43%	43%	59%
Social security/ pensions	47	32	49	30
AFDC/SSI	45	51	24	26
Food Stamps	49	56	25	30
Median Income	\$6,571	\$7,060	\$8,074	\$8,145

Children under 18 years

Children:	Public housing	Certs/ vouchers	Private project- based	All income- eligible renters
None	59%	39%	62%	57%
One child under 6	4	8	10	7
One child under 6, one or more children 6-17	9	12	6	9
Two or more children under 6, only	2	8	4	5
Two or more under 6, one or more 6-17	5	6	3	5
One or more 6-17 only	20	26	15	17

Duration in the Housing Assistance Programs

The Multifamily Tenant Characteristics System (MTCS) allows for more precise statements about the characteristics of households in the public housing system than in the other two types of assisted housing. A quick sample of households in the MTCS who had positive amounts of wage income showed:

- 16.8 percent were admitted in 1992 or 1993,
- 21.4 percent were admitted in 1990 or 1991,
- 18.8 percent were admitted between 1987 and 1989,
- 23 percent were admitted between 1979 and 1986,
- 20 percent of them were admitted to public housing before 1979.

The results are not nationally representative because data from New York and Chicago, which are not fully integrated into the MTCS, were not included in this run.

For public housing residents as a whole, as of the 1989 AHS:

- 53 percent of households had been living in the unit they currently occupied for 4 years or less
- 20 percent for 5 to 9 years
- 11.1 percent for 10 to 14 years
- 15.9 percent for 15 years or longer.

These figures could understate length of stay if families move from one public housing unit to another.

Data on duration in the Section 8 tenant-based program are not currently available from any source.

For the private project-based assistance the 1989 AHS breakdown was:

- 62.7 percent living in their current unit for 4 years or less
- 23.5 percent for 5 to 9 years
- 9.6 percent for 10 to 14 years
- 4.2 percent for 15 years or longer.

JUN-29-93 TUE 15:37 ID:R00 PD&R TEL NO: #167 P15

Reasons for Moving into Assisted Housing

All figures given are estimates from the AHS of 1989.

211,000 families moved into a public housing unit in 1989. 73 percent felt the new home was better than the old one; 5 percent felt the old one was better; 22 percent felt it was about the same. As for neighborhood, 17 percent were in the same neighborhood as before; of the remainder, 44 percent felt the move was to a better neighborhood, 20 percent thought it was worse, and 20 percent thought it was about the same. The six most common reasons they gave for leaving their previous unit (they could list more than one) were:

- (1) To establish own household -- 48,000
- (2) Widowed, divorced, separated, other family or personal relationship change -- 47,000
- (3) Needed larger unit -- 43,000
- (4) Wanted lower rent -- 32,000
- (5) Other housing problem -- 34,000
- (6) Wanted better home -- 30,000

297,000 families with certificates or vouchers moved into a new unit in 1989. 54 percent felt the new home was better than the old one; 16 percent felt the opposite; 30 percent felt the units were about the same. Five percent had moved within the old neighborhood; of the remainder, 47 percent said the new neighborhood was better, 16 percent said it was worse, and 32 percent said it was about the same. The six most common reasons they gave for leaving their previous unit were:

- (1) Needed larger unit -- 53,000
- (2) Wanted better home -- 52,000
- (3) To establish own household -- 45,000
- (4) Widowed, divorced, separated, other family or personal relationship change -- 45,000
- (5) Wanted lower rent -- 40,000
- (6) Other housing problem -- 42,000

365,000 families moved into a privately owned project with one or more subsidized units in 1989. 51 percent said the unit was an improvement over their previous unit; 27 percent said it was worse; 22 percent said it was about the same. Seven percent were moving within their old neighborhoods; of the remainder, 41 percent said the move was to a better neighborhood, 32 percent said it was to a worse one, and 20 percent said it was about the same. The six most common reasons they gave for leaving their previous unit were:

- (1) Widowed, divorced, separated, other family or personal relationship change -- 95,000
- (2) Wanted lower rent -- 59,000
- (3) Wanted better home -- 53,000
- (4) To establish own household -- 48,000
- (5) Needed larger unit -- 44,000
- (6) Financial/employment related (other than proximity to school or work) -- 41,000

Education

Percentages of non-elderly household heads completing given levels of schooling are shown in the table below, by form of housing assistance. Columns may not add to 100 percent because of rounding.

Years completed	Public housing	Section 8 tenant-based	Section 8 project-based
8 or less	18.4%	11.7%	6.8%
9-11	28.5	25.1	20.6
12	32.7	43.0	45.0
Beyond High School	20.4	20.5	27.6

General Characteristics of Housing Assistance

- Not an entitlement
- Allocated by waiting lists, subject to Federal & local preferences
- General rule - tenant pays 30% of adjusted income toward rent and utilities

Public Housing

- Owned by local PHAs
- 1.3 million households

Project - Based Assistance

- Privately owned projects in which some or all units receive HUD subsidies
- Subsidies arranged prior to construction or subsequent to insured project becoming troubled (physically, financially)
- 1.7 million households

Section 8 Existing

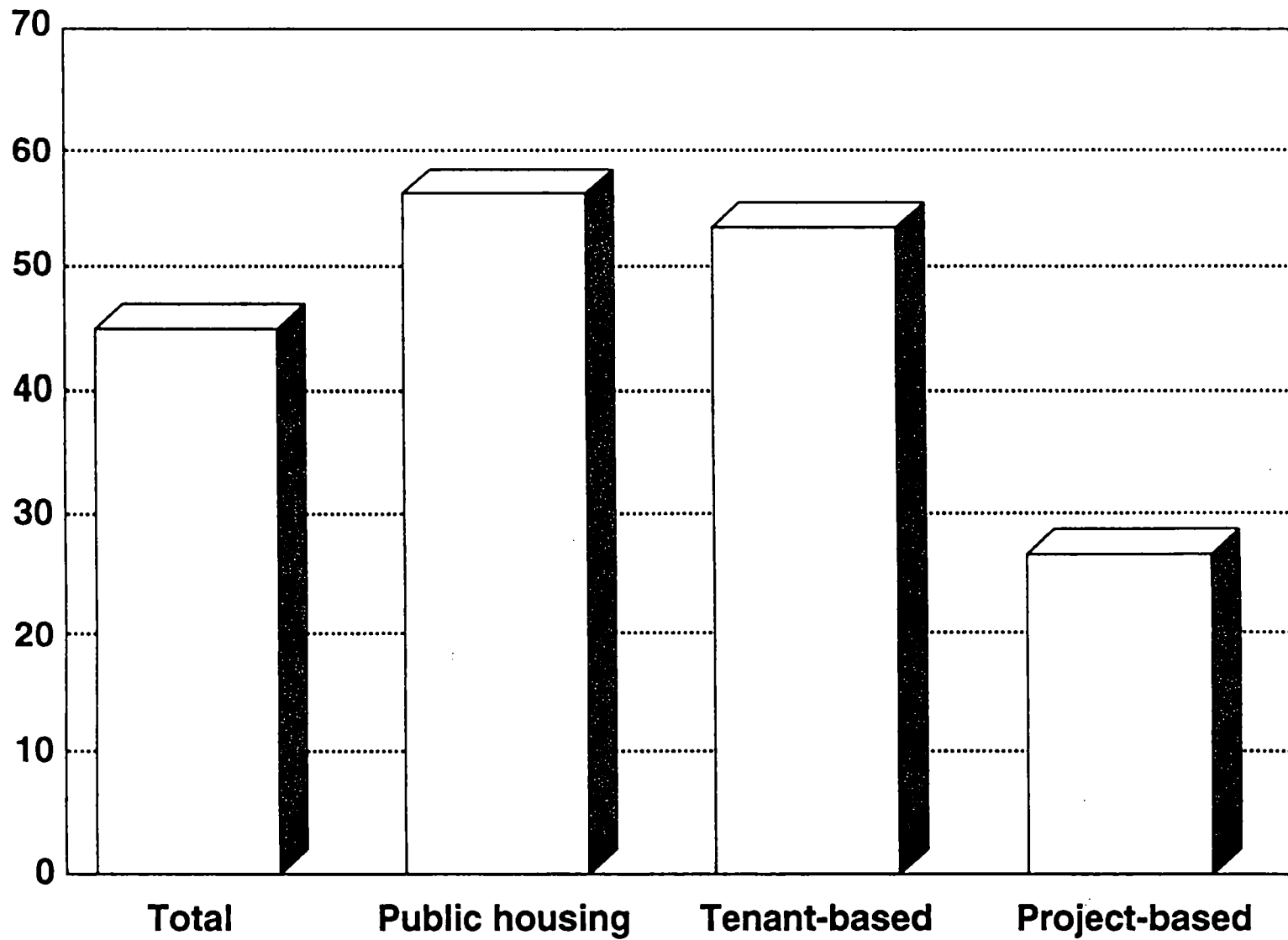
(Certificates & Vouchers)

(Tenant - Based)

- Any private housing the tenant chooses; subject to
 - HQS
 - Affordability under FMR
- 1.1 million households

Percent Nonelderly Households Receiving AFDC or SSI

By Type of Assistance



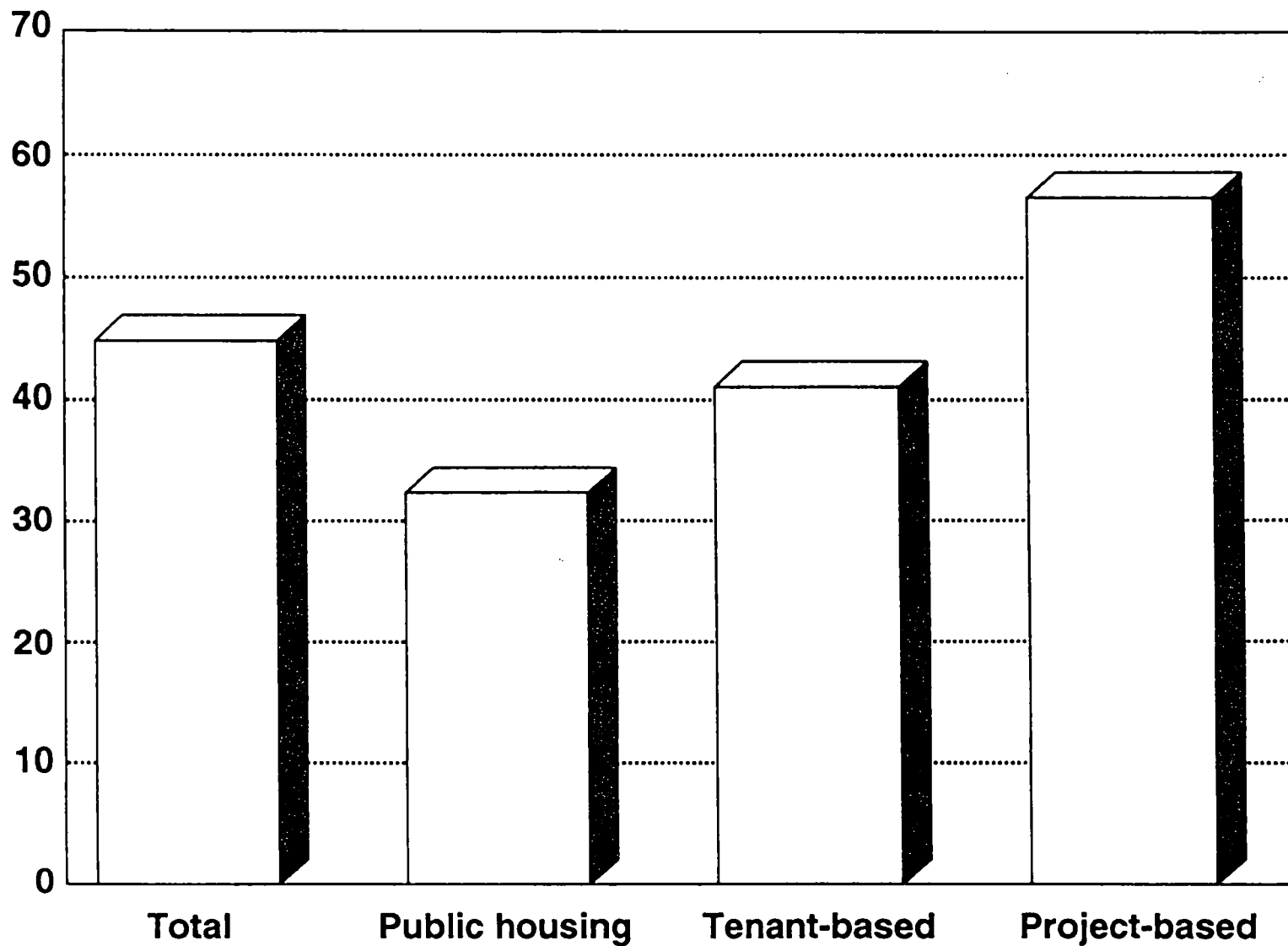
Shelter Arrangements, AFDC HHS

Public Housing	9.6%
HUD or Other Rent Subsidy*	13.9%
Owner-Occupied	4.7%
Unsubsidized Private Rental	62.9%
Rents Free	6.5%
Group Quarters	1.6%
Unknown	0.7%

***This figure, from HHS, is too low, due to respondent inaccuracy.**

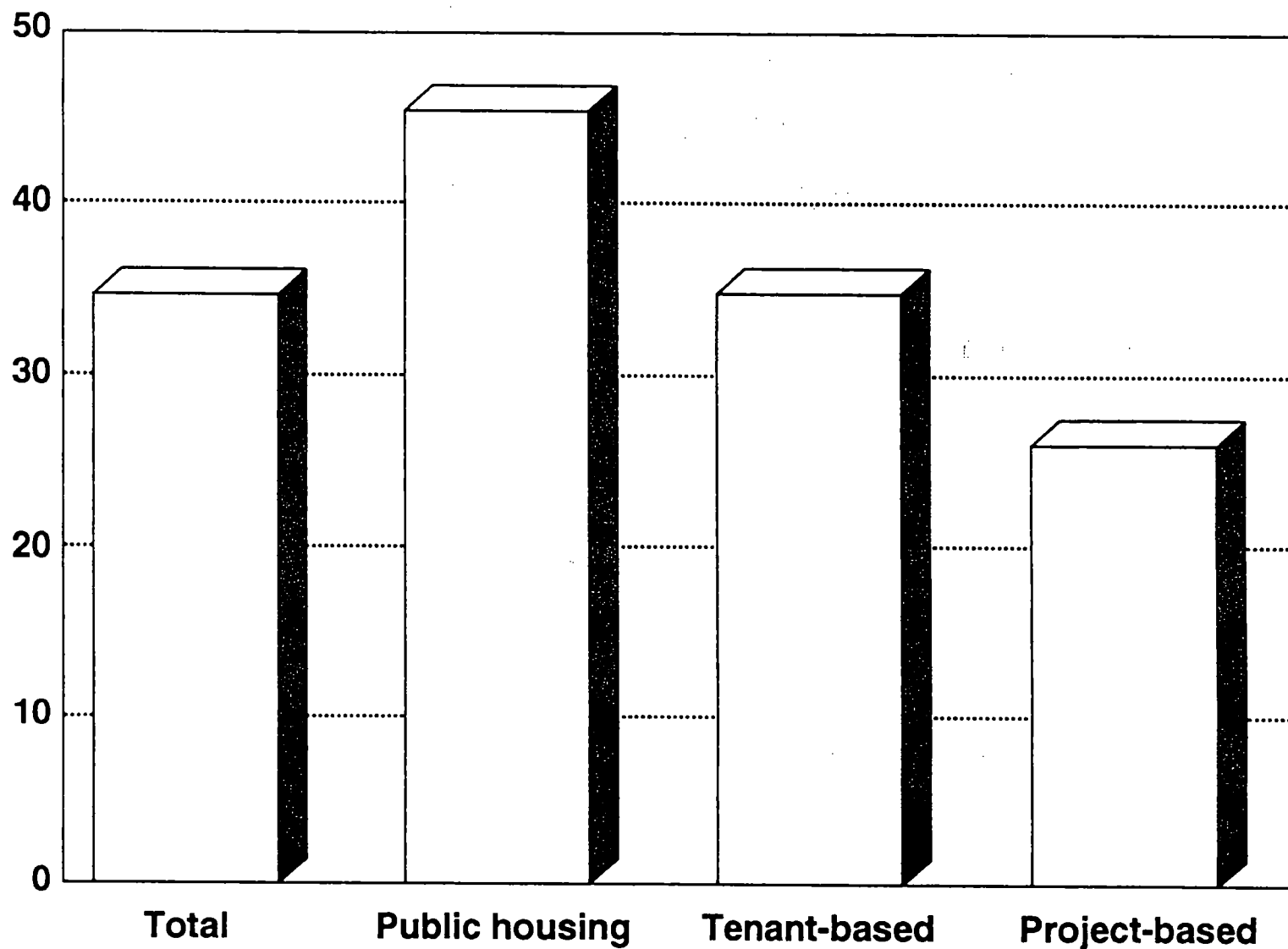
Percent Nonelderly HHs — Wages Majority of Income

By Type of Assistance



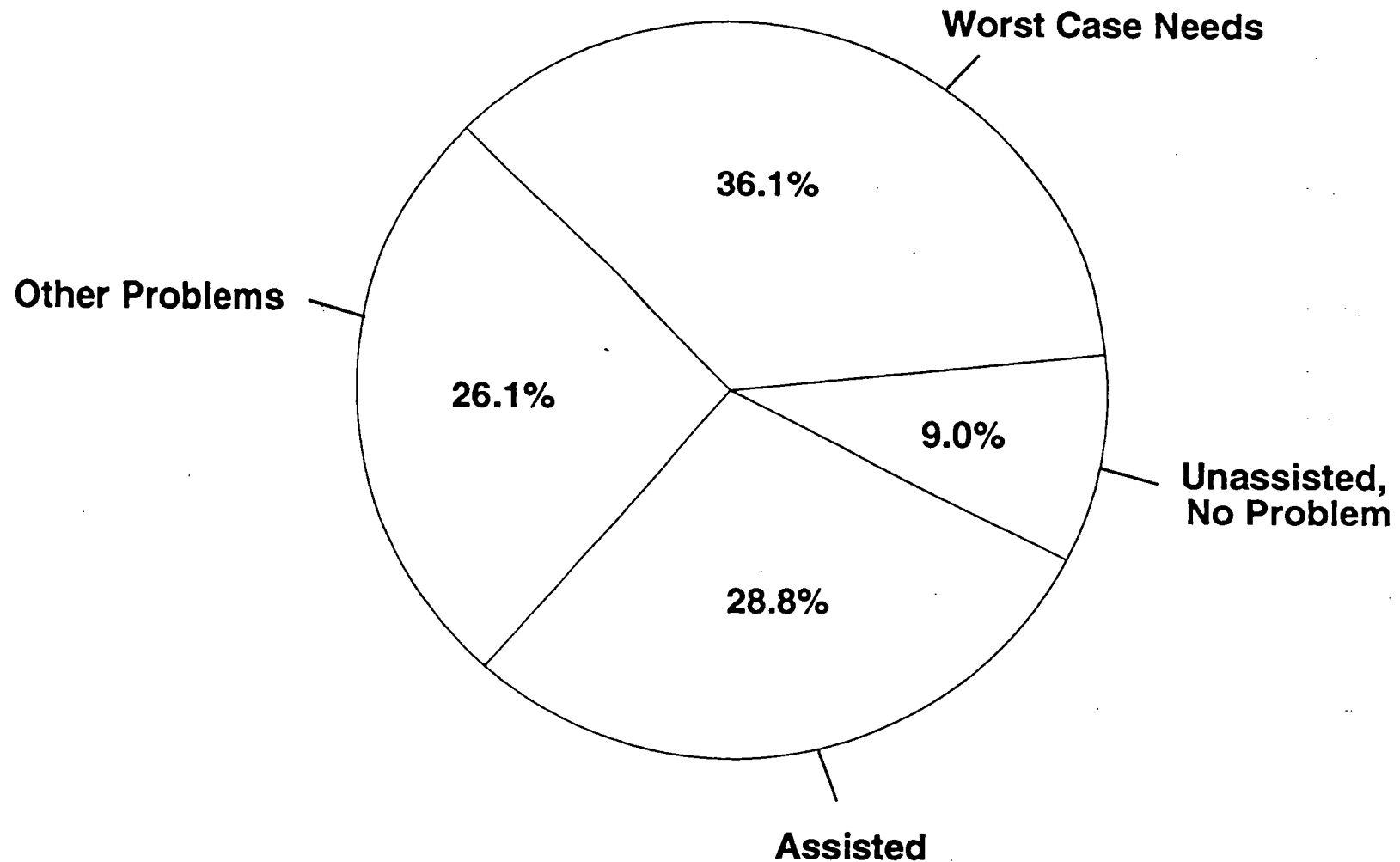
Percent Nonelderly Household Heads, Education < 12 Yrs

By Type of Assistance



Housing Problems Of Very Low Income Renters With Children

Total: 5.9 Million Households



Section 8

Subsidies at Different Income Levels in Four Cities, 1992

	Columbus, OH	Kansas City, MO.	Seattle, WA.	Denver, CO.
Monthly Fair Market Rent (2 Bdrm., Includes utilities)	\$456	\$451	\$541	\$506
AFDC Maximum Grant (3 persons), monthly	\$334	\$300	\$531	\$356
Amount of Section 8 to Maximum Grant recipient	\$361	\$366	\$387	\$404
Amount of Section 8 at \$8,500 income	\$261	\$244	\$334	\$299
Amount of Section 8 subsidy at \$11,570 income (poverty line for 3 persons)	\$172	\$167	\$257	\$222
Amount of Section 8 subsidy at \$16,000	\$ 61	\$ 56	\$146	\$111
Phase-out level for Section 8	\$18,240	\$18,040	\$21,640	\$20,240

HHS Original Table 1

“Welfare Without Work (President’s Budget)”

	Alabama	Pennsylvania	California
AFDC	\$1,968	\$4,836	\$7,488
Food Stamps	3,395	2,534	1,739
Total	5,363	7,370	9,227

Counterpart to Table 1 — Household Receives Section 8 Tenant-Based Assistance

	Alabama	Pennsylvania	California
AFDC	\$1,968	\$4,836	\$7,488
Food Stamps	3,395	2,534	1,739
Housing*	4,834	6,445	7,990
Total	10,197	13,815	17,217

*Section 8 assistance varies by housing market and by type of unit. The figure given is for a two-bedroom unit in the largest city in the state. The value of project-based assistance, where the family does not choose the unit, would be less.

HHS Original Table IIIA

“Full-time Work with Welfare (President’s Budget)”

(No Child Care Expenses)

	Alabama	Pennsylvania	California
Earnings	\$8,500	\$8,500	\$8,500
Taxes	(845)	(650)	(650)
Work Expenses	(1,080)	(1,080)	(1,080)
EITC	3,282	3,282	3,282
AFDC	0	0	1,016
Food Stamps	1,945	1,945	1,640
Total	11,802	11,997	12,709

Counterpart to Table IIIA

Household Receives Section 8 Tenant-Based Assistance

	Alabama	Pennsylvania	California
Earnings	\$8,500	\$8,500	\$8,500
Taxes	(845)	(650)	(650)
Work Expenses	(1,080)	(1,080)	(1,080)
EITC	3,282	3,282	3,282
AFDC	0	0	1,016
Food Stamps	1,945	1,945	1,640
Housing*	2,874.00	5,346.00	7,381
Total	14,676.00	17,343.00	20,089

(Continued)

FSS Features

- PHAs program operators
- Minimum program size =
 - Number of new certificates, vouchers, public housing units authorized since program began (FY 1992)
- Program voluntary for families
- Contract of participation for
 - Services to family
 - Milestones to be achieved by family
- Services arranged by PHA from community agencies
- Escrow account for rent increases
- No new federal funding for case management

PRINCIPLE DIFFERENCES BETWEEN THE 1991 GUIDELINES AND THE 1993 INTERIM RULE FOR THE FSS PROGRAM

	1991 GUIDELINES	1993 INTERIM RULE
FSS PROGRAM IMPLEMENTATION	Mandatory for IHAs receiving new rental units in FY 93 and subsequent FYs	Optional for IHAs receiving new rental units in FY 93 and subsequent FYs
	No deadline for FSS enrollment completion	FSS enrollment must be completed 2 years from funding notification
	Listed 4 reasons why HAs may be exempted from implementing the minimum FSS program size	Lack of family interest was added to the list of reasons for an exemption from implementing the minimum FSS program size
PROGRAM COORDINATING COMMITTEE	Tenant and HA participation on program coordinating committee recommended	Tenant and HA participation on program coordinating committee mandatory
FSS FAMILY SELECTION	FSS families could be selected from applicants on the waiting list or tenants/Section 8 participants	FSS must be selected from tenants/Section 8 participants
	Motivational screening and targeting restricted	50% FSS slots may be targeted to families applying for or participating in FSS service programs Permissable motivational screening factors include assigning preselection tasks such as attending meetings or obtaining information Must not select FSS families based on education, job history, credit, marital status, number of children, or tests

	1991 GUIDELINES	1993 INTERIM RULE
ACTION PLAN	Action plan did not include a plan for providing incentives to families to encourage FSS participation	Action plan must include a plan for providing incentives to families to encourage FSS participation (solely offering the mandatory escrow is acceptable)
	Action plan did not include an HA assurance that a family decision not to participate in FSS will not affect the family's admission to, or occupancy of, assisted housing	Action plan includes an HA assurance that a family decision not to participate in FSS will not affect the family's admission to, or occupancy of, assisted housing
HEAD OF FSS FAMILY	Could be different from head of household	Must be head of household
CONTRACT OF PARTICIPATION	Individual training and services plan interim goals not required	Individual training and services plan interim goals required
	Guidelines did not include a definition of FSS program completion	Defines completion of the contract of participation as (1) when the family has fulfilled all contract obligations on or before the end of the contract, or (2) when 30% monthly adjusted income equals or exceeds the FMR
TERMINATION OF SECTION 8 ASSISTANCE	Lease violations could be grounds for termination of Section 8 assistance	Section 8 assistance cannot be terminated based solely on lease violations or not becoming independent of welfare assistance

	1991 GUIDELINES	1993 INTERIM RULE
ESCROW	One of the requirements for receiving the escrow was that FSS families must be independent of housing subsidies within 10 years of beginning FSS program	One of the requirements for receiving the escrow is that FSS families must remain independent of welfare assistance for one year prior to end of contract of participation
	Families could not receive a portion of the escrow prior to completion of the contract of participation	Families may receive a portion of the escrow before completion of the contract of participation if they meet certain interim goals and need the escrow funds to complete the contract
	HAs may establish separate or combined (all FSS families) escrow accounts	HAs must establish combined (all FSS families) escrow accounts
	Escrow reports not required	HAs must provide annual escrow reports to FSS families
	Escrow credit for low-income (but not very low-income) families was 1/2 of credit amount for very low-income families	Escrow credit for low-income (but not very low-income) families based on 50 % of median income limit and results in a higher credit than under 1991 FSS Guidelines
PORTABILITY	Two escrow accounts must be established for portable families	One escrow account must be established for portable families
	FSS families must initially reside in the jurisdiction of the HA administering the FSS program	FSS families must lease a unit in the jurisdiction of the HA which selected the family for the FSS program for at least 1 year from the effective date of the contract of participation

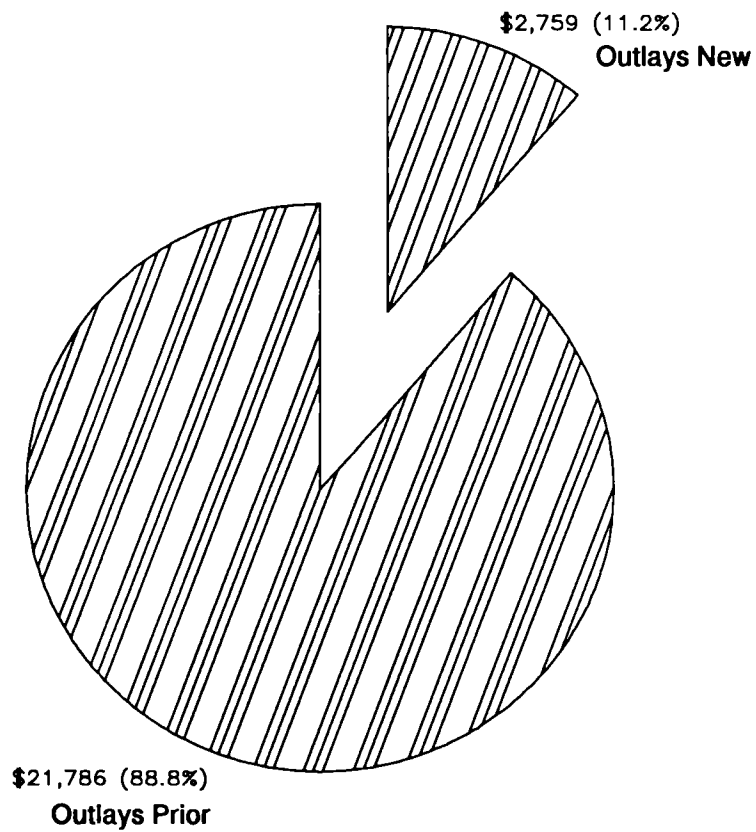
Average Fair Market Rent

- o HUD's average Fair Market Rent for a two bedroom apartment is \$556 per month for FY 1994.
- o HUD's Fair Market Rents are set annually by market area. They include the cost of utilities, which normally average about 20% of the rental cost.
- o FMRs are set at the 45 percentile rent, the dollar amount below which 45 percent of the standard quality rental housing units rent.
- o Examples of selected market areas follow.

	<u>Eff</u>	<u>1BR</u>	<u>2BR</u>	<u>3BR</u>	<u>4BR</u>
Wash, D.C.	633	719	844	1,149	1,385
Boston	565	637	796	995	1,169
New York	647	721	819	1,025	1,147
Los Angeles	570	683	864	1,167	1,391
Chicago	461	553	658	823	928
Atlanta	454	506	589	784	949
Dallas	386	443	567	788	931
Denver	332	408	544	755	891
Little Rock	345	383	455	628	733
Tishomingo County Mississippi	139	191	254	353	355
Maui, Hawaii	642	797	973	1,256	1,421

DEP'T OF HOUSING AND URBAN DEVELOPMENT

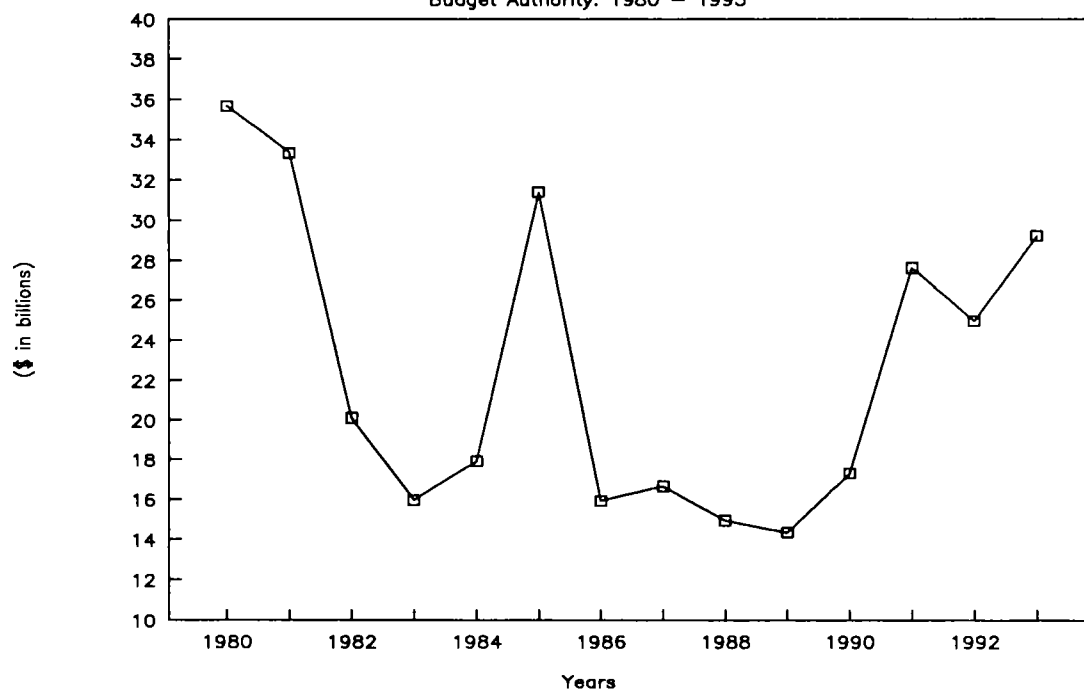
FY 1993: Outlays New v. Outlays Prior



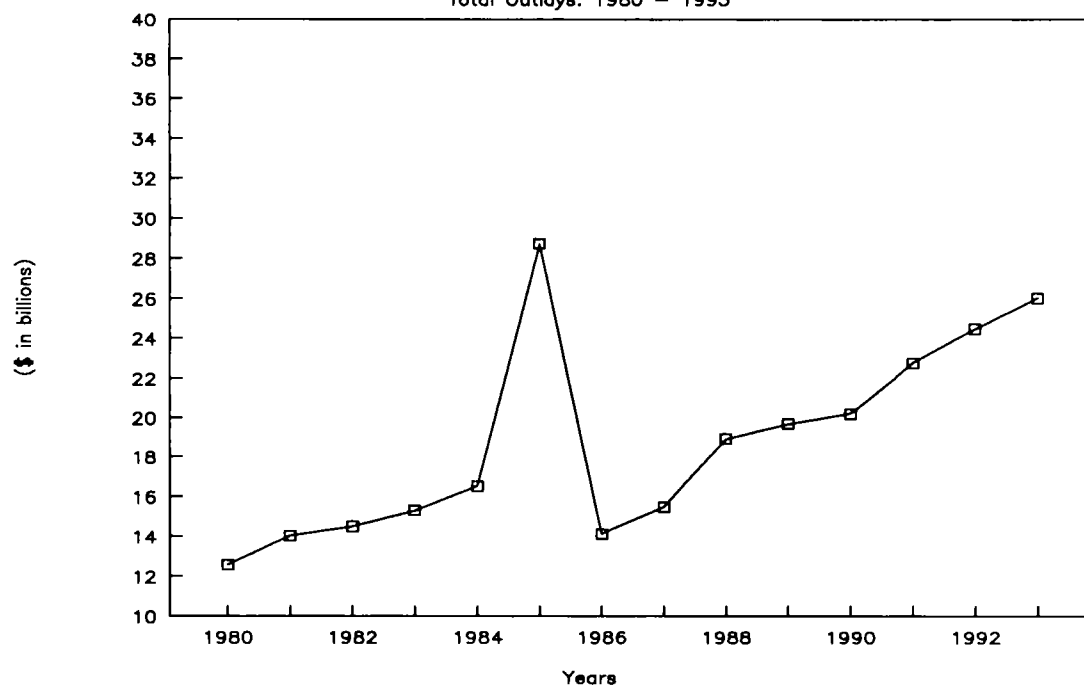
HUD spending is primarily from appropriations in prior years. Only 11.2% of HUD outlays were from funds appropriated in FY 1993.

DEP'T OF HOUSING AND URBAN DEVELOPMENT

Budget Authority: 1980 - 1993



Total Outlays: 1980 - 1993

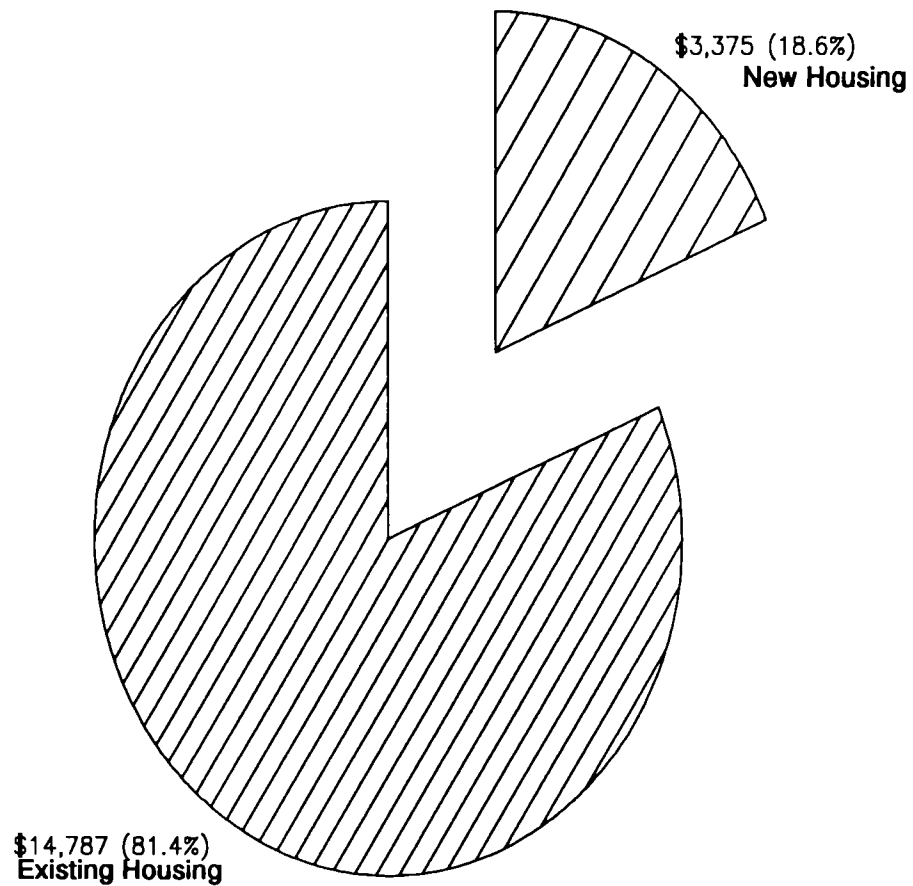


The general budget authority decrease in the 1980s reflects cutbacks in both the depth and number of subsidies conveyed by HUD. The sharp increase in 1985 was the result of HUD's policy to forgive direct loans made to public and Indian housing authorities that were used to construct housing projects. The increase in the 1990s results from higher appropriations to renew expiring Section 8 Contracts (e.g. 15 year certificates & 5 year vouchers).

The sharp increase in outlays in 1985 reflects HUD's policy to forgive direct loans made to public and Indian housing authorities that were used to construct new public housing.

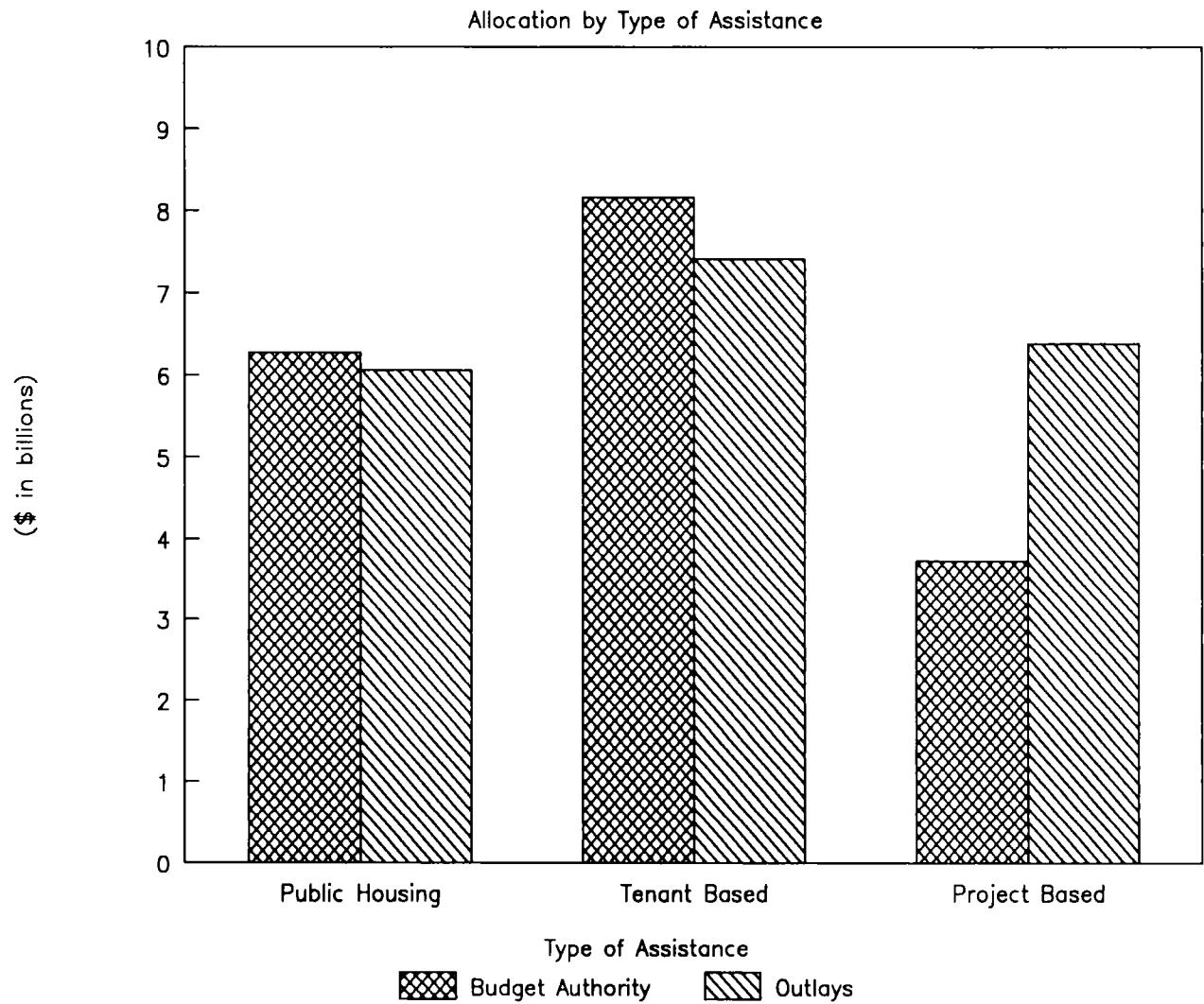
'93 APPROPRIATIONS FOR HOUSING PROGRAMS

BA: New Housing v. Existing Housing



18.6% of budget authority supports new (incremental) housing; the rest supports existing homes.

'93 APPROPRIATIONS FOR HOUSING PROGRAMS



Outlays reflect past priorities; Budget authority reflects current priorities.

THE WHITE HOUSE
WASHINGTON

June 26, 1993

MEMORANDUM FOR HOUSING REFORM WORKING GROUP

FROM: Peter Yu✓
National Economic Council

SUBJECT: Background Considerations, Principles, and Premises

This memorandum outlines a number of background considerations for the Group's effort. It begins with a discussion of five different conceptions of housing assistance policy, all of which inform current policy. While these conceptions are difficult to reconcile, they do raise questions that are both critically important to and logically prior to a reform effort. A subsequent section poses several questions and suggests principles and premises for the Group's consideration.

I. Five Conceptions of Housing Assistance Policy

Underlying on our last conversation were several different visions of housing assistance policy.

- ③ • *Housing policy as urban policy:* This view emphasizes the importance of place, and views the central purpose of housing policy as building livable cities through the creation of viable residential and economic communities. Important issues under this conception include "linkage"--the tying of economic development rights to low-income housing obligations--and the location of assisted housing units.
- ② • *Housing policy as race policy:* This conception emphasizes the role of housing assistance in redressing housing discrimination, perhaps the most fundamental and stubborn aspect of race discrimination. Desegregation-related policies--such as the Gautreaux remedy--hold a central place in this conception.
- ④ • *Housing policy as shelter rights policy:* This approach emphasizes the concept of "shelter rights" and views housing assistance is a basic human right. This view emphasizes that housing assistance must be part of a national and comprehensive housing strategy that addresses current failures in the private low-income housing market.
- ① • *Housing policy as welfare policy:* This approach emphasizes the role of housing assistance in facilitating economic transitions. This view emphasizes the similarities and

-2-

interconnections between housing assistance and other means-tested assistance.

- *Housing policy as social policy:* This approach emphasizes fundamental--and generic--questions about housing policy. Examples include: failures in the private market for low-income housing, the use of tax credits versus subsidies, and the packaging of related social services to facilitate "one-stop shopping."

To some extent, all of these conceptions inform current housing policy--a fact that explains why, at times, our housing policy seems internally inconsistent. These conceptions are not easily reconciled; consider these examples:

- *Place v. race:* Linkage programs and requirements attempt to keep low-income workers and families in the center cities, while Gautreaux-type policies attempt to disperse low-income minority families into white suburbs.
- *Rights v. welfare:* Time-limited housing assistance could constitute an important aspect of welfare reform; at the same time, there is an emerging sense that housing assistance, like health insurance, should be made less conditional and more universal, rather than vice versa.
- *Urban policy v. social policy:* The location of assisted housing is an important aspect of urban policy; however, vouchers, which tend to be a more efficient form of assistance, are, by definition, not "place-bound."

II. Questions, Principles, and Premises

A. The Scope of the Group's Effort

The discussion above encourages the Group to reconsider the breadth of its focus: should we examine only "economic independence," or should we examine broader issues such as vouchers and tax credits, market failures, and the significance of race in housing assistance policy? Answer these questions will require wrestling with the competing conceptions of housing policy and developing a consensus on either a preferred conception or a framework that embraces the various conceptions and offers a workable agenda.

On the one hand, it would seem unnecessarily limiting to focus solely on economic independence. At minimum, we will be required to examine housing assistance more broadly (i) as the welfare-reform agenda requires as much and (ii) in order to identify budgetary offsets. In addition, it may be useful to undertake a broader reconsideration of the efficacy of different aspects of housing assistance policy in preparation for the FY1995 budget and related decisions.

On the other hand, unless clearly delimited, a broader effort would require a more

-3-

resource-intensive and HUD-centric effort than is currently anticipated.

B. Principles Concerning the Economic Independence Project

Focusing for the moment on the "economic independence" aspect of the Group's effort, this section suggests some preliminary principles that might guide that effort.

The interagency welfare-reform effort proceeds from two principles: (i) that federal policy should "make work pay" (refined to mean that a full-time job (at an enhanced minimum wage and plus EITC) should be sufficient to lift a family out of poverty), and (ii) that welfare should be time-limited. It is unclear how and whether either of these principles should apply to assisted housing. With regard to "making work pay," housing assistance (like other noncash transfers) is usually not included in money income and poverty calculations. To begin counting such payments now could be interpreted as eliminating poverty simply by redefining income.

The "time-limited" welfare principle is more problematic. Whether or not one believes this principle should govern housing assistance depends on whether one believes that housing and AFDC are alike. On the one hand, housing, like AFDC, is a means-tested benefit. On the other hand, there is a sense that shelter is a more basic, antecedent condition for social and economic independence.

(My assessment of this issue (which Chris and Steve do not share) is that, particularly with housing and homelessness becoming a greater problem for the middle class, there is an emerging consensus that shelter, like health care, is--in some sense of the word--a "right." In short, the public increasingly views housing assistance like Medicaid: as a necessary protection against markets run amok--not as a handout to the deserving and undeserving alike. If this is true, time-limited housing assistance will be seen as cruel and unfair rather than innovative. In short, housing is more like health insurance: closer to a universal entitlement, not a conditional benefit.)

Against this backdrop, consider these candidates for governing principles:

1. Incentives for economic independence should use the carrot of priority in the eligibility queue, rather than the stick of eviction or assistance termination. In part because terminating assistance will strike many as draconian, it seems best to use the non-entitlement nature of housing assistance as the primary incentive. Persons willing to participate in particular forms of economic independence-building would be entitled to higher priority for assistance or enhanced assistance. This approach attempts to resolve the tension between the "shelter rights" and "economic transition" approaches to housing assistance by distinguishing between providing new benefits and taking away vested benefits.

Such a regime would be difficult to implement and enforce: if a recipient accepts assistance but fails to meet her economic independence obligations, should the assistance be

-4-

terminated? Perhaps the best way to resolve this conundrum is to offer as incentives premiums over basic assistance, and to take away the premium (and only the premium) in the event of failure. This is roughly how the Family Self-Sufficiency program functions. The drawback of this approach, of course, is that it involves premiums and therefore entails additional program costs.

2. Independence should be measured carefully and in realistic terms. The Rosenbaum study of the Gautreaux "experiment" suggests that movement to the suburbs will increase employment rates, but without increasing hours or wages. It is unclear, however, whether these increases translate into net reductions in housing assistance costs, due to either lower assistance amounts or shorter periods of assistance receipt. Thus, we should take care in defining the objectives of housing assistance reform: it may be that the gains are not measured in dollars or reduced dependency in the early years, but only in the economic opportunities provided the next generation.

3. Any reform must be budget-neutral. The additional costs of an economic-independence program must be paid for with savings from housing assistance programs.

C. Empirical Premises

Finally, based on the research provided by Steve and others, we can begin a list of empirical premises for the Group's consideration and discussion.

1. The Gautreaux effect: Moving from concentrated poverty areas to areas that offer more economic opportunity can be a powerful means to promote self-sufficiency.

2. The importance of motivation: Given the strong financial disincentives to escape dependency, any supportive program will work better for those who demonstrate the motivation to escape.

3. Program administration: Given their current obligations and their isolation from other service providers, PHAs cannot provide the leadership and extra support necessary for the effective administration of a new self-sufficiency program.

I look forward to discussing some of these issues with you at our next meeting.