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Divider Title: 6

Effective date.—The conference agreement applies to expenditures paid or incurred during the period July 1, 1992, through June 30, 1995.

2. Capital gains exclusion for certain small business stock (sec. 14113 of the House bill, sec. 13113 of the conference agreement, and new sec. 1202 of the Code)

Present Law

Gain from the sale or exchange of stock held for more than one year generally is treated as long-term capital gain.

Net capital gain (i.e., long-term capital gain less short-term capital loss) of an individual is taxed at the same rates that apply to ordinary income, subject to a maximum rate of 28 percent.

House Bill

In general

The House bill generally permits a noncorporate taxpayer who holds qualified small business stock for more than 5 years to exclude 50 percent of any gain on the sale or exchange of the stock. The amount of gain eligible for the 50 percent exclusion is limited to the greater of (1) 10 times the taxpayer's basis in the stock or (2) $10 million gain from stock in that corporation.

Qualified small business stock

In order for stock held by a taxpayer to qualify as small business stock, the following requirements must be met.

Eligible stock and redemptions

The stock must be acquired by the taxpayer at the original issuance (directly or through an underwriter) in exchange for money, other property (not including stock) or as compensation for services provided to the issuing corporation (other than services performed as an underwriter of the stock).

In order to prevent evasion of the requirement that the stock be newly issued, the exclusion does not apply if the issuing corporation (1) purchases any stock from the stockholder (or a related person) within 2 years of the issuance of the stock or (2) redeems more than 5 percent (by value) of its own stock within 1 year of the issuance. For purposes of this anti-evasion rule, purchases by persons related to the issuing corporation are treated as purchases by the issuing corporation.

Qualified corporation

The issuing corporation must be a qualified small business as of the date of issuance and during substantially all of the period that the taxpayer holds the stock.

A qualified small business is a subchapter C corporation other than: a DISC or former DISC, a corporation with respect to which an election under section 936 is in effect, a regulated investment company, a real estate investment trust, a real estate mortgage investment conduit, or a cooperative. The corporation also generally cannot own (i) real property the value of which exceeds 10 percent of its total assets or (ii) portfolio stock or securities the value of which exceeds 10 percent of its total assets in excess of liabilities.

Active business

During substantially all of the taxpayer's holding period for the stock, at least 80 percent (by value) of the corporation's gross assets (including intangible assets) must be used by the corporation in the active conduct of a qualified trade or business. If in connection with any future qualified trade or business, a corporation uses assets in certain start-up activities, research and experimental activities or in-house research activities, the corporation is treated as using such assets in the active conduct of a qualified trade or business.

Assets that are held to meet reasonable working capital needs of the corporation, or are held for investment and are reasonably expected to be used within 2 years to finance future research and experimentation, are treated as used in the active conduct of a trade or business. In addition, certain rights to computer software are treated as assets used in the active conduct of a trade or business.

A qualified trade or business is any trade or business other than one involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or business is the reputation or skill of 1 or more of its employees. The term also excludes any banking, insurance, leasing, financing, investing, or similar business, any farming business (including the business of raising or harvesting trees), any business involving the production or extraction of products of a character for which percentage depletion is allowable, or any business of operating a hotel, motel, restaurant or similar business.

A corporation that is a specialized small business investment company ("SSBIC") is treated as meeting the active business test. An SSBIC is defined as any orporation (other than certain nonqualified corporations) that is licensed by the Small Business Administration under section 301(d) of the Small Business Act of 1958, as in effect on May 13, 1993.

Gross assets

As of the date of issuance of the stock, the excess of (1) the amount of cash and the aggregate adjusted bases of other property held by the corporation, over (2) the aggregate amount of indebtedness of the corporation that does not have an original maturity of more than one year (such as short-term payables), cannot exceed $50 million. For this purpose, amounts received in the issuance are taken into account.

If a corporation satisfies the gross assets test as of the date of issuance but subsequently exceeds the $50 million threshold, stock that otherwise constitutes qualified small business stock would not lose that characterization solely as a result of that subsequent event. If a corporation (or a predecessor corporation) exceeds the $50 million threshold at any time after December 31, 1992, the corporation cannot issue stock that would qualify for the exclusion.

Subsidiaries of issuing corporation

In the case of a corporation that owns at least 50 percent of the vote or value of a subsidiary, the parent corporation is deemed to own its ratable share of the subsidiary's assets for purposes of the "qualified corporation," "active business," and "gross assets" tests described above.

Pass-through entities

Gain from the disposition of qualified small business stock by a partnership, S corporation, regulated investment company or common trust fund that is taken into account by a partner, shareholder or participant (other than a C corporation) is eligible for the exclusion, provided that (1) all eligibility requirements with respect to qualified small business stock are met, (2) the stock was held by the entity for more than 5 years, and (3) the partner, shareholder or participant held its interest in the entity on the date the entity acquired the stock and at all times thereafter and before the disposition of the stock. In addition, a partner, shareholder, or participant cannot exclude gain received from an entity to the extent that the partner's, shareholder's, or participant's share in the entity's gain exceeded the partner's, shareholder's or participant's interest in the entity at the time the entity acquired the stock.

Certain tax-free and other transfers

If qualified small business stock is transferred by gift or at death, the transferee is treated as having acquired the stock in the same manner as the transferor, and as having held the stock during any continuous period immediately preceding the transfer during which it was held by the transferor. A partner can treat stock distributed by a partnership as qualified small business stock as long as (1) all eligibility requirements with respect to qualified small business stock are met by the partnership with respect to its investment in the stock, and (2) the partner held its interest in the partnership on the date the partnership acquired the stock and at all times thereafter and before the disposition of the stock. In addition, a partner cannot treat stock distributed by a partnership as qualified small business stock to the extent that the partner's share of the stock distributed by the partnership exceeded the partner's interest in the partnership at the time the partnership acquired the stock.

Transferees in other cases are not eligible for the exclusion. Thus, for example, if qualified small business stock is transferred to a partnership and the partnership disposes of the stock, any gain from the disposition will not be eligible for the exclusion.

In the case of certain incorporations and reorganizations where qualified small business stock is transferred for other stock, the transferor treats the stock received as qualified small business stock. The holding period of the original stock is added to that of the stock received. However, the amount of gain eligible for the exclusion is limited to the gain accrued as of the date of the incorporation or reorganization.

Special basis rules

If property (other than money or stock) is transferred to a corporation in exchange for its stock, the basis of the stock received is treated as not less than the fair market value of the property exchanged. Thus, only gains that accrue after the transfer are eligible for the exclusion.

Options, nonvested stock, and convertible instruments

Stock acquired by the taxpayer through the exercise of options or warrants, or through the conversion of convertible debt, is treated as acquired at original issue. The determination whether the gross assets test is met is made at the time of exercise or conversion, and the holding period of such stock is treated as beginning at that time.

In the case of convertible preferred stock, the gross assets determination is made at the time the convertible stock is issued, and the holding period of the convertible stock is added to that of the common stock acquired upon conversion.

Stock received in connection with the performance of services is treated as issued by the corporation and acquired by the taxpayer when included in the taxpayer's gross income in accordance with the rules of section 83.

Offsetting short positions

A taxpayer cannot exclude gain from the sale of qualified small business stock if the taxpayer (or a related person) held an offsetting short position with respect to that stock anytime before the 5-year holding period is satisfied. If the taxpayer (or a related person) acquires an offsetting short position with respect to qualified small business stock after the 5-year holding period is satisfied, the taxpayer must elect to treat the acquisition of the offsetting short position as a sale of the qualified small business stock in order to exclude any gain from that stock.

An offsetting short position is defined to be (1) a short sale of property substantially identical to the qualified small business stock (including writing a call option that the holder is more likely than not to exercise or selling the stock for future delivery) or (2) an option to sell substantially identical property at a fixed price.

Capital gains and investment interest

Any gain that is excluded from gross income under the bill is not taken into account in computing long-term capital gain or in applying the capital loss rules of sections 1211 and 1212. In addition, the taxable portion of the gain is taxed under section 1(h), which provides for a maximum rate of 28 percent.

The amount treated as investment income for purposes of the investment interest limitation does not include any gain that is excluded from gross income under the bill.

Minimum tax

One-half of any excluded gain is treated as a preference for purposes of the alternative minimum tax.

Effective date

The provision applies to stock issued after December 31, 1992.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill, with the following modifications:

In general

The agreement clarifies that the $10 million limitation on eligible gain is applied on a shareholder-by-shareholder basis. The conferees also wish to clarify that for purposes of the 10-times-basis limitation, basis is determined by valuing any contributed property at fair market value (at the date of contribution).

Qualified small business stock

Redemptions.—The agreement eliminates the rule in the House bill that treats purchases by persons related to an issuing corporation as purchases by the corporation for purposes of determining whether there has been a redemption. In lieu of this rule, a corporation is treated as purchasing an amount of its stock equal to the amount of its stock treated as redeemed under section 304(a).

Qualified corporation.—The agreement excludes from the definition of eligible corporation any corporation that has a direct or indirect subsidiary with respect to which an election under section 936 is in effect.

Active business.—The agreement clarifies that the active business requirement is met by a corporation with 80 percent of its assets used in the active conduct of one or more qualified trades or businesses.

Gross assets.—The conference agreement provides that the $50 million size limitation is based on the issuer's gross assets (i.e., the sum of the cash and the adjusted bases of other property held by the corporation) without subtracting the short-term indebtedness of the corporation. For purposes of this rule, the adjusted basis of property contributed to the corporation is determined as if the basis of the property immediately after the contribution were equal to its fair market value.

Subsidiaries of issuing corporation

The agreement provides that corporations that are part of a parent-subsidiary controlled group (using a more than 50% ownership test) are treated as a single corporation for purposes of the gross assets test. The conferees also wish to clarify that, for purposes of the active business requirement, a parent's ratable share of a subsidiary's assets (and activities) is based on the percentage of outstanding stock owned (by value).

Certain tax-free and other transfers

The conference agreement follows the House bill by limiting the gain that is eligible for exclusion on the sale of stock that was

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Divider Title: 7

A Report to President Bill Clinton

The Best Kept Secrets In Government

VICE PRESIDENT AL GORE

National Performance Review, September 1996

implementing the Vice President's reinventing government program, we streamlined the structure of HHS by merging some of our operations and eliminating entire management layers. And as part of the President's plan to shrink the size of the federal government dramatically, we reduced our staff by nearly 3,300 positions—a full 5 percent—between 1994 and 1995 alone. To meet the President's overall goals, we committed ourselves to a seven-year "right sizing" plan that will reduce the Department's personnel by 7,000 positions (from the 1993 level) by the year 2000. We are a full year ahead of schedule.

In the three years since the first reinventing government report, we have worked hard and met many of our goals. But we still have a long way to go. I know that, working together, we can and will create a Department of Health and Human Services—and a federal government—that always watches the bottom line and delivers excellence in everything we do.

Donna E. Shalala

Department of Housing and Urban Development

Henry G. Cisneros, Secretary

Mission Statement

The mission of the Department of Housing and Urban Development (HUD) is to help people create communities of opportunity. The programs and resources of the Department help Americans create cohesive, economically healthy communities. At the core of this mission is a set of fundamental commitments: to community; to family; to economic lift, to individual rights and responsibilities; and to ending separation by race, national origin, income, disability, age, and class.

To accomplish this mission, we have focused activities at the Department of Housing and Urban Development on three priority objectives:

- Increase Homeownership. We build partnerships with the private sector and streamline internal operations to help more Americans become homeowners.
- Empower Communities. We make it easier for neighborhood groups and local officials to use federal resources to create jobs, spur economic development, and revitalize neighborhoods.
- Transform Public and Assisted Housing. We're breaking with the past, tearing down and replacing dilapidated buildings, cracking down on crime, and asking residents to take on new responsibilities.

Summary Budget Information

FY 1993 (Actual)		FY 1996 (Budgeted)	
Budget	Staff	Budget	Staff
$25.500 billion	13,294	$19.500 billion	11,628

Reinvention Highlights

When I became HUD Secretary in 1993, it was obvious that the traditional top-down, Washington-directed approach to managing housing programs was not getting the job done.

Thick volumes of rules forced administrators to pay more attention to process than performance. HUD programs made passive clients of people, instead of striking an effective balance of rights and responsibilities. Some HUD programs clearly didn't work—as evidenced by America's most distressed public housing.

Tinkering around the edges would not fix HUD. We decided to act boldly, reinventing the Department as a "right-side-up" agency that puts service to our nation's communities first, even while we trim personnel. In 1993, HUD had 13,300 employees. By 1997, we'll be down to

10,400, with a target of 7,500 by 2000. We'll do more with less staff by returning more power to the neighborhoods and communities where people live, by redesigning operations, and by using cutting-edge computer technology.

Our reinvention has been guided at all times by these imperatives from Vice President Gore's National Performance Review:

- Share responsibility and power with communities.
- Build partnerships with the private sector.
- Work with the market instead of against it.
- Simplify programs to improve service to customers.
- Demand quality in public and assisted housing.

These themes drive everything we do through three key strategies:

Increase Homeownership for All Americans. We have united the powerful but segmented homebuilding industry in a drive to make homeownership easier for all Americans. The National Partners in Homeownership's 58 members—representing government agencies and the real estate, construction, lending, and nonprofit sectors—are making an impact: The national homeownership rate has gone up by 1.6 percentage points in the last two years. This is the steepest two-year increase since statistics began to be collected 31 years ago. The new rate, 65.4 percent, is a 15-year high, as some 4.4-million families have become new homeowners since 1993.

Surveys tell us that closing costs are the principal barrier to buying a home. We've cut those costs an average of $1,000 for homebuyers. New paperless transactions at the Federal Housing Administration (FHA) and streamlined operations at Ginnie Mae are speeding service and reducing costs for mortgage firms, resulting in lower costs and faster service for home buyers. And future homebuyers will save as much as $1.5 billion annually because new HUD rules cut funds homeowners are required to place in escrow accounts.

It used to take six weeks to process mortgage insurance applications. The Denver FHA office cut that time down to one day for residents in Rocky Mountain states. Customers will save an estimated $4 million annually, thanks to faster service. We are replicating the Denver center's work across the nation so that all FHA customers can benefit.

More than 70 mortgage bankers have signed "best practices" agreements with us, committing them to increase lending to minority homebuyers, immigrant families, and others who have been underserved in the past. The first firm to sign an agreement increased lending to minorities by 21 percent in one year, proving that fair housing is good business.

Our aggressive mortgage sales initiative has cut the inventory of defaulted, government-owned properties, and returned homes and buildings to private ownership. We've sold more than 30,000 mortgages with an unpaid principal balance of $3.3 billion to private sector buyers at auction, saving taxpayers $650 million in upkeep and maintenance.

Ginnie Mae condensed 42 processes dealing with mortgage-backed securities, saving lenders $50 million annually by eliminating 180,000 sheets of paper that required 400,000 signatures.

Empower Communities. Our Urban Empowerment Zone initiative, begun in July 1995, brings together community leaders, the private sector, and federal and local governments to plot sustainable economic growth strategies for distressed communities. Partners use tax incentives, grants, and loans—and their own ingenuity—to attract private investments worth billions of dollars and to create thousands of jobs. In Boston, Detroit, and other cities, companies have already moved into the zones, bringing jobs and hope where neither existed before.

In the past, local governments submitted separate funding applications for each of 12 HUD community development programs. Now, under our streamlined consolidated plan, our local partners

submit a single application for all of the programs. Community partners can skip paperwork altogether by submitting plans in computer files. New software lets applicants pinpoint where funds will affect communities down to the block level. Millions of people have access to the maps through our home page on the World Wide Web (http://www.hud.gov).

The Department that has "Housing" as part of its name must have a special concern for those Americans who have no home. We encouraged and helped develop local coalitions of governments, nonprofit groups, businesses—and the homeless themselves—to design Continuum of Care services that weave together outreach, housing, and needed social programs for homeless individuals. Under Continuum of Care, homeless people have access to more than a cot: they can get off the streets, move into transitional housing, and take control of their lives. Our programs are serving 14 times as many homeless individuals as we did before 1993.

Transform Public and Assisted Housing. The most profound changes in six decades of public housing are occurring right now. Under a flexible program called HOPE VI, officials in Atlanta, Baltimore, Charlotte, and other cities are choosing to demolish their worst public housing developments. Attractive mixed-income, less dense communities of townhouses and apartments are being built in their place. HUD and our partners will have demolished 30,000 units between 1993 and the end of 1996, compared to 20,000 units replaced in the previous 10 years.

Our determination to fix problems at the nation's most poorly managed public housing authorities (PHAs) reduced the number of major PHAs on our "troubled" list from 19 to 12. In Washington, D.C., Philadelphia, Detroit, Kansas City, New Orleans, and San Francisco, HUD works closely with court-appointed receivers or local elected officials to remedy serious management problems. In June 1995, we took direct control of the Chicago Housing Authority. As a result, these housing agencies are providing better housing and better services to residents and streamlining their operations to increase accountability to taxpayers.

A Special Workout Assistance Team (SWAT) created in September 1994 cracks down on negligent landlords and builds viable recovery strategies for run-down, mismanaged, and financially unsound properties in multifamily housing. SWATs withheld federal subsidies worth $62 million to owners of 137 properties until they brought their buildings up to national housing quality standards.

Operation Safe Home—our alliance with local police, the Federal Bureau of Investigation, the Drug Enforcement Agency, and the Bureau of Alcohol, Tobacco and Firearms—thwarts violent crime and drug trafficking in public and assisted housing. We've made 8,040 arrests for crimes involving drugs and weapons, confiscated 1,038 guns—including 119 assault weapons and sawed-off shotguns—and seized drugs valued at over $3 million.

President Clinton's "one strike and you're out" policy helps local housing authorities conduct strict screening and eviction procedures to weed out gang members and drug dealers who threaten the safety of law-abiding families living in public housing. Cities and towns now have the means to enforce zero-tolerance policies and keep developments free from crime and drugs.

These examples of HUD's reinvention are the product of a "clean house" commitment to change the culture of the agency and introduce a can-do attitude in every office. Our field office colleagues tell us they can feel the difference, and our partners in communities remark on the progress.

The reinvented HUD is helping America's cities recognize that they're capable of rebirth and renewal. They're capable of climbing back. One block at a time. One neighborhood at a time. It's happening right before our eyes.

Henry Cisneros

Henry G. Cisneros

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Los Angeles Times

September 24, 1996, Tuesday, Home Edition

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HEADLINE: POLITICS;
AS CLINTON COURTS SWING VOTERS, GORE TENDS TO THE URBAN BASE;
CAMPAIGN'S DIVISION OF LABOR IS NO ACCIDENT. GOP TAKES SIMILAR TACK, SENDING KEMP TO CITIES.

BYLINE: JOHN M. BRODER and JONATHAN PETERSON, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY:

Vice President Al Gore emerged from his glistening limousine one day last week into a gray drizzle and dedicated a new low-income housing project on a particularly bleak block on New York's Lower East Side.

He spoke of "compassion" and "hope" and the need to tear down the "towers of despair" that imprison the urban poor. He invoked the "great progressive tradition" of activism on behalf of the downtrodden embodied by Robert F. Kennedy, for whom the new 96-unit residence was named.

That same day, President Clinton addressed high school pep rallies in Westland, Mich., and Flossmoor, Ill., middle-class suburbs of Detroit and Chicago. He talked brightly of bridges to the future, making no mention of the poverty and unemployment that rack the urban cores just a few miles away.

This Clinton-Gore division of labor is no accident.

One of Gore's central jobs this campaign season is to secure the Democratic base, which includes African Americans and white urban liberals. For the most part, he's doing it below the radar of the national media, which treats his appearances as sidebars to the main presidential story--if at all.

Clinton, on the other hand, is courting so-called swing voters--white suburbanites, women, Reagan Democrats and European ethnics--who have been key to determining recent presidential campaigns.

Clinton woos these voters as a "New Democrat," one who has moved beyond the liberal philosophy once so sacred to his party. And, so far, he has avoided settings that might associate him with such "Old Democrat" concerns as homelessness, poverty and urban decay.

Indeed, while Gore's recent itinerary has taken him to a crime-ridden section of central Philadelphia as well as the stop in New York, some of Clinton's recent stops included virtually all-white gatherings in Indianola, Iowa, and Wingo, Ky.

"Cities have been out of fashion for two decades in American politics," said Ron Walters, professor of government at the University of Maryland. "The whole New Democrat approach is to compete for the suburban vote, which is more conservative and more race-conscious as a consequence.

"This was a winner for Clinton in 1992; he recaptured some of the Reagan Democrats, and now they're following that playbook all over again," said Walters, an prominent African American political analyst and a onetime advisor to former presidential candidate Jesse Jackson.

Signing the Republican-sponsored welfare bill was part of the strategy of catering to the concerns of middle-class voters while taking for granted the support of the poor and minorities, Walters added.

White House political advisors acknowledge that there has been a de facto division of duties that puts Clinton in white middle-class precincts where unemployment is down and housing values are up, while Gore tends to the nation's more distressed communities.

"I do think the president is largely engaged in a campaign based on swing voters, largely speaking to swing voters while Gore is appealing to the base, below swing voters," said a senior member of the Clinton reelection team.

But other officials insisted that Clinton does not intend to neglect urban audiences and will schedule several urban appearances before election day.

"Things could change in October," said senior presidential advisor George Stephanopoulos. "You'll see a mix and match" of events and an occasional role-reversal between Clinton and Gore.

"The main thing is to make sure at any time that you're covering all the bases," Stephanopoulos added.

Campaigning by the Republican ticket has been marked by a similar split. For the most part, presidential nominee Bob Dole has steered clear of urban settings and issues. But his running mate, Jack Kemp, has been a surprisingly frequent visitor to core-city neighborhoods, especially given the small likelihood that the GOP team ultimately will win many votes in such places.

Kemp, a former secretary of Housing and Urban Development who long has pushed for the GOP to make greater efforts to attract support from minorities, has stumped in poorer parts of Newark, N.J.; Memphis; Los Angeles; New York; and Chicago since the Republican convention in mid-August, bringing a message of hope and "empowerment."

He also has sought to make an issue of Clinton's absence from these locales.

Speaking at a public housing project in Memphis last week, Kemp charged that the president had "abandoned the inner cities" in his courtship of white voters. He said that the administration had "absolutely no urban policy" and a Dole administration would address urban troubles through tax cuts and establishment of inner-city enterprise zones.

Clinton, who leveled much the same charges against President Bush in 1992, ran for the presidency promising new activism on behalf of the cities.

He sprinted to South-Central Los Angeles in the aftermath of the 1992 riots, which followed the verdicts in the first Rodney G. King police beating trial. He vowed then that his administration would quickly address the underlying causes of urban violence and despair.

In office, Clinton's record on this issue has been mixed.

On the one hand, he has not made a high-profile drive for increased urban assistance. But the administration can point to a number of initiatives designed to improve public housing and ease poverty for inner-city children, in particular, through increased funding for Head Start and food stamps.

Under Secretary Henry G. Cisneros, HUD has demolished dozens of the nation's most dilapidated public housing projects, replacing them with low-rise complexes or a system of vouchers for residents to move into private housing.

Funding for the homeless has risen from $ 570 million in 1993 to $ 820 million last year. The administration had requested $ 1.12 billion.

Clinton also has established urban "empowerment zones" in some of the nation's most troubled cities, including Los Angeles, which provide tax breaks and low-cost loans for businesses that will operate in the zones.

Still, Clinton rarely mentions these accomplishments on the campaign trail. And even Gore puts a spin on his rhetoric when he travels to the inner city.

As he dedicated the new housing project near Manhattan's Union Square last week, Gore said that the development represented "compassion in the form of programs that really work."

He spoke of the end of the "big government model" of helping the poor through expensive bureaucratic programs. He said that the project, funded largely with public monies but aided by private developers and businesses, was a paragon of the "new way" of housing the homeless and disadvantaged.

Sending Gore into the central cities represents a mere nod to black and other minority voters, not a lasting commitment during a second Clinton term, contends David Bositis, senior political analyst at the Joint Center for Political and Economic Studies.

"I don't expect Clinton to either talk about nor appear in all that many urban venues for the remainder of the campaign," Bositis said. "On the other hand, I'm sure Gore doesn't mind taking on this job, because part of what he's doing in this campaign is preparing for his next candidacy for president in 2000 . That's a big plus for Gore. He's perfectly happy doing it."

GRAPHIC: PHOTO: President Clinton greets supporters in Flossmoor, Ill. PHOTO: Al Gore meets residents of low-income apartments in N.Y. PHOTOGRAPHER: Associated Press

LANGUAGE: English

LOAD-DATE: September 24, 1996

HOMEOWNERSHIP

More Families Are Buying Homes in the Cities: (Molly, you can use the following bullet instead... which summarizes all central city lending...not just the share targeted at the historically underserved. Depending on the effect you want, the bullet can be written to focus on the # of loans issued -- as below -- or the # of central city families served -- as implied by the heading. Hey, I want to give you all the options.)

- The number of conventional home mortgage loans issued to families living in the central city have grown from 708,000 loans in 1993 to nearly 800,000 loans in 1995, a 13 percent increase in the number of new central city homeowners. (Molly, this can also be quantified by cost -- $75 billion in home mortgage loans in 1993 to $83 billion in 1995, a 10 percent increase). [site HMDA 1996]

Homeownership Is at its Highest Level in 15 Years. (as current bullet)

More Public Housing Families Are Becoming Homeowners. Since 1993, HUD has approved the sale of almost 4,700 units of public housing for homeownership -- 40 percent more than in the previous four years. The Administration aims to help 25,000 public housing families become homeowners by the year 2000. [site Aug. 7, 1996 press release].

PRESIDENT CLINTON HAS REVITALIZED PUBLIC HOUSING

The Worst Developments Are Being Torn Down and Rebuilt. The Administration has committed $3.2 billion in grants to tear down and replace 30,000 units of the worst public housing in the country. Already, over 21,000 units have been demolished, making way for the development of lower-density, townhouse-style apartments which will serve as anchors for neighborhood renewal. To date, 62 cities across the nation are transforming 145 public housing communities, spurring economic development, and creating new opportunities for families. [site HUD Office of Public Housing Investments Report, 1996]

Cracking Down on Drugs and Violent Crime in Public Housing. The Administration has taken a no-tolerance approach to crime in public housing. The President's "One Strike and You're Out" policy in public housing toughens screening and evictions procedures in public housing to keep gangs, drugs and violent crime out of these communities. The President's Operation Safe Home, a local and federal law enforcement collaboration that cracks down on crime in federally-assisted neighborhoods, has resulted in more than 8,000 arrests and the confiscation of $3 million in drugs, almost $2 million in cash, and more than 1,000 weapons. [site PH report]

PRESIDENT CLINTON HAS PRODUCED MORE AFFORDABLE HOMES (add this new section)

Homes Are More Affordable (as the current bullet)

The Low Income Housing Tax Credit Is Made Permanent (as the current bullet)

U.S. Department of Housing and Urban Development
Office of Public Affairs

Washington, D.C. 20410

News Release

HUD No. 96-135
Contact: Alex Sachs 202/708-0685
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FOR IMMEDIATE RELEASE
Wednesday, August 7, 1996

HUD UNVEILS PLAN FOR 25,000 PUBLIC HOUSING FAMILIES TO BECOME HOMEOWNERS; WASHINGTON, D.C. EFFORT A MODEL FOR NATIONAL ACTION

WASHINGTON, DC -- Twenty-five thousand American families living in public housing will become homeowners by the year 2000 under a new initiative announced today by Housing and Urban Development (HUD) Secretary Henry G. Cisneros.

This initiative is HUD's first comprehensive homeownership plan for public housing families, Cisneros said. The plan expands on earlier, more limited efforts that were focused on the sale of public housing units to residents.

The new HUD initiative has several elements: sale of single-family homes and townhomes and garden apartments already in the public housing inventory; sale of homes developed or acquired by housing authorities for homeownership as part of national efforts to replace demolished high rise projects; and enabling qualified families to buy homes from the private sector and graduate from public housing.

Since 1993, the Department has approved the sale by public housing authorities of almost 4,700 units for homeownership -- 40 percent more than in the previous four years. By creating locally-designed homeownership programs, HUD's new initiative will accelerate that pace.

"For thousands of families in public housing who have been struggling to work their way up and out of public housing, the opportunity to own their own home can change their lives forever," Cisneros said. "This plan builds on our efforts to dramatically transform public housing and to help raise the number of homeowners under the President's National Homeownership Strategy."

HUD's public housing homeownership initiative will make it possible for qualified families living in public housing -- those

- more -

who are working or participating in job training and education that will lead to work -- to reap the benefits that homeownership provides.

In announcing the new national initiative, Cisneros also committed the Department to work with Washington, D.C.'s housing authority to create 2,500 homeownership opportunities for public housing families by the year 2000.

Today Cisneros joined community groups, Fannie Mae, the Local Initiatives Support Corporation (LISC), and District of Columbia Housing Authority Receiver David Gilmore to announce an agreement for the sale and rehabilitation of more than 50 vacant single-family homes in the District's Columbia Heights and Shaw neighborhoods to provide homeownership for public housing families.

HUD officials also touted the public housing homeownership initiative by celebrating with new homebuying families in **High Point, NC, Grand Rapids, MI, Milwaukee** and **New Orleans**.

"In Washington, we will be restoring vacant houses which are an eyesore and providing opportunities for many families living in D.C. public housing to become homeowning, contributing members of their communities," Cisneros said.

HUD will implement the initiative by taking the following actions:

* **Making grants for employment and homeownership activities eligible for funding under the Economic Development and Supportive Services grant program.**

  HUD will make grants to public housing authorities which partner with local non-profit groups, resident organizations, financial institutions, community development organizations and city agencies.

  Eligible for these grants will be programs for job training; employment counseling and enhancement; entrepreneurship training; and pre- and post-sale homeownership counseling and training services.

* **Investing $500,000 for expanded technical assistance to public housing authorities and others seeking to implement HUD's homeownership initiatives.**

* **Engaging the Federal Housing Administration (FHA) and Ginnie Mae (Government National Mortgage Association) in support of this homeownership initiative.**

- more -

By utilizing FHA mortgage insurance for loans, private lenders will be able to use more flexible underwriting practices and require lower downpayments for homes purchased by public housing families.

In addition, more affordable financing for home purchase and renovation can be made available through FHA's 203 (k) mortgage insurance program.

As part of the initiative, Ginnie Mae and the FHA are also educating private lenders and Ginnie Mae securities issuers about opportunities to finance local public housing homeownership programs.

- **Working with Fannie Mae and Freddie Mac (Federal Home Loan Mortgage Corporation) to provide secondary mortgage market financing for public housing homeownership initiatives.**

Fannie Mae and Freddie Mac are committed to purchasing loans made to low-income homebuyers. HUD will work with the two government-sponsored enterprises to insure that, through this commitment, the goals of the public housing homeownership initiative are served.

- **Working with Congress to change existing law to expand public housing homeownership.**

HUD expects current public housing reform legislation to include provisions allowing non-profit groups to help with public housing sales programs. The legislation should also allow for the creation of a workable lease-purchase (rent-to-own) homeownership program and a time-limited Section 8 post-sale subsidy for low-income families buying existing public housing units.

# # #

U.S. Department of Housing and Urban Development
Office of Public Affairs

Washington, D.C. 20410

News Release

HUD No. 96-179
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FOR RELEASE
Tuesday
October 8, 1996

HUD AWARDS $716 MILLION TO 74 COMMUNITIES TO CONTINUE HISTORIC TRANSFORMATION OF PUBLIC HOUSING

WASHINGTON -- Housing Secretary Henry G. Cisneros today awarded $716 million to 74 communities around the country as part of "a major step forward in the Clinton Administration's historic and unprecedented transformation of public housing."

Cisneros said almost $477 million of the grants from the Department of Housing and Urban Development will pay for demolishing some of the nation's worst public housing, for improving public housing, and for building new public housing.

Nearly 17,000 substandard units of public housing will be demolished with the grants from HUD's HOPE VI program.

About 4,000 new units of public housing will be built, creating successful residential communities that will help revitalize surrounding neighborhoods, Cisneros said.

Another $239 million of the grants will fund assistance that will allow over 15,000 families displaced from public housing by demolitions and rehabilitation projects to rent apartments on the private market.

"For decades, our nation failed to launch a comprehensive and effective attack on the problems of public housing," Cisneros said. "The Clinton Administration changed that. We've come up with a successful strategy to fundamentally change public housing, and to give the people living there a real chance to improve their lives."

"These grants will allow us to continue transforming public housing developments from isolated ghettos of poverty, crime and despair into neighborhoods of hope and opportunity," Cisneros said.

Cisneros said the new federal budget sets aside another $550 million for public housing grants -- to be awarded in May. That assistance will come on top of the $716 million in grants announced today.

-more-

FACT SHEET: HOPE VI GRANT PROGRAM AND HUD'S EFFORTS TO TEAR DOWN AND REPLACE PUBLIC HOUSING NATIONWIDE

HUD Replaces the Worst Developments Now. HUD has pursued two tracks to physically redesign public housing. First, HUD has aggressively implemented HOPE VI, a large-scale initiative to provide localities with maximum funds and flexibility to reshape public housing neighborhoods and to build lives through education and skills training, job placement and development, and other supportive services. It supplies up to $50 million to remake an entire development from A to Z.

Second, HUD has relaxed existing program and funding rules to speed the reconstruction of public housing. HUD sought and got the repeal of the one-for-one replacement law which forced housing authorities to replace each demolished unit with a new one -- a very expensive mandate. HUD has also invested substantial time and effort to break the gridlock in court over major demolitions, such as the redevelopment plans for Chicago's Henry Horner Homes and Cabrini Green.

HOPE VI: The Funding Vehicle to Transform Public Housing from the Bottom Up. HOPE VI gives public housing authorities the tools to address the complex problems associated with decaying housing, social and economic isolation, and poverty and transform public housing into communities of opportunity. With HOPE VI, cities will be able to:

- tear down and replace deteriorated public housing with garden-style apartments that are indistinguishable from other private, rental housing in the neighborhood;
- reduce concentrations of poverty and promote mixed-income communities;
- establish positive incentives in public housing to reward working families, help welfare recipients transition to jobs and self-sufficiency, give schoolchildren and adults access to computers and the Information Superhighway, and enable families to eventually move out of public housing and rent in the private market or own their own homes; and
- crack down on gangs, drugs, and violent crime by implementing tougher screening and eviction procedures, community policing and other anti-crime programs.

Statistics on the FY 1996 HOPE VI Grant Program

Total HOPE VI grant amount:	$477 million
Total HOPE VI demolition and revitalization grant:	$403.3 million
Total HOPE VI demolition only grant:	$ 73.5 million
Total public housing developments receiving HOPE VI:	44
Total developments receiving HOPE VI demo/revitalization:	20
Total developments receiving HOPE VI demolition only:	24
# of units to be demolished by FY 1996 HOPE VI grantees:	17,000

Statistics on the National Movement to Replace Bad Public Housing

# of units to be demolished by December 31, 1996:	30,000
# of units to be demolished by the year 2000:	100,000
# of units demolished to date (approximate):	22,100
# of units approved for demolition to date:	46,500
# of cities tearing down and rebuilding America's public housing:	72
# of public housing developments undergoing bold transformation:	170

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
TRANSFORMING PUBLIC HOUSING
Summary of FY 1996 HOPE VI and Section 8 Replacement Award Winners (By State)

City (74)	Name of Development (if applicable)	HOPE VI: Demolition and Revitalization	HOPE VI: Demolition Only	Section 8 Relocation and Replacement [1] Dollars (# of Units)	Total
Ozark, AL	N/A	0	0	$188,068 (26)	$188,068
Tucson, AZ	Connie Chambers	$14,600,000	0	$147,640 (10)	$14,747,640
Los Angeles, CA	N/A	0	0	$7,264,112 (350)	$7,264,112
San Francisco, CA	North Beach Eddy Street	$20,000,000 0	0 $360,000	0	$20,360,000
Bridgeport, CT	N/A	0	0	$1,533,660 (107)	$1,533,660
Hartford, CT	Harriet Beecher Stowe	0	$5,025,000	$8,011,512 (566)	$13,036,512
Middletown, CT	N/A	0	0	$1,284,936 (80)	$1,284,936
New Haven, CT	McConaughy Terrace	0	$1,380,000	$8,442,888 (405)	$9,822,888
Stamford, CT	N/A	0	0	$1,574,018 (64)	$1,574,018
Pueblo, CO	Sangre de Cristo	0	$109,550	0	$109,550
District of Columbia	Fort Dupont	0	$1,995,000	$23,024,948 (971)	$25,019,948
Jacksonville, FL	Durkeeville	$21,552,000	0	0	$21,552,000
Ocala, FL	Forest View/N.H. Jones	0	$1,642,957	0	$1,642,957
Tampa, FL	Riverview Terrace	0	$873,000	$811,496 (70)	$1,684,496
Atlanta, GA	Perry Homes Carver Homes	$ 20,000,000 0	0 $ 9,720,520	$ 16,114,488 (1,074)	$ 45,835,008
Fulton County, GA	N/A	0	0	$1,216,274 (71)	$1,216,274
Savannah, GA	Marcus Stubbs Tower	0	$2,336,140	0	$2,336,140
Hawaii	N/A	0	0	$383,332 (18)	$383,332

City (74)	Name of Development (if applicable)	HOPE VI: Demolition and Revitalization	HOPE VI: Demolition Only	Section 8 Relocation and Replacement [1] Dollars (# of Units)	Total
Chicago, IL	Robert Taylor Homes Henry Horner Homes[2] ABLA (Brooks Extension)	$25,000,000 $18,435,300 $24,483,250	0 0 0	$54,303,774 (3,340)	$122,222,324
East St. Louis, IL	North Park Tower	0	$1,000,000	0	$1,000,000
Topeka, KS	N/A	0	0	$979,540 (100)	$979,540
Louisville, KY	Cotter & Lang Homes	$20,000,000	0	$3,091,188 (250)	$23,091,188
New Orleans, LA	St. Thomas	$25,000,000	0	$7,256,558 (495)	$32,256,558
Brockton, MA	N/A	0	0	$982,080 (56)	$982,080
Holyoke, MA	Jackson Parkway	$15,000,000	0	0	$15,000,000
Baltimore, MD	Hollander Ridge Fairfield Homes	$20,000,000 0	0 $2,500,000	$3,349,700 (200)	$25,849,700
Westbrook, ME	N/A	0	0	$144,534 (10)	$144,534
Detroit, MI	Herman Gardens Jeffries	$24,224,160 0	0 $10,000,000	0	$34,224,160
Saginaw, MI	Daniels Heights	0	$1,413,200	0	$1,413,200
Minneapolis, MN	N/A	0	0	$983,488 (88)	$983,488
Winona, MN	N/A	0	0	$272,904 (40)	$272,904
Columbia, MO	Bear Creek	0	$169,200	0	$169,200
Kansas City, MO	T.B. Watkins	$13,000,000	0	0	$13,000,000
Saint Louis, MO	Cabanne Court	0	$675,000	0	$675,000
Charlotte, NC	Dalton Village	$24,501,684	0	0	$24,501,684
Mid-East Region, NC	N/A	0	0	$726,404 (99)	$726,404
Sanford, NC	N/A	0	0	$195,264 (18)	$195,264
Wilmington, NC	Robert S. Jervay Place	$11,620,655	0	0	$11,620,655

City (74)	Name of Development (if applicable)	HOPE VI: Demolition and Revitalization	HOPE VI: Demolition Only	Section 8 Relocation and Replacement [1] Dollars (# of Units)	Total
Atlantic City, NJ	N/A	0	0	$2,945,850 (199)	$2,945,850
Jersey City, NJ	N/A	0	0	$1,970,900 (100)	$1,970,900
Newark, NJ	Hayes Homes	0	$9,010,400	0	$9,010,400
New Brunswick, NJ	N/A	0	0	$6,427,988 (323)	$6,427,988
Paterson, NJ	Dean McNulty	0	$2,047,000	$14,074,724 (658)	$16,121,724
Perth Amboy, NJ	N/A	0	0	$2,518,436 (111)	$2,518,436
Buffalo, NY	Commodore Perry	0	$6,304,000	0	$6,304,000
New York, NY	Edgemere/Arvene	$20,000,000	0	$1,959,360 (100)	$21,959,360
Cincinnati, OH	N/A	0	0	$1,796,154 (179)	$1,796,154
Cleveland, OH	Riverview	$29,733,334	0	0	$29,733,334
Dayton, OH	N/A	0	0	$346,122 (50)	$346,122
Chester, PA	Lamokin Village McCaffery Village	$14,949,554 0	0 $839,860	0	$15,789,414
Chester County, PA	N/A	0	0	$1,418,876 (85)	$1,418,876
McKeesport, PA	N/A	0	0	$839,640 (70)	$839,640
Montgomery County, PA	N/A	0	0	$987,044 (59)	$987,044
Philadelphia, PA	N/A	0	0	$12,542,944 (638)	$12,542,944
Pittsburgh, PA	Bedford Additions Allequippa Terrace	$26,592,764 0	0 $8,140,000	$10,397,182 (933)	$45,129,946
Charleston, SC	N/A	0	0	$1,206,280 (106)	$1,206,280
Spartanburg, SC	Tobe Hartwell Courts	$14,620,369	0	$452,680 (50)	$15,073,049
Memphis, TN	Foote Homes	0	$4,542,867	$9,806,458 (1,016)	$14,349,325

City (74)	Name of Development (if applicable)	HOPE VI: Demolition and Revitalization	HOPE VI: Demolition Only	Section 8 Relocation and Replacement [1] Dollars (# of Units)	Total
Nashville, TN	N/A	0	0	$716,500 (50)	$716,500
Dallas, TX	N/A	0	0	$1,691,648 (138)	$1,691,648
El Paso, TX	N/A	0	0	$1,722,492 (120)	$1,722,492
Fort Worth, TX	N/A	0	0	$990,576 (77)	$990,576
Lubbock, TX	N/A	0	0	$1,225,116 (121)	$1,225,116
Mercedes, TX	N/A	0	0	$397,190 (34)	$397,190
San Antonio, TX	Menchaca Homes	0	$840,726	$3,744,724 (325)	$4,585,450
Danville, VA	N/A	0	0	$608,896 (76)	$608,896
Newport News, VA	N/A	0	0	$1,338,060 (100)	$1,338,060
Petersburg, VA	N/A	0	0	$541,100 (365)	$541,100
Portsmouth, VA	N/A	0	0	$6,190,662 (523)	$6,190,662
Richmond, VA	N/A	0	0	$2,559,628 (175)	$2,559,628
Roanoke, VA	N/A	0	0	$989,940 (126)	$989,940
Seattle, WA	Roxsbury Village	0	$788,570	0	$788,570
Tacoma, WA	Hillside Terrace	0	$1,757,940	$2,686,640 (254)	$4,444,580
Charleston, WV	N/A	0	0	$1,901,440 (160)	$1,901,440
Total		$ 403,313,070	$ 73,470,930	$ 239,278,056 (15,499)	$ 716,062,056

1. Section 8 relocation and replacement provides two-year rental assistance for households that need to be temporarily relocated or wish to move to housing in the private, rental market. Section 8 assistance can be renewed after two years. Section 8 relocation and replacement is not limited to the developments noted above.

2. The $43 million HOPE VI grants for Henry Horner Homes and ABLA have been awarded to the Chicago Housing Authority in order to meet HUD's obligation under the Gatreaux Consent Decree requiring HUD to provide comparable relief when HUD cannot provide Section 8 New Construction assistance.

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Divider Title: 8

Employment Data for the 50 Largest Cities and their Metropolitan Areas

Unemployment Rate by Place of Residence

	City	MSA/PMSA			City			Suburbs*		
		July 1992†	July 1996†	Change†	July 1992†	July 1996†	Change†	July 1992†	July 1996†	Change†
1	New York	11.2%	8.4%	-2.8%	11.7%	9.1%	-2.6%	8.8%	4.9%	-3.8%
2	Los Angeles	10.8%	8.9%	-1.9%	12.7%	10.1%	-2.6%	9.5%	8.1%	-1.4%
3	Chicago	7.7%	5.0%	-2.7%	10.0%	6.7%	-3.3%	6.5%	4.2%	-2.4%
4	Houston	7.0%	5.7%	-1.4%	8.6%	6.9%	-1.6%	5.6%	4.4%	-1.1%
5	Philadelphia	7.9%	5.5%	-2.4%	9.3%	7.0%	-2.3%	7.4%	5.0%	-2.4%
6	San Diego	7.3%	5.7%	-1.6%	7.4%	5.8%	-1.6%	7.2%	5.6%	-1.6%
7	Phoenix	6.8%	3.8%	-3.0%	7.4%	4.1%	-3.3%	6.3%	3.6%	-2.8%
8	Dallas	6.6%	4.2%	-2.4%	8.3%	5.3%	-2.9%	5.5%	3.6%	-2.0%
9	San Antonio	6.3%	5.1%	-1.2%	7.1%	5.8%	-1.3%	4.5%	3.6%	-0.8%
10	Detroit	10.5%	5.6%	-4.9%	20.0%	11.1%	-8.8%	8.2%	4.3%	-3.9%
11	San Jose	6.5%	3.8%	-2.7%	7.6%	4.5%	-3.1%	5.3%	3.1%	-2.2%
12	Indianapolis	5.6%	3.5%	-2.2%	6.4%	4.0%	-2.4%	4.8%	2.9%	-2.0%
13	San Francisco	6.1%	4.6%	-1.5%	7.1%	5.5%	-1.6%	5.2%	3.8%	-1.4%
14	Baltimore	7.5%	5.5%	-2.0%	11.3%	8.1%	-3.2%	6.1%	4.6%	-1.5%
15	Jacksonville	7.1%	4.0%	-3.0%	7.5%	4.4%	-3.1%	6.0%	3.2%	-2.8%
16	Columbus	5.1%	3.0%	-2.1%	5.6%	3.3%	-2.3%	4.6%	2.7%	-1.9%
17	Milwaukee	5.0%	3.6%	-1.5%	6.6%	5.5%	-1.1%	4.0%	2.4%	-1.6%
18	Memphis	5.8%	4.1%	-1.8%	6.7%	5.0%	-1.8%	4.6%	2.9%	-1.7%
19	El Paso	10.8%	12.4%	1.6%	10.4%	11.9%	1.6%	14.6%	16.7%	2.1%
20	Washington	5.2%	3.8%	-1.4%	8.6%	9.3%	0.7%	4.7%	3.2%	-1.5%
21	Boston	7.8%	4.0%	-3.6%	8.6%	5.2%	-3.5%	7.7%	3.8%	-3.9%
22	Seattle	6.2%	4.2%	-2.0%	7.3%	4.9%	-2.4%	5.9%	4.0%	-1.9%
23	Austin	4.4%	3.3%	-1.1%	4.9%	3.7%	-1.2%	3.6%	2.7%	-0.9%
24	Nashville	5.1%	3.1%	-1.9%	5.0%	3.0%	-2.0%	5.1%	3.3%	-1.8%
25	Denver	5.4%	3.7%	-1.6%	6.7%	4.7%	-2.0%	4.8%	3.4%	-1.5%
26	Cleveland	7.2%	5.1%	-2.1%	13.3%	9.6%	-3.7%	5.8%	4.1%	-1.7%
	New Orleans	7.7%	6.8%	-0.9%	8.0%	8.1%	0.1%	7.5%	6.1%	-1.4%
	Oklahoma City	4.3%	3.3%	-1.0%	4.9%	3.7%	-1.2%	3.8%	3.1%	-0.8%
29	Fort Worth	6.6%	4.1%	-2.5%	8.7%	5.4%	-3.4%	5.7%	3.6%	-2.1%
	Portland	6.2%	4.1%	-2.2%	7.4%	4.9%	-2.5%	5.8%	3.7%	-2.0%
31	Kansas City	4.6%	4.2%	-0.5%	6.8%	5.4%	-1.3%	3.8%	3.7%	-0.1%
32	Charlotte	6.0%	3.8%	-2.1%	5.7%	3.5%	-2.2%	6.1%	4.0%	-2.1%
33	Tucson	5.8%	3.8%	-2.0%	6.4%	4.2%	-2.2%	4.8%	3.1%	-1.7%
34	Long Beach**				5.8%	4.3%	-1.5%			
35	Virginia Beach	6.7%	5.0%	-1.7%	5.8%	4.3%	-1.5%	7.1%	5.3%	-1.8%
36	Albuquerque	5.0%	5.5%	0.5%	4.8%	5.3%	0.5%	5.5%	5.8%	0.4%
37	Atlanta	6.6%	3.8%	-2.8%	10.4%	6.3%	-4.1%	6.2%	3.5%	-2.6%
	Fresno	12.3%	12.2%	-0.1%	10.8%	10.7%	-0.1%	13.6%	13.4%	-0.2%
39	Honolulu***	3.4%	5.2%	1.8%						
40	Tulsa	4.8%	3.2%	-1.6%	4.9%	3.3%	-1.6%	4.5%	3.1%	-1.5%
41	Sacramento	7.8%	6.2%	-1.5%	9.6%	7.8%	-1.8%	7.2%	5.7%	-1.5%
42	Miami	10.5%	7.5%	-3.0%	14.9%	10.8%	-4.1%	9.6%	6.8%	-2.8%
43	St. Louis	6.2%	4.7%	-1.5%	8.8%	7.7%	-1.1%	5.8%	4.2%	-1.5%
44	Oakland	6.6%	5.3%	-1.3%	10.3%	8.6%	-1.7%	5.9%	4.7%	-1.2%
45	Pittsburgh	7.1%	5.0%	-2.1%	7.3%	5.6%	-1.8%	7.1%	4.9%	-2.2%
46	Cincinnati	5.9%	4.1%	-1.8%	8.4%	5.8%	-2.6%	5.2%	3.7%	-1.5%
47	Minneapolis	4.4%	2.8%	-1.6%	5.3%	4.0%	-1.3%	4.3%	2.6%	-1.6%
48	Omaha	3.5%	3.0%	-0.6%	4.0%	3.5%	-0.5%	3.1%	2.4%	-0.7%
49	Las Vegas	7.5%	5.3%	-2.2%	7.3%	5.2%	-2.1%	7.6%	5.4%	-2.2%
50	Toledo	8.5%	4.8%	-3.7%	10.3%	5.8%	-4.5%	6.6%	3.7%	-2.9%
	Total	7.4%	5.2%	-2.2%	9.3%	6.8%	-2.8%	6.4%	4.4%	-2.1%

Notes: * Suburbs are the remainder of the Metropolitan Area less the central city.

** Los Angeles and Long Beach are in the same PMSA so Suburb data for the Los Angeles-Long Beach PMSA are reported with Los Angeles city data above.

*** BLS provides data only for the Honolulu MSA and not for the Honolulu CPD, which the Census Bureau defines as the central city of the Honolulu MSA.

† Due to differences in the method of calculating local area monthly data for 1992 and 1996 which result in higher seasonal variation in earlier years' data, BLS does not endorse the comparison of 1992 and 1996 monthly data. In addition, 1994 changes in the methods of the survey from which these data are compiled cause post-1993 unemployment rates to be somewhat higher than pre-1994 rates.

Source: Bureau of Labor Statistics.

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Divider Title: 9

5TH STORY of Level 1 printed in FULL format.

The New York Times

August 18, 1996, Sunday, Late Edition - Final

SECTION: Section 6; Page 27; Column 1; Magazine Desk

LENGTH: 6149 words

HEADLINE: WORK

BYLINE: By William Julius Wilson; William Julius Wilson, a member of the University of Chicago faculty for 24 years, is now the Malcolm Wiener Professor of Social Policy at Harvard University. This article is adapted from "When Work Disappears: The World of the New Urban Poor," to be published next month by Alfred A. Knopf.

BODY:

The disappearance of work in the ghetto cannot be ignored, isolated or played down. Employment in America is up. The economy has churned out tens of millions of new jobs in the last two decades. In that same period, joblessness among inner-city blacks has reached catastrophic proportions. Yet in this Presidential election year, the disappearance of work in the ghetto is not on either the Democratic or the Republican agenda. There is harsh talk about work instead of welfare but no talk of where to find it.

The current employment woes in the inner city continue to be narrowly defined in terms of race or lack of individual initiative. It is argued that jobs are widely available, that the extent of inner-city poverty is exaggerated. Optimistic policy analysts -- and many African-Americans -- would prefer that more attention be devoted to the successes and struggles of the black working class and the expanding black middle class. This is understandable. These two groups, many of whom have recently escaped from the ghetto, represent a majority of the African-American population. But ghetto joblessness still afflicts a substantial -- and increasing -- minority: it's a problem that won't go away on its own. If it is not addressed, it will have lasting and harmful consequences for the qualify of life in the cities and, eventually, for the lives of all Americans. Solutions will have to be found -- and those solutions are at hand.

For the first time in the 20th century, a significant majority of adults in many inner-city neighborhoods are not working in a typical week. Inner cities have always featured high levels of poverty, but the current levels of joblessness in some neighborhoods are unprecedented. For example, in the famous black-belt neighborhood of Washington Park on Chicago's South Side, a majority of adults had jobs in 1950; by 1990, only 1 in 3 worked in a typical week. High neighborhood joblessness has a far more devastating effect than high neighborhood poverty. A neighborhood in which people are poor but employed is different from a neighborhood in which people are poor and jobless. Many of today's problems in the inner-city neighborhoods -- crime, family dissolution, welfare -- are fundamentally a consequence of the disappearance of work.

What causes the disappearance of work? There are several factors, including changes in the distribution and location of jobs, and in the level of training and education required to obtain employment. Nor should we overlook the legacy of historic racial segregation. However, the public debate around this question is not productive because it seeks to assign blame rather than recognizing and dealing with the complex realities that have led to economic distress for many Americans. Explanations and proposed solutions to the problem are often ideologically driven.

Conservatives tend to stress the importance of values, attitudes, habits and styles. In this view, group differences are reflected in the culture. The truth is, cultural factors do play a role; but other, more important variables also have to be taken into account. Although race is clearly a significant variable in the social outcomes of inner-city blacks, it's not the only factor. The emphasis on racial differences has obscured the fact that African-Americans, whites and other ethnic groups have many common values, aspirations and hopes.

An elderly woman who has lived in one inner-city neighborhood on the South Side of Chicago for more than 40 years reflects: "I've been here since March 11, 1953. When I moved in, the neighborhood was intact. It was intact with homes, beautiful homes, mini-mansions, with stores, Laundromats, with Chinese cleaners. We had drugstores. We had hotels. We had doctors over on 39th Street. We had doctors' offices in the neighborhood. We had the middle class and upper middle class. It has gone from affluent to where it is today. And I would like to see it come back, that we can have some of the things we had. Since I came in young, and I'm a senior citizen now, I would like to see some of the things come back so I can enjoy them like we did when we first came in."

In the neighborhood of Woodlawn, on the South Side of Chicago, there were more than 800 commercial and industrial establishments in 1950. Today, it is estimated that only about 100 are left. In the words of Loic Wacquant, a member of one of the research teams that worked with me over the last eight years: "The once-lively streets -- residents remember a time, not so long ago, when crowds were so dense at rush hour that one had to elbow one's way to the train station -- now have the appearance of an empty, bombed-out war zone. The commercial strip has been reduced to a long tunnel of charred stores, vacant lots littered with broken glass and garbage, and dilapidated buildings left to rot in the shadow of the elevated train line. At the corner of 63d Street and Cottage Grove Avenue, the handful of remaining establishments that struggle to survive are huddled behind wrought-iron bars. . . . The only enterprises that seem to be thriving are liquor stores and currency exchanges, those 'banks of the poor' where one can cash checks, pay bills and buy money orders for a fee."

The state of the inner-city public schools was another major concern expressed by our urban-poverty study respondents. The complaints ranged from overcrowded conditions to unqualified and uncaring teachers. Sharply voicing her views on these subjects, a 25-year-old married mother of two children from a South Side census tract that just recently became poor stated: "My daughter ain't going to school here. She was going to a nursery school where I paid and of course they took the time and spent it with her, because they was getting the money. But the public schools, no! They are overcrowded and the teachers don't care."

A resident of Woodlawn who had left the neighborhood as a child described how she felt upon her return about the changes that had occurred: "I was really appalled. When I walked down 63d Street when I was younger, everything you wanted was there. But now, coming back as an adult with my child, those resources are just gone, completely. . . . And housing, everybody has moved, there are vacant lots everywhere."

NEIGHBORHOODS PLAGUED BY HIGH LEVELS OF JOBLESSNESS are more likely to experience low levels of social organization: the two go hand in hand. High rates of joblessness trigger other neighborhood problems that undermine social organization, ranging from crime, gang violence and drug trafficking to family breakups. And as these controls weaken, the social processes that regulate behavior change.

Industrial restructuring has further accelerated the deterioration of many inner-city neighborhoods. Consider the fate of the West Side black community of North Lawndale in Chicago: since 1960, nearly half of its housing stock has disappeared; the remaining units are mostly run-down or dilapidated. Two large factories anchored the economy of this neighborhood in its good days -- the Hawthorne plant of Western Electric, which employed more than 43,000 workers, and an International Harvester plant with 14,000 workers. But conditions rapidly changed. Harvester closed its doors in the late 1960's. Sears moved most of its offices to the Loop in downtown Chicago in 1973. The Hawthorne plant gradually phased out its operations and finally shut down in 1984.

"Jobs were plentiful in the past," attested a 29-year-old unemployed black man who lives in one of the poorest neighborhoods on the South Side. "You could walk out of the house and get a job. Maybe not what you want, but you could get a job. Now, you can't find anything. A lot of people in this neighborhood, they want to work but they can't get work. A few, but a very few, they just don't want to work."

The more rapid the neighborhood deterioration, the greater the institutional disinvestment. In the 1960's and 1970's, neighborhoods plagued by heavy abandonment were frequently redlined (identified as areas that should not receive or be recommended for mortgage loans or insurance); this paralyzed the housing market, lowered property values and encouraged landlord abandonment.

As the neighborhood disintegrates, those who are able to leave depart in increasing numbers; among these are many working- and middle-class families. The lower population density in turn creates additional problems. Abandoned buildings increase and often serve as havens for crack use and other illegal enterprises that give criminals -- mostly young blacks who are unemployed -- footholds in the community. Precipitous declines in density also make it even more difficult to sustain or develop a sense of community. The feeling of safety in numbers is completely lacking in such neighborhoods.

Problems in the new poverty or high-jobless neighborhoods have also created racial antagonism among some of the high-income groups in the city. The high joblessness in ghetto neighborhoods has sapped the vitality of local businesses and other institutions and has led to fewer and shabbier movie theaters, bowling alleys, restaurants, public parks and playgrounds and other recreational facilities. When residents of inner-city neighborhoods venture out to other areas of the city in search of entertainment, they come into brief contact with citizens of markedly different racial or class backgrounds. Sharp differences in cultural style often lead to clashes.

Some behavior on the part of residents from socially isolated ghetto neighborhoods -- for instance, the tendency to enjoy a movie in a communal spirit by carrying on a running conversation with friends and relatives or reacting in an unrestrained manner to what they see on the screen -- is considered offensive by other groups, particularly black and white members of the middle class. Expressions of disapproval, either overt or with subtle hostile glances, tend to trigger belligerent responses from the ghetto residents, who then purposely intensify the behavior that is the source of irritation. The white and even the black middle-class moviegoers then exercise their option and exit, expressing resentment and experiencing intensified feelings of racial or class antagonism as they depart.

The areas surrendered in such a manner become the domain of the inner-city residents. Upscale business are replaced by fast-food chains and other local businesses that cater to the new clientele. White and black middle-class citizens complain bitterly about how certain areas of the central city have changed -- and thus become "off-limits" -- following the influx of ghetto residents.

The negative consequences are clear: where jobs are scarce, many people eventually lose their feeling of connectedness to work in the formal economy; they no longer expect work to be a regular, and regulating, force in their lives. In the case of young people, they may grow up in an environment that lacks the idea of work as a central experience of adult life -- they have little or no labor-force attachment. These circumstances also increase the likelihood that the residents will rely on illegitimate sources of income, thereby further weakening their attachment to the legitimate labor market.

A 25-year-old West Side father of two who works two jobs to make ends meet condemned the attitude toward work of some inner-city black males:

"They try to find easier routes and had been conditioned over a period of time to just be lazy, so to speak. Motivation nonexistent, you know, and the society that they're affiliated with really don't advocate hard work and struggle to meet your goals such as education and stuff like that. And they see who's around them and they follow that same pattern, you know. . . . They don't see nobody getting up early in the morning, going to work or going to school all the time. The guys they be with don't do that . . . because that's the crowd that you choose -- well, that's been presented to you by your neighborhood."

Work is not simply a way to make a living and support one's family. It also constitutes a framework for daily behavior because it imposes discipline. Regular employment determines where you are going to be and when you are going to be there. In the absence of regular employment, life, including family life, becomes less coherent. Persistent unemployment and irregular employment hinder rational planning in daily life, the necessary condition of adaptation to an industrial economy.

It's a myth that people who don't work don't want to work. One mother in a new poverty neighborhood on the South Side explained her decision to remain on welfare even though she would like to get a job: "I was working and then I had two kids. And I'm struggling. I was making, like, close to $7 an hour. . . . I had to pay a baby-sitter. Then I had to deal with my kids when I got home. And I couldn't even afford medical insurance. . . . I was so scared, when my kids were sick or something, because I have been turned away from a hospital because I did not have a medical card. I don't like being on public aid and stuff right now. But what do I do with my kids when the kids get sick?"

Working mothers with comparable incomes face, in many cases, even greater difficulty. Why? Simply because many low-wage jobs do not provide health-care benefits, and most working mothers have to pay for transportation and spend more for child care. Working mothers also have to spend more for housing because it is more difficult for them to qualify for housing subsidies. It is not surprising, therefore, that many welfare-reliant mothers choose not to enter the formal labor market. It would not be in their best economic interest to do so. Given the economic realities, it is also not surprising that many who are working in these low-wage jobs decide to rely on or return to welfare, even though it's not a desirable alternative for many of the black single mothers. As one 27-year-old welfare mother of three children from an impoverished West Side neighborhood put it: "I want to work. I do not work but I want to work. I don't want to just be on public aid."

AS THE DISAPPEARANCE OF WORK HAS BECOME A characteristic feature of the inner-city ghetto, so too has the disappearance of the traditional married-couple family. Only one-quarter of the black families whose children live with them in inner-city neighborhoods in Chicago are husband-wife families today, compared with three-quarters of the inner-city Mexican families, more than one-half of the white families and nearly one-half of the Puerto Rican families. And in census tracts with poverty rates of at least 40 percent, only 16.5 percent of the black families with children in the household are husband-wife families.

There are many factors involved in the precipitous decline in marriage rates and the sharp rise in single-parent families. The explanation most often heard in the public debate associates the increase of out-of-wedlock births and single-parent families with welfare. Indeed, it is widely assumed among the general public and reflected in the recent welfare reform that a direct connection exists between the level of welfare benefits and the likelihood that a young woman will bear a child outside marriage.

However, there is little evidence to support the claim that Aid to Families With Dependent Children plays a significant role in promoting out-of-wedlock births. Research examining the association between the generosity of welfare benefits and out-of-wedlock childbearing and teen-age pregnancy indicates that benefit levels have no significant effect on the likelihood that African-American girls and women will have children outside marriage. Likewise, welfare rates have either no significant effect or only a small effect on the odds that whites will have children outside marriage. The rate of out-of-wedlock teen-age childbearing has nearly doubled since 1975 -- during years when the value of A.F.D.C., food stamps and Medicaid fell, after adjusting for inflation. And the smallest increases in the number of out-of-wedlock births have not occurred in states that have had the largest declines in the inflation-adjusted value of A.F.D.C. benefits. Indeed, while the real value of cash welfare benefits has plummeted over the past 20 years, out-of-wedlock childbearing has increased, and postpartum marriages (marriages following the birth of a couple's child) have decreased as well.

It's instructive to consider the social differences between inner-city blacks and other groups, especially Mexicans. Mexicans come to the United States with a clear conception of a traditional family unit that features men as breadwinners. Although extramarital affairs by men are tolerated, unmarried pregnant women are "a source of opprobrium, anguish or great concern," as Richard P. Taub, a member of one of our research teams, put it. Pressure is applied by the kin of both parents to enter into marriage.

The family norms and behavior in inner-city black neighborhoods stand in sharp contrast. The relationships between inner-city black men and women, whether in a marital or nonmarital situation, are often fractious and antagonistic. Inner-city black women routinely say that black men are hopeless as either husbands or fathers and that more of their time is spent on the streets than at home.

The men in the inner city generally feel that it is much better for all parties to remain in a nonmarital relationship until the relationship dissolves rather than to get married and then have to get a divorce. A 25-year-old unmarried West Side resident, the father of one child, expressed this view:

"Well, most black men feel now, why get married when you got six to seven women to one guy, really. You know, because there's more women out here mostly than men. Because most dudes around here are killing each other like fools over drugs or all this other stuff."

The fact that blacks reside in neighborhoods and are engaged in social networks and households that are less conducive to employment than those of other ethnic and racial groups in the inner city clearly has a negative effect on their search for work. In the eyes of employers in metropolitan Chicago, these differences render inner-city blacks less desirable as workers, and therefore many are reluctant to hire them. The white chairman of a car transport company, when asked if there were differences in the work ethic of whites, blacks and Hispanics, responded with great certainty:

"Definitely! I don't think, I know: I've seen it over a period of 30 years. Basically, the Oriental is much more aggressive and intelligent and studious than the Hispanic. The Hispanics, except Cubans of course, they have the work ethnic [sic]. The Hispanics are manana, manana, manana -- tomorrow, tomorrow, tomorrow." As for native-born blacks, they were deemed "the laziest of the bunch."

If some employers view the work ethic of inner-city poor blacks as problematic, many also express concerns about their honesty, cultural attitudes and dependability -- traits that are frequently associated with the neighborhoods in which they live. A white suburban retail drugstore manager expressed his reluctance to hire someone from a poor inner-city neighborhood. "You'd be afraid they're going to steal from you," he stated. "They grow up that way. They grow up dishonest and I guess you'd feel like, geez, how are they going to be honest here?"

In addition to qualms about the work ethic, character, family influences, cultural predispositions and the neighborhood milieu of ghetto residents, the employers frequently mentioned concerns about applicants' language skills and educational training. They "just don't have the language skills," stated a suburban employer. The president of an inner-city advertising agency highlighted the problem of spelling:

"I needed a temporary a couple months ago, and they sent me a black man. And I dictated a letter to him. He took shorthand, which was good. Something like 'Dear Mr. So-and-So, I am writing to ask about how your business is doing.' And then he typed the letter, and I read the letter, and it's 'I am writing to ax about your business.' Now you hear about them speaking a different language and all that, and they say 'ax' for 'ask.' Well, I don't care about that, but I didn't say 'ax,' I said 'ask.' "

Many inner-city residents have a strong sense of the negative attitudes that employers tend to have toward them. A 33-year-old employed janitor from a poor South Side neighborhood had this observation: "I went to a couple jobs where a couple of the receptionists told me in confidence: 'You know what they do with these applications from blacks as soon as the day is over?' They say, 'We rip them and throw them in the garbage.' " In addition to concerns about being rejected because of race, the fears that some inner-city residents have of being denied employment simply because of their inner-city address or neighborhood are not unfounded. A welfare mother who lives in a large public housing project put it this way:

"Honestly, I believe they look at the address and the -- your attitudes, your address, your surround -- you know, your environment has a lot to do with your employment status. The people with the best addresses have the best chances. I feel so, I feel so."

I T IS INSTRUCTIVE TO study the fate of the disadvantaged in Europe. There, too, poverty and joblessness are on the increase; but individual deficiencies and behavior are not put forward as the culprits. Furthermore, welfare programs that benefit wide segments of the population like child care, children's allowances (an annual benefit per child), housing subsidies, education, medical care and unemployment insurance have been firmly institutionalized in many Western European democracies. Efforts to cut back on these programs in the face of growing joblessness have met firm resistance from working- and middle-class citizens.

My own belief is that the growing assault on welfare mothers is part of a larger reaction to the mounting problems in our nation's inner cities. When many people think of welfare they think of young, unmarried black mothers having babies. This image persists even though roughly equal numbers of black and white families received A.F.D.C. in 1994, and there were also a good many Hispanics on the welfare rolls. Nevertheless, the rise of black A.F.D.C. recipients was said to be symptomatic of such larger problems as the decline in family values and the dissolution of the family. In an article published in Esquire, Pete Hamill wrote:

"The heart of the matter is the continued existence and expansion of what has come to be called the Underclass. . . . trapped in cycles of welfare dependency, drugs, alcohol, crime, illiteracy and disease, living in anarchic and murderous isolation in some of the richest cities on the earth. As a reporter, I've covered their miseries for more than a quarter of a century. . . . And in the last decade, I've watched this group of American citizens harden and condense, moving even further away from the basic requirements of a human life: work, family, safety, the law."

One has the urge to shout, "Enough is enough!"

W HAT CAN BE DONE? I believe that steps must be taken to galvanize Americans from all walks of life who are concerned about human suffering and the public policy direction in which we are now moving. We need to generate a public-private partnership to fight social inequality. The following policy frameworks provide a basis for further discussion and debate. Given the current political climate, these proposals might be dismissed as unrealistic. Nor am I suggesting that we can or should simply import the social policies of the Japanese, the Germans or other Western Europeans. The question is how we Americans can address the problems of social inequality, including record levels of joblessness in the inner city, that threaten the very fabric of our society.

Create Standards for Schools

Ray Marshall, former Secretary of Labor, points out that Japan and Germany have developed policies designed to increase the number of workers with "higher-order thinking skills." These policies require young people to meet high performance standards before they can graduate from secondary schools, and they hold each school responsible for meeting these standards.

Students who meet high standards are not only prepared for work but they are also ready for technical training and other kinds of post-secondary education. Currently, there are no mandatory academic standards for secondary schools in the United States. Accordingly, students who are not in college-preparatory courses have severely limited options with respect to pursuing work after high school. A commitment to a system of performance standards for every public school in the United States would be an important first step in addressing the huge gap in educational performance between the schools in advantaged and disadvantaged neighborhoods.

A system of at least local performance standards should include the kind of support that would enable schools in disadvantaged neighborhoods to meet the standards that are set. State governments, with Federal support, not only would have to create equity in local school financing (through loans and scholarships to attract more high-quality teachers, increased support for teacher training and reforms in teacher certification) but would also have to insure that highly qualified teachers are more equitably distributed in local school districts.

Targeting education would be part of a national effort to raise the performance standards of all public schools in the United States to a desirable level, including schools in the inner city. The support of the private sector should be enlisted in this national effort. Corporations, local businesses, civic clubs, community centers and churches should be encouraged to work with the schools to improve computer-competency training.

Improve Child Care

The French system of child welfare stands in sharp contrast to the American system. In France, children are supported by three interrelated government programs, as noted by Barbara R. Bergmann, a professor of economics at American University: child care, income support and medical care. The child-care program includes establishments for infant care, high-quality nursery schools (ecoles maternelles) and paid leave for parents of newborns. The income-support program includes child-support enforcement (so that the absent parent continues to contribute financially to his or her child's welfare), children's allowances and welfare payments for low-income single mothers. Finally, medical care is provided through a universal system of national health care financed by social security, a preventive-care system for children and a group of public-health nurses who specialize in child welfare.

Establish City-Suburban Partnerships

If the other industrial democracies offer lessons for a long-term solution to the jobs problem involving relationships between employment, education and family-support systems, they also offer another lesson: the importance of city-suburban integration and cooperation. None of the other industrialized democracies have allowed their city centers to deteriorate as has the United States.

It will be difficult to address growing racial tensions in American cities unless we tackle the problems of shrinking revenue and inadequate social services and the gradual disappearance of work in certain neighborhoods. The city has become a less desirable place in which to live, and the economic and social gap between the cities and suburbs is growing. The groups left behind compete, often along racial lines, for declining resources, including the remaining decent schools, housing and neighborhoods. The rise of the new urban poverty neighborhoods has worsened these problems. Their high rates of joblessness and social disorganization have created problems that often spill over into other parts of the city. All of these factors aggravate race relations and elevate racial tensions.

Ideally, we would restore the Federal contribution to city revenues that existed in 1980 and sharply increase the employment base. Regardless of changes in Federal urban policy, however, the fiscal crisis in the cities would be significantly eased if the employment base could be substantially increased. Indeed, the social dislocations caused by the steady disappearance of work have led to a wide range of urban social problems, including racial tensions. Increased employment would help stabilize the new poverty neighborhoods, halt the precipitous decline in density and ultimately enhance the quality of race relations in urban areas.

Reforms put forward to achieve the objective of city-suburban cooperation range from proposals to create metropolitan governments to proposals for metropolitan tax-base sharing (currently in effect in Minneapolis-St. Paul), collaborative metropolitan planning and the creation of regional authorities to develop solutions to common problems if communities fail to reach agreement. Among the problems shared by many metropolises is a weak public transit system. A commitment to address this problem through a form of city-suburban collaboration would benefit residents of both the city and the suburbs.

The mismatch between residence and the location of jobs is a problem for some workers in America because, unlike the system in Europe, public transportation is weak and expensive. It's a particular problem for inner-city blacks because they have less access to private automobiles and, unlike Mexicans, do not have a network system that supports organized car pools. Accordingly, they depend heavily on public transportation and therefore have difficulty getting to the suburbs, where jobs are more plentiful. Until public transit systems are improved in metropolitan areas, the creation of privately subsidized car-pool and van-pool networks to carry inner-city residents to the areas of employment, especially suburban areas, would be a relatively inexpensive way to increase work opportunities.

The creation of for-profit information and placement centers in various parts of the inner city not only could significantly improve awareness of the availability of employment in the metropolitan area but could also serve to refer workers to employers. These centers would recruit or accept inner-city workers and try to place them in jobs. One of their main purposes would be to make persons who have been persistently unemployed or out of the labor force "job ready."

Reintroduce the W.P.A.

The final proposal under consideration here was advanced by the perceptive journalist Mickey Kaus of The New Republic, who has long been concerned about the growth in the number of welfare recipients. Kaus's proposal is modeled on the Works Progress Administration (W.P.A.), the large public-works program initiated in 1935 by President Franklin D. Roosevelt. The public-works jobs that Roosevelt had in mind included highway construction, slum clearance, housing construction and rural electrification. As Kaus points out: "In its eight-year existence, according to official records, the W.P.A. built or improved 651,000 miles of roads, 953 airports, 124,000 bridges and viaducts, 1,178,000 culverts, 8,000 parks, 18,000 playgrounds and athletic fields and 2,000 swimming pools. It constructed 40,000 buildings (including 8,000 schools) and repaired 85,000 more. Much of New York City -- including La Guardia Airport, F.D.R. Drive, plus hundreds of parks and libraries -- was built by the W.P.A."

A neo-W.P.A. program of employment, for every American citizen over 18 who wants it, would provide useful public jobs at wages slightly below the minimum wage. Like the work relief under Roosevelt's W.P.A., it would not carry the stigma of a cash dole. People would be earning their money. Although some workers in the W.P.A.-style jobs "could be promoted to higher-paying public service positions," says Kaus, most of them would advance occupationally by moving to the private sector. "If you have to work anyway," he says, "why do it for $4 an hour?"

Under Kaus's proposal, after a certain date, able-bodied recipients on welfare would no longer receive cash payments. However, unlike the welfare-reform bill that Clinton has agreed to sign, Kaus's plan would make public jobs available to those who move off welfare. Also, Kaus argues that to allow poor mothers to work, government-financed day care must be provided for their children if needed. But this service has to be integrated into the larger system of child care for other families in the United States to avoid creating a "day-care ghetto" for low-income children.

A W.P.A.-style jobs program will not be cheap. In the short run, it is considerably cheaper to give people cash welfare than it is to create public jobs. Including the costs of supervisors and materials, each subminimum-wage

W.P.A.-style job would cost an estimated $12,000, more than the public cost of staying on welfare. That would represent $12 billion for every 1 million jobs created.

The solutions I have outlined were developed with the idea of providing a policy framework that could be easily adopted by a reform coalition. A broad range of groups would support the long-term solutions -- the development of a system of national performance standards in public schools, family policies to reinforce the learning system in the schools, a national system of school-to-work transition and the promotion of city-suburban integration and cooperation. The short-term solutions, which range from job information and placement centers to the creation of W.P.A.-style jobs, are more relevant to low-income people, but they are the kinds of opportunity-enhancing programs that Americans of all racial and class backgrounds tend to support.

Although my policy framework is designed to appeal to broad segments of the population, I firmly believe that if adopted, it would alleviate a good deal of the economic and social distress currently plaguing the inner cities. The immediate problem of the disappearance of work in many inner-city neighborhoods would be confronted. The employment base in these neighborhoods would be increased immediately by the newly created jobs, and income levels would rise because of the expansion of the earned-income tax credit. Programs like universal health care and day care would increase the attractiveness of low-wage jobs and "make work pay."

Increasing the employment base would have an enormous positive impact on the social organization of ghetto neighborhoods. As more people became employed, crime and drug use would subside; families would be strengthened and welfare receipt would decline significantly; ghetto-related culture and behavior, no longer sustained and nourished by persistent joblessness, would gradually fade. As more people became employed and gained work experience, they would have a better chance of finding jobs in the private sector when they became available. The attitudes of employers toward inner-city workers would change, partly because the employers would be dealing with job applicants who had steady work experience and would furnish references from their previous supervisors.

This is not to suggest that all the jobless individuals from the inner-city ghetto would take advantage of these employment opportunities. Some have responded to persistent joblessness by abusing alcohol and drugs, and these handicaps will affect their overall job performance, including showing up for work on time or on a consistent basis. But such people represent only a small proportion of inner-city workers. Most of them are ready, willing, able and anxious to hold a steady job.

The long-term solutions that I have advanced would reduce the likelihood that a new generation of jobless workers will be produced from the youngsters now in school and preschool. We must break the cycle of joblessness and improve the youngsters' preparation for the new labor market in the global economy.

My framework for long-term and immediate solutions is based on the notion that the problems of jobless ghettos cannot be separated from those of the rest of the nation. Although these solutions have wide-ranging application and would alleviate the economic distress of many Americans, their impact on jobless ghettos would be profound. Their most important contribution would be their effect on the children of the ghetto, who would be able to anticipate a future of economic mobility and harbor the hopes and aspirations that for so many of their fellow citizens help define the American way of life.

GRAPHIC: Photos: 1946 Chicago's Woodlawn neighborhood once boasted more than 800 businesses. (Benar Studio/Chicago Historical Society) (pg. 26); 1996 Only about 100 businesses remain. (pg. 27); When civic life deteriorates, hallways must serve as playgrounds. (pg. 28); Trying to make something from nothing: At a South Side Chicago vacant lot, would-be car washers attract few customers. (pg. 29); Liquor stores and check-cashing places thrive in high-joblessness neighborhoods. (pg. 30); When jobs aren't available, drugs often fill the void. (PHOTOGRAPHS BY ANDRE LAMBERTSON FOR THE NEW YORK TIMES) (pg. 31)
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WILLIAM JULIUS WILSON

A LEADING SCHOLAR OF URBAN POVERTY HAS A PRESCRIPTION FOR THE GHETTO: JOBS

BY GERALD EARLY

"A LOT OF PEOPLE ARE GOING TO CALL ME NAIVE," says William Julius Wilson about his call for a WPA-style jobs program in his upcoming book, *When Work Disappears: The World of the New Urban Poor* (New York: Knopf, 1996).

But criticism is nothing new for the 60-year-old sociologist. He first caused an uproar in 1978 with his landmark claim in *The Declining Significance of Race* that class and economics play a more relevant role than race in the plight of the black urban poor. He continued that argument in 1987 with the equally controversial book *The Truly Disadvantaged*.

While Wilson takes great pains to articulate the importance of race on urban poverty, his studies highlight the devastating effects of increased joblessness. "Crime, family dissolution, welfare, and low levels of social organization are fundamentally a consequence of the disappearance of work," he says, disputing conservative claims that the inner-city poor do not share the same basic values as other Americans. For Wilson, ghetto pathologies are the result of jobless poverty, not the cause of it. And he argues for aggressive solutions: government jobs, national health care, new approaches to affirmative action, and suburban-urban consolidation.

"Crime, family dissolution, welfare, and low levels of social organization are fundamentally a consequence of the disappearance of work."

"Liberals were intimidated by the Reagan administration," says Wilson, "and did not want to appear naive by talking about programs that called for government support. I just said, 'The hell with that. I'm out there. I'm exposed with this book.' "

In June, Wilson, newly arrived at Harvard after 24 years at the University of Chicago with its tradition of urban social research, was named one of *Time* magazine's 25 most influential Americans. He recently spoke about his latest research with Gerald Early, director of African and Afro-American studies at Washington University, for *Mother Jones*:

Q: *Would it be fair to call your new book a defense of the welfare state?*

A: If you mean a general term for a state that would approve national health insurance, earned income tax credits, social security, child support, and childcare programs, yes. If you're talking about the narrow issue of public assistance, I would like to see us move to a more healthy system. But until we come up with certain guarantees—for example, guaranteed jobs where mothers move off welfare—I support welfare very strongly. The worst thing we could do is impose time limits and then expect people to sink or swim once they move off welfare.

Photograph by Marc PoKempner/Impact Visuals

Q: *But why does the government need to provide work? Why not rely on the private sector for jobs?*

A: A lot of joblessness in the black community doesn't seem to be reachable through fiscal and monetary policies. People have not been drawn into the labor market even during periods of economic recovery. Our study clearly shows that employers would rather not hire a lot of workers from the inner city. They feel people from the inner city are not job-ready, that the kids have been poorly educated, that they can't read, they can't write, they can't speak.

The problems we see today are going to be a hell of a lot worse in 10 years if we're not willing to face up to them. These kids are just not going to be absorbed into the economy, so what are they going to be doing? Well, we know. They're going to be making life pretty miserable for a lot of people.

"[Black leaders] were so preoccupied with affirmative action, they didn't provide the kind of leadership that would help other progressive folks. Only now are they beginning to realize the impact of economic issues."

In the short term, we have to have public-sector employment to get people back to work. In the long term, we're going to have to have programs to ensure that our kids are ready to enter the private labor market.

Q: *You argue for "flexible criteria" for evaluating jobs and school. But some conservatives say that, in the long run, it would be better for minorities to have objective, very standardized forms of measurement.*

A: If we could come up with standardized testing that could really measure merit—the potential to succeed—that would be fine. But the person who scored well on an SAT will not necessarily be the best doctor or the best lawyer or the best businessman. These tests do not measure character, leadership, creativity, perseverance. Until we come up with standardized tests that can get at those important traits, then I'm for flexible criteria—criteria that institutions over a period of years have developed and shown to be sufficient in helping to identify applicants with these traits.

Q: *And this policy should apply to black middle-class kids as well?*

A: A black, middle-class kid, even though his parents may be middle income—maybe they're first-generation middle class—has also been affected by race issues. The black kids are more likely to live in segregated neighborhoods. They're influenced by styles and habits and patterns of behavior that have racial restrictions that are also not conducive to learning.

If you're going to compare a middle-income black kid with a middle-income white kid, and, say, you control for family background, family education, and family income, and if this middle-income black kid doesn't score as well as the white kid on the test, then I say, look, you haven't taken into consideration the cumulative effect of living in a segregated neighborhood and going to a de facto segregated school. You're denying a position at Harvard or some other place to a kid that really could make it. That's why I support affirmative action that's based on both class and race.

Q: *But in your book you argue that race-based or class-based affirmative action is necessary but not sufficient for the kind of social change you envision....*

A: Affirmative action has to be combined with a broader program of social reform that would emphasize social rights: the right to employment, the right to education, the right to good health. Over the years, black leaders have been slow to recognize the need for a very, very progressive agenda. Anytime someone has talked about putting America back to work, blacks should have said yes, but they didn't. They were so preoccupied with affirmative action that they didn't provide the kind of leadership that would help some of the other progressive folks. Only now are black leaders beginning to realize the impact of economic issues.

Q: *Your critics say your support of race-based affirmative action makes coalition politics difficult—that it only sparks ethnic competition, especially in the Latino community that feels some resentment toward African-Americans for dominating civil rights policies.*

A: Well, I think it is difficult to achieve a meaningful political coalition if you have race-based programs that divide members of the coalition. The problem I have, however, is that white people assume an either/or position: Either we have race-based programs or we don't. What I see is comprehensive social reform that includes race-based *and* race-neutral programs.

What kind of programs am I talking about? National health insurance. Full-employment policies. Training and education. Childcare programs. Reforms in public schools. In *The Truly Disadvantaged*, I argued that the race-neutral programs should be highlighted in order to attract support. On the other hand, as long as we have problems that represent the legacy of previous racism—problems that will not be addressed with race-neutral strategies—affirmative action programs are necessary.

Q: *Do you think racism is a permanent feature of the American system?*

A: Racism should be viewed as an intervening variable. You give me a set of conditions and I can produce racism in any society. You give me a different set of conditions and I can reduce racism. You give me a situation where there are a sufficient number of social resources so people don't have to compete for those resources, and I will show you a society where racism is held in check. If we could create the conditions that make racism difficult, or discourage it, then there would be less stress and less need for affirmative action programs. One of those conditions would be an economic policy that would create tight labor markets over long periods of time.

Now does that mean that affirmative action is here only temporarily? I think the ultimate goal should be to remove it.

Q: *Some black thinkers believe integration wrecked the community and helped produce the inner-city problems we have now. Do you agree?*

A: I can hardly see how anyone could support segregated confinement of black folks who have talent when they would do better in a broader society. To say that integration caused the current problems of the black community ignores a whole host of other factors, including the willingness of America to tolerate schools that cripple kids.

People talk about how busing exacerbated race relations without addressing the problems of black education. Busing has only affected a very small segment of the black population; the majority of blacks grew up in segregated neighborhoods. There *has* been a decline in the quality of teachers because of the opening of opportunities for black and white women in other areas—gender integration, if you will, as well as race integration. There are few highly qualified teachers right now, and these teachers tend to be disproportionately concentrated in higher-income neighborhoods.

I don't know if you've been in any inner-city schools, but it's pretty demoralizing. The kids come to class bright-eyed, enthusiastic—entering first grade really looking forward to school. By the fourth grade they're just completely turned off, and by the time they enter high school, they see little relationship between school and employment. It's bad enough you have incompetent teachers and schools that are poorly run, understaffed, and lack material resources. It's even worse when the kids themselves don't feel they have any stake in school. And joblessness triggers all kinds of other problems—crime, drugs, family dislocations, neighborhood disorganization.

Q: *Do you see any sign that these problems will be addressed politically?*

A: Clinton wanted to revive the economy to provide a foundation for his social reforms. He wanted national health insurance. He expanded the earned income tax credit. He stated he wanted welfare reform—welfare reform that would provide jobs for people to move off welfare. The guy has the vision; he just has to deal with all the political variables. I think in his second administration, if re-elected, he'll be able to.

Q: *What is your next step in studying these issues?*

A: Unemployment is higher in Europe than in the United States and primarily concentrated in immigrant minority populations, so people are worried about what's going to happen and if American-style ghettos are emerging in Europe. There are some of the problems there that America sees associated with the lack of economic inclusion—family breakdown, gang behavior, and racial tensions.

I get the sense that in Europe they are much more concerned about these issues than in the United States. So I see my research focusing on international problems of social and racial equality. And I think it will help inform a lot of the positions I take regarding domestic strategy issues.

See **Hotlmedia** (page 80) for more resources.

The capitals of black America, reborn

Urban centers of African-American life have become centers of attention for tourists and residents of all races

By Desda Moss
USA TODAY

In Harlem and Jackson, Miss., in Memphis and Washington, D.C., in neighborhoods that once were cultural capitals of black America, a revival is under way.

These thriving centers of African-American urban life declined sharply in the '60s and '70s onward as businesses fled and derelicts and drug trafficking settled in. But now neighborhoods are being reborn as centers of business and entertainment for tourists and residents of all races.

"Not only is the African-American segment of the tourism industry growing, but people of every color want to know more about American history because it's history that hasn't been told to the fullest," says Claudia Polley of the National Association of African American Heritage Preservation.

These neighborhoods were casualties of forces unleashed by the civil rights movement and integration. Blacks moved away for economic, social and educational opportunities that hadn't been available before.

The rebirths are possible not only because of a greater public interest in black history and culture but also because of a desire to revitalize faltering inner-city neighborhoods.

Some examples:

New York

Harlem has never quite gone out of fashion. One of the world's most famous African-American neighborhoods and home to generations of black intellectuals, entrepreneurs and entertainers, Harlem is enjoying another upturn.

Harlem USA, a 275,000-square-foot, $56 million, retail-entertainment complex, will break ground this fall, open in 1998 and emplov

The project will a

square-foot Disney store, reen movie theater, in ice-skating rink, club health center.

By Matt Mendelsohn, USA TODAY

'Full circle' on U Street: Washington, D.C., businessman Ben Ali Jr., 34, has seen the changes from Ben's Chili Bowl, his family's popular diner. U Street has come back to life, he says. 'People are rediscovering the area's cultural significance.'

A 53,000-square-foot Pathmark grocery store will become the only supermarket in Harlem. Groundbreaking is set for this fall.

As one of six federal empowerment zones created last year, Harlem is expected to benefit from $250 million for businesses and nonprofit groups over the next decade.

There's a new, spiritual angle to Harlem's prosperity. Foreign tourists come by the busload each Sunday to attend some of the neighborhood's 400 churches. Tours are given in six languages (English, Italian, French, Spanish, German and Portuguese).

"People from all over the world have heard about Harlem, and they want to sample some of its cultural offerings," says Enzo Perretta of Harlem Spirituals.

Ten years ago, the fledgling company brought 30 visitors a week to Harlem. Now, more than 200 visit each week, each paying $32 to $75. Dozens of tour companies operate.

Jackson, Miss.

The neighborhood around Farish Street, in Jackson, Miss., just blocks from the Capitol,

By Ernest C. Withers

Way back when: Memphis' legendary Beale Street, shown in 1959, is now paved with success. Last year, its 31 businesses took in more than $20 million.

ished after the Civil War until the 1960s, boasting its own chamber of commerce and numerous black professional societies.

A guide published by the federal Works Progress Administration described it as "the spinal cord of the Negro district." By the '70s it had fallen on hard times.

Now preservationists are trying to reclaim two square blocks, renovate the Art Deco Alamo Theatre, restore 44 historic p 94,000 square feet of commercial space.

"The big challenge is to preserve the housing get the bad elements out," says Alfredteen Harrison, a Jackson State University history professor. "The area's historic integrity and cultural legacy can help bring that about."

AP

Spiritual awakening: Foreign tourists come by the busload each Sunday to visit some of the 400 churches in New York's Harlem neighborhood.

Memphis

Perhaps the greatest urban success story combining black history, culture and commerce has been the transformation of legendary Beale Street. It was there in 1909 that W.C. Handy wrote the first blues song ever published.

Blues, country and rock 'n' roll, performed by the likes of B.B. King, Johnny Cash and Elvis Presley, made Beale Street the home of the "Memphis Sound."

Just 12 years ago, it was an eyesore lined with boarded-up buildings. Last year, its 31 businesses took in more than $20 million and drew 4.2 million visitors.

"We've taken an area that was neglected and turned it into a regional attraction," says John Elkington of Performa Entertainment Real Estate, hired to develop Beale Street.

Washington

One mile from the White House, headliners such as Duke Ellington, Pearl Bailey and Nat "King" Cole U Street the "Black Broadway" during its heyday in the and '50s.

Three movie theaters — extraordinary for the times — flourished. Elegant town houses graced neighboring streets where black middle class and elite people

By the 1960s, the neighborhood had begun to deteriorate. It up in flames during the 1968 riots after the assassination of Martin Luther King Jr. Construction of the regional subway system kept U Street ripped apart for much of the '80s.

But the opening of a new municipal government building, the $4 million renovation of the historic Lincoln Theatre, and the emergence of an eclectic blend of restaurants, nightclubs and shops are bringing the street back to life.

"It's come full circle," says Ben Ali Jr., 34, who sees the from Ben's Chili Bowl, his family's popular diner. "People are rediscovering the area's cultural significance."

"D.C. can be very sanitized," adds Derek Kowalczyk of the U Neighborhood Association. "This is one of the few places with character."

Saving the character in each of the communities is fueling the revivals.

"Communities are recognizing that unless something is the story that these districts ... will be lost," says John Leith-Tetrault of the National Trust for Historic Preservation. "All of them are looking just at bricks mortar projects a way to tell the of the African-American contribution."

THE RUNNING MATE

Kemp Accuses the President of Abandoning the Inner Cities

By JERRY GRAY

MEMPHIS, Sept. 19 — Trying to undercut one of the Democrats' political pillars, Jack Kemp today attacked President Clinton's urban policies.

At the same time Mr. Kemp, the Republican Vice-Presidential candidate, released a confidential Clinton Administration memorandum in which the Housing Secretary pleaded with the White House for action on inner-city problems and warned of potentially dire political consequences if they were not addressed.

A Republican call for a 'bleeding-heart war against poverty and unemployment.'

"Everywhere I go, I hear the same thing: Bill Clinton has abandoned the inner cities," Mr. Kemp told a sparsely attended rally at a public housing complex near downtown Memphis. "He has no urban strategy."

Memphis was the first stop on Mr. Kemp's two-day swing through Tennessee, one of the make-or-break Southern states for the Republican Presidential ticket and the home of Vice President Al Gore. Mr. Kemp appeared to have both factors on his mind in his appearance here.

"Bill Clinton's plan for the urban poor is to continue to promote dependence on a failed welfare system," Mr. Kemp said. "He does not have faith in their potential to do better than welfare; therefore, he has not worked to provide opportunities for the poor to rise from poverty. The Republican Party forced him to sign a welfare bill he did not believe in, and he has already pledged to dismantle the reforms if he is re-elected."

After Mr. Kemp spoke, his aides gave reporters copies of a year-old confidential Administration memorandum from Henry G. Cisneros, the Secretary of the Department of Housing and Urban Development.

In the memorandum to Mr. Clinton, dated Aug. 9, 1995, Mr. Cisneros asked the President to develop immediately a cohesive "Presidential strategy" to deal with urban problems.

"The cities are hurting badly," Mr. Cisneros wrote, "and as a nation we'll pay the consequences for many years; we are running out of time; there is always room in the budget for Presidential priorities of reasonable size, and we do not have enough to stand on in the cities."

In his direct advice, the Secretary wrote, "We can be caught flat-footed by the violent outbreaks which will stem from the anger in the cities."

Mr. Cisneros noted that in the summer of 1995 there had already been "contained outbreaks of civil unrest" in Indianapolis, in the Coconut Grove area of Miami and in Los Angeles.

Mr. Cisneros recommended a number of strategies, including public and private investment in cities, community development banks and a network of "empowerment" schools.

In a telephone conference call with reporters, Mr. Cisneros dismissed Mr. Kemp's release of the memo as politically motivated. But more to the point, he added, virtually all of the ideas he proposed to the President have since been pursued by the Administration, from Mr. Clinton's proposal for new tax credits for employers who hire former welfare recipients, to a cleanup of polluted sites in urban areas to the expansion of community development banks.

"Most of the pieces have been addressed in one form or another," Mr. Cisneros said. "His implication is that we've not done enough. The story of the last several years has been our effort to address problems in communities across America."

Mr. Kemp's campaign aides would not say how they obtained the memorandum, only that they had had it for "some time" and had waited for an opportune moment to use it.

They saw that chance today as Mr. Kemp visited the public housing development. Not many development residents attended the rally, but the site served the Republican campaign's purpose of throwing down a new challenge to the Democrats on their own turf.

"The timing was to come to Al Gore's home state and talk about the status quo two days after he did," said Wayne Berman, the political director for Mr. Kemp.

In his speech, Mr. Kemp pledged that Bob Dole as President would drop all capital gains taxes on investments in inner cities and promote private ownership of public housing units.

"We need a radical, audacious, positive, constructive, bleeding-heart war against poverty and unemployment," Mr. Kemp said.

He did not mention the 15 percent across-the-board tax cut that is at the center of the Republican ticket's economic program, nor did he dwell long on crime and drugs, the issue the ticket began emphasizing this week.

Mr. Cisneros accused Mr. Kemp of "running from his own record and the Bush Administration's record in the four years that they had a chance to do these jobs," and failed to deliver on Mr. Kemp's ideas for creating so-called "enterprise zones" in which Federal tax incentives would be used to spur urban investment. He noted that it was left for Mr. Clinton to successfully press in 1993 for passage of a program to create "empowerment zones" along the same lines in cities and rural areas, and the President has now proposed expanding that program.

A New Role for the First Lady, Perhaps

By The New York Times

WASHINGTON, Sept. 19 — One of the biggest potential riddles in Washington — Hillary Rodham Clinton's role in a second Clinton Administration — has been solved, sort of. Her husband says she might serve as an unofficial advocate for following through on an overhaul of the welfare system.

In an interview with Barbara Walters to be broadcast tomorrow night on the ABC News program "20-20," President Clinton said that when he signed the recent welfare bill, "I said it was the beginning, not the end, and I think the real advocates of children, including the First Lady, have to weigh in."

"I think the business people will listen to her. I think child advocates will listen to her. I think that people at the state level will," Mr. Clinton added, according to a transcript of the interview.

Mrs. Clinton laughed and told Ms. Walters: "You heard it first. That's the first I've heard of it. Sounds like an exciting —"

At that, the President jumped in to insist: "It's not a formal role; it's not a formal role."

THE HOUSE

Middle of ...
In Drive to ...

By ROBIN TONER

With the battle for the House now considered to be extremely ...
tive, the Democrats have ...
task over the next ...
paring for the ...
and ...