

Founded in 1852
by Sidney Davy Miller

Sidney T. Miller (1864-1940)
George L. Canfield (1866-1928)
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February 15, 1999

Dear Tom:

Attached are two items that may be of interest in your new ideas/legacy speeches. The first is a copy of my draft introductory chapter that describes the key national economic policy for the new age of innovation, information and enterprise: expanding the opportunity for all families and individuals to choose how to build a better life for themselves and their children. I leave to you whether my understanding and elaboration of the underlying dynamics and continuing power of this principle will serve your purposes. In any event, of particular relevance to your good idea of a major foreign policy address with Prime Minister Blair in Missouri to commemorate the Truman/Churchill Cold War policy of "containing and deterring the evil Soviet Empire" are my brief discussions of two related national economic and national security issues: (1) the economic challenge of globalization and the death of crony capitalism in the new, global economy (pp. 7-9, 13); and (2) the importance of crafting a new, post-Cold-War policy of "containing evil embers" and deterring "rogue regimes and terrorists" in order to enable free people everywhere to also choose for themselves how to earn their own shares of the rising prosperity in this new economy (p. 14.)

The second is a draft of my chapter for a Brookings symposium on "Smart Growth" (about which, as you will see, I have reservations.) Although several policy proposals are discussed that may stimulate your better thinking, you may find the proposal on expanding public school choice of particular relevance (pp. 13-15).

After you have reviewed, give a holler if you have any questions.

Best regards,



INTRODUCTION.
**Inside the White House:
A Private View of Economic Policy**

Personal Perspective on the Transition to the New Economy. This book explores how to empower working families to thrive in the new global economy. The key to sustained economic growth and increasing prosperity in this new economy is expanding the opportunity for all families to choose for themselves where and how to live, learn, work, consume and invest.

Because of my unwavering advocacy of this view of economic policy for more than four years inside the White House, most of my former colleagues in the Clinton-Gore Administration thought I was a committed New Democrat policy wonk. Before being asked by Gene Sperling in January 1993 to serve as a Special Assistant to the President for Economic Policy and a Director of the National Economic Council under Bob Rubin, however, I had never served in any position in government or in any think tank or political movement, new or old. My support for relying less on government programs and regulation and more on expanding individual choice, personal responsibility and market competition comes from a much different set of experiences.

In the 1970's, I served as counsel for plaintiffs *suing government* at all levels for limiting the educational opportunities of families on the basis of race, their child's supposed handicaps, and their local school district's low property tax wealth. From these experiences, I learned about the potential of every child to learn and the common demand of all families – regardless of race, the disability of their child, and their neighbors' wealth – to choose for themselves where and how to learn. I also learned that the entrenched discrimination that led to racial segregation in schools and housing, to the exclusion of handicapped children from publicly supported education altogether, and to huge fiscal disparities among supposedly free public schools is better remedied *by expanding the opportunity for all individuals and families to make their own education choices than by expecting any better government to dictate a different outcome for all.*

In the first half of the 1980's, I studied and wrote about the history of constitutional law and judicial review. From this experience, I learned about the *limits* of judicial power and of elected officials at all levels of government. Our limited form of government protects individual rights and promotes representative democracy, separates powers between the three branches of the federal government and between the federal government and the states, and respects both personal privacy and private property. As result, it permits constant innovation and adaptation to change by individuals, families, churches, for-profit firms, non-profit associations and new voices of every sort from a wide variety of sources. The rule of law requires honest accounting, open books, truth-in-advertising and full disclosure for the benefit of all consumers, investors, and competitors alike. A vibrant but messy *marketplace* of ideas and innovation, civic action and free enterprise, private choice and consumer demand – rather than any supposedly more efficient government of unbridled majority rule – provides the primary sources for individual prosperity and national growth.

In the second half of the 1980's and early 1990's, I helped invest in new business and commercial real estate in the Rustbelt, advise non-profit enterprises in the independent sector, and develop

and apply new technologies for firms to produce and deliver new and improved goods and services. Once again, I learned about the *limits of government power*: no government could halt the decline of the old industrial economy in the 1980's or prevent the collapse in commercial real estate values after 1987 when supply far outstripped demand. I also learned first-hand about the rising prospects for even the hardest hit region in the U.S. during this period. As the old industrial economy waned, the national joke then was that the last person to leave Michigan (or Illinois, Wisconsin, Ohio, or Indiana) for Texas (Florida, North Carolina or California) should remember to turn off the lights. Instead, families and firms that determined to locate in the Midwest just continued to learn, invest, and compete as they also made the difficult but rewarding transition to the more rewarding and increasingly global economy of information, innovation and enterprise. The real irony was that this largely unnoticed transformation of the declining Rustbelt economy into a much more diversified engine of growth eventually helped lead the nation out of the 1991-92 recession.

I came to the White House in 1993 with a unique set of experiences and very personal point of view. After *suining government* and public officials at all levels, *studying the limits of governmental power* in our constitutional system and *witnessing the private sector transformation* of the Midwest's old industrial economy, I arrived with a keen sense for smelling out bureaucratic nonsense and self-serving institutional bull. This built-in "crap detector" sounded the alarm whenever the big government, big business, big labor, or big interest group bull appeared in the White House, the federal agencies or the alphabet soup of lobbyists and think tanks with old prescriptions or new nostrums for reforming the U.S. economy.

These alarm bells sounded their most important warnings after the fall 1994 Republican sweep of the House and the Senate and the meteoric rise of Pat Buchanan's neo-isolationist campaign in the early Republican primaries in the 1996 presidential campaign. Many Democrats inside and outside the White House responded to these political challenges with calls for more or better government: a lower corporate tax rate to reward "more responsible" behavior by firms, "reinvented" federal programs, new "performance partnerships" between the federal government and states and localities, more "devolution" of existing federal programs and spending to state and local government and, from many in organized labor, protectionist trade barriers. Republicans countered with their own siren calls: across-the-board spending and tax cuts, sending federal programs and tax revenues to the states, shutting down the federal government altogether, defaulting on the federal debt and, from the Buchanan supporters, new trade barriers erected and enforced by an even more "know-it-all" federal government to protect inefficient U.S. firms from foreign competition. All of these diverse prescriptions were based on the claim that the U.S. economy in the mid-1990's was still in serious trouble and headed in the wrong direction compared to our competitors abroad; and that anxious American voters feared that they could not prosper in a future of increasing free trade, technological innovation, and global competition.

With several others on the President's economic team, however, I responded to all of these nay-sayers with a more optimistic view: the United States was already leading the world in the transition from the old industrial economy and the Cold War to the greater rewards of the new and increasingly global economy. In fact, an increasing majority of Americans were gaining

confidence that the prospect of a rising tide of prosperity at home was already replacing the slow growth, stagnating wages and rising income inequality of the past generation. President Clinton agreed. He stared down the irresponsible closings of the federal government, the attempts to default on the full faith and credit of the U.S. for the first time in our history, and the calls to retreat from free trade. He blew right past the tired federalism debates about the proper role of government in managing the economy and in providing welfare to support children of able parents who refuse to work. He answered with an extraordinary new democratic (and that's with a small "d") counter-revolution: put information, resources, the responsibility for choice, and the dynamic power of market competition directly in the hands of working families.

Coupled with his unwavering commitments to putting our federal fiscal house in order and to enforcing the nation's first civil right – the safety and security of person and property promised to all regardless of race in the 1866 Civil Rights Act – the President staked America's claim for a brighter future on a new proposition. Equip all Americans with more opportunity so that they can take greater personal responsibility for choosing for themselves how best to meet the new challenges and to make the most of the new possibilities in the emerging information age.

I will leave the political pundits and historians to debate whether President Clinton embraced this proposition for his own survival and re-election or for the good of all Americans and of the country. The President's own reckless and irresponsible personal misconduct while in the Oval Office and his constant private polling of public opinion to test every political current and policy proposal in sight at that time surely fuel speculation that his motives were crassly self-interested. Remember, however, that the substance of the President's new policy direction was at that time regularly attacked by most Republicans and Democrats in the House and Senate, state legislatures and city halls and roundly criticized by most of the media and interest groups pundits. They simply did not know what to make of the President's several proposals to empower students, workers and families to make their own choices about how best to get ahead.

I will also leave future historians to explore the extent to which the Clinton-Gore Administrations succeeded or failed in enacting this new agenda for change. It is still too early to determine whether a new paradigm has taken hold to shape the economic debate about how the United States should lead in the post-Cold War, post-industrial era. It is still too early to tell whether the Democratic or Republican parties can emerge from the shackles of their respective constituencies and interest groups on the left and the right to develop a broad new political center that fits the dynamics of the new economy in the new century.

Nevertheless, the political tradition invoked by President Clinton to support this "new Democrat" vision for national economic policy was *not* the *bigger government* of FDR's New Deal or LBJ's Great Society. Instead, Bill Clinton sought to *extend* Harry Truman's progressive G.I. Bill for veterans *to empower all responsible students, workers and families to choose for themselves how to invest their time and energy to build their own brighter future*. If the traditional political constituencies and media voices were the audience, Bill Clinton's proposal to chart this economic direction was surely an uncommon, if not courageous act of Presidential leadership for the American people. It is now time to examine on the merits whether such an economic policy will enable Americans to thrive in the new century.

What follows in this Introduction is my understanding of the increasingly solid foundation provided by the fundamentals of the new global economy for building *broad bi-partisan, majority support* for such a national economic policy in the generation ahead. Succeeding chapters will lay out a range of economic policies that will help empower all individuals and families to earn their own shares of the rising prosperity in the new economy for generations to come. In considering the merits of this economic policy, it is important to focus on its substance and promise rather than on the personal legacy of its most recent Presidential proponent.

The Old Economy Battle. How to make a successful transition from the waning of the old industrial age to a new and increasingly competitive, global economy has been a major source of political controversy, public concern, and policy debate for the better part of two decades. In the old economy machines served as levers for human muscle-power to do repetitive, physical work. As this industrial means of production waned as a share of the U.S. economy from 1973 through 1992, the nation experienced stagnating wages and median family incomes, slower real growth, rising inequality and, finally, exploding federal budget deficits. Millions of well-paid workers lost their jobs as large, established U.S. firms downsized to lower their costs; since 1974, the number of employees in Fortune 500 companies alone has fallen by more than 5 million. Manufacturing – and union representation – fell from a high of 40% in 1950 to less than 10% of the private workforce today.

Savvy political pundits like Senator Moynihan and respected economists like William Baumol suggested that all developed countries would eventually experience slower growth as a greater proportion of their economies and workers shifted from manufacturing to services. They argued that increases in productivity and earnings power in more individual human services are inevitably small compared to the great efficiencies of increasing scale possible in mass production of manufactured goods. Many environmentalists added an even more dire prediction: the slower growth in the U.S. was just the harbinger of broader economic decline among all developed nations as the burning of hydrocarbons, use of natural resources, and resulting pollution and waste from industrial production and population growth confront the finite limits of Spaceship Earth.

Nevertheless, the more managed economies of several other developed countries in Europe and the Pacific Rim defied this supposed economic gravity and grew much faster than in the U.S. Their families earned rising wages and increasing median incomes. Japan and her Asian Tiger networks of government-supported alliances of big business, big labor, and big banks looked like the competitive wave of the future: they picked winning export industries and firms, protected inefficient domestic service providers and producers, promised workers lifetime security, and organized their schools to teach each generation of students the requisite skills and loyalty to labor in such a managed economy.

By 1992, 75% of Americans feared – and most of our long-standing Free World allies believed – that the United States had won the Cold War at a very heavy price: becoming a declining, second-class competitor in the increasingly global economy. Ironically, at the very time that state-run economies were collapsing all around the world with the fall of the Iron Curtain, many

politicians, business leaders, union heads, community activists and environmentalists of the old left and the old right argued that the United States would have to copy the industrial policies and crony capitalism practiced by much of the Pacific Rim and Western Europe. They proposed smarter planning, better management, and more cooperation between the public and private sectors. They touted corporate re-engineering, cooperative business-labor and public-private partnerships, managed trade, regional planning, and reinventing government to focus the private sector and government on performance and results. They argued that such reinvented and cooperative government-business-labor-community action was essential if the U.S. were ever to compete effectively against the more planned economies of developed nations and the lower wages in developing countries. They claimed that better coordination of such total quality management by government and business at all levels throughout the U.S. provided the only way (a) for most Americans ever to earn rising incomes again in the increasingly competitive global economy and (b) for the earth's ecology to survive the rapid depletion of scarce natural resources and the accelerating destruction of habitat as the industrial economy spread around the world.

*New
Capitalism*

The New Economy Opportunity. While these economic pundits, environmental doom-sayers and political sooth-sayers worried about how the U.S. would even survive the waning of the industrial era, they missed seeing the unique and powerful opportunity for thriving as we led the world in showing the ways to add higher value and reap greater rewards in the emerging information age. In this new economy burgeoning information technologies, continuous innovation and free enterprise serve as levers for human mind-power to do constantly changing, thinking work. The first tool of this post-industrial, information age is the personal computer; and its basic component, a small chip, halves in price and doubles in power every year. Increasingly, this enables the human contribution to work – in both manufacturing and services – to become much more challenging and rewarding, collaborative and individual, unique and efficient, and much less predictable. The number and variety of new and increasingly customized goods, services, communication and information grow at a rapid rate. Firms depend more and more on the skill of workers in learning every day on the job and applying this new knowledge to add more value to their production.

The United States is blessed in this new information age because 61% of our high school students – more than 50% more than other major developed countries – already go on to college. Literally thousands of universities, colleges, technical schools and community colleges, and increasingly knowledge-intensive businesses are providing seed-beds of lifelong learning for all Americans who want to earn their own share of increasing prosperity in this new economy.

In addition, less capital is needed to start and to grow new knowledge-based firms compared to their more capital-intensive manufacturing, transportation and real estate counterparts. Increasingly global capital markets ignore national borders, rely on honest accounting and open books, and reward firms that can innovate, add more value and sell their customized goods, services, and knowledge-wares at lower prices to consumers all around the world.

A particular nation's savings rates therefore mean less to this more rewarding capital investment than the innovation, profitability, skills and prospects of its firms, entrepreneurs, researchers and other workers. Venture capital, heavily concentrated in the United States, invests primarily in

firms sprouting from the seed-beds of innovation surrounding America's dozens of world-leading research universities, laboratories and knowledge firms; and the global capital markets reward these early-stage investments with a handsome public offering when any of their portfolio of new firms makes or finds a profitable market niche. During a decade when the personal savings rate in the U.S. continued to decline to historic lows, business investment by U.S. firms expanded on average more than in any other decade – more 10% per year. This private capital investment is still fueling the longest economic expansion in our nation's history. In the fertile ground for innovation in the U.S., new firms spring up to exploit new market niches, new technologies and new consumer demands.

Our old industrial economy measures of productivity, incomes, earnings, savings, investment and inflation can't even keep up with the increasing variety, quality and customized production, pricing, delivery and consumption of goods and services in this new economy. Already by the 1990, the decennial census showed that all Americans were far better off in terms of real living standards than the old national measures predicted. These national measures simply cannot keep up with the rapid increase in new technology, the growth in the quality and variety of goods and services, and the resulting declines in many prices and overall increase in real purchasing power of consumers. Over this decade the ingenuity and hard work of U.S. workers and firms has further demonstrated how service firms in this information age can improve their productivity just as much as manufacturing firms in the old industrial economy. In fact, the new advances in design, production, distribution and delivery based on skills, knowledge, and new information technologies are blurring many of the old distinctions between manufacturing and services. Both are becoming higher value-added as the new economy increases the capacity of firms and workers to customize and to niche-market services and goods with the efficiency and scale of mass production of manufactured goods in the old economy. The census in 2000 will show how all Americans increased their actual living standards much more than even the substantial rise in national measures of productivity, incomes, wages and growth suggest.

While many in the media still lament the downsizing and mergers of big corporations, the Fortune 500 declines more rapidly as a share of the total economy than at any time in the nation's history. While many in the media worry that the increasingly global economy rewards only large size and big scale, tens of thousands of small and mid-size firms start-up, grow and create most new jobs and wealth. Women-owned businesses alone, for example, generated twice as many new jobs in the 1990's as the total loss of jobs from the much more publicized re-engineering of large corporations over the past two decades in the U.S. As another example, while critics continued to bemoan the loss of tens of thousands of U.S. manufacturing jobs to lower-wage competitors abroad in the 1990's, tens of millions of new high-paying, value-added jobs were being added by tens of thousands of very diverse firms right here at home.

The increasingly open, global markets for goods and services, investment capital and workers reward the greater value added by thinking work over physical labor, dumb machines, low wages and volume production in firms both large and small. These open markets also promote competition, spur innovation and wring out inflation and waste throughout the economy, in firms of all sizes and in governments whether federal, state or local. No firm or government is free from this market pressure and increasing scrutiny by its citizens, consumers, workers, investors,

and taxpayers alike.

Finally, the new economy leverages the growing supply of environmentally friendly mind-work that produces, delivers, and uses cleaner goods and increasingly diverse, valuable, and non-polluting services to generate more income, profits and wealth for all. Value-added knowledge services use up fewer natural resources and yield much less waste in their production and consumption than manufactured goods in the old economy. In addition, sustained innovation in response to environmental regulation and consumer demand over the past 25 years has already substantially reduced the pollution and waste from the manufacture and use of goods. As more and more of the U.S. and world economy shifts to such higher value-added, cleaner services and advanced manufacturing, economic growth will work over the next century to make the environment much cleaner with much less waste, pollution and human contribution to global warming.

Together, all of these factors provide the solid fundamentals for a virtuous cycle of sustained economic growth, continuous innovation, increasing value added by labor and investment, and more rewarding work and a cleaner environment in the new economy.

The Challenge of Globalization and the Death of Crony Capitalism. These solid fundamentals of the new economy, however, do not mean that the business cycle has been repealed. In particular, the major economic transitions yet to be faced by the more managed economies of the Pacific Rim, Asia and Europe, and many developing countries will rattle the increasingly global currency and financial markets and threaten to restrain global economic growth for some time. The continuing stagnation and decline of the crony-capitalist regimes in Japan and the Pacific Rim even threaten to depress world-wide demand and growth.

The crisis in these crony capitalist economies is real: trying to pick winning export industries and to protect inefficient domestic firms, closing markets and hiding accounts and investments, and allowing cabals of big business, big banks, big unions and big bureaucracies to allocate capital is a losing proposition. The resulting over-investment in excess manufacturing capacity and inefficient domestic providers results in a downward spiral (a) of mounting bad loans for investors, (b) depressed prices for export goods, and (c) increasing prices, lower output and less consumer demand for domestic goods and services. As long as these nations seek to halt the waning of the old industrial era by such managed investment, protectionist trade practices and mercantile regulation, the increasingly global financial markets will eventually react by fleeing to more productive opportunities and safer havens. The recent financial collapses in many Pacific Rim countries and Russia and the continuing stagnation in Japan should not, therefore, be mistaken for a crisis in confidence about the solid fundamentals of the new economy. Instead, they represent market reactions signaling the increasing bankruptcy of the old-style crony capitalism practiced by these regimes as the old industrial economy wanes and the new economy rises.

The promise of the new global economy is based on the increasing ingenuity and thinking work of many tens of millions of knowledge workers at home and hundreds of millions more abroad, the free flow of capital and information and goods and services around the world, and the diverse

demands of billions of consumers. This dynamic new economy cannot be centrally managed or planned. Neither firms nor governments, no matter how large or coordinated, can dictate particular business outcomes for their shareholders or social outcomes for their citizens. Instead, the prospects for firms, families, communities and nations depend on the vitality of open markets, the transparency of investment decisions, open pricing of commercial and consumer transactions, and the value added to goods and services by the smarter work of increasingly skilled workers. In the new economy, prosperity is not given, planned, or awarded: it is earned.

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Make no mistake: Crony capitalism cannot – and should not – be saved. Lowering taxes and interest rates, easing their credit crunch by recapitalizing their failed banks, and international financial bail-outs to reflate their failing local economies may cushion their fall and provide more breathing space for a more fundamental transition. But until these closed, tightly regulated crony capitalist regimes open their books and their markets and deregulate their domestic economics in order to respond to their consumers and to spur domestic service sector productivity through free competition, they will face slower growth, more unemployment, less investment and less opportunity.

The paradox of the new economy is that as global trade increases, the productivity and value added by each local economy becomes no less important. 85% of production and consumption throughout the world continues within each national economy; and, in developed countries, an increasing share of this production and consumption occurs in services rather than manufacturing. Only if these domestic markets are open, transparent and thoroughly deregulated will consumers, workers and producers in each national economy have the incentives and the wherewithal to add the greater value at lower prices now possible in the new global economy. As a result, the longer the crony capitalist regimes take to open up, the longer and deeper the drag on total global economic growth.

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There is no pain-free way for the failing crony capitalist regimes to make this shift. But making the transition to an open economy offers far better prospects than seeking to turn inward, closing more markets, erecting more trade barriers and imposing more regulation to protect inefficient domestic firms and industries. No matter how appealing such protectionism may seem at any given moment in any national economy, it is nothing but a prescription for continued stagnation and decline. Erecting trade barriers and protecting favored local industries deprives the domestic market of the greater innovation and higher value added at lower prices possible if workers and firms are freed to compete and thrive in the new economy.

* The real economic challenge at the beginning of the new century, therefore, is how to empower consumers and workers in all countries to demand that their economies open up so that their working families can also contribute to and earn their own shares of the rising prosperity possible in the new economy. The hard truth is that Japan and the Pacific Rim must fully open their domestic markets and deregulate their local economics, and Western and Central Europe must complete the transition from old-style industrial policies to deregulated, open markets. As soon as consumers, workers, banks, businesses and even the old-guard economic bureaucrats in Japan, the Pacific Rim and throughout the rest of the world finally join the United States in embracing – rather than protecting against – the dynamic fundamentals of the new global economy, the trend

line for economic growth for the next generation will turn up all around the world. The challenge of globalization is not to mistake the real economic crisis in countries practicing crony capitalism for a mistaken crisis in confidence about the solid fundamentals and the prospects for rising prosperity in the new economy.

The State of the U.S. Economy Today. At the dawn of the 21st century an increasing majority of Americans already earn greater returns from their work and investment in this new economy. Since 1992, America's workers and firms have: (1) sustained growth without inflation, (2) balanced the federal budget and generated a substantial surplus, (3) created 20 million new jobs and reduced the unemployment rate to 4.5%, (4) earned higher wages and rising family incomes, (5) increased business investment at a double digit rate annually and more than doubled the global value of the earnings and securities of U.S. firms, and (6) created seed-beds of innovation, entrepreneurs, and lifelong learning for all that promise an even brighter future as the new economy sweeps around the world. In sum, the long-term fundamentals of the U.S. economy have never been sounder. U.S. workers and firms are poised to show the ways for workers, consumers and firms all around the world to meet the new challenges and to seize the greater opportunities of the new global economy.

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The Politics of the New Economy. As a result, there is no longer any doubt: the United States is now the most dynamic, open and competitive economy in the world. 75% of Americans already believe this, and the rest of the world is looking to the U.S. for ways to compete and to thrive in the new economy. The political pundits of the old left and the old right, at home and abroad, just scratch their heads in disbelief and wonder at the prospect of rising prosperity for all who are willing to embrace the new economy. They can't believe that, whatever Bill Clinton's personal fate, his presidency has already assured Ronald Reagan's historic legacy by proving the fundamental strength of the U.S. in the new global economy. President Reagan will forever after be remembered as the leader who won the Cold War without ever firing a shot, rather than as the profligate spender who threatened the nation's economic health by tripling the federal debt.

The new economy has also shifted forever the fault lines in the political debate. Liberal parties throughout Europe, the Pacific Rim, Australia, the United States and the rest of the Americas no longer defend big government, big labor and big redistribution nor oppose free enterprise, private ownership and personal investment. Conservative parties no longer defend big business and big capital nor oppose expanding real opportunity and a cleaner environment for all.

As a result of this political revolution, if we in the United States have the will and the wit to reject the calls of the old left and the old right to close our own national economy, the rest of the world can learn from our example and join us in making the transition to the greater rewards of the new global economy. Ronald Reagan's oft-mocked dream of "a new morning in America" will then dawn with the new century, not only here at home but all around the world.

The Increasing Power of Workers in the New Economy. To understand the promising nature of the new economy for working families in the 21st century, compare two snapshots showing how the U.S. has evolved over the past fifty years. In 1950, more than 40% of American workers toiled in mass-production manufacturing plants. The owners and managers of these big engines

of economic growth and rising incomes in the old industrial economy locked the plant gates at night to protect their most valuable assets – the factory, equipment and inventory. They, and the union leaders of organized labor, were confident that their employees and members would return the next day when the plant gates opened to their repetitive, largely physical but relatively high-paying jobs on the line.

In contrast, in the year 2000, 75% of American workers will have their own keys to the workplace. In this much wider array of information, telecommunication, networking, advanced manufacturing and diverse service firms, their most valuable assets – the skilled workers – use their own keys to let themselves in and out of the workplace. Everyday at work they add value by learning and applying new knowledge every to the goods, services, and ideas they craft; and, increasingly, they lever their own skills with extraordinarily empowering digital tools and information networks. The biggest fear of the managers and owners of these firms is that these highly skilled and mobile workers will turn in their keys the next day and choose to go to work at a more rewarding job with another firm or to start their own business.

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In the new economy the returns to learning are increasing apace. Each year of post-secondary education or training already increases a person's average earnings by about 10%. Similarly, a 10% increase in the education level of a firm's workers is associated with an 8.6% increase in firm productivity, well over twice the payoff from a 10% increase in physical capital. Each year, more and more workers and increasing numbers of university graduates, community college students, and on-line learners are acquiring their own keys to unlock the greater rewards and opportunities of such higher-skill, higher value-added work. Learning on and off the job is no longer the exceptional discretionary capital expense for a few high-level workers that firms make at the peril of losing their investment when such key workers choose to leave for another job. Instead, learning is now an integral part of the job for most workers: more and more firms pay for all of their workers to learn as an essential operating expense in order to add value to the goods and services they produce every day on the job.

This learning from mind work on the job, in turn, further empowers all workers with the skills essential for earning more from more rewarding work, whether with the same firm, a competitor, their own new firm, or different work at a new job. In this new economy, big business, big labor, and big government no longer can call the shots: the many tens of millions of American workers and consumers in the U.S., and many more hundreds of millions of workers and consumers around the world, will as they make their own personal choices about how best to thrive through more rewarding work and learning, consumption and investment.

- * **Limited, Democratic Government and Technological Advance.** Limited democratic government is not only a blessing for the rights of citizens, it is also essential to thriving in the new economy. Majority rule through representative election enables a nation to adapt and to change to meet new circumstances. Individual rights of speech, association, press, religion, travel, migration and relocation enable individuals, families, firms, non-profit enterprises, churches, and colleges and universities constantly to innovate without fear of subjugation by the majority. The essential right of all to security of person and property is balanced by the right to due process whenever the government seeks to take the life, liberty or property of any individual.

consumer protection

The rule of law requires honest accounting, truth-in advertising, full disclosure, and transparent investment and consumer transactions. Over the long haul this democratic form of limited government enables individuals and families, firms, and non-profit enterprises to adapt to change, to meet dynamic consumer demand, to exploit new technologies, to solve old problems, and to seize new opportunities. Following the end of the cold war and the waning of the old industrial era, this framework has enabled the U.S. to show the rest of the world ways to thrive in the new global economy.

Technological innovation is the most powerful lever to increasing prosperity in the new economy. Like all acts of creativity, such innovation is an act of rebellion against the established common wisdom. Free markets and limited democratic government offer a seed-bed to nurture such unpredicted invention and discovery and fertile ground to sow and to reap the rewards of such unplanned opportunities for new growth. As the information age unfolds in the 21st century, we can therefore expect that new innovations will build upon or even replace the commonplace digital tools of today's personal computers as the primary engines of economic growth.

Consider just four of these levers of riches that are already on the horizon. First, the ability to identify and use genetic information in agriculture, nutrition, health care and the rest of the life sciences is already doubling every 24 months. Second, new understandings of chemistry, molecular structure, and fabrication hold promise for new materials and finished goods that can be produced, operated, and completely recycled at half the cost, twice the strength, and a fraction of the natural resources. Third, new discoveries and applications in energy and propulsion mean that electricity can be produced and cars, buses, and trains operated for a fraction of the cost of today's coal or gas combustion, without the emission of pollutants or any threat to global warming. Fourth, a worldwide web of commerce, communication, information, learning and entertainment is already doubling in number of participants and new applications every six months. In the decades ahead as these burgeoning on-line networks empower the small efforts of the many to build on the world's growing storehouse of knowledge and understanding, who can predict what big, new clusters of innovation will emerge from the imaginations of children yet unborn to generate new blooms of prosperity?

We can not predict what new inventions and discoveries will emerge nor when they will sweep through the economy. But we should never forget that technological innovation can be a powerful lever of economic growth and rising living standards in the future as it has been in the past. Our past history should give us confidence about the future. During the past two centuries, after all, free enterprise and limited democracy have worked hand-in-glove with technological innovation to provide a lever of riches that enable the citizens of many republican nations to earn increasingly more from their work than the bare, hard-scrabble subsistence endured by most of our ancestors since the beginning of human history.

The Key to National Economic Policy: Empowering Individuals and Families to Choose for Themselves. In this new economy of information, innovation and enterprise, the key to sustained economic growth and rising wages and personal income is to offer all families, students and workers their own keys to learning and upward mobility so that they can choose for themselves how best to thrive. The application of a simple but powerful principle will enable all

people, who are willing to learn and to work for it, to earn their own shares of the rising tide of increasing prosperity, at home and abroad. *Empowering every family to choose where and how best to live, work, learn, consume, invest, and retire in order to build a brighter future for themselves and their children will expand opportunity for all in the new economy.*

A metaphor for the old industrial economy during its heyday of rapid growth is new machines enabling heavier and faster rowing by big business, big unions, and big government. A metaphor for the slower growing, post-industrial service economy is smarter steering by reorganized corporations, reinvented governments and cozy public-private alliances and business-labor partnerships. An appropriate metaphor for the new economy of information, innovation and enterprise, then, must be putting the tools for navigation directly in the hands of individuals and families so they can chart and re-chart their own courses to more rewarding journeys on rising tides of prosperity.

The more nations so empower working families and consumers, and the more working families and consumers make their own choices about how best to thrive, the greater the prosperity for all. The new economy is not a zero-sum game in which there is a fixed sum of goods, services, income or living standards, essential natural resources or innovation for which individuals and families – or firms and nations – compete. Instead, the self-interested choices, learning and hard work of individuals and families increase the prosperity, the prospects for more innovation, and the rewards that can be earned by all. A democratic form of limited government that encourages free enterprise and lifelong learning in open markets will enable all individuals and families to earn their own shares of the new sources of prosperity in the 21st century.

The Empowering Role of More Limited Government in the New Economy. The purpose of this book is to explore how such limited government can work in the years ahead to help equip individuals and families with the keys to this opportunity and then to enable each to take personal responsibility for making their own choices about how best to thrive in the new economy. The political irony of this proposition is that socially liberal ideals can be achieved by economically conservative means. The greater common good, equal opportunity for all, better education, reducing poverty, broadly rising wages and family incomes, more secure retirement, and a cleaner environment can all be achieved by relying more on federal fiscal responsibility and smaller government, free enterprise and open markets, choice and competition, and personal and family responsibility than on big government, big business, or big labor. This book explores how this new progressive role of more limited democratic government can be implemented to enable all people to determine their own destinies and to chart their own courses to a brighter future in the new century.

The Flow of this Book. Each succeeding chapter proceeds as follows:

- Frame the basic issue. An easily understood graph and a simple word picture will help convey what is really at stake.
- Debunk the common myths posited by different political and economic factions to resolve the issue.
- Propose an effective policy to address the issue based on the dynamic power of family

choice, personal responsibility, and market competition.

- Illustrate by specific examples how ordinary Americans will benefit from this progressive policy of personal economic empowerment in their daily lives.

The first part of the book discusses two key international economic policies – open markets and free trade; and transparent investment, business and consumer transactions – that will empower all workers and consumers to share in and contribute to a rising tide of prosperity in the new economy. These two policies are key to ending the drag on economic growth caused by the crony capitalism still practiced by too many nations. Rather than continuing to ask the International Monetary Fund and World Bank to bail-out such old industrial economies after their resulting financial collapse, the United States should work pro-actively and cooperatively with political and financial leaders all around the world to enable more and more countries to voluntarily embrace the transition to transparent financing and open markets. This holds the key to unlocking the increasing productivity and value-added in each nation's domestic service sector production and consumption that will spur most economic growth in the new global economy. Ultimately, consumers and workers in the countries hardest hit by the financial collapse and continued stagnation of these failing old industrial regimes must demand that their old-guard political, business, financial and labor leaders either end their crony capitalism or step aside to allow a new generation of leaders to open their books and their markets to the dynamic potential of the new economy.

3 policies
 Part II explores three national economic policies for the U.S. of more limited, federal government that will help the new economy blossom for all in the new century. Federal fiscal responsibility, increasing investment in education for all, and open competition for continuous innovation will provide a fertile seed-bed to enable the new economy to grow and for all individuals and families to prosper in the new century. This fiscal responsibility will provide the security and confidence to enable central bankers and financial markets to extend credit at lower costs to consumers and businesses alike. Investing in the supply of education and increasing innovation will assure that workers can produce and buy an ever-expanding array of higher value goods and services at lower prices.

5 policies re:
 Part III proposes five ways that more limited democratic government at the federal, state and local level can empower all individuals and families to make their own choices about how best to thrive in the new economy. Expanding the opportunity of all families to choose where and how to live, learn, work, nurture and educate their children, and invest for their own health care and retirement will empower all families to contribute to and share in the rise in prosperity in the new economy.

Part IV proposes two new tax policies to complete the essential inter-generational compact in the United States for the new century: lower the payroll taxes on work and raise the green taxes on pollution, health hazards, and other emissions that contribute to global warming. This new tax compact will rely on the individual choices of working families (1) to spur economic growth while cleaning up the environment and curtailing health risks and (2) to make Social Security and Medicare work better and cost less for retirees while empowering working families to invest more for their own more secure retirement.

2 benefits

The book concludes with a discussion of the evolving national security and international political landscape in the new global economy. The key point is that economic issues rather than military concerns provide the basic foundation for national security in this new post-Cold-War era. The United States no longer faces any "evil empire," like the Soviet Union and its satellites, that control half the surface of the world and threaten to dominate the rest. Traditional national security policy must therefore shift its focus from containing any such evil empire to working with our political allies and economic competitors to contain the expansion of new "evil embers" abroad and to deter the proliferation of weapons of mass destruction. In addition, the U.S. should retain its unilateral ability to retaliate through decisive, pinpoint air attack to substantially disarm any rogue state or terrorist regime that seeks to use weapons of mass destruction.

This new security policy will work over time, however, only if new economic policy and more limited democratic governments all around the world succeed in demonstrating how all individuals and families, who are willing to learn and to work for it, can earn their own shares of rising prosperity in the 21st century. Unless the United States succeeds in showing ways for the rest of the world to contribute to and share in the rising prosperity in the new economy, we run the risk that the implosion of crony capitalist regimes with the death of the old industrial era will lead to a splintering of old alliances and nations, the kindling of more calls for ethnic separation and rampant protectionism, the rise of despots of the old left and right, and increasing military threats over the necessities of life in many regions throughout the world. With respect to national security at the dawn of the new century, the first principle must therefore also be, "It is the economy, stupid!"

• need to be role model to show benefits of ending crony capitalism

**A Way To Thriving Communities in the New Economy:
Empower All Families to Vote with their Feet**

Paul R. Dimond
December 14 , 1998¹

Reflections of a Civil Rights Lawyer on Urban Policy. The right to travel is embedded in the structure of the U.S. Constitution and the fabric of American life. The right to travel includes the basic protections owed by one state to persons visiting from another state and is closely related to the essential free flow of commerce among the several states. The right to travel also includes one of the most important individual rights – the right to move.

Families in America have always exercised this right to move by voting with their feet whenever they want to escape intolerable conditions or simply to move to a better place. So it was during the restless drive west to new frontiers. The trek from hard scrabble day labor on the farm to better paying factory jobs in the city. The step from renting an apartment to owning a home. The great migrations from North to South and back again. The move to a place with better jobs or schools, safer streets or a more hospitable climate, or just hope for a brighter future. So it is today: in the past year 43.4 million Americans – 16% of the population – moved to a new home, led by younger households, lower-income families and renters. They were joined by an additional 1.3 million immigrants who moved to the U.S. from another country.²

Voting with their feet about where to live, learn and work is how families most powerfully choose to build a better life for themselves and their children. Of course, not all families have been able to make this choice. The entrenched discrimination that contributed to racial segregation in schools and housing throughout much of metropolitan America primarily restricted the opportunities of black families to make their own choices.³ The limits of majority rule and judicial review in our democracy, however, mean that the resulting racial ghettoization simply cannot be remedied by expecting any government – or judicial decree – to dictate a different school or housing outcome for all families.⁴ Governments and courts act in contravention of the fundamental right to move when they seek to tell families where to live, work, or send their children to school. Instead, entrenched discrimination is better remedied by extending the right to vote with their feet to all families regardless of race, national origin or wealth. This right to travel is the most enduring well-spring of the American dream.

By the same token communities thrive when they attract new families, and communities decline when families choose to move elsewhere. Just as technological advance, business innovation, and the new skills and value added by workers change the means of production from one economic era to the next, individuals and families choosing where to live, learn, and work fuel the dynamic market forces that shape the changing lot of communities over time. People in America vote with their feet. Our primary public policy goal should be to expand this opportunity for all families.

Competing Myths. Nevertheless, alternative myths persist about how urban America has grown and what alternative goals should guide communities in planning for the future. Consider several of the competing myths now making the rounds:

1. Cities thrived during the industrial boom in the first generation following World War II and are doomed to decline in the new information age. One popular misconception is that central cities boomed during America's rapid industrial expansion from 1946 through 1972, declined during the waning of the industrial era over the next twenty years, and are now doomed in the new information age. In fact, major mid-western and northern industrial cities lost jobs throughout the first generation after World War II. Cities like Detroit, Flint, Toledo, Cleveland, Akron, Gary, Pittsburgh, Buffalo and Springfield captured *none* of the post-war industrial expansion. Aging and inefficient factories closed by the thousands in cities, as more efficient long-line plants opened on green-fields in the surrounding areas and in more wide-open spaces in the South and West. At the same time, tens of millions of Americans chose to buy new single-family homes built on the available and cheaper land surrounding central cities. Already built-up cities simply lacked the vacant land to meet the rising demand of firms for long-line industrial plants and of families for homes with a yard and more space. Tens of millions of jobs and the bulk of new investment followed the new plants and new homeowners to suburban frontiers after 1946 and thereby expanded the geographic scope of metropolitan areas throughout the country.⁵

move to suburbs

Suburbs became the preferred choice from 1946 through 1972 for a rising plurality and thereafter for an increasing majority of new jobs, homes, stores, investment and consumption throughout America. Throughout this period, however, entrenched discrimination denied most Americans of color the same right to move generally available to white Americans. From 1973 through 1992, stagnating median family incomes during the waning of the industrial era and the continuing vestiges of entrenched discrimination compounded the decline of many neighborhoods in central cities and older suburbs in many metropolitan areas.

race & don't allow all to move to suburbs

In contrast, the new information age substantially alters the playing field for central cities, and for older suburbs, expanding suburbs, exurbs and rural areas. At the very least, the comparative economic advantage in the information age no longer rewards cheap land for long-line industrial plants. Instead, the new engines of growth in the information age are clusters of knowledge and higher education, research and innovation, customized services and goods, and convenient access to private investment, financial and other technical services, culture and entertainment, and large markets. Even with digital networks of communication and commerce girdling the globe and connecting those who live in the remotest rural area to the world-wide web, these denser clusters are likely to be the most dynamic places for generating economic growth in the new economy. At the same time, fair housing and lending laws and more affordable and accessible home mortgages also make home ownership and choice of residential location more broadly available to all regardless of race, color or national origin.

Compared with other nations in the world, the U.S. is blessed with *many dozens* more such seed-beds of growth in cities, towns, universities, research centers, and metropolitan areas,

large and small, in every region of this large and diverse country. There is, of course, no guarantee that any particular community – or type of geographic arrangement for living, work or school – will thrive. Put differently, central cities – like all other places – will have to find their own niches of comparative advantages in the new economy in order to thrive.

2. Urban Sprawl and lack of regional planning, transit and taxation increase congestion and commute times in the U.S. compared to other developed countries. This myth also doesn't fit the facts. Despite the greater government planning for locating business, homes, civic centers and open space and the more extensive provision of mass transportation in other developed countries, the average commute time of workers in the U.S. is one third less than our counterparts in Western Europe and one-half of those in Japan. In fact, despite the far greater increase in the number of households in the U.S. over the past 20 years, congestion has substantially declined here as the average car-trip speeds to work continued to increase – more than 20%.⁶ How is this possible? The lower density of America's geographically expanding urbanized areas and greater availability of affordable land nearby allows families and firms to vote more freely with their feet about where to locate: not surprisingly, over time, they locate more conveniently to one another in the U.S.

bad policies
Nevertheless, many now tout schemes to limit the geographic expansion of metropolitan areas: e.g., to establish no-growth green-belts, to preserve farmland on the frontiers of urban areas through public purchase of private development rights, to direct the location of new housing and business to designated growth areas, and to provide regional zoning and taxation to promote supposedly more convenient transit, housing and work. Insofar as these proposals seek to limit the right of families to vote with their feet, I am skeptical that they will achieve their stated goals.

yes urban sprawl policy #2
First, the number of homes in America will continue to grow at a substantially faster rate than the overall population as household size continues to fall and more families choose to buy second homes. As a result, many schemes for preserving open space on the frontiers of urbanized areas will serve primarily to *fuel* the geographic expansion of metropolitan areas and their exurban frontiers: such "farm preservation" and "rural designation" schemes – like their earlier large-lot and multiple-acre zoning kin – will just chew up more land faster as the growth in households and firms continues. Instead of thinking in such exclusionary terms about *regional* land-use planning, it makes more sense to join the New Urbanists in thinking in smaller terms: encourage greater density and mix of uses in local zoning to expand the opportunity for families and firms to choose to live and work in more convenient, diverse and compact communities throughout expanding metropolitan and exurban areas, including in central cities. Designed with nature to preserve wetlands, estuaries, and public open spaces essential to clean water and recreation, denser and more diverse development will also preserve an important economic advantage for most metropolitan areas in the United States: the availability of affordable vacant land on the frontiers of urban areas will continue to enable families, jobs and businesses to choose, over time, to locate more conveniently to one another than any regional plan, no matter how comprehensively detailed and rigidly enforced.

policy → Second, other growth management schemes seek to contain all new development within currently urbanized areas by providing targeted incentives, while seeking to exclude such development beyond a designated growth boundary. If successful, such expansive zoning and expensive taxpayer subsidies will just limit the supply of affordable land, drive up the costs for living and doing business throughout the local region, and substantially increase congestion for all. If unsuccessful, such costly strategies will just pay for chewing up more land as development leapfrogs the designated growth boundaries. A more economic approach is simply to require all new development of green-fields and other vacant land to bear the full cost for new and improved roads, water and sewer, other infrastructure and utilities without any government subsidy (beyond the home mortgage deduction available to all home-owners wherever they choose to live). This straightforward approach to disciplining sprawl can then be complemented by thin – and relatively inexpensive -- federal and state tax credits to enable new private owners to invest in cleaning up and developing the least contaminated and most valuable urban brown-fields without fear of liability for prior owners' contamination. Such market-based approaches to growth and development will also serve to restrain the real estate costs of living and doing business throughout the local region by assuring that the supply of affordable vacant land nearby remains open for competing development.

- The elimination of government subsidies for green-field development will also mean that the federal government can stop subsidizing most new local and state roads, transit, sewers and other local infrastructure. Except insofar as directly related to essential interstate and international transportation, travel and commerce, federal subsidies serve only as tempting pork-barrel treats that most states fight to consume in order to build and then re-pave short-lived roads on a slap-dash basis every few years. In contrast, just imagine the savings if, for example, mid-wester states offer a joint prize – a guaranteed purchase order of \$20 billion – to the first three consortia of researchers, investors and innovative highway construction firms that can rebuild roads to withstand hard winters and more traffic for fifty years! Coupled with charges for traffic congestion and vehicle axle-weight, such an economic approach to highway building, replacement and repair would enable families to choose where to live, work, learn and shop much more conveniently at a much lower total cost to taxpayers.⁷

more accountability → Third, more far-reaching proposals for metropolitan government ignore a primary benefit of more local jurisdictions for families and firms. The existence of diverse local jurisdictions acts as an important economic check to insure that local public services, user fees and taxes are limited to the real value provided to families and firms. Some cities have ignored this economic check and impose higher taxes on most tax-paying families and firms than the value of the public services provided. Such high-tax strategies are counterproductive for cities because families and firms are free to move to places nearby with a better local tax deal. As a result, high-tax cities must learn to increase the productivity and customer responsiveness of a more limited range of services, to remove burdensome bureaucracy and outmoded regulation, and to lower their overall tax rates on families and firms if they are going to meet the economic competition from their neighboring jurisdictions. It is only when suburban governments with coercive tax power and zoning authority seek to exclude new entrants and to impose costs on their neighboring central

cities and older suburbs that such decentralization risks becoming state-supported fiscal balkanization.⁸

Some public services do, of course, provide benefits in our increasingly mobile society that extend well beyond any city, local district or regional authority. Higher education, publicly supported schools, and highways and transit provide good examples. As a result, states across the country provide an increasing majority of the non-federal tax dollars supporting such public services. In contrast, it makes no economic sense to consider any form of regional government that seeks income or general service redistribution through regional taxation. In fact, local governments, no matter how broad their geographic and service scope, are generally in no position to ask firms or families to subsidize one another. Firms and families are free to vote with their feet to move elsewhere; and they are more likely to do so if the public services and public benefits they receive from any local government, including a regional authority, are of less value than the local taxes they pay.

The rub for cities and other local governments comes because the private markets for housing, jobs, finance and innovation that drive metropolitan economies are at least regional in scope. Rather than prescribing any particular regional approach to local government, however, it makes more sense for civic entrepreneurs from all sectors to join in considering alternative ways and diverse means to enable all families and firms to better connect to these regional markets. In considering how to make these connections, we should remember that government at any level is not the sole or even the primary resource. For-profit firms have an economic incentive to seek profitable new niches by serving unmet market demands within every corner of any local region. In addition, America's vibrant and rapidly growing non-profit sector can fill in many gaps. Better information on unmet demands and under-used sources of supply throughout the local region will help both for-profit and non-profit enterprises better connect families and firms, wherever located, to these vital area-wide markets for housing, jobs, and finance. Given the ingenuity of American people and the diversity of metropolitan and regional landscapes around the country, a wide variety of creative responses will emerge, be explored, and tested.⁹

3. Urban sprawl in America threatens the environment. Many environmentalists argue that sprawling development and Americans' long-standing love affair with the car pose a mortal threat to forest, farmland, the water and the air. As detailed in Greg Easterbrooks's analysis, A Moment on Earth: The Coming Age of Environmental Optimism, however, the facts once again belie the myth. Adjusting for Alaska's entry into the Union, forest acreage in the U.S. has increased almost 25% since 1920. Farming has become increasingly productive, diverse and environmentally friendly, even as substantially more of the least productive farmland is "lost" to nature than to man's expanding suburbs and exurbs. In fact, between 1980 and 1990, approximately 2.4% of the land area in the U.S. was removed from cultivation and handed back to nature, more than *all* of the land put to human urbanization in the U.S. since the first settlement by Native Americans.¹⁰

Just as important, the U.S. has responded remarkably to Rachel Carson's warnings of a

more
enviro
conscious

Silent Spring in 1962. Thanks to environmental regulation, technological advance, business innovation, and consumer demand, America's air, water and ground are much cleaner today than 35 years ago – substantially cleaner than any other developed country in the world. Cars sold in the U.S. today produce 99% less carbon monoxide, nitrous oxide, sulfur dioxide, and lead than a generation ago. In environmental terms, the cleaner cars of the 21st century will bear even less resemblance to the carbon fuel burning, gas guzzlers of the first generation after World War II. The world-wide abolition of chlorofluorocarbons in the early 1990's has already eliminated this man-made threat to depletion of the ozone layer.¹¹ Similarly, if we come to agreement on how much we want to limit the human contribution to global warming, we will also invent new means to produce and operate cars, homes, factories, utilities, businesses and farms to meet whatever performance standards are set. We've already proved that we can clean up our old messes and prevent new ones once we come to one mind that we should do so.

As we complete the transition from the old industrial economy to the information age, there will be even less environmental reason to seek to restrict the opportunity for Americans to continue to vote with their feet. Compared to the industrial era, the means of production and consumption in this new economy will reward thinking work, knowledge, and humans adding value to new networks of commerce and innovation over machines leveraging muscle-power, consuming natural resources and burning fossil fuel. Rather than debate the marginal impact of the geographic expansion of urban development on the environment, we should enact major tax reform to speed the transition to more environmentally friendly production and consumption in this new economic era: tax employers' payrolls and workers' wages and salaries less and tax pollution, waste, and man's contribution to global warming more. Such a new tax compact for the 21st century would put the dynamic market force of families and firms voting with their feet, their pocketbooks, their innovation, their production and their consumption to work every day making the environment cleaner and the climate as habitable for all as the more powerful and changing forces of nature will permit for generations to come.

4. Most poor people live in areas of concentrated high-poverty. Once again the myth misses the facts. Paul Jargowsky's detailed analysis of Poverty and Place: Ghettos, Barrios and the American City shows that in 1990 "only one-sixth of the poor...live in high-poverty neighborhoods", i.e., neighborhoods where more than 40% of the residents are below the poverty line.¹² Of the white poor, who represent more than 56% of all poor persons, only 5.6% live in high-poverty neighborhoods. Despite their limited means, almost 95% of the white poor – compared with three quarters of the black poor and four-fifths of the Hispanic poor – have voted with their feet to live in more mixed-income neighborhoods throughout metropolitan and non-urban America. In fact, more than two-thirds of the white poor live in low-poverty neighborhoods, i.e., neighborhoods where less than 20% of the residents are poor.¹³

High-poverty neighborhoods are no longer the teeming, overcrowded city slums depicted in bygone eras. In 1990 high poverty census tracts contained 1/3 less persons than other census tracts in metropolitan America. As Jargowsky notes, families, including black families with means, are voting in increasing numbers with their feet to leave high-poverty neighborhoods:

"the low and declining population density of high-poverty neighborhoods and the great expansion in their number [from 1,171 census tracts in 1970 to 2,726 in 1990] suggest that the recent increases in neighborhood poverty have been driven at least partly by migration out of inner-city areas, particularly of persons with incomes above the poverty line."¹⁴ Overall, 8.4 million residents, about 4% of the U.S. population, lived in high-poverty neighborhoods in 1990.

Although racial segregation by residence is on the decline, the vestiges of entrenched discrimination – racial ghettoization and neighborhood succession – are still apparent. In the older, more established cities in the eastern half of the Midwest and in the Mid-Atlantic, more than forty percent of the black poor live in high-poverty neighborhoods; and the number of high poverty census tracts more than tripled from 1970 to 1990. In contrast, there is reason to hope that the surge in high-poverty Hispanic census tracts due to immigration and higher birth rates during this period will abate as succeeding generations join with past ethnic migrations in moving wherever they choose throughout metropolitan and non-urban America.

Perhaps Jargowsky's most revealing finding, however, is that regardless of race the sources of support for high-poverty neighborhoods are similar to all other neighborhoods. They earn more than 70% of their support from work. Apart from Social Security, they receive only a small fraction of their support from public assistance. The primary source of poverty also crosses neighborhood type: in all metropolitan neighborhoods, 60.9% of female-headed households live in poverty, ranging from 55% in low-poverty neighborhoods to 73% in high-poverty neighborhoods. The difference is that a far greater proportion of female-headed households are clustered in higher poverty neighborhoods.¹⁵

Finally, Jargowsky concludes that the extent of and changes in neighborhood poverty within a metropolitan area are largely determined by metropolitan-wide processes. The most important is the overall economic health of the metropolitan economy, as measured by the median income of all metropolitan residents.¹⁶ In sum, thriving metropolitan economies driven by private markets that generate increasing median family incomes will do more to alleviate neighborhood concentrations of family poverty than targeted government services. The best anti-poverty policy – for neighborhoods and families – is a job. We should remember that the great rise in family incomes – and even greater reduction in family poverty – among all races and income groups in the first generation after World War II was driven not by government redistribution or transfer programs but by workers earning more income from their jobs.

5. Comprehensive government services and place-based subsidies are nevertheless essential to help poor families in high-poverty neighborhoods thrive. Any local government that seeks to provide additional income support or extra social services targeted to high-poverty neighborhoods by redistributing taxes from firms and families in other neighborhoods will have a tough time retaining and attracting families and firms that are free to vote to locate elsewhere. That has always been the rationale for asking the federal or state government to take on the burden of redistributing income and social services from those who are better off to support the poor. Over the past generation, however, a new majority political consensus emerged in the

states and throughout the nation: while in 1973 average federal and state welfare payments provided 50% of national median income and assured that families on welfare would live above the poverty line, by 1993 average welfare payments had fallen to 25% of national median income and assured that a family would live in poverty as long as it stayed on welfare. At the same time, majority support has solidly backed increasing the Minimum Wage and the Earned Income Tax Credit so that every full-time worker will earn a living wage after taxes to support a family above poverty.

As a result, the sure way out of poverty for every new family is earning income from work, while deferring child-bearing until graduated from high school and married, and continuing to learn new skills on the job and off. Both parents – including unwed, divorced, and otherwise absent fathers – must bear primary responsibility for supporting their own children. The 1995 Welfare Reform Act did no more than ratify this growing national consensus. As these norms for new family formation and parental responsibility are understood and accepted, births to unwed mothers generally and to unwed teenagers in particular will decline; and both parents, including those who might previously have joined the ranks of dead-beat dads, whether by reason of unwed paternity or divorce, will work to support their children. Early evidence on births to teens is encouraging: the rate of new births to teenagers in 1996 fell more than 4% from 1995 to 54.7 per 1000, down a total of 12% from the rate of 62.1 per 1000 teens in 1991.¹⁷

Place-based programs BTD The evidence is even clearer that any level of government that seeks to concentrate poor persons in particular neighborhoods in order to be able to provide comprehensive social services offers a fool's bargain for taxpayers and for poor families. Isolating poor persons in inner-city ghettos and barrios doesn't help poor persons (a) connect to the rising demand of employers throughout the local regional labor markets for more workers or (b) take personal responsibility for learning skills that will earn higher wages at new jobs. As a result, federal, state and local governments act irresponsibly and waste taxpayer dollars whenever they limit housing and job-training subsidies for poor families to particular projects or places – public or private – rather than putting such subsidies directly in the hands of poor families so they can choose for themselves where best to live and learn in order to find new and better jobs.

Fortunately, the House and Senate have finally joined with the President in enacting legislation that will convert all federal job-training funding for dislocated and lower-income workers into individual training accounts. This will provide a fitting capstone to an historic national achievement: expanded federal support for student aid now assures that every family and individual, regardless of color or wealth, has the purchasing power to invest their time and talent in the post-secondary education and training they choose. Unfortunately, despite Congressional funding for more portable vouchers for the first time in years, most federal low-income housing subsidies go to support particular projects that just continue to add to racial isolation, high concentrations of poverty and on-going deterioration of many inner-city neighborhoods.

In considering *any* place-based initiative, it is therefore important to remember that distressed inner-city and rural communities, no matter how poor or racially isolated, must like all

other places find their own competitive niches within their local regional economies if they are ever going to prosper. Place-based government subsidies will not gild the ghetto any better today than the Great Society programs did more than a generation ago. Only working families with their own incomes and homes, businesses that can more effectively serve unmet demands in the local community and throughout the local region, convenient access to private capital and investment, and concerted civic action can build thriving communities in high-poverty neighborhoods. That is why the first two criteria for judging the merits of any place-based initiative to aid high-poverty neighborhoods should be: (1) the extent to which private capital from throughout the region will invest in expanding enterprise in the local community and (2) the extent to which employer demand for additional workers throughout the local region will connect to the supply of labor in the targeted communities.

re:
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In addition, many high-poverty neighborhoods are filling with abandoned homes and buildings as families and firms move to places with more opportunity and less crime. States must revise their tax reversion laws to place such buildings swiftly back into private ownership for rehabilitation before they are ruined. Waiting several years or more for titles to clear on such abandoned buildings while delinquent taxpayers refuse to pay back taxes is a losing proposition: the structures fall into disrepair and threaten surrounding homes, businesses and blocks. Once such abandoned properties are beyond economic repair, cities must also act rapidly to demolish them and provide affordable vacant land for immediate redevelopment by private owners or safe, open green space for recreation. Any city that maintains a large and increasing inventory of dilapidated, abandoned buildings just invites further neighborhood decline and disinvestment.

There is, of course, one local public service without which no local community, metropolitan area, business or family can hope to prosper: safety and security of person and property. This is the focus of the nation's first civil rights law enacted in 1866 -- to assure that the newly Freedmen could make their way the same as whites free of violence, crime or other unlawful intimidation. No local government will succeed in attracting families or firms to any neighborhood if it fails to work with the community to assure this first civil right of safety and security of person and property. More cities are turning to community policing with the full support and assistance of the vast majority of law-abiding neighbors, who will no longer brook broken windows, litter or other invitations to crime, drugs or violent intimidation in their neighborhoods. Growing respect for the first civil right of safety and security of person and property and declining crime rates can reduce the fear of living, learning and doing business in every neighborhood, no matter how poor.¹⁸

6. Most local regions lack the private resources and market incentives to connect high-poverty neighborhoods and the families who live there to the area-wide markets for jobs, capital and financial services, and retail goods and services. Once again, the facts put the lie to the myth. Our thriving national economy is the sum of the activity of local regional economies and their trade with other local regions in the U.S. and throughout the world. The sustained job growth of almost three million net new jobs per year from 1993 through 1998 and the continuing decline of the unemployment rate to 4.5% results from strong job creation and sustained

economic growth in local regions throughout the country. The local regional labor markets therefore provide increasing market incentives to connect the underutilized supply of labor in high-poverty neighborhoods to available jobs throughout their local regions.

In addition, most of these new jobs have been created by new business and the expansion of small and mid-sized firms, all fueled by the more efficient financial services made available by the increasingly global capital markets as they find more good investment opportunities and a hospitable investment climate in local regions throughout the U.S. There is no lack of private resources in local regions to invest in new ventures and expanding business in high-poverty neighborhoods so long as there is a market demand -- in the local community or throughout the local region -- for the goods and services produced and distributed. What is missing to put the labor, financial, retail and business formation markets to work in high-poverty neighborhoods is sufficient information, innovation and will among too many firms, large and small. To fill this gap, new intermediaries and better networks of information are forming.

Consider first the local labor markets. Jeremy Nowak describes how a community development corporation in northwest Philadelphia has joined with a consortia of community colleges, engineering schools, and employers throughout the region to create an innovative "workforce intermediary" to connect local residents in high-poverty neighborhoods to the rising demand of employers throughout the region for workers. The Annie E. Casey Foundation is providing support for such workforce intermediaries to link targeted inner-city residents with regional job opportunities in six cities.¹⁹ The Welfare-to-Work Partnership with 5,000 participating firms is already demonstrating many examples of how employers seeking new workers can act alone and in consortia to connect unemployed parents to jobs so that they can earn income from work to support their children.

EX. More retail and fast-food chains are now hiring inner-city workers with little previous job experience or training. These firms provide transportation and work experience with on-the-job training in information systems, responsive customer service, just-in-time inventory and distribution, team-work and problem-solving. These firms can then assist these newly skilled workers to move to new and better jobs for which they qualify through personal recommendations and informal referral networks, cooperative consortia with other employers seeking trained workers, and referrals to job-placement agencies serving employers throughout the local region.

In Milwaukee, a private job-placement firm located an office in the inner-city to meet the strong hiring demands of employers throughout the metropolitan area. This for-profit firm actively searches for potential workers in churches and other volunteer community organizations, hospitals, schools, and neighborhoods through advertising, word of mouth and direct contact. Every person, regardless of race, who can read is being successfully placed in a job, at no expense to any taxpayer or job-seeker: the new employer pays the job-search firm for every new hire. Such job-placement firms have a strong and increasing market incentive to expand into every inner-city in order find the supply of labor they need to meet the growing demand of

employers throughout each local region for workers.

Burgeoning, on-line job banks and counseling from an array of job placement intermediaries, community colleges and technical schools are providing more and more job-seekers, including those in high-poverty neighborhoods, with access to the growing demand of employers throughout each local region for new workers. America's "Job Bank," an internet listing of available jobs started by the Department of Labor in 1994, is already one of the top ten web sites. Increasing numbers of employers post available jobs on-line; and both prospective employees and search firms can access this rapidly growing data base of available jobs. Local newspapers are supplementing their traditional "help wanted" ads with their own on-line, jobs available networks. Similar on-line postings by job-seekers of their resumes and career interests in "Talent Banks" also help job search intermediaries and prospective employers to better tap into the labor supply.

In sum, the continuing low unemployment rates and strong employer hiring demand in most local regions present an historic opportunity to end, once and for all, the underemployment in many high-poverty neighborhoods.²⁰ Contrary to the concerns of many, the transition to higher-value added work in the new economy can also help all local regions seize this opportunity. Most new workers are learning and applying new skills on the job, including at the too often maligned, entry-level retail, hospital and other service, and construction jobs. These new workers are learning every day at work how to add value to the goods and services they produce, distribute or sell. As the persons employed in these lower-skill jobs earn a living wage after taxes, learn new skills on and off the job, and move on to better-paying jobs for which they qualify, new jobs will open for more workers, who in turn will earn a living wage after taxes, learn new skills and qualify for and seek higher-paying jobs. The tighter the labor market, the more incentive for employers and placement networks to better match prospective workers wherever located to jobs throughout the region. Such market-driven responses can connect the strong employer demand for workers to the sources of supply of labor in each local region, including in inner cities.

Consider next the local regional markets for financial services and business formation and expansion. In Detroit, for example, Mayor Archer used the Empowerment Zone application process to challenge major corporate and financial firms throughout Southeastern Michigan to invest in the inner-city. Corporations responded and have already invested more than \$2 billion in new plants and expanding existing plants, just-in-time suppliers, distributors, and other new businesses. Major financial institutions added another \$1 billion for investing in businesses and homes in the designated high-poverty areas.

Similarly, Michael Porter has joined with business schools, corporations and community leaders in five cities. They are demonstrating that comparative advantages of each inner-city in its local regional economy can be identified and profitable retail and service businesses built to better serve market demands, both in the neighborhood and throughout the local region. The Kaufman Foundation is working with successful entrepreneurs and venture capitalists to train a

new generation of seed capitalists to build new enterprise, including in high-poverty areas.

The Alliance for Families and Children, the McKnight Foundation, and Bank America have joined to make more affordable loans for inexpensive, used cars and vans available to low-income workers in inner-cities. This enables lower-income, inner-city job-seekers to connect to available jobs throughout the local regional labor market by convenient point-to-point commutes that no mass transit or fixed-route bus system has yet offered.

The response of the housing finance industry to the flow of information under the Home Mortgage Disclosure Act is even more impressive. From 1993 through 1996, home mortgage lending to African Americans is up 67%, to Hispanics up 50%, and in low- and moderate-income neighborhoods up 37%.²¹ Between 1994 and 1998, 805,000 more African-American households and 867,000 more Hispanic households became homeowners, with a net increase in home-ownership rates of almost 4% (compared to 1.5% for white households) to 46.0% and 44.0% respectively. Minority households hold the key to even greater growth in the home mortgage lending business of all financial institutions in the future: with rising median incomes, these families can increase their home-ownership rates by almost half over the next generation just to achieve the current national average of 67%. Fannie Mae will assure that an additional \$1 trillion in mortgage lending is available to finance home ownership for minority families¹¹ and in low- and moderate-income communities.

Similarly powerful information on investments in business in lower-income neighborhoods is now being made available to banks and thrifts pursuant to new regulations under the Community Reinvestment Act ("CRA"). The new CRA regulations call on the country's banks and thrifts to make credit-worthy loans and sound investments to business and families in low- and moderate-income communities in urban and rural America. Led by the likes of Bank of America and Nations Bank, banks and thrifts over the past five years have increased their lending and investment commitments in such communities more than 60-fold -- to \$180 billion per year compared to only \$2.6 billion per year in the first 15 years after the enactment of CRA in 1977. These loans and investments are not charitable contributions, nor are they allocations of capital forced by any government bureaucrat into risky investments or bad credit risks. Instead, these commitments represent loans and investments by profit-motivated banks and thrifts in credit-worthy borrowers, business, and home-owners in lower-income communities all across the country.²²

advocate → With the mega-mergers now sweeping through the financial services industry, major banks are now in a position to teach their new insurance, securities and credit partners how to join in making money by providing the full range of financial services to meet the credit-worthy demand in low- and moderate-income neighborhoods. After all, most lower-income neighborhoods in the U.S. have much more purchasing power, consumer demand, human capital and convenient access to even larger markets close-by in their local regions and to a sound dollar than any emerging economy around the globe! That's why America's leading financial firms can also risk a small amount of capital to invest in new seed capital funds to finance innovative

entrepreneurs and promising new business in distressed communities right here at home.

Our national and local regional economies will grow in the decades ahead, whatever the shorter term ups and downs in the business cycle at any given time. The employer demand for workers wherever located will therefore continue to grow apace, as the supply of labor remains tight with lower birth rates and the retirement of the baby-boomers. After-tax earnings from work for all workers will continue to rise, as the skills and learning opportunities of all workers and students continue to rise on the job and off. Financial services will continue to expand and to extend their reach to every profitable niche in every corner of America's diverse local regions. The nation's fair housing and fair lending laws will become more embedded in custom and practice throughout the country.

The combination of these factors offers the prospect of realizing Jargowsky's primary hope and conclusion: thriving metropolitan economies, reflected in rising median family incomes, will lead over time to a substantial reduction in the number of poor families and high-poverty neighborhoods and the unemployment rates of families living in poor neighborhoods.²³ Preliminary evidence indicates that just such a virtuous cycle may already be occurring: Central city unemployment fell nationwide from 8.2% in March of 1993 to 5.3% in March of 1997, while the rate of poverty in central cities has fallen from more than 21.5% to about 19% today.²⁴

7. Local school districts provide an efficient and equitable way for families to choose among tuition-free public schools. This myth does more damage to open and honest debate about K-12 education and improving public schooling in America than any other. For several generations now *most* families, except those restricted by their race, color, national origin or income, have chosen the public school they want their children to attend by their choice of residence. As the state share of non-federal financing of public schools continues to outpace local support by increasing margins all across the country, however, continued reliance on the price of the parents' home as the cost of their child's tuition for admission to supposedly free public schooling becomes ever more inequitable and undemocratic. In addition, the size and location of the monthly mortgage or rent payment is a very indirect and inefficient way for families to choose among what are supposed to be competing, tuition-free public schools. Unfortunately, too many well-intentioned defenders of public schools continue to argue that there should be *no* other form of public school choice and competition.

This continuing refusal by states and local public school monopolies to permit greater competition and family choice among an array of publicly supported schools is why inner-city parents increasingly object to being assigned by any government to inadequate schools and demand the opportunity to choose the publicly-supported school that will do best for their own children. That is one of the reasons why business leaders, parent groups, governors of both parties, and Presidents Bush and Clinton have consistently argued for credible and reliable information on school and student performance – so that parents can make more informed choices about which publicly supported school will do best for their own child. Even among parents who are most satisfied with the public schools their children attend, that is why there is

policies

strong support (a) for allowing all parents to choose the publicly supported school that will do best for their own child and (b) for charter schools that will increase the supply of schools parents can choose regardless of their place of residence.

It is now time to recognize that making the price of students' admission to a publicly supported school the size and location of their parents' monthly housing payment is no longer acceptable. No tuition should be required from any family, whether in the form of a monthly house payment or a school fee, for admission to *any* publicly supported school. Provide parents with reliable information on the performance of all publicly supported schools and on the progress of their own children so that every family can choose the public school that will do best for their child. Let the tax dollars for each child's education follow each family's choice of school chartered or otherwise approved by the state, local school districts, colleges and universities, state school boards, or other designated accrediting agency. Then, let localities, the states, the nation, and the people debate on the merits (1) the appropriate performance conditions and time limits for charters for *all* publicly supported schools and (2) whether schools organized and governed by locally elected school boards, principals and teachers, non-profit boards, or for-profit shareholders should be eligible to be chartered by such public authorities in order to compete for students supported by tax dollars.

Different states and communities may make different judgments about how best to implement such a market-driven, but equitable system of genuinely tuition-free public schooling. Many will determine pursuant to their own state constitutions and laws that parochial schools are not eligible to compete for such public support. Different types of schools will also make their own judgments about whether and how to compete: many parochial and non-sectarian private schools may decide not to accept any students supported by tax dollars because of the nature and scope of conditions attached to any charter granted by the designated public authorities. To the extent such charter conditions go beyond school and student performance, states that seek to make parochial schools eligible will become entangled in substantial federal constitutional questions concerning state establishment, and state interference with free exercise, of religion.

policy

It's also time to stop bashing teachers as the defenders of the status quo. Too often maligned for not being good enough, America's teachers have joined with the nation's governors, business leaders and parents (a) to propose high standards for what experienced teachers should know and be able to do to improve student learning and (b) to develop rigorous, year-long assessments based on actual performance in the classroom to identify such accomplished teachers. More and more teachers are welcoming the opportunity to earn higher pay if they succeed in demonstrating such accomplished teaching.

Together, these two reforms will create dynamic markets for continuous innovation and constant improvement in student learning and teaching. Such a genuinely tuition-free system of public schooling will also enable families to move to neighborhoods more conveniently located to their work – and to the worship, service, recreation, entertainment and community-building they seek. It will also operate to substantially level the playing field for many inner-cities and

older suburbs: instead of having to choose where to live based on the perceived quality of the school provided by geographically isolating, state-mandated local school monopolies, parents will be empowered to choose the community in which they wish to plant roots because they will retain the right to choose the publicly supported school wherever located that will do best for their own children.

Toward a New Regional Policy? In thinking about urban policy today, we should *stop* wringing our hands over the decline of many older cities and stagnating incomes in the old industrial economy. We can not reverse – and should not mourn – the waning of the industrial era. Nor should we brace for the next, inevitable downturn in the business cycle. Instead, we should focus on how to enable families and communities to share in and contribute to rising prosperity over the long haul in the new economy of information, innovation and enterprise. A summary of my proposals to do so follows:

- First, and foremost, empower all families – regardless of race or national origin, and including particularly those who are poor – to choose where to live, work and learn. Place the resources and the responsibility for these important choices directly in the hands of individuals and families who have the greatest personal stake in the outcome.
- Second, impose the full costs of developing green-fields on the developers; permit much greater density and mix of uses throughout the local region; and end uneconomic federal subsidies for building new highways, roads, sewers and other infrastructure to serve such new developments. Allow market forces to discipline urban sprawl and the cost of living and doing business throughout each local region, including on its frontiers.
- Third, shift regressive payroll taxes on employees from the wages of work to taxes on the pollution of the environment and the emission of gases that contribute to global warming. Allow this economic incentive to work with technological advance, business innovation, consumer demand and new capital investment to better the environment and the climate as much as the more powerful forces of nature permit for generations to come.
- Fourth, rely on responsive local political leadership, creative civic entrepreneurs, the commitment of ordinary Americans to voluntary service and charitable support, the innovation of free enterprise, and the market forces of expanding family choice and firm competition to explore and to exploit an array of innovative ways to empower all families and neighborhoods to connect to regional job, housing, learning, and capital markets.
- Finally, challenge high-tax cities to make hard choices about cutting taxes and providing more responsive and focused public services at lower cost, eliminating burdensome bureaucracy and outmoded regulation, and swiftly returning abandoned buildings and vacant land to private ownership for redevelopment. Assure that police join with the vast majority of law-abiding residents in local communities to honor the first civil right for all, safety and security of person and property: this is a pre-condition for enabling every

neighborhood, worker, student, and business to thrive wherever families choose to live, learn, work, spend and invest.

There is no guarantee that any particular place or geographic type of community – city, new or old suburb, exurb, town, village, rural area or high-poverty neighborhood – will thrive more than any other in the generation ahead. But that should not trouble us: whether we realize Thomas Jefferson's original ideal of pastoral rural bliss, Jane Jacobs' ideal of a vital city, or the New Urbanists' vision of more convenient mixed-use towns and villages cannot be predicted. I have no illusion that central cities will capture the majority of new households, new business expansion or net new jobs in the generation ahead, or that most high-poverty neighborhoods will witness increasing population absent a substantial influx of new immigrants. In the past year, for example, central cities lost a net total of 3 million persons throughout the country, while suburbs gained almost the same number of new residents.²⁵

One of the many rewards of this new age of information, innovation and enterprise, however, is that we cannot plan certain outcomes for particular places in the future. In fact, niches and nodes of growing commerce and home-ownership will spring up in many places that we least expect today. My best guess is that the supply of vibrant communities will grow apace in this more rewarding new economy to meet the diverse demands of families as they vote with their feet to earn their own shares of rising prosperity for themselves and for their children.

In considering regionalism today, we should remember the most enduring lesson of our nation's history: Families vote most powerfully with their feet. Communities will work smarter and harder to thrive if we expand the opportunity for *all* families to choose where to live, work, learn, spend and invest.

Endnotes:

1. This article is based on a chapter in Mr. Dimond's forthcoming book, A New American Century: Empowering Working Families to Thrive in the New Global Economy. In the 1970's, he served as counsel for plaintiffs in a number of cases challenging discrimination in schools and housing on the basis of race or handicap. Thereafter, he studied and wrote about constitutional law and the limits of judicial review and majority rule while serving as a professor of law, principal in a small investment banking firm, and private counsel for a variety of foundations, firms and new technology ventures. A former Director of the Lawyers' Committee for Civil Rights under Law, Mr. Dimond served as Special Assistant to the President for Economic Policy from 1993 through 1997.

2. <http://census.gov/population/www/socdem/migrate.html>.

3. P. Dimond, Beyond Busing (1985).

4. P. Dimond, The Supreme Court and Judicial Choice (1989); Dimond, "A Tribute to Justice Marshall," LXI FORDHAM. L. REV. 63, 65-67 (1992).
5. See, e.g., T. Sugrue, The Origins of the Urban Crisis (1996) for the story of the development of the Detroit metropolitan area.
6. P. Gordon & H. Richardson, "Prove It: The Costs and Benefits of Sprawl," 16 Brookings Review No. 4 (1998), 23.
7. See, e.g., K. Small, et.al, Road Work (1996).
8. See, e.g., P. Dimond, et. al, A Dilemma of Local Government (1978).
9. See, generally, R. Kanter, World Class: Thriving Locally in the Global Economy (1995); A. Saxenian, Regional Advantage (1994); and the discussion in text, infra, pp. - .
10. See, G. Easterbrook, A Moment on Earth (1995), 8-14, 398-400.
11. See, e.g., Easterbrook, supra at 186-193, 528-530.
12. P. Jargowsky, Poverty and Place (1997), 60.
13. Jargowsky, supra at 69-73.
14. Jargowsky, supra at 36.
15. Jargowsky, supra at 100-103, 108-110.
16. Jargowsky, supra at 144.
17. [Http://www.cdc.gov/nchswww](http://www.cdc.gov/nchswww). See also, B. Sawhill, "Welfare Reform and Family Structure" (Forthcoming, 1998).
18. See, e.g., G. Kelling and C. Coles, Fixing Broken Windows (1996); A. Cuomo, The State of the Cities (1998).
19. J. Nowak, "Neighborhood Initiative and the Regional Economy," 11 ECON. DEV. Q. 3 (1997)
20. Cf. R. Freeman, "Employment and Earnings of Disadvantaged Young Men in a Labor shortage Economy," in C. Jencks & P. Peterson, eds., The Urban Underclass (1991); W.J. Wilson, The Truly Disadvantaged (1987). The challenge now is to enable the competing, market-driven information and job-search networks to better connect all sources of labor supply and employer demand throughout each local region.

21. See, e.g., R. Rubin, "Remarks to National Community Reinvestment Coalition," March 19, 1998. The rate of increase of African-American and Hispanic mortgages slowed in 1996 while the rate of rejection among minority applicants increased. IIMDA data provide a useful starting point to enable lenders, enforcement officials, and community activists alike to continue to search harder for ways to better serve all credit-worthy market niches and to root out any illegal lending discrimination.

22. See, Rubin *supra*; National Community Reinvestment Coalition, "CRA Commitments, 1977-1998."

23. See Jargowsky, *supra* at 144.

24. See A. Cuomo, *supra*.

25. [Http://Censu.gov/population/www/socdemo/migrate.html](http://Censu.gov/population/www/socdemo/migrate.html).