

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2

219 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

Jim Rhode

LV

Arr

Th 4/29

Jun 7:15A AKA

Sea 10:15A

Sea 1:25P UA

Chic 7:10P

Chic 8:00P UA

Bradley 10:54P

Fri 4/30

Bradley 7:35A AAS

JFK 8:16A

JFK 7:30P AA464

Bradley 8:24P

Sun 5/1

Vermont by auto

Mon 5/2

Bradley 8:00
~~7:15~~ A

- UA123

Chic 9:10
~~9:25~~ A

Chic 10:00
~~10:25~~ A

UA143

Sea 12:05
~~12:25~~ P

Sea 3:45P

AKA69

Jun 6:55P

with
Eden80

Lyman

6-1235

(562.04)

AK 60 7:15 - 10

~~UN 150~~ Sea - Chic

UN 128 Chi - ^{Hot} 10:58

5/2/

UN 123

Hot Chic

UN 143

Chic Sea

AK 69

Sea Jun

Gene
Edwards
Ward
check

J. & B leg. Fin.

Pat Williams
3795

War - Dept. Rev

Grace: 2380

Edenro ret Monday

Edenro to Bradley Sat 8:30-11pm
or from NYC to Brad AA 464

FRIDAY 29 BRIAN → HARTFORD
 JIM → NYC (hotel reservations in NY) ^{Grace} (single Essex)

SATURDAY 30 JIM EDENSO → NYC 5:00 (GRACE)
^{to Kennedy} 7:35-8:16 AM '59
 Sat am → NYC - do not go to Manhattan
 Sat pm → Bradley JFK - Bradley 7:30-8:24 AA 464
 Sun - drive to Unit UA 123 8:00

MONDAY 2 JIM EDENSO
 un-471 - Bra-ch
 ✓ 147 ch-se JIM RHODE -
 AL 69 2-3

Bradley Baltimore
 HARTFORD → JUNEAU (GRACE)
 "

TUESDAY 3 BRIAN — HARTFORD → JUNEAU

Pick up
 28th

Quilliners
 STR 29 J-Sea 7:15-10:15
 84-Den 7:10-3:28 P
 Den-Bad 3:45-7-ch
 Sat 10:58 PM
 Return

Ward Sattler - Denver to Bradley
 7A Sun

29 Fri to Denver -
 Sat Den → Bradley
 7:20-8:30 - Nat'l
 via WDC on Mon evening from

Logan
 Boston

Monday - May 2
 Tues 3

Tues AM WDC → Spokane
 3rd NW Nat'l 12:45 - 6:07 P 46107 OR
 Nonstop 5:55P - 7:18 min 910 - Spokane 55P

Ward Sattler

LV

Arr

Fri 4/29

Jun 7:15A

AKA

Sea 10:15A

Sea 12:10 P

UA

Den 3:28P

Sat 4/30

Den 3:45P

UA

Chic 7:00P

Chic 8:00P

UA

Bradley 10:58P w/Edouardo

Sun 5/1

Vermont by auto

Mon 5/2

Boston by auto

Logan 7:20 P

Delta 409 WDC 8:30P (Nat'l)

DC - Chi UA 271

810-904

Tues 5/3

WDC (Nat'l) 5:55P NW

Chic Sea

UA 143

Minn 7:28P

Minn

9:10 P NW

Spok

9:55P

to June

Sea - Jun 6:45-8:55

95.85

657.89

Friday
Brian

29 7:15 LV Sea 10:15

United 150 1:25 - non-stop Mic 7:10
8:00 - Brad 10:54

leave 7:45 am - 9:02
10:35 - Sea 3:15
3:45 - Sea 6:55

Return

Darlene

routing

Friday, Apr 29

BRIAN

1 leave Juneau

2 arrive Seattle

3 to New York City

12 m. drive → 3 to Hartford

(drive to New York)

1 PM

-----meet with

(drive to Hartford)

(drive to Vermont)

-----meet with

drive to Hartford

JIM

1 leave Juneau

1 arrive Seattle

no overnite

arrive 4-5pm
Saturday
Kennedy

2 fly to New York

3 to Hartford

(drive to Hartford)

(drive to Vermont)

-----meet with Milton Friedman-----

drive to Hartford

↓ from Hartford

Saturday, April 30

Sunday, May 1

Monday, May 2

2 (drive to Boston

-meet w/B Daniels-

drive to Hartford

3 fly to New York

4 fly to Seattle

5 fly to Juneau

Tuesday, May 3

4 fly to New York

5 fly to Seattle

6 fly to Juneau

~~check to see if it is possible to fly~~

~~New York → Fairbanks → Anch~~
~~→ Juneau~~

S, MAT. NY - Fbks ? when - cost

PanAm all only Saturday
9:45 pm 11:59 pm

Danline
Gulliver 6-6081

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Dept Prog Dv Acct

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Obj Cd

STATE OF ALASKA

NO. 057439

REQUEST FOR TRANSPORTATION

The _____ requests the
Department or Office requesting transportation and address

_____ company to furnish transportation

For BRIAN ROBERS From TUNEAU
Name of Traveler

To Hartford Conn & Return TUNEAU 22 APRIL, 19 77
Place and Date of Issue

Ticket No. 027-8231-156-4165/4166

James B. Rhoads
Signature of Traveler

Value \$ 5102.04 (NO TAX PAYABLE)

AA TO REP. COWPER, CHAIRMAN
Title of Traveler

Tourist class fare (See instruction No. 1 on reverse Side)
(To be inserted by carrier)

HOUSE FINANCE COMMITTEE
(For Air Charter)

Carrier will forward this request to the Department or Office Requesting Transportation:

02-019 (Rev. 9-74)

SEE INSTRUCTIONS ON REVERSE SIDE

Hrs			Rate		

STATE OF ALASKA

NO. 057440

--	--	--	--	--	--	--

Dept Prog Dv Acct

--	--	--

Obj Cd

REQUEST FOR TRANSPORTATION

The _____ requests the
Department or Office requesting transportation and address

_____ company to furnish transportation

For JAMES B. RHODE From TUNEAU
Name of Traveler

To Hartford & New York - return TUNEAU 28 APRIL, 19 77
Place and Date of Issue

Ticket No. 027-8437-795-653/654 James B. Rhode
Signature of Traveler

Value \$ 616.04 (NO TAX PAYABLE) AA TO REP. COUPER, CHAIRMAN
Title of Traveler
HOUSE FINANCE COMMITTEE
(For Air Charter)

Tourist class fare (See instruction No. 1 on reverse Side)
(To be inserted by carrier)

Carrier will forward this request to the Department or Office Requesting Transportation:

02-019 (Rev. 9-74)

SEE INSTRUCTIONS ON REVERSE SIDE

--	--	--	--	--	--

Hrs Rate

Eastward

Travel Itinerary
Ward Sattler
April 30, 1977--May 4, 1977

- April 30 Travel Juneau to Hartford, Conn. overnight in Hartford.
- May 1 Morning, motor to Ely, Vermont.
Afternoon, meeting with Milton Frieman, Jim Edenso, Jim Rhode and Brian Rogers. Subject--solicitation of Friedman's expert opinion concerning organization and application of Alaska Permanent Fund. Overnight.
- May 2 Motor to Cambridge, Mass. Meeting with Belden Daniels. Subject--Philosophy, strategy and application of Community Economic Development Corporations as relates to Alaska Permanent Fund.
Afternoon, informal visit and discussions.
Air travel Boston to Washington, D.C. Overnight in WDC
- May 3 12:00 noon. Lunch with Congressman Don Young. Purpose to solicit Congressman's attitudes and opinions regarding Alaska Permanent Fund. 5:00 p.m. Air travel to Denver, Colo.
- May 4 Personal leave.
- May 5 Air travel Denver to Juneau. Arrive 4:30 p.m.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811

LA-A 25
Rev. 3-76

STATE EMPLOYEE

PER DIEM AND TRANSPORTATION REIMBURSEMENT CLAIM

TRIP PURPOSE: Meet with Milton Friedman, Belden Daniels and
Congressman Don Young regarding Permanent Fund

PER DIEM

This is to certify that I left See Attached
on _____ at _____ am _____ (Town)
on _____ at _____ pm. I overnighted in _____
on _____ and _____ on _____
(Dates) (Town) (Dates)
I returned to _____ on _____
at _____ am _____ (Town) _____ (Dates)
at _____ pm.

TRAVEL

- (1) I used State TR No. 055702.
- (2) My taxi and limousine fares were \$22.00.
(Please attach receipts if individual tab total exceeds \$6.)
- (3) Mileage claimed is between _____ and _____,
a total of _____ miles.
- (4) Please reimburse me for air fare in the amount of \$ 56.00.
(Please attach ticket stub or other receipt.) See Attached

For Office Use Only	
Account Code _____	
Advance _____	FW# _____
Per Diem _____	FW# _____
Travel _____	
FW# _____	Date _____

Signature

Mailing Address

Date

STATE OF ALASKA

NO. 055702

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Dept Prog Dv Acct

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Obj Cd

REQUEST FOR TRANSPORTATION

The _____ requests the
Department or Office requesting transportation and address

_____ company to furnish transportation

For WARD SATTLER From JUNEAU
Name of Traveler

To HARTFORD, CONNECTICUT AND RETURN APRIL 29, 19 77
Place and Date of Issue

Ticket No. 027-0331-186-402/463/464 Ward Sattler
Signature of Traveler

Value \$512.04 (NO TAX PAYABLE) Legislative Assistant for Senate Committee
Title of Traveler on the Permanent Fund

Tourist class fare (See Instruction No. 1 on reverse Side)
(To be inserted by carrier)

(For Air Charter)

Carrier will forward this request to the Department or Office Requesting Transportation

02-019 (Rev. 9-74)

SEE INSTRUCTIONS ON REVERSE SIDE

Hrs			Rate		

Part of this trip is being paid for by Department of Revenue,
part by Legislative Affairs, and part of it was personal leave:

4/30 Fly to Hartford and overnight. per diem paid by Revenue

5/1 Drive to Vermont, meet with Milton Friedman regarding
Permanent Fund, return to Hartford and overnight. per
diem paid by Revenue.

5/2 Drive to Mass. to meet with Belden Daniels regarding Permanent
Fund. Fly to Washington D.C. and overnight. Per diem
paid by LAA

5/3 Meet with Congressman Don Young to discuss his feelings
on the Permanent Fund. per diem paid by LAA

5/4--5/5 Personal leave, no per diem involved.

5/6 Travel returning to Juneau. per diem paid by LAA.

The total of this ticket was \$670.96. minus the TR which was
for..... 562.04

108.92 paid for by Ward Sattler
by personal check. The portion of the trip from Boston, Mass
to Washington D.C. was \$56.00 and this portion needs to be
reimbursed to Ward Sattler from LAA as this portion was for
Permanent Fund, not covered by Revenue.

airfare reems: - 351.20

per diem x 295.00

Taxi - 22

p:d-EstCst 120
788.20

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811

LA-A 25
Rev. 3-76

STATE EMPLOYEE

PER DIEM AND TRANSPORTATION REIMBURSEMENT CLAIM

TRIP PURPOSE: _____

PER DIEM

This is to certify that I left _____
on _____ at _____ am _____ (Town)
pm. I overnighted in _____
on _____ and _____ on _____
(Dates) (Town) (Dates)
I returned to _____ on _____
at _____ am _____ (Town) (Dates)
pm.

TRAVEL

- (1) I used State TR No. _____.
- (2) My taxi and limousine fares were _____.
(Please attach receipts if individual tab total exceeds \$6.)
- (3) Mileage claimed is between Juneau Anch - Fols - Circle and
Fort Yukon - Juneau, a total of 1756 miles.
- (4) Please reimburse me for air fare in the amount of \$0.20/mile
(Please attach ticket stub or other receipt.)

351.20

For Office Use Only	
Account Code _____	
Advance _____	FW# _____
Per Diem _____	FW# _____
Travel _____	
FW# _____	Date _____

Signature

Mailing Address

Date

Applications are still being accepted. Please call if you are interested in enrolling.

PF: Harvard Course

NONTRADITIONAL TECHNIQUES FOR LOCAL ECONOMIC DEVELOPMENT

Monday, June 6-Friday, June 10, 1977

An examination of the practice of economic development at the state and local levels. Participants will review the history of state and local economic policies in the United States and will consider a range of promising but nontraditional alternatives.

Monday 6/6

Morning

9:00-10:00 Orientation

10:00-12:00 Present Economic Programs

Lunch

Afternoon

1:00-3:00 History of State and Local Enterprise

3:00-5:00 CDC's: Their records and prospects.*

Evening - free

Tuesday 6/7

Morning - Tour of Boston programs

Lunch

Afternoon

1:00-3:00 Theory and evaluation of public enterprise

3:00-5:00 Case studies of public enterprise.*

Evening - free

Wednesday 6/8

Morning

9:00-10:30 Local Control

10:30-12:00 Case study: Local Control of Natural Resources.*

Lunch

Afternoon

1:00-2:30 Non-traditional Employment Programs: Coopes, Collectives, Worker Redesign

Wednesday 6/8 (continued)

4:00-5:00 Discussion and individual projects

Evening - free

Thursday 6/9

Morning

9:00-10:30 Employment programs: LEAP, LIP and Atschuler Plan.*

10:30-12:00 Case studies of Coops and Collectives.*

Lunch

Afternoon

1:00-2:30 Equity Financing and the Community Development Finance Corporation.*

2:30-4:00 Banking Policy: Linked Deposits, Redlining and Local Branch Banking.*

4:00-5:00 Discussion and individual projects.

Evening - free

Friday 6/10

Wrap-up.

* NOTE: Guest Lecturers have been invited to talk about specific ongoing projects.

** An extensive manual of readings will be available and daily assignments required as part of the program.

NON-TRADITIONAL TECHNIQUES
FOR LOCAL ECONOMIC DEVELOPMENT

JUNE 6-10 GUND HALL, HARVARD UNIVERSITY

STATE REPRESENTATIVE MEL KING
PROFESSOR SANDRA KANTER
CAROL KATZ

Introduction to the course

For years, the favored method for improving a state or city's economy has been through government subsidy of business enterprise. But as the overwhelming body of academic literature points out, tax incentives, work subsidies and investment credits given to firms do not create jobs. Instead, they end up as a redistribution of income from the taxpayer to the business community.

The first part of the course will examine the history of state and local subsidy programs and explore the economic assumptions behind them. The major portion of the course, however, will be devoted to an evaluation of a wide range of alternative methods of development. Each method will be considered from three angles. Initially, we will examine the "economics" behind the program or strategy. Second, we will survey the literature to see if the various strategies have been implemented around the country and if so, the effectiveness of these ventures. Finally, we will meet with people who have had experience in the various methods and learn about some of the practical problems and strengths in the methods studied.

Schedule of events

Monday

9:00-10:00: Orientation, discussion of course objectives.

10:00-12:00: Overview of state and local economic programs

1:00-2:30: History of state and local business incentives

2:30-4:00: CDC's-their records and prospects

4:00-5:00: Discussion and class workshop on assigned readings.

Tuesday

Morning: Morning tour of projects underway in Boston neighborhoods led by Rep. King

12:00-2:00: Theory and overview of public enterprise in the U.S.

2:00-4:00: Discussion with people working

in public enterprise.

4:00-5:00: Class workshop

Wednesday

9:00-10:30: Models of local control

10:30-12:00: Discussion with people working in the area of local control of natural resources

1:00-2:30: Overview of alternative employment programs including coops, collectives and worker redesign projects.

2:30-4:00: Discussion with people involved in worker redesign

4:00-5:00: Class workshop

Thursday:

9:00-10:30: Discussion with people involved in LEAP, LIP and the Atschuler plan in Mass.

10:30-12:00: Discussion with people involved in cooperatives.

1:00-2:30: Equity financing for community economic develop-

ment.

2:30-4:00: Banking policy:
discussion with people involved
in the linked deposit system,
anti-redlining and community
organizing around banking
issues.

4:00-5:00: Class workshop

Friday a.m.

Wrap-up and
discussion of individual
projects.

An extensive manual of readings will be collected and made available to participants in the class. Since most of the discussion will be based on the material in the manual, people should expect to set aside some time during the evening for reading the pertinent material. In addition, a group assignment will be handed out during the first day and form the basis of the discussion on the last day.

EXAMPLES OF READINGS TO BE INCLUDED IN THE MANUAL:

Bennett Harrison and Sandra Kanter, "The Political Economy of State Job-Creation Business Incentives", Working Papers, March 1976.

Gar Alperovitz and Jeff Faux, "The Economy: What Kind of Planning?", Working Papers, Fall 1975.

Peter Bearse, "Government as Innovator: A New Paradigm for State Economic Development Policy", N.J. Economic Policy Council, November 1975.

Thomas Brom and Edward Kirsher, "Buying Power - Community Owned Electric Systems," Working Papers, Summer, 1974, reprinted in Public Policy Reader.

"Public Ownership of Industry", Dollars and Sense, Sept. 1975, pp. 4-5.

William G. Shepherd, et. al., The Economics of Public Enterprise, Univ. of Michigan, 1975, ms., chs. 1,2,4,5, 7,9.

Leonard Goldberg, "Public Enterprise at the State Level", San Francisco State College, 1975, in Public Policy Reader.

Martin Katzman and Belden Daniels, Development Incentives to Induce Efficiencies in Capital Markets, New England Regional Commission, Sept. 1975, pp. 2-162.

James Ridgeway and Bettina Corner, "Public Energy-Notes Toward A New System", Working Papers, Winter 1975, reprinted in Public Policy Reader.

Thomas Barocci, The Canadian Job-Creation Model and its Applicability to the U.S., U.S. Congress, Joint Economic Committee, Washington, D.C., 1976.

APPLICATION

Please complete this form and mail with a \$50. deposit
QUESTIONS to:

Continuing Education Program
Harvard Graduate School of Design
Gund Hall L-36
Cambridge, MA 02138
(617) 495-2578

Mr./Ms. _____
PLEASE PRINT

Address _____

Business Address _____

City _____

Business Telephone _____

Are you a member of the Harvard Graduate School of Architecture and
Planning Alumni/ae? Year and degree _____

Yes, please enroll me in the following course(s):

Maybe, I need more information. Please send outline(s) for the
course(s) indicated below:

Please check one (refer to Accommodations section):

- ☐ Yes, housing is needed.
☐ No, I will make my own arrangements.
☐ Yes, enclosed is \$10. for the campus garage permit.
Deposit enclosed (\$50. per course).

Amount enclosed \$ _____
Please make all checks payable to the HGSD Association.

THE MANAGEMENT OF DESIGN AND PLANNING FIRMS

This course is designed for those who by choice or recruitment find themselves in managerial positions in design and planning firms. The goal is to offer these professionals a better understanding of the issues confronting managers; a sense of which problems are unique, and which ones plague the field as a whole; a methodology for analyzing management problems; and a range of techniques for solving these problems. A series of case studies will introduce participants to real, though often disguised, business situations. The course is structured to allow as much interaction among participants and faculty as possible, incorporating the managerial experiences of all the participants in the consideration of the case studies.

Course coordinator David M. Hirzel is a Lecturer on Landscape Architecture at GSD and Senior Associate and Executive Director of Sasaki Associates. James S. Rouse is Assoc. Professor of Policy and Control, Graduate School of Business Administration, Univ. of Michigan. John A. Sellar is Vice President and Senior Consultant, Peter McLaughlin Assoc., Boston.

May 6 - May 13

Tuition: \$650.00

AIR PHOTOGRAPHIC INTERPRETATION AND TERRAIN ANALYSIS

Thanks to the need for more accurate and reliable environmental data, a familiarity with air photographic techniques is a skill increasingly demanded of professionals in a range of environmentally-related fields, including planning, the government, engineering, design, preservation, and earth sciences. Given in cooperation with the American Society of Photogrammetry, this course is unique in that participants actually learn the procedure of air photographic interpretation, rather than attend lecture/descriptions of the interpretive process. The course covers remote sensing, landform classification and interpretation, data sources and acquisition, terrain analysis, and land use and vegetation interpretation.

Course coordinator Douglas S. Way is Assoc. Professor and Research Associate in Landscape Architecture, GSD. William Brauner is Staff Scientist and Director of the Land Use Division of the Earth Satellite Corp., Washington, D.C. William Cadzow is President of Aerial Data Reduction, Inc. Linda Zoll is a Remote Sensing specialist in soils and geology at the Earth Satellite Corp.

June 6 - June 10

Tuition: \$400.00

NONTRADITIONAL TECHNIQUES FOR LOCAL ECONOMIC DEVELOPMENT*

For years the favored method for improving a state's business climate has been through government subsidy of private enterprise. But as a growing body of academic literature makes clear these special financial arrangements do not create new jobs; they only redistribute money from the taxpayer's pocket to the business community. This course examines the practice of economic development at the state and local levels. Participants will review the history of state and local economic policies in the United States, and will consider a range of promising but nontraditional alternatives, including the Altshuler Plan, a proposal for profit-making public enterprise, and community development corporations.

Course coordinator Mel King is a Mass. State Representative, Adjunct Professor at MIT, and co-sponsor of the recently passed Community Development Finance Corp. Act. Sandra Kantar is Assist. Professor of Economics at the Univ. of Massachusetts and a former senior researcher with the Joint Commerce and Labor Committee of the Mass. Legislature.

June 6 - June 10

Tuition: \$325.00

LANDSCAPE RESOURCE ANALYSIS AND LAND USE

The focus of this course is the use of advanced computer-compatible techniques for analyzing land resources for planning and designing large, complex development projects. The course is designed to help participants from a variety of design, planning, engineering, and land management professions develop a methodology appropriate to their needs. The curriculum includes a technical survey of resource analysis methods; a survey of data needs, specifications, and inventory methods; and the use of a data bank and IMGRID, a recently developed, user-oriented computer program system for land analysis.

The course instructors are all members of the faculty of GSD. Carl F. Steinhilber is Professor of Landscape Architecture and Urban Design. Douglas S. Way is Assoc. Professor of Landscape Architecture. David F. Sinton is Assist. Professor of Landscape Architecture and Associate of the Laboratory for Computer Graphics and Spatial Analysis.

June 20 - June 24

Tuition: \$450.00

GSD

TEMPORARY EMPLOYEES - INTERIM - JUNE/DECEMBER 1977

<u>Name</u>	<u>Committee</u>	<u>Location</u>	<u>Phone No.</u>
BUSCHETTE, VALERIE	House Permanent Fund	Juneau	465-3782
BRYSON, CYNTHIA	LAA	Juneau	465-3850
CRANDALL, JOHN	Corrections	Anchorage	276-1912
CHAPPELL, KIM	Resources	Juneau	465-3715
DOOGAN, G. MICHAEL	House Permanent Fund	Anchorage	276-3433
DIAMOND, LUANN	House Permanent Fund	Anchorage	276-3433
DUNCAN, RONALD	Transportation	Juneau	465-4922
DOYLE, SUSAN	Employment Resources	Anchorage	276-5202
FINK, DEBORAH	Senate Permanent Fund	Juneau	465-3880
FENNEL, JAMES	Transportation	Juneau	465-4922
FRASCA, CHERYL	Employment Resources	Anchorage	276-5202
GLASS, FRANK	Resources	Juneau	465-3715
HANSON, SALLY	Agricultural Policy	Juneau	465-3747
HERRMANN, ADELHEID	Subsistence	Dillingham	842-5970
HATHAWAY, KATHY	Resources	Juneau	465-3715
HUGHES, SHERIDA	House Permanent Fund	Anchorage	276-3433
JACK, BONNIE	Energy Policy	Anchorage	276-5775
KNIGHTLINGER, LORETTA	LAA	Juneau	465-3800
LARSON, DOROTHY	Subsistence	Dillingham	842-5970
MacKINNON, ROCHELLE	Retirement	Juneau	465-3777
NELSON, DIANN	Resources	Juneau	465-3715
OSTROSKY, KATHRYN	Education	Anchorage	276-1715
POPE, DOUGLAS	House Permanent Fund	Anchorage	276-3433
RAMAGE, BETTY	Insurance/State Affairs	Anchorage	276-1715
ROGERS, BRIAN	House Permanent Fund	Anchorage	276-3433
ROGERS, DAVID	Energy/State Affairs	Anchorage	276-1202
SINGER, THOMAS	House Permanent Fund	Juneau	465- ³⁷⁸² ~~3880~~
SHARROCK, MARCELLA	Alcoholism	Anchorage	276-8153
SMITH, TERESA	Insurance/House Permanent Fund/State Affairs	Anchorage	276-1715
THOMPSON, MARGARET	House Permanent Fund	Ketchikan	225-6882
WALLACE, BRUCE	FBX-Legis Info Off	Fairbanks	452-4449
WILLIAMS, ROBERT	Insurance	Anchorage	276-1715

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

July 6, 1977

SUBJECT: Staff Assignments for Interim Activities

TO: John C. Doyle *BBB*
Executive Director

FROM: Billy G. Berrier
Director
Division of Legal Services

In order to work more effectively with the Legislative Council interim subcommittees, and certain other legislatively created bodies functioning during the interim which appear likely to generate legislation, I have made specific assignments of attorneys to each. Of course, the entire division is available as needed; but it appears that having an attorney directly responsible for providing assistance as required by the subcommittee will, as it has in the past, be useful to the subcommittees.

The subcommittees or activities and the attorney assigned to each are:

- | | |
|---|---------------------------------------|
| 1. Alaska Permanent Fund (House) | Billy G. Berrier
Kenneth E. Vassar |
| 2. Alaska Permanent Fund (Senate) | Billy G. Berrier
Kenneth E. Vassar |
| 3. Alcoholism and Alcohol Related Legislation | Joseph A. Guthrie |
| 4. Correctional Facilities | Joseph A. Guthrie |
| 5. Educational Program Financing | Richard A. Bradley |
| 6. Employment Resources and Opportunities | James A. McKenzie |
| 7. Insurance | David T. Walker |
| 8. Marine Transportation Oversight | David T. Walker |
| 9. Resources | Kenneth E. Vassar |
| 10. Retirement | James L. Baldwin |
| 11. State Affairs | Richard A. Bradley |

July 6, 1977

12. Subsistence Hunting and Fishing	Joseph A. Guthrie
13. Taxation in the Unorganized Borough	John B. Chenoweth
14. Telecommunications	Randolph G. Berry
15. Transportation	David T. Walker
16. Village Lands Reconveyance	John B. Chenoweth
17. State Energy Policy	Randolph G. Berry
18. Steering Council for Alaska Lands	John B. Chenoweth
19. Study Group on Withdrawal from Social Security	James L. Baldwin
20. Criminal Code Revision Subcommittee	James A. McKenzie
21. Legislative Teleconferencing Network Task Force	Randolph G. Berry
22. Legislative Board of Retirement Benefits	James A. McKenzie

The attorney's phone numbers are:

Billy G. Berrier	3867 - 3868
James L. Baldwin	4627
Randolph G. Berry	3825
Richard A. Bradley	3896
John B. Chenoweth	3837
Joseph A. Guthrie	3894
James A. McKenzie	4626
Kenneth E. Vassar	3897
David T. Walker	3898

The attorney assigned to each committee or activity will call the chairman of that committee to discuss how we can help. The committee chairmen will be encouraged to feel free to call on the attorney assigned to the committee or activity, or, if needed, any other member of the division for any assistance we can give which they feel will be useful.

BGB:jpd

Copies to: Committee/Activity Chairmen
Council Officers
Presiding Officers

Applications are still being accepted. Please call if you are interested in enrolling.

Belden Daniels

Dev. Barker

NONTRADITIONAL TECHNIQUES FOR LOCAL ECONOMIC DEVELOPMENT
Monday, June 6-Friday, June 10, 1977

An examination of the practice of economic development at the state and local levels. Participants will review the history of state and local economic policies in the United States and will consider a range of promising but nontraditional alternatives.

Monday 6/6

Morning

9:00-10:00 Orientation

10:00-12:00 Present Economic Programs

Lunch

Afternoon

1:00-3:00 History of State and Local Enterprise

3:00-5:00 CDC's: Their records and prospects.*

Evening - free

King Barker
Terry Gannon
meet Belden Daniels @ Honest Rest @ 5:30

Tuesday 6/7

Morning - Tour of Boston programs

Lunch

Afternoon

1:00-3:00 Theory and evaluation of public enterprise

3:00-5:00 Case studies of public enterprise.*

Evening - free

Wednesday 6/8

Morning

9:00-10:30 Local Control

10:30-12:00 Case study: Local Control of Natural Resources.*

Lunch

Afternoon

1:00-2:30 Non-traditional Employment Programs: Coopes, Collectives, Worker Redesign

Wednesday 6/8 (continued)

4:00-5:00 Discussion and individual projects

Evening - free

Thursday 6/9

Morning

9:00-10:30 Employment programs: LEAP, LIP and Atschuler Plan.*

10:30-12:00 Case studies of Coops and Collectives.*

Lunch

Afternoon

1:00-2:30 Equity Financing and the Community Development Finance Corporation.*

2:30-4:00 Banking Policy: Linked Deposits, Redlining and Local Branch Banking.*

4:00-5:00 Discussion and individual projects.

Evening - free

Friday 6/10

Wrap-up.

* NOTE: Guest Lecturers have been invited to talk about specific ongoing projects.

** An extensive manual of readings will be available and daily assignments required as part of the program.

NON-TRADITIONAL TECHNIQUES
FOR LOCAL ECONOMIC DEVELOPMENT

JUNE 6-10 GUND HALL, HARVARD UNIVERSITY

STATE REPRESENTATIVE MEL KING
PROFESSOR SANDRA KANTER
CAROL KATZ

Introduction to the course

For years, the favored method for improving a state or city's economy has been through government subsidy of business enterprise. But as the overwhelming body of academic literature points out, tax incentives, work subsidies and investment credits given to firms do not create jobs. Instead, they end up as a redistribution of income from the taxpayer to the business community.

The first part of the course will examine the history of state and local subsidy programs and explore the economic assumptions behind them. The major portion of the course, however, will be devoted to an evaluation of a wide range of alternative methods of development. Each method will be considered from three angles. Initially, we will examine the "economics" behind the program or strategy. Second, we will survey the literature to see if the various strategies have been implemented around the country and if so, the effectiveness of these ventures. Finally, we will meet with people who have had experience in the various methods and learn about some of the practical problems and strengths in the methods studied.

Schedule of events

Monday

9:00-10:00: Orientation, discussion of course objectives.

10:00-12:00: Overview of state and local economic programs

1:00-2:30: History of state and local business incentives

2:30-4:00: CDC's-their records and prospects

4:00-5:00 Discussion and class workshop on assigned readings.

Tuesday

Morning: Morning tour of projects underway in Boston neighborhoods led by Rep. King

12:00-2:00: Theory and overview of public enterprise in the U.S.

2:00-4:00: Discussion with people working

in public enterprise.

4:00-5:00 Class workshop

Wednesday

9:00-10:30: Models of local control

10:30-12:00: Discussion with people working in the area of local control of natural resources

1:00-2:30: Overview of alternative employment programs including coops, collectives and worker redesign projects.

2:30-4:00: Discussion with people involved in worker redesign

4:00-5:00: Class workshop

Thursday:

9:00-10:30: Discussion with people involved in LEAP, LIP and the Atschuler plan in Mass.

10:30-12:00 Discussion with people involved in cooperatives.

1:00-2:30: Equity financing for community economic develop-

ment.

2:30-4:00: Banking policy:
discussion with people involved
in the linked deposit system,
anti-redlining and community
organizing around banking
issues.

4:00-5:00: Class workshop.

Friday a.m.

Wrap-up and
discussion of individual
projects.

An extensive manual of readings will be collected and made available to participants in the class. Since most of the discussion will be based on the material in the manual, people should expect to set aside some time during the evening for reading the pertinent material. In addition, a group assignment will be handed out during the first day and form the basis of the discussion on the last day.

EXAMPLES OF READINGS TO BE INCLUDED IN THE MANUAL:

Bennett Harrison and Sandra Kanter, "The Political Economy of State Job-Creation Business Incentives", Working Papers, March 1976.

Gar Alperovitz and Jeff Faux, "The Economy: What Kind of Planning?", Working Papers, Fall 1975.

Peter Bearse, "Government as Innovator: A New Paradigm for State Economic Development Policy", N.J. Economic Policy Council, November 1975.

Thomas Brom and Edward Kirsher, "Buying Power - Community Owned Electric Systems," Working Papers, Summer, 1974, reprinted in Public Policy Reader.

"Public Ownership of Industry", Dollars and Sense, Sept. 1975, pp. 4-5.

William G. Shepherd, et. al., The Economics of Public Enterprise, Univ. of Michigan, 1975, ms., chs. 1,2,4,5, 7,9.

Leonard Goldberg, "Public Enterprise at the State Level", San Francisco State College, 1975, in Public Policy Reader.

Martin Katzman and Belden Daniels, Development Incentives to Induce Efficiencies in Capital Markets, New England Regional Commission, Sept. 1975, pp. 2-162.

James Ridgeway and Bettina Corner, "Public Energy-Notes Toward A New System", Working Papers, Winter 1975, reprinted in Public Policy Reader.

Thomas Barocci, The Canadian Job-Creation Model and its Applicability to the U.S., U.S. Congress, Joint Economic Committee, Washington, D.C., 1976.

An aerial photograph of a dense urban area in Boston, showing a mix of residential buildings, green spaces, and a major transportation corridor. The corridor, which is the subject of the text, runs diagonally from the upper left towards the lower right. It features a multi-lane highway with a median, flanked by various structures and trees. The surrounding city is packed with smaller buildings and streets. The overall tone is grainy and high-contrast, typical of older newspaper print.

**BUILDING
BOSTON'S
SOUTHWEST
CORRIDOR**

Introduction

Remarks of the Honorable Edward Brooke, United States Senator from Massachusetts at the Boston College Citizen Seminar Series on the Fiscal, Economic and Political Problems of Boston and the Metropolitan Area, March 22, 1976. Other presentations were given by Governor Michael S. Dukakis; Emily Lloyd, Transportation Advisor to the Mayor of Boston; Anthony Pangaro, Principal Agent and Manager of the Southwest Corridor; and Elbert Bishop, Director, Southwest Corridor Coalition, Inc. The Seminar, titled "Building the Southwest Corridor" was chaired by Joseph Turley, President, Gillette Safety Razor Company.

BUILDING BOSTON'S SOUTHWEST CORRIDOR

The development of the Southwest Corridor is not only a subject of great interest for me, it has, in fact, become a major pre-occupation in the past few months. As you may know, once the communities had made their comprehensive plans and the State officials had provided the U.S. Department of Transportation with a well thought-out, technically exact grant proposal, very little happened in Washington. Finally, after the frustration of the bureaucratic delays became truly intolerable, Elbert Bishop, on behalf of the Southwest Corridor Coalition, asked me to get Secretary of Transportation Bill Coleman to sit down with them and me in my office. We had a very informative, and I believe fruitful, meeting in December.

I have been in touch with the Secretary frequently since that time. I talked with him just this morning. And as a result of our conversation, I am very optimistic that we will soon have the announcement of a grant of 33.7 million dollars for the first segment of the project, the South Cove Tunnel completion.*

*In April, 1976, Sen. Brooke publicly announced the award of this grant to the Commonwealth by the Department of Transportation.

Although things in Washington are not, and probably never will, be moving as fast as we believe they should, there is a new responsiveness to the Corridor project. And I believe we can count on this continuing because the project seems to have captured the imagination of the Secretary of Transportation. He is not only a brilliant attorney with a fine sense of the procedural requirements of our federal transportation program. He is also, and primarily, a leader with a keen sense of the needs of our cities, the effects of federal development policies and a determination to get healthy growth patterns established in our metropolitan communities. I am certain that the Commonwealth, and the communities along the Corridor and I can count on a fruitful working relationship with him.

I believe the Secretary's concern shows a growing interest among federal officials who are beginning to see the national importance of the Southwest Corridor that most of here perceived long ago. For we are not just working on a local project that brings hundreds of millions of public works and public improvements dollars into the area. I am convinced that we are working on a plan which will be a national model for the way we deal with metropolitan revitalization and growth in the last quarter of this century.

The Southwest Corridor is no highway nor even a mixed transportation package. It is a microcosm of our metropolitan communities, a vital, ecologically sound part of the Boston environment. And I think it is important to appreciate what we have laid forth in these plans.

Of course, there is the important economic contribution we anticipate as a result of the fresh flow of workers and goods to and from the central city. This is critical to establishing a sound basis for creating jobs and moving products in this metropolis. The life of Boston, like that of other older cities, depends on such continued mobility and easy access.

But we are also stabilizing important residential neighborhoods. A strong, liveable Roxbury and Jamaica Plain are essential if the city is to function as a place people can make their home. West Roxbury and Back Bay are no less affected; the Corridor will provide important services and amenities to insure the continued attractiveness of these delightful areas.

One of the most important accomplishments of the project, so far as I am concerned, will be the dismantling of artificial barriers which have too long kept neighbors apart. As soon as that ugly embankment is depressed, residents of Jamaica Plain can shop with Roxbury citizens. Bromley Heath and Mission Hill will no longer be isolated by the encircling "Great Wall," and their residents can share freely and responsibly in the life of the general community. The demise of the elevated tracks for the Orange Line will be a welcome boost to the integrity of neighborhoods in the South End as well as Roxbury. I would enjoy personally wielding the sledgehammer that would bring down these historic blights.

Although we would have been better off if we could have rehabilitated some of the areas along the Corridor, the wholesale clearance of the land has provided us with important opportunities on which the plan capitalizes intelligently. We will be able to cluster major activities so as to create magnet areas in the various communities. Of course, there are the groupings of homes and recreation areas spaced all along the transportation system. And the prospect of satellite commercial centers and the industrial park should bring new business activity in town. But perhaps the most dramatic cluster will be the educational center which will offer our new Madison Park High School, the long-awaited Roxbury Community College, and the innovative Occupational Resources Center, all of it tied to development at Northeastern University. This educational cornucopia is bound to become an important testing place for imaginative and community-oriented educational ideas. Little could be more important to Boston today.

The genius of the project is that it builds an infrastructure on which the city can develop sound investments for a long and healthy future. Closely related to this achievement is the fact that the Corridor itself is not a place or a set of buildings, but, rather, a living link between our communities. This means that the suburbs, as well as the inner city neighborhoods, will have new ties to a variety of urban activities. To me, and to many others who have had to leave the city for the suburbs, this will have special poignancy. My roots in Massachusetts were put down in Roxbury, the neighborhood perhaps most affected by the Corridor and its controversies. So I am especially aware of

the artificial barriers thrown up between such communities and the metropolitan ring. And I certainly welcome growth which brings Greater Bostonians together more easily and naturally.

A project having such promise will become a model for the way we rebuild all of metropolitan America. The power of the Project idea is that it recognizes the organic nature of the living city. It fortifies the complex interrelationships among business, cultural, and personal activities. It gives new freedoms through new opportunities while binding us ever more closely together. The Corridor project will give us a more humane environment in which we can invest our energy and wealth for years to come.

But, in our excitement over the prospects for the future, we must not forget how we got here. The process by which I-95 was stopped and the exciting plan now before us should have taught us all vital lessons about running and governing the nation. Both business and government learned a sobering lesson when a true grassroots movement of residents from the communities which would have been taken for the Expressway and the Inner Belt sat down together to change the apparent destiny of their neighborhoods. From these times of action we gained new leaders, some prominent, others less well-known, many of whom are here today. But hundreds of other men and women spent arduous hours meeting, researching and pressuring the representatives of the status quo. And, when they had stopped the highway, they came back to the drawing boards and wrote the brilliant Plan we have today. It is to their skill and their power that the completed Southwest Corridor community will be a living monument.

I have heard these events characterized as some sort of urban revolution. In fact, the coalition movement which ultimately stopped the highways from levelling vital neighborhoods was not new or revolutionary. It represents, in a large sense, what our metropolitan areas were and are today. The coalition was Americans who were convinced that they did not need to submit to decisions made by technicians of the past in a bureaucracy which had not considered their needs. They learned their rights and exercised them. Their common interests were more important to them than their traditional but superficial differences. In their unity, they found truly enormous power.

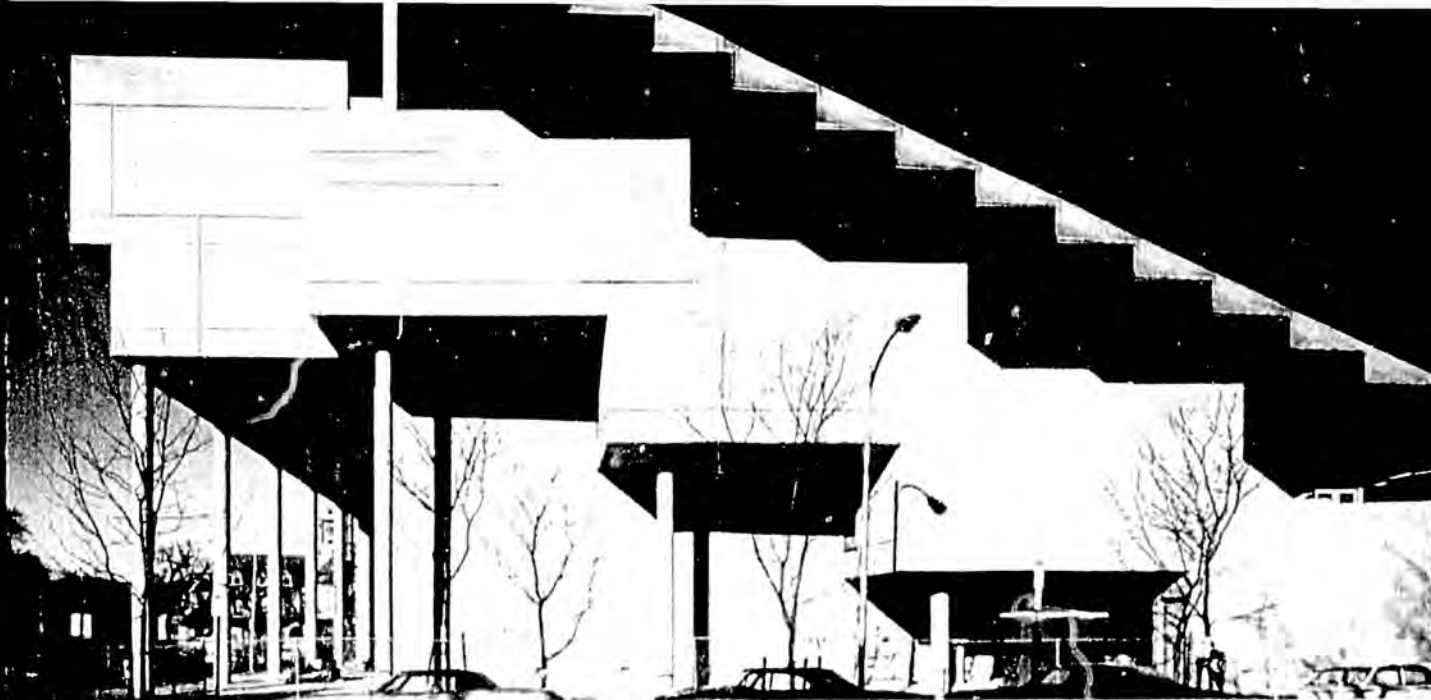
This power was channelled into tough minded, well-informed criticism on the legal and technical issues at hand which confounded the so-called experts. And as a result, the Commonwealth was able to replace a plan characterized by Governor's Task Force as "a great mindless system charging ahead" with a project that is a truly visionary way of giving new life to city and suburb alike. In the finest tradition of change in our nation, the Coalition members were builders, not naysayers. They have reminded us all that legitimate protest is not necessarily an adversary relationship, but can be an advocacy process. And this example of the process must be taken to heart by everyone in government today.

In closing, I must mention the most obvious, and, in these times, the most dramatic lesson we should have learned from the work of the Coalition. The movement against I-95 began in times that were characterized by violence and mortal racial confrontations in our cities. Yet Blacks and Whites, city dwellers and suburbanites found shared goals and worked side by side. Through all the tragic and occasionally brutal history of the past two years in Boston, the Southwest Corridor Coalition has prospered and grown stronger. Of course, black and white communities have their differences, sometimes deep differences. The questions they deal with are central to the personal lives of neighborhood residents. These matters could not be more important nor more emotional. But they work them out. They recognize and they contribute to the mutual interests which underlie the common destiny of Greater Bostonians.

Our pride in this accomplishment must be unlimited. And, of course, our prayer must be that this, too, will be a kind of model for all the Corridor's neighbors.

"A project having such promise will become a model for the way we rebuild all of metropolitan America. The power of the Project idea is that it recognizes the organic nature of the living city. It fortifies the complex interrelationships among business, cultural, and personal activities. It gives new freedoms through new opportunities while binding us ever more closely together. The Corridor project will give us a more humane environment in which we can invest our energy and wealth for years to come."

In April, 1976, Sen. Brooke



Architects for George Gund Hall were John Andrews/Anderson/Baldwin of Toronto, Canada. Prime participants in the design team were John Andrews, GSD '58; John Simpson, GSD '65; and Edward R. Baldwin, Yale '61, who acted as partner-in-charge.

General Contractor was J. Slotnik Company of Boston. The late Moses Slotnik (Harvard Business School, 1927) was president at the time construction began.

Consultants used by the Architects included:
Structural/LeMessurier Associates Inc., Cambridge
Mechanical/G. Granek and Associates, Toronto
Electrical/Jack Chisvin and Associates, Toronto
Acoustical/Harold Mull, Louis Bell and Associates, Wilton, Connecticut
Fire Engineering/Rolf Jensen and Associates, Chicago
Landscape Architecture/Strong, Mourhead, Sigsby, Toronto
Graphics/John Gallop and Associates, Vancouver
Cost Control/Holyar, Vermeulen, Rao & Mauchan, Toronto

GEORGE GUND HALL

FRANCES LOEB LIBRARY
W. T. PIPER AUDITORIUM

HARVARD UNIVERSITY
GRADUATE SCHOOL OF DESIGN
CAMBRIDGE, MASSACHUSETTS

GEORGE GUND HALL

George Gund Hall, the new home of Harvard Graduate School of Design, houses the academic departments of Architecture, City and Regional Planning and Landscape Architecture, as well as the Urban Design Program, the Program for Advanced Environmental Studies and the Laboratory for Computer Graphics and Spatial Analysis.

The building also contains the Frances Loeb Library, one of the world's finest collections on architecture, landscape architecture and city planning, and the W. T. Piper Auditorium.

GUND HALL/THE SCHOOL OF DESIGN'S THIRD HOME

Situated at the corner of Cambridge and Quincy Streets, a block from Harvard Yard and its former home for seventy years, Harvard's new building for the Graduate School of Design, is a striking composition in mirrored glass and reinforced concrete by John Andrews/Anderson/Baldwin Architects of Toronto.

Gund Hall is the third home of the School. Former buildings occupied by the School were the Holmes Field Architectural Building (1893-1902), and McKim, Mead & White's handsome Robinson Hall, constructed in 1902.

Only two decades after moving to Robinson Hall, the School found it necessary to expand to nearby buildings. At the time ground was broken for Gund Hall in 1969, the School of Design occupied four additional buildings in scattered locations.

The new building groups the faculty and staff of the School of Design together for the first time in nearly half a century. Centralizing such facilities as the library, studios, workshops, laboratory for computer graphics, audio-visual center, offices, classrooms, and auditorium, Gund Hall allows for improved collaboration between the various professional departments and their satellite resources.

The interdisciplinary collaboration essential to the school's goal in providing a comprehensive approach to the study of environmental design is given expression in the building's central studio space which extends through four levels under a vast sloping clear span roof. This sloping structure contains translucent fiberglass and vertical glass for admitting natural light and providing a view to the outdoors from all points within the space. Each level is interconnected by stairways, insuring physical as well as visual communication between each. In close proximity at each level are faculty offices, seminar rooms, and research space for individual projects.

Containing 155,000 square feet of floor space on five floors above and one below ground, the structure is reinforced concrete flat slabs over a 25' column grid with the multi-level studio area free spanned by nine 134' long 11' deep steel trusses made of 12" diameter steel pipe. The entire building is air conditioned, utilizing chilled water from Harvard's new central utility plant two blocks away. Reflecting glass has been used to minimize heat gain. Construction began in November, 1969, and was completed in the summer of 1972. Net construction cost for the building was \$6.5 million or approximately \$42 per square foot. Overall project cost was \$8 million. Construction was funded largely by the George Gund Foundation, the Gund family, GSD alumni, and friends, together with a \$2.2 million Office of Education, US Department of HEW grant.

FRANCES LOEB LIBRARY

The gift of John L. Loeb, SB '24, it houses the 155,000 volume GSD collection. In addition, included are over 60,000 slides and a periodical collection which maintains subscriptions to 500 publications. Spanning over two floors in the building, the Loeb Library provides research and study space for 200 students.

W. T. PIPER AUDITORIUM

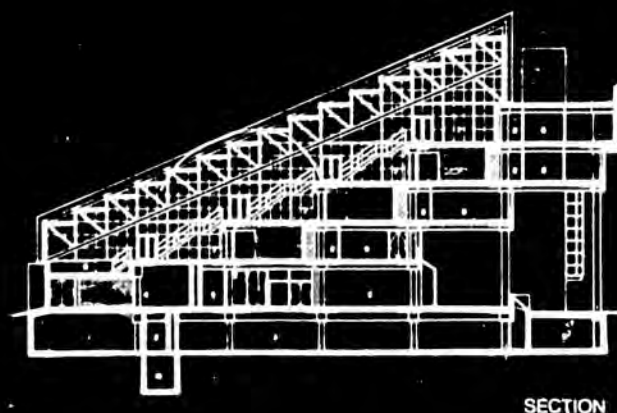
The gift of the children of William T. Piper, it provides lecture seating for 400 or may be cleared of chairs for large exhibitions. It is fully equipped for multi-projection, audio-visual presentations and is the central large assembly space for the Graduate School of Design.

GEORGE GUND (1888-1966)

The building is named to honor the memory of George Gund.

George Gund was born in La Crosse, Wisconsin, and his family settled in Cleveland in 1897. Following his graduation from Harvard College (1909) and graduate study at Harvard Business School, his early career included banking and real estate in Seattle, developing the Kaffir Hag Corporation in Cleveland, and ranching in Nevada. His interest in banking culminated in his becoming President of the Cleveland Trust Company in 1941. At his death in 1966, he was Chairman of the Board.

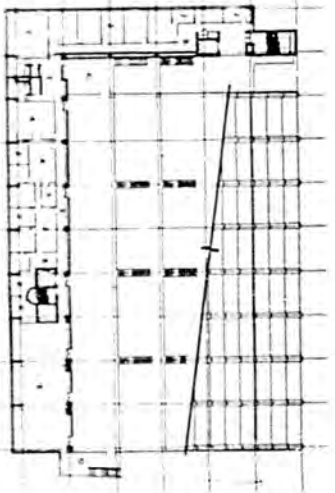
Closely associated with the arts and education, George Gund was named President of the Cleveland Institute of Art in 1947 and was involved with the Harvard Business School and School of Public Health in 1954. He served on the Board of Overseers of Harvard College, 1954-1960, and as a trustee of Kenyon College for many years.



SECTION



5



4



3



1



HARVARD
FACULTY
CLUB

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DEPARTMENT CHARGE (DEPT.)

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"MAP OF HARVARD SO. AREA CAMBRIDGE"

Resources

Books and Reports

Radical Agriculture, edited by Richard Merrill, Harper Colophon Books, 1976, 458 pp.

Hard Tomatoes, Hard Times, The Failure of The Land Grant College Complex, by Jim Hightower, Agribusiness Accountability Project, 1972, 308 pp.

"Economies of Size In Farming," by J. Patrick Madden, Ag. Ec. Report No. 107 from the Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

Proposals for Vermont's Agriculture and Food Future, Report of the Governor's Commission of Food, January 1976, \$10, summary 50c, from Vermont Dept. of Agriculture, 116 State St., Montpelier, VT 05607.

Land, Bread and History, A Research Report on the Potential for Food Self-Sufficiency in Vermont, \$2.50, and

Journal of the New Alchemists, To Restore the Lands, Protect the Seas, and Inform the Earth's Stewards, Vol. 1—\$4, Vol. 2—\$6, Vol. 3—\$6, from The New Alchemy Institute, P.O. Box 432, Woods Hole, MA 02543.

Organizing Farmers' Markets, 1975, \$2, from the National Organic Farmer's Association, RFD 1, Box 247, Plainfield, VT 05667.

"Agribusiness Directory," by Al Krebs, from Food Task Force, Consumer Action, 26 Seventh St., San Francisco, CA 94103, \$5.

Agribusiness Manual: New collection of articles on four aspects of agribusiness, related case studies and action suggestions regarding different companies. By the Interfaith Center on Corporate Responsibility, 475 Riverside Drive, NY, NY 10027, \$3.00.

Sowing The Wind, A Report for Ralph Nader's Center for Responsive Law on Food Safety and the Chemical Harvest, by Harrison Wellford, Grossman Publishers, New York, NY, 1972.

Losing Ground, Environmental Stress and World Food Prospects, Erik P. Eckholm, Worldwatch Institute, 1776 Massachusetts Ave. NW, Washington, DC 20036; (202) 452-1999. W.W. Norton, New York, \$3.95, 223 p. (Not available from Worldwatch).

Country Women: A Handbook for the New Farmer, by Jeanne Tetrault and Sherry Thomas, 1976, 381 pp., \$6.95, from Anchor Press/Doubleday, 245 Park Ave., New York, NY 10017.

Food From Windmills, by Peter Fraenkel, 1975, \$8.15 surface, \$10 airmail, from I.T. Publications Ltd., 9 King St., London WC2E 8HN, England.

Silent Spring, by Rachel Carson, concerning the indiscriminate chemical mass warfare waged against insects, weeds and rodents, from all bookstores.

Est Your Heart Out, How Food Profiteers Victimize the Consumer, by Jim Hightower, Vintage Books, 1975, 355 pp., \$1.95.

"Conquest of the Land Through 7,000 Years," by W.C. Lowdermilk, free, Agriculture Info Bulletin No. 99, Soil Conservation Service, U.S. Dept. of Agriculture, Washington, D.C.

Toward A National Food Policy, Joe Belden with Greg Forte, Exploratory Project on Economic Alternatives, 1519 Connecticut Ave., NW, Washington, D.C. 20036, \$5.00.

Hard Traveling: Migrant Farm Workers In America, by Tony Dunbar and Linda Kravits, Ballinger, Cambridge, MA, 1976.

A Long, Deep Furrow: Three Centuries of Farming in New England, by Howard S. Russell, The University Press of New England, Box 979, Hanover, NH 03755, 672 pp., 1976, \$18.50.

Articles

Maine Farm Management and Technology Project, Idea Papers, by David Vail, Dept. of Economics, Bowdoin College, Brunswick, ME 04011, 25c ea.

1) "The Skill Intensity of Small Farming and the Diversity of Farm Management Abilities"

3) "On The Possibility of a Revival of Feed Grain Production in Maine"

4) "The Political-Economic Logic of Farmer Cooperation"

5) "The Economic Potential of Farmers' Markets and Limitations to their Development in Maine"

6) "Farmers' Markets in Maine, 1976: Achievements, Prospects, Problems"

"Pest Control Politics: The Cosmetics of Agribusiness," by Robert Wuliger, *The Nation*, January 8, 1977.

"Poisoned Cities and Urban Gardens," by Gil Friend, in *The Elements*, Jan. 1976, from the Institute for Policy Studies, 1901 Q St., NW, Washington, D.C. 20009.

"Land Degradation: Effect on Food and Energy Resources," by David Pimentel, *Science*, October 8, 1976.

Periodicals

Rain, Journal of Appropriate Technology, \$10/10 issues/year, from Rain Magazine, 2270 N.W. Irving, Portland, OR 97210.

Self-Reliance, \$12 (institutions); \$6 (individuals)/6 issues/year, from the Institute for Local Self-Reliance, 1717 18th St., NW, Washington, D.C. 20009.

The Agbiz Tiller, Monitoring the Activities of Agribusiness, \$12/12 issues/year, from The Agbiz Tiller, c/o San Francisco Study Center, Post Office Box 5646, San Francisco, California 94101.

Food Update, Upcoming and Recent Actions on Food Policy, monthly/free, from the Community and Economic Development Division, U.S. General Accounting Office, Room 6826, 441 G St., NW, Washington, D.C.

Rural America, A Voice for Small Town and Rural People, \$10/12 issues/year, from Rural America, Dupont Circle Building, 1346 Connecticut Ave., NW, Washington, D.C. 20036.

Food Co-op Nooz, an insiders newsletter for active co-op people, \$3/6 issues/year, from the Food Co-op Project, 64 East Lake St., Chicago, IL 60601.

The Cultivator, insight and events concerning the strong New England co-op movement, \$3/year, from the Federation of Cooperatives, Box 107, Hallowell, ME 04347.

Film

"Farming is Farming. The Small Farm in America," by Doug Miller and Carol Ramsey, Ram Films, 200 Lovers Lane, Steubenville, OH 43952, 16mm color and sound, 45 min., rental \$45, purchase \$450.

Organizations

Only organizations not listed elsewhere are included here.

Agricultural Marketing Project, Center for Health Services, Station 17, Vanderbilt Medical Center, Nashville, TN 37232. (615) 322-4773

Roger Blobaum, RR 4, Creston, IA 50801; (515) 782-8098

Congress Watch, 133 C St. SE, Washington, DC 20005; (202) 737-3732

Consumer Federation of America, 1012 14th St. NW, Washington, DC 20005; (202) 737-3732

Earthwork, An Urban Center for the Study of Land and Food, 1499 Potrero, San Francisco, CA 94110; (415) 648-2094

Exploratory Project on Economic Alternatives, 1519 Connecticut Ave. NW, Washington, DC 20036; (202) 462-3178

Institute for World Order, 1140 Ave. of the Americas, New York, NY 10036; (212) 575-0055

National Farmers Organization, 485 L'Enfant Plaza SW, Washington, DC 20024; (202) 484-7075

National Farmers Union, 1012 14th St. NW, Washington, DC 20005; (202) 628-9774

United Farm Workers, 1803 Newton St. NW, Washington, DC 20010; (202) 234-3209

National Catholic Rural Life Conference, 3801 Grand Ave., Des Moines, IA 50312

Small Farm Research Association, contact Eliot Coleman, Harborside, ME.

From the Action Center

- ☐ a subscription to *Sustenance*, free
- ☐ a bulk subscription to *Sustenance* 5 10 15 copies per month
- ☐ *Food and Development Legislation*, a political action guide, \$1.00
- ☐ *Bottle Babies: Marketing Malnutrition* an action and self-education packet, \$2.50

- ☐ I would like to contribute _____ to The Action Center

- ☐ *World Food and Hunger Studies* by Kim Bobo, a compilation of course outlines, syllabi, resource material lists and an extensive, annotated bibliography, \$5.00 (1st copy); \$4.00 additional copies)

- ☐ Food Action Resource List and List of Action Center Publications—free

Make checks payable to The Action Center

- ☐ my address is ☐ change of address

Thank You

Books and Periodicals Cont.

Food Co-ops for Small Groups, by Tony Villela, 1975, \$2.95, from Workman Publishing Co., 231 E 51st St., New York, NY 10022.

Farms of Puget Sound, a model directing consumers to small farmers in the Seattle-Tacoma area, 25¢ plus a SASE from King Co. Conservation District, 35 South Grady Way, Renton, WA 98055.

Beyond Isolation, Las Truckaderos, 2nd ed., development of a regional network within the alternative food system based on the experiences of Las Truckaderos, a trucking collective, 1976, \$1, from Free Spirit Press, Main P.O. Box 24112, Oakland, CA 94623.

Farmers' Market Organizer's Handbook, by Deborah Bowler, 1976, \$1, from Hunger Action Center, Evergreen College, Olympia, WA 98505.

Farmers' Market Packet, 1976, send large SASE to Evanston Chamber of Commerce, 807 Davis St., Evanston, IL 60201.

"The One-Man Farm," Economic Research Service Report No. 519, free from the U.S. Dept. of Agriculture, Washington, D.C., August, 1973.

The Food Co-op Handbook, The Handbook Collective, 1975, \$4.95, from Houghton-Mifflin Co., 1 Beacon St., Boston, MA 02107.

The Vanishing Land, Corporate Theft of America's Soil, by Frank Browning, Harper & Row, 1975, 119 pp.

Food First, Frances Moore Lappe & Joe Collins, Institute for Food and Development Policy, 2588 Mission St., San Francisco, CA 94110. Available from authors in July, \$7.00 (price approximate at this writing).

Family Farming and the Common Good, IMPACT/HUNGER No. 7, by Interreligious Taskforce on U.S. Food Policy, 110 Maryland Avenue, N.E. Washington DC 20002. 15¢.

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How the workers almost pulled it off

At Kasanof's, the road to closing was paved with good intentions

by Howard Husock

For a few weeks in March, Freddy McNeill, a 32-year-old bakery packing foreman from Hyde Park, was on the verge of becoming president of an \$11 million company. For those same few weeks, the 97-year-old Kasanof's bakery of Blue Hill Avenue, "New England's Oldest Jewish Bakery," was briefly on the edge of economic experimentation. Closed since January, after running at a loss for three years, it was poised to rise again, you should pardon the expression, as Boston's first major collectively owned and managed corporation. The bakers — along with the teamsters and packers — were going to run the bakery.

Today, Freddy McNeill is collecting unemployment benefits and playing basketball, and what had been the largest industry on the city's poorest main street — it employed 285 people — is its latest abandoned business. Only a skeleton crew remains, supervising liquidation and guarding equipment. The last effects make for a wistful scene. A few rock-like bulkie rolls are lodged in the conveyor belt, where they are prey for sparrows. Ovens and mixers are in place, soon to be sold to equipment brokers. Adding to this gloom on a recent morning was Freddy McNeill, walking through the plant for the last time. He'd worked there 12 years and, in fact, still gets up at 1:30 a.m., out of habit. He had risen from an odd-jobber paid \$60 a week to become the packing foreman, supervising the packaging of 100,000 loaves of bread a week. And finally, he'd been designated nominal president, for legal purposes, of the short-lived New Kasanof Corporation, the name chosen by several hundred employees — about half of them black or Spanish-speaking, about three-quarters from city neighborhoods near the bakery — for the business they had confidence they could run cooperatively and make profitable.

"We were really on the move," says the ex-president. "We really had plans." Indeed, preliminary papers for the sale had even been signed by the Fink Baking Company of Brooklyn, owners of Kasanof's since 1971. The unemployed workers had pledged vacation pay owed them, and money out of pocket, as a down payment on the expected \$900,000 purchase and another \$900,000 loan that would help them get started. Plans to



Jerry Berndt

Packing foreman Fred McNeill: from the front office to unemployment

make the bakery more efficient were being proposed by employees. The plant manager had even agreed to work alongside those he'd previously worked above. Consultants from the Washington-based Federation for Economic Democracy were providing advice, as were lawyers from no less a bastion of business than Hale and Dorr. It only remained for the New Kasanof workers to get a small grant from the state and financing from both the federal government and one of the two banks which had expressed interest. And they needed time from Fink Baking — eager to sell off its Kasanof equipment — to make the arrangements.

Ultimately they got neither the time nor the financial help. As a result, Blue Hill Avenue, an unlikely setting for social experiment anyway, will not be one, and Kasanof's famed rye has gone the way of Roxbury's breweries and kosher meat markets. The efforts at this social experiment have, however, left questions behind. Those involved question whether government did enough to save a business whose demise hits especially hard because of its location. Are banks and the state willing to back a company owned and run by the workers?

The New Kasanof's story began with the untimely closing of the old Kasanof's the day after a January 29 strike was called by the 110 employees who were members of Bakery and Confectionary Workers Union, Local 20. Although not a large plant, Kasanof's had three unions — two for bakers, one for drivers. The arrangement, inherited from previous owners, is said to have annoyed Fink Baking — it made for almost constant contract negotiations. The last involved Local 20, whose membership was almost completely black or Puerto Rican and was also the lowest paid among the plant's organized workers. Its members earned at

most \$232 a week, compared with a possible \$300 weekly for members of the other bakers' local — Local 45 — and \$400 plus for truck drivers. In theory, Local 45's members — most of whom were white — were paid better because of their special skills: they baked Kasanof's rye. Local 20's members packaged the rye, as well as baking white bread and pastry. But Local 20 believed the wage gap too great. They asked Fink Baking president George Rosenthal for a \$25 increase. When he offered \$7, they struck.

"The strike," says Jack Fischer, Kasanof general manager since Fink bought the firm in 1971, "was the last straw for George."

Rosenthal himself declines to discuss the decision to close Kasanof's, which came only one day after the strike and to which he stuck even after Local 20 agreed to accept his wage offer and return to work. General manager Fischer, however, as well as city officials familiar with the business, say the strike was the last in a series of unforeseen complications that began almost as soon as Fink Baking bought Kasanof's six years ago.

Fink had big plans for the plant then. In its first year of ownership, it invested nearly \$1 million in new baking equipment and announced plans to spend nearly two million more to expand and modernize the plant. John Weis, who is now the deputy director of the city's Office of Planning and Development and who was then advising Kasanof's on its expansion plans, says, "It's safe to say that Rosenthal didn't expect any problems in trying to expand, given the location." The city, pleased to see any private investment on riot-scarred Blue Hill Avenue, granted the bakery the zoning variances it needed, and construction was set to start.

But neither Fink Baking nor the city had counted on one Martha Williams, a state employee who lives in a modest frame three-decker next door to the bakery's loading area. Today, John Weis calls her "proof that one woman can beat the system." Hers is a story usually told of suburban environmentalists, not Roxbury three-decker residents.

She was bothered by the noise produced by her next-door neighbor, by its unsightly parking lot and late-night operations. "I've lived," she says, "in the closest proximity to a business that operated 24 hours a day, seven days a week. The trucks came through at all hours. My bedroom was right above them, and many a night I had to go sleep in my front room." Rather than see the bakery expand, Mrs. Williams, without help from a lawyer, took Kasanof's to court, charging that its zoning variance had been improperly awarded. She lost in Superior Court but appealed and, in 1972, won her case in a state appeals court. A new plan would have to be drawn up before the city could allow expansion of flour-storage facilities, without which the company said it would lose \$150,000 a

year. By the time it closed, Kasanof's was losing just about that much.

Mrs. Williams did not stop there, though. In an effort to decrease truck noise, she called inspectors from the city's Air Pollution Control Commission. They ordered the bakery to reduce the noise by half. And by 1974, she was in almost constant negotiation with the city redevelopment authority, which, according to John Weis — then a planner with the agency — had "three people working virtually full-time with Kasanof's, essentially trying to come up with a plan both the bakery and Mrs. Williams would agree to." At one point, Kasanof's offered its neighbor nearly \$30,000 for her home. She refused.

By 1976, a new plan was finished. Kasanof's would landscape. It would enclose some of its noisier loading operations. But it would expand. The city approved the plan once again. But once again Mrs. Williams did not. She went back to court, where the issue remained until January of this year. Then, only weeks before the strike, the bakery's plan was upheld. Mrs. Williams announced she would appeal again.

"I have some sympathy for the employees," Mrs. Williams says today. "But am I sorry that the place is closing? Are you kidding? I'm going to have a champagne party." She gives some of the credit for her victory, by the way, to legal advice she got from attorneys she has met on her job — with the state Division of Employment Security.

Freddy McNeill, who would likely have become a party to a legal confrontation between Mrs. Williams and the New Kasanof Corporation, is bitter about her role. "The black community helped to close Kasanof's," he says. Mrs. Williams denies the charge, saying, "I might have been a factor, but the place was losing money right along." John Weis takes something of a middle ground. "Mrs. Williams certainly had a right to protect her neighborhood and, in all honesty, the original plan was lousy. But put yourself in George Rosenthal's shoes. He comes into Boston, into one of the worst parts of the city, and pretty soon he's got lawsuits and air pollution inspections to deal with. And when he finally gets permission to expand, here comes a strike. I think he finally said, 'Screw Boston. I'm getting out.'"

"It's like coming home to find your house burned down," says Abe Feldman, 59, a teamster who worked for Kasanof's from 1952 until it closed. "You just can't believe it can happen." Indeed, the Kasanof name seemed a permanent bit of Bostonia. Cardinal Cushing is said to have suggested once, in jest, that the Lord's Prayer be amended to read, "Give us this day our Kasanof's bread." Indeed, the daily bread that was part of the Boston Black Panther Party's free break-

fast program in 1969 was donated by Kasanof's. The film version of the *Boston Strangler* included a shot in the bakery. And delicatessen owners swore by Kasanof's rye, the formula for which was based, according to Jack Fischer, on "all-natural sourdough starters." The recipe was handed down from the bakery's founder — recalled today only as a Dr. Kasanof — through Samuel Cole, an immigrant Jewish baker from Poland. Cole bought the business in 1918 and moved his family in upstairs. He and his sons ran the bakery for the next 50 years, expanding it from a storefront to a plant, before selling out in 1968. Ironically, the Cole family is still in the bakery business: Bernard Cole, formerly Kasanof's general manager, runs a firm which supplies hamburger rolls and English muffins to the New England branches of McDonald's.

It was, in part, the magic of the Kasanof name that helped persuade the bakery workers they could revive the business themselves. "For a month after the strike," recalls Freddy McNeill, "we kept getting calls asking when we were going to open up again. People were even willing to place orders."

The employees were thus receptive when, in late February, they were approached by John Blanchard, a staff member of the Quaker-founded American Friends Service Committee in Cambridge, with the idea of a worker-managed bakery. Blanchard was one of six members of a consulting team affiliated with the Federation for Economic Democracy, which is based in Washington and has offices in Cambridge. The team included Gerard Abeles, a full-time FEDO business consultant already at work trying to set up a "self-managed" poultry processing plant in Connecticut, as well as a group of Boston academics, a Boston College sociologist and a UMass economist among them. Their models included Pacific Northwest lumber co-operatives, a 400-employee insurance firm in Washington, DC, and the Vermont Asbestos Group, whose members bought a mine due to be closed and made it profitable.

Over the next month — from late February to late March — the consulting team was to make an effort to sell the worker-control concept to the Kasanof employees and union leaders, to rouse federal and state bureaucracies into emergency action, and to buy time from George Rosenthal to make the project possible. It would be their frustration to come close — to stir the aspirations of employees, only to see them evaporate in the face of the complexities of private finance and (at least in the opinion of some workers) rejection by the state.

By far the most successful part of the short-lived New Kasanof project was persuading the employees the idea was a good one.

"We got the hang of it right away,"



An idea whose time had not quite come

says Freddy McNeill, one of 12 workers elected to a steering committee (he was eventually named president for incorporation purposes). The concept was presented on location — in the Kasanof's garage, where the consultants stood on crates and outlined the idea over the din of Blue Hill Avenue. Employees, they said, would be the stockholders and the ultimate management. The corporation would be a co-operative: each worker would have a vote in electing the rotating board of directors. The board would appoint a manager to run the plant day to day, and would review his decisions once a month. Employees would provide the money for a down payment on the plant, and profits would be divided and deposited in savings accounts. If there were enough profits, a percentage would be invested in other worker-controlled businesses.

Not all the ideas for the New Kasanof Corporation were coming from the consultants, however. Teamster Abe Feldman, a member of the 12-man steering committee, says, "Everyone had his own ideas on how to run it." Adds Freddy McNeill, "I felt that I knew more about that place than just about anyone. I was down in the plant every day. The white-collar boys upstairs didn't see what went on the way I did."

In fact, had the New Kasanof's ever begun operations, its new management would likely have moved to cut waste and inefficiency in ways that no traditional management with union contracts would dare to consider. Among crackdowns discussed was one on drivers who mistreated trucks ("We all knew who they were," recalls McNeill), another on workers who manned a conveyor belt and who were reputedly given to going out for beers, allowing rolls to fall to the floor. The New Kasanof's even planned layoffs. Says Abe Feldman: "We figured to go slow at first. Everyone would have been allowed to invest in buying the com-

pany, but not everyone could have been hired back until we got on our feet." Freddy McNeill even proposed some permanent reductions in the work-force. "We had 15 guys in the plant just to clean up," he recalls. "If we owned the place, we could clean up after ourselves. Before, it was just a job and we'd want to get out right away."

The job of selling the New Kasanof's to the business agents of the bakery's three unions proved somewhat more difficult. Nicholas Hantakas of Local 20 was quickly persuaded; in fact, he was prepared to invest union funds. John Blanchard recalls the different reactions of the other unions. "I think they found the concept foreign. Sometimes it seemed like they thought the consultants were going to be the new management."

One union leader, George Newman of Bakers Local 45, was never convinced the New Kasanof's was viable. "I didn't think it could work," he says. "I knew that the trucks were in poor shape. The machinery was old. The location was bad. I had a lot of doubts."

But after being assured that existing union contracts would continue in effect under the new management — a condition not originally planned — Newman and leaders of the other two unions agreed to help. They would ask their members to pledge back pay toward the down payment on the plant. During the first week of March, workers kicked in some \$200,000 in vacation pay owed them by the company. Later, they also pledged funds from their own depleted savings accounts. "That may have been the most dramatic moment of the whole thing," recalls Sev Bruyn, Boston College sociology professor. That moment came after a mid-March meeting of the consultants, McNeill and owner George Rosenthal. Rosenthal expressed doubt

that employees would invest in the New Kasanof scheme. The next day, again in the bakery garage, some 50 workers gathered and were told of Rosenthal's doubts.

"They came up with \$8800 on the spot," recalls John Blanchard. "They took cash out of their wallets, they wrote out checks. These were guys living on unemployment who had been out of work for six weeks."

But reservations began to be heard more often by the New Kasanof consultants. And they came from institutions whose support was essential — government and banks. The Kasanof purchase was to be financed by a \$1.8 million bank loan, secured with the workers' \$200,000 down payment and backed, it was hoped, by a federal guarantee from the Small Business Administration or the Economic Development Agency. (Either can guarantee repayment of 90 percent of a loan, dramatically diminishing a bank's risk.)

Having roused worker and union interest in the project, the consultant team was, by mid-March, working desperately to arrange such financing. And they were under the gun, as they learned in a Monday, March 14, meeting with Rosenthal, held at the State Street offices of Hale and Dorr. (One of the law firm's partners advises a state agency just established to help stimulate investment in poor neighborhoods.) Rosenthal was blunt. He was losing \$5000 a week in maintenance and security costs at the closed Kasanof's. In order even to consider the sale he would need \$50,000 in "option money." He was asking the New Kasanof corporation to buy time. If he could not get the option money, he planned to sell off the bakery equipment immediately; if he could, the consultants would have a month to arrange financing. Freddy McNeill, in turn, offered to find volunteer workers to guard the plant at no cost to Rosenthal, who agreed to reduce the cost of the one-month option to \$20,000.

It was ultimately the lack of this \$20,000 that permanently closed Kasanof's. The money could not be raised from the workers — it was not refundable, under Rosenthal's terms. If the sale fell through, the money would be forfeited. So the consultants turned to the state. Specifically, they approached Undersecretary for Economic Affairs Richard Geisser.

Geisser was familiar with the situation. He had tried and failed to convince Rosenthal to reopen the bakery at the time of the strike. And, he says, "I'm very interested in the concept of self-managed and employee-owned businesses. I think it could be a good strategy for keeping businesses in the state that might otherwise leave." On Friday, March 18, Geisser called Hale and Dorr, where another meeting between the New Kasanof team and Rosenthal was underway, to say that

the state would consider the request for \$20,000. "It was really a dramatic moment," recalls John Blanchard. "We were able to tell Rosenthal he might get his money from the state." As a result, a purchase and sale agreement was signed, giving the New Kasanof team one month to close the deal.

But the consultants had overreacted to Geisser's slight encouragement. Ten days later, the state Economic Development Project Committee (part of the Office of State Planning) turned down the request for \$20,000. The Kasanof project, wrote Geisser, was "beyond high-risk." "I felt terrible about the whole thing," he says, "but I just wasn't convinced the thing could work. I had to be able to prove that the state wasn't just shipping \$20,000 down the tubes." Geisser's doubts were those of a businessman. He deemed it unlikely that the company could recapture its market after being closed for months. And he doubted that financing could be arranged by the April 18 deadline. "I tried to be pragmatic," he says. "I know it takes at least 90 days to put a financing package together. If they had come to us four months before the place closed, we might have been able to help them."

Geisser insists, however, that the proposed ownership structure was not a problem. "We want projects like it to succeed," he says. "It's extremely important for the first wave of these things to be successful. Because of that, we have to be more conservative than in other situations. Love alone won't make a Kasanof's succeed."

However, even if the New Kasanof Corp. had gotten its \$20,000 grant from the state there was no certainty that it would gain the necessary bank financing. Indeed, even while the state was still considering the grant request, the Shawmut Bank turned down the workers' major financing request. Not had New England Merchants ruled favorably by the time the idea died. John Cunningham, a vice-president of the Shawmut Bank, says, "They were trying to put Humpty-Dumpty together again virtually overnight." Shawmut's decision was made "strictly for business reasons," according to Cunningham. "It had nothing to do with the democratic management idea," he maintains. "I think the principle of participatory ownership is established enough for banks."

Both Freddy McNeill and Abe Feldman are bitter about their treatment by the state. "Twenty thousand," says McNeill. "That's nothing. The state's gonna spend ten times that much in unemployment." Adds Feldman: "It seems like government has lots of money for people who already have money."

John Blanchard does not wholly share that view of the state's role. He agrees with Geisser that time was against the New Kasanof project from the start. The consultant team did not begin its efforts until nearly a month after Kasanof's

closed — largely out of deference to a Roxbury entrepreneur who was negotiating to buy the plant and failed. He is also unsure whether owner Rosenthal would have ever accepted the idea of shifting control to a worker's collective. "I'm not sure he believed we were quite for real," says Blanchard.

Still, the Quaker consultant half believes that the \$20,000 from the state could have made the difference. "It would have impressed Rosenthal," he says. "Once we got into serious negotiations, he might have given us more time."

Another member of the consultant team, Gerard Abeles, feels the New Kasanof's would not have inevitably failed, had it gotten started. "I think the Kasanof name commanded a lot of loyalty," he says. "Plus the bread could have been marketed politically — some people would have bought it because of the self-management. Plus, there was tremendous confidence among the workers that losses could be cut by increasing efficiency and eliminating waste."

Almost all those involved in the effort profess to have learned lessons. John Blanchard points out that he and the other consultants have "gained some credibility with the state," and learned more about the mechanics of financing a self-managed business. Blanchard is also hopeful that a newly-funded state agency, the Community Development Finance Corporation, will be a source of money for Kasanof-type projects in the future. Richard Geisser has similar hopes. "I think we'll keep in touch," he says of the Kasanof consultants. "If we had earlier warning, we might be able to help."

It's more difficult for the Kasanof employees to take solace in such sentiments. The vast majority of the 285 workers are still without jobs. Even the highest-paid, general manager Jack Fischer, says he will be looking for work as soon as final liquidation is over, probably by the end of the month. A few employees have found part-time work with the Green-Freedman bakery in South Boston, where business has increased since the demise of Kasanof's. But according to Local 45's George Newman, some of his members have had to quit those new-found jobs already. "A number of blacks I placed there couldn't take the pressure of working in South Boston," he says. "Some of them had car windows smashed. Others were afraid to use public transportation. It's a 15-minute walk from Andrew station." Ironically, a black Haitian immigrant who was beaten by a mob two years ago, in a dramatic incident of racial violence in Southie, was employed at the time by Kasanof's.

The closing of Kasanof's will also be felt keenly along Blue Hill Avenue.

"Poor people used to depend on us for day-old bread," says Freddy McNeill. The Family Hut restaurant across the street estimates its business may be cut in half. The nearby tavern will also feel the pinch. Says John Weis of City Hall:

"Mortgages may go unpaid. Housing abandonment may increase. This is a real tragedy for that neighborhood."

The deepest impact, though the most difficult to measure, may be psychological. "Every day we thought we were getting nearer to success," says Abe Feldman, who was only six months away from retirement. "A couple million bucks, it didn't seem like that much. I guess we were kidding ourselves." ●

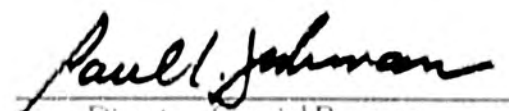
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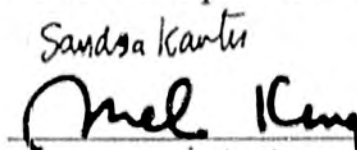
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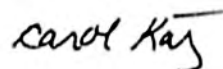
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NONTRADITIONAL TECHNIQUES FOR LOCAL ECONOMIC DEVELOPMENT June 6-10

Readings

To Be Completed by June 7th

A. History and Economics of State and Local Business Incentives

Bennett Harrison and Sandra Kanter, "The Great State Robbery",
Working Papers (Spring 1976.) Pages 57-66.

B. Community Development Corporations

Bennett Harrison, "Ghetto Economic Development: A Survey," Journal
of Economic Literature, vol. XII, no. 1, (March 1974,) Pages 1-37.

Frederick Sturdivant, "Community Development Corporations: the Problem
of Mixed Objectives," Law and Contemporary Problems, 36 (Winter,
1971) Pages 35-50.

Harvey Garn, "Bedford Stuyvesant Restoration Corporation", Evaluating
Community Development Corporations -- A Summary Report, Urban
Institute, 1976, Pages 11-41.

Lawrence Parachini, "Community Enterprise Development Corporation of
Alaska," Center for Community Economic Development (CCED) Newsletter,
(August-September 1976) Pages 5-11.

C. Public Enterprise

William Shepherd, Public Enterprise, Lexington Books, 1976. Chapters 3
and 6.

Jerome Milliman, "Beneficiary Changes -- Toward a Unified Theory", Public
Prices for Public Products, Selma Mushkin, ed., Washington: The Urban
Institute, 1972. Chapter 2.

Peter Barnes, "BackDoor Socialism: Reflections on TVA," Working Papers,
(Fall 1974,) Pages 26-35.

To be Completed by June 8th

D. Local Control

Sylvia Kamm, Land Banking: Public Policy Alternatives and Dilemmas,
Urban Institute (1970), Pages 6-10 and 28-42.

Readings, continuing...2

Peter Barnes, "Buying Back the Land," Working Papers (Summer 1973), reprinted in Second Annual Policy Reader, 1973, Pages 146-153.

E. Coops, Collectives, Worker Redesign

Andre Gorz, "Workers' Control is More than Just That," Participatory Democracy for Canada, Gerry Hunnius, ed., Black Rose Books, 1971. Pages 13-27.

Seymour Melman, "Industrial Efficiency Under Managerial vs. Cooperative Decision Making," Review of Radical Political Economics, (Spring 1970) Pages 9-33.

William Greenwood, "Coops and Net Margins: Retention vs. Cash Payment," Economic Development Law Project Report (Nov/Dec. 1976) Pages 12-13.

Daniel Zwerdling, "At IGP, Its Not Business as Usual," Working Papers, (Spring 1977), Pages 68-81.

Sam Hemingway, "What Makes them Think they Can Run the Mine!" The New Englander, (June 1975.) Pages 27-29.

F. Equity Financing

Carl Sussman, "Development Finance is Underway in Massachusetts," CCED Newsletter, (Dec/Jan 1977), Pages 6-13.

Readings to be Completed by June 9th

G. Employment Programs: LIP and LEAP

Thomas Barrocci, "The Canadian Job Creation Model and its Applicability in the United States", U.S. Congress Joint Committee on Economics, Washington, DC 1976. Pages 2-33.

Cynthia Rose, "Massachusetts Local Initiative Program," CCED Newsletter, (June/July 1976) Pages 7-9.

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Feldman, Gould, Katz, Kramer, Rubin, Handbook for CETA Prime Sponsors to Assist in Selecting CETA Job Creation Projects, State Manpower Services Council, 1977. Pages 1-12.

H. Banking Policy

Frances Werner, William Frej, and David Madway, "Redlining and Disinvestment, Causes, Consequences, and Proposed Remedies" Clearinghouse Review, Vol 10, no. 7, October 1976. Pages 501-519.

Readings Continuing...3

.. Derek Shearer, Public Control of Public Money, Institute for Policy Studies, 1976. Pages 23-39.

Alan Dixon, "The Illinois Plan," 1973. Pages 1-4.



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TELEPHONES/MESSAGES Reverse charge and credit card calls may be made in the Continuing Education office, Room L-37. Messages may be left for you there as well - (617) 495-2578, between 9 am and 5 pm, Monday through Friday.

There are two telephones in the lobby of Gund Hall. One is a pay telephone, to be used for all long distance or credit card calls. The other is a telephone that may be used for local calls only, at no charge.

For those staying in CANADAY HALL: messages may be left at the bell desk (617) 495-5818 in addition to the Continuing Education office.

TAXIS

Ambassador Cab	876-5600
Brattle Cab	492-1100
Checker Cab	536-7000
Yellow Cab	547-3000

If you have problems or questions about the Continuing Education program, please feel free to contact us in Room L-37 or call (617) 495-2578.

UNIVERSITY HEALTH SERVICES

Harvard University

SUMMER-1974

Health Center
75 Mt. Auburn Street

HOURS:

MONDAY

through 8:00 a.m.-5:30 p.m.

FRIDAY

SATURDAY 8:00 a.m.-11:45 a.m.

TELEPHONE: 495-5711

For Physician Appointments - 495-5714

The University Health Services in cooperation with the Summer School offers medical care for Summer School students and faculty.

Payment of the registration fee provides for:

General medical and surgical care of

- ambulatory patients

- Stillman Infirmary Patients

during the Summer School Session.

Also referral within the Health Center to staff specialists (allergy, dermatology, dentistry, ophthalmology, orthopedic surgeons, psychiatry), laboratory and x-ray facilities and nutrition and physical therapy services.

Physicians' visits to homes and dormitories are not included nor are admissions to an outside hospital.

EMERGENCIES - Call 495-5711. At hours other than those listed above, go to the EMERGENCY ENTRANCE - REAR OF HEALTH CENTER on automobile ramp that connects Holyoke and Dunster Streets. (Report emergency cases to the Dean of Students or the Dean of Residence.
495-2951

ACTIVITIES

The Summer School sponsors a variety of extracurricular activities. For these, the Summer School Privilege Card is required for identification purposes. Additional information on activities is available at the Office for Student Affairs. Fees for extracurricular activities are subject to change.

Athletics

Golf

The Cambridge Municipal course at Fresh Pond Golf Club, 691 Huron Avenue, is open to golfers upon payment of greens fees. For information: (617) 354-9130.

Sailing

The Harvard Sailing Center is on Memorial Drive at the foot of Wadsworth Street. Twenty-five Inter-Club Dinghies and six Finns are available; sailing instruction is provided for beginners. A swimming test of 100 yards is required and is administered at the Indoor Athletic Building Pool. For information on sailing and membership: (617) 495-3434.

Sailing Center Card (at Athletics Ticket Office or Sailing Center)	\$20.00
Sailing hours (June 27-August 19)	1:30-7:30 p.m.

Sculling

The Weld Boat House is on Memorial Drive at Lars Anderson Bridge. Individual rowing (single shells for a period of 45 minutes or wherries for a period of 30 minutes) is available. Facilities include lockers and shower rooms for men and women (users must supply own towels). A swimming test of 100 yards is required and is administered at the Indoor Athletic Building Pool. For sculling information: (617) 495-2226.

Season ticket (June 27-August 19)	\$20.00
Single use (each period)	1.50
Hours: weekdays	10:00 a.m.-5:00 p.m.
Instruction at boathouse, weekdays	10:00 a.m.-4:00 p.m.

Swimming

The Indoor Athletic Building on Holyoke Street has two pools, a small shallow pool for beginners and an intercollegiate-size deep-water pool. Facilities include locker and shower rooms for men and women (users must supply own towels). Nylon tank suits are required. Swimming classes may be provided. For information on swimming: (617) 495-4850.

Season ticket (June 27-August 19)	\$20.00
Single use	1.50
Men and Women, weekdays	11:00 a.m.-5:30 p.m.

Tennis

There are thirty University tennis courts at Soldiers Field, across the Charles River. For additional tennis information: (617) 495-4850.

Season ticket (June 27-August 19)	\$20.00
Single use per hour:	
Hard surface courts	1.50
Clay courts	2.00
Indoor courts (inclement weather only)	
Singles with season ticket	4.00
Doubles with season ticket	3.00
Singles without season ticket	5.00
Doubles without season ticket	4.00
Hard surface courts,	
Monday through Saturday	8:00 a.m. to dusk
Sunday	8:00 a.m. to dusk
Soldiers Field clay courts,	
Monday through Sunday	8:00 a.m. to dusk

Arrangements may be made for tennis instructions on Soldiers Field courts.

At Garden and Bond Streets in the Radcliffe area four University clay courts are also available, on a first come first served basis. For reservations: call (617) 495-7886 between 8 a.m.-1 p.m., or 3-7 p.m.

Radcliffe area clay courts,
Monday through Sunday 8:00 a.m. to dusk

The Summer School will have a Tennis Tournament with men's and women's singles and mixed doubles. Dates and sign-up instructions will be announced in the Office for Students Affairs.

Cultural/Educational

Dance

The Harvard Summer School Dance Center offers a number of activities and events this season which are open to the Harvard community and to the general public at no charge.

A series of dance films will be screened Tuesday evenings at 7:30 in the Science Center. At Agassiz Theater in the Radcliffe Yard, student workshop performances will be presented Wednesdays at 4 p.m.; and a guest lecture series with feature members of the professional dance world on Thursdays at 2 p.m.

Museums

Seven Harvard museums are open to the public. The Fogg Art Museum, Museum of Comparative Zoology, Peabody Museum of Archaeology and Ethnology, Botanical Museum, Busch-Reisinger Museum, Mineralogical Museum, Semitic Museum.

Music

Application for the Band and Chorus is found on center fold. Those interested in participating should complete and return the form to the Harvard Summer School.

Harvard Summer Band. In 1972 the Harvard Summer Band was formed as a community organization, open to interested wind and percussion players (without audition) in the area. Conducted by the director of the Harvard University Band, Thomas G. Everett, the summer band will read and rehearse light popular works as well as serious literature. Rehearsals: Wednesdays, 7:15-9:30 p.m. Two informal outdoor concerts will be scheduled in the Harvard Yard and at the Hatch Memorial Shell on the Esplanade in Boston.

Harvard Summer School Chamber Players. Under the musical direction of composer-pianist Leon Kirchner, Walter Bigelow Rosen Professor of Music, the Chamber Players offers its sixth full season of Monday Evening Concerts in Sanders Theatre, July 11-August 8. The ensemble is a unique association of talented student and professional musicians from across the nation. The 1977 series will feature works by Beethoven, as well as occasional works by Bartok, Hindemith, Messiaen, Schoenberg, and Stravinsky.

Harvard Summer School Chorus. The Summer School Chorus, open to members of the student body, will be under the direction of Robert Porco, Assistant Professor of Music, University of North Carolina at Chapel Hill.

Area Concerts. The Boston Pops Orchestra offers the Esplanade concerts on the Charles River for two weeks early in the summer. The Boston Symphony Orchestra presents the eight-week Berkshire Music Festival at Tanglewood in Lenox, Massachusetts, beginning July 8.

Summer Newspaper

The Harvard Crimson will publish twice weekly during the session and will provide opportunities for Summer School students to participate in its operation. The paper carries official notices, announcements, reports of activities, and other news of interest to the student body. For information visit the *Crimson* office, 14 Plympton Street, or call 495-7890.

Theater

Harvard Summer School Repertory Theater June 22-August 20. The professional theater season at the Loeb Drama Center opens June 22 with Harvey Schmidt's and Tom Jones's musical about a marriage, *I DO, I DO*, which is based on Jan de Hartog's well-known play, "The Fourposter." This will be followed by Arthur Miller's comedy, *THE PRICE*, which opens July 13, and on August 3 by Noel Coward's immensely popular *HAY FEVER*, a hilarious situation-comedy set in the 1920's. Each play is given for 19 performances, including 2 performances each Saturday. Tickets should be ordered in advance from the Loeb Drama Center's box office, 64 Brattle Street, Cambridge, MA 02138. Series discounts are available; write for details.

Shakespeare Film Festival. The twenty-four films of Shakespeare's plays to be shown in the *Shakespeare in Film* course (see Department of Visual and Environmental Studies) will be made available to those who are not members of the course on Monday, Wednesday and Friday evenings at 7:30 p.m. in Carpenter Center during the eight weeks of Summer School.

The Festival will include Laurence Olivier's *Hamlet*, *Henry V* and *Richard III*, Orson Welles' *Macbeth* and *Falstaff*, Peter Brook's *King Lear* and George Cukor's *Romeo and Juliet*.

Tickets will be sold at the Office for Continuing Education, Lehman Hall B-3, by subscription only: \$25 for all twenty-four films or \$17.50 for twelve films of your choice. Tickets will not be available for individual films nor will they be sold at the door.

Tours

Suggestions for tours through historic Boston, Cambridge and other New England areas are available at the Office for Student Affairs. For weekly listings of local events consult the calendar listings of area papers, or call Boston 200, 338-1976.

Religious

Daily Prayers will be held in Appleton Chapel in Memorial Church, at 8:45 a.m., Monday through Friday beginning June 28 through August 19. The services will be conducted by ministers of Cambridge churches and by members of the faculty. Sunday Services will be conducted in Memorial Church at 11 a.m., beginning July 3.

Social

The Summer School sponsors a number of dances and social activities. Information on these events, as well as listings of students clubs which are active in the summer, will be available at the Office for Student Affairs.



NONTRADITIONAL TECHNIQUES FOR LOCAL ECONOMIC DEVELOPMENT

Monday, June 6 - Friday, June 10, 1977

For years, the favored method for improving a state or city's economy has been through government subsidy of business enterprise. But as the overwhelming body of academic literature points out, tax incentives, work subsidies and investment credits given to firms do not create jobs. Instead, they end up as a redistribution of income from the taxpayer to the business community.

The first part of the course will examine the history of state and local subsidy programs and explore the economic assumptions behind them. The major portion of the course, however, will be devoted to an evaluation of a wide range of alternative methods of development. Each method will be considered from three angles. Initially, we will examine the "economics" behind the program or strategy. Second, we will survey the literature to see if the various strategies have been implemented around the country and if so, the effectiveness of these ventures. Finally, we will meet with people who have had experience in the various methods and learn about some of the practical problems and strengths in the methods studied.

Monday 6/6

Morning

9:00 - 10:30 am	Registration in Lobby - Gund Hall Breakfast and Orientation in Cafeteria - Gund Hall
10:30 - 12:00	Discussion of Current State and Local Economic Programs in Massachusetts Mel King/Gary Jefferson

Afternoon

12:00 - 1:00 pm	Lunch/Harvard Faculty Club 20 Quincy St, Cambridge
1:00 - 2:30 pm	History and Economics of State and Local Business Incentives Sandra Kanter
2:30 - 4:00 pm	Community Development Corporations DeForest Brown
4:00 - 5:00 pm	Theory of Public Enterprise, Part I Sandra Kanter

Tuesday 6/7

Morning

8:30 - 12:30 pm Tour of Projects Underway in Boston
Mel King

Afternoon

12:30 - 1:30 pm Lunch/Harvard Faculty Club

1:30 - 2:00 pm Theory of Public Enterprise, Part II
Sandra Kanter

2:00 - 4:00 pm Public Enterprise in Practice
Marsha Molay/Ted Vannah/Dave Davis

Wednesday 6/8

Morning

9:00 - 10:30 am Models of Local Control
Mel King

10:30 - 12:00 Local control of Natural Resources in Practice
Jeff Simon/Susan Redlich

Afternoon

12:00 - 1:00 pm Lunch/Harvard Faculty Club

1:00 - 2:30 pm Economics of Employment Programs Including Coops,
Collectives and Worker Redesign Projects
Sandra Kanter

2:30 - 4:00 pm Economics of Community Economic Development:
Equity, Financing and the CDFC
Belden Daniels/Elbert Bishop

4:00 - 5:30 pm LEAP, LIP and Banking Policy Overview
Sandra Kanter

Thursday 6/9

Morning

9:00 - 10:30 am LEAP and LIP in Practice
Ralph Jordan/Sandy Leon/Marty Gopen

10:30 - 12:30 pm Cooperatives and Collectives in Practice
John Blanchard/Mr. ~~Endresen~~/Steve Klein

Afternoon

12:30 - 1:30 pm Lunch/Harvard Faculty Club



- Bond Bank with bank
- Mtge. Ins. Program
- Credit Unions
- Retirement Funds

Thursday 6/9 cont.

1:30 - 2:30 pm Worker Redesign in Practice
Mike Lynch

2:30 - 4:30 pm Banking Policy in Practice
Jim Carras/Jack Kittredge

Friday 6/10

Morning

Wrap-up

Faculty

Course coordinator Melvin King is a Massachusetts State Representative, Adjunct Professor at MIT, and cosponsor of the recently passed Community Development Finance Corporation Act.

Sandra Kanter is Assistant Professor of Economics at the University of Massachusetts and a former senior researcher with the Joint Commerce and Labor Committee of the Massachusetts Legislature.

Gary Jefferson is the former Deputy Director of the Office of State Planning in Massachusetts.

DeForest Brown is the Executive Director of the Center for Community Economic Development.

Marsha Molay is the Deputy Secretary of State, in Massachusetts (state bookstores).

Ted Vannahl is the Manager of Merrimac Light Inc. (a public utility).

Dave Davis is the Executive Director of the Massachusetts Port Authority (public transportation).

Jeff Simon is the Deputy Director of the Massachusetts Land Bank.

Susan Redlich is the Director of the Division of Agriculture Reluse, in the Office of Agriculture.

Belden Daniels is the former Executive Director of CDFC.

Elbert Bishop is the Executive Director of the Southwest Corridor Coalition.

Ralph Jordan is Director of the State Manpower Services Council.

Sandy Leon is the Director of Massachusetts CETA Program.

John Blanchard is a member of the American Friends Service Committee.

Mr. Endresen is with the Ocean Spray Company, Inc.

Steve Klein is a Consultant to Community Cannerys.

Jim Carras is with the Office of Program Development of the City of Boston (anti-redlining).

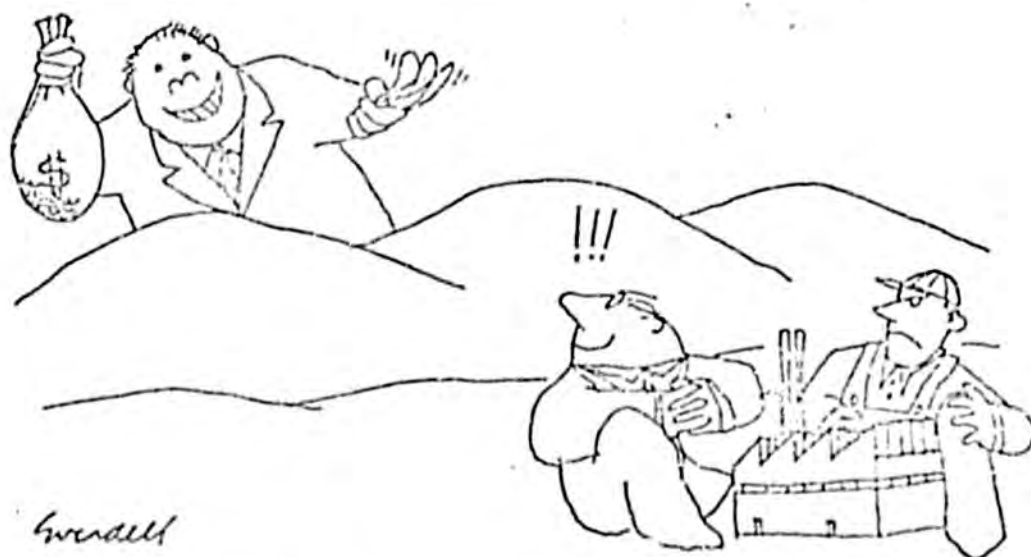
Jack Kittredge is with the Social and Economic Opportunity Council (linked deposit system).

The State Robbery

by BENI

HARRISON and SANDRA KANTER

State tax incentives for business have virtually no effect on job creation or economic development; they do redistribute income—upwards.



Centenders for the office of governor in Mississippi last November agreed on at least one thing, according to a *New York Times* account: "economic colonialism." They were both against it.

Responding to an interviewer's question as to how he felt about "manufacturers building plants in the state to take advantage of cheap labor," Democrat Charles C. Finch (who won the election) said "with a show of passion": "I don't want them to come here just because they may be able to get nickel or dime savings on their labor. We've been holding our head in the sand by offering cheap wages. The blue chip industries are not looking for cheap wages." His Republican opponent proposed putting less emphasis on tax incentives for industry. "The state needs to think instead about incentives for agriculture to get idle land back into production," he said.

BENNETT HARRISON is associate professor of economics and urban studies at M.I.T., and began his research in this area while a consultant to the commerce and labor committee of the Massachusetts legislature. SANDRA KANTER, formerly a researcher for the same committee, is an assistant professor of economics at the University of Massachusetts in Boston.

"The Mississippi race," the *Times* story went on, "is the latest indication that Southern leaders are changing their traditional stance toward industrialization. For generations Southern politicians and businessmen lured Northern industry with every device they could find, from cheap labor to tax write-offs."

Cheap labor and favorable political conditions almost surely had more to do with enticing low-wage industry from the North to the South than tax write-offs. Indeed, the latter may not have made any difference at all. Effective or not, however, "devices" like tax write-offs to businesses are still advocated in practically every state legislature as a way to stimulate production and thus to create jobs within a state's boundaries.

Such incentives are opposed by some observers on the grounds that competition among states for jobs does nothing to increase the country's overall employment; it just changes its location. Other opponents see the incentives as one more example of how public money is used to benefit private corporations. However valid these objections, we are going to make a

different argument against the incentives: They don't work. What's more, they cost states a lot of money in uncollected taxes.

Special-interest lobbyists have succeeded in selling states the idea that incentives are effective and even necessary both to attract and to keep business. Surprisingly little work has been done to find out how firms actually do respond to the incentives. Perhaps that is because the policies sound perfectly plausible. If a state reduces the costs of doing business relative to other states, surely firms will be attracted to it.

That argument may sound right. But there are a host of reasons, some of them even from standard economic theory, why the incentives that most states use will not significantly affect production or employment. And empirical studies, spotty though they may be, provide little or no evidence that business decisions are influenced by these incentives.

The Theory

State subsidies to business are almost as old as the Constitution. In the late 1700s, for example, the government of the Commonwealth of Massachusetts authorized bounties or outright gifts of money to producers of hemp, flax, and glass to encourage production of these goods. The Commonwealth also offered to reduce the taxes of brewers who produced over 100 barrels of beer annually.

Today the rationale for business incentive policies is less to encourage the production of particular goods than it is to encourage the creation of jobs within a state. These policies include tax credits and "forgiveness"; the provision of capital raised through tax-exempt bonds; low-interest loans; and state guarantees of loans or mortgages written by private sector lenders. Nearly every state in the union provides some mix of these business incentives (see box, p.62).

Popular—and legislative—discussions about business incentives are invariably couched in very general terms: "Cut taxes and get businesses to create new jobs." Economic theory cannot tell us with any precision whether or not cutting taxes in a state creates jobs. It can, however, shed light on a number of issues about business incentives that are not covered in the existing empirical studies—and that should be of concern to policymakers. For example, if incentives do work, which sorts of businesses are likely to respond to them? What kinds of jobs are apt to be created? How important to firms are reductions in costs of the magnitude the states can offer, compared to other market conditions?

There is, in elementary economics, a model of "perfect competition" in which firms compete with one

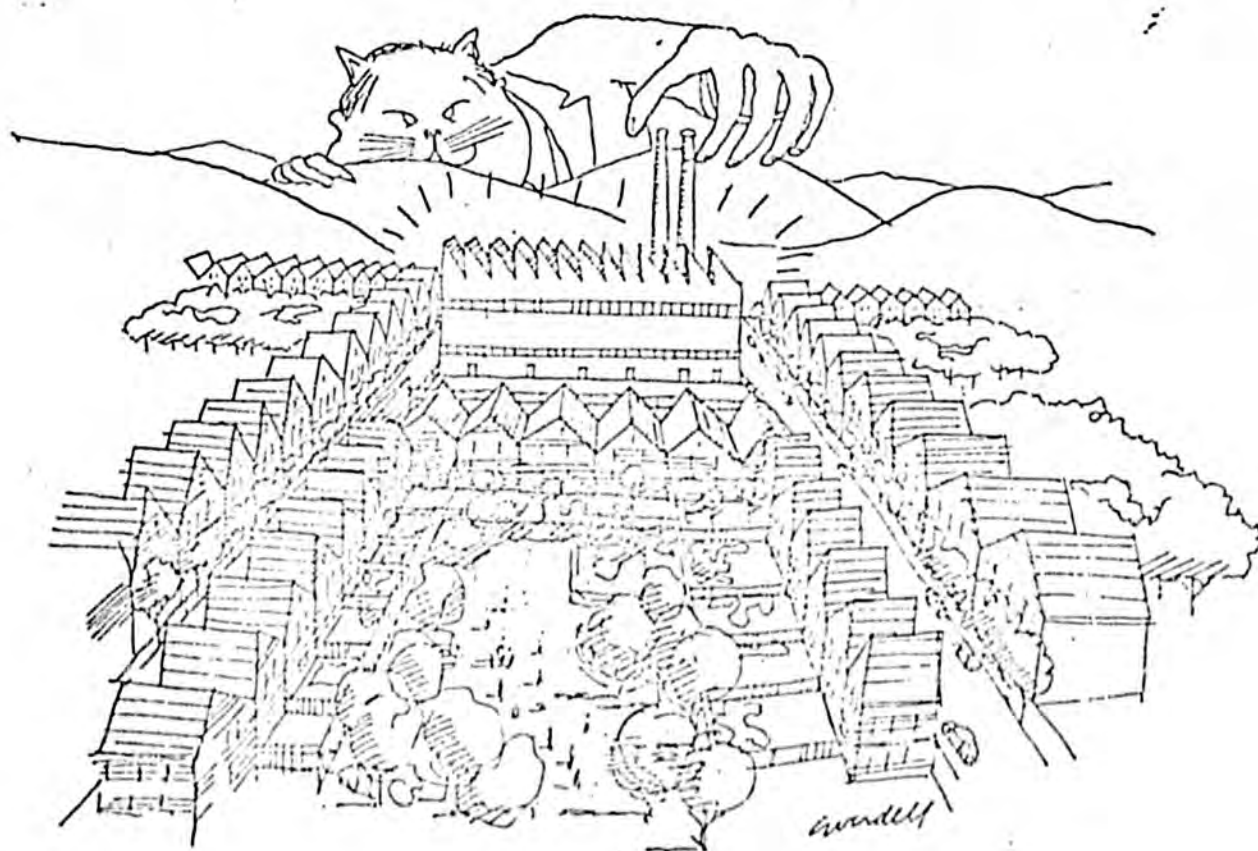
another on equal terms for markets, labor, and capital. No one firm is so powerful that it can directly influence the price of its product or the prices it must pay for labor or capital. And so on. According to this theory, under conditions of perfect competition, any reduction in a firm's costs will induce some change in its output and employment decisions. In its search to maximize profits, the firm will tend to increase production and, therefore, employment.

Though many of these assumptions never hold in the real world, firms do behave differently according to the degree of their competitiveness. Oligopolies, for example, are firms in industries that are characterized by a relatively small number of larger producers. To some extent, oligopolies like Ford or General Motors can set their own prices and output levels without fear of losing out to a competitor. Tee-shirt factories, by comparison, have to produce as many shirts as they can and sell them at a price low enough to be competitive or else they'll go out of business. Though even they do not exactly fit the model of perfect competition, they will respond more nearly to the textbook model than the oligopolies, which are less affected by external market conditions. It follows, then, that if they have any effect at all, incentives that lower the costs of taxes and interest on bonds and loans will have a relatively larger impact on competitive firms than on oligopolies. In theory, at least, the competitive firms are more apt to respond by increasing production and employment.

In recent years, a huge literature has developed on the "rules of thumb" by which oligopolists (and even small firms facing less than perfectly competitive conditions) make output and employment decisions in response to changes or uncertainties in market conditions. This literature stresses the importance of "threshold effects": unless price, cost, and other external conditions change by more than some minimum amount in a given time period, the firm will probably ignore the changes since the very act of adjusting to them would have real costs. For example, if business taxes fall by a small amount, the firm may not react at all. The revenue a firm gains from tax incentives that are granted whether it increases its hiring or not—such as reduced excise taxes on existing machinery—is simply a windfall profit.

Firms of all types are more likely to increase output and therefore employment if there is an increased demand for their goods and services. But at the state level, business tax incentives do virtually nothing to stimulate the demand for goods and services (although consumer income tax deductions and credits may do so).

In principle, of course, there must be some level of



business incentive so great that the resulting cost reduction would, over time, induce at least some firms to increase their output and employment significantly. But the larger the incentives, the greater the tax revenue the state foregoes that might have been used to finance other things, such as state social services, repayment of interest on the state's bonded debt, and so on. There are, therefore, political limits to how much a state can offer in business incentives.

If and when some firms do respond to tax incentives by increasing output and employment, theoretically at least, they are most likely to be firms in the competitive sector, rather than oligopolies. Yet, according to the "dual labor market" literature, these are the industries that in general pay lower wages, offer worse working conditions, provide less stable (full year and/or full week) employment, and make it more difficult for labor to organize. Thus, incentives that lower costs of doing business appear to be policy instruments—if they work at all—that are most likely to "goose" the sector of the economy with the least desirable jobs, while providing windfall profits to the segment of the business community that least needs them.

Some business incentives, for example investment tax credits, are intended to lower the price of capital, and

thus encourage firms to invest in new plants, expand existing plants, and relocate from other states. Though economic theory has not had great success in predicting investment decisions, one thing is clear: the decision to invest depends not only, or even primarily, on the cost of capital, but also on expectations about the likely "returns" to that investment through sales. Almost anything that a government can do to reduce the uncertainty about sales is more likely to induce businesspeople to go ahead and build or expand a plant than any other kind of public action—including the granting of incentives.

Orthodox theory ignores the question of who has access to capital for investment in the first place. Most treatments assume that capital is always available for a price. If it pays an investor to borrow the capital in order to build or expand his or her facilities (because the expected rate of return is higher than that available from other applications of the funds), the borrowing and investing will in fact take place.

But capital allocation depends only partly on "supply and demand." Blacks, women, entrepreneurs working in low-income communities, and nonprofit developers have trouble getting capital at any price. (Since the New York City debacle, state and local governments may be in the same category.) A particu-

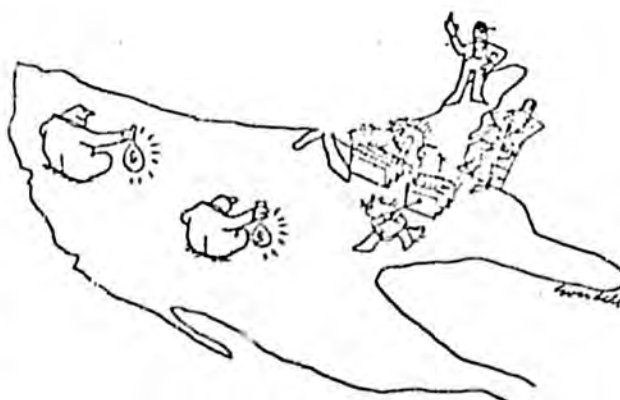
lar problem for these investors is the "debt-to-equity capital mix." Equity capital is usually obtained by selling stock in an enterprise. The lender (stockholder) is paid a share of the profits—if and when there are any profits. When capital is obtained through loans, however, the borrower usually has to begin paying back interest on the loan immediately, whatever shape the business is in. Thus, businesspeople who must rely mainly on loans for capital investments face high probabilities of failure because of their indebtedness. And equity capital is particularly scarce for the traditionally excluded groups mentioned above.

The smallest firms, with the poorest "track records," and the least powerful investors or groups, perhaps with no "track record" at all, find it most difficult to borrow or to attract new equity investments. Large firms with good credit ratings have less trouble raising their own capital, whether externally or through their own retained earnings. But if the investing and lending of private banks, or of state economic development authorities, is based on the creditworthiness of the borrower, then the normal operation of the capital markets will work to channel ever more financial resources to the oligopolists at the expense of the more competitive segment of the market. On the one hand, then, competitive industries are more likely to need tax and interest rate incentives and so they are more likely to take advantage of them. On the other hand, competitive firms face greater uncertainty about business success so they may be less likely to invest at all and thus they may not take advantage of state investment incentives.

Aside from some speculation about the different behavior of firms in oligopolistic industries compared to competitive industries, economic theory is ambiguous in predicting the impact of state incentives on job creation. This even extends to the national level, at least in terms of tax credits or tax cuts. The Brookings Institution conducted a series of econometric evaluations of the impact of the 1962 federal investment tax credit, which was designed to stimulate the business sector's demand for capital goods and therefore, indirectly, the demand for labor. Half of the studies concluded that the credit worked. But half concluded that it did not affect output and employment at all.

The Evidence

Judging from the speeches of elected and appointed officials and the editorials of newspaper writers, most people seem to expect new jobs to be created in a state's economy over time through the relocation into the state of plants that are closed down elsewhere, or through the decision of multiplant firms to build their



next new plant in the state. To this end, states use an additional policy instrument, industrial recruiting. They hire advertising agencies or management consultants to place ads and hustle up new business. Visiting company representatives are wined and dined, and shown around the state.

Most urban and regional economists believe that companies select regions by broad, qualitative criteria such as the availability of basic resources, adequate transportation access, and, though it is seldom put so bluntly, a politically passive labor force. The sort of cost differences that incentives try to create are considered less important.

For example, Peter Bearse, formerly the executive director of the council of economic advisers to the governor of New Jersey, discusses the role of these marginal cost differences in the corporate decision-making process:

Decisions can be arrayed in a hierarchy—from minor allocation decisions of the type described by textbook economic theory to major "all or nothing" decisions like the decision to move or build a plant. Major decisions are subject to thresholds and long gestation periods. Marginal adjustments in the cost of debt finance or in certain tax rates do not stand a chance of affecting a major decision unless a firm is at or near a threshold; and even then, several other factors are operative . . . It is a question of probabilities—the odds that a given policy can have an intended effect. I claim that the concept of an adaptive, sequential decision making process subject to thresholds makes the efficacy of current policies look very dubious.

Bearse's doubts appear to be validated by the empirical data, sketchy though they are, that have been collected about corporate responses to the business incentives offered by various states.

Since the 1950s, government agencies and independent researchers have tried to measure the relative impact of business incentives on industrial location or expansion. Unfortunately, the quality of the empirical

material is uneven. Nonetheless, with a very few exceptions, the literature does not reveal significant plant relocation or expansion resulting from interstate differentials in state business incentives.

Surveys have asked employers to name the factors that mattered in their decision either to expand their facilities in a particular location or region, or to move into that area. The firms seldom mentioned such things as state and local taxes or the availability of subsidized credit. When taxes or credits were specified by the questionnaire, the proportion of respondents checking them off usually rose to between 5 percent and 15 percent. When these surveys then asked the respondents to indicate whether these factors were "critical" or not, few considered them as such. The findings were similar for the relative importance of other types of business incentives. A wide range of "mentions" were recorded, state bonding programs for example, but no such factor was considered to be "critical" by more than a small proportion of the sample. The results of these surveys are remarkably consistent even though they were made at different times, under different circumstances, and in different areas of the country.

One of the earliest surveys was conducted in 1950 by the Survey Research Center of the University of Michigan. The managers of only 9 percent of 188 plants moving into Michigan felt that the state's tax benefits were an "important consideration" in their moves. A Regional Plan Association study of firms moving plants out of New York City between 1947 and 1955 concluded that 14 percent of the moves were related to interregional tax differentials. (A more recent study of firms moving facilities out of New York State, however, shows a much greater sensitivity to taxes as a cost of doing business, with half of the respondents indicating taxes as one factor in their relocation decision.) A questionnaire was mailed to firms expanding or relocating into seven southern states in the late 1950s; 11 percent of the respondents checked local taxes as a factor, but only 2 percent called that factor "critical." In a 1963 study of the movement of industrial plants into Ohio since before World War II, only 2 percent of the companies interviewed voluntarily cited tax differentials as a factor.

One particularly careful study was conducted at the Stanford Research Institute in 1964 by economist Robert Spiegelman. He analyzed the locational behavior of one of the more footloose industries, precision instrument manufacturing. More than one-half of the 45 firms in the study considered interregional tax differences relevant, but only one called them "the most important factor." In a mid-1960s survey of industrial migration into Texas, only 13 percent of the

firms considered taxes to be ~~one~~ determinant of their decision.

A national mail survey conducted by the U.S. Department of Commerce in 1972, covering 2,900 companies in high-growth industries across the country, revealed that 78 percent considered tax incentives or "holidays" to be relevant to their locational decisions. But only 8 percent rated such incentives as "critical."

There is no way of knowing whether the person who answers these mail questionnaires is a public relations staffer, a lower-level executive, or the person directly in charge. In 1974, to get more precise responses, personal interviews were conducted in Massachusetts and Connecticut. Two legislative staffers interviewed executives of 15 Massachusetts companies from the pool of companies that had applied for state "job-creation tax credits." Credits were claimed by 14 of the companies for alleged expansion in excess of "normal" growth, and one was for relocation into Massachusetts. Every single interview yielded the same result: the company took actions according to its own plans, then learned about the existence of the tax credits and applied for them. An independent set of interviews with Connecticut businesspeople participating in that state's business incentive programs produced identical results. In these two states, at least, the availability of the incentives did not produce business behavior that would not have occurred otherwise. Instead, the incentives functioned as a windfall for the companies at the expense of the taxpayers.

One way to estimate the effects of the incentives while avoiding the inherently subjective nature of the survey approach is to compare the rate of job growth in states with high and low business taxes. C.C. Bloom correlated growth in manufacturing employment with per-capita state and local tax collections among all the states, for two periods, 1939 to 1953 and 1947 to 1953. In neither case was there a statistically significant relationship. An econometric model describing the growth of the Michigan economy between 1947 and 1955 showed no significant relationship between state and local taxes and employment growth over time. A non-profit citizens organization, the Pennsylvania Economy League, rank-ordered 11 states in 1971 according to the burden of state and local taxation on ten specific industries. We find no systematic correlation between this rank ordering and the state unemployment rates; in fact, the lowest unemployment state, Indiana, was consistently found to be among the very highest tax-burden states for most of the industries. Finally, for 15 of 16 major industries studied in an econometric model of the Massachusetts economy describing the period 1950 to 1972, there was no statistically significant

INCENTIVES GALORE!

Tax credits and forgivenesses. Property tax concessions are the oldest and most important of the business incentives offered by states. Twelve states and Puerto Rico permit cities and towns, counties, or the state itself to exempt part or all of business property from property taxation for a specified time period. Puerto Rico's tax incentive law is probably the most liberal: manufacturers of goods first produced in Puerto Rico after 1946 pay neither property nor income taxes for a period of up to 25 years. Three states provide similar, though smaller, tax concessions to new industry. Nine states give local counties or municipalities permission to give abatements to businesses on some or all of their local property taxes.

Alabama, Mississippi, Georgia, and North Dakota exempt new and/or expanding industries from local ad valorem taxes on all tangible property for a stipulated time period. (Ad valorem taxes are taxes levied on the value of property. Sales taxes, on the other hand, are based on the sale of goods and services.) New York, Massachusetts, and North Dakota give tax credits to businesses that expand employment. In North Dakota, new firms may receive a tax credit of up to 1 percent of their annual gross wage and salary expenditures for three years. In New York, firms that expand in low-income areas qualify for an income tax credit. Massachusetts gives income tax credits to businesses that employ people who were on welfare or drawing unemployment compensation.

Four states permit some form of investment tax credit. Firms may take a certain percentage of the cost of acquiring buildings, structures, machinery, and equipment as a tax credit and reduce their total state tax bill by the amount of the credit, which varies from state to state. New York and Rhode Island allow manufacturing firms a tax credit equal to 2 percent of the cost of new buildings, equipment, and facilities; Massachusetts allows 3 percent. Manufacturers in West Virginia may receive a credit equal to 10 percent of the cost of new production facilities for a period of ten years.

Loan guarantees. Thirteen states guarantee commercial loans. Ten of these states have organized industrial finance authorities specifically authorized to guarantee, on behalf of the state, the repayment of some or all of a mortgage or loan made by a conventional market source on an industrial facility. New Hampshire, the originator of the program, has a relatively modest policy: the state insures the portion of a loan that is in excess of 50 percent of a property's appraised value or in excess of 65 percent of the value of machinery and equipment. At the other end of the spectrum, Rhode Island guarantees up to 90 percent of the cost of plant construction. Most states charge firms a fee for administrative costs that ranges from 1 percent to 3 percent of the outstanding loan.

Industrial development bonds. There are two kinds of industrial development bonds: general (or "moral") obligation bonds, and revenue bonds. Thirteen states permit localities to float general obligation bonds, whose payments are guaranteed by the full faith and credit of the state or municipality. Forty-three states allow local governments to issue revenue bonds that are paid solely from the proceeds of the project and do not become the obligation of any government. Both types can be used to finance the construction of industrial development projects or sports facilities, convention or trade show buildings, docks, wharves, airports, parking lots and garages, sewage or solid waste disposal plants, and air or water pollution equipment. Income from general obligation and revenue bonds is usually exempt from federal taxation.

Low interest loans. Thirty states have state-chartered credit corporations that make loans to businesses unable to obtain long and short-term financing in the conventional capital markets. The corporations issue stock to banks, insurance companies, and other private parties which are often exempt from paying state taxes on their income.

relationship between quarter-to-quarter changes in Massachusetts' share of national employment and changes in the ratio of Massachusetts' business taxes to the average for all states. Ephron Catlin, dean of Boston's financial wizards, banker extraordinaire, was recently quoted in a local paper: "... Our taxes aren't bad. I don't think many firms have moved out because of business taxes."

If, as seems to be the case, tax incentives are not very effective in luring businesses from one state to another, why not? We suspect that the main reason is that state and local taxes are such a small proportion of a firm's total costs of doing business. Incentives, in effect, reduce the cost of something that's not that important a consideration to begin with.

Interestingly enough, none of the empirical studies measure taxes in relation to business costs per se. We can get a good idea of their relative insignificance, however, from studies that estimate state and local taxes as a percentage of sales or of value added. (Value added is the actual contribution of a specific firm to the final market value of a good. If we take an auto factory, for example, the value of "intermediate products" made elsewhere—like steel bars or business forms—would not be included in the value added by the auto factory itself to the market value of autos.)

State and local taxes are consistently estimated at from a half to 3 percent of value added and from 2 percent to at most 5 percent of sales. A 1954 study in New York showed state and local taxes to be 1 percent of value added. In a 1958 calculation for Michigan, the ratio of state taxes to value added was under 1 percent. A study of five western states in 1963 found that taxes as a percent of value added ranged from a low of .93 percent in the food industry to a high of 2.73 percent in fabricated metals. Recently, the Federal Reserve Bank of Boston estimated that the average U.S. business paid 4.4 percent of its income to state and local governments. (This estimate, for 1973, breaks down into .9 percent going to pay corporate income taxes, 1.9 percent for property taxes, .8 percent for unemployment compensation contributions and .8 percent for "other business taxes.") Since corporate and unincorporated business income averages about one-eighth of the value added, this translates into an average ratio of state and local taxes to value added of about .6 percent.

Using another measure, J.A. Stockfish of the California Economic Development Agency found that state and local taxes as a percentage of stockholders' equity varied among selected industries over 17 states within a very narrow range: 3.9 percent (fabricated metals) to 6.4 percent (apparel).



Businesses, of course, must consider not only the cost of state taxes, but federal taxes as well. In Massachusetts, for example, a manufacturing or research-and-development firm is allowed to credit, against its annual state excise tax liability, 3 percent of the cost of new investment in buildings, machinery, or other equipment. The legislature intended this to be quite a large tax incentive to expand or relocate in Massachusetts. But the amount deducted from the state taxes, as a credit, is an addition to the firm's income, which is subject to the 48 percent federal corporate income tax. The saving is, therefore, cut almost in half. Suppose a middle-sized manufacturing firm, with total annual operating costs of \$6.7 million, undertakes a new investment of \$800,000 in Massachusetts. The state credit for the investment would be \$24,000 ($\$800,000 \times .03$). But of the \$24,000 "saved," the federal tax takes \$11,520 ($\$24,000 \times .48$). The real saving to the firm is \$24,000 less \$11,520, or \$12,480. And that amounts to a mere .19 percent of its total costs.

Since expansion or relocation decisions are assumed, even by the advocates of these policies, to depend on relative total costs in different places, it is no wonder that these, and similar, state business incentives don't have any great influence over corporate decision making. And since nearly all of the states follow one another in legislating these incentives, the savings differentials from one state to another are by and large meaningless.

Finally, the incidence of physical plant relocations—the objective of the incentives—is actually very small in the United States, whatever causes it. Between December 1969 and December 1972, according to an MIT-Harvard Joint Center for Urban Studies report using Dun and Bradstreet credit-rating data on all manufacturing and most nonmanufacturing firms in the country, plants moving into a state added an average of only .3 percent to that state's 1969 employment base; plants moving out took an average of only .2

percent of the jobs with them. In no single state was the gain or loss of jobs due to moving plants ever greater than .5 percent. This was, of course, a recessionary period, and data through 1973 may show increased movement of plants. Nevertheless, this first empirical estimate makes the competition among the states for new plants seem even more futile. There are few winners, yet all states incur costs.

In fact, the winners may not even benefit from relocated industry, however it is attracted. If the company brings part or all of its labor force with it, the new families will place an increasing burden on the social services, housing, and labor markets of the receiving state, and there will be at best only a small net effect on the local unemployment rate. If only the skilled labor force is relocated, the local job creation will occur in the unskilled, low-wage segment of the labor market. Only recently have state and local planners begun to look carefully at the expected impact of new plants on environmental quality and maintenance costs; under many circumstances, these, too, could more than offset the job-creation and tax benefits accruing to the state from successful industrial recruiting.

The Costs

Tax incentives force a state to forego tax revenue—the revenue that would have been collected in the absence of the incentives. The goods and services these foregone revenues could have purchased are called the “opportunity costs” of tax incentives. According to estimates made by the Massachusetts commissioner of taxation, his state lost about \$65 to \$70 million from six of the ten tax incentives the state offered to businesses in 1974. Calculations were not done for the other four incentives, but they probably would have brought the cost to over \$100 million a year.

Mortgage guarantees, loans, and industrial development bonds do not reduce the amount of taxes that accrue to state governments, but there are also opportunity costs associated with these types of incentives.* These costs have to do with the availability and price of capital. Who will be affected by this “capital crowding” depends on the reaction of financial institutions to the overall economic conditions at the time. Though

we know of no empirical estimates of these costs at the state and local level, a look at the financing process itself illustrates the problems.

Banks have a finite amount of savings at any one time, and they have to allocate their investments among different kinds of bonds and loans. Assuming everything else is equal, financial institutions prefer mortgages that have their payments guaranteed by government over unsecured loans, and tax-exempt bonds over taxable investments. To compete for these limited bank funds, others who seek capital for investment must pay higher rates of interest to the banks. Private investment is therefore more expensive for the borrower than it might have been in the absence of government-backed and tax-exempt financial instruments.

In recent years, banks have come to hold almost two-thirds of all state and local industrial development bonds. Banks are very “unstable” customers; they tend to purchase tax-exempt bonds when money is easy, when they have met their obligation of a legally required reserve, and when they have satisfied the loan needs of their customers. When money becomes tight, banks raise cash by selling their state and local securities. States and localities wishing to finance capital projects in periods when banks are reducing their portfolios of state and local bonds have two choices: they can either pay high interest rates on the bonds to attract other investors; or, where possible, finance their projects with short-term notes. Short-term notes, however, have their own disadvantages. First, they usually carry a higher effective rate of interest (including underwriting charges) than long-term obligations and thus cost the public more. Second, they are only a temporary solution to a serious economic situation and are not themselves marketable when money is scarce.

If incentives are as ineffective and costly as they appear to be, why are they so widely used? Perhaps the explanation is that state governments have so little power to affect their local economies, officials feel compelled to do something; and local taxes and bonding are something they can manipulate. Perhaps these officials are simply serving the class interests of the business sector for whom such incentives are a source of profit.

However uncertain the motivation of state officials, we believe the motivation of private corporations is clear-cut: to increase their own income at the expense of workers, consumers, and the public sector. Governments, of course, must tax the business sector to help finance the production and delivery of public goods and services. Not surprisingly, businesses resist

*They do, however, affect federal tax revenues. Harvard's Stanley Soney estimates that in fiscal year 1968, the federal income tax deduction of the interest on state and municipal bonds cost the U.S. Treasury about \$1.8 billion. According to the U.S. Office of Management and Budget, in fiscal year 1976 the foregone federal revenues will amount to nearly \$4.8 billion, with three-fourths of that accruing to corporations and only one-fourth to private individuals. A recent study has concluded that the loss to the U.S. Treasury from the flotation of industrial development bonds alone was about \$90 million in 1973.



this redistribution and try to reverse it through lobbying efforts if they can. Peter Bearse notes that some are more successful than others:

It should be no surprise to anyone that development programs are biased towards the established industry, larger firms, low-risk debt finance and manufacturing. Any stroll through state legislative chambers will show that these are the better organized, articulate political interests.

One representative of "Jobs for Massachusetts," a prominent business lobbying group, told Harvard researcher James Dumont that he would prefer an outright cut in the state's corporate income tax rate, but since the former was hard to obtain, "tax incentives will have to do." Another lobbyist, who led the successful struggle for passage of the Massachusetts \$500 "job creation tax credit," admitted that his organization fully intended the credit to be a "gift" to companies, to "compensate" for the state's high tax rates.

Some officials think that their probusiness stance will create a "positive climate for investment" in their particular states. If history is any guide, however, that is a losing strategy, particularly when applied to the older industrial areas. Ever since the beginning of the industrial revolution, capitalist economic growth has been marked by "uneven development," a description first used by Friedrich Engels. When capital can be invested more profitably somewhere else, those who

control the processes of production abandon one area for another—even if it means leaving behind whole systems of physical capital, like neighborhoods and even entire regions. And those who remain become increasingly dependent on the public sector.

Bearse argues that uneven development explains much of the decline in the economic fortunes of the older industrial belt of the United States. As markets, capital, and even new research and development shift from the older region (with New York City at its political center) to the new South and Southwest (with Texas the potential new "capital"), the older places undergo secular deterioration.

There is some evidence that the business incentives are in fact most readily available in these older areas. But, in the context of the large historical movement of capital, the idea of restoring the older area's comparative advantage seems ludicrous. As the public costs in the South and the Southwest increase over time, taxes and other costs of doing business there will rise too. But there is no reason to think that firms will then turn around and repopulate, say, New England. Clothing firms, in fact, are now moving out of South Carolina to Colombia and other parts of South America.

This shifting of the center of economic activity away from the northeastern and north-central parts of the country (a shift that goes a long way toward explaining the current fiscal crisis of the older cities and states) has been supported and consciously promoted by the federal government since the end of World War II. Public investments in infrastructure, military production contracts, and new bank charters have all been awarded increasingly to southern and southwestern firms, often at the expense of those in the older regions (especially New York). In this context, state incentives to businesses in lagging areas are equivalent to welfare grants, serving at best to ease their pain.

Even if the incentive approach were successful, however, we believe it would be misplaced. The conventional theory of local economic development centers on the concept of industry producing for export. The industry employs local workers and purchases locally produced goods and (especially) services. According to this conventional wisdom, who owns and controls that exporting activity, and whether that ownership/control is "absent," is of little consequence. Because the payoff for capturing such export-base activity is believed to be so high, states and local governments engage in an expensive competition for the thousand or so new plants built in this country each year.

"Economic colonialism," as the gubernatorial contenders in Mississippi seem to have discovered, is not

the answer to economic development needs within states. That kind of development produces the same sort of dependency and unbalanced economic growth in the rich United States as it has always done in the poor Third World. New plants that are controlled by corporations headquartered elsewhere impose enormous infrastructure costs on a community. They import much of their labor (especially the "good" jobs), and they often house their highest-paid workers outside the taxing jurisdiction where the plant is situated. Then—after all the effort expended to get them in the first place—they often move to some other place when the local inducements run out.

It is the planning and financing of community-based enterprises that should be getting the lion's share of the resources generated by state and local taxes (and federal, for that matter). The present economic development applications of such resources are, we are convinced, going largely to windfall profits for the business sector. Surely that is at best a waste of scarce resources, and at worst a politically inequitable approach to the pursuit of economic development.



NOTES AND SOURCES

There are a number of empirical and theoretical studies in the field of industrial location, some of which are cited in this article. A good, but dated, summary of the literature can be found in John Due, "Studies of State-Local Tax Influences in Location of Industry," *National Tax Journal*, Vol. XIV, June 1961.

Additional readings for those interested in the subject include the following:

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Leonard Wilson and L.V. Watkins, "How States Plan," *Challenge*, January/February 1975.

Business Incentives, By States, 1974

1. *State, county, or local property tax exemptions*: Hawaii, Kentucky, Louisiana, Maryland, Michigan, Montana, New York, Oklahoma, Puerto Rico, Rhode Island, South Carolina, South Dakota, Vermont.

2. *Ad valorem or sales tax exemption for plant, machinery, or equipment*: Alabama, Georgia, Mississippi, North Dakota.

3. *Tax credits to expand employment*: Massachusetts, New York, North Dakota.

4. *Investment tax credits*: Massachusetts, New York, Rhode Island, West Virginia.

5. *Mortgage or loan guarantees*: California, Connecticut, Delaware, Hawaii, Indiana, Maine, Maryland, Mississippi, New Hampshire, North Dakota, Ohio, Rhode Island, Vermont.

6. *Local industrial development bonds (general obligation)*: Alabama, Arkansas, Hawaii, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, North Dakota, Oklahoma, Tennessee, Washington.

7. *Local industrial development bonds (revenue)*: Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

8. *State-chartered credit corporations*: Alaska, Arkansas, Connecticut, Florida, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming.

Ghetto Economic Development: A Survey

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The development of this paper was supported by a grant from the U.S. Office of Economic Opportunity to the Project on the Economics of Discrimination at the University of Maryland, with which the author was formerly associated. The paper was completed at M.I.T. in the summer of 1973. I am grateful for comments by Robert S. Browne, Vernon Dixon, and several anonymous referees of this Journal. For an earlier, more abbreviated survey of the subject and a complementary bibliography, see Spratlen [169, 1971].

IN THE WAKE of the urban riots of the mid-1960's, many white Americans developed what for them was a quite new concern for the state of economic underdevelopment of the (predominantly black) ghettos of our large cities. The prestigious National Advisory Commission on Civil Disorders issued a "riot report" in March of 1968 which concluded that "enrichment [of the ghetto] must be an important adjunct to integration, for no matter how ambitious or energetic the program, few Negroes now living in central cities can be quickly integrated. In the meantime, large-scale improvement in the quality of ghetto life is essential" [138, National Advisory Commission on Civil Disorders, 1968, pp. 22-23]. In May of the same year, Senator Robert F. Kennedy spoke on the Senate floor in support of his "Urban Employment Opportunities Development Act of 1967," first introduced the year before and designed to federally subsidize the location in the ghetto of corporate branch plants. Two years before, in the wake of the Watts rebellion, Kennedy had visited the Bedford-Stuyvesant ghetto of Brooklyn, New York, a visit which led directly to the creation in 1967 of one of the first—and the largest—of the "community development

corporations," and to the Special Impact Program of the U.S. Office of Economic Opportunity, still the government's most important program for the support of minority economic development.

Government and corporate interest in ghetto "enrichment" came at a time when a growing number of black political leaders were expressing—or being pressed by their constituents to express—support for (or at least "interest" in) what has sometimes been called the "separatist" approach to improving minority well-being. These pressures grew out of perceptions within one after another minority "community" that improvement through participation in orthodox legal and economic institutions (often called the "integrationist" approach) was proceeding too slowly and exclusively on the "white man's" terms. Some argued that the development of indigenous institutions—far from representing a retreat from integration—constituted the most effective path to integration, by creating the material basis, a viable economy, with developed physical and human capital, for the acquisition of collective political power (seen to be a prerequisite for integration). Still other black leaders took the position that the issue of inte-

gregation or separation was irrelevant, that "investment in place" was fully justified by the preference of millions of nonwhites (and many whites as well) for an inner city residential location. If the "white economy" would not develop decent urban communities through normal investment channels and/or to the extent that white-controlled investment in the ghetto would be unresponsive to local preferences with respect to the qualitative nature of those investments, local economic development would have to proceed through "special" institutional processes created for just this purpose. Finally, some black and brown socialists advocated community-controlled planned development as a conscious attempt to provide an institutional alternative to competitive capitalism. As the decade neared its close, white, brown, and red individuals and organizations emerged whose interests in ghetto economic development touched many of the bases which had been staked out initially by blacks.

The relatively few professional white economists who have studied and written on inner city economic development have tended to approach the subject from experiences and perspectives gained in the study of less-developed countries. Their ranks are now being augmented by the emergence of a growing number of nonwhite economists who have chosen to address this area of inquiry. Indeed, the appearance in 1970 of *The Review of Black Political Economy*, whose contents consist largely (although not exclusively) of papers on the urban ghetto, manifests the increasing level of activity of this group.

I. Historical and Cultural Antecedents

While the concept of black (or "ghetto," or "minority," or "urban community") economic development may have been new to white America, it was anything but new to

² In addition to the references cited in the text, the reader is referred to the papers in Bailey [12, 1971]. The profiles of important black individuals and organizations involved in economic development are elaborated in any good black history text.

black intellectuals and black political leaders. The dilemma posed by the apparent trade-off between the pursuits of racial integration and the separatist development of the "black community" permeates the history of blacks in America.

This contrast is reflected in the variety of positions taken by prominent black leaders. For example, the first national black spokesman for economic "self-development," Booker T. Washington, advocated literal "black capitalism" in the belief that whites would accept blacks as equals only after the latter developed experience and expertise in orthodox business practice. A contemporary critic of Washington's small business approach, whose own economic philosophy came to represent a counterpoint to the growing interest in black capitalism, was W. E. B. Du Bois. The elements of Du Bois' "socialism without nationalism" were black separation, mutual cooperation, industrial democracy (or "workers' control"), and economic planning. "Negro co-operative stores would obtain their goods from Negro producers, which would be supplied raw materials from Negro farmers. Intermediate stages of production such as extractive industries and transportation, were to be Negro controlled" [93, Henderson and Ledebur, 1970, p. 33]. Earl Ofari argues that Du Bois' emphasis on "cooperation" as opposed to individualistic competition represents a revival in America of African communalism, a "tradition of cooperation in the field of economic endeavor [which] is outstanding in Negro cultures everywhere" [142, Ofari, 1970, p. 12].

Marcus Garvey, the first important 20th century advocate of black nationalism and separatist development, rejected integration with whites as infeasible [93, Henderson and Ledebur, 1970, pp. 37-44]. While constantly preparing for an eventual return to Africa,

³ For examples of Du Bois' writing on this subject [cf. 55, Du Bois, 1915; 56, Du Bois, 1903]. This concern for the importance of developing black inter-industry linkages reappears fifty-five years later as the central theme of an economic "plan" for the Harlem ghetto; see Victorisz and Harrison [205, 1970].

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Contemporary ra as James Boggs fol system of private pr control and developp ply part of a larger tion. In his *Manifest party*, Boggs propos a guaranteed annua of industry, mass- "on a scale similar war," and free m services for worker 1968; 27, Boggs, 1969]; and Franklin

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blacks in the U.S. were to reorganize their own communities. Paradoxically, Garvey was a strong advocate of capitalism; indeed, he even opposed labor unions.

Contemporary radical black socialists such as James Boggs and W. E. B. DuBois in rejecting any system of private property; black community control and development are perceived as simply part of a larger worldwide socialist revolution. In his *Manifesto for a black revolutionary party*, Boggs proposed a program consisting of a guaranteed annual income, worker control of industry, mass-produced public housing "on a scale similar to that of mobilization for war," and free medical and transportation services for workers of all races [26, Boggs, 1968; 27, Boggs, 1971]. See also Allen [9, 1969]; and Franklin and Resnick [68, 1973].

On the other hand, Roy Innis, current National Chairman of the Congress of Racial Equality, describes himself as a Garveyite. He would have the black ghettos become political subdivisions of the state—instead of "sub-colonial appendages" of the city—through a "new social contract" [104, Innis, 1969]. Innis was an early advocate of community control of schools, believing not only in the feasibility of raising the quality and relevance of ghetto education and political consciousness through local control, but also in the potential for using the schools as instruments of economic development. "Harlem schools purchase over \$100,000,000 in goods and services each year. Aside from the political implications, community control of Harlem schools could insure that Black community-owned firms benefited from these expenditures" [quoted in 188, Tate, 1971, p. 90].

An equally complex (and infinitely more mysterious) man is the organizer of the "Black Muslims." The Honorable Elijah Muhammad's "Twelve-Point Program for the Development of the Black Race" and his "Three-Year Economic Program" set out the nationalist economics of the Nation of Islam [137, Muhammad, 1965, pp. 169-172 and 192-199]. The Muslims have been extremely

successful in developing a network of small black businesses in several large American cities. Their most important long-range economic goal is, however, the creation of a geographically isolated, agricultural-based nation in the American South. An industrial structure would emerge gradually over an agrarian base, through a regime of austere consumption with profits from the sale of agricultural products within the Nation, to neighbors, and to the Muslim stores in Northern cities [137, Muhammad, 1965, pp. 220-247].

Malcolm X became a Muslim in prison. After his release in 1952, he became one of Elijah Muhammad's most successful spokesmen, operating from a mosque in Harlem. Ultimately dismissed from the movement, and subsequently assassinated in 1965, Malcolm was perhaps the most forceful black nationalist in America. His influence on young black intellectuals was profound, and his writings and recorded speeches are today in great demand [cf. 126, Malcolm X, 1966]. Malcolm came to believe that "the economic system was exploitative" and advocated extreme autarchic development for the black community, based on a mercantilist analysis of

the basic fundamentals: that whenever you take money [i.e., profits] out of the neighborhood and spend it in another neighborhood, the neighborhood in which you spend it gets richer and richer, and the neighborhood from which you take it gets poorer and poorer. This creates a ghetto. . . . We have to teach our people the importance of where to spend their dollars [quoted in 64, Epps, 1968, p. 141].

The programs (and, perhaps more important, the attitudes) of Booker T. Washington survive today in the leadership of those black organizations devoted to business develop-

¹The admonition to "buy black" has a long history. Black churches have always encouraged their parishioners to patronize black enterprises (while continuing to respect the capitalist ethic). Endorsement of private business by the church, and constant propaganda in the black press, black civic organizations, and black social clubs, emphasized "the duty of Negroes to trade with Negroes and [promised] ultimate racial 'salvation' if they [would] support racial business enterprises" [142, Ofari, 1970, p. 52].

ment within the context of social integration and political non-violence. These organizations include the National Business League (founded by Washington himself, in 1900), the National Urban League, and the National Association for the Advancement of Colored People.

There may be a psychological as well as a political-economic explanation for the continuing black interest in economic development. Du Bois wrote: "one feels ever his two-ness—an American, a Negro; two souls, two thoughts, two unreconciled strivings; two warring ideals in one dark body, whose dogged strength alone keeps it from being torn asunder" [56, Du Bois, 1903, p. 58].⁴ Many black psychiatrists look upon the collective struggle for ghetto development and self-determination as a form of group therapy [59, Edel, 1972, p. 313; 84, Hampden-Turner, 1969].

It has been suggested that blacks tend to reject the "ideology of economic individualism" in the belief that whites in positions of economic and political power explicitly use that ideology "to dominate poor people and keep them 'competitively' divided" [84, Hampden-Turner, 1969, p. 83; 154, Reich, 1971]. This criticism of economic individualism was elaborated by the (white) director of a major study of the Los Angeles riots:

[t]he policies and programs in Washington vis-a-vis the "Negro problem" throughout the country have tended to stress the traditional model of individual success rather than to view the problems of the group as a whole. As a result, a pattern has been encouraged in the Negro community which places a premium on individual mobility rather than on collective concern . . . the Militants . . . have as a common denominator the belief that individual mobility is not the answer and that only through collective concern can the Negro solve his problems [40, Cohen, 1970, pp. 19-20].

There is also a feeling among some that collective approaches to black economic develop-

⁴ Vernon Dixon's analysis is more complex. "Two-ness" does not cause schizophrenia, *per se*. Blacks accept their dual acculturation. But this so-called "dual behavior" is not sanctioned by white America. Blacks internalize this sense of illegitimacy; that is the cause of trauma [50, Dixon and Foster, 1971, p. 34].

ment are both natural and inevitable, given the tradition of African communalism which American blacks have inherited. Badi Foster writes: "Contrary to the thrust of individualism, communalism holds that self-centeredness will not provide a just social order resulting from antagonistic cooperation" [50, Dixon and Foster, 1971, p. 13]. In terms of neoclassical economic theory, communalism involves the interdependence of utility functions [8, Alexis, 1973]. "Service to family, clan, community, or nation becomes more than 'the burden of being my brother's keeper.' Serving others is motivated not by some abstract code of behavior; rather one serves others to serve oneself. Necessity instead of philanthropy marks the encounter between self and other" [50, Dixon and Foster, 1971, p. 10]. Black Americans are allegedly part of a culture which recognizes and values such interdependences. Foster describes this as "empathy as a way of knowing." Subjective (empathetic) and objective (scientific) epistemologies are employed *together* in dealing with the world. "This union of opposites," says Vernon Dixon, "characterizes traditional thinking throughout Africa." This tradition allegedly lends itself to the community development approach in dealing with urban poverty.⁵

II. The Ghetto as Colony

Some writers perceive the relationship between the urban ghetto and the mainstream American political economy as one of "internal colonialism." The ghetto is described as a "less developed country" with a severe "balance of payments" deficit and with "foreign" control of the most important local political and economic institutions [cf. 185, Tabb, 1970, ch. 2]. That the ghetto is an inherently open

⁵ Foster asserts that the Aristotelian training of Western people makes it difficult if not impossible for most of them to perceive the possibility of what Jung called "the interpenetration of opposites." Thus, for example, whites are allegedly more likely than blacks to treat "the protection of the individual and hisalienable rights" and "collective responsibility and communal discipline" as mutually exclusive, ideologically antagonistic alternatives [50, Dixon and Foster, 1971, p. 11].

economy located in the "imperial" core of the typical LDC. Functions are relatively similar, though quite similar. C. widely varying in by the colonial. Hamilton, 1967; 1969; 46, Cruse. Innis, 1969].

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But if the two appear to share argument of colonialism and both developed technologically ideologically itself on non-white 1969].

The process according to B.

⁶ William Tabb "colonialism" in Egypt, Greece, and

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economy located physically within the corpus
 of the "imperial" power distinguishes it from
 the typical LDC, but—it is argued—these dis-
 tinctions are relatively superficial; the underly-
 ing institutional relationships are allegedly
 quite similar. Certainly, black leaders of
 widely varying ideologies have been intrigued
 by the colonial analogy [33, Carmichael and
 Hamilton, 1967; 37, Clark, 1965; 38, Cleaver,
 1969; 46, Cruse, 1967; 95, Haryou, 1964; 104,
 Innis, 1969].

The international system of colonialism in-
 volved the political and economic exploitation
 of one country by a (generally small) group of
 outsiders, supported by the military strength
 of their home country. It was the colonists
 who were on foreign soil, not the colonized.
 The subordination of the natives was often for-
 mally recognized in treaties and other legal
 arrangements. On its face, the urban ghetto
 system in the U.S. hardly fits this pattern.
 Here, "the people who are oppressed were
 themselves originally outsiders and are a
 numerical minority" [21, Blauner, 1969, p.
 395].⁴ Internal colonialism has not involved
 the settlement of large numbers of whites into
 black-owned land (except perhaps through ur-
 ban renewal). And while it is sustained by a
 variety of institutions, not all of the relation-
 ships between the ghetto and the "outside" are
 explicitly—let alone legally—acknowledged.
 It is these differences in the "colonial" and
 "internal colonial" systems which are empha-
 sized by those who disparage the analogy.

But if the two systems are dissimilar, they
 appear to share a common process. This is the
 argument of Robert Blauner: international
 colonialism and "America's internal version"
 both developed through a process by which a
 technologically and militarily superior and
 ideologically racist Western culture imposed
 itself on non-white, non-Western cultures [21,
 1969].

The process consists of four main elements,
 according to Blauner. The first is "forced, in-

voluntary entry." This is normally followed by
 "a policy which constrains, transforms, or de-
 stroys indigenous values, orientations, and
 ways of life." This "cultural imperialism"—
 the forced imposition of Western values—is
 then institutionalized in administrative or-
 gans, as are most of the important functions
 of local government, with the colonizers in
 control of this administrative machinery
 (sometimes using acculturated "natives" as
 minor functionaries for the purpose of dealing
 with the local "masses" and providing the lat-
 ter with models certifying the payoff to coop-
 erative behavior). Finally, the process is
 explicitly "racist," by which Blauner means
 that "a group seen as inferior or different in
 terms of alleged biological characteristics is
 exploited, controlled, and oppressed socially
 and psychically by a superordinate group" [21,
 Blauner, 1969, p. 396]. The imposed contact
 is perhaps the most subtle aspect of the rela-
 tionship between the urban ghetto and white
 America. "The power inherent in the right to
 define a relationship," writes one Harvard so-
 cial psychologist, "often goes unappreciated"
 [84, Hampden-Turner, 1969, p. 64].

While virtually all ghetto institutions are
 controlled by outsiders, none is more crucial
 to the colonial model than the police. Whether
 black or white (but especially if the latter), the
 city-controlled police are often referred to by
 ghetto blacks as an "army of occupation" [cf.
 38, Cleaver, 1969]. Current public investments
 in "crime control" are seen to only exacerbate
 the problem.

Some critics of the analogy argue that
 "loose talk about colonialism" leads directly
 to the endorsement of such inefficient policies
 as "import substitution," the limiting case of
 which is economic *autarky*. The Wohlsetters,
 for example, disparage the alleged autarkic as-
 pirations of black economic development ad-
 vocates, contrasting their "unreasonableness"
 with the more sensible strategy of specializa-
 tion pursued by the white ethnics. White eth-
 nic businesses, they write, "all provide goods
 and services to the larger society and not
 merely to their own ethnic groups" [213,

⁴ William Tabb finds a precedent for this "internal
 colonialism" in the slave-procurement practices of ancient
 Egypt, Greece, and Rome [185, Tabb, 1970, pp. 24-25].

Wohlstetter and Wohlstetter, 1969, p. 102].

The criticism of autarkic development seems misplaced. Few if any groups actively engaged in community economic planning seek autarky; indeed, most are consciously seeking "export linkages" and externally located assets to complement their internal activities [65, Faux, 1971]. On the other hand, the model may indeed, perhaps as its critics fear, lead its proponents to a particular (highly political) strategy for ghetto development. Blauner points as evidence to the kinds of institutions which advocates of community control usually seek to "liberate" before any others: schools, social services, and the police. From the economist's point of view, these are largely "infrastructural" activities, the direct control of which yields relatively few direct private economic benefits (at least in the short run). From the perspective of the entire community, however, prior control of the infrastructure is essential to control of the process of subsequent development (as most orthodox texts on economic development in LDC's indicate, albeit in another context).

Some analysts reject the "ghetto as colony" model, but accept the analogy between the American inner city and the LDC in the "Third World." Gustav Ranis, Director of the Yale Economic Growth Center, perceives "striking similarities" between the structural dualism pervading so many LDC's and the segmentation of the American economy into a growing "core" and a ghetto "periphery":

the vastness of the reservoir of unemployed and underemployed labor in one sector (A); the tendency for this reservoir to be constantly replenished, in the short-run, by migration racing ahead of employment opportunities and, in the longer run, population growth; the tendency for the advanced sector (B) to employ a relatively capital-intensive technology—in spite of the availability of abundant supplies of cheap labor from sector A; the absence

¹ Ranis refers here to the classic "factor proportions problem," which is perhaps best known to development economists through Eckaus [57, 1955]. The most recent restatement of this explanation of structural black unemployment is Davis [48, 1972].

of sufficient public sector action to provide sector A with adequate transportation, education, and health facilities . . . finally, the absence of a truly national market for capital or other scarce resources permitting a more impersonal allocation of investment, determined by relative rates of return, within and between the sectors [153, Ranis, 1969, pp. 42-43].

In both peripheries, the remedy is intra-sectoral economic development. Ranis believes that the initial absence of significant private investment does not reveal a corresponding absence of investment opportunities, because of the presence of widespread market failure (this is an argument to which we will return later). Ranis draws upon his prior experience as Chief Economist of the U.S. foreign aid program to observe that, for urban ghettos as for LDC's:

Pumping more outside money in at the margin is clearly not enough; the problem is one of breaking down the enclave characteristic of the ghetto by improving the connectivity between the ghetto and the rest of the economy and enlisting the projective and creative energies of large numbers of individuals in the growth process. [153, Ranis, 1969, p. 53].⁴

III. The Structure of the Ghetto Economy

Studies of the structure of underdeveloped economies typically begin with a sector by sector description of the most important elements, to acquaint the reader with what is usually unfamiliar terrain. We shall do the same.

Intragheto Economic Activity

Qualitative discussions of infrastructural investment in the ghetto, especially in housing and transportation, have existed for some time in the literature of urban economics [cf. 70, Frieden, 1968; 132, Meyer, Kain, and Wohl.

⁴ The comparative analysis of dualism in developing and industrial countries is the subject of an interdisciplinary research project and graduate seminar at M.I.T. Ranis' analysis is challenged by Cohen [39, 1969] and Harris [86, 1972]. Franklin and Resnick [63, 1973] argue that the "underdeveloped country" analogy may be dangerously misleading by creating the illusion that significant social change is possible in these small enclaves in the absence of revolutionary change in the wider society.

1965; 112, Kain as actual measurement been the most thorough for Community C 1973; 114, Kain as tional Commission 152, Quigley, 1973; Sternlieb, 1969; 17 1973]. Transportation [115, Kain, 1965; 145, Ornati, 1965] received the least study [Schaffer, 1973]. In this sector at the Institute, The Urban D.C., and the Bedford Corporation in Bedford

One especially important infrastructure is spatial wisdom, certainly usable vacant land in urban land available indicates that the land in the areas remains. Moreover, "space as such. The open urban space in through exploitation ground development explored at all [10 Association, 1967 103, Hoch, 1969] ghetto space per

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1965; 112, Kain and Meyer, 1970]. So far as actual measurement is concerned, housing has been the most thoroughly studied [34, Center for Community Change, 1971; 106, James, 1973; 114, Kain and Quigley, 1972; 135, National Commission on Urban Problems, 1970; 152, Quigley, 1974; 172, Stegman, 1972; 177, Sternlieb, 1969; 178, Sternlieb and Burchell, 1973]. Transportation has received some attention [115, Kalachek and Goering, 1970; 145, Ornati, 1969]. Public services have received the least study [131, Mellor, 1972; 165, Schaffer, 1973]; more work is underway on this sector at the New York City Rand Institute, The Urban Institute in Washington, D.C., and the Bedford-Stuyvesant Restoration Corporation in Brooklyn, New York.

One especially important component of infrastructure is space. According to the conventional wisdom, central cities have virtually no usable vacant land. A recent inventory of urban land availabilities, uses, and restrictions indicates that at least 20% of the "buildable" land in the central cities of large metropolitan areas remains vacant [140, Northam, 1971]. Moreover, "space" is not confined to "land" as such. The opportunity to create additional urban space in the third dimension, e.g., through exploitation of air rights, underground development, etc., has barely been explored at all [10, American Public Works Association, 1967; 93, Harrison, 1974, Ch. 7; 103, Hoch, 1969]. No quantitative research on ghetto space *per se* is available.

With respect to ghetto commercial/industrial structure, the research record is more complete. Studies have been published on the industry mix of ghetto areas in New York [205, Vietorisz and Harrison, 1970; 97, Heilbrun and Conant, 1972], Buffalo [11, Andreasen, 1971], Rochester and Newark [48, Davis, 1972F, Chicago [5, Aldrich, 1972; 6, Aldrich and Reiss, 1970; 7, Aldrich and Reiss, 1972; 87, Harrison, 1974; 158, Reiss and Aldrich, 1971], Boston [6, Aldrich and Reiss, 1970; 7, Aldrich and Reiss, 1972; 181, Stone, 1971], and Washington [6, Aldrich and Reiss,

1970; 7, Aldrich and Reiss, 1972; 29, Brimmer and Terrell, 1971]. Scale of activity in all these studies is measured by employment. Some additional work has been done on sales, payrolls, and, in one case profits [97, Heilbrun and Conant, 1972]. Ownership of commercial and residential ghetto property by residence or race of owner is analyzed in the papers by Howard Aldrich and Albert Reiss and in two studies of the Harlem economy [205, Vietorisz and Harrison, 1970; 214, Zweig, 1972].

The Census Bureau now publishes a regular series of national surveys of minority-owned businesses, containing data on number of firms, gross sales, and employment [cf. 197, U.S. Bureau of the Census, 1971]. The smallest level of geographic identification is, however, the SMSA. It is impossible to identify individual ghetto areas from these Census tables.

Shortly after the first of the major urban rebellions of the 1960's, the Census Bureau undertook special labor force censuses in several ghetto areas. The data on South (largely black) and East (principally chicano) Los Angeles [195, U.S. Bureau of the Census, 1966], and on the Hough and other areas of inner Cleveland [196, U.S. Bureau of the Census, 1966], while they have been generally available for a long time, have never been fully explored by economic analysts.

In November 1966, the Department of Labor conducted a survey of major proportions (there were nearly 40,000 individuals in the sample) in ten urban ghettos located in eight large cities [199, U.S. Department of Labor, 1972]. This *Urban employment survey*, conducted under the direct control of then Labor Secretary Willard Wirtz, produced a quantitative estimate of *underemployment*, in the form of what Wirtz called a "subemployment rate," which counted as "inadequately employed" (or "underutilized") not only those who were

*This is surely only a partial list. Many community groups have undertaken industrial inventories in their areas, and occasionally even rather complete economic base studies. A compendium of these studies would be invaluable. At the moment, they are still among the most "fugitive" of materials.

overtly unemployed, but also those involuntarily part-time employed workers, full-time workers paid "poverty level" wages, and "discouraged" workers.¹⁰ There is considerable evidence that the conventional unemployment rate does not adequately measure slack in ghetto labor markets.¹¹ Research is now underway at the New School for Social Research and the George Washington University to examine the properties of the subemployment rate as an alternative social indicator.

The availability of these and newer microdata files has permitted the estimation of inter- and intra-ghetto distributions of employment, unemployment, earnings, non-labor income, education and training experience, and many other variables [71, Friedlander, 1972; 79, Gordon, 1971; 88, Harrison, 1972, Chs. 2-4 and Appendix C; 205, Victorisz and Harrison, 1970, Ch. 1]. Indeed, the ready availability of the Census-produced tapes and computers with which to study them makes the dearth of quantitative (as distinct from speculative) research on ghetto labor markets that much more remarkable—and remediable.¹²

¹⁰ The concept of subemployment, and its administrative history, are discussed in Harrison [88, 1972]; Levitan and Taggart [121, 1973]; and Spring [170, 1972]. Values of the index for a number of ghetto areas are presented in detail in Harrison [88, 1972, Ch. 3]. The index was recently recalculated for 51 inner city areas, using the 1970 Census Employment Survey. See Spring, Harrison, and Victorisz [171, 1972]. Many of these articles—and Vortz' original memorandum to President Lyndon Johnson on subemployment—are reproduced in U.S. Senate [200, 1972, pp. 227b-2339]. An alternative, more conservative, index has been proposed in Levitan and Taggart [121, 1973].

¹¹ Stanley Friedlander reports that in a large number of regressions, ghetto unemployment rates were statistically unrelated to intercity variations in either job growth or the rate of net employment decentralization across 16 cities in a recession year (1960) and a year of expansion (1966). He is also unable to find any significant relationship between ghetto unemployment rates and the educational attainment of ghetto residents [71, Friedlander, 1972].

¹² The 1966 and 1967 Surveys of Economic Opportunity permit detailed analysis of the poverty areas of 100 large SMSA's (12 identifiable by name). The 1969 Urban Employment Survey contains household interview data on six ghetto and two "control" areas. The 1970 Census Employment Survey permits the study of 51 central city and

Linkages with the Urban Economy

Gustav Ranis' perception of the fundamental nature of the linkage between the ghetto and the rest of the urban economy is shared by many other students of the subject. Unskilled labor is the community's principal "export." Consumer (and some capital) goods are "imported"; these are financed out of labor earnings ("exports") and transfer payments ("foreign aid"), especially public welfare [48, Davis, 1972; 72, Fufeld, 1973]. The bulk of the labor income is earned outside the ghetto; James Heilbrun estimates that four-fifths of the Harlem labor force was employed outside the area in 1966 [96, 1970].

The identification and measurement of interregional income flows is exceedingly difficult when the regional economies under study are as "open" as is the urban ghetto. A theoretical scheme for interrelating the various income flows into and out of the ghetto was proposed by Robert S. Browne, Director of the Black Economic Research Center in Harlem [31, 1971; see also 72, Fufeld, 1973, pp. 41-50]. Thus far, only two attempts to estimate such flows have been published. The first of these [131, Mellor, 1972] examines the Shaw-Cardozo area of the District of Columbia. It reports that residents of the area pay out more in taxes than they "import" in the form of public services. A much more elaborate and statistically sound set of "community income accounts" has been constructed by Richard Schaffer for two New York City areas of similar size: Bedford-Stuyvesant (black) and Borough Park (white) [165, Schaffer, 1973]. The author employs a variety of fugitive data sources (mostly city agency procurement and operations records, and tax data) and an imaginative methodology to produce estimates of income flows. While the black ghetto shows a large annual "balance of trade" deficit of nearly \$76 million, the white (predominantly

nine rural poverty areas. All were implemented by the Bureau of the Census, on contract to other government agencies. Only the SEO has been much studied by economists, and few of those papers focus on the ghetto sub-samples.

Jewish) area's is nearly in balance (\$6 million). The volume of the deficit (and therefore the excess) exceeds the volume of Park can more greater imports from Bedford-Stuyvesant, which is inconsequential of expenditures on gambling services, "numbers" and "policy" leakage. The hoods of New York are estimated at \$1.2 p. 52)).

A related question is the local multiplier effect of the stimulation of the ghetto in Cleveland. The multiplier of \$0.13 per dollar of 1969 [141, O'Connell, 1971]. Adding the locational inputs to and outputs yielded by two together produces a local multiplier of 1.8" [184, Tabor, 1971]. Related developments in the estimated multiplier.

Finally, the rich, Reiss, and of property owners, the leakage of property.

A fruitful effort yet been well known to the of Philadelphia central city.

Economy

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A much more elabo-
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Jewish) area's account was estimated to be
nearly in balance (with a deficit of less than
\$6 million). More importantly, the absolute
volume of the flows of income into and out of
(and therefore through) the white area greatly
exceeds the volume of "black" flows; Borough
Park can more easily afford to indulge its
greater imports. One major form of "leakage"
from Bedford-Stuyvesant which is numeri-
cally inconsequential in Borough Park consists
of expenditures for consumption of illegal
gambling services, especially through the
"numbers" racket (gross "numbers" or
"policy" leakages for all of the black neigh-
borhoods of New York City in 1969 have been
estimated at \$150 million [134, Mitchell, 1970,
p. 52]).

A related quantitative planning tool is the
local multiplier. Again the extreme "open-
ness" of the small ghetto economy makes esti-
mation difficult. A unique study of the Hough
ghetto in Cleveland, based upon household ex-
penditure diaries, produced an estimate of the
"marginal propensity to spend inside Hough"
of \$0.13 per dollar of family expenditure in
1969 [141, Oakland, Sparrow, and Stettler,
1971]. Additional surveys designed to identify
the locational origins and destinations of the
inputs to and outputs of Hough-based busi-
nesses yielded a second primary data base; the
two together permitted the authors to estimate
a local multiplier of 1.02-1.03 ("For a large,
diversified metropolitan area, empirical stud-
ies show the income multiplier to be about
1.8") [184, Tabb, 1969, p. 394]. Various simu-
lated development policies raised the esti-
mated multiplier as high as 1.11.

Finally, the previously cited studies by Al-
drich, Reiss, and Michael Zweig on the locus
of property ownership permit inferences about
the leakage of income out of the black commu-
nity.

A fruitful object of inquiry which has not
yet been well explored in a ghetto context is
the journey to work. The only published study
known to the author reports that in the city
of Philadelphia in 1968, 80 percent of all cen-
tral city jobs were located within 20 minutes'

automobile commuting distance of the inner
core [130, McLennan and Seidenstat, 1972].
The Urban Employment Survey of 1969 and
the 1970 Census Employment Survey permit
the geographic identification of the place of
work of each ghetto resident, his or her mode
of commuting, the distances involved, and the
costs incurred. These data are currently under
study by students at M.I.T.

Formal Models

At least two "micro" and three "macro"
models of the ghetto economy have appeared
in the literature. The models are still extremely
crude, but their respective authors are actively
engaged in refining them.

1. James Heilbrun's micro model, which
he describes as "dualistic," concerns only the
business sector [97, Heilbrun and Conant,
1972]. Most white businessmen prefer not to
locate their facilities (or to keep them) in non-
white neighborhoods. This preference reduces
the competition for those whites who do oper-
ate in the area, raising their potential returns.
Such exceptional returns are required by these
employers as a condition for remaining in the
ghetto. The white excess profits are not "com-
peted away" by the entry of black firms be-
cause of (principally capital) market im-
perfections; the access of black businessmen to
loans, insurance, and entrepreneurial experi-
ence is restricted. The result is that the ghetto
business sector is divided into a small but pro-
fitable white-owned enclave and a larger but
poorer ("overcrowded") black-owned sector.
Heilbrun's study of rates of return to white
and black businesses in Harlem (based upon
tax records) supports the hypothesis: white-
owned establishments in the community are
larger than black plants (both within and
among industries), and more profitable. It fol-
lows that:

the failure of the present nonwhite sector to produce
normal profits does not necessarily argue for a
policy of laissez-faire in that area. Instead, public
policy might be used to assist in the consolidation
and enlargement of existing firms to create black-
owned units large enough to survive and prosper in

the face of continuing retail consolidation [97, Heilbrunn and Conant, 1972, p. 281].

2. A number of economists have contributed to the development of models of labor market dualism.³ Individual behavior, economic and even technological constraints are assumed to vary significantly among different labor markets. By acclimating themselves to "local" conditions, and by developing lifestyles supportive of these "local" work arrangements, workers find it psychologically as well as technically difficult to move from one segment of the economy to another. These sources of factor immobility, in addition to the well-known impediments created by race, sex, and class discrimination, may explain a wide variety of phenomena, including grossly unequal income distributions (even as, for example, the inter-racial distributions of human capital become less disparate [cf. 190, Thurow, 1972]); and the simultaneous existence of inflation and unemployment in the macroeconomy [163, Ross and Wachter, 1973].

In one version of the model, based directly on ghetto labor market data, jobs located in urban areas are divided into two behaviorally and technologically disparate segments within which mobility is common but between which it takes place infrequently and only with difficulty [88, Harrison, 1972, Ch. 5].⁴ The "core" stratum is dominated by a "primary labor market" in which employers possess a high degree of market power, have much of their sales "guaranteed" by government con-

³ The "classic" statement is Doeringer and Piore [52, 1971, Chs. 7-8]. David Gordon has reviewed this literature [81, 1972]. More recent examples may be found in the collection of papers on "dual labor markets" in the May, 1973 *Amer. Econ. Rev.* [148, Piore, 1973, 156, Reich, Gordon, and Edwards, 1973; 207, Victorisz and Harrison, 1973; and in Reich, Gordon, and Edwards (1974)].

⁴ A similar version is presented in Fusfeld [72, 1973, Ch. 3]. Paternity in this field is ambiguous; as Gordon says, a number of scholars developed dualistic models independently of one another at about the same time. If the innovators must be identified, they would probably include Peter Doeringer at Harvard, Michael Piore at M.I.T., and Daniel Fusfeld and Louis Ferman at Michigan. The "school" of dual labor market theorists (such as it is) consists largely of the students and colleagues of these four economists.

tracts, and are therefore able to generate sufficient profits to be able to pay non-poverty wages. Their economic power permits them to pass at least part of these costs along to consumers in the form of higher prices. Their profitability permits them to invest in both physical and human capital, which in turn increases the productivity of labor which translates into increased profits ad infinitum. Labor effort is assumed to be an increasing function of wages and benefits. The magnitude of the latter induces workers to value these jobs, while the high fixed costs associated with the aforementioned investments encourage employers to value stable job attachment by their workers. These factors converge to increase the probability that jobs in the primary labor market will be stable as well as relatively high-paying.

The "periphery" of the economy contrasts in every respect with the "core." It consists of at least four identifiable sub-sectors. The "secondary labor market" is defined by a class of employers whose labor-intensive technologies and lack of market power restrict their ability (and their need) to pay high wages. Low wages and the virtual absence of benefits combine with undesirable work conditions to discourage stable job attachment by the labor force. Low fixed costs (due especially to low rates of human capital investment in the form of specific training) induce a similar lack of concern for stability on the part of the employers. These jobs therefore display low pay and high turnover. Inadequate capital formation causes low productivity, which in turn prevents these firms from expanding and, in the process, acquiring market power of the kind possessed by core firms (and reflected, for example, in their relatively inelastic product demand curves).⁵

The three other segments of the periphery consist of activities which, although seemingly

⁵ In a recent reformulation, Piore divides the primary labor market into "upper" and "lower" tiers, distinguished primarily by job attachment (lower in the former than in the latter) and job control (higher in the former than in the latter). The "lower tier" consists largely of well-paid blue-collar jobs [149, 1972].

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the economy contrasts "core." It consists of sub-sectors. The "second" defined by a class of modern technologies in respect their ability to pay high wages. Low wages and lack of benefits combine with other conditions to discourage entry by the labor force, especially to low rates of investment in the form of specialization. The lack of concern of the employers, along with low pay and high unemployment causes the situation to turn prevents these changes. In the process, accumulation of the kind possessed by the core, for example, in their demand curves). The elements of the periphery are, although seemingly

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far removed from the "world of work," are in fact quite similar to work in the secondary labor market. Dual market theorists speak of the "training economy," the "welfare economy," and the "irregular economy" (or the "hustle"). Individuals in each segment receive poverty-level income payments in return for the investment of time. The low level of these payments, the high risk of engaging in some of these endeavors, the bureaucratic complexities involved in obtaining the payments, and the social stigma often attached to the role of petitioner all combine to encourage unstable behavior. Thus, researchers have learned that many of the same people tend to be found moving back and forth, in and out of the four peripheral strata [30, Brown, 1965; 71, Friedlander, 1972; 85, Hannerz, 1969; 123, Liebow, 1967; 157, Rein and Miller, 1970]. Many hustlers work periodically in low-wage legal jobs, move on and off the welfare rolls, and are not infrequently participants in one or another government training program. Finally, city school and job placement institutions whose ostensible function is to "upgrade" the urban poor, or, in terms of the above model, facilitate intersectoral mobility, often perpetuate poverty by re-circulating these individuals and their children among the segments of the periphery.

Ghetto workers comprise a significant (although not necessarily an overwhelming) share of all urban "secondary workers." On the other hand, a much larger proportion of ghetto residents probably work in the secondary labor market than is true for non-ghetto residents. As is the case with poverty itself, where the majority of the poor are not black but the incidence of poverty is much higher among blacks than among whites, the majority of the "peripheral" labor force probably lives outside the ghetto, but the incidence of peripheral participation is probably much higher within the ghetto than elsewhere.

Research on many aspects of the model is being conducted at M.I.T. and the New School for Social Research. Workers are studying

intra- and inter-sectoral "job" (*i.e.*, industry-occupation) mobility, the institutional interfaces between low-wage work and other "peripheral" activities, and the relationship between job status and "job control." Comparative studies of dualism at home and abroad have been undertaken by Harvard and MIT economists, working cooperatively with other social scientists [cf. 51, Doeringer, 1973].

3. Daniel Fusfeld proposes a macro model of the ghetto economy and its relation to the outside, according to which the welfare system—far from raising the well-being of ghetto residents—serves to stabilize the ghetto by subsidizing low-wage employers and the absentee owners of ghetto property. The area is described as a "residual subsystem, a place where society maintains its outcasts. . . . In this context, the welfare system or other forms of income maintenance are not solutions, but ameliorative devices" [72, Fusfeld, 1973, p. 58].

Welfare payments [preserve] the ghetto itself. . . . For example, [they] enable a larger number of family units to subsist at the poverty level. These family units add to the demand for slum housing. . . . The net result is a larger ghetto area and a larger outflow of [income] into the hands of slumlords. By contrast, if there were no welfare payments the families now receiving them would either perish or double up with related persons into even larger family units. The demand for slum housing would be smaller, and the ghettos themselves would be reduced in size [72, Fustfeld, 1973, pp. 80-87].

This is the ultimate contradiction in the model. So long as transfer income is insufficient to eliminate poverty—so long as it is too low to permit the formation and maintenance of stable families—it only serves to stabilize and preserve the ghetto *qua* poverty area by forcing ghetto residents to accept low-wage ("secondary") jobs or enter the "hustle" in order to accumulate gross earnings sufficient to make ends meet. "Whatever the level, the function of welfare payments in the social system as a whole is to preserve the urban ghetto and its supply of low wage labor" [72, Fusfeld,

1973, p. 87]. The actual flow of welfare payments, writes Fusfeld, will generally "be set at the level which enables law and order to be maintained by the ordinary instruments of social control" (this is also a main theme of Piven and Cloward [150, 1971]). Thus, "the apparent benefits [of] the current welfare reform legislation . . . would freeze a large supply of low wage workers into the [secondary] labor market and solidify a hard core of poverty into the American social and economic system" [72, Fusfeld, 1973, p. 90].

4. Finally, at the most abstract level, the literature contains several unbalanced growth models which embody many of the structural disequilibria contained in the more "micro"-oriented models reviewed above.⁸ Frank Davis specifies a model in which "core" products are increasingly subjected to oligopoly pricing, but core firms' demand for "peripheral" labor is highly income inelastic, with the result that peripheral wages do not rise as the economy expands and the "terms of trade" between the periphery and the core steadily worsen (note how this relates to the LDC analogy of Ranis) [48, 1972]. The presence of imperfect competition in the white economy is at the root of the problem. Davis perceives similar explosive disequilibria in the relationship between the agricultural and industrial sectors of the American economy, and between the rich countries of the West and the poor countries of the Third World.

5. The same principle is treated more formally by Peter Albin in a series of papers [2, 1970; 3, 1971]. In this unbalanced growth model, the urban economy is divided into a leading sector consisting of those private industries and government agencies in which wages are growing, and a lagging sector which includes private industries with zero (or lethargic) productivity and (therefore) wage growth. The growth of wages in the private leading sector is facilitated by rising produc-

tivity. Wage growth in the public sector is explained by the need of public employers to compete with the private leading sector for skilled labor, but it is not (by assumption; actually the data do not exist with which to test this) accompanied by proportionate productivity growth. As a result, the costs of public services rise over time (this is essentially William Baumol's explanation of the urban "fiscal crisis") [16, 1967]. Acquisition of specified educational credentials constitutes a necessary and sufficient condition for inter-sectoral mobility (my own research invalidates the assumption of sufficiency but not the general principle that the practice of "credentialism" by employers is capable of creating labor immobilities) [89, Harrison, 1972]. Given an initial imbalance in sectoral wages (and, therefore, in the expected returns to educational self-investment) and differential access to the capital markets, the stratification of the economy "might be expected to persist for generations" [3, Albin, 1971, p. 14in]. A revised version of the Albin model is currently being developed.

IV. Alternative Approaches to Ghetto Development

Public and private programs aimed at developing the economy of the urban ghetto differ significantly along several dimensions, especially *control* and *power*. Ronald Bailey and other black economists draw an operational distinction between the strategies of "black capitalism," by which they mean atomistic enterprise development under conventional capitalist institutions (especially private ownership and profit maximization), and "community economic development," by which is meant the support of groups of producers or consumers acting collectively, with social benefit and institutional change more important objectives of development than private profit [12, Bailey, 1971, p. 12].⁹

⁸ With respect to the latter.

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Thomas Vietorisz and I have argued that "community economic development" involves . . .

institution-building, and not merely increasing per capita income. Specifically, we envisage the creation of a number of "inside jobs," acquisition by the community of assets both inside and outside the ghetto, a substantial expansion of existing black businesses (particularly through cooperative forms of ownership), the large-scale transfer of ghetto property to ghetto residents and/or the community *qua* community, emphasis on the provision of pre-vocational and skill training within these ghetto enterprises, and local control of infrastructure such as schools, police, and health facilities. This kind of "local control" is, of course, already enjoyed by most suburban communities whose populations [may not be] nearly so large as those of Harlem, Roxbury, or Watts [206, Vietorisz and Harrison, 1971, pp. 29-30].

To be sure, these theoretical distinctions become blurred in practice; actual operating programs cannot be so neatly categorized. Nevertheless, in this paper "black capitalism" and "community economic development" will be treated as alternative policy approaches, at least in principle.

Two other strategies are discernible in the literature and in the actual events of the last eight years. A number of large corporations were induced to open branch plants in the ghetto. Some of these are wholly owned by the white corporations, while others are joint ventures. In some cases, "turnkey" arrangements have been made, according to which ownership of the plant would eventually be transferred to either a community group or an individual black capitalist after "take-off" is achieved. This strategy, which implies still other institutional patterns of control and power, will be characterized below as "corporate location in the ghetto."

Finally, the federal government operates a number of public sector programs in the ghetto. The largest and best-known of these

(now being terminated by the Nixon Administration) is "Model Cities," the creation of the Demonstration Cities and Metropolitan Development Act of 1966 (Public Law No. 89-754). Through this legislation, Congress created a program to provide (more or less) non-categorical funds to city governments, to be applied to "breaking the poverty cycle" in (locally-defined) "model neighborhoods." The grants, which are issued after successful processing of an application to the U.S. Department of Housing and Urban Development, are then administered by a "city demonstration agency," an arm of city hall which is supposed to act as the planning institution for the ghetto.¹ Economic development is one of a number of activities supported by Model Cities.

Black Capitalism

A program of federal support for black business development has been justified on several bases, the first being the matter of simple equity. Blacks and other minority groups have been disproportionately excluded from ownership of businesses, even within their own neighborhoods [185, Tabb, 1970, Ch. 2: 12, Bailey, 1971: 22, Blaustein and Faux, 1972, pp. 77-87]. A 1964 study of North Philadelphia found over a third of the black businessmen engaged in hairdressing and barbering [185, Tabb, 1970, p. 45]. Four-fifths of the black-owned establishments in Harlem in the winter of 1967-1968 had fewer than four employees, compared with only a little over 50 percent of the white businesses [205, Vietorisz and Harrison, 1970, p. 39]. White businesses in the Harlem ghetto are also significantly more profitable than black businesses, as revealed by a study of tax records in 1968 [97, Heilbrun and Conant, 1972]. The black merchants in Buffalo's central ghetto are signifi-

¹ The CDA is one of three important new local political institutions created in the 1960's to implement economic policy. The other two are the Community Action Agency—the local service bureau for Office of Economic Opportunity programs in health, education, welfare, etc.—and the Community Development Corporation, which will be closely examined later in this paper.

to integrate with other groups (and if so, on what terms) and to obtain the same opportunities for jobs, housing, and so forth that others enjoy, whether the minority person integrates or not [19, Bergsman, 1971, p. 310].

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cantly smaller and poorer than their national counterparts [48, Davis, 1972, pp. 43, 61]. A program of black capitalism would give minority entrepreneurs "a bigger piece of the action."

Improvement of consumer welfare in the ghetto is another objective of the advocates of black capitalism. Larger, more efficiently operated businesses would (it is hoped) result in relatively lower prices and higher quality of merchandise. An econometric study of the popular hypothesis that "the poor pay more"—focusing on the same area (Harlem) where the original study of that question was made in the early 1960's [32, Caplovitz, 1963]—found that the ghetto and "outside" retail prices of many products were not significantly different, after controlling for size of establishment [4, Alcalá, 1968].

Finally, it is hoped that expanded minority entrepreneurship will contribute to the political stability of the city. Absentee and/or white ownership of the great majority of businesses in the black ghetto (over 80 percent, according to one national survey) is a major source of political disquiet in these areas [158, Reiss and Aldrich, 1971]. Conflicts with Jewish, Italian, and other white merchants occur frequently [185, Tabb, 1970, pp. 40-42]. The Kerner Commission speculated that absentee white ownership "undoubtedly contributes to the conclusion among Negroes that they are exploited by white society" [138, National Advisory Commission on Civil Disorders, 1968, p. 274].¹⁸

Black capitalism has been offered as a strategy for meeting these objectives of equity in ownership, increased consumer welfare, and greater political stability. In the absence of significant private corporate assistance to minority entrepreneurs, the Kennedy and John-

son Administrations gradually introduced a number of relatively small-scale programs, operated by such agencies as SBA and the Office of Economic Opportunity. Low interest Federal loans with modest equity requirements were provided directly or through private banks with government guarantees. Retired executives were recruited at Federal expense to deliver technical assistance to minority businessmen. And large government contractors, especially in the defense and space industries, were "jawboned" into "setting aside" a small number of sub-contracts for minority businesses.

Immediately after his inauguration in 1969, President Nixon established an Office of Minority Business Enterprise in the Department of Commerce, which, in turn, created a new institution: the Minority Enterprise Small Business Investment Company (MESBIC). MESBIC's are generally operated by large, established white firms, capable of putting up the initial capital contribution and of providing administrative support. The function of MESBIC's is to supply venture capital and long term financing to small businessmen, through purchase of stock or securities issued by the latter. SBA then "leverages" this initial "front-end" capital. The MESBIC Program has been widely criticized for its high minimum capitalization requirements, its preference for funding only relatively small black businesses, and its prohibition against the support of cooperatives [100, Hetzel, 1971; 22, Blaustein and Faux, 1972, Chs. 8, 10; 162, Rosenbloom and Shank, 1970].

In terms of absolute levels of activity, the OMBE program has indeed increased the input of capital into the black business sector. According to a progress report released by the agency in 1972, total government grants, loans, and guarantees rose from about \$200 million in 1969 to over \$430 million in fiscal 1971. The dollar value of government procurement contracts for minority-owned businesses rose from \$8.8 million in 1969 to \$66 million in 1971 (*direct* procurement from the fed-

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The procurement is especially important for the Administration and for goods and services for government agencies. minority firms to requests a private participate, with the to a minority enterprises of goods a significant share of that this program ghetto development.

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The procurement (or "set-aside") program is especially important. The Small Business Administration acts as the prime contractor for goods and services to be delivered to other government agencies. SBA then subcontracts minority firms to "deliver the goods," or else requests a private corporate contractor to participate, with the latter in turn subcontracting to a minority enterprise. Government purchases of goods and services are now such a significant share of GNP (\$58 billion in 1971) that this program provides great potential for ghetto development.

Unfortunately, SBA rules for awarding minority set-aside subcontracts exclude participation by such collective entities as community development corporations (which we shall study in a moment). Some critics charge that "this policy . . . can have the effect of promoting the interests of wealthy minority businessmen while excluding poor minority groups" [146, Perry, 1973, p. 12].

OMBE has also had its conservative critics as well. Andrew Brimmer, for example, argues that investment in the ghetto is inefficient, and therefore socially wasteful, given the "unfavorable economic climate," particularly with respect to crime, (the low marginal efficiency of investment in such areas also leads Robert Crandall and Duncan MacRae to recommend against capital subsidies for the ghetto [44, Crandall and MacRae, 1971]). Moreover, writes Brimmer, ghetto development is infeasible as well as inadvisable due to "the high cost and unavailability of adequate land area" [29, Brimmer and Terrell, 1971, p. 306].

In rebuttal, other economists have appealed to the alleged ubiquity of market failure as vitiating inferences about the marginal efficiency of "inside" versus "outside" investment [188, Tate, 1971] and Section V below. The "unfavorable economic climate" of the ghetto, it can be argued, is itself largely a result of the under-investment in the economic base of the

ghetto. Improvements in the local economy will improve the "climate."

Similarly, to the extent that "economic crime" is at all related to poverty and social disorganization, investments which increase ghetto economic welfare will reduce the necessity and motivation for at least part of the crime which—Brimmer quite accurately observes—makes it so difficult for ghetto businessmen to survive economically [78, Gordon, 1971].

Finally, as reported earlier, recent studies contradict Brimmer's contention that the stock of land/space in the inner city is already fully utilized.

As an alternative to public (or private) assistance to minority entrepreneurs, Brimmer advocates expanded human capital development programs. Well educated and trained black workers "will be attracted to the higher expected returns and the greater job security in firms operating in the national economy" [29, Brimmer and Terrell, 1971, p. 293]. While it is desirable to be "attracted," the central question is whether these "upgraded" workers would be hired. Much recent econometric research on the returns to ghetto human capital does not support an optimistic forecast.²³

The Location of Corporate Branch Plants in the Ghetto

A small number of major corporations have experimented since 1966 with, and a few Senators and Congressmen have encouraged federal support of, the location of branch plants within the urban ghetto. These branch-planting investments of 1966-1970 were expected

²³ Examples of econometric studies which have discovered low to insignificant absolute and relative returns to investments in black human capital are Bluestone [25, forthcoming], Harrison [88, 1972, 89, 1972], U.S. Congress [198, 1972], Michelson [133, 1969], Schuller [160, 1972], and Wachtel and Betsey [209, 1972]. The hypothesis that education reduces black-white inequality is challenged in Jencks [107, 1972] and Weiss [210, 1970]. At least one black economist believes that the latent function of the federal manpower training programs "is to reduce the costs of welfare by getting Negroes on low-paying jobs, rather than to raise the productivity and total wages of the black community" [88, Davis, 1972, p. 105].