

Urban Government Functions

Alan Campbell, Dean of the Maxwell School of Citizenship and Public Affairs at Syracuse University, gave the seventh lecture on Economic Realities of Urban America at the HGS headquarters in New York. His contribution was a convincing presentation of the role of government in metropolitan areas.

With all we have been hearing about over crowding in the cities it was something of a surprise to know that central city population has increased during the 1960's at a much slower rate than in the 1950's—the greatest decline being in the poverty areas. The suburbs too are undergoing substantial change as middle income blacks follow their white counterparts out of the cities as soon as incomes make it possible and as the barriers come down. Manufacturing and retail jobs are growing at a more rapid rate in suburbs than in cities where the economic strength is mainly in the service sector.

Meanwhile a change is taking place in the age distribution of the population which may point to an actual decline in central city school population. Although the city remains the home of low income families, some improvement in income distribution has been noted. The number earning more than \$15,000 a year in constant dollars, has risen significantly, and the gap is closing for the black population at the same educational levels. A possible leveling off in manufacturing redistribution could provide a base in the service sector for increasing the city population.

In this reshuffle the central city is still being taxed more heavily than the suburbs, which generally receive a lower type of service. Such interests and concerns as transportation, water supply, sewage disposal, garbage collection, welfare, public health, housing,

police and education, require participation at the grass roots levels. To gain the advantages of both centralization and decentralization, the Dean recommended a local government system of two levels to replace the present overlapping structure. Some functions would be assigned to the areawide government, others to the local level, but most would be assigned in part to each. More important than the division of functions would be the sharing of power. The American federal system has divided responsibility and power among many layers of government and this has gradually reduced the influence and participation of citizens who are frequently told that experts are in control.

What was advocated was not simply a continuation of the present fragmented system but one which would extend city boundaries to include an entire metropolitan area. City boundaries would become less important than they are now in what was termed "the myth of cities." A series of community governments within the area would restore to citizens a voice in expressing their immediate needs.

As to possible resistance to area governments, it was suggested that white citizens are impelled toward decentralized government by some of the factors that are motivating blacks—a desire for greater separatism and a stronger sense of local pride and community identity. Blacks may be more reluctant to relinquish centralized city governments, believing that they are about to gain political power in the cities. This strategy worked for the Irish immigrants, but as the Dean pointed out, capturing the central city government today carries much less of the goodies it once did—it is a bankrupt institution. He believes no change which could be made in redistribution

of public power could fail to benefit the blacks, who would gain more control over the bureaucracy managing their affairs.

Asked about the role of land value taxation in such a reorganization, the speaker said the present system accentuates and perpetuates the maldistribution of wealth. The LVT principle, though relatively good, he regards as not good for central cities. To the extent that a single tax on land is feasible he thinks the regional form of government is the only place to give it a trial.

Ralph Kaminsky, Associate Dean of the Graduate School of Public Administration, New York University, brought to the subject, Educational Priorities, insights gained from studies of education finance in New York City and the region. He also examined non-financial aspects of the problem. Among other things, he said it was difficult to recommend large expenditures on education without identifying the particular educational problems to be solved and the programs on which the large sums were to be spent. Politicians do not sign blank checks, even for education, and the need to justify expenditures turns out to be a good entry into the general question of educational priorities.

The United States is unique among nations in that education has always been regarded as a prerequisite for a viable democracy and has never been questioned as a legitimate function of government. The goal has been a quality education for every citizen.

From the beginning public education has been administered by the governments of cities and towns or special school districts. States have also been involved but mainly as overseers of a governmental function mandated to these local governments as financial but unequal partners. Every state in the nation provides state aid to educa-

tion but the share contributed by them varies greatly, and the formulae for determining contributions to local districts vary in their effectiveness and equity. Accordingly, the quality of public education in any district depends heavily on the fiscal ability and effort of residents, with the result that one finds side by side in almost every state, education systems which rank among the nation's best, and some which rank among the poorest. Thus public education has failed to reconcile what are certainly two deeply cherished values: local control over education and a high quality education for all.

A few dramatic statistics reflect this failure to achieve the second goal. Local school testing programs reveal that one fifth of the youngsters lack the literacy level needed for available employment and meaningful participation in citizenship. Roughly 25 percent of adult citizens have less than a grade 8 education. One million students drop out of high school each year, and another million show no progress.

These failures are most conspicuous among the blacks and the poor. Traditional education techniques are in large measure extension of the middle-class American home, and these techniques have not worked when applied to youngsters who are not from white middle-class backgrounds. In retrospect it is not surprising that the culturally deprived and poor have not benefited in full measure from their participation in the educational system.

Despite projected declines over the next decade in the number of school-age children, the school reforms needed to achieve the dream of quality education for every citizen imply greatly increased outlays. A recent study of the New York Regional Plan Association sheds some light on the magnitudes. The cost of providing satisfactory education for young students in New York alone would require that the city increase its present outlays for

education by more than \$1 billion.

It is increasingly clear that the future of education is threatened by a paradox of the political system. Cities have the problems while the federal governments and to a lesser extent the states have the greatest capacity to raise revenues. On this basis, a case can be made for shifting fiscal responsibility to the higher levels of government, especially the federal level.

Oscar Ornati, Professor of Management, Graduate School of Business at New York University, said welfare programs do not shape values so much as they are shaped *by* the values of an affluent and generous civilization. You may not like to have the IRS force you to pay for welfare programs but, as he said, they were not imposed by a dictator—and why do people not also object to benefits paid to the rich in the form of subsidies?

A criticism was raised in the audience against programs that contribute to immaturation, "cutting the legs off" people instead of helping them to walk with dignity and giving them a chance to do something useful in return for what they receive. It was conceded that through the political process some programs do actually cause poverty, and there was no suggestion that continued increase in welfare aid would eliminate poverty. "The best we can hope for is that we might be able to make someone's lot a little better," said Professor Ornati.

Since it was made clear in his main discourse that the poverty program was instituted at the time when the crisis had already passed, someone wanted to know if that meant that it was not needed. The answer was an emphatic no, because "the rate of reduction of poverty slows down as the number of poor decreases, and you have to push harder the steeper the hill is."

On the speaker's insistence that by the best estimates available the proportion of poor families is less than it was in the 50's, he was challenged by the New York figures showing one out of seven on relief. He merely ascribed this to the fact that the largesse in New York is great—"the richer the society the more it gives out."

The professor, whose background is European, spoke of the U.S. as the country of rising expectations. It was these expectations which brought the rediscovery of poverty in the 1960's, he said. A small group in the new world, looking about at others, said, "he also deserves what I have." Thus a turning point was brought into sharp focus by a book with the striking title, *The Affluent Society*, by John Galbraith. Its theme was private affluence and public squalor. Another book which became a best seller, *The Second America* by Michael Harrington (the invisible poor), and David Moynihan's *The Negro Family*, added impetus to the poverty drive. Then came "the shadow government," the Ford Foundation, which financed a group of individuals who started such programs as the restructuring of New Haven.

The impact of the civil rights revolution and the reflection of books and "intellectual administrative facts" brought new men, mostly economists, into power in the 1960's. They were needed especially to advise the President on how to spend money when the government took in more than it sent out (fiscal drag), as in 1964.

That decade saw the coming of age of the World War II babies. As teenagers they entered the labor force at a rate greater than jobs could be created, causing an over supply of manpower especially among young male Negroes.

"Cost yield analysis" was not wholly clear to the audience until the professor, using education as an example,

compared the cost to the government of one year of education with what the government could expect in taxes from the same individual. In 1965 the cost of "putting a poor kid" through Harvard was \$10,000, considerably more than the cost for a student from, say, Scarsdale, New York. The difference was excused on the grounds that the latter may already have had about \$100,000 invested in him.

Not everyone was as fully convinced as the speaker about the economic value of education—someone recalled that apples were being sold in the 30's by people with college degrees. It was conceded then that we do have an excessive faith in education in this country which may not hold in the future. America has no experience with failure, said Professor Ornati. It is like a "cotton batting society," our values tend to be rigid, our government is not."

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Dick Netzer, Dean of the Graduate School of Public Administration, New York University, attacked the general subject of social services and seemed to be exploring, in the case of local services, whether the efficiency would be increased if administration was broadened. To the recurring question "who pays?" he found the simple answer that overwhelmingly the funds come from the tax revenues of the governments providing the services—state and federal aid being negligible.

Health, including public assistance and medicare, is by far the largest of the services usually provided by the state government. In New York however responsibility falls on the local governments. The federal government has always had an important role in caring for veterans, Indians, marines, etc., while the state has supported the mental hospitals, and the local governments provide mainly for the poor. In every state but New York prison correction is the province of the state.

New York City alone among local governments is responsible for long-time prisoner administration.

Good health is necessary for productivity in any community in the world—this has been demonstrated in under privileged countries. The people in New York are fortunate in being relatively healthy, and they could remain so if the people who came to New York to live were also healthy. It would be convenient if the other parts of the country from where people come could be bribed to help them achieve better health. Such a message cannot be transmitted to other states but it could conceivably be built into a program that was national in scope, and since there is a good deal of migration among welfare seekers transfer to a higher level in this case might make sense.

Fire protection and administration of justice are important services which have been climbing very rapidly in cost since the pay increases have been tied to collective bargaining. Fire department districts outside of cities cover a very small area, and fires and crime are highly localized. Since people tend to ignore disasters when they are not personally affected taxes for these services can be raised only with great agony. There might be an argument in favor of getting external aid if it could produce more efficient service. However, small sewage plants are more expensive to operate than very large ones, so it is usual to construct gigantic ones. Similarly, by having one large joint fire department one could not give better service because the response time in reaching a fire would actually be much longer. Hence there's no case for anybody to provide external aid for fire protection or police service, unless you assume that there should be no individual decision-making by anyone. Big brother does everything! If the City of New York can't deal with police protection adequately

and has to call for outside help it isn't entitled to existence, said Dean Netzer.

The environmental services of transportation, waste and sewage disposal have similar characterizations although the goals are not uniform. We don't care if everybody uses the highways, but we do want them to produce less garbage and waste. It's hard to see why general taxes should be used to finance waste disposal since not all householders produce the same amount, although they all pay at the same rate.

A more sophisticated way of controlling the use of urban streets and highways would be to use differential charges. We install toll booths and parking meters, but it makes a difference to the traffic picture whether one is driving at 5 p.m. or 3 a.m. The idea behind user charges would be to encourage people to economize on scarce resources and reduce damage to the environment and congestion of facilities. For instance, if we determine how much carbon monoxide can be tolerated we can charge for any amount detected beyond that margin.

In this connection a discussion arose regarding the importance of control charges in dealing with pollution. In the case of industrial waste polluting the Hudson, an audience query was, why not just prohibit it instead of licensing the corporation to pollute by charging a fee?

Professor Netzer was ready for this one. He said, "then you'd have to put

all the New York farms along the Hudson out of business." Even to specify that only industrial waste was to be prohibited while allowing agricultural waste would not, in his opinion, be a solution. To attempt to set an allowable limit and prohibit everything above that would also be unfair since it would unduly favor the one who arrived first.

His conclusion was that by fixing the charge high the corporation could decide whether it was to its advantage to remain in that location or move. And there's always the chance that in the course of operations a way would be found to reduce the amount of pollution. The concerted aim is to charge for services in such a way as to get people to do fewer of the things you don't want them to do. Air pollution seems to be one danger that transcends urban administration. The speaker could foresee that since we don't have metropolitan government (as outlined by Dean Campbell) more action by state governments may be in the offing.

Dick Netzer concluded that these things are often poorly managed and we could do a lot better, but he had no real objections to things as they are. He spoke at the HGS on the evening when Mayor Lindsay was strolling on nearby gayly lighted Madison Avenue and telling Secretary Hickel that he would drop 500 city workers to ease the \$300 million budget deficit.



The Los Angeles HGS fraternized happily at an all day Teachers Institute followed by dinner at the Press Club on November 7th. Harry Pollard, president of the HGS, was the host. Guest speakers were Ray Bradbury, author of books and plays for stage and screen, and Robert Tideman, executive vice president of the Northern California HGS.

Two of the four sessions comprising the Classical Analysis were featured in morning and afternoon sessions. This is a basic course in economics which does not give answers but leads to conclusions by a series of logical steps.