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ALTERNATIVES TO THE GILDED GHETTO**

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By John F. Kain and Joseph J. Persky

Where before Black America was content to make the nation guilty, it has now made the nation fearful. The reaction has been a rush on the ghetto in hopes of administering a quick cure, whether in the form of retaliatory violence or tribute. In the long run, however, the placebo of immediate activity must be belied by the seriousness and complexity of diseases that can put a country at war with itself. While palliatives may "cool" the summer, they will not erase and may even aggravate the underlying problems. To rush into the ghetto with pacifying schemes conceived in fear is hardly more subtle than the "guts" reaction of police violence. The difficulty with more basic activity is that it will often demand a willingness to alter long standing patterns of economic and social behavior. As such it must be motivated by a continuing commitment that does not depend on violence to prompt action, but rather is responsive to objective analysis of fundamental issues. Thus despite the urgency of the current situation, alternative policies must be evaluated in terms of their long run impact. The selection of specific program tools should be governed by a careful definition of underlying problems. Few existing programs have such a legitimate birth right. Most fail to treat the full range of problems associated with the

ghetto, since their authors have failed to recognize the interdependencies among the ghetto, the metropolitan area, and the nation as a whole. In this paper, we attempt to describe these interdependencies. While the resulting model remains uncomfortably qualitative, it still provides a useful framework for evaluating existing and proposed policies for the ghetto. This process leads to what we regard as an appropriate strategy for dealing with the problems of the ghetto, and the roles various program tools should play, specifically those of economic development.

The Ghetto and the Metropolis

If we begin with the usual list of "ghetto problems", unemployment, low income, poor schools and poor housing, it is easy to see the appeal of proposals aimed at making the ghetto livable. Moreover, casual observation of the slow pace of school desegregation, residential integration, and fair employment practices would indicate that the promise of integration and the gains achievable from the process are to be made only at an obscure point in the future. Thus, in the short run the argument would have us view the ghetto as something of a community unto itself, a community that could

substantially benefit from economic development and especially heavy investments of social capital.

The fallacy of this argument is attested to by a growing body of evidence which indicates that (1) the above list of ghetto problems is much too short, since it ignores the serious implications of the growing ghetto for the metropolis as a whole and that (2) many of the most visible problems which affect urban Negroes directly are dependent for much of their adverse impact on the very existence of the ghetto.

The central Negro ghetto has produced a distortion of metropolitan development that has added substantially to problems in central city finance, metropolitan transportation, housing, and urban renewal. The decline of central cities has been hastened by a conviction in the white community, both individual and corporate, that the ghetto would continue its rapid expansion with the associated problems of concentrated poverty and social disorganization. While historically lower income groups have tended to live in central cities, this residential pattern was the result of a highly centralized employment structure. Given the accelerating pace of suburbanization of industry and jobs, partly due to the ghetto's own expansion, this basic logic cannot hold for the

Negro poor.* The residential locations of whites in similar income groups support this contention. This is clearly shown in Table 1, which gives the proportion of low income whites and Negroes living in the suburban rings of the ten largest metropolitan areas. (Table 1 also includes data for all whites and Negroes). For example, 45 percent of Detroit's poor white families live in suburbs but only 11 percent of its poor Negro families. These figures belie the argument that Negroes are concentrated in central cities because they are poor. Moreover, this finding is consistent with the work of numerous researchers who have concluded that little of the existing pattern of Negro residential segregation can be explained by income or other socio-economic characteristics.** One of the authors has estimated that on the basis of Negro employment locations and low income white residential choice patterns as many as 40,000 Detroit Negro workers and 112,000 Chicago Negro workers would move out of central ghettos in the absence

* John R. Kain, "The Distribution and Movement of Jobs and Industry," The Metropolitan Enigma, James Q. Wilson (Ed.), (Washington, D.C.: Chamber of Commerce of the United States, 1967), pp. 1 - 34.

** Karl E. and Alma Taeuber, Negroes in Cities (Chicago: Aldine Publishing Company, 1965); Anthony H. Pascal, "Summary: The Economics of Housing Segregation," paper presented at the RAND Conference on Urban Economics, The RAND Corporation (Santa Monica, California, August 24-25, 1964).

TABLE 1 Percent of White and Negro Families (Total and Poor) Living in the Suburban Ring of the 10 Largest Urbanization Areas*

	<u>WHITE</u>		<u>NEGRO</u>	
	<u>All Families</u>	<u>Families with Incomes \$3,000</u>	<u>All Families</u>	<u>Families with Incomes \$3,000</u>
1) New York	27.8%	16.3%	9.4%	8.2%
2) Los Angeles	65.2	61.6	27.3	23.3
3) Chicago	47.6	37.2	7.7	5.9
4) Philadelphia	50.8	37.4	15.7	14.2
5) Detroit	58.9	44.9	12.1	11.3
6) San Francisco-Oakland	57.8	48.8	29.2	25.8
7) Boston	74.3	64.0	19.2	13.9
8) Washington	75.7	59.6	9.8	10.4
9) Pittsburgh	70.5	63.3	29.4	27.1
10) Cleveland	59.2	39.3	3.1	2.4

* For New York and Chicago the suburban ring is the difference between the SMSA and central city. For all other cities it is the difference between the urbanized area and central city. Both San Francisco and Oakland are counted as central cities.

of racial segregation.*

This residential pattern imposed on the Negro has led to an unduly large proportion of poverty-linked services being demanded of central cities.** At the same time the expansion of the ghetto has encouraged the exodus of middle income whites, both directly through its effect on the housing market and indirectly through its effect on industrial locations. The result has been rapid increases in local government expenditures and a severe constraint on the ability of central cities to raise revenues. Hence the current crisis in city finances. While the problem can be handled in the short run by various schemes of redistributing governmental revenues, a preferable long run solution would involve a major dispersal of the low income population, in particular the Negro. Central cities will continue to have a high proportion of the poor as long as they contain a large proportion of metropolitan jobs. However, there is no rationale for exaggerating this tendency with artificial restraints.

* John R. Meyer, John F. Kain, and Martin Wohl, The Urban Transportation Problem (Cambridge: Harvard University Press, 1965).

** Dick Netzer, "Financing Urban Government," The Metropolitan Enigma, op. cit., pp. 58 - 78.

Housing segregation has also frustrated efforts to renew the city. At first sight the logic of renewal is strong. By offering Federal subsidies to higher income whites locating within their boundaries, central cities have hoped to improve their tax base. The same logic underlies community efforts to woo industry.* However, to the extent that these groups consider the city an inferior location, because of the ghetto, such subsidies will continue to fail. As long as the ghetto exists much of white America will write off the central city. Spot renewal, even of the scale envisioned in the Demonstration City program cannot alter this basic fact.

In this context even the small victories of central cities are often of a pyrrhic nature. While the central business district manages to remain a major employment location, the city is faced with serious transportation problems, problems that would be substantially reduced if centrally employed whites were more willing to reside in the city. To a great extent the CBD stakes its existence on an ability to rapidly transport people long distances.

* For a cogent discussion of these policies see: Julius Margolis, "Municipal Fiscal Structure in a Metropolitan Region," The Journal of Political Economy, Vol. LXV (June 1957), and Julius Margolis, "A Municipal Land Policy for Fiscal Gains," National Tax Journal, Vol. IX, No. 3 (September 1956).

Pressures for more expressways and high-speed rail transit are understandable, and yet both encourage the migration to the suburbs. The city must lose either way as long as the ghetto is a growing mass that dominates the environment of its core and the development of its metropolitan area.

From the above argument it is clear that the impact of the ghetto on the processes of metropolitan development has created or aggravated many of our most critical urban problems. These costs are borne by Negroes and whites alike. However, the same interaction between the ghetto and metropolis has produced other important distortions whose costs fall almost exclusively on the Negro community. The ghetto has isolated the Negro economically as well as socially. In the first place, the Negro has inadequate access to the job market. For him informal methods of job search, common to low skilled employment, are largely limited to the ghetto. Jobs may be plentiful outside of the ghetto, yet he will know little or nothing of these opportunities. Moreover, the time and cost necessary to reach many suburban jobs, frequently compounded by the radial character of public transit services, often will discourage Negroes from taking or even seeking such jobs. Granted that the ghetto generates a limited number of service jobs, this effect is more than offset by the discriminatory practices of non-

ghetto employers. Research on the distribution of Negro employment in Northern metropolitan areas indicates the importance of these factors by demonstrating that the proportion of Negroes in an area's workforce is dependent on that area's distance from the ghetto and the racial composition of the surrounding residential neighborhoods.* These distributional characteristics also affect the level of Negro employment. Estimates indicate that as many as 24,000 jobs in Chicago and 9,000 in Detroit may be lost to the Negro community because of housing segregation. These figures are based on 1956 and 1952 data and thus may well underestimate the current situation. In particular, the continuing trend of job decentralization may have aggravated the situation.**

De facto school segregation is another widely recognized limitation of Negro opportunities resulting from housing market segregation. A large body of evidence indicates that students in ghetto schools receive an

* John F. Kain, "Housing Segregation, Negro Employment, and Metropolitan Decentralization," Quarterly Journal of Economics (February, 1968) (forthcoming), also available as: Harvard Program on Regional and Urban Economics, Discussion Paper Number 14, Revised July, 1967.

** Ibid.

education much inferior to that offered elsewhere.* Low levels of student achievement are the result of a complex of factors including poorly trained, overworked and under-motivated teachers, low levels of per student expenditures, inadequate capital plants, and the generally low level of students' motivation and aspiration. This last factor is, of course, related to the ghetto's poverty and social disorganization. The continued rapid growth of central city ghettos has seriously expanded the realm of de facto segregation and limited the range of possible corrective actions. For example, in 1952, 57 percent of Cleveland's Negro students went to schools with more than 90 percent Negro enrollment. In 1962, 82 percent went to such schools. By 1965, Chicago, Detroit and Philadelphia all had more than 70 percent of their Negro students in these completely segregated schools. The figures for schools with 50 percent Negro enrollment are even worse. Based on these statistics, the U.S. Commission on Civil Rights concluded: "There is a parallel between population and school enrollment trends within metropolitan areas. ... In both cases the isolation of Negroes in residential ghettos and Negro

* James Coleman, et al, Equality of Educational Opportunity, U.S. Department of Health, Education, and Welfare, Office of Education (Washington, D.C.: U.S. Government Printing Office, 1966), pp. 218 - 274.

school in growing."*

In addition to sharply curtailing Negro economic and educational opportunity, the ghetto is an important disorganizing force. It represents the power of the outside community and the frustration of the Negro. The sources of nourishment for many of the psychological and sociological problems too common to Negro Americans can be found here. Drug addiction, violent crime, and family disorganization all gain a high degree of acceptance, creating a set of norms that often brings the individual into conflict with the larger society. While these are complex problems, which the present authors are not fully qualified to discuss, it is not difficult to appreciate the weight the ghetto brings on the individual. This dimension of the ghetto is attested to in such diverse works as Claude Brown's Manchild in the Promised Land and Kenneth Clark's Dark Ghetto. The latter author puts the case well: "The dark ghetto is institutionalized pathology; it is chronic, self-perpetuating pathology. . . ."** While this pathology is difficult to quantify, it may well be the ghetto's most serious consequence.

* U.S. Commission on Civil Rights, Racial Isolation in the Public Schools, Vol. 1 (Washington, D.C., Government Printing Office, p. 13).

** Kenneth B. Clark, Dark Ghetto Dilemmas of Social Power, (New York: Harper Row, 1965), p. 81.

In reviewing our expanded list of problems, it may seem that we have made the ghetto too much the villain. Physical segregation may have only been the not so subtle way to avoid discriminatory practices that might else be rampant. Many ghetto problems might still exist in some other guise. Nevertheless, the problems as structured now must continue as long as the metropolis harbors this "peculiar institution."

The Ghetto and the Nation

While there are major benefits to be gained by both the Negro community and the metropolis at large through a dispersal of the central ghetto, these benefits cannot be realized and are likely to be hindered by programs aimed at making the ghetto a more livable place. In addition to the important objections implicit in the discussion so far, there is the very real possibility that such programs will run afoul of major migration links with the Negro population of the South. A striking example of this problem can be seen in a discussion of ghetto job creation, one of the most popular current proposals to improve the ghetto. Ironically, job creation formulated in terms of the entire system of Negro poverty could be of substantial

benefit.

While ghetto job creation, like other "gilding" programs, might initially reduce Negro unemployment, it must eventually affect the system that binds the Northern ghetto to the rural and urban areas of the South. This system will react to any sudden changes in employment-income opportunities in Northern ghettos. If there are no offsetting improvements in the South, the result will be increased rates of migration into still restricted ghetto areas. While we need to know much more about the elasticity of migration to various economic improvements, the direction of the effect is clear. Indeed it is possible that more than one migrant would appear in the ghetto for every job created. Even at lower levels of sensitivity a strong wave of in-migration could prove extremely harmful to many other programs. The South in 1960 still accounted for about 60 percent of the country's Negro population, more than half of which lived in nonmetropolitan areas. In particular, the number of potential migrants from the rural South has not declined greatly in recent years.* The effect of guaranteed incomes or jobs available

* John F. Kain and Joseph J. Persky, "The Nation's Stake in Southern Rural Poverty," Paper prepared for the National Advisory Commission on Rural Poverty; also available as Harvard Program on Regional and Urban Economics, Discussion Paper No. 18, May, 1967.

in the metropolitan ghetto can be inferred from an analysis of the patterns of migration from the South.

Historically, the underdeveloped nature of the Southern region has proven a spur to the migration of both whites and Negroes. What recent progress has been achieved is overwhelmingly "whites only". The 1950s were the first decade in this century in which there was net white in-migration to the Southern region as a whole. This change is very likely the result of the expansion of industrial activity throughout the South and particularly its border areas. White male agricultural employment losses of about 1 million were more than offset by strong gains in manufacturing, wholesale and retail trade, and professional and related services. By way of contrast, Negroes concentrated in the slowest growing and most discriminating states of the Deep South showed no major gains to offset the almost 400 thousand jobs lost in agriculture. Thus, despite rapid contraction of the agricultural sector, 1960 still found 21 percent of all Southern Negro males employed in agriculture as compared to 11 percent of Southern whites. It is not surprising in terms of this background that nearly 1 1/2 million Negroes (net) left the South in the decade of the '50s.

The major result of the massive migrations of the '40s and '50s was to make the metropolitan areas of the North and West great centers of Negro population. In

1940 these SMSA's accounted for only 20 percent of all Negroes in the country, while in 1960 37 percent of all Negroes lived in these same areas. Moreover, statistics on the migration of Negroes born in Southern states indicate a definite preference for the largest metropolitan areas of the country over smaller cities. This pattern of Negro migration is in sharp contrast with the pattern of white out-migration from the same areas of the South.* The framework of opportunities presented to the individual Negro migrant is such as to increase the desirability of a move out of the South and the comparative desirability of large cities with respect to rural areas and medium sized cities. While the differential in white and Negro migration is clearly related to differential economic opportunity, the overall level of Southern outmigration must be ascribed to the underdeveloped nature of the region. A more rapid pace of Southern economic development could change these historic patterns of Negro

* Thus there are about 2 1/2 million Southern born whites and 2 1/2 million Southern born Negroes in non-Southern SMSA's greater than a million, but 1.42 million whites and 42 million Negroes in non-Southern cities of 250,000 to a million. Cities greater than 250,000 account for 89 percent of Negroes who have left the South but only 60 percent of whites. For a more extensive discussion of these patterns see Kain and Persky, "The Nation's Stake in Southern Rural Poverty," pp. 16 - 31.

migration. Tentative research findings indicate that both manufacturing growth and urbanization reduce Southern Negro outmigration. While the holding effect of these changes is not as strong for Negroes as for whites, the difference between the two responses can be substantially narrowed.* If development took place at a higher rate, the job market would tighten and thus encourage Negroes to stay. Moreover, the quid pro quo for large scale subsidies for Southern development might be strong commitments to hire Negro applicants. A serious program of Southern development is worthwhile in its own right as a cure to a century of imbalance in the distribution of economic activity in the country. From the narrow viewpoint of the North, however, the economic development of the South can play a crucial role in providing leverage in the handling of metropolitan problems.

A second important approach to easing the pressure on the ghetto is to improve the educational and skill level of incoming migrants. An investment in the under-utilized human resource represented by the Southern white and Negro will pay off in either an expanded Southern economy or a Northern metropolitan job market. Indeed, it is just this flexibility that makes programs oriented to individuals so

* Kain-Parsky, op. cit.

attractive in comparison to programs oriented to geography. To the extent that a potential migrant can gain skills in demand, his integration into the metropolis, North or South, is that much eased. In light of these benefits, progress in Southern schools has been pitifully slow. Southern Negro achievement levels are the lowest for any group in the country.* Southern states with small tax bases and high fertility rates have found it expedient in the past to spend as little as possible on Negro education. Much of the rationalization for this policy is based on the fact that a large proportion of Southern Negroes will migrate and thus deprive the area of whatever educational investment is made in them. This fact undoubtedly has led to some underinvestment in the education of Southern whites as well, but the brunt has been borne by the Negro community.

Clearly it is to the advantage of those areas that are likely to receive these migrants to guarantee their ability to cope with an urban environment. This would be in sharp contrast to migrants who move to the ghetto dependent on the social services of the community and unable to venture into the larger world of the metropolis. Nor are the impacts of inadequate Southern education

* Coleman, op. cit., p. 274.

limited to the first generation of Negro migrants. Parents ill-equipped to adjust to complex urban patterns are unlikely to provide the support necessary for preparing children to cope with a hostile environment. The pattern can be clearly seen in the second generation's reaction to life in the ghetto. It is the children of migrants and not migrants that seem most prone to riot in the city.

Thus, education of potential migrants is of great importance to both the North and South. The value of the investment is compounded by the extent to which the overall level of Negro opportunity is expanded. In the North this is dependent on a weakening of the constricting ties of the ghetto. In the South it depends on economic development per se. The remainder of this paper is concerned with the identification of appropriate policies aimed at these two broad objectives.

A Program for the Metropolis

It is nothing less than a complete change in the structure of the metropolis that will solve the problems of the ghetto. Indeed it is ironic, almost cynical, the extent to which current programs that ostensibly are concerned with the welfare of urban Negroes are willing to accept and are even based upon

the permanence of central ghettos. Thus, under every heading of social welfare legislation, education, income transfer, employment, and housing we find programs that can only serve to strengthen the ghetto and the serious problems that it generates. In particular, these programs concentrate on beautifying the fundamentally ugly structure of the current metropolis and not on providing individuals with the tools necessary to break out of that structure. The shame of the situation is that viable alternatives do exist.

Thus, in approaching the problems of Negro unemployment, first steps could be an improved information system at the disposal of Negro job seekers, strong training programs linked to job placement in industry and improved transit access between central ghettos and outlying employment areas. Besides the direct effects of such programs on unemployment and incomes, they have the added advantage of encouraging the dispersion of the ghetto and not its further concentration. For example, Negroes employed in suburban areas distant from the ghetto have strong incentives to reduce the time and cost of commuting by seeking out residences near their workplaces. Frequent informal contact with white co-workers will both increase their information about housing in predominantly white residential areas and help to break down the mutual distrust that is usually associated with the process of integration.

Prospects of housing desegregation would be much enhanced by major changes in renewal and housing programs. Current schemes accept and reinforce some of the worst aspects of the housing market. Thus, even the best renewal projects involve the government in drastically reducing the supply and increasing the cost of low income housing -- all this at great expense. At best there is an implicit acceptance of the alleged desire of the poor to remain in central city slums. At worst, current programs could be viewed as a concerted effort to maintain the ghetto. The same observation can be made about public housing programs. Of the 1/4 million public housing units constructed by all city authorities, only 76, and these in only one metropolitan area, have been built outside central cities. The Commission on Civil Rights in their report on school segregation concluded that government policies for low cost housing were "further reinforcing the trend toward racial and economic separation in metropolitan areas."* An alternative approach would aim at drastically expanding the supply of low income housing outside the ghetto. Given the high costs of reclaiming land in central areas, subsidies equivalent to existing urban renewal expenditures for use anywhere in the metropolitan area would lead to the construction of many more units. The

* U.S. Commission on Civil Rights, op. cit. p. 24.

new mix by type and location would be likely to favor small single family homes and garden apartments on the urban periphery. Some over building would be desirable, the object being the creation of a glut in the low income suburban housing market. It is hard to imagine a situation which would make developers and renters less sensitive to skin color.

These measures would be greatly reinforced by programs that increase the effective demand of Negroes for housing. Rent subsidies to individuals are highly desirable since they represent the transfer of purchasing power which can be used anywhere in the metropolitan area. Other income transfer programs not specifically tied to housing would have similar advantages in improving the prospects of ghetto dispersal. Vigorous enforcement of open housing statutes would aid the performance of the "impersonal" market, perhaps most importantly by providing developers, lenders, and realtors with an excuse to act in their own self interest.

Even in the face of continuing practices of residential segregation, the suburbanization of the Negro can still continue apace. It is important to realize that Negroes in the suburbs do not necessarily imply Negro integration into white residential neighborhoods. Suburbanization of the Negro and housing integration are not synonymous. Many of

the disadvantages of massive central ghettos would be overcome if they were replaced or even augmented by smaller, dispersed Negro communities. Such a pattern would remove the limitations on Negro employment opportunities attributable to the geography of the ghetto. Similarly the reduced pressure on central city housing markets would improve the prospects of private market renewal of middle income neighborhoods. With the peripheral growth of central city ghettos checked, the demands for costly investment in specialized long distance transport facilities serving central employment areas would be reduced. In addition programs designed to reduce de facto school segregation by means of redistricting, bussing, and similar measures would be much more feasible. While such a segregated pattern does not represent the authors' belief in a more open society, it could still prove a valuable first step toward that goal. Most groups attempting to integrate suburban neighborhoods have placed great stress on achieving and maintaining some preconceived interracial balance. Since integration is the goal, they feel the need to proceed slowly and make elaborate precautions to avoid "tipping" the neighborhood. The result has been a small trickle into all white suburbs. If the immediate goal is seen as destroying the ghetto, different strategies should be employed. "Tipping", rather than something to be carefully avoided, might be viewed as a tactic for opening large

amounts of suburban housing. If enough suburban neighborhoods are "tipped", the danger of any becoming a massive ghetto would be small.

Education is still another tool that can be used to weaken the ties of the ghetto. Formal schooling plays a particularly important role in preparing individuals to participate in the complex urban society of today. It greatly enhances their ability to compete in the job market with the promise of higher incomes. As a result large scale programs of compensatory education can make important contributions to a strategy of weakening and eventually abolishing the Negro ghetto. Nevertheless the important gains of such compensatory programs must be continually weighed against the more general advantages of school desegregation. Where real alternatives exist in the short run, programs consistent with this latter objective should always be chosen. It is important to note that truly effective programs of compensatory education are likely to be extremely expensive and that strategies involving significant amounts of desegregation may achieve the same educational objectives at much lower costs.

Bussing of Negro students may be such a program. Like better access to suburban employment for ghetto job seekers, bussing would weaken the geographic dominance of the ghetto. Just as the informal experience of integration on the job is

an important element in changing racial attitudes, integration in the classroom is a powerful learning experience. In so far as the resistance of suburban communities to accepting low income residents and students is the result of a narrow cost minimization calculus which attempts to avoid providing public services and in particular education, substantial state and federal subsidies for the education of low income students can prove an effective carrot. Title I programs of the Elementary and Secondary Education Act, 1965 and grants to areas containing large federal installations are precedents. Subsidies should be large enough to cover more than the marginal cost of educating students from low income families, making it profitable for communities and school districts to accept such students. The experience of the METCO program in Boston strongly suggests that suburban communities can be induced to accept ghetto school children if external sources of financing are available.

Since the above proposals would still leave unanswered some immediate needs of ghetto residents, a strong argument can be made for direct income transfers. While certain constraints on the use of funds, for example rent supplements, might be maintained, the emphasis should be on providing resources to individuals and not freezing them into geographic areas. The extent to which welfare schemes are currently tied to particular neighborhoods or communities should be

determined and programs altered to remove these limitations on mobility. Keeping in mind the crucial links between the ghetto and the rural South, it is essential that the Southern Negro share in these income transfers.

A Program for EDA

The analytical effort of this paper has been to show that job creation in the ghetto and other gilding programs are likely to prove counter-productive. While the evidence at times may seem indirect it represents an extension of accepted theory of metropolitan structure and development. The weight of this argument casts doubt upon the motivations of "ghetto improvers". We have already suggested that in many cases it is simply a matter of misplaced concern. However, it is not clear that the interest of EDA can be so easily ascribed to good natured panic. Institutional survival may be a more plausible explanation. General economic expansion has removed all but four major urban areas from EDA's province. In 1966 alone, the number of EDA qualified areas decreased by 165, a loss of 3.7 million people. At the same time, limited success in developing rural counties,

which are hopelessly out of the mainstream of the larger economy, has suggested that programs of capital subsidy and public works are not the appropriate tools for providing incomes to the people of such areas.

EDA's predecessor agency was conceived during a recession. Fortunately, one of the major objectives of the Area Redevelopment Agency (ARA), the eradication of persistent unemployment, has lost much of its relevance in a period of full employment. What remains of the legacy is hardly inviting. Faced with the task of developing areas that are not even capable of responding to the high level of economic prosperity, the search of EDA's bureaucracy for more likely prospects is not surprising. However, the choice of a field of operation should be governed by the tools at hand and the fundamental nature of the underlying problems, not the latest newspaper headlines. In this respect there are few programs that can compete in attractiveness with a major planned expansion of the Southern economy. Unlike urban ghettos and rural counties, the South as a whole is a populous underdeveloped region capable of responding to investments in physical and human capital. It contains 55 million people or almost a third of the nation. Despite a steady convergence of regional per capita income, that of the South in 1965 was 81 percent of the national level. This figure understates

the seriousness of the problem of Southern development since it includes several prosperous border states with strong economic ties to other regions. Per capita incomes of the six states in the Deep South which contain some 17 million people range from 59 percent (Miss.) to 79 percent (Georgia) of the national figure. 40 percent of all the families in these States had 1960 incomes below \$3,000. The crucial factor in singling out the Deep South is this large storehouse of underdeveloped human capital. Failure to develop the region, implies that these same people will remain a substratum to the broader society. Moreover in the absence of development this class will continue its movement toward the largest urban centers of the country. Unlike much of Appalachia, the Deep South is not a declining area unsuitable for further investment. It is rich in resources, poor in capital -- both human and physical. A program of Southern economic development conceived on a regional scale could serve to rectify a major imbalance in the distribution of economic activity while providing new alternatives to the native population, white and black. A successful development program would tend to decrease the pressure of migration on the metropolitan North, thus allowing ghetto dispersal and anti-poverty programs more freedom of movement.

Overall development of the South implies investment in major centers, in contrast to the current EDA program which

emphasizes the poorest and most depressed areas. It requires a working model of the Southern economy that allows for the links that bind the metropolises and rural hinterlands. Improvement in the condition of rural and small town populations may be best achieved through the use of intra-regional migration. Programs aimed at accelerating the pace of development in growing metropolitan areas might prove the quickest and cheapest way to overall development. Such a plan would take advantage of, rather than work against, the dominant patterns of the current economy. The recent rapid growth of population and industry in Southern SMSA's indicates that the development process is already under way. A major goal of speeding up these phenomena is to prevent an expansion of traditional patterns of Southern discrimination. As noted above, the white community has dominated recent industrial gains. However, under tight labor markets and federal pressures, hiring practices must become more flexible. Urban employers, unlike rural land owners, can have a self interest in providing opportunities to Negroes. Economic expansion and the achievement of equal opportunity are highly complementary.

The challenge presented to EDA in the South requires careful application of the entire tool box of economic development. Capital subsidies must be structured so as to take advantage of ongoing industrialization. This implies a program that allows corporations and entrepreneurs great

latitude in choosing locations and methods of operation. Current patterns of development strongly suggest a majority of these new enterprises will locate in growing metropolitan areas. The paucity of information on relative costs at alternative locations suggests that EDA should develop a large scale research effort to improve information on labor markets, transport costs, and various economies of agglomeration. Indeed, much work of this type is already underway and would require only a definite operational focus. The results of this program of research might at some time in the future provide information on which to base a sophisticated program of capital subsidies that would reflect some nonmarket costs and benefits. In the short run this improved data on locational advantages can aid entrepreneurs in choosing their own sites within the South.

Establishing priorities for investment in social overhead capital would place even greater demands on EDA research and analysis. This planning would benefit greatly from the general studies of industry location outlined above. The main objective of this research would be to develop a strategy for social overhead investment that would maximize the growth of the entire region. This is in contrast to the cost effectiveness calculus that presently governs EDA allocations, which emphasizes benefits (usually measured in terms of increased employment) for particular communities. While narrow benefit-

cost calculations of this kind are unsuitable in most situations, they are particularly inadequate for evaluating investments in a living society that had designed to foster economic development. EDA research on the impact of social capital, coupled with that on industry location, should provide a basis for converting such vague concepts as growth centers and growth points into operational investment programs. We suspect these studies will again point to the Southern metropolis as the dominant factor in any well conceived program of regional economic development.

Much of the above thinking is already reflected in EDA's recent emphasis on development districts and regional commissions. Both result from a recognition that subsidies to the most "distressed" community may not be the best way of achieving an improvement in the condition of that locale. The same investment in a nearby community, often within commuting distance, may result in a larger increase in employment and income for the population of the "distressed" community. Even so EDA's legislation specifically prohibits the inclusion of cities of more than 250,000 population in development districts and severely limits the range of tools that can be applied to smaller cities included in these districts. Similarly, the boundaries of regional commissions have generally excluded populous centers, that might provide the base for more rapid development. They have generally encompassed depressed regions

with limited potential for economic development. Ironically there exists no regional commission for the poorest and most populous underdeveloped region of the country, the Deep South. Yet this region has the most promise of supplanting out-migration with economic development. Admittedly not all of the blame for the failure to establish a regional commission for the Black Belt lies with EDA. We do not know, but suspect strongly, that the Office of Regional Economic Development has made efforts to create an interstate compact comprising all or parts of the states of the core South. States rights, suspicions of federal involvement, and traditional antagonisms of Southern governors have most likely been major roadblocks to such a regional commission. However, we would imagine that such traditional prejudices can be circumvented if the benefits to be gained by participation reach a significant level. A program similar to that envisioned here would be likely to gain support because of its promise of massive development.

CONCLUSION

We can return now to the proposition stated at first: that ends and means should be matched to each other; that tools should be appropriate to situations. The Negro in

this country clearly faces a broad range of pressing problems, problems that challenge the basic structure of our social and physical environment. While there have been many proposals and counterproposals aimed at the ultimate solution, it is clear by now that no easy way out exists. It should also be clear from this paper that an agency like EDA can most effectively play a role limited to using development tools in the underdeveloped South, not the developed metropolitan North. Such a program can play an important part in the integration of the Negro into an accelerated Southern economy and thus directly improve the lot of the Southern Negro. This development, worthwhile in itself, is insufficient unless coupled to extensive programs in the North. These must be consistent with the basic goals of ghetto dispersal and implemented by appropriate agencies in close cooperation with the individuals and groups involved. While the authors make the usual academic excuses, concluding that much research still needs to be done, the suggestions for basic policy stand clearly delineated.

September 5, 1967

MEMORANDUM FOR THE COMMISSION

Herewith transmitted is:

1. A release from the U.S. Department of Commerce on the reduction in number of "Poor";
2. A Department of Labor study on Negroes in the United States on which the above release was based.
3. A copy of "Dark Ghetto" by Dr. Kenneth Clark. Dr. Clark is presently scheduled to appear before the Commission on Wednesday afternoon, September 13. I am also enclosing a copy of his "Who's Who" biography.

David Ginsburg
Executive Director

UNITED STATES DEPARTMENT OF
COMMERCE

Alexander B. Trowbridge, Secretary Washington, D.C.



FOR IMMEDIATE RELEASE MONDAY AUGUST 14, 1967

John C. Baker
440-7401

CB67-92

NUMBER OF "POOR" DECREASES BY 9 MILLION SINCE 1959, CENSUS BUREAU REPORTS

The number of U.S. residents with incomes below the poverty level decreased from 39 million to 30 million between 1959 and 1966, the U.S. Department of Commerce's Bureau of the Census reported today. In 1959, 22 percent of the population was classed as "poor"; in 1966, only 15 percent.

The number of white persons below the poverty level decreased from 28 million in 1959 to 20 million in 1966, a decrease from 18 percent to 12 percent. The number of poor nonwhites declined from 11 million in 1959 to 10 million in 1966, or from 55 percent to 41 percent of the nonwhite population.

The number of families below the poverty level decreased from 8.3 million in 1959 to 6.1 million in 1966, with the number of persons in those families decreasing from 34 million to 25 million. The number of nonwhite families below the poverty level declined from 2.1 million to 1.7 million, a decrease from 50 percent of the total nonwhite families in 1959 to 35 percent in 1966.

Of the 12 million individuals not living with their families, 39 percent were below the poverty level in 1966, compared with 47 percent in 1959. Comparable figures for nonwhites were 50 percent in 1966 and 59 percent in 1959.

Information concerning income was gathered in March 1967 and March 1960, from a nationwide sample survey of the population living outside institutions and military barracks. In establishing the "poverty level" the Census Bureau used standards developed by the Social Security Administration, which make allowance for number of persons, ages of household members, and annual adjustments for cost of living.

As applied to 1966 incomes, the poverty levels for nonfarm residents range from \$1,559 for a woman living alone, 65 or older, to \$5,440 for a nonfarm family of seven or more persons.

(See attached table)

INCIDENCE OF POVERTY, 1959 AND 1966: PERSONS IN FAMILIES AND UNRELATED
INDIVIDUALS BELOW THE POVERTY LEVEL BY FAMILY STATUS AND COLOR, FOR THE
UNITED STATES

(Numbers in thousands. Number of persons relates to the following year.)

Color and family status	1966			1959		
	Total	Below poverty level		Total	Below poverty level	
		Number	Percent of total		Number	Percent of total
TOTAL						
All persons.....	193,424	29,731	15.4	176,479	38,940	22.1
In families.....	181,054	24,910	13.8	165,777	33,864	20.4
Head.....	48,921	6,089	12.4	45,062	8,281	18.4
Children under 18 years.....	69,837	12,503	17.9	63,745	16,637	26.1
Other family members.....	62,296	6,318	10.1	56,970	8,946	15.7
Unrelated individuals (14+).....	12,370	4,821	39.0	10,702	5,076	47.4
WHITE						
All persons.....	170,241	20,126	11.8	156,869	28,231	18.0
In families.....	159,469	16,101	10.1	147,716	24,072	16.3
Head.....	44,021	4,379	9.9	40,828	6,183	15.1
Children under 18 years.....	59,530	7,305	12.3	55,017	11,067	20.1
Other family members.....	55,918	4,417	7.9	51,871	6,820	13.1
Unrelated individuals (14+).....	10,772	4,025	37.4	9,155	4,159	45.4
NONWHITE						
All persons.....	23,184	9,605	41.4	19,610	10,709	54.6
In families.....	21,589	8,809	40.8	18,061	9,792	54.2
Head.....	4,898	1,710	34.9	4,234	2,098	49.6
Children under 18 years.....	10,304	5,198	50.4	8,728	5,570	63.8
Other family members.....	6,387	1,901	29.8	5,099	2,124	41.7
Unrelated individuals (14+).....	1,595	796	49.9	1,547	917	59.3

Source: Current Population Survey
Bureau of the Census

USCO:IM-DC-59750

CLARK, Kenneth Edwin, psychologist, born New Madison, O., Dec. 18, 1914, s. Harry H. and Nellie B. (Trempe) C., B.S., Ohio State U., 1935, M.A., 1937, Ph.D., 1940, m. Helen Tittrimaler, June 29, 1942, children—Patricia Ann, Virginia Lee, Joyce Marie. Tchr. Ashtabula (O.) county schs., 1935-37, asst. dept. psychology Ohio State U., 1937-40, Instr. U. Minn., 1940-42, asst. prof., prof., 1948-60, chmn. dept. psychology, 1957-60, asso. dean Grad. Sch., 1960, dean Coll. Arts and Sciences, U. Colo., Boulder, 1961-63, dean Coll. Arts and Scis., U. Rochester, N.Y. 1963—Mem. Pres.'s Com. on Nat. Medal of Sci., 1962-64, cons. Office Sci. and Tech., 1961—Served as personnel technician, USAAR, 1942-44, lt. (jg.) USNR, 1944-46. Mem. A.A.A.S., American, Midwestern, N.Y. psychol. assn., Am. Statist. Assn., Am. Bd. Examiners in Professional Psychology (pres., 1959-63), Psi Chi, Phi Delta Kappa. Author, *America's Psychologists*, 1957; *Vocational Interests of Non-professional Men*, 1961. Editor, *Jour. Applied Psychology*, 1961—. Home, 57 Southern Pkwy., Rochester, N.Y. 14618.

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 11, 1967

MEMORANDUM FOR THE COMMISSION

I hope the attached suggestions
to our staff are satisfactory. If you
have any questions, let me know.

DG

David Ginsburg
Executive Director

Attachment

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 11, 1967

MEMORANDUM TO ALL STAFF MEMBERS

From: David Ginsburg

Subject: Attendance at Commission Meetings

1. In view of the time pressures on our work, the number of staff members who attend Commission meetings and hearings should be kept at an absolute minimum. Indeed, my hope is that, as a general rule, the only persons attending hearings will be those with functions to perform at the hearing itself. In this regard, though I would like to have as few rules as possible, a few guidelines seem necessary.

2. Each department head with functions directly relating to hearings must, of course, decide for himself whether he will attend meetings. In particular, Messrs. Palmieri, McCurdy, Spivak, Taliaferro, and McKenzie will have to make such decisions for themselves.

3. With regard to Special Assistants to the individual Commissioners, special problems exist. If each Commissioner appoints an assistant or delegates some person on his regular staff to attend every meeting with him, difficult problems of overcrowding may develop. However, I will try to make the necessary arrangements for any Commissioner who wants his assistant to be with him at any particular meeting or who feels it essential to have his assistant present at all meetings.

4. When we begin to hear individual witnesses outside of Washington, Mr. McCurdy will decide who on the staff should attend. For other meetings in Washington, anyone who feels he should attend should consult either Mr. Palmieri or myself.

5. Staff members who plan to attend any meeting in Washington should notify Mrs. Claudette Johnson in order that necessary clearances can be arranged.

UNITED STATES GOVERNMENT

Memorandum

TO : MEMBERS OF THE COMMISSION

DATE: September 11, 1967

FROM : David Ginsburg

SUBJECT: Ebony Articles

Here, for your information, are an interesting editorial from the September Ebony Magazine, suggesting the course the Commission should take; and an item from the August Ebony by Dr. Kenneth B. Clark, who will testify Wednesday.

bcc: Victor Palmieri



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

Alvin A. Spivak
Director of Information
382-8521

September 11, 1967

FOR IMMEDIATE RELEASE

The National Advisory Commission on Civil Disorders will meet in Executive Session on Tuesday, September 12, and Wednesday, September 13, in the Indian Treaty Room of the Executive Office Building.

At 10:00 a.m., Tuesday, the Commission will hear Governor George Romney of Michigan. The Governor has informed the Commission he will be accompanied by Major General Clarence C. Schnipke, Director of the Michigan State Department of Military Affairs and head of the Michigan National Guard; Major General Cecil Simmons, Commander of the 46th Infantry Division of the Guard; Colonel Frederick A. Davids, Director of the Michigan State Police; Robert Danhof, the Governor's Legal Advisor, and Charles Orlebeke, Administrative Assistant to the Governor.

This closed meeting will conclude a preliminary series which the Commission has held with officials and citizens of the states of New Jersey and Michigan, and the cities of Newark and Detroit.

Teams of staff personnel, meantime, will be visiting these and other cities in the near future to gather pertinent data. The first such team visit was made to Plainfield, New Jersey on Tuesday, September 5.

At 2:00 p.m., Tuesday, the Commission will hear a discussion of the history of the Negro in the United States, by Lerone Bennett, Jr., historian, author, and Senior Editor of Ebony Magazine. With him will be Benjamin Quarles, Professor of History at Morgan State College, Baltimore, Md., and an author of several books on Negro history.

(MORE)

- 2 -

This hearing will begin a separate phase of the Commission's studies, dealing with testimony by Negro experts on historical, economic, sociological and psychological factors of ghetto life.

At 9:30 a.m., Wednesday, the Commission will hear a discussion of Jobs and the Negro. Testimony will be provided by Dr. Vivian Henderson, economist and educator. He is President of Clark College, Atlanta, Ga. Also testifying will be the Rev. Leon Sullivan, Chairman of the Board, Opportunities Industrialization Center, Inc., Philadelphia, Pa., an organizer of employment and self-help programs for minority groups.

At 2:00 p.m., Wednesday, the Commission will hear from Dr. Kenneth Clark, psychologist and social scientist, President of the Metropolitan Applied Research Center, Inc., New York, N. Y.

- 0 -

The Commission has approved rules of procedure for its future proceedings.

Among these rules is a provision that witnesses may be accompanied by counsel if they so choose, and that if counsel desires, he may interrogate the witness "at reasonable length" to clarify relevant matters after the Commission has concluded its questioning. The complete set of rules was published in the Federal Register today. Copies are available from the Information Office of the Commission.

- 0 -

The Commission also announced today its appointment of Stephen Kurzman as Deputy Director for Operations. A separate release on this is attached.

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

September 11, 1967

FOR IMMEDIATE RELEASE

The National Advisory Commission on Civil Disorders announced its appointment of Stephen Kurzman, a former aide to Senator Jacob K. Javits of New York and former minority counsel for the Senate Labor and Public Welfare Committee, as Deputy Director for Operations.

In this position, Kurzman will supervise various fact-gathering and research and analysis activities for the Commission.

A partner in the law firm of Kurzman & Goldfarb, 1616 H Street, N.W., Washington, D.C., Kurzman will retain his association with that firm. He will be with the Commission as a consultant.

Kurzman, born March 25, 1932, in New York City, was an honor graduate of Harvard in 1953 and of the Harvard Law School in 1956. He was an assistant United States attorney, Southern District of New York, from 1959 to 1961 and then until 1965 was legislative assistant and counsel to Senator Jacob K. Javits. In 1965 and 1966, Kurzman was minority counsel to the Senate Committee on Labor and Public Welfare, and has had particular concern with anti-poverty and manpower training matters.

As a consultant to the Senate Subcommittee on Employment, Manpower and Poverty, headed by Senator Joseph Clark of Pennsylvania, Kurzman did a study, published in June, on "Private Enterprise Participation in the Anti-Poverty Program."

#

→ cc Claudette Johnson

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR -

September 12, 1967

MEMORANDUM FOR THE COMMISSION

The attached column by Stewart Alsop entitled "Mr. Genocide", from a recent issue of the Saturday Evening Post, is worth reading: A terse, close look at some leaders and troops in the Black Power ranks.

D.G.

David Ginsburg
Executive Director

Attachment

'MR. GENOCIDE'

NEW YORK:

I recently spent a good many fascinating, harrowing hours in this city, talking with leaders of the Black Power movement and trying to understand how they felt and what they wanted. The moment I remember best was the moment when Floyd McKissick, director of CORE, got angry at something I had said, and called me "Mr. Genocide."

To understand why I said what I said, and why McKissick got angry, it is necessary to get some idea of the way Negro militants talk. Here, for example, is Floyd McKissick, when asked whether he really believes, as he said at the Newark Black Power conference, that white Americans may "commit genocide against 22 million black people": "Hell, yes, I believe it. Look what you whites did to the Indians."

Here is Daniel Watts, the handsome and engaging editor of *Liberator*, organ of the Negro militant-intellectuals, when asked whether he agreed with McKissick: "Sure I do. You've got to face it objectively—the Negro is obsolete, The American economy no longer needs millions of unskilled workers, so American efficiency has already figured out how to dispose of us in the gas ovens."

Here is Robert Gore, a kindly-mannered, likable Negro intellectual with a full beard: "There's nothing personal in my dislike of you—as a white man, you're just my natural enemy, that's all."

Here are some other direct quotes, scribbled down in my notebook, from these and other Black Power advocates:

"Martin Luther King, Roy Wilkins, Whitney Young—hell, they're just Lyndon Johnson's house niggers."

"Either we're gonna get our share, or we're gonna burn America down."

"Harlem hasn't really been heard from yet—it's a simple matter to burn down Harlem."

"Our real tormentors, they're the white liberals."

"You know, we've lost respect for Big Charley. When we were kids we believed Whitey was rich and smart, and now we put a real hurt on him, and Whitey's in a panic—the whole W.P.S. is beginning to fall apart." (W.P.S. is shorthand for White Power Structure.)

"I went to a black party, and there was a white butler at the door, bowing and scraping—brother, that's Black Power."

troit and the rest and try to bribe us by building a lot more public housing, and we'll burn it right down again. Where do you think those cats in the streets in Newark came out of? Right out of the public housing."

"Maybe burning down cities is a bad way to get our share, but you wouldn't listen to us. You wouldn't even see us. Before Watts, we were the invisible man."

"When we get our free state in Southern California, we'll let you honkies in with a passport, but you can't live there. Nothing discriminatory—you'll just be happier among your own kind." (Editor Daniel Watts speaking, with a broad grin.)

"Integration? Integration's a bad joke. We don't want integration, we want separation."

"We don't want the white man's wife or girl friend—our soul sisters have got plenty of soul to take care of us. We don't want anything to do with the white man—we just want our slice of the pie."

Here, finally, is Floyd McKissick on the meaning of Black Power: "Take Harlem—Harlem's owned by whites and run by whites. We'll have Black Power when every cop in Harlem is black, every building and every business is owned by blacks, the schools are black, there's an all-black university, and the whole city of Harlem is run by blacks."

This is the way the militants talk. What does it mean?

Perhaps it means a bit less than the words, taken at face value, seem to mean. I don't think that Floyd McKissick and Daniel Watts, for example, really expect the white majority in this country to try to exterminate the Negro minority. But the way the Negro leaders of the new generation talk is meaningful all the same.

In the very long run, the meaning may turn out to be healthy. In their passionate emphasis on their own identity as Negroes (or "blacks"—a militant never calls himself a Negro), there is an overweening pride that may evolve into self-respect. The determination of these people to live their own lives, control their own destinies and take pride in their race is surely healthy. And Floyd McKissick is surely right when he contends that the people who live in Harlem ought to run Harlem.

But there is also, in the way these people talk, an irrationality, a divorce from the hard realities, which is deeply unhealthy—and deadly danger-

is shaking the "W.P.S." to its roots. In reality, the "revolution" has consisted of a series of riots in which Negro neighborhoods have been destroyed and the shaky Negro economy badly damaged, leaving white neighborhoods and the white economy intact. If this is a revolution, it is history's most self-defeating revolution.

Moreover, the Black Power militants are really preaching a Negro version of South Africa's apartheid. It is almost impossible to get these people to talk seriously about such matters as Negro education or housing or welfare—they seem to think that all will be well if the "honkies" are somehow eliminated from their lives. Plenty of white racists will be all too eager to take them at their word and try to seal them off in big-city enclaves or reservations.

Finally, these people are themselves as racist as any Kluxer. To them, as mild-mannered Bob Gore remarked to me, the white man (or "honky," "mother," "peckerwood," "Charley," "Chuck," "redneck," "skins," "Whitey," etc.) is the enemy. To all too many white men, and more than ever since the riots, the Negro is the enemy. In this blind racism, spreading malignantly, lies the seed of racial war. When I put this to Floyd McKissick, at about one o'clock in the morning in Frank's Restaurant in Harlem, he cheerfully agreed that a race war was possible, and perhaps probable.

"But we whites have ninety percent of the people," I said, "and about ninety-eight percent of the power. If it comes to a race war between us, who do you think will win it?"

McKissick is a genial man, with a broad, infectious grin. But when I put this question to him, his face suddenly contorted in anger, and he jumped to his feet and stalked out. Pete Young, a mutual friend who had introduced us, followed him out, to mollify him.

"I can't take any more of that stuff from that honky," McKissick told Young. "That mother is Mr. Genocide himself."

I can see why my question made Floyd McKissick angry. But it still seems to me a question worth pondering. The white leadership in this country has a deep responsibility to control, if necessary by force, the growing minority of whites who are beginning to talk and think like Kluxers, and who one day may begin to act like Kluxers. But the Negro leadership has

None. Leadership has

BT

September 12, 1967

STATEMENT BY
ATTORNEY GENERAL RAMSEY CLARK

Again, with great reluctance, I find it necessary to answer Governor Romney's grossly distorted account of events of the morning of July 24, 1967. Understanding the great stress a public official is under at such a time and having been involved on behalf of the federal government in many of our more serious civil disturbances of recent years, I would not criticize Governor Romney for his indecision if he did not persist in his distortions.

He did not talk with the Vice President at 2:15 a.m. as he now claims. The call was at 11:10 p.m. July 23, 1967.

At the Vice President's suggestion, Mayor Cavanaugh, who was with Governor Romney, called me at 11:55 p.m. No request for federal troops was made.

It was 2:40 a.m. on July 24 when Governor Romney called me and said he might need federal troops. He did not request federal troops. His own log filed with the Advisory Commission on Civil Disorders says he advised me "federal troops might be needed." At this time I asked Secretary Resor to prepare troops for possible use.

I called the Governor twice, at 3:40 a.m. and 5:15 a.m., to determine developments. Still, no troops were requested. On the contrary, the Governor specifically said he would discuss

-2-

the situation with General Simmons and others, and advise me if troops were needed.

I talked with Governor Romney again at 6:50 a.m. and told him federal troops were now in a state of readiness and could be moved immediately on order. The Governor said he would like to go out and look the situation over and that he would call me back within an hour. Two hours and 5 minutes later, at 8:55 a.m. he called and read a long statement recommending use of federal troops. I told him, as I had earlier, that he would have to request troops. He said he understood and would get in touch with me as soon as he could.

At 9:45 a.m. Governor Romney called and read me a draft of a telegram. I told him it would be adequate. He said he would decide promptly whether to send it.

He sent the telegram at 10:46 a.m. and it arrived 10 minutes later at the White House. At 11:03 a.m. President Johnson ordered troops to proceed to the Detroit area. Any delays in dispatch of federal troops resulted from Governor Romney's indecision.

At no time did Governor Romney utter a word of complaint about Constitutional or other legal requirements or in any way imply that he had requested troops earlier. He knew that he did not.

Further, his statement that Michigan National Guard troops were "committed as soon as they arrived" in Detroit is fully contradicted by the statements of Michigan National Guard officers.

At 4:30 p.m. on July 24, General Simmons, Commander of the 46th National Guard Division, reported that roughly half of his troops were still not deployed. Even as late as 7:15 p.m. Colonel Phillips, the Division's Chief of Staff, indicated that 2,650 troops were in reserve.

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

Hearing: THE STATUS AND MOOD OF THE NEGRO IN THE UNITED STATES
Wednesday, September 13, 1967, 2:00 p.m.

This discussion will be devoted to hearing expert testimony from Dr. Kenneth Clark, psychologist and social scientist, who has lectured and published extensively in the field of race relations. A noted author and scholar, Dr. Clark is presently serving as President of the Metropolitan Applied Research Center, Inc., in New York City, and is on leave as Professor of Psychology at the City College of the City University of New York. He will be assisted in his discussion by Kenneth E. Marshall, Vice President of the Center, and a former assistant professor at Columbia University.

DR. KENNETH B. CLARK

Dr. Clark is one of the nation's most-quoted authorities in the field of race relations. He has served on numerous government and private study groups and has won numerous awards for his writings in the field. As the social scientist consultant to the NAACP, his work was of major importance in challenging the constitutionality of state laws which required or permitted racial segregation in the public schools.

Dr. Clark received his undergraduate education at Howard University and his Ph.D. in psychology from Columbia University. He is the author of several books including "Dark Ghetto," and "Segregation and Your Child."

MR. KENNETH E. MARSHALL

Presently serving as Vice President for Community Affairs with Dr. Clark at the Metropolitan Applied Research Center, Mr. Marshall has had extensive experience assisting Dr. Clark, and in his own right, as a worker in ghetto areas.

Mr. Marshall has previously taught at Columbia University and has served as program director for the Harlem anti-poverty program and as Executive Director of the Paterson, New Jersey Task Force for Community Action. He has also acted as a supervising street club worker, working with teenage gangs in New York City.

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

Hearing: THE NEGRO'S STRUGGLE IN JOBS AND ECONOMICS
Wednesday, September 13, 10:00 a.m.

Opening the discussion will be Dr. Vivian W. Henderson, economist and consultant; President, Clark College, Atlanta, Georgia, and a nationally recognized expert on the problems of jobs, economic security and welfare. We will then hear from Reverend Leon A. Sullivan, organizer of employment and self-help programs for minority groups; Chairman of the Board, Opportunities Industrialization Center, Inc., Philadelphia, Pennsylvania.

DR. VIVIAN W. HENDERSON

Dr. Henderson is one of the leading experts on the economic status of Negroes. He is the author of numerous publications and studies on the problems relating to jobs, economics and welfare, and has conducted numerous research studies on the subject over a twenty year period.

A native of Bristol, Tennessee, he is a graduate of North Carolina College, Durham, N.C., and received his Masters and Ph.D. degrees from the University of Iowa. For many years he was Professor and Chairman of the Department of Economics at Fisk University, Nashville, Tennessee, where he conducted many of his studies and research work. He has served on several government commissions and study groups, and became President of Clark College in 1965.

REV. LEON H. SULLIVAN

Rev. Sullivan, a native of Charleston, South Carolina, is considered one of the more progressive religious leaders in the country, and was selected by Life Magazine in 1963 as one of 100 outstanding young adults in the nation. He is a graduate of West Virginia State College, and holds a Masters degree in religion from Columbia University. He is pastor (4,000 member) of the Zion Baptist Church in Philadelphia, Pennsylvania.

A religious leader who has devoted his efforts to improving community life, Rev. Sullivan has gained nationwide attention as the Founder-Chairman of the Opportunities Industrialization Center, Philadelphia, which has sought to train and retrain citizens in ghetto

areas over the past three years on a massive scale. The Center has placed over 3,500 persons in jobs in various skills and at present it has 1,400 persons in training in 30 different fields.

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
BEFORE THE INTERNATIONAL ASSOCIATION
OF CHIEFS OF POLICE, KANSAS CITY,
MISSOURI

AT 11:40 A.M. CDT

President Morris, Mayor Davis, Chief Lawrence, Mr. Tamm, Chief Kelley, ladies and gentlemen:

There is an old story about President Calvin Coolidge and his response to the question, "What do you think about sin?"

As you may remember, President Coolidge is supposed to have answered, "I'm against it."

Most Americans would say the same thing today about poverty, disease, and ignorance, -- and crime.

So I don't expect special credit this morning for coming before the International Association of Chiefs of Police to talk about crime and only say, "I'm against it."

It would not enlighten your discussions, nor contribute to public understanding, if I were to spend my time here in a long lament about the evil consequences of crime. I think they are as self-evident as they are real.

Neither am I going to be content to just preach about the decline in morality in America.

In the first place, I just do not believe that morality is declining. The responsibility that this Nation has shown, in meeting its human obligations at home and abroad, convinces me that America is a Nation that is strong today.

In the second place, I do not believe that sweeping indictments of our Nation's morality will help us get at the solution of the real problems that affect morality -- the problems of poverty, the problems of disease, the problems of ignorance, or of international aggression, or of crime. Self-righteous indignation is not a policy. It is a substitute for a policy.

What America needs is not more hand-wringing about crime in the streets. America needs a policy for action against crime in the streets -- and for all the people of this country to support that policy.

Believing that, as I strongly do, I established in March, 1965, the President's Commission on Law Enforcement and Administration of Justice, I instructed and charged this Commission to deal with the following questions:

-- how can law enforcement be organized to meet present needs?

-- what steps can be taken to insure protection of individual rights?

MORE

-- through what kinds of programs can the Federal Government -- of which I am a part -- be most effective in assisting and supplementing, not supplanting, State and local law enforcement?

I asked the members that I carefully selected from throughout the Nation to consider the problem of making our streets, homes, and our places of business safer -- and to inquire into the special problems of juvenile crime, to examine the administration of justice in the lower courts -- to explore the means by which organized crime can be arrested by Federal and local authorities closely coordinating and cooperating together.

The Commission's report, rendered last winter, is a study of crime and a study of criminals. But it is much more than that. It is a systematic analysis of the strengths -- as well as the weaknesses -- in our American law enforcement. It is a prescription for action -- action -- action at every level of government, and it is a constructive guide for thoughtful citizens throughout this land in every walk of life.

Acting on its report, I urged the Congress this year to promptly act -- promptly act -- upon the most comprehensive Federal legislation that has ever been devised to help local authorities meet the problem of crime at the local level in their cities.

That legislation was called the Safe Streets and Crime Control Act. It was based on the five fundamental principles of the Crime Commission Report:

-- first, that crime prevention is of paramount importance.

-- second, that the system of justice must itself be just. The system of justice must itself be just and it must have the respect as well as the cooperation of all of its citizens.

-- third, better trained, better paid, and better equipped people are desperately needed throughout the land.

-- fourth, police and correctional agencies must have better information and deeper and broader research into the causes, and into the prevention and control of crime.

-- fifth, and last, substantially greater resources such as more judges and prosecutors, and faster court action, more and better court personnel, more modern court administration -- thus modernizing, improving and bringing the entire criminal justice system up to date in the 20th Century.

I did not propose that the Federal Government take over the job of dealing with crime in American streets because from the birth of the Republic to the present moment responsibility for keeping the peace in our cities has been squarely on the shoulders of local authorities.

Respect for law and order begins at home. Children must learn it and must be taught it from their parents. Your

MORE

children learn it from you -- and by what you do and by the example you set. That means that every time we water the lawn when there is an ordinance against it at a certain time of day, the children learn their own lesson about respect for law and order -- if we water the grass at the wrong time.

That means that every time a parent writes a note to the teacher to discuss Mary's or Johnny's absence from school when they really don't need to be ~~excused~~ and are not sick, they, the children, learn from the parents the wrong lesson about respect for law and respect for order.

The crimes that have most disturbed our people -- homicides, robbery, physical assault, burglary, automobile theft and driving while intoxicated -- are crimes against local and state law.

Those laws are made by the city councils and made by the state legislators. They must be enforced by the police and the state patrol. Their perpetrators are tried in local courts, by local citizens. They are sentenced locally. They are prosecuted locally by judges -- by prosecutors who are elected by local people and by judges who are selected by local people.

They are returned to local communities when their sentence has been served -- their penalty paid. These local communities look upon their record and they are under the supervision of local authorities.

Unlike most other countries, we -- America -- have no national police force. It desires none. Our founding fathers were very careful to see that none was provided for. Why, today in this country our largest city has more police officers than the entire United States Government. One city has more police officers than the entire government of the United States of America.

Officials in Washington just cannot patrol a neighborhood in the far west, or stop a burglary in the south, or prevent a riot in a great metropolis.

In the end, then, the quality of the local police, the action of the local prosecutor, the local grand juries, the fairness and the justice of the local courts, the effectiveness of the local correctional systems -- all of this responsibility is lodged appropriately and properly in the hands of local authorities -- of local citizens.

They at the local level must decide how good they want their law enforcement in their local cities to be.

They must determine whether it is right -- whether it is just and whether it is fair -- to ask a man to risk his life to protect their life for a salary that is lower than they pay another man for working behind a desk or standing on the assembly line in an industrial plant.

They must determine at the local level whether they want a court system that they select and provide for which delays

justice until justice is denied.

They must determine locally whether they want a correctional system that deals with youthful offenders, not as lives to be redeemed, but as people who are doomed to clash repeatedly with the law.

If they decide that they want something better for their communities than what they are getting today, then we think that if they make this decision -- and they can make it today through their Congressmen and their Senators supporting the recommendations that the President has made -- some of which have been before the Congress many years -- then their national government can, should and will help them get it -- not by taking over the system of law enforcement, but by helping them strengthen and reform it.

That is what the Safe Streets Act which I recommended to the Congress would do. If its spirit and if its purpose survive, it will provide grants to those cities and to those states who not only increase their present commitment to criminal justice, but who are willing to go out and develop programs for

-- better training,

-- for better use of their personnel,

-- or for higher standards and innovations such as tactical squads and community relations units,

-- and new techniques of rehabilitation.

It will help pay the salaries of those who operate these programs. It will help pay the salaries up to one-third of the grant which could be used to increase the pay of policemen and other criminal justice personnel working with them.

The key to this program is experiment, innovation -- and better use of the most advanced knowledge that we have gained in this country of crime, its treatment, and its causes. In my opinion, every law enforcement official in this country ought to welcome it in the spirit in which it is offered: as a practical and imaginative tool for helping our law enforcement officers cope with crime in the cities without in any way -- in any way -- diminishing either their responsibility or their authority.

Now to a matter that affects you and affects you much more than most of the citizens, but in the end it will affect every single one of us -- it will reach into every home in this land -- and this is the gun sale law. A law to limit -- a law to safeguard -- the sale of guns has been before our Congress for several years.

Its passage would plug up one more big loophole to save your life, and mine, or the life of some innocent child down the street. I hope it will pass.

Its purpose is simple -- it is to keep lethal weapons out of the wrong hands -- out of the hands of dangerous criminals, out of the hands of drug addicts, out of the hands of mentally ill people who really know not what they do.

MORE

Its basic aim is to limit the out-of-state purchases and the interstate mail-order sale of firearms. We believe this is the most effective way that the Federal Government has of protecting your safety and the safety of your children from criminals, drug addicts, and the mentally ill.

If we want to curb crime -- if we want to arrest crime -- if we want to restrain criminals -- here is an action that we can take that will be a long step forward.

Let us not be content to bewail the rising crime rate or to talk about the statistics of the numbers of repeaters who fill our mails and prisons while we turn our back and ignore the fact that they can go to any mail order house and get a weapon to shoot your wife after they tear the door down at midnight.

Let us act instead of talk against crime . Let us repair as many shattered lives as we can. Let us do it within and through the American system of due process and in keeping with our tenacious regard at all times for the blessings of individual freedom.

You, and the men who you command, are America's front line in the fight against crime. You endanger your lives every day just as the man does in the rice paddies of Vietnam to protect freedom, to protect liberty, to protect your country.

This summer, some of you experienced a new kind of disorder in your cities. You faced, not individual acts of violence or just thievery, but you faced massive crimes against people and against property.

Much can explain -- but nothing can justify -- the riots of 1967.

They damaged a great deal more than the storefronts and the American homes. They damaged the respect and the accommodation among men on which a civilized society ultimately depends, and without which there can be no progress toward social justice.

The violence of this summer raised up a new and serious threat to local law enforcement. It spawned a group of men whose interest lay in provoking -- in provoking -- others to destruction, while they fled its consequences.

These wretched, vulgar men, these poisonous propagandists, posed as spokesmen for the underprivileged and capitalized on the real grievances of suffering people.

And the vast majority of those people -- the vast majority of them -- believe that obedience to the law, in Abraham Lincoln's phrase, must be our religion here in America.

They have seen the law change. They have seen it become more just as the years passed in our times. They have seen their rights more firmly established, their opportunities sharply increased in the last decade.

They know that the law in a democratic society is their refuge, and that lawless violence is a trap for all those

who engage in it.

We must redeem the ir faith in law. We must make certain that law enforcement is fair and effective -- that protection is afforded every family, no matter where they live -- that justice is swift and justice is blind to religion, color, status, and favortism.

We cannot tolerate behavior that destroys what generations of men and women have built here in America -- no matter what stimulates that behavior, and no matter what is offered to try to justify it.

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Niether can we abide a double standard of justice, based on the color of a man's skin or the accent of a man's speech.

Those who wear the police officer's badge -- those who sit in judgment in the courts -- those who prosecute in the chambers -- those who manage our correctional institutions -- all of these have a very special responsibility for the maintenance of order and the achievement of justice throughout the land.

But every single one of us -- private citizen and government official -- shares some in that responsibility.

We can all say very easily, "We are against crime" -- and then we can let it go at that. We can preach sermons, we can write editorials, we can make speeches, and we can get our picture made talking about crime and moral behavior -- we can think that we have done our duty.

Or we can respect -- we can encourage -- all of our citizenry to respect the law and to respect those who protect us in the name of the law.

We can be willing to pay the bill or improving the performance of our police, our courts, and our correctional institutions and give them the salary, pay and equipment that they need. We can insist on devoting enough of our resources and enough of our brainpower to meet the problem of crime -- to make America safer and more just for all its citizens.

I have always felt that we could make great strides forward if we would only realize that the nurse and the medical attendant who in the middle of the night may determine whether we live or die when we need attention -- that they have better training, better pay and better inducements -- that the teacher who prepares our children, sets an example for them and infuses knowledge into them -- and sets an example -- that they should be among our best trained, our best prepared and our best rewarded.

And that the policeman and the sheriff who protects the lives of our wives, children, families and ourselves should be among the best equipped, best trained, and the best paid people in the land.

We cannot get those things just with rhetoric and conversation, picture-taking and television film. We have to pay for it. We have to desire it. We have to be willing to sacrifice in order to get it.

That is going to take a lot more than just talking "against" crime. That is going to take among other things being for action.

I would hope that we could all be for the Congress taking action to make our streets safer -- and taking action that will better promote civil peace -- that we can take action for better schools and better playgrounds, for more and better support of our churches and our

spiritual leaders --for better housing and better homes, for better living of all our people -- which in the end will give us better citizens and a better and stronger nation.

It will make us all a happier and more guilt-free people.

I am sorry that I could not be with you the early part of your convention. I did very much, though, want to come here and talk to you -- and to salute you before you returned to your respective homes and again assume command of this most responsible service that you are rendering and performing this great duty that is yours.

We look to you to protect our families, our homes, and our lives. You have a right to look to your public servants, your political leaders, to see that your efforts are not forgotten, are not ignored, are not put at the bottom of the priority list.

I thought this morning by coming out here and visiting with you and telling you some of the things that was in the heart and the head of your President, that perhaps we could awaken this nation to a responsibility that we are not assuming -- to an obligation that we are not discharging -- to a job that the President and the Congress, the legislators, and the city councils must face up to.

I am ready to get on with my part of it.

Thank you, very much.

END

(AT 12:12 P. M. CDT)

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 14, 1967

MEMORANDUM FOR THE COMMISSION

Subject: Article by Archie Moore in the Kentucky
Irish American

I am passing along to you a copy of the Kentucky
Irish American containing an article by Archie Moore
which Commissioner Peden asked be distributed.

D.G.
David Ginsburg
Executive Director

Enclosure

ARCHIE MOORE'S AMERICA

Retired Boxing champion From St. Louis Demands
a Nation Too Proud for Race Hatred

Archie Moore in
The San Diego Union

The devil is at work in America, and it is up to us to drive him out. Snipers and looters, white or black, deserve no mercy. Those who would profit from their brother's misfortunes deserve no mercy, and those who would set fellow Americans upon each other deserve no mercy.

I'll fight the man who calls me an "Uncle Tom." I have broken bread with heads of state, chatted with president and traveled all over the world. I was born in a ghetto, but I refuse to stay there. I am a Negro, and proud to be one. I am also an American, and I'm proud of that.

The young people of today think they have a hard lot. They should have been around in the '30s when I was coming up in St. Louis. We had no way to go, but a lot of us made it. I became light heavyweight champion of the world. A neighbor kid down the block, Clark Terry, became one of the most famous jazz musicians in the world. There were doctors, lawyers and chiefs who came out of that ghetto. One of the top policemen in St. Louis came from our neighborhood. We made it because we had a goal, and we were willing to work for it. The world owes nobody—black or white—a living. God helps the man who helps himself!

Don't get the idea that I didn't grow up hating the injustices of this world. I am a staunch advocate of the Negro revolution for the good of mankind. I've seen almost unbelievable progress made in the last handful of years. Do we want to become wild beasts bent only on revenge, looting and killing and laying America bare? Hate is bait for the simple-minded.

Sure, I despised the whites who cheated me, but I used that feeling to make me push on. If you listen to the professional rabble-rousers and adhere to this idea of giving up everything you've gained in order to revenge yourself for the wrongs that were done to you in the past—then you'd better watch your neighbor, because he'll be looting your house next. Law and order is the only edge we have. No man is an island.

Grafted, the Negro still has a long way to go to gain a fair shake with the white man in this country. But believe this: if we resort to lawlessness, the only thing we can hope for is civil war, untold bloodshed and the end of our dreams.

There are forces in the world today, forces bent upon the destruction of America, your America and mine. And while we're on the subject, do you doubt for a minute that world Communism isn't waiting with bated breath for the black and white Americans to turn on each other full force?

There are members of the black community who call for a separate nation within America. Well, I do not intend to give up one square inch of America. I'm not going to be told I must live in a restricted area. Isn't that what we've all been fighting to overcome? And there is the element that calls for a return to Africa. For my part, Africa is a great place to visit, but I wouldn't want to live there. I'm proud of ancestry, but I'm not giving up my country. I fought all my life to give my children what I'm able to give them today; a chance for development as citizens in the greatest country in the world.

I do not for a moment think that any truly responsible Negro wants anarchy. I don't think you'll find intelligent—no, let's rephrase that—mature Negroes running wild in the streets or sniping at total strangers. God made the white man as well as the black. True, we haven't acted as brothers in the past, but we are brothers. If we're to be so many Cains and Abels, that's our choice. We can't blame God for it.

Something must be done to reach the Negroes and the whites in the ghettos of this country, and I propose to do something. As a matter of plain fact, I have been doing something for the past several years. I have been running a program which I call the ABC—Any Boy Can. By teaching our youth, black, white, yellow and red, what dignity is, what self respect is, what honor is, I have been able to obliterate juvenile delinquency in several areas.

I would now expand my program, change scope. If any boy can, surely any man can. I want to take teams of qualified people, top men in their fields, to the troubled areas of our cities. I know that the people who participated in the recent riots are misguided rather than mad.

If some bigot can misguide, then I can guide. I've spent too much of my life building what I've got to put it to torch just to satisfy some ancient hatred of a man who beat my grandfather. Those men are long dead. Do we have to choke what could be a beautiful garden with weeds of hate? I say No! And I stand ready to start "Operation Gardener." I invite the respected Negro leaders of our country to join me.

STATEMENT BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE SENATE FINANCE COMMITTEE
ON S. 2100
THURSDAY, SEPTEMBER 14, 1967

Dear Mr. Chairman:

I am pleased to have this opportunity to testify on the bill S. 2100, which provides certain encouragements to the construction or rehabilitation of low-income housing.

We recognize that this hearing will serve to call attention to various approaches to the goal of increasing the supply of adequate housing in poverty areas. Both the goal and the desire to explore all approaches are most laudable. As is always the case with Government policies, we must be ready to evaluate alternative means of achieving our objective and consider that objective in the light of other calls upon our resources. The bill introduces new ideas in the approach to the problem of low-income housing, such as the increased reliance on equity investment, which justify a careful study.

I shall address myself to the tax and loan provisions of S. 2100. Briefly, the bill allows generous investment credits, generous depreciation provisions, generous capital gain treatment after ten years, a partial relief from local property taxes, and a generous low interest loan.

All of these tax and loan benefits are conditioned on the housing project meeting certain standards as to acceptability as low-income or moderate-income housing. These standards are administered by the Secretary of HUD. I shall not add anything to the evaluation of these provisions as respects a desirable housing policy since Secretary Weaver has already commented on this. I shall have a few remarks to make later on about the problem of linking tax treatment to findings as to compliance with conditions established by Government Departments other than Treasury.

I shall not undertake to repeat the details of the bill's tax provisions, but I shall draw your attention to certain broad aspects of the way these tax provisions are set forth in the bill.

(1) The investment credit and the depreciation provision are structured to provide more tax benefits the larger the proportion of equity that is put into the project, though as I shall point out later the structure of the bill as a whole does not always provide a better rate of return for higher equity.

(2) The investment credit and the depreciation provisions are structured to yield tax benefits even if the housing project itself is unprofitable. Actually, the depreciation is so generous that the normal expectation would be for the housing project to show a loss for tax purposes; and the only way the taxpayer could realize the offered tax benefits would be to use them against taxable income from other sources. This would be easy if the housing investor is a large company with diversified interests, especially non-real estate interests because even ordinary real estate investments tend to show losses for tax purposes. To facilitate this use of excess deductions on the housing project, the bill also amends Subchapter S, the provisions that allow certain corporations to elect to be taxed in a way generally similar to the taxation of partnerships. This will permit the organization of an eligible housing project by a group of individuals with the intent of using the excess deductions against their ordinary income from other sources.

(3) Finally, the various tax benefits are designed to encourage a ten year holding period by the original investors. The provisions dealing with sale are also structured to encourage sale to another organization that will have the purpose of offering low-income housing.

General Remarks on the Tax Incentive Approach

I want to comment first on this use of tax incentives to encourage non-revenue objectives involving a narrow group of taxpayers.

My first point is that there are no special tax disadvantages to real estate investment. There would be a case for considering changes in the tax law if it were contended that the tax law provides special tax disadvantages or tax barriers to housing investment. The advocates of this legislation have not claimed that present tax law is loaded against real estate investment or against low-income housing investment. Rather they state that the problem arises within the housing field, that given the level of building and rehabilitation costs, construction cannot be undertaken which yields a positive profit when rents are charged which are a reasonable proportion of the income of moderate and low-income individuals. The advocates of S. 2100 contend that this inconsistency between building costs and reasonable rent levels should be offset by very generous tax provisions.

This makes S. 2100 plainly an effort to achieve non-revenue objectives through the tax system. What can be said about this?

To answer this question, I would like to start off by saying that we ought to begin with the assumption that an investor chooses between alternative investments on the basis of net after-tax income in relation to investment. I shall address myself later to the question of whether there are differences from the investor's standpoint or the Government's standpoint between dollars that are "paid" as tax reductions and dollars that are "paid" in other ways. It is useful first, however, to recognize the basic similarity between a dollar benefit received from tax savings and a dollar benefit from direct Government outlays. Each is a buck.

A tax saving can always be reproduced by some form of Government payment program. A tax credit of 10 percent of an investment provides the same result as giving an investor 10 percent of the cost of his investment. Allowing a taxpayer to speed up depreciation deductions by taking, say, 20 percent of the cost in the first year permits a corporate taxpayer to reduce its tax payment by 48 percent of this deduction in the first year, and it increases the tax payments at some future time when the deduction would otherwise have been taken. This benefit can be reproduced by offering the taxpayer an interest free loan equal to the amount of tax saving from the rapid depreciation to be repaid in the future when he would have otherwise taken the depreciation.

I cannot stress this point too strongly. There is no magic which permits Government to give away tax dollars and have a lesser budget impact than if it had given away expenditure dollars, nor does a dollar of net budget cost have a different impact on the investor's after-tax rate of return if it is incurred as tax reduction or as direct outlay.

While there is this broad comparability between tax incentive programs and loan or expenditure programs, there are some significant differences which must be kept in mind. To be very clear, let me specify that I am comparing a tax and an expenditure program which produces the same net benefits for the investor and has the same net cost to the Government. For illustration, one may want to think of a tax incentive which provides an annual tax credit for low-income housing investment exactly equal to the benefit that the investor would gain from an annual direct payment, which we might call a rent supplement. This hypothetical tax credit could be made available under exactly the same terms that rent supplements are made available under present law. The question comes down to: "What are the advantages or disadvantages of building this rent supplement program into the tax law?"

One difference is that the tax route does not provide assistance to the individual or corporation which has limited income from other sources and which therefore cannot make full use of the tax incentives. A

system of direct payments on the other hand could provide benefits even where the particular housing investment was the only activity of the investor being benefited. One would think that this was a general disadvantage of providing incentives through the tax system. The supporters of S. 2100, however, apparently believe that it is the large businesses which ought to be attracted into the low-income housing field and that they take it as no disadvantage to their tax approach that the benefits are only helpful to taxpayers with incomes from other sources. This I might add is not a particular advantage of the tax approach since this sort of condition could be built into the rent supplement program if we agree that the condition is a desirable one.

Another difference between the tax and expenditure routes is that the tax benefits, where they are related to increased deductions, vary in amount according to the effective tax rate of the taxpayer. The tax benefit of rapid depreciation can be as high as 70 percent for the individual taxpayer in the top bracket or as low as 14 percent for a low-income investor. S. 2100 does provide some tax benefits that work through extra deductions, so that it will thus afford different relief for different taxpayers.

This I should point out works in directly the opposite direction to the normal incentive generated by a free pricing system. In a free pricing system the usual response to shortages is an increase in price and, consequently, an increasing income to people who can provide the service in short supply. This increasing income would be subject to the usual tax rules, and a person in the 70 percent bracket would find that he could keep 30 percent of income earned by providing the services just as he could

keep 30 percent of any other income he had earned. The investor in the 30 percent bracket would find that he could keep 70 percent in both cases. When we structure the incentive, however, as an additional tax deduction rather than as a price increase, the incentive is far more attractive to the high-income taxpayer than it is to the low-income taxpayer.

It becomes a matter of careful calculation for each investor, and his tax adviser, to determine how much this extra depreciation is worth in the particular case and whether or not this justifies accepting a lower before-tax return. It may be useful to point to the analogous situation of tax-exempt bonds. One cannot answer the general question: "Are municipals a better investment than U. S. Governments?" without examining, and making assumptions, about the future total income prospects of the investor. The value of the tax exemption depends upon future tax rates. It is well known that tax-exempt bonds are attractive investments to high-income taxpayers but not to low-income taxpayers. It is also suggested in the literature on the tax exemption that this constitutes a rather inefficient incentive because the net incentive effect must work through the marginal investor who will get less advantage from the exemption than higher bracket investors, and some of the benefit afforded the high-bracket investor is wasted.

Another difference between the tax solution and the expenditure solution is that reliance on tax incentives for non-revenue objectives

divides the Government consideration of social problems. Let me go back to my hypothetical example of a tax credit system which provided exactly the same benefits as a rent supplement program. By throwing these benefits into the tax system we have not changed the basic fact that this is still a major housing problem, but we have gotten the Treasury Department and the Finance Committee and the Ways and Means Committee into the act at the cost of reducing the ability of the Department of HUD and the Congressional Committees that normally deal with housing problems to act on the total housing picture. I don't want to suggest that the two Tax Committees are necessarily inadequate to decide on housing policy -- or on all other social problems -- but I can speak from a personal standpoint that I see no reason why the Treasury Department has any particular competence in making judgments as to what constitutes good housing policy; and converting the rent supplement arrangement into tax credits would simply push the Treasury into this position.

A further aspect of converting an expenditure program into a set of tax benefits is that it tends to get isolated from the budget review process. An expenditure program is examined regularly in the preparation of the President's budget and in the appropriation process. A tax provision rarely gets reviewed. I might suggest that the whole problem of tax reform to a large extent comes down to incentives and preferences that have been adopted at various times and never systematically reviewed

to determine whether the Government is getting what it pays for. This does not mean that under a direct program we cannot provide a particular investor reasonable assurance that benefits agreed upon will in fact be forthcoming. It does mean that under a direct program we can make changes in the program when these become desirable, whereas experience has shown time after time that it is extremely hard to make changes where tax benefits are involved.

A final difficulty of structuring these benefits into the tax law is the precedent problem. There are an enormous number of other tax incentive proposals. The list is so long that I could not include them all, but let me give you the flavor of it. There are bills to provide --

A tax credit for tuition and expenses of higher education.

A tax credit to encourage contributions to higher education.

A tax credit to encourage worker training.

A tax credit to encourage industrial pollution control.

A tax credit to encourage airport development.

A tax credit for underground transmission lines.

A tax credit for exports.

A tax credit for freight cars.

A tax credit to encourage gold mining.

A tax credit to encourage hiring older workers,

and so on and so on.

I cannot help but observe that if we go along this tax incentive route the Treasury Department would soon be making the crucial decisions in almost all matters of domestic economic policy. This would, of course, require a larger staff; and it has enormous possibilities for empire building. We would, however, prefer to decline this honor.

The proponents of S. 2100 imply that there might be some net advantages of the tax approach over the expenditure approach. I shall address myself to two of these. One argument advanced is that the Congress might vote for a tax program where it would not vote for an expenditure program which provided precisely the same benefits at precisely the same cost -- or even a lower cost. I question the validity of this argument. In a democracy we must face up to some decisions, and we must be willing to abide by the decisions that our procedures reach. The Congress may or may not be willing to approve a program of budget losses and housing benefits. If that program is rejected on its own merits, it would seem that restating it as a tax reduction is akin to seeking a backdoor expenditure where it is harder for people to see just what are the costs and benefits involved in the expenditure.

Another argument which seems to be implied in support of S. 2100 is that the business response to a tax incentive would be better because there is a feeling that there is something wrong about accepting a direct payment from the Government but something honorable about earning one's tax bill through tax benefits. Basically, this viewpoint attributes a good deal of irrationality to business firms. It says in effect that they would not make a careful comparison of net returns but would arbitrarily reject some worthwhile profit prospects because the incentives were cast in the form of a direct subsidy rather than a tax subsidy. The experience with the SST program -- and other subsidy programs -- suggests that business firms do make careful calculations on their profit prospects taking direct subsidies into account. In fact, since the benefits

of tax incentives vary depending on the estimated tax position of the investor, the calculation of the expected returns in a specific case can become more complicated when special tax benefits are involved. It seems disingenuous to assume that investors will do a lot of things in order to gain somewhat uncertain benefits in the form of tax reduction that they would not do to win benefits of exactly calculable amounts through some other system.

The Particular Incentives of the Bill S. 2100

Secretary Weaver has discussed some cost comparison of S. 2100 and other methods of providing incentives to low-income housing. The evaluation of the particular incentives under S. 2100 in terms of returns to the investor requires analysis of the benefits under a variety of assumed patterns of investing in real estate and a variety of tax situations of the investor. The complexities here are so involved that we hesitate to offer any general conclusions. Some comments are appropriate, however.

The bill provides increasing tax benefits for investors with a higher portion of the cost of the project covered by equity investment. The bill defines equity investment as the difference between the total cost of the project and the face amount of any mortgage insured under Section 235 of the National Housing Act. This treats as a 100 percent equity case a project financed largely by a conventional mortgage. This would produce the result, for example, that if the project is financed

with a 78 percent commercial mortgage then the investment credit in the first year would be equal to the entire real equity investment in the project. After the first year the investor could have gotten the full amount of his own investment back from the investment credit alone and in addition would have substantial benefits from the accelerated depreciation which is offered and from the net return provided in the bill. The value of the depreciation deductions alone, in the first five years of operation for a taxpayer in the 70 percent bracket, would be equivalent to an additional return equal to more than his initial investment. Over a twenty year holding period the bill seems to provide tax benefits in gross amount equal to about the full cost of the project, even after making allowance for the payment on the mortgage if we assume that the mortgage is a twenty year - 6 percent loan. After the twenty years an investor who had put up a \$1 million project and was in a sufficiently high tax bracket would seem to have made tax savings of \$1 million; and he would be the outright owner of a housing project which on the basis of experience with real estate values would still be worth not much less than \$1 million, and under the bill he would be entitled to start taking depreciation on a restored basis of \$780,000.

In different circumstances, where there is no conventional mortgage, it appears that despite the intentions of the authors of the bill the rate of return under S. 2100 will not be better for a high equity investment than it will be for a low equity investment. This is likely

to be the case if the taxpayer is in a lower bracket. In one sense this is a problem that could possibly be modified by restructuring the bill. The apparent objective of making high equity investment relatively more attractive could be accomplished by either charging a higher rate on the guaranteed loan or by providing sharper graduation of the investment credit. The heavy reliance in the structure of benefits on rapid depreciation would seem to make the results of the bill necessarily erratic between taxpayers at high or low marginal tax rates.

One point to be drawn from this goes back to the point I made earlier that the use of tax incentive devices makes it extremely difficult to calculate how much we are paying for an increase in some desired investment.

Another problem in this portion of the bill has to do with whether or not we really want a very high equity investment. In a basic sense the cost to Government of any system of incentives for low-income housing will have to be the difference between what we expect the tenants to pay in rent and the total return necessary to make the investment attractive to an investor. Lenders expect a lower return than equity holders. If 90 percent of the initial investment can be accomplished through borrowing with a return of about 6 percent on that 90 percent, the cost of the total program to the Government will be less than it would be if 50 percent or 90 percent of the investment represented equity funds and which would

require Government contributions large enough to provide a prospective 12 percent to 15 percent after-tax rate of return on those equity funds. To accomplish our goals in the low-income housing field as economically as possible, it would appear that we should rely heavily on the use of borrowed funds. The leverage provided by borrowed funds can guarantee a sufficiently high return on a net equity investment so as to attract equity investors. Some advice that we have gathered from people in the real estate business suggests that increasing available mortgage money for low-income housing would be fully as effective, and cheaper, than attracting more equity money. On this point the Committee will want to get views from people with knowledge of the real estate business.

Since this Committee is particularly concerned with the Government's administrative budget, it should be pointed out that any program which can be operated through the private banking system with a loan guarantee will involve lower administrative budget deficits than a program which requires Government to provide the loans directly. The device of 2 percent interest in S. 2100 will require direct Government financing and mean substantially high short-term budget costs for any net incentive provided.

We have some technical problems with the draft of S. 2100 which I shall not go into, but I shall submit a statement for the record on these points.

The Tax Law and Real Estate Investment Generally

It is appropriate to add some remarks on the general situation of investment in real estate including housing under the present tax law.

Real estate investments qualify for the accelerated depreciation methods provided under the 1954 Code revision. There is no record of critical consideration at that time of the appropriateness of applying these methods to buildings, and indeed it appears that these methods were adopted entirely with investment in machinery and equipment in mind.

Due in part to the inappropriateness of the allowable depreciation, a pattern has developed in building investment wherein the original investors often hold the property for much less than the useful life during which time the depreciation deduction is very high in relation to the cash flow, resulting in little or no current tax. When the depreciation base is largely exhausted, the property is sold; and a substantial capital gain is realized. The Treasury made recommendations in both 1961 and 1963 for cutting back on this pattern of realizing normal investment returns at capital gain rates. A slight cutback was enacted by the Congress in 1964.

Another part of the picture of the tax treatment of real estate investment is that the 7 percent investment credit does not apply to buildings. In substance we have the result that real estate investment gets tax encouragements in forms different from those offered investors in machinery and equipment. The Treasury Department is engaged in research to evaluate the impact of present tax provisions and possible alternatives on real estate investment, and several outside consultants are involved in the research.

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In conclusion let me repeat my initial comment that S. 2100 raises important issues. I have tried to draw attention to several major aspects, including the technique of casting benefits in the form of specialized tax reductions and the emphasis on high equity investment. Both of these aspects have disadvantages of which the Committee should be aware. I believe that these hearings, providing as they do, an opportunity carefully to consider and weigh as objectively as possible the varying approaches to an objective which we all share will prove to be a very helpful step forward in this area.

oOo

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 18, 1967

MEMORANDUM TO THE COMMISSIONERS

Subject: Miss Claudette Johnson

1. Most of you, I believe, had an opportunity to meet Miss Claudette Johnson at the last meeting. Miss Johnson -- for the last five years an aide to Congressman Van Deerlin of San Diego -- will serve as a central point of contact between the Commission members and the staff.

2. Specifically, Miss Johnson will perform the following functions.

a. Handle requests from you and your staff for data or materials you would like to have. Miss Johnson will either locate the materials or answers or find the person within our staff who can provide them for you.

b. Coordinate travel plans for Commissioners' trips to the riot cities. We have begun to develop a staff to do more adequate advance work for the trips; Miss Johnson will keep in touch with your staff regarding your desires for travel and make hotel and flight reservations.

c. Help me in keeping you informed of times and places of meetings and of important staff activities.

d. Handle the distribution of any materials you would like to have read by the staff or the other Commissioners.

- 2 -

3. Miss Johnson's telephone numbers are 202-382-8604, -8605, and -8606.

4. An extra copy of this Memorandum will be sent to your secretaries.

D.G.

David Ginsburg
Executive Director

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 18, 1967

MEMORANDUM TO THE COMMISSIONERS

Subject: The Commission's Advisory Panel on
Insurance in Riot-Affected Areas

1. Last Friday, Governor Hughes issued an interim statement for the Commission's Advisory Panel on Insurance in Riot-Affected Areas. I enclose a copy of the transcript of the White House press conference at which he issued the statement.

2. The central points made by the Panel were:

a. Endorsement of "Urban Area Plans" under which states and cities would require insurance companies to provide insurance to all persons whose properties meet "reasonable standards of insurability" measured solely in terms of the physical condition of the property. Under such plans, no application for insurance could be rejected unless an inspection of the premises showed that the property was not insurable. A record of the reasons for each rejection would be made available to the state insurance commissioner.

b. An estimate that total insured loss during this summer was approximately \$100 million, with uninsured loss of an additional \$25 to \$100 million -- a total amount considerably lower than most earlier press estimates.

c. Reaffirmation that careful consideration will be given by the Panel to proposals that there be federal, state or local government backing for "risks not suitable for private coverage alone."

d. A request to state insurance commissioners and to insurance companies that there be no mass cancellations or non-renewals of insurance policies.

e. A report that the Panel's target for a final report is December 15, 1967.

D.G.

David Ginsburg
Executive Director

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

STATEMENT AND PRESS CONFERENCE
OF GOVERNOR RICHARD HUGHES OF
NEW JERSEY ON WORK OF ADVISORY
PANEL ON INSURANCE IN RIOT-
AFFECTED AREAS
THE FISH ROOM

AT 12:03 P.M. EDT

MR. AL SPIVAK: Governor Hughes, as you all know, is Chairman of the Advisory Panel on Insurance in Riot-Affected Areas, which is working with the National Advisory Commission on Civil Disorders. The panel met. The Governor has a statement about their activities.

We wonder whether you would permit him to finish his statement before you asked your questions.

We will have a press release available afterwards, and then a press transcript available.

GOVERNOR HUGHES: Thank you very much, Al.

This panel is called the Advisory Panel on Insurance in Riot-Affected Areas. We have had a second good day's meeting -- an excellent meeting. We have an excellent staff and got a lot of information from them.

The information is still coming. I should recall to you that on August 10, after consultation with the President, Governor Kerner appointed this Advisory Panel. The National Commission on Civil Disorders concluded that the difficult problems of insurance in urban areas could best be handled by a panel constituted to deal specifically with that question.

The panel includes former Governor William Scranton as Vice Chairman; Frank Farwell, President of the Liberty Mutual Insurance Company; George Harris, President of the Chicago Metropolitan Mutual Assurance Company; A. Addison Roberts, President of the Reliance Insurance Company; Walter Washington, who has just been nominated by President Johnson to be the Commissioner of Washington, D.C.; and Frank Wozencraft, who is an Assistant Attorney General.

As Chairman of this panel, I wanted to report on some of our preliminary findings and make some recommendations that we believe can have an immediate and constructive effect on the insurance problems facing the inner cities -- and indicate the kind of program we are developing.

First, we are gathering the facts on the nature and extent of the damage from this summer's riots across the Nation. Our best estimates at this point indicate that insured property losses were in the area of \$100 million.

MORE

Detroit losses -- I am talking about insured losses now -- are estimated at \$55 million to \$85 million, Newark at \$10 million, and the others -- among the 73 or 75-odd disturbances throughout the nation -- at something less than \$15 million.

The riots, or course, hit hardest at commercial property and adjacent homes.

These estimates are considerably less than some figures that were first mentioned. For instance, there were reports in many places, including the foreign press, of losses of \$715 million -- about seven times our present estimate.

The problem of riot damage is not to be minimized, of course, but it can be easily exaggerated. The consequences of error in either direction can be serious.

We have as yet no really good estimate -- because of the difficulties, obviously -- of uninsured losses. But the figures we have received range from one quarter to something in excess of insured losses. That would be from \$25 million to about \$100 million.

Uninsured losses are a product of under-insurance in some cases, and no insurance in others. We are now continuing -- through staff and the process of analyzing -- to gather more data on this point.

The insurance industry is capable of absorbing losses of the magnitude sustained this summer. It has covered, for instance, far more catastrophic losses in recent years. Hurricane Betsy in 1965 caused over \$700 million worth of insured damage.

But riot losses have accentuated an already serious problem. They come on top of a general tightening of the insurance market that has been taking place over several years.

Our center cities have to be revitalized and this requires, of course, adequate insurance. People can't be expected to maintain homes and continue to undertake businesses unless they are properly insured. The insurance market must be stabilized and expanded to meet the needs of the public.

The Insurance Advisory Panel recommends an important first step toward that objective. We recognize that the insurance problem of the center city is part of a larger problem and that the insurance problem itself has many dimensions. But this doesn't mean that progress must wait solutions to all problems.

There are immediate and practical steps that can be taken here and now to help secure the public's right to adequate insurance.

The panel unanimously recommends -- having discussed it practically all day yesterday and studied it before that -- the development of "Urban Area Plans" in our cities to help make fire and extended coverage insurance available to all insurable properties, commercial as well as residential.

This kind of plan has been pioneered in a few cities, by forward-looking insurance companies, in cooperation with insurance commissioners, city officials, and others. It originated in Boston in 1960 and is now in effect in several of the larger cities. It seems, to the panel, to hold much promise.

Under these plans, which are at present limited to residential property, the companies make insurance available to all persons whose properties meet reasonable standards of insurability. Insurance is not refused simply because property is located in a ghetto area.

If there is a question of insurability, a physical inspection of the property is required and an application can not be rejected unless sufficient reasons -- such as faulty wiring, bad housekeeping, or other violations of building or housing codes -- are explained to the property owner.

The owner is thus encouraged to improve his property and to make his property insurable. In this way, the availability of insurance provides a good incentive for improving the condition of the building where people live and work. A record of all rejections must be made available to the state insurance commissions which can then determine whether the companies are meeting local needs.

Urban Area Plans thus place responsibility where it belongs, we think -- on property owners, insurance companies, city officials and State regulators. They are an important first step toward clarifying the other insurance problems confronting cities and developing ways to solve them.

We also call upon the insurance companies to continue to maintain insurance coverage in the center city areas and to prevent further tightening of the market. We ask that the State regulatory commissions make every effort to cooperate to achieve this end.

We ask that there be no cancellations or non-renewals that would worsen the problems that concern us all. And to that end, we will request State commissioners to seek a further extension of present moratoriums on mass cancellations.

The public should be aware that both the State regulatory agencies and the insurance industry stand ready to help them with their problems. In fact, most State insurance departments have complaint divisions especially equipped to handle public complaints relating to insurance, including complaints about cancellation, non-renewal and inability to obtain insurance. We urge the public to make full use of these facilities.

These first steps point to several important problems for the Insurance Panel still to resolve. Adequate insurance coverage involves more than the fire and extended risks covered by the Urban Area Plans. There are risks which arise out of conditions in the ghetto areas which must be covered. We are considering proposals for making adequate coverage available to the prudent businessman against theft, burglary, and robbery.

In addition, the risk of loss from riots involves new problems which may require new approaches. We are giving the most careful consideration to the proposal that there be governmental backing for risks not suitable for private coverage alone. Federal, State, and local government must cooperate to ensure the availability of insurance in the center cities. We are trying to see how best to meet this goal.

The States and local governments are primarily responsible -- as pointed out by the President recently, and as we all know -- for maintaining law and order. The States, as the regulators of the insurance industry, should, in the first instance, be sure they have fully mobilized their insurance resources. The Federal government commitment, if needed, should be as a necessary support for a concerted Statewide effort.

As you can see, there are very hard problems here. A variety of programs involving governmental and industry cooperation can be designed. We have instructed our staff -- and I might say that it is an excellent one, headed by Stanford Ross -- to prepare detailed evaluations of a number of such programs for our consideration.

This panel plans to make further recommendations within the next few months. Our target date for a final report is December 15, 1967. We are optimistic that, through the cooperation of private industry and government at all levels, the problems of insurance in center city areas can be attacked successfully. We are going to work swiftly. But this is a very complex area, too complex to hope for an immediate or any easy solution.

As announced at the White House Wednesday, the life insurance industry, in a characteristic example of free enterprise coming forward in time of national crisis, has pledged a billion dollars to invest in blighted areas. This imaginative program demonstrates the kind of cooperation between insurance companies and all levels of government that is possible and that is certainly necessary to help revitalize the center city areas.

We call upon all interested parties -- homeowners, businessmen, agents, brokers, insurance companies, reinsurers, State regulators, and everyone with an interest in these insurance problems -- to supply us very promptly with whatever information and views they can to help us in our deliberations.

We are working -- as I say -- against a time schedule of December 15. We want to give all interested parties a chance to meet with us and to be heard. We welcome communications at any time. Our Executive Director, Stanford Ross, and his staff are located here in Washington. They are very eager to receive suggestions for the panel.

The panel intends to continue intensive and uninterrupted work in the months ahead, so that we can meet this deadline and submit further practical recommendations at the earliest possible date.

Now I will be glad to take any questions and try to answer them.

MORE

Q Governor, could you give us an example or two of the kind of losses that private companies won't insure, and that the Government might have to insure?

GOVERNOR HUGHES: We heard much talk yesterday of catastrophic losses which might invade the very financial stability or might even destroy an insuring company. We hopefully believe that there will be a remote possibility of catastrophies, that is riot or series of riots that could approach the fury of Hurricane Betsy in 1965.

We don't think that is going to happen with all the efforts being made to remove the root causes that have been the setting of some of these riots.

But nevertheless, the companies which we have representatives of on our panel have displayed the same kind of cooperation and citizen impulse, you might say, that was exhibited in the life insurance plan outlined by Mr. Fitzhugh on Wednesday.

Q Governor, under that circumstance, may I follow that with: would the Government insure that company against bankruptcy or does the Government insure the property directly?

GOVERNOR HUGHES: We think there would be no direct Government insurance. At least, we haven't implied that. We are considering all possibilities -- including the legislation now pending before the Congress.

We do feel, however, that the primary responsibility can be marshalled together by the intelligent and cooperative effort of the insurance industry. Beyond that, for instance, in my State where we sustained a \$10 million property damage -- fire and extended coverage type of loss in the terrible Newark Riot, and very little property damage in the other disturbances that we had -- we would, I am sure, be willing to take some responsibility as a State once the losses of riots -- which should primarily be controlled by State and municipal action -- might exceed -- I say, "God forbid" -- an arbitrary figure representing a catastrophic kind of loss.

The State might have to assume some interim layer of responsibility. It might be that when it ran out of possibly meeting it, then in the final analysis the Federal Government would have to support it, too.

Q Governor, in that connection, where you are trying to determine the possible scope of risk, are there any ideas that may have come up as to the possibility of developing a joint Government-industry approach on a sound actuarial basis?

In recent months, for example, the flood insurance legislation has been developed on an actuarial basis; formerly the Atomic Energy coverage has been developed on that basis.

GOVERNOR HUGHES: I think all of this implies not a joint Government-industry layout, but a joint Government-industry effort.

MORE

For instance, in your flood insurance problem, I would think that it behooves a State or municipality to do something about zoning out residential and business development in a flood-prone area.

In the same sense, this Urban Areas Plan that we suggest -- and whatever followup there is, you can certainly depend on it that in my State, we will put increased emphasis on seeing to it that the municipalities have their housing codes enforced -- and properly enforced.

At one time that was considered to be exclusively a municipal problem. But we feel that the elements of health and welfare are important responsibilities of the State. I sent State inspectors into Atlantic City not too long ago to do something about the enforcement of sanitary codes, and so forth.

Q Governor, I am not clear on this Boston Plan. Who decides whether insurance is being refused arbitrarily?

GOVERNOR HUGHES: It tends to eliminate an arbitrary red lining. For instance, if one were to say in New Jersey, "Oh, no, we won't take that risk", that is in Central Ward where that terrible riot occurred, this would be impossible.

It would have to be predicated on an inspection of the property. If the property is uninsurable in the sense that 10 years ago, when no one thought of riots, it was insurable, and 10 years from now -- after 10 years hopefully of peace restored to the country -- it wouldn't be insurable, then that is not the type of property we are talking about.

We are talking about the type of property that would be made insurable.

Q Who would decide whether or not they are using this as an excuse? You have a littered alley. So you are not insured.

GOVERNOR HUGHES: That would be up to the State Commissioner.

In other words, a specific statement for a refusal for a sought-for risk would have to be filed with the State Commissioner of Insurance by any company voluntarily joining this plan. That is a voluntary factor that would be a little defect in the plan.

But once having joined by letter of its Executive Office by telling the Insurance Commissioner, it is not going to decline risks in a capricious way, but only turning down property demonstrably uninsurable; you will file that statement with the State Commissioner and it will be a public document.

MORE

Q How would you make premiums in these ghetto areas reasonable under these Urban Area Plans? Would you create a wider pool and charge higher premiums in the more reasonable risk areas or would there be some kind of government subsidy?

GOVERNOR HUGHES: It has been discussed, but no decisions have been reached -- whether a general rate structure will accomodate some of this problem.

Yesterday in our meeting we had quite a feeling of unity that really none of us are divorced from this problem. The insurance industry, obviously, is in the middle of it -- or the people living in any area, for instance in New Jersey, are in the middle of it.

I compare it with the willingness of people in this country, through Congress, to pay out some millions of dollars to repair earthquake damage in Alaska, even though we don't live in earthquake-prone areas. We are one country.

I think, given this exception, that insurance is not like the Atomic Energy thing that you mentioned, a Federal problem. Insurance is regulated on a State basis. Therefore, increasing initiative and responsibility will have to be placed on State commissioners.

Q Is what you are saying that in these urban areas where you have this ghetto problem, in order to get an Urban Area Plan to work you are going to have to charge higher premiums in the better risk areas?

GOVERNOR HUGHES: No, we are not saying that at all. That is one of the things we are discussing.

Q The success of your recommendation is tied to that, isn't it?

GOVERNOR HUGHES: I wouldn't say that. At present a company can get permission from the New Jersey Insurance Commissioners to mark up a premium to meet a high risk problem.

Q When you had your first meeting, didn't you say one problem was high premiums and high price of insurance?

GOVERNOR HUGHES: That is one of the problems.

Q Do you have data on the incidence of policy cancellations?

GOVERNOR HUGHES: No, we do not. We have an impression. We are accumulating data.

Q What is that impression?

GOVERNOR HUGHES: It is a rather good impression. We commend the initiative of several State Commissioners who, long before this panel was organized and soon after the riots broke out so tragically, sent out requests to insurance companies to withhold any panic or mass cancellations for a period of 90 days.

We propose to ask the Insurance Commissioners -- and I emphasize the word "ask" because we have no measure of control over them as a Federal or national committee -- to make a request to the industry for a further extension, especially in view of the fact that this panel has committed itself to finishing its work and making its final report on December 15, 1967.

So we are not going to play with this problem for the next couple of years. It won't be an indefinite limbo period.

Q Governor, I have two questions. One is sort of related to this one back here. In Washington, D.C., where we have so many thefts, burglaries, and robberies, wouldn't the rate almost be so high that nobody could afford this insurance?

And the other thing is: Could individuals get insurance against personal injury, like a woman here recently lost an eye from an assailant?

Somebody else had two weeks in the hospital. Would it be possible to get personal insurance?

GOVERNOR HUGHES: I can't answer that problem either personally or on behalf of the panel now.

Q Have you discussed that in your panel?

GOVERNOR HUGHES: No, we haven't. Say the withholding of life insurance from people of particular racial or residence background or the withholding or cancellation of automobile -- we know these are problems, but the immediate problem we have is to bring back a sense of reassurance both to the industry and to the people who are now debating whether to continue to live and have their store, and rebuilt their plate glass and so forth in the disadvantaged areas in the central cities.

That is our first and prime problem. In the revival of the center city, we see a very important national interest. They can't be abandoned. One way of restoring that degree of confidence is so that people will say, "We will make a fresh start. We will bank on the availability of insurance, because we see this plan is in effect and we can get insurance," or, "We are not going to arbitrarily lose insurance, because we are a Negro or live here or there."

Q How do you contemplate the adoption of these urban area plans throughout the country will be stimulated and will it require municipal or State legislation in order to put these things into effect?

GOVERNOR HUGHES: I cannot answer that legal question, but just let me again guess. I would think that a State Insurance Commissioner, in a State whose Governor is apprehensive about possible riot damage and possible outflow of industry and residents from the center city because of that disadvantaged background, would be quite aggressive in implementing this plan.

It is a real good plan.

You see the sense of it is to impute higher responsibility to the insurance company not to be capricious or bigoted or not forget, in other words, a measure of responsibility compatible with business safety.

It also lodges a heavy responsibility on the property owner himself because he begins to care. Once he knows that somebody has to put down in writing why they decline to give him a policy on his property, something wrong in the alley or the wiring and so on, then he begins to care.

He picks his head up, gets his insurance, perhaps makes some repairs, and he is off to a new start.

Q Do the Commissioners have the power to do this?

GOVERNOR HUGHES: The Commissioners of Insurance have very wide powers. I don't think this power is going to have to be exercised in a brutal or arbitrary way. I have sensed -- through this long, good day's session and work we did yesterday -- through the insurance people on our panel that the insurance companies of this country certainly don't have a blind spot so far as social responsibility.

What does concern them and concerns them deeply is the possibility of complete wipe-out. They have responsibility to their people.

Q With respect to these Urban Area Plans, what is the pattern under which they now operate?

Is the prevailing pattern one that provides for a premium in the ghetto?

The other question is: What estimate does the Advisory Panel have on the total coverage of insurance that has been cancelled since these riots?

GOVERNOR HUGHES: I cannot give you the percentage, but I can give you an impression. We have heard good news about the plan. We discussed it from top to bottom and back to front. We thought very well of it yesterday, because of these factors that I mentioned all revolving around a sense of the word "responsibility".

Q Governor, can you extend your figures a little beyond your impression? You said the insured property losses were \$100 million. What is the uninsured?

You said in Detroit \$55 million to \$85 million.

GOVERNOR HUGHES: The corollary to that figure is that there are ranges of belief, all pretty non-specific because it is pretty hard to find out uninsured losses. They go from 25 percent of the total to equal to the total. In the worse sense, they would about equal the total, we think.

There has been pretty deep probing on that. For instance, in Newark, some city agency took a helicopter, flew around and counted everything that was down, and everything that was up, and so on, and so forth.

Q What is the estimate the panel has to the value of insurance that has been cancelled since these riots began?

GOVERNOR HUGHES: We had no figure on that. We think the cancellations have been -- I wouldn't say sporadic, but there certainly has been no industry policy for mass cancellations in areas which have been affected by these riots.

We are glad to see that. It imports again responsibility under the slight urging of the Insurance Commissioners in these States which did send out this flier right away asking for a three-month moratorium on any hasty action.

We will ask that to be extended. We would like that moratorium to go to the end of the year so the best thinking we can apply to this problem can be handed to the parent commission and a decision made on it.

Q Are you saying the insurance industry can handle these city problems themselves?

GOVERNOR HUGHES: Yes, for the present.

Q Who is to shoulder the existing costs on these policies?

GOVERNOR HUGHES: We have examined the Watts Pool, the joinder of many companies in proportion to the extent of the insurance they write in a given State to accept in that same proportion some of these high risks, some of these poor insurability cases. We have not adopted that, but we have been thinking about this and a variety of other plans.

Q In other words, you are now recommending the adoption of this Urban Area Plan wherever possible -- in other words, you are saying to the States and municipalities, "Start working on this right now; don't wait for a final report from us on the 15th of December."

GOVERNOR HUGHES: That is right. I will take two weeks to get it implemented in New Jersey, for example.

THE PRESS: Thank you, Governor.

END

12:30 P.M. EDT

#26

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

Alvin A. Spivak
Director of Information
382-8521

September 19, 1967

FOR IMMEDIATE RELEASE

The National Advisory Commission on Civil Disorders will meet in executive session in the Executive Office Building on Wednesday, Thursday and Friday, September 20 through 22, 1967.

These informal meetings will deal with grievances and tensions in ghetto areas that lead to disorders and with maintenance of law and order.

Testimony will take the form of individual remarks and panel-type discussions.

The witness list, to which additions may be made, will include:

Wednesday, September 20

9:30 a.m. Howard Leary, Commissioner of Police, New York City; Byron Engle, Director, Office of Public Safety, Agency for International Development.

2:00 p.m. Brig. Gen. Roderic L. Hill, California National Guard, former State Adjutant General; Maj. Gen. George M. Gelston, State Adjutant General, Maryland National Guard; Brig. Gen. Harris Hollis, Assistant Deputy Chief of Staff, United States Army (Operations).

(MORE)

Thursday, September 21

- 9:30 a.m. Ernie W. Chambers, a Negro community leader, Omaha, Nebraska; Piri Thomas, authority on Spanish Harlem, New York City; Rev. James E. Groppi, Milwaukee.
- 2:00 p.m. Dante Andreotti, Community Relations Service, Department of Justice, former San Francisco police lieutenant and former head of the Police-Community Relations Division, San Francisco police department; Prof. Albert Reiss, Department of Sociology, University of Michigan, and former consultant to the President's Commission on Law Enforcement and Administration of Justice; William H. T. Smith, Director, Inspection Division, Department of Housing and Urban Development, former Police Chief, Syracuse, New York, and former Captain of Police, New York City.

Friday, September 22

- 9:30 a.m. Patrick V. Murphy, Assistant Director of Law Enforcement of the Office of Law Enforcement Assistance, Department of Justice (former Chief of Police, Syracuse, New York, and former Deputy Chief Inspector of Police, New York City); Mrs. Charlotte Meacham, of Philadelphia, National Representative on Police and Prisons, American Friends Service Committee; Rep. John Conyers, Jr., 1st Congressional District, Detroit, Michigan.
- 2:00 p.m. Prof. James Vorenberg, Harvard University, former Executive Director, the President's Commission on Law Enforcement and Administration of Justice; Quinn Tamm, Executive Director, International Association of Chiefs of Police; Roger Wilkins, Director, Community Relations Service.

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THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 19, 1967

MEMORANDUM FOR THE COMMISSION

Enclosed is a copy of the President's speech before the International Association of Chiefs of Police in Kansas City, Missouri last Thursday.

At pages 5 and 6, he sets forth some views on the riots and the rioters.

OG.
David Ginsburg
Executive Director

STATEMENT FOR GOVERNOR KERNER

MORNING HEARING, SEPTEMBER 21, 1967

This morning we continue our hearings on maintaining law and order. Yesterday we explored the problems of controlling civil disorders once they had begun. This morning's hearing will be directed specifically towards identifying the grievances and tensions that lead to civil disorders and towards the control of riots from the point of view of those living in the areas in which they have occurred.

As yesterday, we will be receiving testimony from two panels - one this morning, the other this afternoon. Each panel will have four members and each panel member will make an opening statement of around ten to twenty minutes. The balance of each session will be devoted to questions and answers.

I would like to welcome the first panel whose members are, left to right:

Mr. Joseph S. Sanders
of Los Angeles

Father John Groppi
of Milwaukee

Mr. Ernie W. Chambers
of Omaha

Mr. Piri Thomas
of New York City

We will hear first from Mr. Sanders. Mr. Sanders is beginning his third year as a law student at Yale University Law School. He is a native of Watts and worked there this summer with the Westminster Association under the poverty program, directing a job-training program for the young

people. Mr. Sanders. . .

(After Mr. Sanders completes his statement, the following paragraph will be read.)

Our next witness is Father John Groppi of Milwaukee, Wisconsin. Father Groppi is Assistant Pastor of St. Boniface Roman Catholic Church located in Milwaukee's predominantly Negro near-Northside. He serves as the advisor to the Youth Council of the Milwaukee NAACP. For the last four weeks, he has led daily demonstrations in his city in a campaign for passage of an open-housing ordinance by the City Council. Father Groppi. . .

(After Father Groppi completes his statement, the following paragraph will be read.)

The third member of the panel to speak will be Mr. Ernie W. Chambers. Mr. Chambers is an active community leader in Omaha, Nebraska. He is, I believe, a native of Omaha, has lived there all of his life, and, over the last four years has been in the forefront of militant civil rights demonstrations. Mr. Chambers. . .

(After Mr. Chambers completes his statement, the following paragraph will be read.)

The final witness this morning is Mr. Piri Thomas of New York City. Mr. Thomas has gained considerable attention for his writings and lectures on life in Spanish Harlem. He has published an autobiography of his early life in Harlem entitled "Down This Mean Street," and is presently working

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on a second. He has also written a fine recent article in' the New York Times Magazine on this summer's riot in Spanish Harlem. Mr. Thomas. . .

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS
1016 16TH STREET, N.W.
WASHINGTON, D. C. 20036

EXECUTIVE DIRECTOR

September 18, 1967

MEMORANDUM TO THE COMMISSIONERS

Iron Age Magazine, a trade magazine of the iron and steel industries, has taken stock of the Commission. I thought you might be interested in its early appraisal.

D.G.

David Ginsburg
Executive Director