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Senate

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By Mr. HATFIELD:

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STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

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NEIGHBORHOOD GOVERNMENT ACT OF 1973

Mr. HATFIELD. Mr. President, today I am introducing a bill entitled the "Neighborhood Government Act of 1973," which I view as a cornerstone of my domestic political philosophy. Like any philosophy, it is rooted ultimately in value judgments. For me, these judgments have evolved over nearly a quarter century of public life. My approach is based on the following convictions: the central importance of liberating the individual person; the imperative to decentralize power, or conversely, the inherent dangers of political and economic centralization; the instinctual human need for community and family being central to the health of any greater unit of organization—the city, county, State, Nation, or world; the humanity and fallibility of public officials; and the requirement of government, if it is to be democratic, effective and responsive, to be rooted close to the people. These convictions seem to have lost their vital relevance to actual legislation and the programs implemented at the Federal and State levels.

The implications of these observations are multifold if one is to be consistent in applying them to our political, social, and economic institutions. The trend of the past four decades has been to place more and more power in Washington, D.C., in the Central Government, and also at the State level. A great deal of this resulted from technological developments and from times of crisis such as the Great Depression, three wars, and continuing inner turmoil. To oversimplify 40 years' national psychological history, we have

thought the Government in Washington to be somehow superhuman, deserving our unquestioned faith and trust. We failed to distinguish between the Government and the Nation, the State and the people, allegiance to individuals and allegiance to political philosophy.

As new technologies developed, instead of applying the values inherent in our Declaration of Independence and Constitution, we altered our value systems to meet these technologies. Rather than adapt new technology to our values, we adapted our values to the new technology of the time. The loss of privacy is but one example of the price we have paid. Consequently, we have lost touch with the meaning of individualism, government checks and balances, representative government, community, and family. We have sacrificed fundamental human values in our race to material accumulation. Look at what has happened to government: impersonalization, dehumanization, unresponsiveness, and distance.

All of our problems would not be solved if we reversed the process but at least we would cease compounding those that already exist. Essentially, we must discover some genuine response to solving our society's basic problems rather than merely passing the buck to a new agency and pouring money into it. Our prevailing philosophy of government, developed during the New Deal, has had its strengths during certain times of crisis. But now it needs to be exorcised if we are to reach any semblance of national maturity and health, and enhance human liberation. We have learned much from our New Deals, our Great Societies and Wars on Poverty, our New Federalisms and New Populisms. The time has come to apply these lessons in light of the historical values which have made the United States a vital experiment in self-government, and the new technologies that have so incredibly met many of our material needs on one hand and made us slaves to them on the other.

This might be viewed as a harsh assessment of our progress in this century, but think of the following few examples. What has happened to individual rights, the coherence of the family, the meaning of community, economic vitality, social justice, environmental health, respect to human life, and any meaningful sense of independence for

the vast majority of our citizens? They have all deteriorated to varying degrees. I am not predicting doomsday if we fail to change direction, nor am I harking back to some golden age in human history. But we face the danger of eroding our spirit and morale, and becoming more cynical and apathetic as history moves onward, if we do not alter course.

There is no doubt but that more and more power is being centralized in the hands of Government. A few statistics¹ are ample evidence of this. For instance, between 1930 and 1970 the Gross National Product—GNP—increased roughly 10 times—from \$90.4 billion to \$976.4 billion. During the same time period Federal expenditures increased 20 times—from \$2.8 billion to \$204.5 billion—or roughly two times as fast as the increase in GNP. On the other hand, State and local expenditures increased 13 times or one-third faster than increase in GNP—\$8.3 billion in 1930 and \$107.7 billion in 1970. In the case of taxes, Federal receipts have increased 13 times—from \$3.0 billion to \$190.3 billion—one-third faster than the increase in GNP between 1930 and 1970; and State and local tax receipts increased 14 times, a rate slightly greater than Federal tax receipts. What this means is that we are looking to Government to solve more of our problems than we used to. More specifically, we now look first and primarily to the Federal Government to solve our problems, rather than to our communities, our local institutions, or even ourselves.

We suppose that all our social and political problems can be solved from the top down, by simply changing the superstructure of Government, and imposing new Federal programs and crusades.

It is undeniable, of course, that there are numerous issues which can only be resolved with the application of Federal power. But my point is that we have been operating under a political psychology that assumes our social and economic ills can only be solved by Government, and only well by the Federal Government. Ironically, this belief has continued to grow while the elementary confidence and trust of the people in their Government has continuously and drastically eroded.

According to Congressional Research Service, the Federal Government employed 2,865,303 civilian personnel in 1972 at a cost—in salaries alone—of \$31.7

billion. In May of 1973 the Department of Defense employed 1,059,532 people—and these are not people in the uniformed services, they are only civilian employees. The cost in salaries was \$1,094,755,000. In the same month the Department of Health, Education, and Welfare employed 124,982 people at a salary cost of \$118,349,000.

I do not dispute the need for the Federal Government to take dramatic and forceful action in response to many of the crisis that we face. But I do maintain that the goals of social and human liberation—the freeing of each citizen from social, political, economic, and technological oppression, and the liberating of his spirit for creative self-fulfillment—will never be wrought exclusively through the means of the Federal Government's centralized power.

Our Government has encouraged and now become victimized by misplaced expectations. Through the past four decades, Americans have been conditioned to believe that our major economic and social dilemmas can be corrected by Federal power.

When such has not always occurred, the Federal Government has become the chief culprit, in the eyes of the people, for the existence of these problems. The responsibility for conditions in society has been placed to the remote, impersonal Government. The gulf between the Government and the people thus widens, the belief of the people that Government can really govern deteriorates, and meaningful democracy is lost.

It is useful to bear in mind that the massive role of the Federal Government in the social and economic details of our society's functioning has been a recent historical event, thought necessary by most persons because of the revolution in our technology and the growing perplexity of our problems. Originally, the functions of the Federal Government were thought best confined to those of insuring the physical defense of the Nation, and guaranteeing the rights and liberties of each citizen. Now, however, the common assumption is that there are no limits to the Government's extension of responsibility for the conditions in our Nation. That modern political axiom stands in need of reexamination.

The fundamental crisis facing our Government is the drastic political estrangement of our citizens. There is no way that centralized Federal power can solve that crisis, for that power itself lies at the root of the problem. We cannot talk naively about making the Federal Government more responsive. Rather, the only way the mood of political alienation can be broken is by the diminution of the power held by the central Government. That entails recreating a democracy that is relevant to the lives of American citizens.

Government has become an institution of domination. It must be transformed into an institution of servanthood.

The cornerstone of political and social renewal for America is the revitalization of the relevance of human community. Only with a heightened sense of community can we enhance the freeing of human creativity and also hope for the strengthening of the family's role in our society.

In order to bring about such a renewal, however, massive decentralization at every level of Government is required.

Decentralization of our social and economic institutions is also required. If technology is to be mastered rather than the master, we have no choice. If each citizen cannot meaningfully participate in his or her system of government and actually have an effect on that system, the system is the master, not the servant; Government is the master and the citizen the slave, the State becomes supreme, the individual inconsequential. This is the definition of totalitarianism, the antithesis of democracy.

Dr. John B. Calhoun of the National Institute of Mental Health conducted a series of studies which exemplify what is happening within our country, having implications much broader than those to which I am directing my remarks today:

We introduced four pairs of domesticated house mice into a utopian environment that provided adequate resource of food, water and shelter for over 3,000 mice. The population grew to a maximum of 2,200 individuals, shortly after which reproduction ceased. Now in January 1972, after nearly two years without any reproduction, aging has taken its toll leaving only 500 senescent mice, all beyond the age of normal cessation of reproductive function.

As population growth ensued, small social groups of 10 to 12 mice formed. Each staked out a portion of the physical space as its territory. By the time 14 such groups had formed, all the more desirable space had been occupied. Due to our exclusion of most mortality factors other than aging, many more young survived than would have in a natural ecological setting. The first few hundred such younger mice were systematically and vigorously rejected as they attempted to seek a place in the social fabric.

Most withdrew both psychologically and physically, moving about only to obtain food and water. Most of the last 1,000 mice born became very autistic-like due to early rejection by their mothers and excessive contacts in the now over-crowded environment. They never learned any effective aggressive or sexually adequate behavior. Once the formerly behaviorally effective and reproductive mice died of old age, there survived no such competent member to replace them. So it has come about that the population is fast approaching extinction.

Transferring these observations to the human scene calls for interpretation of this implication. We may rephrase the conclusion: Whenever a species increases its number beyond the point that most members can play an effective role in the community, behavioral development will be disrupted to the point that the more complex behaviors, formerly possible by members of the species, will no longer emerge. For mice, these more complex behaviors include reproduction and territorial defense. For man they include acquisition and utilization of ideas. If I am correct in making this interpretation, we are very close in time to where the human species may be faced with extinction because of loss of capacity to deal with complex ideas such as are involved in the current environmental crisis. (This point of evolution is about 2010 A.D., at the current rate of population growth.)

Look at our society, especially our large cities, and one can see these symptoms which Dr. Calhoun discusses: the overcrowding, the size, the highly complex nature of any problem, increasing crime, the virtual lack of any human scale and human community, and the increase of problems in spite of material abundance.

A very different sort of study¹ was

conducted for the Institute for Policy Studies analyzing the income flows in the Shaw-Cardozo area of Washington, D.C. Three sets of statistics were developed the most reliable of which, according to the study, indicated that in 1968 \$5 million more in taxes were paid out than were received in all visible government services. This was the first study of its kind and while not the most sophisticated economic document, its potential implications were profound. Since then more sophisticated studies of other poverty areas have taken place. Dr. Richard Shafer, consultant to the Bedford-Stuyvesant Restoration Corporation, conducted his first study² of the Bedford-Stuyvesant community in 1970. Since then he has updated and further analyzed the area based on 1970 census data in a soon-to-be-published document.³ In contrast to the Shaw study, Dr. Shafer's shows opposite results: there were more revenues going into the Bedford-Stuyvesant community than tax-revenues going out. Rather than go into the details of each of these studies, I would like to briefly discuss some of the conclusions that might be drawn from them.

First, both areas are low income communities and the focal point for most, if not all, of the innumerable anti-poverty programs of the past decade. Second, like most ghetto areas between 1959 and 1969 the earned income of their residents decreased. Third, both communities have enough resources that if they were left in the community it could be possible to finance a great proportion of their own services, and perhaps finance even all of them—in the Shaw area—if that original study is still valid.

The financing of neighborhoods is a very new area in accounting and economics. The studies mentioned are the only ones of which I am aware that incorporate these new accounting concepts showing inflow and outflow data for neighborhoods. Data is organized in a completely different manner at the national, State, county, and city levels making comparative analyses of the needed type very hard to develop. For instance, in order to compile the data for the Bedford-Stuyvesant study, Dr. Shafer had to go from department to department, agency to agency, and collect his own statistics in some instances, in order to determine what amount of money went to specific areas in New York City. The outflow statistics are not that difficult to come by, relatively speaking. But even on that side of the ledger, even the Internal Revenue Service does not have its tax data organized on an adequate geographical matching system. The State of New York is perhaps the most advanced government in this area, but progress toward centralizing this information is questionable. What is needed is a neighborhood income accounting system on a national scale carried out by each Federal, State, county, and city agency. This would demand a great deal of time and

effort, not in data collection but in data reorganization and computerization. Yet, it seems about time that we had such an accounting system if we are to have any meaningful grasp of the problems facing our towns and cities. Merely having large budgetary outlays listed in traditional form cannot give us any indication of the success or failure of our various policies where it counts—at the local neighborhood level. One can gather outflow data with relative ease based on the 1970 census data. It would be much easier, however, if it were collected on such a geographical basis to begin with. Yet, to collect data on inflow of revenues from any governmental source is a long and painstaking process. A geographical matching system with a neighborhood accounting system for each city is very much needed.

Neighborhood government, as I conceive of it, is groups of individuals living within common geographical areas with fully participatory forms of government. The citizens would have ultimate control over their own services, if they so desired, including police, education, health, drug abuse, welfare day care, help for the aging, sanitation, zoning, taxing and law enforcement. All of this, of course, would have to be in concert with State and Federal laws as well as within the guidelines of the Constitution. But rather than power, money and programs emanating from and controlled by Federal, State, county, and city governments, they would emanate from the neighborhood to the larger jurisdictions as appropriate.

In order to move from our present institutional-political-economic structure to one based in the neighborhood, a series of transitional moves are necessary, combined with a great deal of model development and experimentation. Following the introduction of the overall neighborhood government legislation I am presenting today, I will be proposing legislation dealing with a number of institutions and their decentralization including: welfare, drug abuse, prisons, child care, police, national guard, health, education, finance, justice, and juvenile delinquency. At this time, however, I will only briefly outline what is contemplated in some of these areas.

In virtually each area mentioned above, there is a terrible lack of information relative to economies of scale, cost-benefit analyses, and other efficiency/quality studies. Welfare is not one of the exceptions. We do not have at the present time the type of data to determine to what extent the present welfare system is working, failing, or succeeding. Continuing efforts, such as some underway, which look at the present system to determine exactly what is happening within it, are the first steps that need to be taken. Then a combined Federal, State, and local effort is required to develop models at the neighborhood level for neighborhood welfare corporations. The thrust of such a program would be to

make these corporations as self-sustaining as possible by encouraging local participation in not only program development but in its implementation as well.¹

Drug abuse legislation is badly needed. The problems of drug addiction, not just heroin addiction, is growing rapidly, and effective methods of dealing with its symptoms and its causes must be forthcoming. While it is a family-community problem at its roots, it is national in its scope. One cannot merely wash one's hands of it by leaving it solely up to the neighborhood to solve. What is needed is a multimodal, community-based program to deal with the multifarious problems of addiction and drug related crime while including the community as much as possible. Dealing with the symptoms will only postpone further problems until they boil up once again. It is only through a cooperative effort by Federal, State, and neighborhood governments that this problem can be solved.²

Data is not lacking in the area of prisons, and the data indicates that radical change is needed in our penal institutions. We seem to have forgotten the Attica's of the recent past, and if we continue with this sort of memory, we will only be reminded of it during the next bloody riot in some unnamed prison. Before such tragic events overtake us once again, our penal system should be made more responsive to rehabilitating those who have broken the law. To do this will require a great deal of community involvement and a great deal of prison involvement in the community. Only through community based rehabilitation can there be any hope of effectively dealing with the vast majority of those who have broken the law.

Child care is an issue entirely separate from welfare, because it is not only the young children of parents below the poverty line who have need for such facilities. There is an increasing trend to have both parents working—for many middle- and upper-income families as well. With the continuing trend in the divorce rate many more mothers are forced into the marketplace and have a need to find some reliable place to leave their children during the day. It seems logical that such a program must of necessity be community based and has perhaps the greatest potential to be self-sustaining before any of the other neighborhood based programs merely because of the cross section of income brackets that it encompasses.

Our police systems throughout the Nation, particularly in the large cities, very much need to get closer to the neighborhoods for a number of reasons. A fascinating study by Elinor Ostrom and Roger B. Parks of Indiana University was recently published, fully developing the reasons for this conclusion. They found that the assumed efficiencies and quality of large police forces are not evidenced by any data which they have compiled

and/or examined, and that the quality of smaller jurisdictions was higher. They found:

In the smaller size ranges for both suburban cities and center cities, service levels may increase as city size increases. Thus, evaluation by suburban residents living in cities below 20,000 increases as city size increases. The same is true for residents of center cities under 100,000. However, the direction of relationship reverses for suburban residents living in cities above 20,000 in population and center city residents living in cities above 100,000. Economies of scale accrue up to some size range in the neighborhood of 20,000 population for suburban police departments and 100,000 for center city departments but diseconomies of scale may occur in larger sizes. . . . Thus, neither an increase in the population size of a jurisdiction nor an increase in the police/citizen ratio is positively associated with higher service quality.³

The National Guard, which is both a State and Federal organization, could serve a greater service to the community than it already does. Having neighborhood based national units with programs developed to foster community improvement and involvement could have a tremendously constructive impact in our cities and towns across the country. While I am advocating such a program for the National Guard, and for the Reserves as well perhaps, I am not advocating the elimination of their primary role of military readiness for domestic crises and for backing up our active duty forces in case of war or national emergency. It seems to me, however, that a great deal of potential exists for a twofold thrust for the National Guard that would attract more enlistments and have many positive spinoffs, not only for the community but for the guardsmen as well.

Health delivery systems have been the focus of a continuing national debate. There remains a great lack of information relative to various aspects of this system. Elements for an effective health delivery system, however, would include the following: first, adequately trained personnel to meet the health needs of all of our citizens; second, adequate facilities to meet these needs in a prompt manner as well as any sustained long-term needs of patients; third, personnel from and facilities based in the local communities to the greatest extent possible; fourth, community based financing for such a system to the greatest extent possible; and fifth, neighborhood focused group and related insurance programs to meet health and other related needs.

Neighborhood education presents a myriad of potential problems ranging from federally controlled national education programs and standards to minority rights and desegregation. What I will propose, however, may get beyond these issues, with the clear mandate that neighborhoods, of course, follow the guidelines of the Constitution. The first major component of such a program is neighborhood control of its own schools. This includes financing, teaching, and administration. It should be the choice of each neighborhood if they want to be

Footnotes at end of article.

part of a larger education system. Second, the Federal and State Governments should provide economic incentives to neighborhood units to experiment in this area, but not further involving the Federal Government or the States in setting numerous artificial standards of educational attainment or programming.

Much greater stress must be placed on neighborhood and local financial structures. Credit unions and banks, particularly, must be developed focusing on community resources and building neighborhood independence. Financial institutions with the community's interests in mind based in the neighborhood or coalitions of neighborhoods forming financial enterprises could play a vital role in constructing a strong financial base within each of our local communities.

Developing such institutions at the neighborhood level will be one of the most critical factors in the success or failure of neighborhood based government in the long run. For if neighborhoods are to develop independent self-sustaining service systems, the financial base must also be independent and community based to the greatest extent possible.

The general approach in each of these neighborhood government bills will entail the geographic definition of a neighborhood area and the requirement for citizens in each community to participate in the program development and implementation. Furthermore, the financing will start with the present system, in most cases a combined Federal and State program, with specific guidelines for transferring costs to the local community, the goal being the complete financial takeover by the neighborhood. There are obvious cases where all neighborhoods do not have the requisite expertise to entirely set up and carry out complex programs—nor do many have the financial resources. Federal, State, and city governments do have access to such personnel and resources. However, these levels of government lack essential knowledge of the unique problems in each locality. Thus innovative partnership wedding these two is essential. Colleges and universities would have an excellent opportunity to play a significant role in this effort as well. Further, religious institutions could play an indispensable role in enhancing the renewal of community. For instance, if each church and synagogue were to take over the responsibility of caring for 10 people over the age of 65 who are presently living below the poverty level, there would not be any need for the present welfare programs focused on the aged. If each church and synagogue took over the responsibility of 18 families—a total of 72 adults and children—who are eligible for welfare today, there would not be any need for the existing Federal or State welfare programs to families. If each church and synagogue cared for less than one child each, the present-day care programs supported by Federal and State funds would be totally unnecessary. Our

religious institutions would be a natural focus of community activity directed toward meeting the human needs of one's fellow citizens.

Each institutional change, as contemplated in the legislation, would proceed on an experimental basis developing neighborhood models in a cross section of cities and towns throughout the country. Then, and only upon successful model development, would neighborhood government be a viable alternative national policy. By alternative national policy, I mean that no community would be required to organize itself in such a manner unless it so desired. If the citizens of the neighborhood are satisfied with their programs or view neighborhood government as a worse alternative, they need not be obligated to change. The core of the proposal is based upon voluntarism. People must be given the opportunity to choose to adopt means of self-government, reclaiming power that has previously been abdicated to the Federal Government.

A number of programs and bills in the past have dealt with local community control of various aspects of neighborhood life. They have ranged from OEO programs to Revenue Sharing to the Better Communities Act to the Community Self-Determination Act. They have all focused on the lower income communities, with the exception of Revenue Sharing, and have ranged in financing from specified grants to bloc grants. All of them contemplated actually solving a myriad of complex problems in one legislative and/or administrative move by either moving all of these problems out of the sphere of concern of the Federal Government or by completely bypassing local and State governments. All of them contemplated decentralizing power only to a small extent, and some did not explicitly set up any experimentation models, nor did many provide any checks or guidelines for program development or fund utilization. Those few that did allow for decentralization below the city level did not have adequate definition considerations of boundaries and unit size nor did they or any of the other proposals focus sufficiently on developing or requiring a high degree of citizen participation. Some have created community corporations, bypassing State and local power structures, and others have dealt with the existing power structures in each city or town. The trend has been toward large bloc grants, without any guidelines to the State and local governments, and without any requirement for local participation to any great extent, if at all. This trend, as embodied in the Revenue Sharing Act and the Better Com-

munities Act, is in the wrong direction, both as to focus and to financing.

As long as Federal funds are being used to finance domestic programs in areas where the funds did not originate, it is incumbent upon the Federal Government—or agency—to responsibly administer those funds. To the extent that the Congress does not set down specific guidelines, it is up to the executive branch to do so. In the past three decades the Congress has virtually given over large areas of legislative authority to various executive agencies without having much recourse if the original intent of the authorizing legislation is not followed. Once a bureaucracy is created it seems virtually self-perpetuating and keeping track of it is almost impossible from within Congress on any consistent basis. This is one of the most disturbing aspects of recent Federal legislation. That is why I believe that authorizing legislation should entail as many specific guidelines as regulations within it as possible. A counter argument is that this robs those running the respective agency of necessary flexibility in administering their mandate. However, this misses the critical point that administrative flexibility is not the purpose of a bill if it is to accomplish very specific goals within the definition set down by Congress. The Neighborhood Government Act, as well as the neighborhood government legislation I will subsequently introduce, encompass this philosophy.

The financing of neighborhood programs, of course, is one of the most critical factors. The Neighborhood Government Act of 1973 sets up a series of tax credits for individual citizens of neighborhoods based on the citizen's income level. It also includes direct grants to the neighborhood corporations based on the amount of non-Federal taxes that were paid out of the neighborhood. But this simple financing method alone would not be adequate for all neighborhoods across the country at the present time. In areas where the citizen awareness is significant enough, the resources substantial enough, the technical expertise well enough developed, and assuming this legislation were to pass, neighborhoods could begin to function on the basis contemplated in the bill. Other neighborhoods, however, would not be able to due to lack of various types of resources, including financial. Consequently, I will be introducing legislation aimed at specifically fostering financial expertise within the community as well as increasing citizen awareness, participation, and organization. Further, the Federal Government has an obvious and continuous role to play in supplementing and building up the resources of disadvantaged neighborhoods. Also, increased utiliza-

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| Year | Amount | Category |
|------|----------------|------------------------------|
| 1971 | \$11.5 million | Bedford-Stuyvesant community |
| 1972 | \$11.5 million | Bedford-Stuyvesant community |
| 1973 | \$11.5 million | Bedford-Stuyvesant community |

tion of credit unions and neighborhood banks might serve as a major step in fostering such development in specific financial areas. In some of the low-income neighborhoods of our Nation the effort to attain these goals may be arduous, but at least we can make the right beginning.

What might be the effect of this legislation on a low-income area in purely economic terms? Assume the Bedford-Stuyvesant community received \$11.5 million in credits to its citizens, which would occur, roughly, under my proposal. This would give the neighborhood approximately twice the credit that it now has. It could increase its equity and magnify it to perhaps \$100 million—and this is in an economy of \$1 billion. We would then be talking about a 10-percent cash flow increase in the community, which would thereby increase the resource base significantly in the consistency of the tax credit could be counted on. The lack of consistency with respect to reliable, predictable income to the area is one of the primary obstacles which presently hampers the community's growth. It should be noted that the Bedford-Stuyvesant community has a median income of \$6,300, which contrasts to Harlem of \$6,100 and to South Brooklyn of \$5,100—in 1970. Nevertheless, while the median incomes vary to some degree in these three communities, the general effect would be the same in each: a substantial increase in cash flow and the economic base, and consequently, a progressively greater capacity to handle their own programs. This would be the anticipated effect in other low income communities.

A key area which needs development and research is the relative effectiveness of various sized service areas. Health, prisons, welfare, fire, refuse, education, and housing would be included on the list. There has already been some research in this regard in law enforcement, as I mentioned earlier, but the state of the art beyond this one study is not very advanced at all. The Advisory Commission on Intergovernmental Relations—ACIR—in a bulletin has concluded:

Size does not seem to matter in cities of 25,000 to 250,000—neither economies nor diseconomies of scale were of significant number. But in cities over 250,000 population, size does make a difference—the law of diminishing returns sets in and there are significant diseconomies of scale.

In a table adapted from data collected by Werner A. Hirsch, Elmor Ostrom has presented the following compilation focusing on previous empirical studies of the effect of scale of production on average unit cost for a variety of social services:

Footnotes at end of article.

There is a simple historical precedent for the proposal I am making today. In the United States, the experience that small, community oriented government has had in world history and in other countries, the United States has accumulated a great deal of such experience during the past two centuries. In the East and South from colonial times to the present, local participatory governments have been in existence. One can visit almost any State in the Northwest for instance, and find governments that are organized around the town meeting. Similarly, our western cities were originally governed in much the same manner. Furthermore, virtually every major city in the United States has grown by the process of annexation, the central city—or what was to become the central city—growing in absorption of surrounding communities and villages or the process within its jurisdiction.

| Function | 10,000 population | 25,000 or more |
|-----------------|-------------------|----------------|
| Police | 2.00 | 1.50 |
| Fire | 1.50 | 1.00 |
| Sanitation | 1.00 | 0.75 |
| Water and sewer | 0.75 | 0.50 |

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The move to decentralization is not new. There is a long history of decentralization in various cities, counties, and States. Included in this list would be Delaware County, Pa.; Berks County, Pa.; Montgomery County, Pa.; and Montgomery County, Pa.

| Name of investigator year of study | Type of urban public service | Type of data used ¹ | Result ² | Name of investigator year of study | Type of urban public service | Type of data used ¹ | Result ² |
|---------------------------------------|---------------------------------|--------------------------------------|--|---------------------------------------|---------------------------------|--------------------------------------|--|
| Review (1966) | Secondary Education | S | AUC is U-shaped with a trough at about 1,700 pupils. | Will (1965) | Fire Protection | E | AUC is declining with major economies reached at 300,000 population. |
| Kiesling (1966) | Primary and Secondary Education | S | AUC is about horizontal. | Hirsch (1959) | do | S | AUC is U-shaped with trough at about 110,000 population. |
| Hirsch (1959) | Primary and Secondary Education | S | Do. | Hirsch (1965) | Refuse Collection | S | AUC is about horizontal. |
| Schmidt-Stevens (1960) | Police Protection | S&Q | Do. | Hirsch (1959) | School Administration | S | AUC is U-shaped with trough at about 44,000 pupils. |
| Hirsch (1960) | do | S&Q | Do. | Nerlove (1961) | Electricity | S | AUC is declining. |
| | | | | Isard-Coughlin (1957) | Sewage Plants | S | Do. |
| | | | | Lomax (1951) | Gas | S | Do. |
| | | | | Johnston (1960) | Electricity | S | Do. |

¹ S=statistical data; Q=questionnaire data; E=engineering data.² AUC=average unit cost.

However, there are several problems in this compilation. To utilize Elinor Ostrom's work further:

The development of an explanation will also require the careful and consistent definition of all concepts included in the theoretical structures. Frequently, terms used in one tradition do not quite mean the same as when used in another tradition. For example, the term "efficiency" is used as a dependent variable in both of the theoretical structures posed above. However, as used by the metropolitan reformers, the term "efficiency" is usually conceptualized as a ratio of benefits produced to the cost of producing them. Social costs are rarely included within this definition of efficiency. In analyzing the efficiency of public agencies, political economists are apt to define efficiency so as to include the

social costs or the resources required to produce and consume the public good valued in terms of alternative uses foregone. Social costs "may not equal the costs borne by the urban government that provides the service." That portion of the total costs represented in the budget of a government agency may be called "agency costs." But, in addition, other parties, both public and private, may incur costs that are not explicitly charged to the agency in question, nor considered in that agency's efficiency and financial deliberations.

Equally perplexing problems exist with such concepts as "output," "equal distribution of costs," "responsibility of local leaders" and "citizen participation." Not only will scholars define these concepts differently, but the indicators which are utilized for operationalizing variables are frequently open to

serious questions of validity. One of the most perplexing problems facing these interest in quantitative, comparative urban research is the development of valid measures of output. However, since the amount expended by a government may not always be transformed on a one-to-one basis into benefits for the citizens of the jurisdiction, we need to be developing other measures of output which indicate the level of output received by citizens.¹¹

Howard Hallman in his book "Government by Neighborhoods,"¹² has taken another interesting approach to the problem. He has compiled data to show what functions communities of various sizes can adequately manage. His summary is listed in the following table:

| Functions | Activities which can be handled by a neighborhood | | Activities which cannot be handled by a neighborhood | Functions | Activities which can be handled by a neighborhood | | Activities which cannot be handled by a neighborhood |
|----------------------|---|--------------------------|--|--------------------------|--|--|--|
| | 10,000 population | 25,000 or more | | | 10,000 population | 25,000 or more | |
| Police | Patrol, routine investigation, traffic control. | Same | Crime laboratory, special investigation, communications. | Parks and recreation | Local parks, playgrounds, recreation centers, lot-lots, swimming pool (25 m.). | Same plus community center, skating rink, swimming pool (50 m.). | Large parks, zoo, museum, concert hall, stadium, golf courses. |
| Fire | Fire company (mini-mal). | Fire companies (better). | Training, communications, special investigation. | Libraries | Branch (small). | Branch (larger). | Central reference. |
| Streets and highways | Local streets, sidewalks, alleys: Repairs, cleaning, snow removal, lighting, trees. | Same | Expressways, major arteries. | Education | Elementary | Elementary, secondary. | Community colleges, vocational schools. |
| Transportation | | | Mass transit, airport, port terminals. | Welfare | Social services | Same | Assistance payments. |
| Refuse | Collection | Same | Disposal. | Health | | Public health services, health center. | Hospital. |
| Water and sewer | Local mains | do | Treatment plants, trunk lines. | Environmental protection | | Environmental sanitation. | Air pollution control. |
| | | | | Land use and development | Local planning, zoning, urban renewal. | Same plus housing and building code enforcement. | Broad planning, building and housing standards. |
| | | | | Housing | Public housing management. | Public housing, management and construction. | Housing subsidy allocation. |

There is ample historical precedent for the proposal I am making today. In addition to the experience that small, community oriented government has had in world history and in other countries, the United States has accumulated a great deal of such experience during the past two centuries. In the East and South from colonial times to the present, local participatory governments have been in existence. One can visit almost any State in the Northeast, for instance, and find governments that are organized around the town meeting. Similarly, our western cities were originally governed in much the same manner. Furthermore, virtually every major city in the United States has grown by the process of annexation, the central city—or what was to become the central city—bringing in suburbs, towns, municipalities, and villages on its borders within its jurisdiction.

The move to decentralization is not new. There is experimentation occurring in various cities, counties, and States today. Included in this list would be Dade County, Fla.; Bergen County, N.J.; New York City; Delaware County, Pa.; Mont-

gomery County, Md.; Washington, D.C.—UPO, MICCO, and AMMO; Columbus, Ohio; Dayton, Ohio; Oakland, Calif.; Los Angeles, Calif.; Boston; Seattle; Kansas City; Pittsburgh; and Sto-Rox, Pa.

One of the most interesting experiments with which I am familiar is taking place within the AMMO neighborhood under a separate corporation called Community Technology. The group is newly created—1973—and is examining the various methods by which neighborhoods can develop and utilize resources within the community to meet as much if not all of their technological needs: food, clothing, et cetera. The community experiment is fascinating for a number of reasons. Not only does it combine four very distinct ethnic groups, but it is experiencing with local control of government services and technological adaptation to local needs as well. At the beginning of my address, I referred to the need to reverse the trend of letting technology lead us rather than our controlling technology. This experiment, whether it succeeds or fails in terms of meeting the specific needs of this Washington neigh-

borhood, will be a tremendous first step in the direction of freeing ourselves from our current form of technological slavery.

A critical aspect in developing any sense of genuine neighborhood, and developing programs based in the community, is defining the boundaries of the neighborhood. The best method of determining geographical boundaries that I have encountered was written by Gerson Green. Mr. Green's criteria are as follows:

1. Official designations by municipal governments for such city services as police and fire protection, recreation centers, and neighborhood city halls;
2. Official designations by public or semi-public institutions such as local Community Action Programs, Model Cities Programs, Public Housing Authorities, and Employment Service funded neighborhood outreach programs.
3. Sub-areas of the cities which originally possessed their own incorporated boundaries prior to annexation by the cities.
4. Sub-areas designated by indigenous voluntary neighborhood citizens organizations as their service areas;

Footnotes at end of article.

5. De-facto designations by church parish, by neighborhood schools, and by private settlement houses and community centers;

6. Sub-areas of the cities designated by indigenous "folklore";

7. Sub-areas of the cities contained within natural boundaries such as hills and rivers;

8. Sub-areas of the cities contained within artificial boundaries that have come to be accepted, such as freeways, railways, or other elements of urban design;

9. Sub-areas containing public and commercial clusters of amenities that have recently been or are currently primary amenities to the surrounding residents;

10. Sub-area designations consistently recognized by mass media.

In the final analysis, sub-area residents have defined their neighborhoods through the impact of some or most of the above criteria, plus the memory or reality of racial or ethnic concentrations, and the residual force of the past and current ward, district, or precinct boundaries.

In most cases, neither the residents, local politicians, or even local historians can empirically demonstrate the existence of neighborhood, but, in querying local residents, the specific designation is expressed with considerable confidence.

The task of defending the general and seemingly apparent arbitrariness of neighborhood designation was much simplified during the 1960's by official designation of municipal Community Action Agencies (CAA's) and the further definitional refinement accomplished by the neighborhood councils established by the CAA's. In general, both the residents of the designated neighborhoods, and city planning departments, and municipal political leadership have all accepted the designations, at least for functional purposes. Census data tends to confirm the designations at least in terms of income, race, and other socio-economic factors. Special studies or urban pathologies, such as those conducted by the Comprehensive Neighborhood Health Centers program, the neighborhood Legal Services Program, and a number of universities and health and welfare associations have confirmed the concentrations of pathology which have long been well known to the residents of the neighborhoods.

One final criterion that assists many cities in definition of neighborhoods is the boundaries staked out by youth gangs to define their turf. This is a relevant criterion generally observed by both the resident adult population and by rival youth gangs, as well as by police.¹²

The legislation I am introducing today encompasses three distinct areas. The first area is financing. There are three methods by which financing can be accomplished. First, there is a tax credit based upon the taxable income of each individual resident of the neighborhood set up on an inverse relationship between the credit and taxable income. The credit in this instance would range from between 80 and 10 percent. The second method of financing comes from moneys contributed by individuals, corporations, or other neighborhoods, also based on an inverse relationship between the taxable income and the credit, the credit in this case, however, would be one-half of that given to individual residents within the neighborhood. The third method of financing is by direct grants to the neighborhoods. The basis on which these grants are computed is by the amount of non-Federal taxes paid out by the residents of the neighborhood. The grant would be the total of these non-Federal taxes. While the methods of financing outlined above have their problems—and

perhaps we will find simpler, more efficient methods, such as negative tax credits state reduction of income and other taxes, building up resources within neighborhoods, et cetera—these are the most effective means available with the present state of knowledge relative to neighborhood cash flow. But clearly more research needs to be done.

The second distinct area within the bill is the authority of the Secretary of the Treasury to determine whether or not sufficient numbers of the respective neighborhood's citizens wish to incorporate and participate in the programs. I use the figure of 70 percent as the minimum desired proportion of voting age citizens who desire to form a neighborhood corporation as a somewhat arbitrary number. However, some guideline must insure against an oligarchical arrangement being created within the neighborhoods, or we will be regressing in history. We have had too much unfortunate experience with nondemocratically run governments—within our borders.

The third major area within the bill is the ultimate authority of the Secretary of the Treasury to approve of boundary determinations of neighborhoods. The guidelines to which I referred earlier of Mr. Gerson Green should be adequate. But if they are not, the criteria should be as nonpolitical as possible. In other words, natural geographical boundaries should be used to the greatest extent possible. The neighborhoods are not intended to be enclaves of ethnicity, specific economic interests, social stratification, and the like. Such will be the case in certain instances, but more than likely there would be a great crosssection of incomes, ethnic groups, religious groups, racial groups, and other interest groups. This may cause definite problems in human relations but, if the desire is there, which it would have to be if the neighborhood incorporated, that mixing of interests and backgrounds has been a primary source of the American genius.

Previously, in testimony for the 1972 Republican National Convention, I focused on not only what the Federal Government needed to do to move toward decentralization, but outlined what steps the various State governments might take as well. These steps could include the following:

A league of neighborhoods or league of community governments.

Proposed State legislation instituting community or neighborhood subunits.

Pilot projects on neighborhood welfare reform corporations.

Initiative to enable community control of education.

Statewide neighborhood atlas development.

The States have perhaps a greater potential role to play than the Federal Government. They have consistently and historically been the source of new programs for national adaptation. And neighborhood government can, and I believe will, be no exception. In any event, a great deal of cooperation will be required if this concept is to reach valid conclusions based on experimentation, let alone become an alternative national policy. While I personally believe that our

society and each citizen of our country would be better for our own national interest by adopting neighborhood-based government within our communities, the choice ultimately rests with them, as it always has and, I hope, always will.

In the most humanly important ways, people function as members of neighborhoods rather than of cities or States. But the public life and needs of our neighborhoods carry no self-governing authority and responsibility. Therefore, it is essential that we develop a concerted policy of restoring political power to neighborhoods and their residents.

The plight of the poor and the disadvantaged must certainly be the concern of the Federal Government. But in the final sense, the relief for the dispossessed will come not through solely a bureaucratic program written and implemented in Washington, but through individuals, groups, neighborhoods, and local communities that are given, and choose to take, the responsibility. Enabling and evoking this kind of responsibility at decentralized levels of political life is the most fundamental contribution the Federal Government can make toward the realization of human well-being for all our people.

The purpose is to allow political power, resources, and responsibility to be retained as directly and closely to the people as possible. To do so obviously means that the power and functions of larger units of local government, such as the machines of city mayors, should relinquish responsibilities to neighborhood government. We must create such decentralized structures if the average citizen is to have a direct and meaningful opportunity for determining the institutions that affect his life and shape his future. The strategy and process of such a transition in government responsibility may present challenging problems. But ultimately, I believe there is no other way to overcome the dominate feeling of political lifelessness in America, and to restore genuine political power to our citizens.

Mr. President, I ask unanimous consent that footnotes prepared in connection with my statement together with the bill be printed in the Record at this point.

There being no objection, the footnotes and bill were ordered to be printed in the Record, as follows:

FOOTNOTES

¹ "Economic Report of the President," January 1973 and "Budget of the United States Government, Fiscal Year 1974".

² Calhoun, John B., "Declaration of Environment," from the "Journal of Environmental Health," January/February 1972, p. 357.

³ Mellor, Earl F., "Public Goods and Services: Costs and Benefits, A Study of the Shaw-Cardozo Area," presented to the Institute for Policy Studies October 31, 1969.

⁴ Schaffer, Richard L., "Income Flows in Urban Poverty Areas: A Comparison of the Community Income Accounts of Bedford-Stuyvesant and Borough Park," a doctoral dissertation in the Department of Economics, New York University.

⁵ Schaffer, Richard L., "Toward an Economic and Social Accounting System for Bedford-Stuyvesant, a Progress Report, April 1973," soon to be published.

*Hatfield, Mark O., "Congressional Record," Vol. 117, No. 176, 92d Congress, First Session, November 17, 1971.

*Hatfield, Mark O., "Congressional Record," Vol. 117, No. 135, 92d Congress, First Session, September 17, 1971.

*Ostrom, Elinor and Parks, Roger B., "Suburban Police Departments: Too Many and Too Small?," "Urban Affairs Annual Review," Spring 1973.

*Advisory Commission on Intergovernmental Relations, "Information Bulletin" No. 70-8 (Washington, D.C., Advisory Commission on Intergovernmental Relations, Sept. 16, 1970), p. 2.

*Ostrom, Elinor, "Metropolitan Reform: Propositions Derived from Two Traditions," from "Social Science Quarterly," December 1972.

*Ostrom, Elinor, "Metropolitan Reform: Propositions Derived from Two Traditions," from "Social Science Quarterly," December 1972, pp. 487-488.

*Hallman, Howard W., "Government by Neighborhood," Center for Governmental Studies, Washington, D.C., June 1973, p. 24.

*Green, Gerson, specifically prepared for the Institute for Neighborhood Studies, Washington, D.C., 1971.

S. 2502

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Neighborhood Government Act of 1973."

DECLARATION OF PURPOSE

SEC. 2. It is the purpose of this Act to encourage communities and neighborhoods to incorporate for the purpose of providing their own neighborhood services, to provide additional operating funds for such corporations, to increase the sense of neighborhood participation by individuals in such neighborhoods by providing a tax credit for contributions thereto, and to provide additional Federal revenue to such corporations.

TAX CREDIT FOR CONTRIBUTIONS

SEC. 2. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credit against tax) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

"Sec. 40. Contributions to neighborhood corporations

"(a) GENERAL RULE.—There shall be allowed as a credit against the tax imposed by this chapter for any taxable year any amount contributed to a certified neighborhood corporation and paid during that year, subject to the limitations of subsection (b).

"(b) LIMITATIONS.—

"(1) AMOUNT.—Except as provided in paragraph (2), the amount of the credit under subsection (a) shall not exceed—

"(A) 80 percent of the amount of the contribution if the contributor's taxable income for the taxable year is \$10,000 or less;

"(B) 60 percent of such amount if his taxable income for the taxable year is more than \$10,000 but not more than \$15,000;

"(C) 40 percent of such amount if his taxable income for the taxable year is more than \$15,000 but not more than \$20,000;

"(D) 20 percent of such amount if his taxable income for the taxable year is more than \$20,000 but not more than \$25,000; and

"(E) 10 percent of such amount if his taxable income for the taxable year is more than \$25,000.

"(2) NONRESIDENTS.—In the case of an individual who does not reside in the neighborhood served by the neighborhood corporation to or for the use of which he makes a contribution, or a corporation which does not have an office or other establishment in the neighborhood served by the neighbor-

hood corporation to or for the use of which it makes a contribution—

"(A) the amount of the credit under subsection (a) shall not exceed one-half of the amount of the credit under such subsection as determined under paragraph (1) of this subsection; and

"(B) credit shall be allowed during any taxable year for contributions to only one neighborhood corporation.

"(3) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 38 (relating to investment in certain depreciable property).

"(c) CERTIFICATION OF NEIGHBORHOOD CORPORATIONS.—A corporation may be certified by the Secretary or his delegate for purposes of this section upon application by the corporation for certification if it—

"(1) is organized under the laws of the State in which it is located as a corporation not for profit and restricts its operations to the single neighborhood it was designed to serve;

"(2) is organized for the purpose of supplying services to its members, and other persons residing within the neighborhood it is designed to serve, which were supplied by a municipal or other government prior to the establishment of the corporation, or similar services; and

"(3) demonstrates a capacity to supply such services and to perform the activities for which it was established in an adequate and satisfactory manner.

No corporation may be certified for purposes of this section which is formed for the purpose, or with the effect, of preventing the implementation, within the neighborhood it is designed to serve or within the larger neighborhood within which it is located, of any plan or program designed to carry out the laws of the United States, or for any purpose which is contrary to public policy, or which would have a substantial adverse effect upon adjacent neighborhoods. No corporation may be certified for purposes of this subsection unless it is so organized as to permit a high degree of participation by members of the neighborhood it is designed to serve in making major policy decisions.

"(d) NONDEDUCTIBILITY OF CONTRIBUTIONS.—No deduction shall be allowed under section 170 for any contribution to or for the use of a neighborhood corporation to the extent that a credit is allowed (after the application of subsection (b)) for such contribution under subsection (a).

"(e) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section."

(b) The table of sections for such subpart A is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Contributions to neighborhood corporations.

"Sec. 41. Overpayments of tax."

(c) The amendments made by this section shall apply to taxable years ending after the date of enactment of this Act, but only with respect to contributions payment of which is made after such date.

COMPENSATION FOR STATE AND LOCAL TAXES

SEC. 3. (a) Upon application from a neighborhood corporation certified under section 40 of the Internal Revenue Code of 1954, the Secretary of the Treasury is authorized to pay to such corporation for general corporate use an amount equal to a part (determined under subsection (b)) of the amount of non-Federal taxes paid by mem-

bers of that corporation to State and local governments. Such payments may be made annually or as otherwise determined by the Secretary.

(b) The amount of the payment which the Secretary may make under subsection (a) to a neighborhood corporation is an amount equal to a percentage of the total amount of non-Federal taxes paid by members of that corporation to State and local governments. That percentage shall be determined in accordance with the following table:

| Per capita annual income of individuals residing in the neighborhood served by the corporation: | Percentage |
|---|------------|
| \$10,000 or less..... | 80 |
| \$10,001 to \$15,000..... | 60 |
| \$15,001 to \$20,000..... | 40 |
| \$20,001 to \$25,000..... | 20 |
| More than \$25,000..... | 10 |

(c) The amount payable under subsection (a) may be reduced by the Secretary whenever he determines that such reduction is necessary in consideration of the total amount of funds available to him for such payments and the total amount of payments for which application has been or may be expected to be made. Before making any payment under subsection (a), the Secretary shall require that any applicant provide for such fiscal control and fund accounting procedures as he deems necessary to assure proper accounting for Federal funds so paid. The Secretary may require such reasonable reports as to the use of funds paid under subsection (a) as he deems necessary, and he shall make an annual report to the Congress with respect to payments made and reports received under this section.

AUTHORIZATION OF APPROPRIATIONS

SEC. 4. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.