In recent years, there has been a rising tide of discussion, attempted explanation and warm debate on the array of problems facing our urban communities. All too often the approach to a solution to the particular local problem of the moment involves an appeal to a higher level of government. It frequently seems that if only the city, town, or locality could obtain some state or federal help (primarily financial), progress could be made toward a solution—whether the problem has to do with schools and public buildings, water systems and sewage disposal, roads and streets, mass transit systems, low-income housing and slum clearance, or any other public welfare activities. The states, although providing considerable financial aid to local governments, face the same problems as these with respect to receipts and expenditures, so that the national level of government is the most promising source of funds. Nor is there lack of response—federal aid to other governmental units has been rising rapidly, and last year federal money was provided for the first time to help meet “the pressing needs for mass transportation in our urban centers.”

One aid program of the National Government—that dealing with urban renewal—will be considered here in terms of its effect on urban blight and slums and on some traditionally local governmental and private activities.
**Definition**

It would be well to begin by defining what is meant by the term “urban renewal,” for no little confusion has arisen in public discussions concerning exactly what is being discussed. The words “urban renewal” were seldom, if ever, heard before the enactment of the Housing Act of 1949, when the national government embarked upon a broad and far-reaching new postwar program for dealing with the rapidly developing “crisis” in the life of the nation’s urban communities. Not that this was an entirely new national problem, for the Federal Government had been engaged in public works programs of slum clearance and low-rent public housing since the depression days of the early 1930’s. But this new legislation, together with its enlargement and refinement in the 1954 Housing Act and subsequent housing legislation, offered opportunities for direction and stimulation from Washington of a wide range of local activities involving urban planning, zoning, code requirements, and the exercise of local police powers (not the least of which was the expanded use of local condemnation powers to acquire privately owned properties for later resale to other private parties for redevelopment and private use).¹

Urban renewal, in its broad sense, is a process of city or urban self-regeneration—and as such it is a continuous process. A city is a dynamic and changing place. Land-use patterns are constantly shifting in response to changes in demand and costs. For example, space previously occupied by several small stores may be taken over by an office building. A higher use has supplanted a lower one; that is, as a result of change, it now is economically desirable for the office building, but uneconomic for the smaller stores, to occupy that particular space. Similarly, residential structures may give way to those of commerce and industry. Changes of this type are a vital part of urban renewal, for the reallocation of resources is necessarily a continuing process in any dynamic situation.

Further, since towns and cities are the result of accumulated changes over a period of time, various structures become obsolete and worn out, or are rapidly approaching such a state. Almost every American city contains sizable “blighted” areas. So, “urban renewal” has to do with the rebuilding, rehabilitating, and renewing of structures and installations, and with changing land uses coming about for the most part in response to multitudinous decisions made in the private market.²

This may be used as a working definition. However, there are marked contrasts among various schools of thought on how far governmental action should go, particularly in the matter of federal aid, in stimulating or even forcing changes within a city. While the broad concept I have sketched conveys little, if any, information about the extent of the role of government in normal urban renewal activities, Federal Housing authorities, upon passage of the Housing Act of 1949, envisioned a “comprehensive attack” on slums and blight “for the first time in our history.” The attack was to be made by local communities, it was explained, with the Federal Government providing “the leverage that cities have long needed to get their redevelopment programs going.”³

**Assumptions Behind Federal Action**

The Federal Urban Renewal program is based on the assumption that the nation’s welfare and the national interest require a considerable speedup in the elimination of
blighted areas and substandard housing as well as profound changes in large parts of cities and urban communities,⁴ and that such refurbishments will not occur or cannot be done effectively unless public agencies take a leading role. This role includes the acquiring and clearing of “blighted” areas for private redevelopment which local governments (including the states) for lack of financial and other resources cannot further. Thus help from the national government is essential by way of subsidies as well as direction.

Subsidies are provided by means of loans and grants-in-aid (federal grants equal two-thirds or more of net costs); direction is exercised by requiring the approval of a project⁶ and its requirements embodied in the “workable program” concept.⁶ Without such approval there is no federal aid.

Federal aid for urban renewal projects is given directly only to local public agencies established under state and local laws and authorized to receive such aid and to carry out the various activities involved in the contemplated program. Hundreds of such local agencies have been established to comply with this requirement; and for its part the national government has set up an Urban Renewal Administration (as part of the Housing and Home Finance Agency) with administrative divisions and regional field offices to carry out its functions. Any community wishing to qualify for federal assistance must first develop and have approved by the Federal Housing and Home Finance Agency Administrator its plans for a “workable program,” and then clear its specific project through the regional as well as Washington offices. The latest annual report (1960) of the Housing and Home Finance Agency (which includes the report of the Urban Renewal Administration) lists the following ten means of federal assistance to local agencies:

- Urban planning assistance grants;
- Grants for community renewal programs;
- Planning advances;
- Temporary and definitive loans for urban renewal projects;
- Grants for urban renewal projects;
- Relocation assistance to persons and businesses in urban renewal areas;
- The Urban Renewal Service;
- Demonstration grants;
- Special mortgage insurance by the Federal Housing Administration under Section 220 of the National Housing Act to promote new construction or rehabilitation of dwellings in urban renewal project areas;
- Special mortgage insurance by FHA under Section 221 of the National Housing Act to promote new or rehabilitated low-cost housing for families displaced by urban renewal or other governmental action.⁷

According to the same report, 475 communities, located in 43 states, the District of Columbia, Puerto Rico, and the Virgin Islands, and ranging in population from 749 to 7,781,984 had taken advantage of some of these means of aid or were in the process of doing so by having projects federally approved. Since 1949, 870 projects had been approved, 41 had been completed. Approximately $1.9 billion of federal aid had been committed, a great part of which had not been disbursed. About 141,000 dwelling units had been demolished, with perhaps 25,000 new and rehabilitated units completed. Approximately 114,000 families had been relocated. Hundreds of local governmental agencies, supported by special legislation and liberal subsidies have been working with a number of federal agencies for over ten years to accomplish these results.⁸
How do these operating statistics compare with estimates of the size of the job to be done?

The President's Advisory Committee on Government Housing Policies and Programs estimated in 1953 that 6.8 million substandard dwelling units needed rehabilitation or replacement. Based on available operating statistics, we estimated in our study that a program of this magnitude would cost the Federal and local governments nearly $48 billion, exclusive of the costs of new construction and rehabilitation; and, further, that even assuming a fourfold rate of increase in the momentum of the program, the task might still require as much as ninety years to complete.9

The results of the federal action, to date, could make one curious about the declared need for a “marked speedup” in clearing blighted areas which has been called so necessary to the national welfare.

Local vs. Federal Government Resources

RETURNING TO THE ASSUMPTIONS behind the need for a national program, one of these was that local and state governments lacked the resources to initiate and carry out effective action, with the inevitable conclusion that federal financial aid was therefore necessary. It has been endlessly repeated that: “Local governments simply do not have the resources available to them to assume a greater share of the financial burden for urban renewal.”10

One may have considerable sympathy for this point of view when one considers the vast outlays state and local governments have had to make in the last decade to meet the growing needs for schools, roads, and other public facilities, and the frantic search for additional revenues. Yet its validity is doubtful. For one thing, state and local tax receipts have been rising faster than those of the federal government. In the last half of the decade of the 1950's (1955-1959) state and local tax revenues rose at over twice the rate of those of the federal government (38 per cent as against less than 17 per cent) and in dollars by nearly the same amount ($8.9 billion for state and local, $9.7 billion for federal).11 Local tax receipts increased more than those of the states during this period, but even state tax receipts rose much faster than those of the federal government.

Of course, these total figures do not tell the whole story since, for one thing, they do not indicate changes for specific localities. But they do throw doubt upon the notion that state and local governments lack sources of revenue and are unable to meet their responsibilities. States and localities with few exceptions can levy upon all income, wealth, and transactions within their jurisdictions. Localities have at their disposal the property tax, which Freeman in his study on school finances pointed out is capable of generating substantial amounts of additional revenue.12 The Committee for Economic Development has estimated the value of tangible real estate in the cities at more than $500 billion. Professor Colin Clark, in his study Growthmanship,13 substantiates this view by pointing out that “in most countries the order of magnitude of the stock of residential capital is equal to about one year's national product.” This wealth is located largely in cities and urban communities, and the major portion consists of residential structures. All these are subject to taxation.

On the other hand, it is worth noting that the federal administrative budget has shown a deficit in four of the last five fiscal years (and almost certainly will again show a deficit in fiscal 1963), and these deficits have been substantial. The net defi-
cit for the fiscal years 1958-1962 was nearly $25 billion.\textsuperscript{14} The public debt rose nearly $19.5 billion during this period,\textsuperscript{15} and Congress has been forced to consider voting increases in the debt ceiling at increasingly frequent intervals.

The Federal Government is operating under enormous fiscal pressures. Defense requirements and related programs are not only unlikely to be reduced but are likely to be increased. The rising costs of burgeoning domestic programs of all kinds also are putting increased demands upon federal revenues—revenues already limited or scarce in comparison to the demands being placed upon them.

Moreover, federal aid to state and local governments has been rising rapidly, most of it in the form of outright grants-in-aid. From slightly over $3 billion as recently as 1955, such aid had risen to over $7.5 billion by 1961.\textsuperscript{16} This latter figure amounted to nearly ten per cent of net federal budget receipts.

Shifting a major part of the costs of urban renewal activities to the federal government is a device by which localities obtain funds from someone else for, as they believe, the advantage of the locality. The vast, amorphous federal budget facilitates this belief or hope and, in turn, weakens opposition to expenditures for marginal and submarginal purposes. Although, where public moneys are deemed necessary, cities can tap resources within their jurisdictions to finance renewal programs, and states can tap the resources within their borders, the fundamental problem which faces these governmental units is that of securing public support for these programs. In general, the public has shown a remarkable willingness to surrender its money to government when it accepts the need for a project, and the complaints by city and other governments that they have inadequate revenues and insufficient sources of revenue for something they want to do in reality indicates a collective judgment on the part of the electorate as to the scope and amount of resources they believe should be devoted to a public function.

Perhaps this is getting close to the crux of the matter, for there are few, if any, economic criteria used in determining the particular need for governmental aid for urban renewal or for determining urban renewal project areas. Almost invariably cost estimates have to be increased at later stages of work on a project and original estimates are likely to be little more than guesswork. There is no clear concept of anticipated benefits or means of their evaluation.\textsuperscript{17} This is not surprising in view of the manner of selection of specific project areas and the varying and conflicting interests involved. The prospect of outside funds becoming available sharply alters the cost-benefit arithmetic of both local officials and private interests.

Those concerned with city planning see opportunities to accomplish sizable objectives in terms of rearrangement of streets, public facilities, and land uses; those concerned with the public finances envisage rebuilt areas as more productive sources of revenue; owners of private property see enhanced values and often the chance to dispose of properties in deteriorating areas at increased prices; merchants or businessmen may foresee increased trade from upgraded neighborhoods—in all these cases with minimal local costs. Thus the employment of national subsidies changes the allocation of resources from what it might be in terms of market decisions. Project areas and the proposed plans for redevelopment are decided upon for many reasons—but rarely by considering the efficient use of resources.

*Federal Actions and the National Welfare Another of the Assumptions* behind the
need for federal action was that the national welfare required an acceleration in the removal of urban blight and substandard housing. A sizable literature, however, is accumulating on what some observers have described as the “Achilles’ heel” of large-scale governmental urban renewal activities. It is worthy of note that in many project areas where buildings have been razed it has been difficult to trace the movements of a large number of the former inhabitants; many seem to have simply “disappeared.” This has led some critics to point out that new slums and blighted areas may be on the way, or that “the slums are being chased around town.”

But to return to the assumption that rebuilding is needed, it can be argued that the regulations and requirements of the central government and the hope of financial aid from it actually slow down and disrupt the normal processes of rehabilitation and renewal. Often emphasis on planning urban renewal has tended to displace urban renewal itself. The federal urban renewal program, involving as it does a minimum of two and generally four federal agencies as well as local redevelopment authorities plus various commissions and departments of local governments, has become a complex and time-consuming operation. Many instances are reported of areas where private initiative is ready to undertake action, but which lie dormant for years awaiting the outcome of the deliberations of government agencies.

Again, emphasis on obtaining federal funds for local urban renewal activities has tended to replace the renewal activities themselves. For example, there have been cases where the local public agency has obtained federal funds earmarked for one project and then moved on toward the same objective in a second, third, or fourth project, meanwhile setting aside the first project because of lack of personnel to carry it out or because of other difficulties arising in its execution. Former U. S. Housing Administrator Norman P. Mason pointed this up in 1959, saying: “In some areas, the planners seem to like to keep on planning and so rebuilding gets delayed.” He added: “What too many local governments are grasping for are more federal grants, more and more of the United States taxpayers’ dollars.” Instead of getting on with the job of urban renewal, municipal governments in many instances give the appearance of concentrating on efforts to secure federal moneys.

Furthermore, the requirements for obtaining federal grants often have distorting effects upon local budgets and operations. To fulfill the one-third requirement of net project cost, in order to obtain the other two-thirds by way of federal grant, localities may be forced to make expenditures (to qualify as aid in kind or to provide local cash grants) or to obligate funds entirely differently than they would if they were not seeking federal aid. This not only limits financial flexibility but often leads to less useful expenditures of local funds than would otherwise occur.

For example, in the low rent public housing program the requirements for federal grants specify the type of local organization which is to administer them. These requirements complicate the operation and efficient functioning of local government. Benson and McClelland in their study on grant-in-aid programs point out that conditions attached to federal grants for public housing have often had disintegrating effects upon local government. They make a convincing case for utilizing consolidated or “block” grants to local governments which would cover broad categories of functions and leave to the locality concerned the decisions as to allocations of such funds within these categories. This
would of course strengthen local governmental responsibility and initiative.

**Private Efforts**

*IN LIGHT* of the urgency with which federal and other governmental action is proposed to meet urban problems, one begins to wonder how our cities and towns got built in the first place and what their inhabitants are now doing to help themselves. Actually, Americans have been improving their housing and living conditions steadily over the last half-century, and at a particularly rapid pace since World War II. Over 80 per cent of all housing units in 1960 met the requirements of standard quality as defined by the Bureau of the Census. This compared with 63 per cent as recently as 1950. In 1960 only three million units out of a total of over 58 million were classified as dilapidated—that is, not providing safe and adequate shelter. The greater part of substandard housing (of which there were 10-11 million units in 1960) is in rural and semi-rural areas, with substantial amounts in the older sections of cities also.

The boom in private new construction which has characterized almost the entire postwar period has been a prime force in upgrading the housing supply (nearly seven-eighths as many new nonfarm housing units were built between 1950 and 1960 as in the preceding 30 years, including the housing boom of the 1920's). However, since the increase in housing supply during this time was somewhat less than the volume of new building, it is evidence that part of the upgrading (and of the decline in substandard units) was achieved by elimination. But a large part of the improvement was the result of rapidly increasing private expenditures for repair, renovation, and modernization. Such expenditures have been estimated to have about doubled since the mid-1950's, and in 1960 were in the range of $18-$20 billion. Private market forces have compiled an impressive record in the last decade and there seems little reason to doubt further progress in the 1960's.

Naturally, the older parts of cities and towns that are substantially saturated get little new construction. But the data on improvement in housing indicate significant results even here. And it is in these areas that local public effort can be a strong reinforcement to private efforts (in terms of code enforcement, taxation of property, zoning, and good municipal housekeeping). For it is becoming increasingly evident that urban renewal is predominately dependent upon private action—and local government has the role of creating the climate where such market-oriented action can thrive.

This is not the case where large areas go through long periods of uncertainty while the locality negotiates for federal help in revamping them. Years frequently go by in the course of such negotiations; property owners and residents despair, and the local government itself hesitates to do anything toward maintenance or to encourage or enforce private efforts directed toward maintenance and improvement. After a while, a point of no return has been reached—owing in no small part to government action (or inaction) intended to improve urban communities and the public welfare. Thus the heavy hand of government stifles the very forces it must rely upon to accomplish what everyone wants.

There is growing criticism of much of the current planning for our cities. The large, monolithic, high-rise housing projects, particularly those for low-income groups, the more “efficient” layouts of streets and blocks, the parks and malls, although often fulfilling the planners’ dreams, may not
really contribute to the vitality of modern cities or make them more desirable places in which to work and live. Critics argue, and with considerable force, that such changes may actually contribute to many of the evils they are supposed to cure.

This power was upheld by the U. S. Supreme Court in Berman v. Parker, 348 U. S. 26 (1954).

In cities and urban areas these private decisions involving property and land uses are circumscribed by various legal restrictions whose objectives are mutual protection for the common good. These restrictions seek to ensure minimum standards of safety and health and to prevent property owners from jeopardizing others' use and enjoyment of their own properties.


For an appraisal of some of the effects of large-scale redevelopment and housing projects as well as an excellent analysis of how a city "works" and functions, see Jane Jacobs, The Death and Life of Great American Cities (New York: Random House, 1961), especially Chapter 22, "The Kind of Problem a City Is," which deals with city planning.

For example, nonresidential clearance areas generally must be converted to predominantly residential use.

This simply requires a plan of action on the part of the community for undertaking measures to achieve objectives of the urban renewal program. For discussion of the elements in a "workable program," see Thomas F. Johnson, James R. Morris, and Joseph G. Butts, Renewing America's Cities (Washington: Institute for Social Science Research, 1962), p. 52.


The great difference between the large number of projects approved and the few completed is accounted for by the categories "advanced planning" and "execution." "Advanced planning" is a description of the paperwork and preliminary approvals, whereas "execution" means the beginning of condemnation and demolition. "Execution" can take many months before individual parcels of land are acquired, cleared, and assembled for offer to prospective purchasers.

Johnson, Morris, and Butts, op. cit., pp. 68-69. Lawrence H. Bloomberg, Howard G. Brunsman, and A. Benjamin Handler, in their paper "Urban Redevelopment" (in J. Frederic Dewhurst and Associates, America's Needs and Resources, A New Survey, [New York: Twentieth Century Fund, 1955]), estimated that urban renewal would cost from $85.5 to $91.3 billion at current prices when emphasis was primarily placed on housing and related facilities. Further, these estimates were for a limited program only, that of redeveloping residential neighborhoods. In 1960 the Committee for Economic Development adjusted these figures for changes in costs to $100-$125 billion and assumed that three-fourths or more of the total outlay would come out of private capital expenditures.


Roger A. Freeman, Taxes for the Schools (Washington: Institute for Social Science Research, 1960). Freeman believes that rapidly growing national wealth, the prospect of nearly half a trillion dollars' worth of new private construction in the 1960's, continued rise in real estate values, and improvements in assessment administration suggest that the property tax can well remain a major source of local revenue. He goes on to state: "... it has proven a stable producer in times of war and depression, and a viable and expandable source in prosperous years. ... Home rule and local autonomy can be preserved only if local governments have a substantial independent source of income, and if local residents can decide the level at which they want to tax themselves. There's no substitute for the property tax. If it is permitted to decline it will pull local government down in its fall."


State and local governments also increased
their debts substantially (from 1955 to 1959 by $19.8 billion). But their total debt was still less than one-quarter of the federal debt.

"There seem to be substantial redistribution effects connected with national grants to state and local governments. According to a study by the Tax Foundation in 1961, in which an effort was made to correlate federal grants to state and local governments and the estimated burden of such grants on a state-by-state basis, federal grants to state and local governments in some 35 states exceeded federal tax receipts from those states. The study estimates, for example, that for every dollar of federal aid received by Mississippi, the federal tax burden was only 25 cents. At the other extreme, for every dollar received in federal aid Delaware is shown to have paid into the Federal Treasury $2.48, and New York and Connecticut about $1.93. See Memorandum, Allocation of the Federal Tax Burden (Tax Foundation, Inc., Feb. 1962).

The striking fact about the present program, and also about many of the proposals for extending that program, is the utter lack of a relevant criterion for expenditures. How much should be invested in urban renewal? How does one determine whether projects are really worthwhile? Does the present program attempt to 'correct' the allocation of resources or does it simply result in further misallocation? There seems to have been little or no serious effort to find answers to these questions." Otto A. Davis and Andrew B. Whinston, "The Economics of Urban Renewal," Law and Contemporary Problems (Durham, N.C.: Duke University School of Law), Winter 1961, p. 113.