

## Quality-of-Life Differences and Urban and Regional Outcomes: A Review

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### *Abstract*

Quality of life depends on the assortment of amenities that individuals and businesses value. Differences in the amount and mix of those amenities should affect the geographic “sorting out” of households and businesses, as well as welfare.

Policy makers recognize the trend toward widening intrametropolitan disparities among and within communities and have either discussed or proposed several measures that can help address the problem. However, the differences in quality of life that are developing among communities reflect macro changes in the economy that policy may not, and perhaps should not, attempt to affect. As long as information is widely available and workers are reasonably mobile, the economy will adjust to differences in quality of life that develop. Policy can at least help facilitate that equilibration, and perhaps it can compensate those in the economy who suffer major dislocations in the process.

**Keywords:** Policy; Urban environment; Location

### **Introduction**

Quality of life (QOL) or “amenity” differences among jurisdictions have long been recognized by individuals and businesses in their location decisions and by social scientists in their analyses of the urban and regional economy. Differences in the local tax–public service bundle have been shown by economists since Tiebout (1956) to motivate individuals to “vote with their feet,” at least among jurisdictions within a metropolitan region. Similarly, at least since the 1970s, economists have tested hypotheses about the effect of local taxes, infrastructure, and public services on business location. In more recent years, differences in crime rates, wages, and other amenities have been used to explain continuing geographic shifts, from the city to the suburbs and from older Frostbelt to newer Sunbelt locations.

This article reviews some of the recent literature on QOL differences and urban and regional economic outcomes. QOL depends on the assortment of amenities that individuals and businesses

value. Differences in the amount and mix of those amenities should affect the geographic “sorting out” of households and businesses. Where QOL is higher, demand for land should be greater (all else equal), so landowners should receive a QOL “premium” at the time of sale. (Economists refer to that as land value capitalization.) Similarly, workers who value a location because of its higher QOL may be willing to accept lower wages (all else equal). Individuals and businesses not able to move when the local QOL deteriorates would be less happy (or, in economic terms, would have a loss of utility).

The article also discusses some thorny measurement issues and illustrates how QOL differs among sample jurisdictions. A summary of the literature reveals some of the consequences of those differences for more and less mobile households and includes recent work in the Tieboutian tradition and recent research on “spatial mismatch.” Recent work on the business side is also summarized. Finally, the article concludes by focusing on public policy—specifically how policies reduce or exacerbate QOL differences and how Clinton administration proposals are likely to affect urban and regional economies.

## Differences among cities in quality of life

QOL can be regarded as a composite “output” produced by a city using public infrastructure and public sector workers as capital and labor inputs.<sup>1</sup> The elements of QOL include public safety, recreational and cultural opportunities, the mix and cost of housing, the quality and cost of health care, and similar amenities that can be affected by public and private sector actions, as well as climate and other natural characteristics of a geographic area.

The largest branch of the QOL literature—what Myers (1988) refers to as “livability comparisons”—simply describes these differences, at most speculating as to their causes. Perhaps the best known is Boyer and Savageau’s *Places Rated Almanac* (1985, 1989, 1993). (See also “The Best Places” 1987; Bowman,

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<sup>1</sup> As for private producers, cities can be regarded as economic agents that transform inputs into outputs. The capital goods, or public infrastructure, that serve as inputs in this production process include roads and bridges for transportation; police cars and jails for public safety; and school buildings and books for education. The public labor includes bus drivers, teachers, and police officers. “Public” capital may be municipally owned or leased under a variety of arrangements (see Shubnell and Cobbs 1983). Likewise, “public” labor can be employed by the government directly or under contract.

Guiliana, and Minge 1981; Conway and Liston 1981; Liu 1976; Marlin and Avery 1983.) The *Places Rated Almanac* rates 333 metropolitan areas in nine outcome (QOL) areas: cost of living, crime, health care, jobs, transportation, education, the arts, recreation, and climate.

The *Places Rated Almanac* and similar publications are criticized for the way they combine the scores across outcome areas to produce a single ranking (Pierce 1985; Wish 1986). For convenience, the *Places Rated Almanac* weights each attribute equally. Others (for example, Rogerson et al. 1989) conduct surveys to assign weights according to consumers' preferences, but that is costly and subject to response bias and changes over time. In addition, the nine QOL areas included in the *Places Rated Almanac* are somewhat arbitrary (Myers 1987). Some types of public spending are not itemized separately, and costs (i.e., taxes) are not divided between private and public.

The greatest limitation of the livability studies is their failure to connect outcomes with inputs. In short, they are atheoretic and of limited use for policy making since no attempt is made to model and estimate cities' "production functions." However they are measured, QOL outcomes may have less to do with public spending and more to do with demographic, socioeconomic, and environmental factors. For example, if a community is stable and contains people who value education highly, education outcomes may be good even though spending is relatively low. Conversely, education spending per student is often relatively high in low-income, high-crime areas where performance is low, since teachers have to be paid more and security costs are sizable. Similarly, it is often the most crime-prone areas that have to spend the most on public safety.

The production function for public outputs is important because it is reasonable to assume that households and businesses implicitly assess that relationship when choosing locations. However, one can argue that the relationship between taxes and amenities can be positive or negative. On one hand, if the population were willing to pay more taxes to ensure that publicly provided amenities were high, the sign would be positive. On the other hand, all else equal, people can be expected to view lower tax areas as more favorable than higher tax jurisdictions.

The difficulty in linking outcomes to inputs is illustrated by the *Places Rated Almanac's* overall rankings and data on the median household's relative tax bite by metropolitan area. For example, the median household in both New York City (ranked seventh in

QOL) and Newark, New Jersey (ranked fifty-fifth), pays approximately 11 percent of its income in state and local taxes. In short, the amount people spend in state and local taxes does not reflect well the value they place on QOL, at least as it is measured in the *Places Rated Almanac*.<sup>2</sup>

Other simple attempts to uncover patterns in the QOL rankings data similarly have failed. Burnell and Galster (1992) use the rankings generated in two different types of studies—by Boyer and Savageau (1985) and Berger, Hoehn, and Blomquist (1987)—in an attempt to relate variations across cities in QOL to those cities' populations (and population squared). The relationship was statistically significant for both rankings, but one was negative while the other was positive.

To establish whether differences among cities in taxes, population, or any other possible variables affect QOL in a positive or negative way, one must control for variations across locations in housing costs and job opportunities. The tradition in the QOL literature using that approach began with the seminal work of Rosen (1979). His particular insight was that wages and housing costs should compensate for differences in other amenities among jurisdictions. That approach creates a number of methodological challenges. For example, the composite index used in the livability studies is not useful because it lumps housing and wage outcomes together with other amenities. If Rosen is correct that there are tradeoffs, jurisdictions with high nonwage, nonhousing amenities would score lower in the house and wage elements, and vice versa, muting interjurisdictional differences in the composite.

Unlike earlier studies where cheap housing (or cost of living) was considered an amenity, Rosen's procedure—referred to by Burnell and Galster (1992) as the "market/residence approach"—allows for high costs of living (notably housing) to "represent the revealed preference for an area's other amenities" (Stover and Leven 1992, 737). In addition, whereas the livability comparisons use ad hoc means to assign weights to the QOL components, the Rosen approach is to estimate weights based on preferences revealed in housing and labor market decisions. Rosen allows amenities to differ from place to place, in the spirit of the livability comparisons, but assumes that people's level of satisfaction (utility) is invariant, which is assured by adjustments in housing prices and wages.

<sup>2</sup> When I used data from Ladd and Yinger (1989)—on the adjusted state-local tax effort to provide goods and services—as the fiscal variable, there again was no significant positive or negative correlation.

Stover and Leven (1992) show two equivalent ways to translate Rosen's theoretical framework into a model that can be tested using real data: (1) by relating the utility individuals receive from the consumption of an additional unit of amenities (the "marginal utility" of the amenities) to the changes in either housing costs or wages induced by the change in amenities<sup>3</sup> (Blomquist, Berger, and Hoehn 1988; Roback 1982);<sup>4</sup> and (2) either by estimating housing expense as a function of local amenities and housing characteristics, adjusting for the effect of amenities on wages (Little 1976; Quigley 1979), or by estimating wages paid as a function of local amenities and job and worker characteristics, adjusting for the effect of amenities on housing costs (Brown 1980; Smith 1979). (The statistical technique is called "hedonic estimation.")

Stover and Leven use the different empirical approaches, all of which are consistent with Rosen's theory, and find that the results do not converge. They explain away this failure to converge on technical grounds, rather than for conceptual or theoretical reasons.<sup>5</sup> They conclude that, while the market/residence approach is more sound theoretically than the livability studies, it essentially transforms the problem of selecting the "right" amenity weights into one of selecting the "right" model. In the final analysis, we are unlikely to find an acceptable one-dimensional (composite) cardinal QOL ranking. Instead, they argue, we should use a multidimensional system with ordinal scales.

Gyourko and Tracy (1989a, 1989b) extend the Rosen model by explicitly adding government services and taxes. They claim that "services" are different from "pure" amenities because they are

<sup>3</sup> The induced changes in housing costs and wages have to be aggregated across individuals with different initial utility levels (called "utility weighting").

<sup>4</sup>  $v = v(w, r, a)$  is the indirect utility function, where  $w$ ,  $r$ , and  $a$  are the wage rate, rental price of land, and index of local amenities, respectively. Then, the total differential of the indirect utility function is

$$dv = 0 = v_w dw + v_r dr + v_a da$$

or

$$v_a = -v_r \frac{dr}{da} - v_w \frac{dw}{da}.$$

In econometric analysis, unbiased estimation requires explicit consideration of both housing and labor markets (Stover and Leven 1992, 738).

<sup>5</sup> Specifically, they attributed the differences in results to several possible sources: varying degrees of capitalization of differences in housing and labor markets and less than perfect complementarity between housing and leisure.

produced (as opposed to existing in nature, such as weather) and are therefore costly to provide. The full price for services includes state and local taxes, which must be added to the land rental and wage specifications. Not surprisingly, the authors conclude that intercity fiscal differences affect QOL rankings almost as much as differences in pure amenities do. I note the Gyourko and Tracy approach because it bridges the QOL literature to the fiscal disparities literature that is discussed in the following section.

### **Consequences of quality-of-life differences for mobile and immobile households**

Some consequences of differences among areas in QOL already have been noted. The heightened demand for location in areas with greater amenities per dollar of cost will result in some combination of higher land rents and lower wages. If wages and prices adjusted fully, after-adjustment utility among places would be the same. Then, the wage-price differences would reflect a premium (called “compensating differentials”) that could be used to measure the value of location-specific attributes. In the more likely event that markets do not clear, or are slow to clear—for example, because information about amenity-cost differences is not perfect, or people are location-bound for economic or social reasons—wages and/or prices may not adjust fully, and wage-price variation among regions is not a good measure of amenity differences (Evans 1990; Greenwood et al. 1991).

The full-information/complete-mobility assumption is a central feature of modern urban economics. The intrametropolitan location model attributed to Alonso (1964), Mills (1972), and Muth (1969), or A-M-M, has households sorting out based on their incomes and household characteristics. The typical outcome is for larger, higher income households to live farther from the central business district, consuming more house-related amenities.

The Tieboutian literature (see, for example, Bradford and Kelejian 1973; Burnell 1984; Hamilton 1976; Oates 1969, 1981; Oates, Howrey, and Baumol 1971; Orr 1975; Tiebout 1956; Yinger 1982) explicitly adds taxes and services to the calculus. Households are hypothesized to prefer locations where local taxes are low but the amount of amenities (QOL) produced is high. This tax–public service bundle may be favorable for several reasons that are hard to disentangle: exporting of taxes;

favorable demographic, socioeconomic, and environmental conditions; and effective expenditure of public monies, perhaps because of good planning, operation, and management or through the application of new technologies or techniques.

This is not the place to review the considerable literature stemming from A-M-M and Tiebout (Goldstein and Moses 1973 provide an early summary). Two issues that literature addresses are pertinent to this presentation. One is whether there are short-run efficiency and equity losses in a system of socioeconomically variegated jurisdictions that differ in their fiscal ability to provide local amenities. The general conclusion is that household responses to fiscal variables vary across income classes and types of government expenditures (Bradford and Kelejian 1973; Burnell 1984; Orr 1975; Rothenberg 1972). In metropolitan statistical areas, where central cities spend little per capita on education, charge high effective property tax rates relative to the suburbs, and have large minimum lot sizes in their suburbs, high-income households tend to be concentrated in the suburbs (Burnell 1984). This “sorting out” of the population may be efficient in the Tieboutian sense, but it has negative equity implications. For example, when high-income/low-cost households move from heterogeneous cities into homogeneous suburbs, the lower income/higher cost households left behind experience a sizable loss of utility, at least in the first instance (Bradford and Oates 1974; Oates 1981; Yinger 1986).

The second issue is whether and to what degree capitalization occurs. Just as important, we want to know the distribution of capitalization among different population groups. For example, when land prices rise as a consequence of a favorable amenity-cost bundle, existing landowners can realize a capital gain and new buyers experience a loss in consumer surplus. Yinger and Danziger (1978) demonstrate, however, that this capitalization effect is not symmetric. As the desire to move to the suburbs increases, central-city land prices tend not to fall at the same rate, preventing landowners in the city from suffering a capital loss, but also eliminating the possibility of renters being compensated by lower rental prices for the poorer amenity-cost bundle in the central city. Gyourko and Tracy (1989a, 1989b, 1993) add another variable to the capitalization equation—the role of public unions. “Collective bargaining by local public unions may lead to sharing of locational rents between residents and local public workers” (Gyourko and Tracy 1993, 372). For example, suppose all the locational rent resulting from an attractive amenity bundle were captured by the union as wage premiums.

Then, there would be no capitalization into land or private sector labor markets. Rather, all households would have higher tax bills.

Of course, migration plays a significant role in this story. If households are immobile, voluntarily because of a desire to maintain social networks or involuntarily because of exclusionary zoning, steering, or other discriminatory practices, capitalization will be incomplete and the pattern of winners and losers will be different. On the other hand, mobility can mitigate losses and gains to some extent. For example, if the demand for labor does not diminish at the location with the less desirable amenity-cost bundle, outmigration would result in a rise in local wages. That would compensate immobile individuals who are employed or in the labor market, not the large numbers of inner-city poor individuals who have little labor force attachment. Similarly, as workers migrate to the more desirable location, wages there should fall unless labor demand similarly rises. More generally, Courant and Rubinfeld (1978) show that “a substantial portion of a utility loss within one urban area can be exported to the residents of another urban area through migration. Thus, migration spreads the burden of cost disparities among the poor people in all urban areas, but it does not eliminate it. Similarly, migration does not eliminate the benefit to the rich from a fiscal advantage; instead, it spreads this benefit among the rich in all areas” (Yinger 1986, 330).

The varying ability of households to migrate, to take advantage of better amenity-cost bundles, or to improve their labor market position is the subject of another literature on spatial mismatch. The hypothesis—that African Americans’ higher rates of unemployment and lower earnings can be explained, in part, by a systematic exclusion from residential locations accessible to appropriate jobs—was first advanced by Kain (1964). Exclusion is the result of housing market discrimination and the lack of appropriate transportation to move African Americans from central cities to jobs that increasingly have dispersed to suburban locations (Hughes 1989).

Today, social scientists disagree about the validity of this hypothesis. In an excellent review article on the topic, Kain (1993) credits Kasarda (1985, 1989) and Wilson (1987) for reviving interest in spatial mismatch. He also presents arguments by a host of economists who reject the hypothesis, concluding instead that “race, not space, remains the key explanatory variable” (Kain 1993, 375, quoting Ellwood 1986, 149).<sup>6</sup>

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<sup>6</sup> Holzer (1991) also reviews the spatial mismatch literature.

## Quality-of-life (or business climate) differences and business location

Social scientists also have considered the importance of amenities for businesses in their location decision. What I referred to as QOL variables for households are typically labeled “business climate” in these studies. Erickson (1987, 63) notes that:

Contemporary business climate studies have their . . . roots in the comparative cost analyses, especially for manufacturing industries, that became popular during the . . . 1950s and 1960s. Comparative state and local taxation represented a substantial section of each of these studies. . . . [More recently] other elements in the cost structure of firms have received increasing attention. . . . Quality-of-life . . . has also taken on much greater importance during the past two decades. Subtle shifts in personal and family values, the increase in leisure time, and a more geographically and occupationally mobile population have given a new importance to amenities of living areas in attracting the work force required in an increasingly high technology and service-based national economy.

By the 1970s, several regular rankings began to appear, which compared states, metropolitan areas, or cities in terms of a broad set of amenities (business climate) that purportedly reflected those locations’ competitive position or comparative advantage. “The implication [was] that places that are *presumed* to have attributes that impart an advantage over other places in attracting new employers or nurturing the growth of existing businesses will have favorable growth trajectories” (Erickson 1987, 64; italics in original). The best known of these rankings are by Alexander Grant and Company, the Fantus Company, and *Inc.* magazine.<sup>7</sup>

Just as for the residential QOL studies, the business climate rankings are subject to methodological problems, including the ad hoc inclusion of business climate components; poorly designed measures for some components, notably changes in a region’s market; subjective interpretation of business climate indicators; internal inconsistency in the criteria for ranking states; failure to correct for interstate differences in industrial structure; the use of old data; and the arbitrary weighting schemes used to

<sup>7</sup> The first in each annual series were Alexander Grant and Company 1979, Fantus Company 1975, and Padda and Ketchum 1981.

translate individual rankings into a single value. These problems are discussed more fully by Erickson (1987).

The early literature on amenities and business location focused on tax and regulatory policies as indicators of business climate. Those studies, often survey based (for example, Mueller and Morgan 1962), generally concluded that taxes did not affect site choice (Due 1961). The same general conclusion was drawn by authors of econometrically based studies in the 1960s and 1970s, including Moses and Williamson (1967), Leone (1972), Schmenner (1975), Kemper (1974), James and Struyk (1975), and Allaman and Birch (1975).

Other studies, especially those of more recent vintage, reach mixed conclusions about the effect of taxes and other business-climate indicators on location, reflecting more sophisticated statistical techniques and finer-grained analysis. That literature suggests that single plant and branch plant firms respond to different factors in their location decisions, with the former more sensitive to tax differentials and to what Gyourko and Tracy (1989b) refer to as “pure” (or nonproduced) amenities.<sup>8</sup> In short, entrepreneurs are more likely than branch plant managers to choose locations based on their own preference for good weather, scenery, proximity to recreation, and so on. That literature also indicates that the factors important for intra- and intermetropolitan moves are not the same. In his review, Bartik (1991) concludes that most studies support the view that taxes have a significant effect on firms’ interstate and intermetropolitan location and investment decisions, while most studies of the effect of taxes on intrametropolitan location do not claim significance (though there are some notable exceptions, including Luce and Summers 1987).

Several authors have included nontax government programs in the set of business climate indicators. Kale (1984) and Kieschnik (1981) both conclude that state and local business incentives seem to have little effect on manufacturing location. On the other hand, Schmenner (1982) and Bartik (1985) found evidence that favorable labor legislation affected Fortune 500 ranking and new plant location, respectively.

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<sup>8</sup> For this article, I reviewed Carlton (1979), Advisory Commission on Intergovernmental Relations (1967), Purcell (1968), Schmenner (1982), Bartik (1985), and Huber, Cook, and Schmenner (1987). Newman and Sullivan (1988) and Bartik (1991) provide more extensive and recent reviews, but with the same general conclusions.

Finally, two studies reviewed by Erickson (1987) specifically related Alexander Grant and Company and Fantus Company business climate rankings to regional economic performance (one of the studies also included the *Inc.* magazine rankings). One, by Biermann (1984), found little relationship between the two. The other, by Plaut and Pluta (1983), statistically related measures of business outcomes to business climate, a state and local tax indicator, and other control variables. The authors found that business climate affected businesses' investment and employment decisions in a statistically significant, but quantitatively small, way.<sup>9</sup>

### **Quality-of-life differences, sorting out of residences and businesses, and public policy**

To the extent that the difference among places in QOL constitutes a "problem" that is appropriate for public policy to address, the problem can be characterized as follows:

1. Because of forces largely outside local control, the tax bases of some municipalities continue to erode (either absolutely or relative to other places), making it more costly for them to provide amenities. As the relative cost of produced amenities (services) rises, and their quantity and quality decline, those places become less competitive locations for mobile households and businesses.

The forces outside local control include the distribution of nonproduced (or pure) amenities, such as strategic location, good weather, scenic beauty, abundant natural resources, and so on. The historical pattern of development also constitutes an exogenous constraint—for example, cities that developed around heavy manufacturing in the first half of this century have older, and presumably less appropriate, infrastructure than cities that developed around advanced services and high-tech industries (Tarr 1984). They also tend to have a tradition of union activism that drives up the cost of public labor (Gyourko and Tracy 1993). Moreover, Luger (1982, 1984, 1993) argues that state and federal policies have tended to exacerbate disparities between growing and declining places.

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<sup>9</sup> Gottlieb (1994) conducts a review of amenities and economic development that is less to the point of this article than Erickson (1987), but it is more current in terms of the literature it cites.

2. Households, and to a lesser degree, businesses, differ in their mobility. That difference can have significant distributional consequences.

Mobility has to be perfect for capitalization to be complete. In such a case, differences in pure amenities and in the tax-service bundle offered by local governments would be offset by changes in land rents and local wages. Then, a new post-move equilibrium would be established at the initial level of utility for most individuals. However, some households—notably African Americans and persons with lower incomes—may not be mobile because of the existence of strong personal and social ties, the lack of funds to finance a move and job search, the lack of skills that would make the worker employable in a different labor market, or the existence of housing or job discrimination. The first two reasons may also render some small businesses immobile. In addition, some businesses by nature are not footloose (for example, a boat repair company has to be near water). Even potentially mobile households and businesses may not respond to differences in QOL by moving because of poor information about the costs and opportunities elsewhere.

Households that do not move still can be mobile if they can change their commute to follow the movement of jobs within a metropolitan area. However, lower income, less skilled workers often do not own cars, and many public transit systems are not configured to convey workers to dispersed suburban work sites.

Those who cannot move from a declining location have to bear an increasingly high tax price for a fixed level of services or suffer a reduction in the level of amenities. Assuming that businesses and households leave in about the same proportions, there would not be significant wage increases in the declining area. And research indicates that land prices are not likely to fall much, which would have benefited renters. Because of the income and racial differences between movers and nonmovers, these outcomes would be inequitable.

Finally, even if mobility were perfect, there could be undesirable distributional outcomes. For example, existing landowners in jurisdictions that have become popular due to improvements in the relative cost and availability of their amenities can realize windfall gains. If those landowners are higher income suburbanites, for example, the outcome would be vertically inequitable.

3. Many places have witnessed a greater outmigration of businesses compared with workers, leading to vacant land, high unemployment rates, and falling wages. The availability of land and low labor costs should make the distressed area attractive for businesses that need land and low-skilled labor, but certain externalities prevent that adjustment from occurring.

The distressed areas also tend to be characterized by high crime and poor-quality or expensive services. In addition, businesses that require proximity to other similar enterprises (i.e., agglomeration economies) are more likely to agree to be the fifth or sixth returning business, but not the first or second.

The preceding discussion identified 10 possible contributors to fiscal disparities and spatial mismatch:

1. Poor or obsolete infrastructure
2. Households' lack of funds to finance a move and job search
3. Workers' lack of appropriate skills to secure employment elsewhere
4. Housing or job market discrimination
5. Poor information about costs, services, and opportunities in other locations
6. Inability of public transit systems to convey workers to dispersed suburban work sites
7. High crime in distressed areas
8. Poor or expensive services in distressed areas
9. Reluctance of businesses to be "first on the block"; importance of agglomeration
10. Federal fiscal policies that exacerbate disparities

Ladd (1994) classifies strategies to address these possible causes into three groups: "pure people-oriented," "place-oriented," and a hybrid "people/place-oriented" category. Pure people-oriented policies "assist people regardless of where they live and . . . focus on increasing their human capital and mobility" (Ladd 1994,

194). These include dispersal strategies advocated, for example, by Kain and Persky (1969) and Hughes (1991). They are appropriate when the problem is caused by households' lack of funds to finance a move and job search, workers' lack of appropriate skills to secure employment elsewhere, poor transportation to suburban jobs, or housing or job market discrimination.

Ladd's pure place strategy "involve[s] either improvements to the physical landscape of the area, or its economic revitalization, defined as new investment and jobs within the area" (Ladd 1994, 197). These policies serve to induce large companies to invest in blighted areas and signal to other potential investors that the area is a good risk. These policies can address the problems of poor or obsolete infrastructure, high crime in distressed areas, poor or expensive services in distressed areas, and reluctance of businesses seeking agglomeration economies to be the first on the block.

The hybrid approach is to use place-oriented assistance to help disadvantaged residents of distressed urban areas. This strategy is built on the premise that "community plays an important role in its residents' well-being" (Ladd 1994, 195) and therefore should be revitalized. These policies bring jobs and resources to people where they are, for example, through enterprise zones, worker training, and community development banks. They also promote mixed land uses so that workers can live near their jobs and crime is deterred.

The Clinton administration has promoted policies that fall into several of these categories. Several initiatives have been enacted as legislation. No clear preference has been indicated for a people- or place-oriented strategy.

### *Poor or obsolete infrastructure (place-oriented)*

During the 1992 presidential campaign, a new Infrastructure Development Bank was a plank in the Democrats' platform (Clinton and Gore 1992). The administration also has promoted development of a national information superhighway, though most action on that front has been at the state level.

*Households' lack of funds to finance a move and job search (people-oriented)*

To a limited degree, the Moving to Opportunity program,<sup>10</sup> designed to help inner-city public housing residents in six trial cities find jobs and housing in suburban areas, addresses this problem. The administration has proposed nothing as extensive as a Swedish program, described by Hanson (1991), that provides direct assistance to displaced households for moving and transitional housing.

The administration's focus on community-based development banks also falls into this category. Those banks, strengthened as part of the Community Development Banking and Financial Institutions Act of 1994,<sup>11</sup> are intended to help lower income households secure mortgages for homes, and thus possibly build some equity, and to make loans to local entrepreneurs for community-based ventures. The legislation "encourage[s] community development by subsidizing specialized lenders who provide credit in distressed communities and by tightening existing rules [the Community Reinvestment Act] that require banks to participate in community development loans" ("Legislation on Lending" 1993, D2).

*Workers' lack of appropriate skills to secure employment elsewhere (people-oriented)*

Programs such as Chapter I of the Elementary and Secondary Education Act and the Job Training Partnership Act are in place but are not Clinton administration policies. Moving to Opportunity can provide some job training to relocating workers, but as indicated above, that is still a demonstration program. Finally, the administration has discussed various school-to-work programs.

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<sup>10</sup> PL 103-120, signed into law October 27, 1993, was described as "a Bill to establish certain programs and demonstrations to assist states and communities in efforts to relieve homelessness, assist local community development organizations, and provide affordable rental housing for low income families."

<sup>11</sup> PL 103-325, signed into law on August 4, 1994.

*Housing or job market discrimination (people/  
place-oriented)*

The Clinton administration's Justice Department has been more vigorous in enforcing those laws. For example, in August 1994, the Justice Department prosecuted Chevy Chase Savings Bank for redlining; 97 percent of the loans it had made between 1976 and 1992 were in white neighborhoods.

*Poor information about costs, services, and opportunities in  
other locations (people-oriented)*

The United States has considered a computerized national data bank of job opportunities, similar to the one used in Canada, but has not implemented that idea. The best information available about costs and services in various locations is from Realtors.

*Inability of public transit systems to convey workers to dis-  
persed suburban work sites (people-oriented)*

The Department of Transportation, Federal Transit Administration, has made special funds available to transit systems for developing special service from central-city residential neighborhoods to suburban work sites.

*High crime in distressed areas; poor or expensive services in  
distressed areas; reluctance of businesses to be first on the  
block; agglomeration (people/place-oriented)*

The empowerment zones and enterprise communities that were established and funded in 1994 are designed to address these problems. The Secretary of the U.S. Department of Housing and Urban Development has designated 9 empowerment zones and 90 enterprise communities. Businesses locating in these areas are eligible for federal employment tax credits for wages and training costs, and investment incentives. Local governments can get federal Social Services Block Grants to fund a wide range of economic and social development activities in the designated zones.

In addition, the 1994 crime bill provided some \$30 billion over five years to be used, in part, for more police officers in high-crime areas. It also outlawed some weapons that had been used in urban violence.

*Federal fiscal policies that exacerbate disparities*

The Clinton administration is considering several policy changes that would serve to narrow the widening gap between the best- and worst-off residential communities but has not reviewed fiscal policy in terms of its impact on rich versus poor and growing versus declining communities.

**Conclusion**

My judgment is that policy makers recognize the trend toward widening intrametropolitan disparities among and within communities and proposed legislative action that can help address the problem. However, the differences that are developing among communities reflect macro changes in the economy that policy may not and, perhaps, should not attempt to affect. As long as information is widely available and workers are reasonably mobile, the economy will adjust to differences in QOL that develop. At the very least, policy can help facilitate that equilibration and perhaps compensate those in the economy who suffer major dislocations in the process.

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