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C. WILLIAM VERITY, JR.
CHAIRMAN, EXECUTIVE COMMITTEE
BOARD OF DIRECTORS

August 19, 1983

The Honorable Michael K. Deaver
Deputy Chief of Staff
The White House
Washington, D. C. 20050

Dear Mike:

As promised, I am sending you a copy of the presentation I made to the President's Council of Advisors on Private Sector Initiatives on Friday, August 12.

Sincerely,

Bill

CWV:cee

Enclosure

PROPOSAL FOR SUPPORT OF A NATIONAL CENTER FOR CORPORATE RESPONSIBILITY

PRESENTED TO:

THE PRESIDENT'S ADVISORY COUNCIL ON
PRIVATE SECTOR INITIATIVES

Presented by:

C. William Verity, Jr.
New York City
August 12, 1983

I asked our Chairman, Bob Galvin, for the opportunity to discuss a concern arising from my experience as Chairman of the President's Task Force on Private Sector Initiatives and a proposal for the creation of a network of university-based centers for the study and furtherance of corporate responsibility -- an effort which I hope will find support from the President's Advisory Council on Private Sector Initiatives.

During the year and a half life of the Task Force, I had a splendid opportunity to see business in action. I saw many innovative and cost effective solutions to meeting public needs. But, I must admit I was disappointed with the overall response by business.

This President was saying everything business people had been wanting to hear:

- Less big government
- Reduced corporate and individual taxes
- Less regulation
- Reduced inflation
- Self-determination.

He gave us most of this, and then it was our turn to do our share to:

- Help take over those things Washington wasn't going to do for us anymore
- Increase our corporate giving
- Address local needs at a local level
- Form partnerhips.

Perhaps my expectations were excessive but business' response was more a whimper that a rebel yell.

As business leaders, we must admit to ourselves we are more than profit makers.

- Business is a part of society. Business serves at the pleasure of society. We exist because society wills it. "Business as usual" won't suffice any longer. What someone called the "rising tide of social expectation" shows no signs of ebbing. We are perceived as: Impersonal, Disorganized, Reactive, Profit Oriented. We are viewed as: Too big, Greedy, Concentrating on Short-term Results.

As a result of being viewed as non-compliant, we have had almost 100 years of public policy legislation which has seriously eroded the freedoms inherent in our capitalistic system. Through our democratic process, society reacted to its concerns strongly. We now have the ICC, FTC, NLRB, EEO, EPA, OSHA, ICC, CAB, FCC, FPC.

Then we have the Sherman Act, Clayton Act, and Wagner Act, just to name a few. And, contrary to what some business people seem to believe, all the rules and regulations are not yet on the books. There's more to come.

Many maintain that the business enterprise can continue to survive without being responsive, without playing a role in society, without becoming proactive. Some maintain there is only one Corporate Responsibility of business... increase its profits.

I disagree! I define Corporate Responsibility as:

> The economic legal, ethical and discretionary expectations. Notice the all-inclusive coverage and pay particular attention to the fact that these are expectations that society has of organizations. That society has, not what we in business think we should be doing at a given point in time. Very important -- timing. I remember one time during my business career when I was assigned to our plant in Ashland, Kentucky. I could look back at our General Offices where we had but five black employees -- all janitors. Wrong? Of course, but that was what society expected, almost demanded at that time.

I think Dr. William Fredericks of the University of Pittsburgh has clearly set out those elements commonly considered Corporate Responsibilities.

- Protecting our employees on the job. At Armco, we even have a "Safety for the Family" program encouraging safety off the job.
- Clean air, water

- Equal opportunity for employment, promotion, training
- Preserving, conserving our natural resources
- Safe, reliable products -- a fair deal
- Giving our $'s and time
- Being active to represent our side of issues, encouraging our employees and shareholders to participate
- Jobs
- A straight, fair deal
- Complying with the law
- Fairly representing our shareholders
- Elimination of acts like contract rigging, shady practices, misuse of insider information
- Concern for those performing low-level, repetitive chores.

That is an impressive, challenging array of responsibilitis -- and society expects corporations to measure up. So.... maybe the real question is "What is the future of business enterprise?"

Perhaps Dean Phillip Wogaman of the Wesley Theological Seminary said it best in a recent debate in Columbus, Ohio. Dean Wogaman took the side that capitalism, as our form of economic system, may not survive.

Please understand -- the Dean is not a proponent of communism, is not a socialist, does believe in our system.

The Dean said: "American capitalism can make an enduring future if its supporters and practitioners attend sufficiently to the issues of social justice, human well-being, and environmental sustainability that necessarily concern most people the world over."

He continued, "There are eight questions that seem especially important to me right now," the second of which was "<u>will American corporations continue the trend toward greater social responsibility?</u>"

There is a new America out there. It's a young America, assuming their role in that "society" that <u>will</u> serve up <u>its</u> expectations -- as <u>demands</u> to be met by business enterprises. Over the past six months, I've been working with several faculty members who understand the young people. They have convinced me that these young people are patriotic -- they love this country.

<u>But</u>, they are highly principled -- they have great hopes for human rights. That desire burns so deeply that they will preserve their political system (democracy), but turn to other <u>economic</u> systems if necessary to assure it. Young America will not tolerate the dumping of hazardous waste. Young America will not tolerate a 10% unemployment rate. Young America will not tolerate anything they <u>perceive</u> as taking advantage of Third World countries.

Business must measure up. It won't be easy, but it is possible. Obviously, there are many ways to approach this problem. I'm intrigued by an idea that came from our Task Force experience that is being developed at Wright State University in Dayton, Ohio. It's a suggestion for a longer term solution to the problem. That is, the formation of a National Center for Corporate Responsibility.

(1) Formed voluntarily by business people.

(2) Guided by business people, and a diverse group acting in a partnership. A group with representatives from government, labor, consumer advocates, and other private sector leaders -- religious, professional, academia.

Under this concept, the National Center would have Regional Action Centers at key universities or graduate schools of business in different geographic locations.

There are seven specific functions which these centers would provide -- individually or collectively. Let me give you a Reader's Digest version.

1) There should be research on long-range social problems and community needs in which business involvement can be especially helpful. We need to examine, and possibly redefine, the proper roles of the public and private sectors in community service.

Individual companies aren't doing enough research, and "enough" is undoubtedly beyond the resources of even the largest corporations. The University, with its well-established patterns of attracting diverse support, should be able to marshall the necessary resources without having to put a mortgage on its principles.

2) Standards should be established for evaluating corporate performance in such key areas as contribution's programs and community service. There have been a few bold initiatives by individual organizations and the President's Task Force proposed that corporate giving move from 1% of net (before) taxes to 2% over a four-year period. There has been a movement in this direction -- but no stampede. Perhaps the goal is unrealistic, or perhaps the recession cooled the ardor of some. But a basis for making acceptable judgments as to what is needed, what is expected, and what is reasonable is going to have to surface -- the sooner the better.

3) The subject of corporate responsibility is not being adequately examined in either undergraduate or graduate business school curricula. If there is a definite textbook on the subject, there is an

effective conspiracy to keep it well hidden. Perhaps we could generate more interest and discussion if we were able to convince the media and several special-interest groups that the subject of corporate responsibility was immoral, fattening or somehow involved jogging.

4) A fourth function would be the availability of a clearinghouse of examples which reflect "the state of the art." There's no need or profit in reinventing the wheel. What would be useful would be an input-output process where case studies of how a community solved a particular problem would be readily available to other locations faced with the same need. I would expect the various academic centers to set up a liaison with Partnership Dataline, U.S.A. in Washington which took over, and is expanding, the data bank the President's Task Force on Private Sector Initiatives bequeathed to it. And, with Data/Net coming on live, this would provide an even larger network of good models that could be replicated anywhere.

5) Each regional center would become active in mobilizing available resources in its geographic area in serving community and regional interests. It would be responsible for organizing seminars, publishing findings, and holding conferences -- all responsive to its particular constituencies.

6) Although there are a relatively small number of organizations that are currently making public reports on their performance in the corporate responsibility arena, the surface is hardly blemished. My friend, Juanita Kreps, recognized the need for such accountability when she was Secretary of Commerce. She was just a little before her time. But where there is a vacuum, the bureaucracy moves in. Is it possible that the Securities and Exchange Commission, or the Financial Accounting Standards Board, or some other watch-dog group will tell us to do it, when to do it, and how to do it. Perhaps the business community has learned its lesson and will decide to get there "fu'stest with the mostest."

7) These centers would be uniquely qualified and equipped to provide consulting services to those companies and individuals who want to establish corporate involvement programs, or evaluate existing ones. Professors and staff personnel, along with retired or loaned business executives, could provide a wealth of expert and practical advice on the most effective use of private resources in the treatment of public issues.

Mr. Chairman, I've thought about this subject a great deal over the past six months. Why didn't business respond more enthusiastically to the President's call? I'm convinced that it was three things:

1) The recession cooled the ardor of many who would have otherwise responded.

2) Many business people have not yet grasped the realization that if corporations are to survive, they must respond to the needs of society.

3) Many business people just don't know how to get their arms around this subject -- and don't realize the many human and financial resources available to them.

A National Center for Corporate Responsibility with appropriate Regional Action Centers on university campuses or within graduate schools of business will in time provide the basis for sound corporate involvement in meeting society's expectations from business.

This idea can get off the ground with the support of this Council. Such an endorsement will encourage participation by business leaders, associations, and most importantly, the needed educational institutions. It could become a positive example of how this Council can make things happen.

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10:00

THE WHITE HOUSE

WASHINGTON

Who's invited?

August 9, 1983

MEMORANDUM FOR MICHAEL K. DEAVER

FROM: JAMES K. COYNE, SPECIAL ASSISTANT TO THE PRESIDENT
PRIVATE SECTOR INITIATIVES

SUBJECT: CABINET MEMBERS OF THE PRESIDENT"S ADVISORY COUNCIL MEETING

On Thursday Morning, August 11, at 10 AM, you will chair a meeting of the Cabinet members of the PSI Advisory Council. You last met with this group in June prior to the first meeting of the Advisory Council.

The record on the Cabinet PSI programs is mixed.

On the positive side, the Cabinet members are very enthusiastic, a number of them committed time to come to the first Advisory Council meeting to speak, there are "PSI-type" programs in each of the Departments and there could be more.

Some Cabinet Departments (notably HUD and Agriculture) have offered specific programs and would like to work with us.

However, none of the members have been able to commit to Bob Galvin's first working meeting. The programs are also a mixture of privatization, low key volunteerism and some interesting public private initiatives. They are not high visibility "models" of private sector initiatives. Nor, have there been very many schedule proposals coming from the Cabinet.

I recommend that we step up the pace of the Cabinet PSI programs with a more aggressive approach. You should say that:

1. We wanted to focus on the PSI program to request that the Cabinet increase the volume of PSI related schedule proposals (1 per week).

2. The weekly reports and blurbs should reflect their personal participation in PSI events that have high visibility.

3. The Cabinet should prepare a plan with three specific PSI program initiatives such as the HUD 20 city joint venture to reduce housing costs. The initiatives should have high visibility Cabinet priority. They would be discussed in a future Cabinet meeting.

THE WHITE HOUSE

WASHINGTON

August 9, 1983

MEMORANDUM FOR MICHAEL K. DEAVER

FROM: JAMES K. COYNE, SPECIAL ASSISTANT TO THE PRESIDENT
PRIVATE SECTOR INITIATIVES

SUBJECT: WHITE HOUSE INTERNAL ADVISORY COMMITTEE ON PSI

You will convene the first meeting of the internal White House Coordinating Committee on PSI on Wednesday morning, August 10 at 10 AM.

The first question that will arise will be why is the first meeting being convened in August if the Committee was formed in January? Second, various members of the White House staff may ask whether the meeting is a briefing on the program and activities of PSI or an action meeting?

I recommend that you make the meeting an aggressive action-oriented meeting. The first working meeting of the Advisory Council will be on Friday morning in New York. The apparatus is in place to activate the PSI program. The reason for the first meeting of the White House PSI Coordinating Committee is to connect the White House to the PSI program.

I recommend that you:

1. Request that each office designate a liaison member at the staff level to contribute to a PSI plan that would be coordinated with the White House long range plan. (eg: there might be a week devoted to jobs-related PSI events to coincide with the AFL-CIO October endorsement meeting.)

2. Ask each office to develop their own proposals in tandem with my office for their own PSI program. (eg: a Communications/PSI plan, a Public Liaison/PSI plan involving each of the major interest groups, an OMB/PSI plan coordinated with the fall budget review to coordinate with the Cabinet program.) My office would play a coordinating-liaison role to facilitate each White House Office.

After asking for a staff member and a plan from each office you might ask for comments. You should ask that each office contribute blurbs to the weekly report that the President is now receiving.

THE WHITE HOUSE

WASHINGTON

August 9, 1983

MEMORANDUM FOR MICHAEL K. DEAVER

FROM: JAMES K. COYNE, SPECIAL ASSISTANT TO THE PRESIDENT
PRIVATE SECTOR INITIATIVES

SUBJECT: ATTENDANCE LIST FOR PSI CABINET OFFICERS MEETING

The following is a list of accepts and regrets for the 10:00 meeting on Thursday, 8/11/83:

ACCEPTS

Secretary Pierce
Secretary Heckler
Secretary Dole
Secretary Baldridge
Thomas Pauken
Undersecretary Richard Lyng for Secretary Block
Undersecretary Ford B. Ford for Secretary Donovan
Undersecretary Gary Jones for Secretary Bell

REGRETS

Bob Galvin

THE WHITE HOUSE

WASHINGTON

9 August 1983

MEMORANDUM FOR MICHAEL K. DEAVER

FROM JAMES K. COYNE JKC

SUBJECT Summary of the Belmont Conference on Policy Barriers to the Private Sector Initiatives Program

Attached is the draft summary of the conference that we held at Belmont in late July while you were traveling.

Bob Woodson did a terrific job in bringing together community leaders, policy thinkers and government officials.

In the attached one page summary Bob Reisner has organized the themes that were developed at the conference. As his memo points out, the time has come when the focus of the debate over federal assistance can move to a new phase.

The measure of effective contributions to solving real problems is no longer dollars of federal assistance. The real question is "who (private/public/independent organizations) can do what (give money/provide assistance/contribute technical skills) best?"

THE WHITE HOUSE

WASHINGTON

9 August 1983

MEMORANDUM FOR JAMES K. COYNE

FROM ROBERT A. F. REISNER

SUBJECT Draft Summary of the Belmont Conference on Policy Barriers to the Private Initiatives Program

Attached is a draft summary of the Belmont conference on policy barriers to the private initiatives program.

Three themes emerge from the conference/summary document.

First, there is broad consensus that the social service delivery programs that were created to implement the vision of the decade of the Great Society were seriously flawed. The fiscal impacts that have lead to budget cuts are only one of the problems that these federal programs have raised. For disadvantaged communities the impact of the federal government's helping hand can be equally serious.

Second, once it is realized that the price to be paid for the strings that are attached to federal assistance can be debilitating, the discussion turns to alternative forms of self help. Federal financial assistance for disadvantaged communities cannot be magically eliminated. Private resources will not replace federal commitments. But the discussion in the eighties will focus on who (public/private/independent) does what best?

Third, an honest look at "who does what best?" quickly confirms that federal crash programs are not good vehicles for institutional change. Private corporate crash programs are not likely to be either. Hunger, job retraining, education, health and shelter needs are not like a space shot. The conference concluded that what was needed was the development of mediating structures and institutions that are community based and are capable of brokering community need and national resources. At the community level, not at the level of national associations, disadvantaged groups of blacks and hispanics and elderly are not interested in politics as much as they want to see serious, practical solutions.

There is a populist constituency for change that was evident in Belmont and can be seen in disadvantaged communities everywhere. Programs that promote choice -- vouchers, model schools -- and empower the community by giving control to consumers of services and their local associations will be seen as realistic and welcome. The Belmont conference/summary shows that the debate over need is ready to move to a new phase.

NATIONAL CENTER FOR NEIGHBORHOOD ENTERPRISE
in cooperation with the
PRESIDENT'S COUNCIL ON PRIVATE SECTOR INITIATIVES

URBAN POLICY CONFERENCE

EXECUTIVE SUMMARY

July 27, 28 and 29, 1983

Belmont Conference Center
Elkridge, Maryland

IMA IDEA MANAGEMENT ASSOCIATES

DRAFT

FOREWORD

The dichotomy in the American political structure, isolating citizens between two major parties, tends to reward polarization. It rarely rewards any moderate compromise. There are few people like Henry Clay, who relished building upon common ground. In addition, we have policymakers who, more often than not, do not like politically complicated solutions on the tough road to reelection. Nevertheless, it is in our best interest to develop a political system that will meet the need to depolarize the debate on solutions to our problems.

From my point of view, the more we can challenge the assumptions and biases in the approaches that may have been tried in the past or may be proposed for the future, the more we will get innovative ideas on the table.

The President's Council on Private Sector Initiatives is interested in the work of this group to help us articulate our points of view within the structure at The White House and before Congress, Federal agencies, State and local governments, and the media. President Reagan in particular is very concerned about moving now from talk and studies, and that is why we are interested in taking back some concrete proposals for action and change.

I am very grateful for your commitment to this task.

JAMES K. COYNE

Special Assistant to the President
and Director, Office of Private
Sector Initiatives

DRAFT

PREFACE

Efforts to support individual initiative by one arm of the government often are undermined by another arm of government. In addition, Democrats and Republicans, liberals and conservatives mount their battle plans on information generated by academicians from the major universities. The parties then measure how they feel about the poor by what each has spent on programs that have not worked. Unfortunately, Republicans have become "bargain basement" Democrats, as both parties have failed to deal with some of the more perplexing social problems of our time. As the battle between these forces continues to rage around the poor, we are reminded of the African proverb that says, "When bull elephants fight, the grass always loses."

The National Center for Neighborhood Enterprise believes that contained within America's neighborhoods are resources that, if properly used, can solve problems which have defied solution by traditional approaches. That is why for the next several days we will redefine the issues, explore a different set of assumptions to guide policy, and identify specific programs on which policymakers can embark.

This conference has been structured so that theoreticians, policymakers, and practitioners can get together to share their perspectives. First, we will deal with the philosophical underpinnings of our past assumptions, and we will consider an alternative vision of what is possible. Then we will move from the theory to the implications of realizing this alternative vision, after which practitioners and respondents will describe how this translates into practice. Finally, we will evolve concrete recommendations.

By creating this prism through which policy can be viewed, the National Center for Neighborhood Enterprise and the President's Council on Private Sector Initiatives hope to chart a realistic course for the Nation to follow.

ROBERT L. WOODSON

President, National Center for Neighborhood Enterprise

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DRAFT

CRISIS OF THE WELFARE STATE

LES LENKOWSKY, DIRECTOR OF RESEARCH
Smith Richardson Foundation

The term "welfare state" has become a term of disapproval, even among liberals as it ceases to be the rallying cry it once was. It is not being justified as a logical step in the progress of western political institutions.

It had been seen as a way to attract the working class in the battle against socialism and communism. It was a device for promoting national efficiency by improving individual health, generating economic development, overcoming class resentments, and encouraging risk-taking. Churchill defined it as "a net beneath which none need fall and a ladder on which all might climb."

As the welfare state has evolved, it has been less than successful in achieving any of these goals. The costs have been enormous, very hard to control, and increasing at the expense of defense spending. Nor has it provided the so-called "national minimum," because the decline in poverty has leveled off at a relatively high point. Improvement in health has reached a standstill. Publicly-subsidized housing has not done much to improve the housing stock. Educational achievement has declined, even though spending has increased, and the best schools seem to be those that were created to avoid the welfare state.

The vast panoply of social services available to those who are dependent upon them have had results that are counter-productive. Job training programs do not prepare people for private-sector jobs. Higher living standards may not be due to programs of the welfare state. Instead of promoting a sense of national purpose, the welfare state can be associated with social disintegration, including the growth of the single parent family, high unemployment, rising disability claims and so on. Finally, there has been a widespread involvement of government in all aspects of life, including individual leisure time.

The liberal vision regards society as malleable and perfectible, where persistent social problems can be solved with enough public resources. It holds that the public display of compassion is good, efficient, and more reliable than the private display. It represents the failure of the dominant political idea of modern times.

The creation of the welfare state was a reaction to the old way of giving relief under the so-called "poor law." The key element is that individuals would work hard and contribute to a fund during their lifetimes so as to be able to obtain aid when they retired or were otherwise out of work. It was designed to guard against common risks over which the individual had little control. Its purpose was to eliminate relief through a scientific approach that would resolve social problems on a broad scale by professionalizing the giving of charity and teaching.

Society's realization that many of the solutions to social problems were beyond the control of public policy or voluntary collective action has had a sobering effect. The Carter Administration was the first since before the New Deal to offer no new major social legislation. We have seen professionals retreat into the belief that their own training and specialization did not matter when compared to the competencies of the average citizen. This is the curious spectacle of the deprofessionalization of the professional class.

One of the outcomes of this crisis is that we can continue within the liberal vision to tinker with existing programs, trying to make them work better. The results will be marginal at best. Another more radical idea is to abandon the liberal vision once and for all by cutting programs back severely and adopting individualism with a vengeance. In some instances this has been done by the present administration, and the consequences are a good deal less than have been predicted. A third outcome is the so-called "new middle ground" of a public/private partnership which could (but need not be) based upon mediating structures. This is entirely consistent with the liberal vision but, if based on existing programs, may be no more successful.

The crisis of the liberal vision will indeed lead to a readjustment of the welfare state. It will shift some of the mix of welfare programs from the public to the private sector, as it has done, although now with greater emphasis on the private side.

However, we need to avoid creating around the private sector or the poor new mythologies to replace the old ones like scientific charity or professionalization. We cannot ignore the fact that the private sector has no monopoly on virtue or efficiency. The possibility that the welfare state will be cut back and individuals will take care of themselves is not certain.

We should not assume that the poor necessarily will benefit from privatization. It would be ironic if, just as minorities and the poor are beginning to have a significant influence on the political system at the local level, we were to adopt a new strategy for social policy that says we will now depend upon private initiatives and thereby empower the powerful.

We are not likely, in the foreseeable future, to do without professionals or even to rely substantially on volunteers. Resisting professional imperialism does not mean ignoring sound advice. And while families and grassroots groups can do a great deal more than what we thought was possible, we must be cautious about simple solutions in this area. Indeed, it may well be that there are no solutions.

DRAFT

A NEW VISION OF THE WELFARE STATE

PETER BERGER, PROFESSOR OF SOCIOLOGY
Boston University

The modern welfare state has resulted in important benefits to many sectors of society, but it has achieved these objectives at very high costs. It is, therefore, both realistic and morally defensible to consider restructuring the welfare state, and the United States has a unique opportunity to demonstrate how a realistic new vision can lead a way out of this crisis.

The term "welfare" has come to mean the dole, where public money is handed out to people who may or may not deserve it. It is believed to have originated in Bismarck's Germany, in an industrial age when the state was assigned some of the responsibility for those in need. The American welfare state developed in the 1930s and 1960s from, among other things, the conviction that a society should be judged by the manner in which it treats its weakest members.

The economic costs of the welfare state have become all too obvious, including the establishment of bureaucratic and professional empires. Those who receive services from these state-enforced monopolies have become disenfranchised and dependent clients, who are sometimes irresponsible and resentful.

In addition, while one political party is accused of cost-cutting meanness, the other parades under the banner of the "party of compassion." Those who understand the failures of the welfare state should refuse to concede to the other side the label of compassion, which can apply to all points of the political spectrum. It is hardly compassionate to allow the poor to suffer from an economy wrecked by the welfare system. Nor is it compassionate to provide people with services they need at the price of their autonomy and self-respect. The truth is, there is compassion that stifles and compassion that empowers.

Some specific criteria that will be useful in expanding the model of a new welfare state that is emerging under the leadership of Robert Woodson include the following:

1. *As government provides services to meet specific needs, it should empower people to take control of their own lives or, at least, not take away control they have.*

The power to control values instilled in their children is a fundamental human right. When those who are poor or handicapped turn to the state for help, they are generally required to surrender this power. They become clients in the coercive monopoly of the public education system which frequently represents values of which they disapprove.

2. *As far as possible, recipients of government-supplied social services should have a choice between competing suppliers.*

There is every reason to believe, based on our experience in the economy at large, that introducing competition will break corrupting and price-fixing monopolies, thereby reducing costs. But individuals can enhance their self-respect by exercising the power of choice. They can have a greater influence over schools by choosing to go to another school than they can by participating in the time-consuming and window-dressing associations of parents and teachers.

3. *Those who provide social services should be accountable to those who receive the services.*

Upper-income persons speak of "my doctor" or "my lawyer." Accountability would redistribute to the poor power over their lives so that the undeniable talents of professionals and bureaucrats are placed in the service of independent and uncoerced people who are no longer passive objects of professional and bureaucratic care.

4. *Social policy should respect the pluralism of values and lifestyles found in American society.*

There are complaints that social policy is imposing on everyone the values and lifestyles established in the white college-educated upper middle class, thereby denying the very pluralism that is one of the major strengths of American society.

5. *Services should not be substituted for entrepreneurial or community action.*

Too often government provides services and, by regulation, acts to prevent the development of creative solutions by individuals or groups.

These five strategies can be implemented by placing at the center of a new welfare state what have been identified as "mediating structures" -- institutions like the family, church, community organizations, or voluntary associations -- that stand between the individual and the state. They act as bridges that relate individuals to public purposes. This flexible and empirically testable concept was developed in 1977 from the work of myself and Richard Neuhaus.

Mediating structures are important because the old model fatally ignores them, concentrating blindly on the dualistic model that embraces only the individual and the state. Yet they preceded the modern welfare state and provided all social services. Under the new model, the state should define its role as one that complements the private initiatives of mediating structures, not substituting for them or inhibiting them by unnecessary regulation.

Positive support for mediating structures can be provided through such mechanisms as direct subsidies or grants and tax incentives like tax credits. One of the most important mechanisms would be vouchers that could be "cashed in" on existing or yet-to-be-created mediating structures.

To bring about a new model of the welfare state in its full-blown shape would require a social revolution, fought in the political arena against the powerful and well-organized

vested interests of those who profit from the present system. A more realistic approach would be to develop an alternative vision of the welfare state, using as much detail as possible. At the same time, we should start developing a new language to talk about social policy so as to break the monopoly that liberalism has enjoyed in this area. Then we should identify smaller steps that can be taken immediately to bring us closer to the model. In addition, there should be a comprehensive survey of social programs, at least on the Federal level, that impinge on mediating structures and to identify alternatives that would promote those structures.

The crisis of the welfare state is common to all Western-style democracies, but the U.S. can provide successful leadership toward an alternative vision. Not only are mediating structures stronger in America than elsewhere, but pluralism and the tradition of voluntary association are vital resources. American society is the most innovative and dynamic in the world, and it should not appear content to accept the status quo. It is, indeed, high time America turned its innovative genius to a restructuring of social policy, creating a vision of the world's most humane society.

This is our moment in history. Let us act now.

DRAFT

DESIGNING SOLUTIONS AROUND OUR STRENGTHS

MICHAEL NOVAK, RESIDENT SCHOLAR
American Enterprise Institute

Faced with a significant percentage of our population who need care in different ways, Americans have tended to design solutions that ignore our great national strengths.

Of the 31 million people officially counted as poor (i.e., earning less than $9,287 for a nonfarm family of four), 17 million are under 16 years of age and 3 million are over 65. Thus, 20 million (66%) of the poor are not expected to be in the work force. Of the remaining 11 million, some are handicapped and able to maintain only limited employment, leaving perhaps no more than 3 million (7%) of these as able-bodied taxpayers.

The problem of poverty, therefore, is not a financially large one. If the 31 million poor are counted as 8 million families of four, the total cost of giving each of them $9,287 per year would be only $70 billion. In fact, we are now spending between $330 billion and $440 billion in the "War on Poverty" that started in the mid-Sixties, and the problem remains. So it is not a problem of the amount of money we need or of the generosity of the American people. It is a problem of design: How best can we accomplish what we have set out to do.

The literature of our civilization has focused on the relationship between the state and the individual, with the concept of the nation state being little more than 100 years old. Political parties have gone as far as they can go with the philosophical impetus that gave them birth, for now they have encountered intractable problems.

Since the 1930s and the philosophy of John Dewey, Democrats have been taught to think of creating state agencies to solve problems. That approach has proven to be very expensive, and its very inefficient regulations frequently have become

counterproductive. Republicans, on the other hand, focus on self-reliance, ignoring that the problem of poverty cannot be solved by the individual alone. The poor and the handicapped must receive help, but there is no reason why it must be a "statist" solution.

There is a rich social life in between the state and the individual, consisting of families, neighborhoods, churches, fraternal organizations, unions, and associations of every kind. They have worked for many generations, even when states did not work or governments fell. Alexis de Tocqueville noted in the 1830s that one of the features that most distinguished American society from the Europeans was the habit of association. Americans work together in so many areas, neither as individuals alone nor as collectivists reliant on the state alone. We contemplate associations or committees for dealing with our problems, and we have developed the ability to take personal initiative as we move in cooperation with others.

Our "mediating structures", as some have called them, and our ability to work cooperatively are among the great strengths of life in the U.S., and it is a mistake to ignore them in designing theoretical and practical solutions. They have the potential for addressing our social problems by taking us beyond our limited intellectual framework for social policy. They offer us a range of barely explored strategies that can lead both parties out of the dead ends in which they find themselves. They will be at the center of the most creative area of political philosophy for the next 40 or 50 years, and indeed, the party which can be the first to move from recognizing their role to developing practical programs around them will dominate our politics.

DRAFT

ECONOMIC CONSTRAINTS ON SOCIAL POLICY

RUDY PENNER, NEWLY APPOINTED DIRECTOR
Congressional Budget Office

Policy discussions for the rest of the decade will be dominated by the macro trends of the Federal budget, having an effect upon what can be accomplished at the micro level. This will happen, even assuming recordbreaking economic recovery, because there is a mismatch between the Nation's spending path and the path of its tax receipts.

During the 1970s, defense spending fell from its Vietnam-era peak as new social programs were created and older New Deal programs, such as social security, were expanded. For the most part, these were entitlement programs that seemed to grow of their own accord. However, it was necessary to maintain defense spending, and the Carter Administration responded by allowing taxes to increase. To satisfy the subsequent tax revolt, the present administration in 1981 cut taxes but not spending. The gap between receipts and expenditures, therefore, rose higher than at any time since World War II and threatens to absorb the national savings.

Many of the local initiatives under consideration, as some would say, are being "crowded out" by the huge deficit which is hostile to private capital formation. But the U.S. is "fortunate" that its deficit can be financed internationally. This has the effect of keeping interest rates lower, but it overvalues the dollar and hurts industries that export and those that compete with exports. In the U.S., the effect is seen most dramatically when labor is released from intrasensitive and trade-sensitive industries that are concentrated in certain geographic areas.

The interest on this debt could increase at the rate of approximately $15 billion per year, and the political danger lies at the point where government can neither cut spending nor

raise taxes sufficiently to offset the increase. If there is no political will to change the spending and tax structure, the only recourse will be to repudiate the debt through hyperinflation. The arithmetic conditions that could lead to this result are already in place and constitute a serious risk.

The welfare state described by Les Lenkowsky continues to be extremely popular. Defense, social security, and health programs, together with interest payments, will account for more than 80 percent of outlays in the late Eighties. Programs that Bob Hill referred to as "non-means-tested" also have considerable public support. As for the remaining 20 percent, there are popular movements to fund law enforcement and education. But government's receipts cover only 75 percent of these expenditures. Unfortunately for the proposed role of mediating structures, the element of the budget that has proved easiest to cut is the award of grants-in-aid to state and local government.

There appears to be a belief that unpopular programs are very costly, while popular ones cost very little. In fact, means-tested welfare programs, which are unpopular in the polls, amount to only 10 percent of the budget, and they are trivial when compared to the gargantuan social security program. Foreign aid, which is also unpopular, amounts to less than 2 percent of outlays. The bulk of the Federal budget might be popular because people are not paying for it through direct taxation, although they are paying for it with the negative effects of debt and problems in capital formation. If people did pay for these expenditures directly, they might choose fewer of them, and informed public debate on the issues is necessary.

Good economics would involve either raising existing tax rates, broadening the tax base by ending loopholes and incentives, or imposing new taxes. Most economists would increase revenue by applying the lowest possible rate to the broadest possible base. Marginal tax rates, paid on additional work effort or savings, cause real inefficiencies in the economy, but they can have a positive effect when they are deductible from income for charitable contributions. The philosophy of broadening the tax base is also diametrically opposed to the concept of urban enterprise zones, which become more attractive as other activities are more highly taxed. Therefore, we reach the conclusion that good economics in tax policy probably is detrimental to private sector initiatives.

DRAFT

SOCIAL POLICY AND SERVICE INSTITUTIONS

JOHN McKNIGHT, ASSOCIATE DIRECTOR
Center for Urban Affairs, Northwestern University

Low-income neighborhoods have changed over the last 30 years with the ascendancy of the service economy. They are now dominated by a proliferation of service providers, including teachers, audio-visual communicators, parenting trainers, budget counselors, parole officers, housing relocators, and so on. In fact, two-thirds of all working people get income from services, which produce nearly half of America's gross national product.

In a country like Sweden, where care is a state-bestowed right, they are unable to resurrect the voluntary sector, or to curb the demands of citizens for services, or to increase taxes significantly to pay for them. The Swedes decided to require everyone to participate in conscripted service, providing four hours monthly of unpaid work in a state-controlled service institution. Thus, service has become the basis for justifying servitude. In Chicago, there is a parallel to the Swedish phenomenon, because the dimensions of service to people at the neighborhood level have expanded considerably. Conceivably, they too could reach the Swedish alternative.

Many people today do not want to give welfare to the poor. The poor are assailed as wastrels, when in fact their income is increasingly consumed by human service professionals. They, too, are conscripted consumers of mandated services. They are raw material for both the public and private service industries. They have been given the right to clienthood and denied the right to produce.

One community in Chicago discovered that the way to affect the number of illnesses in the hospital was not to install better management in the institution. The solutions included changing the flow of traffic to prevent accidents and eliminating

packs of roaming dogs to reduce dogbites, both of which were major causes of hospitalization in that area. When the technical definition of the problem by the service provider (i.e. a large hospital workload) was redefined in a community context, the community organization realized it was itself the appropriate institution to deal with health problems and reduce the cost of health care. In addition, the inspired vision of what was really wrong came not from the professionals but from the community which was closest to the problem. Unfortunately, the money that was saved by not spending it through the service provider was never redirected to the community organization that had taken over the public function.

Self-help does have limits. Some problems are best solved by large infusions of dollars under central control. But in many cases, a community can break away from servitude and have its sense of purpose restored, can experience the possibility of becoming an entrepreneur, and can express its creativity in problem solving.

In establishing the assumptions for social policy, we have three choices. One is to decide whether we want to compensate or to prevent. The second is to ask ourselves whether our goal is consumption or production. And third, we must determine if we are committed to maintain low-income people in the domain of service or to focus on the issue of income.

As our public policies are developed, there will be several forces arrayed in opposition. One opposition will arise between large scale institutions and informal community groups, because the policies and values of each are not suitably transported to another, especially principles of management. The second opposition will be between our betting on intervention, which involves high risk, or on promulgation, as is the case with most Federal programs. The third opposition will occur in the choice between promoting diversity, by removing barriers at the neighborhood level, or promoting standardization, as in the government and corporate world of mass produced development activity.

The serious task is, How do we at the institutional level remove barriers to local creativity and diversity, provide communities with resources and authority, and establish rewards for local development activity? If we are successful, we will have found a way to reinvest in America.

DRAFT

ECONOMIC DEVELOPMENT AND SELF-RESPECT

KIMI GRAY, FOUNDER AND EXECUTIVE DIRECTOR
College Here We Come

Kenilworth Courts is a public housing "development", operated by a "resident management" corporation, terms not usually associated with public housing. Its residents include all the outcasts abandoned by city hall -- the dropouts, unwedded mothers, drug pushers and users, and bank robbers. Before we began our work, they were accustomed to the graffiti on the walls, the fences torn down, the bald-headed yards, mothers arguing with children, and parents not attending PTA meetings. The highest priority in education was being in high school. College Here We Come was begun with three young students who started to build on a dream that would change their community.

By August 1974, some 17 young people were sent to colleges around the country. They wanted to plant grass when they returned in December because they said they wanted their friends to see nice places, "even though it was public housing." Where public housing used to be a last resort, we changed that so that it became a community of their homes. Even parents became involved though a strong parents booster club, because students could participate in College Here We Come on condition that the parents donate some time. Of the 17 who left, 9 graduated in 1979 and all 9 returned to serve the community. That year, 5 went on to graduate school, and the following January, the remaining 8 graduated. Once the program began to bloom, it was expanded beyond our public housing development to other children in the public school system. We presently have 384 students in schools across America.

From this dream we reorganized a nonproductive resident council, setting up a committee to monitor the government's maintenance of the property. Then we reorganized our youth council, allowing those who had returned with their new education to help plan for development. Although we have no security guards,

statistics show that we have the least amount of crime in any public housing in Washington, D.C. That is because our youth are involved in what we are doing.

Every time we needed oil or supplies or repairs, the decision was made downtown, and we were tired of that. So we persuaded the government to let us manage ourselves and determine our own destiny. On March 1, 1982, the District Government signed a management contract with us.

In the beginning, economic development was far from our minds. But payments from the government were so slow in coming that economic development became necessary for survival. We made a needs analysis, going from door to door asking residents what types of services they wanted; they were glad someone was asking them for a change. From this, we created jobs and job training that gave our residents respect and placed our fathers in role model positions. We earned income from the jobs and did our own maintenance. Most importantly, we reprogrammed people who had been dependent, who felt they had no alternative but to apply for public welfare. We became self-sufficient.

Because there was no supermarket left after the 1968 riots, we started, in a vacant room, our own coop market that now grosses between $1500 and $2000 a week, providing salaries for the two tenants who operate it and who are able to pay from $250 to $300 per month in rent. In a similar fashion, vandalized rooms that had been havens for junkies were cleaned, painted, and converted to all types of enterprises that grew out of our needs. They include two laundry rooms, a beauty and barber shop, a hardware store, a catering service for board meetings, a screen door repair shop, and a thrift cellar for used clothing. There are two house schools that teach the children, train the parents to be certified aides, and purchase lunches from the catering service.

All the money from two arcade machines supplement our recreational equipment, supplies, a new toilet, a jukebox for the adults, three sewing machines for the sewing class, and a kiln for ceramics. Then we opened a snack bar next to the arcades to keep the children from going across the street for food while they play.

Parents were motivated to prevent their children from vandalizing the property because the new businesses were providing the parents with jobs, income, and pride. We used to be co-owners

with vending machine operators, but now we own our machines and all the money comes to us. Two doctors helped us open a health center, with a preventive medicine general practitioner and a gynecologist who hired two residents studying to become nurses. Money from our economic development has allowed us to purchase our first computer and six used typewriters so that an education center can offer typing and word processing.

In order to get this process started, we had to become politically sophisticated. The previous city administration regarded us as incompetent, so we organized all the resident leaders of public housing in the city and helped elect the new mayor. Since then, we have had residents placed on commissions and boards of all types. The politicians listen when Ward 7 talks; we are the "E.F. Hutton" of public housing. In addition, we purchased a van and a 52-passenger bus, not only to go on picnics or to shuttle our students but also to march on the politicians whenever it is necessary.

At the point that we decided to become managers of our development, we owed over $20,000 in back rent. Since then, rent collections have increased from $336,000 per year to $776,000. Our ultimate goal is to reach $1 million so we can build 20 houses on the 3.4 acres of land behind our administration building. We want to reward the residents who deserve it because through the years they have maintained the property and supported our growth. They are looking forward to it. They know that all their work has not been in vain, because everything serves the community they now control.

All the merchants in the neighborhood participate in quarterly meetings with the board of directors. They understand that our patronage of their businesses allows them to continue being profitable. We are able to work together, and their contributions help our college program survive. We feel that what we are doing at Kenilworth can be duplicated around the country.

DRAFT

SCHOOLS ARE FOR LEARNING

PAUL ADAMS, PRINCIPAL
Providence-St.Mel High School

The basic purpose of schools is for teachers to teach and students to learn. But we are not doing that in this country. In fact, teachers in many schools are more concerned with retaining jobs and other organizational concerns that really stifle the development of our youth.

The recent study of the President's Commission on Excellence in Education reported on the devastation of education in America. Of course, the black community has experienced this for quite some time. Nevertheless, 23 million adults and 13 percent of all 17-year-old students are functionally illiterate. In the minority community, 40 percent are illiterate. Only one-third of our youngsters under age 17 can solve a math problem with two or more steps. Between 1975 and 1980, remedial math courses increased by 72 percent in four-year colleges. And the Department of the Navy indicates that 25 percent of its recruits cannot read at a 9th Grade level.

Most people who are in jail, especially black people, probably have not finished high school. One judge in Chicago indicated that of all the people who came before him in the past five years, only one had any college education at all.

Schools frequently are holding pens, keeping children for 12 years and then graduating them into the welfare system. It is the only industry where we do not look at the results of our production. In business, if the product is not selling, it comes off the market. But in education, we continue to do the same thing over and over again. Until we start demanding that our school systems become productive, we will continually go down. And I think it will get worse before it gets better.

There are some who feel that private schools are a threat to public schools, but that probably is not true. The existence

of private schools means that public schools may be able to divide their budgets among fewer students. Also, it is impossible for private schools to operate systems as large as public schools.

After all our experience over the last 20 to 30 years, it should be clear that if we do not do something to support public as well as private education, especially in the lower socio-economic groups, our social problems will become larger and larger. With exposure by the media, people become aware that others are living better, and that is why America faces the risk that the poor and disenfranchised -- black and white together -- will rebel.

Taxpayers are tired of throwing so much money into social services. They are tired of building prisons, spending $20,000 per incarceration when two children could be send to a major university for that amount of money. If we can rearrange our priorities and give people a better quality life, we will be in a better position to tell people in other countries what they should do. And we can start with quality education. It is very simple, even though people tend to run away from simplicity.

Apparently, some among us do not want things to change. If we did, we would look more closely at the thousands of examples from around the country where there are solutions that work. Schools do not have to have gangs in them, and some schools have an effective program of resistance. Some schools have attendance rates of 55 percent, but others have 95 percent.

Few would disagree, however, that people must have marketable skills in order to get jobs and stay off welfare. Our curriculum at Providence-St.Mel focuses on reading, writing, and arithmetic, as well as compulsory computer courses. It is designed to ensure that people are able to function in society, and the program gets results. We guarantee results because we are constantly looking at the curriculum, trying to decide what to teach and what to stop teaching.

For the last two years, 100 percent of our students have gone to college. I always say, "I get paid to teach school." That is what we are supposed to do, and we do not merit extra praise for doing it. In fact, if we could put more emphasis on quality education in the inner city, we would save a lot of people.

DRAFT

DAY CARE: FOCUSING ON FAMILY NEEDS

JAN YOCUM, EXECUTIVE DIRECTOR
Rosemont Day Care Center

Day care now affects a significant number of American citizens. But not only is it the most regulated of all human services, those regulations do not address the needs of the family.

Statistics indicate that 1 out of every 5 children is growing up in a one-parent family, with one-third of all those families headed by women below the poverty line. Half of all children have mothers in the work force. Of the working mothers in America, 57 percent have children between 3 and 5 years of age, 46 percent have children under 3, and 33 percent have children under 6 months.

These children of working mothers are likely to be placed in several different types of settings. Family day care usually takes place in a home, where most States limit care to no more than 6 children, or 4 children if they are under 2 years of age. Some areas have group day care homes for 7 to 15 children, with at least two adults in the home. Day care centers range from 6 to 200 children, and in some cases from 12 to 500, some of which are operated by nonprofit organizations. Profit-making day care centers may be either "mom-and-pop" centers or chains with a large number of centers.

Day care operators probably constitute the largest source of women entrepreneurs in the Nation. We do know that over 99 percent of those who are registered to provide day care are women. Among the family day care and group homes, there may well be close to 4 million providers, of which only about 150,000 are licensed or registered. The rest of them operate in an "underground" system of care.

The various groups do not get along with each other. The centers contend that they are the experts, while families can only provide custodial care or babysitting. The nonprofit operations

accuse the profit-making ones of "ripping off" children, although most of them either are operating at a loss or barely breaking even.

There are child care advocacy groups for the Nation and for each State. Most of them are convinced that the only way a child can receive what is called "quality" care is through a system of strict licensing procedures. In fact, child care is the only profession where everything is to be monitored and licensed. It is regulated by Federal, State, county, and city governments, by the private sector, and by the voluntary sector.

Regulatory bodies are housed in either the State welfare, education, or health departments and, at the Federal level, within the Department of Health and Human Services. If care is controlled by the education department, the emphasis is on what they perceive are the child's needs, not the family's. Hours of operation are severely curtailed, and there can be no night or weekend care, and it only deals with children under 6 years of age. If it is in the welfare system, the family automatically is a deficit model or a pathological model. If it is in the health department, the total emphasis is on health and safety, such as the height of the toilets and the distance between cribs.

On the other hand, if day care were removed from these environments and addressed to working parents, it can be treated as a support service for working parents who are climbing the economic ladder. Public policy, however, seldom looks at the family as an entity. Instead, pieces of policies are addressed to various age groups, income levels, and so on. For example, a family must leave a 2-year-old at one place and a 4-year-old at another, while 7-year-olds are expected to take care of themselves. Parents of 14-year-olds can only pray.

The stated goals of Title 20 included one to achieve self-sufficiency and another to maintain it. But child care is subsidized only below a certain income level, and parents who exceed that point must bear the whole cost. There is need for a scale of fees based on income, rather than the all-or-nothing approach.

There has also been a tendency to think of child care costs as being either a Federal, State, or parental burden. But it is impossible for any one sector to pay the cost of day care. It must be thought of as a public utility, just like water, gas,

roads, education, housing, and jobs, to be planned in 5 or 10-year increments.

Regulations differ from State to State, from county to county, and even from city to city. Some are as illogical as the requirement in one county for the care to be given in a brick building. Another regulation in a rural area spoke about not having bugs or insects outside the home. Or a regulation can be as trivial as requiring rules posted on animal care and feeding even if the animal is a single goldfish. In the District of Columbia, a center must complete and file at least 50 forms each month and, in some cases, on a weekly filing basis. The District recently issued an RFP for a contract estimated at $48,000 to develop a new form of care for infants under two years of age. The document ran for 220 pages, to be completed in nine copies. Respondents also were required to describe a science curriculum and a nutrition curriculum -- all for 2-year-olds -- with a detailed step-by-step process for changing diapers. In the face of these types of rules, centers are frequently forced to work with parents and teach them how to beat the system.

Instead of more monitoring, we need a massive public education program, directed to parents, telling them what to look for and how to judge it. We need to look at day care for all age groups. It may even be feasible to reintroduce the idea of a Mary Poppins-type governess. But whatever the approach, day care should be part of a planning system in rural or urban areas -- as important as a public utility -- and focused more directly on the needs of families.

DRAFT

DISCUSSION

LEGACY OF THE WELFARE STATE

The Welfare State

MR. HILL: Three-fourths of the money in the welfare state goes to people who are not poor. Indeed, it could be said that there are two welfare states: the means-tested and the non-means-tested. For example, under the means-tested model, the poor must go through vendors to obtain services like subsidized housing and medicaid. On the other hand, social security, unemployment compensation, and veterans' benefits go directly to consumers who are not means-tested. Therefore, it is important to distinguish which welfare state is under consideration, because sometimes the poor part gets blamed for the costs generated by the other part.

MR. McKNIGHT: The welfare state dedicated public wealth to helping people who were called poor. But today, it is unlikely to grow as a percent of GNP, it is more heavily allocated to predefined services than to income, and is designed to place transfer payments into the consumer market. I do not think that society will agree to put more of the public wealth at the access of the poor. But to begin shifting away from dependence to opportunity, we must start with those service dollars.

MR. WATKINS: Many people who discuss welfare miss the human element behind the issues. They do not have the personal experience to know that being on welfare is a horrible experience.

Health in the Welfare State

MR. COYNE: People who have income have the choice of constantly buying health care or fixing the problem around the home that creates the illness. People depending on the compensatory system have no choices other than to wait for the accident and then get it treated.

MR. McKNIGHT: The medical system is absorbing the greatest amount of the social welfare dollar. In spite of frequent reports in the media about "discouraged workers," people still prefer to have income rather than mandatory health care services. With income, they can provide for their own health care. We know this because the variable that correlates most highly with income is health. Therefore, we should at least begin to shift the balance so that the poor have available to them some of the choices that income provides and services do not. What we, in effect, are doing is giving poor people the equivalent of a $10,000 "job" and telling them they have to pay $5,090 for health insurance and retain only $4,920 for their other needs.

MR. LENKOWSKY: It is insurance. The benefit is available only in the case of sickness. It is not logical to factor money spent on medicaid into the average income of all citizens, some of whom may or may not require that particular service.

The question on the table is whether or not there should be a service program for those individuals who are not wise enough to lose weight and be healthy, for example. The whole point of an insurance program is to provide money in case something goes wrong.

MR. REISNER: It is more accurate to say that the service is available only to provide treatment to people who have a specific disease, not necessarily for making people well by solving larger problems. If there is a medical problem created by dirty air filters, the state pays the individual to leave the air filters alone and keep coming in for treatment.

MR. McKNIGHT: The professionals in the service industries like hospitals are frequently unhappy about their opportunity to serve. They recognize that they are just sending the clients back to the same environment. The system, the client, and the professionals are losers.

MS. ASCHER: If people have money, they can spend it through choice on diets as part of preventive medicine, where they can eat better and avoid the hospital.

MR. PRYDE: There are three possibilities. First, you can let people have income to finance their own folly. Second, you can have an insurance program. Third, you can have a service that is specific to some peril. Everything other than the first preference is second best.

Professionalization of America

MR. DOUGHTON: Mediating structures do not work as well as they could, because the power structure will not tolerate them. It will try to close them down, especially if they tend to out-perform state-owned operations. It happened in Indianapolis where a job placement service was so successful that it was made a part of the bureaucracy, but then the poor were once again treated as a commodity.

The power structure now maintains a caretaker relationship with dependent people, whether they are handicapped by poverty, age, or physical disability. This leads to sponsored change, where things happen only because the power structure sponsors it. But in coping communities, things happen because the people on their own decide to get together and make them happen.

It is a mistake to blame the poor when there is a structure that rewards the middle class for gaining success at the expense of the poor and for perpetuating poverty. We need to change the reward system so that there is an incentive to solve problems, so that the flowering of mediating structures is to the benefit of everybody.

MS. HALL-WILLIAMS: Our counseling and tutoring program in Detroit was an intermediary structure that was destroyed by the power structure of the school system and by a leading foundation. They insisted that the project be institutionalized within the Detroit public school system of credentialed and bureaucratized instruction. Unfortunately, we were in an era when we were looking to the state for assistance. The community itself did not have "power readiness," where it could rely on its power to take care of its own needs and its own concepts. But we have learned from our mistake, and now our projects have emerged from and are maintained in the community.

MR. WOODSON: The professionals who have been vested with the responsibility for serving the poor accuse government and corporations of being "enemies" of the poor. But more than 75 percent of all funds designated for programs to help the poor in fact are spent to sustain this knowledge class.

MR. NOVAK: The professionalization of American society began during World War II. In 1939, there were only 900,000 college students in the U.S., with only 60,000 professors. After the War, a new college campus was built every two weeks until

1967, resulting in 13 million young people in school and over 600,000 faculty members. They all became the "experts" on which everyone began to rely.

Treating this as a question involving a power structure and its interest does not move us to where we want to go. The professionals are doing what they do because they believe it is better than what we had before the War. But we can show them that it is very damaging to their interest to continue in that manner.

Feminization of Poverty

MS. BARKSDALE: A high proportion of the 17 million poor under the age of 17 live with one parent, resulting in what has been called the "feminization of poverty." However, social policies did not create this state of affairs. Men did not leave home because under the regulations their presence would have impeded the flow of welfare checks. Instead, the feminization of poverty is a consequence of changes in many social mores and religious beliefs.

MS. YOCUM: Women always have been locked into the lower economic level, without much opportunity for promotion, whether or not they were on Aid for Families with Dependent Children. The manpower and CETA programs of the Sixties were designed by men and were focused on getting males trained in higher-paying jobs in which it was not expected that women would participate. That is why today there is no escape from a closed circle, because when a woman's income rises above a certain level, day care subsidy is cut off.

MR. NOVAK: Three factors seem to have emerged from this phenomenon. 1) There is a higher proportion of poverty when there are casual pregnancies than when there is a divorce; 2) Very rapid growth of this problem appears to correlate with the existence of certain welfare programs and is less prevalent where these programs have not reached; and 3) One impact of AFDC policy is that a young woman who gives birth to a child will qualify for a separate apartment and housing assistance, and this incentive accounts for some percentage of the problem.

MR. LENKOWSKY: There does not appear to be a simple correlation between the existence of welfare programs or their generosity and family break-up. In addition, rates of divorce

and illegitimacy have been going up in all social classes very rapidly. It is generally true that women who are from middle-income households and who become pregnant are less likely to be poor as people from low-income backgrounds who become pregnant. One author argues that it is very hard to find a 16-year-old teenager who will go through pregnancy in order to get a separate apartment. In New York, there is a counter argument, that a 16-year-old may get pregnant to increase the income of the total family which is also on welfare.

Given the fact that divorce and desertion rates are so high and apparently uncontrollable on the part of individual mothers in the labor force, it is plausible to consider a mothers' insurance program. Mothers could contribute to the fund, and they would be eligible for benefits in the event of a divorce or desertion. There are moral hazards, where mothers in stable marriages would be least likely to contribute to the program. But local community groups could accumulate capital for investment through mothers' insurance programs.

MS. BARKSDALE: I think the men should contribute to the program, because they also are responsible for the children.

MS. ASCHER: There still is a problem for women who do not work and who have no income.

MR. HILL: It is not always wise to discuss these phenomena in isolation. There is a relationship, for example, between teenage pregnancy and housing. We know that 80 percent of unwed teenage mothers are living with their own mothers, not in any separate households. They live in an extended family with at least three generations. Half of them do not receive any welfare, and sometimes they are penalized for living in extended families. They are forced to move in order to retain their welfare income.

Excessive Regulations

MR. COYNE: Anybody under 130 percent of the poverty level can get food stamps. Therefore, one would assume there would be no hungry people in America, yet we all know there are. The President has asked why. When is this system so inefficient that it allows a generous America, with an abundance of food, still to have hunger? We even gave away 700 million pounds of cheese, and yet our cheese stockpile increased last year.

MS. YOCUM: Part of the answer lies in regulations. The Child Care Food Program of the Department of Agriculture dictates to day care centers the quantity of food each child should receive at each age level. For example, a child two years old must receive at every meal an 8-oz glass of milk that is two-thirds full, regardless of whether the child is capable of or interested in consuming that quantity of milk. The same types of rules govern other foods in that same meal. The centers, under penalty of being removed from the program, are prohibited from using common sense to serve less if the child does not want it or to save it for another meal. The required quantity must be served and the uneaten food must be thrown away, and there are inspectors to make certain there is compliance. If we were to put on a scale all the food from that program that is thrown away at least three times a day, it could probably feed an entire country in the Third World.

MR. COYNE: Some fiendish person must have targeted child care as the single field that should bear every ridiculous rule on the assumption that mothers know nothing about children. For example, one individual I know tried to set up a child care center by taking care of children in her home. She put an ad in the paper, and the first three people who called were regulators. They insisted she put in another bathroom, even though the infants wore disposable diapers and would not use a separate bathroom.

MR. McCLAUGHRY: In our small town in rural Vermont, with a population of 270, we had a school that was surrounded by producing dairy farms. The farm parents were prohibited from contributing a bucket of raw milk to the school lunch program, even though those same children drank raw milk at home. We also had an outdoor privy that had served us for a long time, but we decided to move our school to the town hall because they had an indoor bathroom. However, an official from the State of Vermont also demanded we install an access ramp, a special entrance, and a second toilet for the handicapped, even though none of the 11 students, one teacher, and one town clerk was handicapped.

MR. McGOVERN: Congress is now investigating how Pennsylvania distributed its 20 million pounds of cheese and 9 million pounds of butter to the poor. We spent only $300,000 for an entire year to distribute it because we relied heavily on local groups and community volunteers, with only six isolated instances of possible abuse, involving only two tons of food.

The House Democrats want us to set up a sophisticated, automated delivery system that will probably take about $6 million to handle 8 million pounds. What we want to do is to use the existing system and increase the amount of food we can provide.

MOVING IN NEW DIRECTIONS

Let Mediating Structures Emerge

MR MILLER: Michael Novak, in his book *Being and Nothingness*, stated that institutions exist not to be effective but to provide reassurance. There is truth in that. But there is no tradition that can provide reassurance around mediating structures in the same way that there is a tradition for individualism or for "statism."

In dealing with mediating structures, one starts out in uncharted land, becoming caught in an ideology that encompasses many other distracting issues. For example, putting nondangerous offenders in Federal prisons to work unpaid in delivering community service could more than pay for the cost of their care. But both parties would object to the proposal as being outside their ideology. Also, the District of Columbia, like many other States, has severe prison overcrowding. A very large percentage of them consists of nonviolent misdemeanants and minor offenders who could be dealt with at a cost much less than $20,000 per inmate.

To avoid being caught in the cross-fire of unrelated political issues, there is a need to develop an ideology outside both traditions which can allow mediating structures the time to implement certain programs. If politicians have to claim a project at every point while it is still an experiment, it becomes untenable. However, with a fait accompli that works, there will be less political opposition.

MR. NOVAK: There is an urgent need for both parties to solve problems without spending more money. We cannot do it all at once, but we can chip away at it, and every little breakthrough makes the next one easier.

MR. HILL: There is yet another step, which involves moving away from doing something for the poor because we believe the poor are incapable of doing things for themselves. In my travels across the country, I have seen many things that the poor have been doing effectively for years. But they are invisible to policymakers. They are not even supposed to exist because they were not implemented by people with credentials. The poor, who are the closest to their own problems, know some of the solutions -- and that is a very difficult concept for either the Democrats or the Republicans to understand.

The argument frequently heard to justify massive transfers through large institutions is that it is "cost-effective" to do it that way. But the most cost-effective efforts are those the poor do for themselves. Of course, there is a problem when they are discovered, because the state immediately imposes regulations. Nevertheless, we have seen that some of the most effective programs exist where the professionals realize their purpose is only to reinforce the efforts of the poor.

Also keep in mind that half the families below the poverty line do not receive a penny from welfare. How? There is more likely to be in-kind assistance from a network of kin, and some people simply resist accepting welfare unless it is for health reasons or other factors. Therefore, new vistas can open up when we get rid of the notion of "for" the poor and talk about "with" the poor, letting them be the leader.

MR. PRYDE: There has been some attempt to draw distinctions between large and small institutions, between government and individuals, or between what is formal and informal. Policymakers tend to want to formalize everything, giving it a high degree of structure so that it is observable, testable, and manageable. It is necessary that government take the risk that a lot of decisions will be made through structures that may not meet the approval of everyone or that some of us may not choose personally. Some of the choices undoubtedly will be horrible, but that is up to the individual or group. Most of them will be excellent. Whatever the outcome, it requires policymakers to demonstrate a leap of faith and leave them alone for awhile simply because they believe in the marketplace.

MR. BERGER: Not all mediating structures are the better institutions for most of these services, as is the case with the Mafia. But in general, we should either not harm them, or we should see how public policy creatively could relate to them and make use of their strengths.

MS. BARKSDALE: It is not easy to create a strong neighborhood network, because we are empowering people who then become a threat to everybody. We can do a lot of things when we are organized, but there are forces from all sides that either will not allow it or will fight it.

MR. WATKINS: There is another type of "mediating" structure -- that represented by Bob Woodson's organization. The Los Angeles Times did a large article on our group's activities, but we got no results in attracting funding until Bob Woodson learned about our story. He was able to help by talking to someone here in Washington, D.C., making it possible for us to get a Federal Government contract that is reinforcing our organization. We would never have known about it without his assistance.

MR. LENKOWSKY: In order to facilitate private sector initiatives that rely on mediating structures, one ought to encourage the existing approach of expanding insurance-like programs and cutting back as far as possible on what Bob Hill referred to as "means-tested" programs. Insurance-like programs offer a substantial amount of aid to people who otherwise would be poor, and it is misleading to think of them as middle class welfare programs. Some would also argue that had middle class persons invested their money independently, they would be much better off by not being in the system. In addition, social insurance programs are concerned only with whether or not payments are made quarterly, treating everyone the same.

MR. PENNER: Before the invention of social security, unemployment insurance, and health care for the elderly and the poor, these functions were served by trades unions, other private charities and, most important, the family. Building mediating structures would require greater reliance on the family, but I do not think people would like to see this because of the emotional tensions it would create and because those arrangements would break down under external economic duress and uncertainty. Reliance on family arrangements cannot be as secure and depersonalized as state arrangements. In addition, it would only replace the tyranny of the state with the tyranny of the family.

MS. HALL-WILLIAMS: We hope to guarantee to all persons in this country, in a compassionate way, the same things that appear to be virtually the birthright of middle class America.

They have power, clothing, food, shelter, medical attention, and educational support. In effect, the middle class has become its own mediating structure.

But there are examples of poor communities that have identified the areas where they have needs, taken the initiative to improve themselves, and bypassed the political structures when necessary. Some have even embarked on the second phase -- renegotiating their position with the community and with the state. The next move is to develop public/private partnerships.

MR. COYNE: But the middle class mediating structures do not depend on who is in The White House. None of them depends on government funding. None depends on a structure of experts saying, "You're the boss." They have options and the ability to choose between them. To be trapped with only one structure must be the cruelest form of assistance there is.

The Incentive Theory

MR. BUTLER: The assumption that local communities are unable to be as public spirited as the Nation as a whole is widespread. And some of us believe that to stimulate their public-spiritedness, we must move entire functions out of government. Yet, it is not true that cutting back the government sector is a prerequisite to privatization. It is an alternative that is preferred by the beneficiary. We can, therefore, begin to look at incentives that can alter the demand for private services, making them an attractive possibility which, in turn, leads to a change in the supply of government services. Creeping change or incrementalism are more likely scenarios than reform through some gigantic plan. Little crevices and wedges will generate their own momentum.

MR. LENKOWSKY: There is no evidence that the provision of alternate private services reduces the demand for public services. People on welfare definitely do respond to incentives, but creating incentives does not necessarily reduce the number of people on welfare. Incentive programs for people to earn more can, instead, drastically increase the number of people who are eligible for welfare.

MR. PRYDE: Private sector initiatives have been called a problem of the welfare state or even a problem of the Federal budget, but I would call them a problem of human adjustment and

success. In an ideal society, there would be a private market with millions of individuals making good decisions, and all transactions would be positive-sum deals. Unfortunately, there are victims created by the market place, and substantial equity or efficiency are not always achieved. Placing all these people in the same category as "helpless" leads to the development of a host of programs that most efficiently meet their needs in either the public or the private sector. But many victims of zero-sum transactions are emotionally, intellectually, and physically able to take care of themselves. They can be very creative.

We must look at the market economy and adjust the incentive structure so that people who can take better care of themselves are allowed to do so. But, there are reverse incentives. Unemployment programs, for example, focus on supply-side approaches like supportive work programs, skills training programs, and job placement assistance. There are no demand-side incentives for private risk-taking transactions. It would be useful to improve the availability of risk capital for business formation, 98 percent of which comes from the savings of private individuals. A decrease in the capital gains tax would not encourage the average individual to invest in enterprise. There are incentives for individuals to own a house, for which they may not want to be responsible, but there is no incentive to finance productive activity.

MR. COYNE: Federal incentives tend to be poorly-designed meat-axe programs. It may be that the design of incentives can benefit from strategies used in corporate marketing, especially with regard to timing and custom-designing them for target populations. The private sector has had the advantage of evolving its approaches with a greater degree of motivation, geographical flexibility of action, and efficiency of movement without the political constraints of government.

MR. REISNER: De Tocqueville had a vision of America as a place where democracy was recreating itself at the edge of the frontier, where self-interested institutions understood the need to create democratic values. It was the frontier that gave everyone opportunity.

The trouble with incentives for private tools is that they are totally inapplicable to a large segment of society. Those mediating structures have to demonstrate to constituencies that they really are valuable solutions to problems. There is broad consensus about the failures of the welfare state, but

something must happen quickly, before people begin to say that it is too late to tinker with less attractive alternatives that may become entrenched.

Fiscal Policies

MR. PENNER: Savings rates in the U.S. would be higher if there were no tax for retirement, health, education, day care and owner-occupied housing, which are the principal areas in which private sector initiatives are concentrating. If there were a major shift to a consumption tax, counting housing as a capital investment would bear a zero tax rate, instead of the negative rate it has today. That would be true of all sorts of investments. Whether or not welfare functions would be similarly affected would depend on their being defined as consumption for tax purposes.

In order to design a new welfare state for the poor, we must have a suitable economic environment. The traditional recovery from recession is pushed by monetary policy, but some people are worried that there also may be a traditional degeneration to inflation, followed by a subsequent recession in 46 months.

With regard to the path of full employment, there are a lot of good things happening that, if exploited, could greatly improve the environment. One thing that really drives the economy in the long run is demography. In the late 1970s, there was a large increase in the teenage population, and the changing character of the work force due to the greater participation of females with dependent children. Total employment during the decade of the 1970s increased by approximately 23 percent, even though an increase in inexperienced labor helped reduce productivity. We are now coming to the best of all possible worlds: few teenagers and a real drop in the number of elderly.

There are great expectations for our future, and there are extraordinary risks being taken. Technological changes in connection with gene splicing and other areas will have a profound effect on society. But instead of investing savings to exploit these changes, Americans are buying government bonds to feed the huge deficit. Our tax code is not conducive to capital formation and our fiscal policy could cause monetary policies to be to expansionary or too restrictive. In addition, the real or imagined fears of inflation can stifle growth and combine with other forces to destroy us. Therefore, it is conceivable that the pattern of recovery in 1983 will be more heavily related to consumption than to investment.

At the froth of every recession, there are unfounded fears that large portions of the labor market never will work again or that certain industries will never recover to their former levels. While this may be a tragedy in a few instances, technological advances throughout history have had an overwhelmingly positive effect on labor markets in general and for the long term. The truth is that only a few become unemployed and remain unemployed.

MR. COYNE: Efforts to exhort the private sector to do more, especially for long-term projects, can make little headway when there is an investment drought, because the private sector will be bidding against the government for the billions of dollars in interest that will be refunded in the coming years.

MR. McGOVERN: We have seen that an economic imperative may not provide the necessary incentive to switch to mediating structures. Congress has just increased the number of Section 8 housing units from the level to which it had been reduced in 1981, thereby raising the cost from $1 billion to $20 billion -- and this was in the face of $20 billion deficit.

STRATEGIES FOR DEVELOPMENT

In Defense of Myth-Making

MR. BERGER: Human beings are animated by visions and myths, but in the area of social service, only one myth has a monopoly. While conservatives have produced other myths, they have not produced an alternative vision for the delivery of social services.

The myths to be constructed deal with empowerment, individual autonomy, liberty, and a compassionate society. We should agree with those who say there should be a certain level of decency in society, but not at the cost of subjecting people to domination by various basically manipulative institutions.

The liberal press is caught up in the vision that talks about spending money instead of liberty, and they put pressure on politicians to spend. We have to counteract that, and we can because there is so much disillusionment with the present system. It is not difficult to debunk the reasoning; a lot of facts are on our side.

MR. LENKOWSKY: There is no shortage of alternative myths. What is needed are alternative realities.

MR. HILL: The myth that we really are fighting here is the notion that poor people who do not have credentials are therefore incapable of taking care of their own children, making wise choices, managing their resources properly, and alleviating their own problems.

MS. BARKSDALE: The white establishment can talk forever about right and left or conservative and liberal, but they forget that Blacks and Hispanics have been out of the mainstream of these labels for a long time. In Latin American, people in this position are called "marginal" people. We have to talk about empowering marginal people, who are not part of white society and who are not accepted by them.

MR. BERGER: To turn the press around, you use a kind of Chinese water torture -- the relentless onslaught of facts, not propaganda, drop by drop by drop. Liberal public opinion has been turned around on a number of issues, such as the former admiration it had for the Soviet Union.

What we are talking about are not new ideas. They are the central ideas of Western humanism. But we have a much better way to realize them.

MS. YOCUM: Not only do you have to turn the press around and work on the politicians, you need to impress those who will benefit from the changes by addressing them in their own language. Otherwise, as the story filters down from the press and the politicians, it may be distorted before it even reaches the beneficiaries.

MS. BERGER: An example of how language can be turned around deals with the "squeal" rule, which holds that teenagers under 18 who go to governmentally-supported clinics for prescription contraceptives should have their parents informed of that request. Remember that parents, at the beginning of the school year, sign slips if they want their child given medical care by the school or to allow their children to do certain other things. Why not ask parents to sign a slip so that their child can get contraceptives at the discretion of the nurse without the parents being notified? Let the parents say in writing, "We do not want to be obligated any more." Many parents would welcome knowing that, unless they abdicate their responsibility, they will be informed.

MS. TATE: Paul Adams said we resist simple solutions. It is simple to seize the language and take it back. Define in your own terms the good words that have been defined by the other side, like liberty, opportunity, freedom, rights, and power to the people. Each time you describe your concept and your programs, keep pushing your definitions over and over -- just as the others did when they took it over in the first place.

In addition, turning the press around requires care and feeding. Select a columnist or a reporter who seems to have good sense, regardless of their political label. Then do what the liberals do: cultivate them assiduously, provide them with new ideas and new language, and it will be mutually beneficial.

MR. BUTLER: I have no great problem with myth-making as a strategy to reach our objectives, taking back language that has been corrupted by the other side; politicians do it all the time. Second, the idea of moving gradually makes sense and is the essence of a conservative approach to problem solving. It is possible to use another technique of the left, and that is using legal action to attack structures that cannot adjust easily to fight back.

However, it may be more difficult to do positive things to help mediating structures. Federal grants to institutions can lead to the regulatory conquest of the receiving institution. Furthermore, there is the notion that the right to regulate passes from one to the other with the acceptance of grant funds. Finally, there is the popular misconception that if government does not tax something or gives a tax credit, it is giving something to that institution.

MR. WOODSON: When I first became involved with neighborhood groups, I had no idea of the impact that individual experiences could have on public policy. Peter Berger provided a theoretical framework that enabled me to look at the meaning of these individual experiences to discover policies that would have a more positive impact. As we advance intellectual arguments, it is important to have empirical support for our expertise.

For example, it is the strategy of Ralph Nader to make abstract issues real by bringing live bodies before the policy-makers or before the media. He will present the mother of a child who died in the crash of a Pinto. Everyone sees the impact on the family and understands what he means when he moves on to the larger issues.

We need to bring together examples of the poor doing things. Then let the liberals stand up to them and describe as

"uncaring, cruel, conservative," for example, the black mother who works in a laundromat 12 hours a day so she can pay $5,000 per year to send four children to a black Christian school.

Liberals have endowed an entire class of experts, pumping billions of dollars into the same cadre of scholars to find out how policy should be structured. These professionals then gather around them interns who are trained in their philosophy and strategies. Conservatives need to use these same techniques to buttress the positions they are taking.

MR. COYNE: Under our system of government, when you think there is a new government in power, it really is only a new icing on the same stale cake that was there 20 years ago.

MR. REGNERY: As one of those appointed Federal officials, I have found that there is also a major problem with Congress -- Democrats and Republicans alike. There is constant pressure on the agencies to refund programs that have amassed influential friends, even when there is no justification.

We need the support of our own policy researchers, who can accumulate the evidence we need to stop making certain types of policy decisions. Change cannot come overnight, because the present situation has been built up over the past 50 years. The pressure is too great and the momentum is too great.

Entrepreneurship

MR. BUTLER: Kimi Gray's entrepreneurship moved forward in a trial-and-error process to meet particular local problems, and in so doing it broke some rules. That is similar to what happens in the business world. It is also like the frontier experience, where "downtown" was a long way away, and certain approaches that worked could be put into place. Those who make public policy should do so from the perspective of trying to foster innovation. However, the government then should not try to lead the process, because its track record at this is not good, even under the present administration.

MR. PRYDE: Economic development is the process of learning how to take care of oneself in response to changing opportunities and problems. It is entrepreneurial activity that drives economic development, determining the rate of job output and the ability of a community to adapt. It is the informal

stage -- the germination of the idea and the raising of capital -- that is most important to the process of economic development. Entrepreneurship depends upon an environment that is rich in resources to support the activity.

The role of government should be to stimulate this environment, producing long-term results we may not be able to predict with specificity. Initially, we have to have faith that if we change the rules properly, the things we want to happen will happen. But because of a lack of incentives, it is much more difficult to do what Kimi Gray is doing than to do nothing at all.

MR. WATKINS: If anything comes out of this meeting, the bottom line for me is: If you are going to help me, I wish you would please ask me what should be done, let me do it, and I will give you all the results you need.

MS. ASCHER: Kimi Gray has done wonderful things, but she has shown us an enthusiasm that is so important for the whole concept of private sector initiatives to succeed.

MR. COYNE: I have a lot of faith there is a hidden entrepreneur in 9 out of 10 people, but no one has opened a few of the doors that are necessary. What is it about the public housing experiment that keeps the doors closed on all the others like Kimi Gray? Where do they give up? Where is the barrier through which Kimi passed that stops some others?

MS. GRAY: There are other people with the same dreams I have and doing the same things I am doing. They are in St. Louis, Durham, Atlanta, Boston, and many other cities. They have not given up.

MR. WOODSON: There are thousands of people like Kimi Gray, Leon Watkins, and Clara Barksdale, each one doing innovative things. While the experiences of one cannot be replicated at another's location, they may be adapted to local needs.

MR. BERGER: An important finding in what everyone is saying is that government should get out of the way or remove some of the burdens. On the other hand, there are positive things that can be done, one of which is sharing information or implementing programs that stimulate entrepreneurship.

MR. ABRAMS: There are a lot of tenants running public housing and doing a good job at it, although few are as deeply involved in economic development as Kimi Gray. Her breakthrough came when the mayor agreed to tenant management. But in most areas of the country, the public housing authority is threatened by tenant management. Public housing is a perfect example of where Federal resources get eaten up in patronage and other things long before they get down to the residents' level. Because housing authorities generally are elected by local government, it requires a mayor who is willing to intercede and to let the tenants manage.

Federal funds flow to the housing authority and the Federal Government is limited to merely encouraging tenant management, except in the case of about 35 housing authorities across the country. Because these particular operations do not have balanced budgets and living conditions are bad, the rules allow some Federal intervention.

MS. HALL-WILLIAMS: Some of America's largest corporations have grown because they did not have a highly layered structure, they have never sacrificed the quality of the product, and they have always listened to what the customer wanted. In housing, education, and economic development, there are indigenous programs that work and have been there for a long time doing just those types of things.

If there are going to be private sector initiatives, we must exercise caution as we encourage groups to replicate the successful experiences of others.

Private initiatives that are successful have recognized that power does not operate in a vacuum, but by becoming involved in the political system, they have made it play on their side.

Finally, poverty in America is linked more to class than to race. Therefore, in developing public policies to overcome the fallout of being poor, it will be necessary to redefine who are the poor and identify which sound programs can be shared with other communities.

Education

MR. DOYLE: Social policy can intervene to make it easier and more common for schools to increase the reach and scope of education, preparing people both for citizenship and for work.

The data on school achievement are uneven, sparse, and hard to get. But there are data on 15,000 of the Nation's merit scholar semifinalists, with a subset for 1,500 of the highest scoring black children.

Without exception, black merit scholars are either from private schools or from selective public schools. From San Francisco, there were 6 winners from private schools and selective public schools, and 1 winner from a normal public school. There were similar proportions for D.C. (16 and 2), for the Bronx (23 and 0), for Manhattan (33 and 0), from Brooklyn (14 and 1).

When one notes that in a city like D.C., where there are 90,000 children in public schools, with 15,000 in high schools, it is clear that we are systematically letting slip through our fingers generation after generation of exceptionally able children whose needs are not being met by conventional public schools. On the other hand, there is considerable documentation showing that a wide variety of private schools are doing an exceptionally good job.

There is, therefore, no a priori reason why the government, in its obligation to educate its citizens, should have a necessary preference for government owned and operated schools. The government's obligation to educate children can be satisfied with a mixed system of public and private schools, just as is now done at the university and college levels.

Family Policy

MS. BERGER: There are many projections from policy theorists, analysts, and planners, but no one has ever bothered asking what the parents themselves want. How do parents want their children taken care of? Are there options for parents to take care of their children without losing income?

The great paradox of our time is that we are still basically anti-family. We do not trust the poor, regardless of ethnicity, to know what they want for their children. We trust them to vote, but only a professional can take care of their children for them.

It is even more of a paradox because everyone has started to pay lip service to the family. But when it comes down to the issues -- and day care is only one of them -- on every single one the family is losing. It is true on foster care, education, abortion, the "squeal" rule, and children's rights versus parents' rights. The sad thing is that parents themselves do

not realize that very often they are acting against their own interest.

The pro-family movement has tried to stem the tide, but they have been singularly unsuccessful. They have no credence in any academic, media, or liberal circles, and they have been ridiculed. The present administration, which came into power on a coalition of pro-family people, is embarrassed to be associated with the movement. For that reason, family issues have been put on the back burner. Those of us who are pro-family have failed to translate the vision and the desires and the values of ordinary people into a credible vision of social reform. We must avoid being labeled as reactionary backwater yokels, because what we have to say goes for the poor and those who are not poor, whites and nonwhites.

The limit of the liberal vision, which has come to an end, is that you have either individual (children's) rights or the state's rights; there are no family rights in between.

How Fast?

MR. BERGER: In a democracy, well-entrenched institutions cannot be radically changed overnight. So we have to tinker with it and find a new vocabulary with some features of an alternative myth. We have to give people a sense of what could be, even as we make small steps toward it. It is a process that could take five or six years. We cannot do it through some miraculous event where everyone will be converted overnight. But if some things can be done quickly, then we should go as fast as we can because people are suffering.

MR. BUTLER: The American Revolution did not take place on a Sunday afternoon, and it was not won with just a few shots. It was won over a long period of time and on several levels, including the battle of ideas among the intellectuals, the legal battle, and the battle in the hearts of the American people. Nevertheless, we can wake up one day and find that a revolution has taken place, because incremental change can lead to a fundamental change.

MR. WATKINS: Our project in Los Angeles was not successful at first, but in the meantime we got help with another unrelated project that provided us with staff that will, in turn, help us with the initial project. So as we theorize about the larger picture and long-term goals, please do not miss the

concrete things that can be done right away to help.

MS. GRAY: Policymakers talk about long-range goals, but poor people need to see some fast results in order to "keep the "troops rolling with you." Unfortunately, there are no fast results dealing with the government. If projects are approved in one fiscal year, they are implemented two fiscal years later, and by then inflation has eaten away at it and the original proposal must be changed.

MR. MILLER: Sometimes massive, quick changes in this society are more easily accomplished than slow, methodical changes. The American Revolution took a long time because they did not have the web of power relationships in which we are now stuck. They talked about duels, and we talk about negotiation and consensus. Those who have been in power know that things can be done quickly and permanently if there is a will to do it, as long as you do not plan a career in office.

DRAFT

RECOMMENDATIONS

Economic Development

1. To allow deductions on individual income tax for investments made in qualifying enterprises in small communities;

2. To oppose changes in tax leasing provisions that would prevent nonprofit organizations from using the tax code creatively to finance inner city development;

3. To encourage the inclusion in enterprise zone legislation programs that permit or require the transfer of property to neighborhood groups and entrepreneurs who are now recycling that property to productive use;

4. To impose requirements on existing recipients of medicaid to make certain that the flow of funds to organizations results in more entrepreneurial activity at the local level, such as in the form of cafeteria services purchased by hospitals from neighborhood and local enterprises;

5. To expand the number of organizations or persons qualified to serve medicaid clients, allowing medicaid to finance more than hospitals, nursing homes, and doctors, by including such alternatives as home-based care;

6. To develop a process for adapting what can be learned from existing models like Kimi Gray's and Paul Adams', and to find ways of conveying that information to the local level;

7. To mandate the use of discretionary funds in Federal agencies to finance demonstrations of alternative forms of development, incentives, and voucher programs, rather than expansions of flawed conventional wisdom with marginal value.

8. To finance mechanisms that promote an exchange of information between entrepeneurial community groups.

9. To encourage more States to expand the Neighborhood Assistance Act -- now in place in Pennsylvania and Missouri -- allowing taxpayers to take a tax credit for up to 50 percent of contributions made to a qualified neighborhood development activity, and to eliminate the treatment of this credit as income for Federal tax purposes.

Education

1. To take the existing Title I program and make it available in the form of education vouchers, which could amount to approximately $500 per child.

2. To make vouchers negotiable at public or private educational institutions, including skills-training institutes;

3. To provide full funding for Title I, at a cost of $2.5 billion;

4. To make certain that parents are fully informed of the opportunities with vouchers and how to exercise their options;

5. To adopt a component of education vouchers that allows ongoing family input for four or five years so as to empower the family through information;

6. To promote private sector investment in the voucher plan;

7. To give tax credits low priority for the next several years, since they are of little benefit to low-income families and may be more divisive than unifying.

8. To showcase low-income and minority private schools in a conference at some point of time, including also Catholic diocesan schools, Lutheran schools, and others that are racially integrated;

9. To build political coalitions or bipartisan support for the principle behind legislation pending in Minnesota that would use vouchers to pay the full cost of education for qualified poor children in public or private schools.

10. To provide Federal funding to the Minnesota experiment for evaluation, research, dissemination, and start-up costs, and then let Federal participation end while the State pays the remaining costs.

Family Policy

1. To recognize the primacy of the family, rather than trying to replace the family's basic function, by implementing policies that "do no harm" to families, regardless of the form of those families;

2. To restore the family's private functions by eliminating outside regulations, agencies, and norms which make no sense within the family;

3. To let families determine how they consume their cash allowances and what their sexual practices will be, even if the family's choice is objectionable to others;

4. To respect pluralism of class, ethnicity, race, lifestyles, or religious values;

5. To adopt policies that reinforce family rights, rather than focus so heavily on children's rights;

6. To reexamine regulatory practices from the point of view of individuals living within the community who rely on self-help and self-determination;

7. To reexamine eligibility requirements under State regulations to identify those that enable rather than be punitive toward families and individuals;

8. To review services and regulations from the perspective of a "consumer" as opposed to a "client";

9. To introduce an element of community validation of regulations where independent communities have a piece of the regulatory process, if there is to be one, and not simply subject to regulations imposed from the outside;

10. To conduct independent studies of local communities to determine whether or to what degree regulations impinge upon those communities;

11. To broaden approaches to supporting the family so that they include various options and financing mechanisms;

12. To request congressional hearings on some of the more urgent issues, such as foster care, day care, or vouchers;

13. To urge The White House advance staff to get in touch with community leaders who are the backbone of the community and involve them in programs supported by The White House;

14. To review new regulations by the Department of Agriculture that promote waste of food and to return to cash allowances that will allow people to decide how they will spend the money;

15. To eliminate unreasonable expectations that are promoted in housing policy;

16. To support organizations that can monitor all of these proposals in the political arena, examining issues from the new perspective discussed at this conference;

17. To utilize the voucher system in almost every area as a means of guaranteeing autonomy and empowering people.

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PARTICIPANTS

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AGENDA

Wednesday, July 27, 1983

4:00 p.m.	Registration
5:30	Reception--Ballroom
6:30	Welcome--JIM COYNE and BOB WOODSON--Conference Room
7:00	Dinner--Dining Room
8:15	Fairness: Who Pays for What? MICHAEL NOVAK--Ballroom

Thursday, July 28, 1983

7:45 a.m.	Breakfast--Dining Room
9:00	Session I. Crisis of the Welfare State: Limits of the Liberal Vision. LES LENKOWSKY--Conference Room
10:30	Coffee Break--Fox Room
10:45	Session II: Economic Constraints in Social Policy. JOHN McKNIGHT--Conference Room
12:00	Lunch--Dining Room
1:00 p.m.	Trends of Social Institutions: Past, Present, Future. JOHN McKNIGHT--Conference Room
2:00	Session III. Practitioners--Conference Room
	Economic Development KIMI GRAY Respondents: PAUL PRYDE and STUART BUTLER
3:00	Coffee Break--Fox Room
3:15	Education PAUL ADAMS Respondents: DENIS DOYLE and CAROLE HALL-WILLIAMS
4:00	Family Policy JAN YOCUM Respondents: BOB HILL and BRIGITTE BERGER
5:00	Break

6:00 Reception--Terrace

7:00 Dinner--Dining Room

8:15 An Alternative Vision: Toward a New Social Policy
PETER BERGER--Ballroom

Friday, July 29, 1983

7:45 a.m. Breakfast--Dining Room

9:00 Opening Session. BOB WOODSON and JIM COYNE
Conference Room

Organization of Three Working Groups
- Economic Development
- Education
- Family Preservation

10:30 Coffee Break--Fox Room

10:45 Conclusions and Recommendations

- Economic Development--PAUL PRYDE
- Education--DENIS DOYLE
- Family Policy--BRIGITTE BERGER

1:00 p.m. Lunch--Dining Room
Adjournment