
Introduction

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I

Over the years, the problems and challenges of America's cities have captured the attention of some of our most insightful social analysts and critics. Their research and commentary have challenged the national conscience and stimulated the public and government to seek new and imaginative solutions. What we now call urban policy has been shaped, not only by elected officials and civic activists, but by the timely and trenchant ideas of observers ranging from Jacob Riis, Jane Addams, and Upton Sinclair to seminal writers like Jane Jacobs, Kenneth Clark, Michael Harrington, and Daniel Patrick Moynihan, to name but a few.

The civil disturbances in Los Angeles in April 1992 brought home to this community and to the nation the serious continuing problems facing our large urban centers. With its echoes of an earlier outbreak of violence a generation ago in Watts, these events led many of us at RAND to ask ourselves some questions: What in our city and in our nation's cities has changed since the summer of 1965—and what has not? Are the problems of today fundamentally similar to those we have struggled with for decades? Has government policy—federal, state, and local—made things better, worse, or has it been mainly irrelevant? What lessons have we learned from past government programs and policies that can help us do a better job in the future? And, finally, of special concern to a place such as RAND, how has research contributed to understanding our cities' problems and to devising innovative solutions—and what crucial questions remained unanswered?

This book is the result of our questioning. We turned to 19 RAND analysts who have conducted extensive research on social policy and asked them to reflect on the current issues facing our cities and our

cities' people. The book does not attempt to address systematically all the issues that properly belong on the urban agenda; rather, it focuses on three broad areas where we at RAND have developed special expertise: children, youth, and families; crime and criminal justice; and public services and social welfare. Taken together, the book's essays increase our understanding of what our cities—especially our city, Los Angeles—look like, how they work and why often they don't work, the problems their residents face, and the dynamic trends that will shape their future.

The authors offer some innovative suggestions about how we can meet the challenges of the 1990s and beyond. Equally important, they identify the limits of our knowledge and the uncertainties that face policymakers. And the prescriptions they offer transcend conventional ideological labels.

II

Despite the diversity of topics and perspectives, the following common themes emerge from these essays.

1. *The range and scope of our cities' problems have, if anything, grown over the last three decades.* As Julie DaVanzo, Georges Vernez, Paul Koegel, and Audrey Burnam show, cities now shelter a growing proportion of our nation's poor, the undereducated, immigrants, and the homeless. Lynn A. Karoly describes the widening income gap between the richest and poorest in our nation, and DaVanzo shows the scope and effects of poverty on America's children—effects that are particularly severe in inner cities such as the South Central area of Los Angeles. DaVanzo demonstrates that, in many cases, family poverty goes hand in hand with the breakup of the "traditional" two-parent family. This demographic trend is most advanced in our cities, exacerbating the problem of urban poverty and bringing with it a number of serious economic and social challenges. These changes in income and demography are placing an increasingly heavy demand on public services, ranging from public safety (Petersilia, Reuter/MacCoun, Greenwood), to health care (Tranquada/Glassman), to education (Hill).

2. *Through a series of deliberate federal and state policy decisions over the last three decades, local governments, especially the governments of cities and urban counties, have been forced to assume increasing responsibility for meeting these rising demands—but their financial capacity has not grown correspondingly.* Local responsibility offers some important benefits, including the ability to experiment and to adapt policies and programs to unique conditions, but it also creates a serious problem because urban jurisdictions have the hardest time marshaling resources to meet the clamor for services. As Robert A. Levine and Barbara R. Williams explain, the decentralization of urban programs (after the “categorical” federal grants of the War on Poverty) was designed to strengthen local governments by giving them a greater say in program operation as well as the funds needed to help do the job. But when the fiscal squeeze occurred, the funds disappeared—first federal support, followed more recently by state cutbacks. Yet the responsibilities remained. But there are limitations on the cities’ ability to pick up the tab—often self-imposed as in the case of California’s Proposition 13. Preston Niblack and Peter J.E. Stan show the effects of this squeeze on urban government’s resources. It is a story that will be familiar to even the most casual reader of local newspapers in California and elsewhere: broad-ranging service cutbacks in the face of constant or in some cases growing demand.

3. *Many urban problems are beyond the reach of local government action.* Some of the problems facing cities are attributable to *changes in federal government policy*, including immigration (Vernez); housing (Koegel/Burnam); health insurance, especially for the indigent (Tranquada/Glassman); military enlistment (Hosek/Klerman); and more broadly, trade and macroeconomic policy, which affects not only the overall levels of employment opportunities (Levine/Williams) but also the mix of skills and regional labor demand (Károly). Other urban challenges are attributable to *broad social changes*, for the most part beyond what any level of government can affect. These include changes in family structure and composition (here discussed by DaVanzo and Ellickson but also in a recent RAND book, *New Families, No Families*, by Frances K. Goldscheider and Linda J. Waite), drug use (Reuter/MacCoun), and attitudes toward crime and criminal sanctions (Petersilia, Greenwood).

4. The problems that cluster in our cities most immediately affect the most-disenfranchised members of society, those who have the least political clout to gain support for effective policies to meet their needs. The essays in this book largely concern groups within our society who are either disenfranchised—children, immigrant noncitizens, the homeless—or those who do not participate effectively in electoral politics—the poor, the undereducated, the mentally ill, substance abusers, and the like. It is not surprising that, in the competition for scarce government resources, their problems often take a back seat to programs that serve broader, politically more powerful interests.

But from a broader perspective, the public has a substantial incentive to support cost-effective solutions to the problems of these groups because, at least in some cases, failing to do so imposes significant social and economic costs. Altruism and human compassion have been important motives in American social welfare policy, although in recent years two presidents have challenged the division of responsibility between the public and private sector to meet these human needs. But some of our authors suggest that government involvement in social welfare programs can be justified on a more pragmatic basis. The public as a whole would benefit directly from programs that, for example, reduce crime and juvenile delinquency (Greenwood); provide more cost-effective health care for indigents (Tranquada/Glassman); limit the multiple costs imposed on society by homelessness (Koegel/Burnam) and drug use (Reuter/MacCoun); and enhance the productivity of today's youth, who will become tomorrow's workers (DaVanzo, Ellickson, Hill). The need to find effective solutions is particularly compelling for the problems that affect children because failing to act now means more serious and more intractable problems in the future, as today's problems are replicated again in succeeding generations.

Some of the authors' diagnoses are controversial, and documentation of the societal costs of these problems (not to mention the benefits of various interventions) remains sketchy in some cases. Nonetheless, these essays present powerful arguments that the public should be prepared in its own self-interest to support well-designed programs and policies targeted at the disadvantaged.

These general observations provide the context for policy-making. What do these essays tell us about the nature of effective policy approaches or solutions?

5. *Simple solutions have often proven ineffective and wasteful because they are based on a “misdiagnosis” that ignores the multiple, linked causes of urban social problems.* This can be seen most clearly in the chapters that deal with the problems of today’s children—substance abuse, teenage sex and pregnancy, delinquency, dropping out of school, unemployment, homelessness—(DaVanzo, Ellickson, Reuter/MacCoun, Koegel/Burnam). This is also Joan Petersilia’s cautionary tale about the effect of California’s “lock ’em up” policy on reducing crime rates, a perspective mirrored in Peter W. Greenwood’s analysis of residential strategies for dealing with delinquent youth and Peter Reuter and Robert MacCoun’s discussion of the limited success of drug enforcement in breaking up street drug markets or in reducing drug use.

But in a number of cases, policy can be targeted to produce a beneficial outcome, even if it does not completely eliminate the problem. Paul T. Hill suggests ways to make urban schools work even without tackling all the problems of today’s youth; Robert E. Tranquada and Peter A. Glassman offer policy options to improve access to health care in cities even under current fiscal constraints and in the absence of a thoroughgoing reform of health insurance for the indigent and unemployed; Phyllis L. Ellickson identifies several intervention strategies that can prove cost-effective, although the positive effect is likely to be limited to only a relatively small percentage of the target youth population.

6. *Preventive strategies are appealing because they offer a cost-effective approach, but our knowledge of how to prevent is limited, and we must therefore accept the need for some more costly, ameliorative strategies.* Many of our authors, such as DaVanzo, Koegel and Burnam, Ellickson, and Greenwood, contrast preventive and ameliorative strategies and not surprisingly advocate prevention as a high payoff, cost-effective approach. But they recognize that prevention is no panacea, in part because we don’t always know what works, and even when we do, it is often hard to reach the target population.

7. More generally, government policy can only have a limited effect, especially if a proposed policy has to swim against broad social and economic currents. While we shouldn't simply throw up our hands, *we should have realistic expectations and develop policy solutions that work with, rather than against, underlying social forces.* This is most dramatically clear in the case of the changing American family and the controversial area of "family values." In some ideal sense, more two-parent families, greater teenage sexual abstinence, and a clearer social stigma associated with smoking and drug and alcohol use would help to ease many problems of contemporary urban American life. These are worthy goals for political, cultural, and religious leaders to pursue. But there will be no return to the Ozzie and Harriet family, and our policies, as Ellickson shows, must deal with the consequences; if youth are going to drink, teach them not to abuse alcohol; if they are going to engage in sex, help them avoid unintended consequences of disease and pregnancy. Similarly, although we can take steps to help parents to stay together—for example, by eliminating disincentives to two-parent families as DaVanzo discusses—policy should reflect the reality that, for many Americans, one-parent families are here to stay and should focus on alleviating the poverty and other problems they face. Immigration is another example. Undocumented immigration will continue, short of enacting draconian measures, which have never been politically acceptable to the nation. Therefore, policy should be designed to help both these immigrants and the communities in which they live to deal with the consequences.

8. *Economic prosperity can alleviate some urban problems and ease the fiscal pressure on America's cities.* Economic prosperity helps both the demand and the supply side of the urban equation: with more people working, there are fewer demands on health and welfare services that are associated with unemployment and poverty. As the demand for labor increases, opportunities for the harder-to-employ increase, thus benefiting the disadvantaged everywhere, as Levine and Williams point out in their review of anti-poverty strategies over the past three decades. At the same time, economic prosperity helps fill government coffers and makes it easier to finance those services that are still needed. But when the economy turns down, the effect is multiplied in the opposite direction. Niblack and Stan illustrate the "double whammy" of local government finance in

California: a growing reliance on “procyclical revenues”—for example, income and sales taxes—that drop during a recession just as needs are growing.

But even sustained prosperity will not solve all of our cities’ problems nor benefit all of our cities’ people. The most vulnerable are the ones who need the most help and are the last to benefit from a rising tide. A number of our authors show that even the sustained growth of the 1980s failed to reach segments of the urban community, and the benefits of growth were not equally shared, as Karoly illustrates. The changing employment mix, which is creating an increasing number of low-paying jobs without health insurance and other benefits, means that not just the unemployed but also the “working poor” are placing demands on urban social welfare services. We see this clearly from Koegel and Burnam in their discussion of the “new homeless” and from Tranquada and Glassman in their study of medically indigent working families. And even growth did not bring about the same high level of employment as in previous decades. Finally, some segments of the urban community (the mentally ill, alcohol and drug abusers, single parents of small children) are so weakly attached to the labor market that even high overall levels of employment are unlikely to help them. For these, targeted programs are the only plausible solution.

III

In preparing their chapters, we asked our authors to focus where possible on the specific characteristics and problems of the Los Angeles area. In some cases, they were able to use recently released 1990 census data, which allowed them to examine not only the greater Los Angeles area but specifically South Central. In other chapters, the authors have drawn on research and experience specific to Los Angeles and to the state of California.

What emerges from these essays is a portrait that enriches our understanding of the Los Angeles landscape, although the main characteristics will come as little surprise to residents or to policy analysts. Los Angeles shares in most of the worrisome urban social and demographic trends—only more so in many cases. In particular, Los Angeles faces especially daunting problems arising from the diverse

waves of immigration that continue to bring millions here and to create a mix and range of problems that stem in part from that diversity.

The 1990 census documents a trend well known to LA residents: there is no longer a “majority” group in the county. Non-Hispanic whites make up 41 percent of the population; those of Hispanic origin, 38 percent. Blacks, including Hispanic blacks (11 percent) slightly outnumber Asians/Pacific Islanders (10 percent). This snapshot is the culmination of three trends active since the 1980 census: an 8.5 percent decline in the non-Hispanic white population, virtually no change in the number of blacks, and a dramatic increase in Hispanics (up 65 percent) and Asians/Pacific Islanders (up 110 percent).

Immigrants accounted for more than 60 percent of metropolitan Los Angeles’s population growth of three million over the last decade and 54 percent of the state’s population growth. (Metropolitan Los Angeles includes Los Angeles, Anaheim, Riverside, Long Beach, and Ventura.) The percentage of foreign born has grown from 18 percent to 27 percent in the metropolitan area, the second highest (after Miami) in the nation, and has reached 33 percent in Los Angeles County, 38 percent in the city. Forty-five percent of recent immigrant children (those in the United States for three years or less) live in California; in the Los Angeles school district, recent immigrant students make up 10 percent of total enrollment and, under current trends, will increase by about 10 percent a year. Thus immigration is having, and will continue to have, a dramatic influence on the size and composition of the student population in Los Angeles, placing increasingly heavy demands on funding for public education as well as for other public services, such as health care.

Another group generating growing demands on the community is the homeless population. Although it is difficult to place an exact number on the homeless, Los Angeles vies with New York for the largest homeless population in the country. RAND research suggests that in Los Angeles the homeless population is predominantly young, unmarried, male, and minority, with blacks outnumbering Hispanics. In the downtown and Westside area, women make up 16 percent of the homeless, and three-quarters of them are parents; approximately 20 percent have their children with them. More than

half lived in Los Angeles before first becoming homeless and as many as 70 percent have lived in Los Angeles for more than one year. One-third had at least some college education, but a roughly equal percent had not finished high school. Not surprisingly, the homeless have high rates of mental health and substance abuse problems; crack cocaine in particular is increasingly common among them.

Part of the problem stems from the dramatic decline in low-income housing, a decline which is more pronounced in Los Angeles than the national average. The number of units renting for under \$500 per month (in 1985 dollars) in Los Angeles fell from 35 percent of the market in 1974 to 16 percent by 1985. By 1985, 74 percent of poor households were spending more than half their income on rent.

Although the Los Angeles metropolitan area has shared in the national trend toward greater income and wage inequality, the income gap has grown wider in Los Angeles than the national average. Real income fell 17 percent between 1973 and 1990 for a family near the bottom of the income distribution (the 10th percentile) compared with a 9 percent drop nationally; income rose 22 percent for those near the top (the 90th percentile) compared with 12 percent nationally. The result, as Karoly notes, is that, "in Los Angeles in 1990, family income at the 90th percentile was almost 13 times higher than at the 10th, while the ratio was about 11 to 1 for the nation as a whole."

For wages, the trends in California and in Los Angeles are similar to the national pattern, with sharp drops in real wages for male workers both at the bottom and in the middle of the wage distribution; real increases in wages for women at all parts of the spectrum were evident, especially among women near the top of the wage distribution. Unlike the national and statewide pattern, however, real wages for male workers near the top of the wage distribution in Los Angeles did not rise in real terms, though the small size of the sample may affect this conclusion.

DaVanzo's research offers further insight into patterns of family poverty in Los Angeles County and in the South Central area. The poverty rate for families with children under 18 is slightly higher in the county than the national average (17 percent vs. 15 percent); in South Central, it is 38 percent, more than double the countywide rate. The poverty rate for Hispanics (24 percent) and blacks (26 per-

cent) in the county is twice as high as for whites (12 percent) and Asians/Pacific Islanders (13 percent). In South Central, the poverty rate is similar for all races and ethnic groups, but the population of South Central is overwhelmingly black (56 percent, including Hispanic black) and Hispanic (42 percent).

In Los Angeles County, poverty rates are similar for married white and black couples (8 percent and 9 percent, respectively), half the rate for two-parent Hispanic families (17 percent). Poverty rates for single-parent families are somewhat higher for blacks (41 percent) than whites (25 percent) and are higher still for Hispanics (46 percent), roughly mirroring the statewide pattern. Asian/Pacific families fall in between for both one- and two-parent families. In South Central, poverty rates are higher for both single- and two-parent families, reaching 51 percent for female-headed black families and 64 percent for female-headed Hispanic families.

The high rate of poverty among female-headed black families has an especially large effect since, in Los Angeles County, the percentage of black female-headed households (48 percent) is three times the rate for whites (16 percent) and more than double the rate for Hispanics (19 percent). This mirrors the national pattern except for Hispanic families, which are less likely to be female headed in Los Angeles County than nationally (24 percent). In South Central, the percentage of black households that are female headed is somewhat higher than the countywide percentage (58 percent vs. 48 percent), while the percentage for Hispanics is roughly the same.

The poverty rates for black and Hispanic households in South Central are a product of different mixes of family size, educational attainment, and labor force participation. Adult blacks have a much higher rate of high school graduation (63 percent in 1990) compared with Hispanics (18 percent), although this difference should narrow over time since, for the 16- to 19-year-old age group, 72 percent of blacks and 60 percent of Hispanics were enrolled in school. However, in 1990 only 47 percent of black males over 16 were employed compared with 71 percent of Hispanics. (Part of the difference is accounted for by the higher number of blacks over 16 still in school.) The median income for Hispanic households is 12 percent higher than for blacks (\$20,740 versus \$18,463), but the mean size of

Hispanic households is much larger (5.28 persons vs. 2.78); thus black per capita income is twice as high (\$9,174 vs. \$4,625).

Immigration, homelessness, and growing poverty contributed to the demand for a broad range of public services from local Los Angeles-area governments. For health care services, provided in part by Los Angeles County, the problem is compounded by the low level of workplace-based health insurance in California. Only 56 percent of working Californians receive insurance from their employers compared with 64 percent nationally. The problem is particularly acute for working Hispanics (40 percent have employer health insurance) and blacks (52 percent). Almost one-third of the county's nearly nine million residents was without health insurance at some time during 1989, the highest per capita rate among the 30 largest metropolitan areas in the country.

Local governments play a major role in meeting these demands for a wide variety of services, and in California, the role of local government is especially important: local government spending makes up about 66 percent of total state and local spending compared with the national average of 61 percent. Niblack and Stan present in detail the evolution of local government finances since Proposition 13. Following the 1978 limits on property taxes, Los Angeles County grew more dependent on state aid, which made the county especially vulnerable to statewide revenue shortfalls in recent years; by contrast, the city has turned to user fees and charges to help make up revenues lost from Proposition 13 and to compensate for the near-total elimination of federal grants in the 1980s. The county's real per capita spending has remained flat between 1977 and 1990, constraining the services traditionally provided by the county (social services, health and welfare); but the city has increased its real per capita spending steadily since Proposition 13. Although spending has increased in real terms for all major spending categories, police and fire have fallen in relative terms (from 37 to 29 percent of the budget from 1977 to 1990), while environment and housing (including sewerage and waste disposal) and interest on debt have increased their share of the budget.

This profile of Los Angeles clearly suggests that, in the coming decades, the city and the county will face, much more intensely than in the past, many of the same public service and finance problems

that have long troubled the nation's older cities. For Los Angeles, many aspects of the broad sweep of domestic policy research carried out by RAND and by other institutes in the country over the last 30 years is more relevant and timely than ever.

IV

The chapters in this volume are only a small sample of findings from 25 years of RAND research on domestic policy. America's cities have always played a central role in this research—whether focused upon the behavior of urban dwellers; assessing programs designed to improve the well-being of the urban poor; or helping local and state governments come to grips with the financing, delivery, and governance of public services. Jane Jacobs characterized it best in her influential book, *The Death and Life of Great American Cities*, when she observed, “Cities are an immense laboratory of trial and error.” RAND has been active in that laboratory for some time, describing the trends, learning from the trials, and helping decisionmakers minimize the errors.

In the late 1960s, the New York City–RAND Institute was created to work side by side with the city's politicians and bureaucrats in their efforts to improve the delivery of fire, police, housing, and social services. The Levine and Williams chapter recalls a federally funded effort in the early 1970s to understand and map the changing fates of St. Louis, San Jose, and Seattle. This work ultimately led to a framework for assessing the impacts of urban policies that distinguished between the consequences of policies for *people*, *geographic places*, and *political jurisdiction* and for analyzing how the design of policies often muddled these distinctions (this framework is discussed in the chapter by Levine and Williams). By the late 1970s, RAND was assessing the consequences of California's Proposition 13 for the quality of municipal services and was determining whether rent control was significantly changing the price and quantity of rental housing in Los Angeles—a question central to the Koegel/Burnam chapter on homelessness.

Fiscal stringency at the local government level began to hit cities hard in the early 1980s. Cleveland leaders, who were designing an economic development strategy for revitalizing their city's troubled

economy, asked RAND to identify “winning” sectors of its economy to strengthen future international competitiveness and to design an information system that could be institutionalized into a permanent economic monitoring capability for the Cleveland metropolitan region. (That capability is now located at Case Western Reserve University.) During the period, RAND was also asked by the mayor of Saint Paul to design a strategy for implementing a system of “cost centers” and user fees that might relieve the property tax base. The chapter by Niblack and Stan on fiscal trends in California describes just how aggressive Los Angeles has had to be with fees and special charges to balance budgets in the late 1980s and early 1990s.

A legacy of the federal government’s focus on urban poverty in the 1960s was the design and implementation of social program experimentation. The movement toward “controlled” trials of program design stemmed both from a need to build political support for new programs before they were implemented and from the recognition that little was known about whether the programs would actually accomplish their objectives without offsetting side effects. In the early 1970s, RAND was asked to lead four social experiments involving cities and states throughout the country—the Health Insurance Experiment, the Housing Allowance Supply Experiment, the Education Voucher Demonstration, and the Los Angeles Electric Pricing Experiment.

What is telling for the findings reported in this volume is the degree to which controlled experiments have become the benchmark for designing and testing programs in our nation’s cities—from the findings on prevention of adolescent drug use described in Ellickson’s chapter to the conclusion reached by local probation officers throughout the country that intensive supervision of probationers is not going to be an easy or effective solution to prison overcrowding (Petersilia). Although the conclusions from these controlled trials are not always encouraging, we know much more today about what works and what doesn’t when confronting the issues posed by the circumstances and in the aftermath of the civil disturbances in Los Angeles.

The findings reported in this volume about Los Angeles and about urban America more generally stem from a substantial amount of ongoing analysis and modeling of demographic, economic, and pro-

grammatic trends at the national level. Income growth and distribution (Karoly); cost, quality, and access to health care (Tranquada/Glassman); the homeless and mental illness (Koegel/Burnam); immigration reform and control (Vernez); reforming urban education (Hill); children, youth, and families (DaVanzo); reforming the criminal justice system (Petersilia, Greenwood); drug markets and street crime (Reuter/MacCoun) are topics that represent just a small sample of the work taking place in the eight research programs of RAND's Domestic Research Division. A selected bibliography of RAND research related to the problems of urban America appears at the end of this volume.

Reviewing this work at RAND in light of the Los Angeles disturbances was a sobering experience. We know more about our cities today than we did in 1965. But the portrait that emerges is disturbing: we have not only failed to meet the lofty goals for improvement of the 1960s; in many respects the problems have become more complex, more deeply ingrained, and more formidable.

Can government action help us build a better future for our cities and the people who live in them? Taken together, these essays suggest that better policies can take us at least part of the way, but only if we as a nation can sustain a sense of urgency and common commitment.

We hope that this volume will stimulate discussion, clarify issues, and help shape the policy choices facing public and private decisionmakers at the federal, state, and local level during this time of change. Most important, the events of April 1992 have served to renew and intensify RAND's commitment to the use of its research findings and recommendations for improving the health and well-being of residents of California, and of residents of urban communities throughout America.