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Employment Policy, Community Development and the Underclass

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A. INTRODUCTION

The difficulties in achieving a consensus regarding the definition of the *underclass* cannot be minimized. The term was first coined by The New Yorker writer Ken Auletta (1982) who used it broadly to include individuals with "behavioral and income deficiencies." Other definitions have been advanced by the seminal works of William Julius Wilson (1987), Erol Ricketts and Isabel Sawhill (1986), Douglas Glasgow (1980), William Darity (1980), and finally Christopher Jencks (1992) who draws fine distinctions of the underclass by classifying its members into various subgroups, that is *impoverished underclass, jobless underclass, reproductive underclass, educational underclass* and *violent underclass* . In this paper, I consider as members of the underclass, individuals residing in urban centers, mostly in inner city areas. Their neighborhoods experience concentrated poverty and joblessness, and violence, and lack community supporting institutions. Those individuals who are employed are "working poor" and their education is at the high-school level or below; and, a good number of them are single parents, either male or female heads of households. Finally, I include as members of the underclass, a significant fraction of the more than 45% of children under 6 years of age and individuals under the age of 18, who live below the poverty line. Even though, only a fraction of those living in poverty reside in these neighborhoods -about 21 per cent of all persons and 34 per cent of blacks residing in inner city areas were below the poverty line in 1994- escaping from there requires confronting and dealing with a plethora of insurmountable obstacles. It should be noted that the members of the underclass are not likely to include Jews, Irish or Italians (Duster 1995), nor are they only African-Americans. If it were only a "black problem," it would disregard the two-thirds of African-Americans who are not poor, and the two-thirds of the poor residing in inner city areas who are not black (Blank 1992). African-Americans are, however, overrepresented in the underclass. This paper focuses specifically on the issue of urban poverty and the changes in the urban-poor population, and relates these changes to changes in the economic and policy landscape that has evolved over the last fifteen years. Policy lessons drawn from other industrialized countries are also reviewed. At the end, consideration is given to various proposals for public action to alleviate the problems of the underclass, including community development that can be achieved via a network of community development financial institutions.

B. URBAN POOR AND THE UNDERCLASS: 1980-1996

Over the years, the number of people living in these conditions has risen, and alarmingly so, despite the economic vitality of the Reagan and Clinton years. Early research on the relationship between the macroeconomy and poverty gave credence to the 1960s experience that "a rising tide lifts all boats" (Blank and Blinder 1986), that is, it showed that economic growth can be expected to produce a fall of poverty via the trickle-down mechanism. The paradox of the economic turnaround is that both the fall in unemployment and the rise of GNP devoted to government transfers appear to have had "perverse" effects on poverty over the 1980s (Blank 1993; Cutler and Katz 1991) and early 1990s. In particular, Rebecca Blank's calculations revealed that during the years 1983-1989, "for every 1 point fall in male unemployment, poverty increased by 0.42 points" while "a 1 point rise in the share of transfers in GNP was associated with a 1.58 point rise in poverty" (1993, p. 25). These findings contrast with other evidence indicating that at times of recession, unemployment is unequally distributed (Blank and Card 1991) and that, generally, the disadvantaged bear a larger share of the economic decline (Cutler and Katz 1991, p. 2). Thus, there have been a number of attempts to use the above to reinforce the view that public policy responses cannot reach the underclass, and they are wrongheaded. Tables 1-3 below, give profiles of various population groups for selected years including the Carter, Reagan, Bush and Clinton presidencies. It will be noticed, for example, in Table 1 that although the trend of the overall unemployment rate is declining the corresponding rate of black unemployment is consistently two to three times higher that of white. Similarly, the rate for Hispanics is about 60% to 70% higher, the rate of whites. In Table 2 poverty rates of various segments of the U.S. population residing in central cities, outside central cities and in nonmetropolitan areas are shown to experience increasing trends with the more pronounced for blacks and Hispanics. These rates document the depth of poverty among the various groups especially those belonging to the underclass. In addition, Table 3, relates poverty rates to the level of education for similar population groups as in Tables 1 and 2. In summary, what tables 1-3 demonstrate is that the "vulnerable" to use a common phase, are the jobless, they mainly reside in central cities and have either dropped-out of high school or have just finished high school; and overwhelmingly, the corresponding trends for blacks and Hispanics have consistently been higher by more than two to three times those of whites. Finally, table 4, documents the dramatically increasing trend of the "most vulnerable" of all population groups, that is, children under 6 years and individuals under age 18. What are we to make of all this evidence? From the outset the following should be clear: neither tables 1-3 nor Blank's regression analysis should be used to draw causal conclusions. Indeed, such conclusions would be misleading, if they were to be interpreted as implying that rising unemployment would be associated with decreasing poverty rates (Blank 1993, p. 25) or that reducing government transfers would be associated with decreasing poverty. To this, I will return later.

TABLE 1: UNEMPLOYED WORKERS									
	1980	**1985**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**
Unemployment Rate (%) Total (all persons)	7.1	7.2	5.3	5.5	6.7	7.4	6.8	6.1	5.6
White 16 to 19 years old	15.5	15.7	12.7	13.4	16.4	17.1	16.2	15.1	14.5
20 to 24 years old	9.9	9.2	7.2	7.2	9.2	9.4	8.7	8.1	7.7
25 to 34 years old	6.1	5.9	4.3	4.6	6.0	6.6	6.0	5.2	4.6
Black 16 to 19 years old	38.5	40.2	32.4	31.1	36.3	39.8	38.9	35.2	35.7
20 to 24 years old	23.6	24.5	18.0	19.9	21.6	23.9	22.0	19.5	17.7
25 to 34 years old	13.3	14.5	11.5	11.7	12.7	14.2	12.6	11.1	9.0
Hispanic 16 to 19 years old	22.5	24.3	19.4	19.5	22.9	27.5	26.2	24.5	24.1
20 to 24 years old	12.1	12.6	10.7	9.1	11.6	13.2	13.1	11.8	11.5
25 to 34 years old	9.1	10.0	7.0	7.3	9.2	10.4	9.3	9.9	8.2
Women maintaining families (total) White	7.3	8.1	6.1	6.3	7.2	7.8	7.7	N/A	N/A
Black	14.0	16.4	13.0	13.1	13.9	14.7	13.7	N/A	N/A
Married men, wife present White	3.9	4.0	2.8	3.1	4.2	4.7	4.1	3.4	3.0
Black	7.4	8.0	5.8	6.2	6.5	8.3	7.2	6.0	5.0
Source: U.S. Bureau of Labor Statistics, Employment and Earnings, and unpublished data.									

TABLE 2: PERSONS BELOW POVERTY LEVEL IN METROPOLITAN AND NONMETROPOLITAN AREAS BY RACE AND HISPANIC ORIGIN								
	1980	1985	1989	1990	1991	1992	1993	1994
All persons Metropolitan	11.9	12.7	12.3	12.7	13.7	14.2	14.6	14.2
Central Cities	17.2	19.0	18.5	19.0	20.2	20.9	21.5	20.9
Outside Central Cities	8.2	8.4	8.2	8.7	9.6	9.9	10.3	10.3
Nonmetropolitan	15.4	15.9	15.9	16.3	16.1	16.2	17.2	16.0
White Metropolitan	8.8	10.1	9.4	9.9	10.6	11.1	11.4	11.1
Central Cities	12.1	14.9	13.6	14.3	15.4	16.2	16.4	15.9
Outside Central Cities	7.0	7.4	7.1	7.6	8.2	8.5	8.9	8.9
Nonmetropolitan	12.9	15.6	13.2	13.5	13.6	14.4	14.8	13.8
Black Metropolitan	30.1	29.1	29.1	30.1	31.6	32.1	31.9	29.8
Central Cities	32.3	32.1	33.2	33.8	35.3	35.4	35.8	34.2
Outside Central Cities	24.3	21.7	20.3	22.2	24.4	25.5	24.6	22.3
Nonmetropolitan	40.6	42.6	39.7	40.8	38.9	40.7	40.3	35.4
Hispanic Metropolitan	N/A	N/A	25.6	27.8	28.3	29.0	30.4	29.8
Central Cities	N/A	N/A	29.8	31.7	32.9	34.0	35.0	35.0
Outside Central Cities	N/A	N/A	20.2	22.8	22.6	22.5	24.6	24.5
Nonmetropolitan	N/A	N/A	34.6	32.0	33.9	37.2	33.4	39.7
Notes: All figures are in percentages; 1994 data aren't directly comparable to data from earlier years. N/A - Not available Source: U.S. Bureau of the Census, Current Population Reports, and unpublished data.								

TABLE 3: POVERTY RATES RELATED TO EDUCATION FOR HOUSEHOLDERS 25 YEARS OLD AND OVER BY RACE AND HISPANIC ORIGIN								
	1980	**1985**	**1989***	**1990**	**1991**	**1992***	**1993**	**1994**
All persons One or more yrs of college	3.7	4.0	3.6	3.8	4.3	4.7	5.2	5.2
HS Graduate	8.0	9.9	9.1	9.3	10.5	11.2	11.7	10.9
Did not complete HS	18.0	20.6	20.9	21.8	24.2	24.5	25.1	24.8
White One or more yrs of college	3.0	3.1	2.6	2.9	3.4	3.7	4.1	4.2
HS Graduate	6.4	7.9	7.0	6.9	7.8	8.5	8.6	8.5
Did not complete HS	14.1	17.2	16.8	17.6	20.0	19.7	20.6	20.6
Black One or more yrs of college	12.0	13.7	12.3	12.0	12.2	14.3	15.0	10.3
HS Graduate	22.7	25.0	23.4	26.2	30.0	28.7	31.4	26.0
Did not complete HS	37.0	36.4	39.3	40.6	41.4	44.7	44.4	40.1
Hispanic One or more yrs of college	8.1	8.6	8.2	9.3	9.6	10.9	10.5	10.7
HS Graduate	14.1	15.0	16.4	15.0	18.8	19.8	23.5	20.7
Did not complete HS	31.0	34.0	31.4	34.0	36.1	35.8	37.2	38.0
Notes: All figures are in percentages *Revised data Source: U.S. Bureau of the Census, Current Population Reports, and unpublished data.								

In the 1960s and earlier, the neighborhoods in the inner cities were vibrant in terms of economic activity and social interaction, since families of various ethnic groups including African-Americans lived in these communities. As Wilson pointed out in 1987 and in his recent book (1996), there were middle-class, working class and lower/underclass families whose values were transmitted from group to group because they all used more or less the same commercial establishments and community organizations, that is, grocery stores, banks, post offices, public schools and other public spaces. In the beginning of the 1970s, this was changed, with businesses moving from the cities to the suburbs; the middle class followed, leaving the lower class behind to compete for the few left-over jobs. With the departure of the middle-class, the dissolution of these communities in terms of economics and social behavior, was inevitable. Today, there are "overwhelming obstacles that many ghetto residents have to overcome just to live up to mainstream expectations involving work, the family, and the law [which] are taken for granted in middle-class society" (Wilson 1996, p. xviii). The disappearance of work, Wilson argues, has had the most aggravating effect on the social and cultural life in the inner-city underclass (ibid., p. xix).

C. CHANGING ECONOMIC LANDSCAPE

There is more or less a general understanding that the American economy is offering fewer and fewer high-paying jobs, and very grim prospects for the unskilled. In the new structure of an increasingly integrated international economy, where capital, technology and even labor are becoming mobile, our living standards may depend on the American factories of foreign corporations, the non-domestic factories of foreign corporations, the non-domestic factories of American corporations, foreign workers employed by American corporations or foreign corporations operating outside America. Our economy is global and we are global citizens. Until recently, the only American manufacturer of televisions produced them in Mexico; while a significant number of our engineers and designers involved in R&D relating to new generations of televisions, who work in America, do not work for American manufacturers. Their employers are British, Japanese, French or Dutch firms. The McDonnell-Douglas airplane is not an American plane and the Airbus is not a European plane. The evolving structure of the U.S. economy does not necessarily imply that the educated and technically adept are immune from dislocation, as technological advances in automation, new work processes and spatial conditions dramatically change how work is performed. But it does mean that those educated beyond high-school and prepared for careers in managerial, professional, and technical occupations are and will be the beneficiaries of opportunities and rewards which will be further increased by continued on the job training and experience. In contrast, the less prepared are finding an unwelcoming job market. This especially prevalent among the residents of central cities where the old-fashioned factory system and other employment opportunities have either moved out to the suburbs or disappeared altogether, with the remaining jobs for the unskilled being much too few to match the number of those seeking to fill them (Newman 1996).

Robert Reich, the former Labor Secretary in the Clinton Administration, talks frequently about the existence of an anxious class and the need for government activism to combat it. This anxiety, as the recently published CED report on "American Workers and Economic Change" (CED 1996) suggests, is the result of the realization that a number of our social and economic institutions, whether they be those that prepare us for work, sustain us during our working lives or provide for our retirement, are obsolete. There is, therefore, a need to rethink the institutional structures of the public and private sectors. The report also urges that "opportunities to acquire and develop skills [cannot be] unequal, [since] those without such opportunities will be left further and further behind." And "this. . . an enormous waste of human resources" (p.12). It is apparent, then, that both the private and public sectors recognize the necessity to implement policies that expand economic opportunity, promote and ensure equal access to education and professional development, and provide resources required to do so effectively.

Stimulative government policies usually involve a multitude of goals in addition to employment growth. These include the balance in the federal budget and international payments, the maintenance of price stability and the fostering of investment. We have witnessed that policies enacted to enhance macroeconomic activity have not always achieved prosperity for all segments of our citizenry. We are left, then, with the question of whether national policy can ameliorate poverty and improve the human condition of low-income households or the underclass. If so, what would be the sort of policy levers that can be effectively used? Darity and Myers (1994, p. 36) suggest that policies can be effective if, and only if, "members of the underclass have attitudes that are completely adaptable to changes in their economic circumstances" while Wilson (1987, 1996) is unequivocal in that an expanding economy is the requisite for eliminating the underclass. An expanding economy, however, without specifically targeted policies is not necessarily a guaranty to address the needs of the underclass; as was mentioned earlier, the decade of the 1980s may have been a time of relative prosperity, but the evidence shows it has had no impact on the disadvantaged. A different interpretation of the lessons to be drawn from the 1980s, as suggested by David Cutler and Lawrence Katz (1991), "may well be that appropriate transfer policies for the disadvantaged can be important in enhancing outcomes for the poor, in times of both weak and strong macroeconomic performance."

D. EXPERIENCE FROM OTHER COUNTRIES

Policy lessons drawn from the experiences of other industrialized countries may not be very straightforward, but, nevertheless may be, instructive. The evidence taken from the experience of government programs in other developed countries is overwhelmingly positive. For example, Table 5, details the effect of government programs in ameliorating child poverty. These programs include: i) broader child tax allowances than in the United States, including cash allowances to low wage earning families, ii) subsidized paid-for child care iii) universal health care, and iv) child support when fathers will not pay. Clearly, the statistics on the condition of children in poverty show that the U.S. has the worst record of any of the other industrialized countries. It should be noted that in concert with the American experience many other countries also have a high incidence of single parents. In Sweden, France and the Netherlands, for example, single mother families as a percentage of all families with children for the years shown in table 5 were 15%, 7% and 10% respectively while in the US single moms represented 19% of families with children.

TABLE 4: CHILDREN UNDER AGE 6 AND INDIVIDUALS UNDER 18 BELOW POVERTY LEVEL BY RACE AND HISPANIC ORIGIN								
	1980	**1985**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**
All persons Under 6	20.7	23.0	22.5	23.6	24.6	25.7	25.6	24.5
Under 18	18.3	20.7	20.1	20.6	21.8	22.3	22.7	21.8
White Under 6	16.0	18.3	16.9	18.4	19.2	20.1	20.1	19.0
Under 18	13.9	16.2	15.1	15.9	16.8	17.4	17.8	16.9
Black Under 6	45.8	47.7	49.8	51.0	51.7	53.1	51.7	49.1
Under 18	42.3	43.6	43.8	44.8	45.9	46.6	46.1	43.8
Hispanic Under 6	34.6	41.4	38.8	40.7	44.6	42.7	43.4	43.9
Under 18	33.2	40.3	36.2	38.4	40.4	40.0	40.9	41.5
Notes: All figures are in percentages; 1994 data aren't directly comparable to data from earlier years. Source: U.S. Bureau of the Census, Current Population Reports, unpublished data, March 1995, prior reports.								

TABLE 5: CHILDREN UNDER AGE 6 AT POVERTY LEVEL AND EFFECT OF GOVERNMENT PROGRAMS		
COUNTRY	**BEFORE %**	**AFTER %**
United States (1991)	25.9	21.5
Australia (1989)	19.6	14.0
Canada (1991)	22.5	13.5
Ireland (1987)	30.2	12.0
Israel (1986)	23.9	11.1
U.K (1986)	29.6	9.9
Italy (1991)	11.5	9.6
Germany (1989)	9.0	6.8
France (1984)	25.4	6.5
Netherlands (1991)	13.7	6.2
Norway (1991)	12.9	4.6
Luxembourg (1985)	11.7	4.1
Belgium (1992)	16.2	3.8
Denmark (1992)	16.0	3.3
Switzerland (1982)	5.1	3.3
Sweden (1992)	19.1	2.7
Finland (1991)	11.5	2.5
Note: Dates of latest data used in parentheses; government programs include: child tax credits, day care credits, health care and child support when fathers won't pay Source: Luxembourg Income Study, 1995		

The Canadian experience is also instructive because it shows convincingly that positive outcomes of income support programs can be obtained. The Canadian Transfer System raises more people out of poverty than does the American income maintenance system.

In Table 6, the simulations by Blank and Hanratty (Card and Freeman 1994), quantify the effects that the Canadian transfer system would have on American poverty. It will be noticed that the simulations show that

i. the poverty rates among all American families would be reduced by 30%, and
ii. the poverty rates among single-parent families with children would be reduced by
iii. 60% (Card and Freeman, p. 212).

Obviously, one would want to know the cost of the Canadian transfer system. This is given in Table 7 which compares both the Canadian and American transfer payments programs in terms of GNP for needs-based cash and noncash transfers to nonelderly, unemployment insurance, and cash-based child support programs. The differences in costs throughout the period covered in the table are dramatic, but so are the results in income and poverty outcomes (p. 217).

TABLE 6* Estimated Effect of "Average" Canadian Transfer System on U.S. Poverty	
	Poverty Rate (%)
All Families Actual	13.5
Simulated Under Average Canadian Transfer System	
Assuming least-elastic Labor supply responses	9.4
Assuming most-elastic Labor supply responses	9.5
Single-Head Families with Children Actual	45.3
Simulated Under Average Canadian Transfer System	
Assuming least-elastic Labor supply responses	15.8
Assuming most-elastic Labor supply responses	16.2

SOURCE: Blank and Hanratty, 1993 (Table 10).
Notes: "Average" Canadian transfer system is a population-weighted average of systems in various Canadian provinces. Labor supply response parameters are taken from range of estimates obtained in the Seattle-Denver Income Maintenance Experiment. Estimates assume that program participation rates for eligible families equal actual participation rates among eligible Canadian families.
*Table 6.4 of David Card and Richard B. Freeman's "Small Differences That Matter: Canada vs. the United States" in Richard B. Freeman (ed.) *Working Under Different Rules*, Russell Sage Foundation, 1994.

Table 7* Transfer Program Expenditures in the United States and Canada, 1960-1990								
		Program Expenditures as a Percentage of GNP						
		1960	1965	1970	1975	1980	1985	1990[a]
1. Needs-based transfers including for disabilities[b]	Canada:	0.66	0.98	1.37	1.69	1.76	2.15	2.20
	U.S.:	0.80	0.89	1.10	1.72	1.70	1.40	1.30
2. Unemployment insurance	Canada:	1.22	0.54	0.78	1.81	1.28	2.13	1.77
	U.S.:	0.59	0.44	0.38	0.87	0.68	0.46	0.32
3. Child programs: Tax Credits and family allowance[c]	Canada	1.36	1.05	0.63	1.06	0.86	0.82	0.77
	U.S.:	----	-----	-----	0.06	0.05	0.04	0.09
4. Sum of three programs	Canada	3.24	2.57	2.78	4.56	3.90	5.10	4.74
	U.S.	1.39	1.33	1.48	2.65	2.43	1.90	1.71

Sources: Statistics Canada *Canada Year Book* (Ottawa: Statistics Canada, 1980-81, 1991 editions); Social Security Administration *Social Security Bulletin Annual Statistical Supplement* (Washington, D. C.: GPO, 1991); Committee on Ways and Means, U.S. House of Representatives *1992 Green Book* (Washington, D. C.: GPO, 1992).

[a] 1990 data for Canada; 1989 data for U.S.

[b] Canadian data include expenditures under Canada Assistance Program and earlier programs for disabled people, as well as provincial and municipal welfare. U.S. data include Aid to Families with Dependent Children (AFDC), Supplemental Social Security Income (SSI), Food Stamps, general assistance and other categorical payments under the Social Security Act, *excluding* Medicaid expenditures.

[c] Canadian data include Family Allowance and Child Tax Credit. U.S. data include refunded portion of Earned Income Tax Credit.
*Table 6.5, from David Card and Richard B. Freeman, "Small Differences that Matter: Canada vs. the United States," in R. B. Freeman, ed., *Working Under Different Rules* (New York: Russell Sage Foundation). Reprinted with permission.

E. POLICY INITIATIVES AND COMMUNITY DEVELOPMENT

Anti-poverty policies aimed at the problems of the urban underclass are needed to supplement traditional fiscal policies. Notwithstanding the need to create jobs, policies must be directed towards enhancing human capital and encouraging work effort among those in poverty. These policies should include public assistance programs that prepare individuals for work or provide incentives for work and income support, such as an expanded EITC, wage subsidies and children allowances; other policies should promote early childhood development and assistance, and preschool and compensatory education.

All these strategies can be achieved if, and only if, the present trend of reducing the spending on existing and new social programs is reversed. Proposals for new initiatives have ranged from Danziger and Gottschalk's creation of low-skill and jobless workers' minimum-wage public sector jobs program (1995) to Edward V. Regan's public-investment infrastructure maintenance program for unskilled and jobless workers (1994). These and other similar proposals, that is, Mickey Kaus's Works Progress Administration (WPA)-like public works jobs program, can match the demand-side of jobs to the supply-side of disqualified welfare recipients in the "ending welfare as we know it" debate, and help reverse the economic and social decay of the inner city (Kaus 1992).

Finally, targeted neighborhood programs, such as community development banks, are essential for the revitalization of economically distressed communities. Commercial banks are unwilling to provide financial services for low-income, low-wealth businesses and households. There is evidence suggesting that traditional banks perceive loans to micro-sized businesses and low-income households as risky especially if there no previous banking relationship. Furthermore, as the costs of attracting deposits rise, so do the fees on non-interest-bearing checking accounts (from about $27 to $35 in 1977 at 1991 prices to $60 to $66 by 1991). Rising fees and no access to credit have forced a segment of the population, especially those residing in inner-cities, out of the traditional banking system.

Many of those who have left the banking system have turned to "fringe banking" -primarily pawnshops and check cashing facilities. John Caskey (1993) reports that in 1993, about 41% of households with income below $12,000 had no deposit account (up from 9.5% in1977). Most users of check cashing outlets are low-income workers or recipients of government transfers, and they tend to be young and non-white. In a study of three New Jersey counties, it was found that almost half of all AFDC checks issued in the counties were cashed at check cashing facilities. The fees charged vary, but they can be exorbitant -1.5% to as high as 15%- and depend on the type of check cashed, location, and whether the check cashing facility operated in a state that regulates such feed (Caskey 1993). Since these individuals do not usually have credit cards or any access to other type of credit, they are forced to pawn their valuables as collateral against loans. The typical user of a pawnshop earns $8,000 to $16,000 per year, lives from "hand to mouth", has no credit card, and borrows less than $50 at in interest rate that commonly reaches 240% per year; 80% of the customers are repeat users, caught in this costly cycle of pawning valuables at very high interest rates.

A community development bank (CDB) could provide an efficient and equitable alternative to expensive fringe banking. It would also offer a safe and secure repository for small savings and it could use the funds of the community as a basis for loans to the community, playing a most important role in that community's stabilization and economic development. The establishment of a nationwide network of CDBs would provide the means to enhance the welfare of low-income citizens, inner-city minorities, and entrepreneurs seeking small-scale financing for their business. Shore Bank Corporation is a successful community development bank, and the oldest. It is a holding company that includes South Shore Bank, a real estate development corporation, a small venture capital firm, and the Neighborhood Institute, which offers among its services low-income housing development, remedial education, and vocational training. Many more Community Development Financial Institutions (CDFIs) have been established, some more successful than others, but all providing needed financial services to targeted communities.

The plight of communities suffering because of job loss, deteriorating housing, lack of private enterprise, and declining "economic and social infrastructure" has been labeled a central concern by Washington. The enacted "Community Development Financial Institutions Act of 1994" tacitly implies the inability of the private sector to independently alter the downward slide of poor communities. Private investors and would-be entrepreneurs are leery about making financial commitments to areas burdened by chronic poverty and social volatility. There is an urgent need to carry-out the provisions of the CDFI Act, especially in the provision of adequate funding. Access to lending and other banking services is an essential missing link to the revitalization of distressed communities. Although CDBs cannot be seen as a major factor in the growth of the economy they are, nevertheless, appropriate responses that fill the gap in the current institutional structure, and may well provide part of the setting in which a climate of opportunity replaces despair for many segments of the population, including the underclass.

Robert Reischauer the former CBO director, quoted in Darity and Myers (1994), has noted: "[Americans] are a nation arrtacted to the quick fix, to policies that promise instant solutions to difficult problems. The complexity of the underclass problem suggests that this is a dilemma that will not disappear soon. Not will it wither in response to a single policy intervention.

Do I believe that targeted policies can be, in general, successful, if policy makers are prepared to wait for incremental positive outcome? I think so. The lessons from other countries and the incremental improvement resulting from tried policies in years past, seem to call rather convincingly for the adoption and implementation of the proposed policy initiatives.

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