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FINAL

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CALIFORNIA LEAGUE OF CITIES

OCTOBER 19, 1976

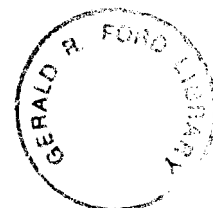
I AM SO PLEASED TO RETURN HOME TO CALIFORNIA. THANK YOU FOR THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

IN THE FIVE DECADES SINCE THE BIRTH OF THE LEAGUE IDEA, OUR CITIES HAVE MULTIPLIED IN THE WAKE OF UNPRECEDENTED TECHNICAL EXPANSION AND POPULATION EXPLOSION.

THE URBAN ILLS WHICH BECAME INCREASINGLY EVIDENT AS THE INDUSTRIAL REVOLUTION PASSED INTO THE 20TH CENTURY WERE POPULARLY REFERRED TO AS "THE FAILURE OF OUR CITIES" BY COUNTRY DWELLERS.

BUT, WHERE OUR FIRST "FAILURE" WAS THE INABILITY OF A RURAL NATION TO RECOGNIZE THE PORTENT OF THE URBAN CONDITION, THE SECOND "FAILURE" CAME IN THE DECADE OF THE 1960's.

FOR, IN OUR RUSH TO APPLY MASSIVE FEDERAL REMEDIES TO URBAN SORES THAT HAD BEEN FESTERING FOR DECADES, WE NOT ONLY WORSENERED THE CONDITIONS IN OUR INNER CITIES -- WE SUCCEEDED IN STRIPPING OUR CITIES OF THE ECONOMIC BASE NEEDED TO KEEP THE DISEASE FROM SPREADING.



I WOULD LIKE TO TALK TO YOU, TODAY, OF THE CHANGING NATURE OF INTERGOVERNMENTAL RELATIONS AND PARTICULARLY OF THE FEDERAL ROLE IN ASSISTING OUR CITIES.

OURS, WE ARE OFTEN REMINDED, IS A THREE-TIERED SYSTEM OF GOVERNMENT.

BUT, WE CANNOT DISCUSS THE CHANGING RELATIONSHIPS AMONG THE THREE TIERS -- FEDERAL, STATE AND LOCAL -- WITHOUT CONSIDERING, FIRST, THE CHANGING NATURE OF OUR NATIONAL ECONOMY. FOR, IN THE FINAL ANALYSIS IT IS THE STATE OF OUR ECONOMY THAT DICTATES HOW THAT RELATIONSHIP WILL WORK.

PROFESSOR HAROLD HILL SAID IN "THE MUSIC MAN":

"WE'VE GOT A GREAT BAND! SWELL UNIFORMS!
NOW, IF WE COULD ONLY AFFORD INSTRUMENTS,
WE COULD TEACH THE BAND HOW TO PLAY."

THUS THE PRIMARY REQUISITE IS A STABLE, GROWING NATIONAL ECONOMY, SUPPORTED BY COMMERCIAL EXPANSION AND PRODUCTIVE EMPLOYMENT -- SO WE CAN AFFORD THE INSTRUMENTS OF INTER-GOVERNMENTAL PRODUCTIVITY.

FOR, AS ANY STUDENT OF THE URBAN CONDITION KNOWS, THE ECONOMIC ILLS THAT BESET A NATION STRIKE FIRST AND HARDEST IN THE POOREST CENTERS OF OUR CITIES. AND THOSE CENTERS ARE THE LAST TO FEEL ANY VISTAGES OF NATIONAL ECONOMIC UPTURN.

SO, LET US BEGIN, THEN, BY TAKING STOCK. WHERE WERE WE A YEAR AGO? WHAT HAVE WE DONE ABOUT IT? WHAT HAVE WE LEARNED? WHERE CAN WE GO?

NONE OF US CAN FORGET THAT IN 1975, THE MAJOR QUESTION-MARK WAS WHETHER OUR NATIONAL ECONOMY WOULD SUSTAIN THE FORWARD MOMENTUM WHICH WAS THEN ON THE CUSP OF A POSITIVE TURN-AROUND -- FROM THE BLEAK AND DEPRESSING 12-MONTH PERIOD OF A TERRIFYING RECESSION COMPOUNDED BY UNCEASING INFLATION.

INFLATION STOOD AT 12 TO 14 PERCENT. THE UNEMPLOYMENT RATE WAS ABOUT 9 PERCENT.

URBAN REVENUES WERE WAY DOWN. NEW YORK WAS ON THE BRINK OF FINANCIAL FAILURE. INDUSTRY WAS DEPRESSED AND THE HOUSING SECTOR WAS SUFFERING ITS WORST YEAR IN THREE DECADES.

ON CAPITOL HILL, POLITICAL LEADERS, LIKE YOUR SPEAKER THIS MORNING, WERE PROPHEZIZING A NATIONAL COLLAPSE UNLESS WE ENGAGED IN MASSIVE FEDERAL SPENDING -- IN THE FORM OF SUBSIDIES -- PARTICULARLY IN THE HOUSING INDUSTRY.

A PARADE OF POORLY CONCEIVED SPENDING BILLS WERE LITERALLY TUMBLING OUT OF THE LEGISLATIVE BRANCH TO FUEL OUR DOUBLE-DIGIT INFLATION.

NOTWITHSTANDING WE STOOD IN AN ELECTION CYCLE, OUR PRESIDENT HAD THE COURAGE TO PROTECT THIS NATION AGAINST THE RAVAGES OF FURTHER INFLATION.

SENATOR MONDALE MENTIONED TO YOU THIS MORNING THE VETO OF THE HOUSING ACT OF 1975 -- AN ILL-CONCEIVED, MULTI-BILLION DOLLAR MEASURE WHICH THE DEMOCRATIC CHAIRMAN OF THE HOUSE BANKING COMMITTEE CALLED "A TURKEY THAT WOULDN'T FLY".

THE SENATOR NEGLECTED TO MENTION THAT WITHIN THREE DAYS AFTER THAT VETO WE OBTAINED PASSAGE OF THE EMERGENCY HOUSING LEGISLATION WHICH HAS BEEN JUDICIOUSLY USED TO NURTURE THE HOUSING RECOVERY.

OUR FOUNDING FATHERS CONSTRUCTED OUR SYSTEM OF CHECKS AND BALANCES FOR VERY GOOD REASON -- AND NEVER BETTER DEMONSTRATED THAN DURING 1975. AND THE PROOF IS IN THE RECORD.

HERE WE ARE -- ONE YEAR LATER.

THE NATION AND ITS ECONOMY SURVIVED -- AND THE DELICATE HEALTH OF THE ECONOMIC UPTURN, WHICH WE WATCHED SO FRETFULLY A YEAR AGO, HAS BECOME STRONGER AND STRONGER WITH EACH PASSING MONTH.

IN ONE SHORT YEAR WE HAVE SEEN:

PERSONAL INCOME JUMP \$83 BILLION; -- OUR GROSS NATIONAL PRODUCT GROW BY \$200 BILLION; -- RETAIL SALES INCREASE 16 PERCENT -- AUTO SALES 38 PERCENT; -- GENERAL MERCHANDISE 11 PERCENT; -- NEW FACTORY ORDERS UP \$17 BILLION.

TODAY, THERE ARE THREE MILLION MORE AMERICANS WORKING THAN ONE YEAR AGO -- IN SPITE OF A TREMENDOUS INFLUX OF WOMEN AND YOUNG PEOPLE INTO THE LABOR MARKET. AND INFLATION HAS BEEN MORE THAN CUT IN HALF.

IN HOUSING -- PERHAPS THE HARDEST HIT SECTOR OF OUR ENTIRE ECONOMY -- NEW STARTS ARE UP 40 PERCENT OVER LAST SEPTEMBER, AND 93 PERCENT OVER THE BEGINNING OF 1975.

WHAT HAVE WE LEARNED?

WE HAVE COME THIS FAR, NOT THROUGH THE MAGIC OF A BIG FEDERAL GOVERNMENT "SAVE", BUT THROUGH THE STRONG AND CONSISTENT GUIDING HAND OF A PRAGMATIC PRESIDENT.

AND OUR PROSPECTS FOR CONTINUED GROWTH AND PROGRESS DEPEND ON MAINTAINING THE STEADY COURSE PRESIDENT FORD SET WHEN HE TOOK OFFICE TWO YEARS AGO.

WHAT WORRIES ME ARE THE REPEATED CALLS FOR MORE GOVERNMENT SPENDING PROGRAMS.

I HAVE LISTENED TO OUR OPPOSITION'S PROPOSALS THAT WOULD ADD \$100 TO \$200 BILLION TO A BUDGET THAT IS ALREADY PRODUCING A DEFICIT OF OVER \$50 BILLION. BUT I HAVE NOT HEARD HOW WE ARE TO PAY FOR THEM.

WE WILL EITHER HAVE HUGE DEFICITS OR WE WILL HAVE HIGHER TAXES. THERE ARE NO SECRET SOURCES OF REVENUES.

THEY TELL US THEY WILL BALANCE THE BUDGET.

THEY TELL US THEY WILL FIND THE MONEY BY RAISING THE TAXES OF THE UNDESERVING RICH. SOME CONFUSION EXISTS WHETHER THE RICH ARE THOSE WITH INCOMES ABOVE THE MEDIAN (\$14,000), THOSE ABOVE \$25,000, OR THOSE ABOVE \$50,000 WILL BE THE TARGET.

BUT ONLY 10 PERCENT OF FAMILIES MAKE \$25,000 OR MORE AND A FULL 40 PERCENT OF THEM DO IT WITH TWO WAGE EARNERS.

IF WE FOCUS ON \$50,000 INCOMES -- THEN WE MUST BE AWARE THAT FEWER THAN 5 PERCENT OF AMERICAN FAMILIES MAKE \$50,000 PLUS.

IF WE DOUBLE THEIR TAX, WE COULD PICK UP ABOUT \$20 BILLION.

THEY SAY THEY WOULD CLOSE LOOPHOLES. \$65 BILLION IN PREFERENCES GO TO ALL TAXPAYERS. \$53 BILLION GO TO PERSONS WITH INCOMES BELOW \$25,000. IF WE CLOSE ALL LOOPHOLES FOR PERSONS MAKING \$25,000 PLUS, WE COULD PICK UP \$12 BILLION.

ALL OF THIS FALLS CONSIDERABLY SHORT OF THE \$200 BILLION WORTH OF NEW PROGRAMS WHICH ARE OFFERED AS CURES TO OUR NATION'S ILLS.

THIS SHOTGUN ANALYSIS REMINDS ME OF H.L. MENCKEN'S COMMENT:

FOR EVERY HUMAN PROBLEM THERE IS A SOLUTION THAT IS SIMPLE, NEAT AND WRONG.

DON'T BE MISLED.

THE UNVARNISHED EVIDENCE IS THAT THESE BIG SPENDING PROGRAMS THWART NEEDED BUSINESS EXPANSION BY DRIVING UP COSTS OF DOING BUSINESS.

THAT HURTS THE VERY PEOPLE SUCH PROGRAMS WERE SUPPOSED TO HELP -- WITH GREATER EXPENSES, EMPLOYMENT CONTRACTION, LAY-OFFS AND STILL ANOTHER ROUND OF UNEMPLOYMENT CHECKS -- NOT TO MENTION OUR CITIES.

IT WORRIES ME THAT WE HEAR OUR OPPOSITION IN THIS CAMPAIGN CALLING FOR THE FEDERAL GOVERNMENT TO SUBSIDIZE THE BUILDING OF 2.5 MILLION HOUSING UNITS A YEAR. WE HAVE ALREADY BEEN DOWN THAT ROAD -- DISASTEROUSLY. AND YOU WHO ARE LEADERS OF THE CITY SHOULD LISTEN CAREFULLY.

FOR PURSUANT TO THE HOUSING ACT OF 1968 THAT SENATOR MONDALE POINTS TO WITH PRIDE, THIS NATION SUBSIDIZED, ANNUALLY, WITHOUT REGARD TO THE MARKET NEEDS OF PARTICULAR AREAS, MORE THAN 2 MILLION HOUSING STARTS FOR THREE YEARS RUNNING -- AND GENERATED A BURST OF HOUSING OVERPRODUCTION THAT WE ARE STILL TRYING TO WORK OFF.

IN THE COURSE OF THIS PRODUCTION EXPLOSION OUR NATION ABANDONED THOUSANDS OF SOUND, WELL-DESIGNED HOMES IN OUR CITIES AND UNDER-UTILIZED ROADS, UTILITIES, AND SEWAGE SYSTEMS ALREADY IN PLACE THERE, AS URBAN DWELLERS HEEDED THE PIED PIPER CALL OF "NEW IS BETTER" AND FLED. NEIGHBORHOODS WERE BLIGHTED WITH ROW UPON ROW OF BOARDED-UP HOUSES LEFT TO DECAY.

BUT IT WAS NOT ONLY OUR CITIES THAT SUFFERED -- OUR HOUSING INDUSTRY -- MANAGEMENT AND LABOR -- WAS INCAPACITATED. BECAUSE AN ARTIFICIALLY PRODUCED "BOOM" CANNOT CONTINUE FOREVER, THE NEXT PERIOD, WHICH HIT US ABOUT TWO YEARS AGO, WAS ONE OF EXAGGERATED CONTRACTION TO ENABLE US TO WORK-OFF THE EXCESSIVE INVENTORIES, WITH DISASTEROUSLY HIGH LAY-OFFS IN THE CONSTRUCTION INDUSTRY.

PRESIDENT FORD'S HOUSING POLICIES ARE DESIGNED TO ACCOMMODATE THE LOGICAL CALL FOR REASONABLE LEVELS OF STARTS WHILE AVOIDING THE DISASTEROUS CYCLES OF ALL OR NOTHING THAT HAVE CHARACTERIZED THE HOUSING CONSTRUCTION INDUSTRY EVER SINCE BIG GOVERNMENT GOT INTO THE ACT.

AND THESE HOUSING POLICIES HAVE WORKED. EVEN IF WE FAIL TO BUILD ANOTHER HOUSE IN 1976, THIS YEAR -- RIGHT NOW -- WILL BE THE FOURTH BEST YEAR ON RECORD FOR NEW SINGLE-FAMILY STARTS -- CURRENTLY AT 1.3 MILLION. AND MULTI-FAMILY STARTS, ALTHOUGH NOT SO QUICK TO RECOVER, JUMPED 48 PERCENT IN JULY AND 46 PERCENT IN AUGUST WITH EXCITING JUMPS IN PERMITS SO THAT WE HAVE EVERY REASON TO BE CONFIDENT OF THEIR CONTINUED GAIN.

THE DECIDING FACTOR IN ANY POLICY DECISION, AT ANY LEVEL OF GOVERNMENT, IS NOT HOW COMPASSIONATE OR SENSITIVE IT IS SAID TO BE, BUT HOW WELL IT WILL IN FACT WORK.

SINCE THE START OF HIS ADMINISTRATION TWO YEARS AGO, PRESIDENT FORD HAS TAKEN STEPS TO IMPROVE THE WORKINGS OF GOVERNMENT BY IMPROVING THE FOCUS AND DELIVERY OF FEDERAL ASSISTANCE TO OUR STATES AND URBAN CENTERS.

HE HAS DIRECTLY ATTACKED THE DELAYS, THE RED-TAPE, AND THE REGULATION MAZE SO DISHEARTENING TO THE INNOVATIVE SPIRIT THAT IS THE SOUL OF THE FREE ENTERPRISE SYSTEM. AND HE HAS DONE IT IN TWO SHORT YEARS, ASSEMBLING HIS WINNING TEAM AT THE LOWEST POINT IN THE POLITICAL HISTORY OF OUR COUNTRY.

INDEED, HE HAS SET THE TONE FOR A NEW NATIONAL AWARENESS THAT AMERICA'S WISDOM DOES NOT RESIDE ENTIRELY IN THE CORRIDORS OF CONGRESS -- THAT OUR STATES AND OUR CITIES ACROSS OUR DIVERSE LAND VERY OFTEN CAN DEVISE BETTER SOLUTIONS FOR THEIR INDIVIDUAL PROBLEMS THAN CAN CONGRESS WHICH DEALS IN NATIONAL STATISTICS AND DEVISES GRAND SOLUTIONS THAT TOO FREQUENTLY MISS THE MARK.

ON JUNE 30TH, THE PRESIDENT APPOINTED A CABINET-LEVEL COMMITTEE ON URBAN DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION, WHICH I CHAIR, TO UNDERTAKE A COMPREHENSIVE REVIEW OF ALL FEDERAL PROGRAMS WHICH AFFECT OUR URBAN AREAS; TO CONSULT WITH LOCAL OFFICIALS AND COMMUNITY GROUPS REGARDING HOW FEDERAL PROGRAMS IMPACT ON COMMUNITIES, AND TO PROPOSE TO HIM STATUTORY AND ADMINISTRATIVE CHANGES FOR IMPROVEMENT.

OUR INITIAL STUDY OF THE AMASSED DATA QUICKLY CONFIRMED WHAT WE ALREADY SUSPECTED.

OVER THE PAST HALF-CENTURY, SUCCEEDING CONGRESSSES HAVE ENACTED SO MANY SEPARATE CATEGORICAL PROGRAMS THAT IT DEFIES THE INGENUITY OF ANYBODY TO DEVELOP A COORDINATED STRATEGY FOR A SAN DIEGO, A TOLEDO, A SAN JOSE, OR A COLUMBUS.

THOSE WHO TALK ABOUT "MANAGING THE BUREAUCRACY" OR "BRINGING WASHINGTON UNDER CONTROL" HAD BEST START WITH THAT FACT-OF-LIFE IN MIND.

I HAVE PERSONALLY REVIEWED 103 FEDERALLY-FUNDED PROGRAMS WHICH PRIMARILY AFFECT LOCAL COMMUNITIES AND WHICH CARRY A PRICE TAG OF ROUGHLY \$50 BILLION A YEAR. SIXTY-THREE OF THESE ARE GRANT PROGRAMS -- OF WHICH ONLY 4 ARE BLOCK GRANTS AND 59 ARE CATEGORICALS. THE REMAINING 40 ARE MISCELLANEOUS LOAN PROGRAMS.

SIGNIFICANTLY, LOCAL GOVERNMENTS ARE ELIGIBLE, DIRECT APPLICANTS IN BARELY ONE-FOURTH OF ALL THESE PROGRAMS.

ALL OTHER PROGRAM FUNDS ARE DISTRIBUTED TO THE STATES OR TO SPECIAL-PURPOSE LOCAL AGENCIES.

VIRTUALLY ALL THE 59 CATEGORICAL PROGRAMS HAVE EXTENSIVE -- OFTEN OVERLAPPING -- MANDATORY APPLICATION REQUIREMENTS, WITH FEW LIMITS ON REVIEW TIME AND NO ASSURANCE OF APPROVAL AT THE LONG END OF THE FINAL LINE.

I DO NOT WISH TO FLATTER THIS AUDIENCE BY POINTING TO THE SUPERIORITY OF LOCAL LEADERSHIP OVER WASHINGTON PLANNERS -- BUT I BELIEVE A BRIEF RECAP OF THE HUD EXPERIENCE ILLUSTRATES THE ADVANTAGE TO THE CITY, TO THE STATE, TO THE FEDERAL GOVERNMENT, AND, NOT LEAST OF ALL, TO THE TAXPAYERS, OF GIVING BROAD DISCRETION WITH FEDERAL FUNDING.

BEFORE PRESIDENT FORD SIGNED THE NEW HOUSING AND COMMUNITY DEVELOPMENT ACT INTO LAW ON AUGUST 22, 1974, HUD HAD 7 CATEGORICAL GRANT PROGRAMS THAT ARE NOW CONSOLIDATED UNDER OUR BLOCK GRANT PROGRAM -- EACH HAD ITS OWN SET OF REQUIREMENTS, REGULATIONS, AND TIMETABLES. WATER AND SEWERS; URBAN RENEWAL; OPEN SPACE FOR PARK DEVELOPMENT -- ALL OF THEM WELL-MEANING BUT WITHOUT ANY ALLOWANCE FOR GREATER COMMUNITY NEEDS THAT MIGHT LIE OUTSIDE OF THE STRICT SPECIFICATIONS OF THE PARTICULAR CATEGORIES.

TO MAKE SENSE OUT OF THIS ABSURDITY, THIS ADMINISTRATION DEVELOPED THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM. UNDER THE PROGRAM, LARGE CITIES AND URBAN COUNTIES RECEIVE UNFETTERED FUNDS WHICH THEY SPEND, FOR THEIR LOCALITIES' MOST URGENT COMMUNITY DEVELOPMENT NEEDS.

REGULATIONS HAVE BEEN CUT FROM 2600 PAGES TO ABOUT 100 PAGES; APPLICATIONS FROM 1400 PAGES TO ABOUT 50 PAGES; AND REVIEW TIME FROM AN AVERAGE OF 26 MONTHS TO AN AVERAGE OF 45 DAYS. AS COMPARED TO 1967, WE ARE NOW PROVIDING TWICE AS MUCH FUNDING TO TWICE AS MANY UNITS OF GOVERNMENT -- AND WE ARE DOING IT WITH FEWER HUD EMPLOYEES.

BUT, MOST IMPORTANT, WE ARE PROVIDING LOCAL COMMUNITIES WITH VITALLY NEEDED FUNDS -- ON TIME AND IN TIME.

IT IS MY STRONG BELIEF THAT OUR CITIES CAN, AND WILL, MOVE FORWARD IF CONGRESS PERMITS THE FEDERAL ESTABLISHMENT TO SHIFT EMPHASIS FROM CATEGORICAL THINKING TO BLOCK GRANT PLANNING.

THEN FUNDING IS PUT BEYOND THE NARROW PERSPECTIVE OF SOME "EXPERT" IN WASHINGTON, WHO CANNOT POSSIBLY GRASP THE INDIVIDUAL DIFFERENCES OF THE THOUSANDS OF LOCALITIES ACROSS OUR 3-1/2 MILLION SQUARE MILES OF COUNTRY.

THE EVIDENCE, IN FACT, IS SO STRONG -- THAT I STRONGLY RECOMMEND THAT A FORWARD-LOOKING APPROACH TO FEDERAL GRANT PROGRAMS SHOULD BUILD ON FOUR PRINCIPLES:

FIRST, WE SHOULD PREFER BLOCK GRANTS TO CATEGORICALS FOR ALL THE REASONS I HAVE STATED HERE, TODAY -- PARTICULARLY IN GIVING LOCAL PEOPLE MORE CONTROL OVER THE RESOURCES THAT AFFECT THEIR LIVES.

SECOND, FUNDING SHOULD BE PROVIDED THROUGH THE ELECTED CHIEF EXECUTIVE OFFICERS OF STATES AND LOCALITIES BOTH TO ASSURE COORDINATION IN THE USE OF AVAILABLE FUNDS AND ACCOUNTABILITY TO THE PEOPLE AFFECTED.

THIRD, CITIZEN PARTICIPATION SHOULD BE A RULE RATHER THAN AN EXCEPTION IN FEDERAL GRANT PROGRAMS, WHICH WILL INCREASE GOVERNMENTAL ACCOUNTABILITY, THE CORNERSTONE OF OUR DEMOCRACY.

AND, FINALLY, THE FEASIBILITY OF MULTI-YEAR FUNDING ALSO SHOULD BE CONSIDERED WHEREVER POSSIBLE, SO THAT OUR COMMUNITIES CAN INTELLIGENTLY PLAN INTO THE FUTURE AND, AT THE SAME TIME, TAKE ADVANTAGE OF TIMELY OPPORTUNITIES TO GET THE MOST EFFECTIVE RETURN ON THEIR AVAILABLE FUNDS.

I BELIEVE THAT IF THESE FOUR PRINCIPLES BECAME THE GUIDING PRINCIPLES OF FUTURE FEDERAL PROGRAM PLANNING, YOUR CONSTITUENCIES WOULD FARE A LOT BETTER.

THEY ENHANCE THE SPECIAL CAPABILITIES OF EACH LEVEL OF GOVERNMENT AND MAKE EACH LEVEL MORE RESPONSIVE AND EFFICIENT.

FOR, ALTHOUGH LOCAL GOVERNMENTS ARE THE BEST SITUATED TO SOLVE LOCAL PROBLEMS, THEY ARE THE LEAST CAPABLE OF GENERATING SIGNIFICANT AMOUNTS OF REVENUE. EIGHTY-FIVE PERCENT OF LOCAL REVENUES COME FROM PROPERTY TAXES, AND WE KNOW THAT OVER-TAXATION OF PROPERTY ONLY SERVES TO HALT LAND DEVELOPMENT, OR ENCOURAGE DISINVESTMENT.

AND, WHILE IT IS THE FEDERAL GOVERNMENT THAT HAS THE MOST EFFICIENT MEANS OF GENERATING REVENUES AND SETTING NATIONAL GOALS, IT IS THE STATE GOVERNMENT THAT BRINGS REGIONALISM TO GOVERNMENTAL DECISION-MAKING.

IN PLANNING FOR THIS NATION'S URBAN FUTURE WE CANNOT IGNORE THE NEED TO INTEGRATE THE POLITICAL AND ECONOMIC DESTINIES OF OUR CITIES WITH THEIR SUBURBS. ONLY THE STATE CAN ACCOMPLISH THAT IMPORTANT FEAT OF POLITICAL-PHYSICAL CONSOLIDATION.

THE STATE LEGISLATURE OF MINNESOTA, FOR EXAMPLE, MADE POSSIBLE THE MINNEAPOLIS-ST. PAUL METROPOLITAN COUNCIL, WHICH IS CHARGED WITH THE COORDINATION OF COMMUNITY AFFAIRS IN THE TWIN-CITY AREA.

AND IT IS BY MINNESOTA STATE LAW, THAT THE PROPERTY TAX BENEFITS FROM NEW COMMERCE AND INDUSTRY IN THE METROPOLITAN AREA ARE DISTRIBUTED AMONG ALL THE COMMUNITIES IN THAT LOCALITY.

WHERE WE HAVE ACHIEVED A REAL INTERGOVERNMENTAL PARTNERSHIP -- AS WE HAVE IN SOME AREAS BASED UPON THE SHEER INGENUITY OF PEOPLE AT EACH LEVEL -- WE HAVE SEEN EXCITING PROGRESS.

THAT THE WIND OF CHANGE HAS BEGUN TO BLOW SINCE THE BLOCK GRANT APPROACH WAS EMPHASIZED IN 1974 WAS CLEARLY APPARENT AS OUR PRESIDENT'S COMMITTEE TRAVELLED TO AND STUDIED CITIES IN ALL REGIONS OF THE COUNTRY:

ENERGIZED DOWNTOWN AREAS SUPPORTED BY NEW CIVIC CENTERS AND RENOVATED LANDMARKS; CONVENTION CENTER COMPLEXES; RECLAMATION OF HARBORS AND RIVER BANKS; THE REBIRTH OF OLD FINANCIAL DISTRICTS; FLOURISHING, REHABILITATED NEIGHBORHOODS -- LOW AND MODERATE INCOME, MIDDLE-CLASS, ETHNIC, WEALTHY -- EACH CONTRIBUTING TO THE ECONOMIC HEALTH AND CULTURAL DIVERSITY OF ITS CITY.

THESE TRIUMPHS OF NEIGHBORHOOD REVITALIZATION IN ALL PARTS OF THE COUNTRY -- COUPLED WITH DOWNTOWN REDEVELOPMENT MASTERPIECES -- HAVE IN COMMON ONE ESSENTIAL INGREDIENT OF SUCCESS:

ALL OF THEM HAVE COME ABOUT THROUGH LOCAL INITIATIVE, LOCAL PLANNING AND LOCAL INVESTMENT. IN EACH CASE, THE PRINCIPAL ROLE OF THE STATE AND THE FEDERAL GOVERNMENT HAS BEEN SUPPORTIVE, NOT PRE-EMPTIVE.

BUT THIS SORT OF INNOVATION WILL NOT CONTINUE IF WE HAVE A REOCCURRENCE OF DOUBLE-DIGIT INFLATION THAT CUT THE FLOW OF URBAN REVENUES.

THE ONLY SURE PRESCRIPTION FOR CREATIVE INTERGOVERNMENTAL WORKINGS IS THE CONTINUATION OF THE STEADY PROGRESS THAT PRESIDENT FORD HAS MADE IN REDUCING INFLATION AND INCREASING EMPLOYMENT.

WE SIMPLY CANNOT IGNORE THE LESSON FOR WHICH WE PAID SO DEARLY IN THE 1960'S -- THAT NO MATTER HOW MUCH WE MAY WILL IT -- A "SOCIETY" IS NOT SUDDENLY MADE "GREAT" THROUGH WELL-MEANING PROGRAMS WHOSE SOLE SOURCE OF SUSTENANCE IS THE FEDERAL EXCHEQUER.

WE KNOW THAT OUR PRIVATE ECONOMY, WHICH SUPPORTS OUR CITIES, CANNOT SUSTAIN THE AWESOME FEDERAL DEFICIT OF TODAY'S MAGNITUDE WITHOUT THE EROSION OF THE VERY FINANCIAL RESOURCES THAT ARE VITAL TO THE GROWTH AND PRODUCTIVITY OF OUR FREE ENTERPRISES, WHICH ARE THE SOURCE OF FIVE OUT OF SIX JOBS -- WHICH ARE IN TURN THE SOURCE OF OUR CITIES' SUSTENANCE.

PRESIDENT FORD HAS HELD THE LINE IN EXPENDITURES, AND IN SO DOING HAS CREATED THE LARGEST NUMBER OF JOBS IN OUR NATION'S HISTORY.

IF WE PERSERVERE IN THE OLD MYTH THAT OUR CITIES CAN BE RUN FROM WASHINGTON, WITH A NATIONAL PROGRAM FOR THIS PROBLEM AND A NATIONAL PROGRAM FOR THAT PROBLEM, ALL OF OUR CITIES, NOT JUST THE OLDER ONES, FACE A VERY BLEAK TOMORROW. AND "INTERGOVERNMENTAL RELATIONS" WILL BECOME JUST ANOTHER GOVERNMENT PROJECT THAT FAILED -- EXPENSIVELY.

BUT, I SIMPLY DO NOT BELIEVE THE PEOPLE -- OR THE LEADERSHIP -- IN OUR CITIES ARE GOING TO ALLOW IT TO FAIL.

AND THIS GREAT CONFERENCE OF THE CALIFORNIA LEAGUE, SURELY, IS AN ENTHUSIASTIC TESTIMONY TO MY CONFIDENCE.

THANK YOU.