ISSN 0362-8566

# Self-Reliance

No. 3 Sept. 1976 The Institute for Local Self-Reliance Washington DC

## Inside





## Self-Reliance

Published bi-monthly by the Institute for Local Self-Reliance, at 1717 18th Street NW, Washington DC 20009. (202) 232-4108



Subscriptions:
Individuals, $6; Institutions, $12.

*Sweat Equity Housing*

# Self-Help in the City

People in New York City's most devastated neighborhoods are rebuilding. In spite of an overwhelming fiscal crisis that has all but eliminated municipal support programs and in spite of a federal government whose urban policies are at best benignly neglectful, a reconstruction process has begun. Throughout the city, people are dealing with municipal and federal housing inaction by taking matters into their own hands; they are rebuilding their blocks and neighborhoods with the most stable, valuable and under-utilized resource they possess — their own labor.

Called Sweat Equity or Urban Homesteading, the movement has been growing for over four years. What unites the various projects is that in each one rehabilitation of a building is done by the people who are to occupy and own the building. A certain part of the mortgage loan is paid off in labor-hours spent on the renovation work. In this way, people who could not afford to buy a home are given the opportunity. At present, four buildings have been completed, nineteen are still under construction and more than twenty others will begin construction soon. All of the buildings were previously vacant, abandoned shells; all, when completed, will provide residents with quality and safe housing at the lowest possible cost. Six hundred reclaimed units, enough housing for 2,000 people, may not seem very significant when measured against the 150,000 abandoned units in New York City and the estimate that 30,000 more dwelling units are abandoned every year; but the Sweat Equity program *is* significant. It is significant, on the most basic level, because people who are in desperate need of housing are creating shelter for themselves at rents they can afford. Its significance is broader too; Sweat Equity points to new and innovative ways of planning, of community development, energy use, and survival itself in a high density, complex urban environment. It points to a planning system with input generated from below rather than above; it points to priorities which stress adequate shelter for residents rather than adequate profit for landlords; it initiates a process by which residents begin to actively shape their block and their neighborhood. And, significantly, it is happening in New York City, a city which has been written off by many as unsalvageable.

## Abandonment

New Yorkers first turned to Sweat Equity out of desperation, the desperation caused by the systematic abandonment of buildings which has hit New York City in the past few years. Although abandonment is a relatively new phenomenon in the city, the rate at which it is accelerating is frightening. Over 12,000 buildings lie abandoned; most are tenement houses built prior to 1920 and most are located in the more depressed areas of the city. Many now stand vacant; over 65,000 dwelling units are owned by the city of New York, acquired through tax lien foreclosure.

The abandonment of a multiple-unit dwelling is a long process which lasts at least five years. The first noticeable signs are a decrease in services provided to the tenants. At first, non-essential services and maintenance are stopped (painting and plastering, for example); then, more important repairs are neglected; finally, heat and hot water are eliminated. This is accompanied by a series of other developments: non-payment of real estate taxes by the landlord, mortgage foreclosures and transfers of title, rapid tenant turnover as deterioration spreads, invisible management. Eventually, the landlord does not even try to collect rent. As tenants vacate the building as it becomes uninhabitable, a series of fires may strike: the landlord makes his last profit from the property in insurance payments. All that is left is a vacant shell, most likely owned by the city — another prime site for fires, junkies, rats and crime.

Landlords blame abandonment on the high cost of repairs, the astronomical inflation in fuel prices, high real estate taxes, and increases in all other costs. They insist that rent control has not allowed building income to keep pace with costs and that it makes a reasonable profit on rental properties impossible. The owner of a multiple-unit dwelling can make the most profit from the re-financing or leveraging of a piece of property. By constantly increasing mortgages, taking out second and third mortgages, and using one building as a collateral for purchasing the next, a landlord can fully utilize the "bankable" quality of a building. When the banks feel that an area is in decline, though, the possibility of refinancing properties in that area is slim. A once profitable building loses its main source of profitability for the landlord as a result of redlining by financial institutions. The landlord then tries to maximize his profit from the cash flow of the building. Repairs are neglected, taxes are not paid, services are cut. In New York City as elsewhere, it is becoming increasingly clear that profit-motivated ownership of multiple-unit dwellings is often incompatible with the maintenance of safe and adequate housing in those dwellings.

## The Sweat Equity Response

Sweat Equity attacks the problem of abandonment and the economics of housing-for-profit in several ways. Organized community groups buy the buildings from the city for nominal purchase prices. A low-interest long-term mortgage from the city covers the cost of acquisition, construction materials and fees. By doing most or all of the actual construction work themselves, participants in the rehab program are able to reduce building costs by as much as half. Professional trade labor is hired for assistance only in the licensed mechanical trades. The future owners work together to rehabilitate the building and receive a wage for the hours they put in.

The buildings, when completed, are non-profit tenant cooperatives: the tenants manage the building themselves and pay enough rent to cover mortgage payments and maintenance fees. In this way, the process of milking profits from a building, which so often leads to abandonment, is cut short. The goal becomes the creation and maintenance of safe, sanitary shelter and not the creation of a real estate empire. Cooperative ownership and self-help management and maintenance allow savings of over 20% on the yearly operational expenses of a typical multiple-unit building. And the elimination of absentee landlordism makes it less likely that the building will be abandoned again: tenant/owners have a real personal stake in struggling to maintain decent housing in the midst of oppressive conditions.

A good example of the potential and significance of this self-help housing movement is the case of East 11th Street between Avenues A and B on Manhattan's lower East Side. In Spring of 1972, thirteen fires broke out in a tenement at 519 East 11th Street. In a matter of months, the entire north side of the block had been abandoned. Block residents decided that only if they acted themselves would the block survive; they decided to rebuild the gutted shell of 519. It took over a year before the mortgage loan could be secured from the City of New York's Housing and Development Administration; but renovation began in October 1974. Unskilled, mostly young, with no prior construction experience, all previously unemployed, the future residents of 519 worked up to sixty hours a week to transform their homes. Despite the skepticism of housing professionals and government officials, despite the bureaucratic red tape which nearly strangled the project, the work proceeded. Now, two years later, the building is nearly fully occupied and the project ended up costing half what a conventional gut rehab costs. The project has received a grant from the federal Community Services Administration, the successor to OEO, for insulation of the building and for solar collectors on the roof which supply most of the hot water in the building. The savings on energy expenses which result from the insulation are significant. A wind generator is on the way and, most significantly, so is the Sweat Equity rehabilitation of four other buildings on the block. In two years, the block has been turned around.

## Neighborhood residents decided that they alone could save the block

East 11th Street is not alone. On Washington Avenue in the South Bronx, Pacific Street in Oceanhill-Brownsville, East 119th Street in East Harlem and elsewhere, similar buildings and block efforts are underway. In all, self-help construction by largely unskilled labor is accounting for 20-40% savings in construction costs. Long term, below-market interest rate mortgages have been provided by the city; and, in some cases, federal job training funds have paid for the labor of the future residents. In all projects, the same phenomenon repeats itself: low-income people, asserting their right to decent housing, are rebuilding their homes, their neighborhoods and their lives.

Sweat Equity did not begin and could not have begun as a governmental program. It was the desperate response of a segment of the urban population which was being squeezed out of adequate housing. Mortgage loans have been secured from the city and grants have been won from the federal government; but the impetus and energy for these homesteading and rehabilitation efforts have come from the participants themselves. It begins with one building, one concerted cooperative effort, by block residents intent on making a stand. They begin and, invariably, others follow their lead. Often the work stimulates other forms of self-help activities, like day-care centers, youth programs, food co-ops, neighborhood cleanups and new vest-pocket parks.

Progress is slow, though. Money is tight and the financial support necessary for these projects is hard to find. It is easy to become discouraged when confronted with the enormity of New York City's housing crisis and the relative minuteness of Sweat Equity's current contribution to a solution. Sweat Equity alone cannot solve the problem; New York City needs a broadly-scaled, ambitious program of housing rehabilitation. Sweat Equity can, however, and should be an important part of that broad program. It remains the most inexpensive way to add an additional dwelling unit to the City's housing stock and the most successful method of encouraging self-reliant participation in their own futures by residents of the city's depressed areas. Rebuilding these areas is possible; but only if public policy-makers are made to recognize that the most effective efforts start in the street and are managed on the local level. The experience of New York City's Sweat Equity builders is proof enough.

—Charles Laven

*Charles Laven is Director of Technical Assistance at the Urban Homesteading Assistance Board, 1047 Amsterdam Avenue, NY NY 10025, a non-profit housing service aiding grassroots homesteading efforts in New York.*

*Access to the Aether*

# Community Radio Comes of Age

In St. Louis in 1972, a group protesting municipal inactivity on lead paint poisoning invaded the mayor's office. While the group confronted the mayor with its demand, one member was unscrewing the mouthpiece of the mayor's telephone and clipping audio leads from a portable mixer to the inside of the phone. He dialed the phone number of KDNA-FM, St. Louis' community radio station, turned up the volume on the radio in the office and suddenly the demonstration was a public matter, live over the airwaves of KDNA. In the studio, volunteer technicians and announcers were busy mixing live coverage with phone calls from concerned citizens reacting to the broadcast. It was what KDNA people labelled interactive programming. The radio audience was witness to the confrontation, the mayor was hearing the reactions of many people around town; access to the mayor had become available to anyone with a radio and a telephone. Tom Thomas, who was with the station then and who is now the head of the National Federation of Community Broadcasters, noted that "there was no extraordinary technology involved here. It's all fundamentally low cost equipment that can be used by anybody and everybody. There is the potential for every person to become a radio person."

This vision of every person becoming a radio person has guided the more than fifty FM stations around the country which have sprung up in the educational frequencies between 88.1 and 91.9 in the past 25 years. Non-commercial, non-institutional, community-oriented in programming and news reporting, these stations are distinguishable from all other stations by their policy of open access. Anybody and everybody gets at least one shot at it. Some stations require a practice production before someone can go on the air; others will let anybody do whatever they want (within FCC guidelines) for a limited amount of time. All, though, encourage such participation; for these stations are trying to use radio as a means for communication rather than a means for making money and hawking wares. As Lorenzo Milam wrote in the operating manual for KTAO-FM in Los Gatos, "We have tried to give these humans a small speck of the air to let us all know of their *liveness*. We have tried to revive the body of American transmission."

## A Short History

Community radio began with the Pacifica station, KPFA-FM in Berkeley, which was on again, off again during the late 1940's and early 1950's. KPFA was the first listener-supported station in the country and for ten years, it remained the only station of its kind. In the late 1950's, though, Pacifica added two more stations in the two largest radio markets in the country, KPFK in Los Angeles and WBAI in New York City. And, around the same time, an ex-Pacifica volunteer by the name of Lorenzo Milam, after trying unsuccessfully to start a station in Washington, D.C., was granted a license for KRAB in Seattle. Milam and his staff then created KBOO in Portland, initially a repeater station for KRAB, which gradually initiated its own programming. In 1963, Milam and his chief engineer, Jeremy Lansman, both filed application for the last remaining commercial frequency in St. Louis. After five years of waiting for an FCC ruling, the license was granted and KDNA-FM was born.

KDNA was crucial in altering and democratizing the nature of listener-supported radio. (It changed to listener-supported format when it couldn't make it as a commercial station.) The Pacifica stations and KRAB invited input from listeners, but usually in the form of neatly-packaged "commentaries." KDNA, in St. Louis' black ghetto, opened up its studios to anyone who wanted to speak his or her mind. The goal became, as Anne Mitchell, station manager of KBDY-FM explained, to "let those people be heard who wouldn't normally be heard." KDNA pioneered the open access concept of radio and gave people a new sense of broadcast communication as a two-way street, of participation as a real possibility. The potential of radio as a tool for informing and involving neighborhood residents was beginning to be realized.

## Anybody and everybody gets at least one shot at being on the air

By 1970, the FM band was getting crowded. College stations and "underground" rock stations were multiplying and Milam and friends decided that if community radio was going to expand, applications for licenses had to be made while there was still room for more stations on the small bit of airwaves between 88.1 and 91.9. So they began mapping out available frequencies in different cities and commissioning people to start stations. Dallas, Miami, Atlanta, Denver, Pittsburgh — these are just some of the cities for which stations were planned. In 1973, partially because of his own financial needs, Milam decided to sell KDNA. He offered the station to the city for $250,000; they could only come up with pledges for $25,000. So he decided that he might as well sell for as much as he could get and use the money as seed money for new stations around the country. The station sold for $1.1 million and since 1973, Milam and Lansman have participated in and provided partial funding for 10 stations, all with the same general format and philosophy — open access, non-commercial, responsive to the needs and priorities of people who listen. At present, there are more than fifty listener-sponsored stations, some part of the Pacifica network, some part of the KRAB nebulae and some, the more recent ones especially, which have started up under their own power and inspiration. And the boom which began in 1973 is not subsiding: there are at least fifteen groups either waiting for FCC approval or preparing applications at this very moment.

## The Potential of Community Radio

A crucial function of these stations is to give a voice to those people's groups traditionally ignored and maligned by the commercial media. KPOO in San Francisco calls itself "poor people's radio." Eleven of the twelve members of the board of directors of Austin's KAZI, which will begin broadcasting soon, are black. KDNA made a habit of airing police-community meetings and revenue sharing debates. WRFG in Atlanta broadcasts portions of the City Fair each year. Most stations carry city council meetings, WORT in Madison broadcasting the meetings weekly. Street interviews are common. Terry Clifford of NFCB explained that such coverage "affects the way public officials treat people. It becomes obvious who is being listened to and who is not." The nature of the event is transformed: accountability is in the back of every public official's mind. When a minority group went to KPOO once and was refused program time by the station manager, the board of directors recommended that the group simply take over the station. So they did.

Access does not stop with air time. Decisions at community radio stations are made by people drawn from the community-at-large, by the staff, the volunteers, the board of directors, the active audience. At different stations, there is a different mix. WORT in Madison has a worker-controlled board; other stations have a community-controlled board. What is important is that everyone has a say. Everyone knows what he or she likes and is as much of an "expert" as anyone else. Community radio is an attack on mystification: it is a direct challenge to the mystique of commercial broadcasting which claims that only certain people have the authority and the right to the microphone. For this reason, technical training is an important part of community radio's existence. Volunteers are trained, they practice and they learn the technology. Along with other stations, KPFA in Los Angeles has actively trained reporters, audio technicians, editors and announcers. Milam writes that "we found at KTAO that we could train people to be a control room person in five or ten minutes: all that stuff that Columbia School of Broadcasting charges $1000 for — we teach them in less than an hour."

Most of the stations operate on shoestring budgets with large numbers of volunteers. The Pacifica stations are fairly well-staffed and well-paid; but some of the stations operate on yearly operating budgets, including staff salaries, of $6500. Milam, though, sees this as a temporary phase rather than an endemic situation. KRAB began on $7000 a year and now has a budget of $7000 a month. Half the stations currently participate in the federal CETA training programs and are able to pay staff with CETA funds; KCHU in Dallas employs ten people paid by CETA. After the sale of KDNA, there was such a desire to get as many stations going as possible, that the capital was spread relatively thinly; but as FM continues to grow and expand, so, too, does community radio. Milam, and practically everyone involved in community radio, sees the movement not as another fluke of the late sixties, destined to die a slow death by attrition, but as a vibrant and rapidly expanding permanent fixture in America's communications and broadcasting system. Of the many stations which have begun broadcasting since KPFA in Berkeley, not one has gone off the air.

The Public Broadcasting Act, which was passed in 1967 and which created the Corporation for Public Broadcasting, provides some possibility for funding for listener-sponsored radio. Six member stations of the National Federation of Community Broadcasters are also members of National Public Radio. There is tension, though, between NPR and community radio stations, tension which results from the inability of all but the larger stations to qualify for membership in NPR. There is a requirement that for any station to qualify for membership it must have an annual budget of over $75,000, a paid staff of five full-time employees and a wattage of 3000 or more. The low budgets and dependence upon volunteer labor of most community radio stations disqualify them. In Pittsburgh, the staff of WYEP tried to raise the station's budget on paper by putting salaries back into the station and working as volunteers. This inability to qualify is frustrating for many stations because many NPR programs, such as its "All Things Considered," are fine examples of how local stations can share information and benefit from the work of others. Community radio stations could and would like to benefit from the largesse of CPB, but there is no indication that they will be able to. Barbara Hoyman of NPR explained, "The requirements haven't changed since being drawn up in 1971 and I don't think they will. They should remain firm for the next five years or, if anything, be made more stringent."

So without the substantive aid of the public radio network, the community stations have acted themselves. The National Federation of Community Broadcasters is now a year old and serves the important functions of clearinghouse, technical consultation and advocacy for its members. The stations have initiated the Possible Tape Exchange, a program which enables stations to rent any of over four thousand tapes put together by member stations. These community broadcasters are hopeful, yet they are realistic. They accept the challenge of community-oriented, open access radio because they appreciate the beauty and the potential of the medium. They have seen what radio is and they are carving out a concept and a realization of what radio can be. Lorenzo Milam exhorts all current and potential community broadcasters:

*You have the chance to destroy the cruel walls built by the media barons to keep out the dispossessed, the thoughtful, the wondering. Your frequency can be the one place in your community where the angry and the frustrated and the knowing and the creative and the perceptive and the hopeless and the lost: The one place where they can know that they are free to speak their piece — without censorship, without fear, without cost.*

—Richard Kazis

### NFCB

You cannot just start a community radio station whenever you want. Money, the FCC bureaucracy, equipment, technical expertise are all problems which every group considering its own station must confront. The National Federation of Community Broadcasters places a high priority on working with groups that are seriously considering putting their own claim to the radio aether. If you need any assistance or if you want to know what you're up against, get in touch with Tom Thomas and Terry Clifford, NFCB, 1716 21st Street NW, Washington DC 20009.

# Off the Shelf

## Community Radio:

**Perhaps the best way to get a sense of what community radio is all about is to look through program guides published by the various stations. The bi-weekly guides which came out of KPFA between 1949 and 1957 are acknowledged classics. Current guides include: *Spread the WORT,* P.O. Box 3219, Madison WI 53704; *KCHU, 90.9 FM,* 2516 Maple Avenue, Dallas TX 75201; *KPFA Folio,* 2207 Shattuck Avenue, Berkeley CA 94704; *WAIF Program Guide*, 2525 Victory Parkway, Cincinnati OH 45206; *The KOPN Program Guide*, 915 East Broadway, Columbia MO 65201.**

### Access

Published bi-weekly by National Citizens Committee for Broadcasting, 1346 Connecticut Avenue NW, Washington DC 20009. $24/year.

"The journal of the citizen media reform movement," *Access* reports on developments in license renewal battles, FCC policy and activity and community struggles for more responsive media. A good way to keep up with the latest developments and trends.

### Broadcasting

Published weekly by Broadcasting Publications, Inc., 1735 De Sales St. NW, Washington DC 20036. $25/year.

*The* trade magazine of the broadcasting industry, *Broadcasting* gives a fine idea of the corporate mind-set of most people in the field. Constant attacks on governmental interference with free enterprise; but up-to-the-minute reporting on major issues in electronic communications and fine used equipment listings.

### NFCB Newsletter

Published bi-weekly by the National Federation of Community Broadcasters, 1716 21st St. NW, Washington DC 20009. $10/year.

This is the newsletter of the national federation of community-oriented radio stations and the groups working to build such stations around the country. It reports on the trials and tribulations, the successes and hopes, of new, old and yet-to-be-born community radio stations. Also keeps tabs on relevant FCC and Corporation for Public Broadcasting policy developments. A good resource published by good people.

Eric Barnouw,

### The History of Broadcasting in the United States

Oxford University Press, 1970.

A three-volume set, this is the most complete single work on the history of American broadcasting. Though somewhat turgid stylistically, the work details the development of radio technology and the evolution of radio.as big business.

Ralph Jennings and Pamela Richards,

### How to Protect Your Rights in Television and Radio

United Church of Christ, 1974.

A citizen's guide to participation in improving local television and radio service. Examines how to deal with the FCC and with the lack of local concern and input evidenced by most commercial stations. A good explanation of the rules and regulations of the broadcasting game for those who wish to increase the responsiveness of existent media to community needs rather than start their own station.

Lorenzo W. Milam,

### Sex and Broadcasting: A Handbook on Starting a Radio Station for the Community

Dildo Press, 1975. $5.00

The third edition of this book is ten times fatter than the first edition; and if there is a fourth, it will probably be bigger still. Milam is one of the fathers of community radio and knows as much about the possibilities and the problems of such ventures as anyone around. At once the most entertaining, enlightening and informatively practical book on broadcasting and community radio.

Alec Nisbett,

### The Technique of the Sound Studio

Hastings House, 1972. $10.00

If you ever have to read one book on the specifics of radio production, read this one. The definitive how-to guide to the electronics and complexities of the radio sound studio. It's not light reading, but it will answer most of your questions.

Steve Post,

### Playing in the FM Band: A Personal Account of Free Radio

Viking Press, 1965. $10.00

A personal history of life at WBAI-FM in New York, perhaps the most well-known of the Pacifica stations. Gives a good idea of how community-oriented broadcasting can affect not only the listeners but the staff as well.

Tony Schwartz,

### The Responsive Chord

Anchor Books, 1974. $2.95

An analysis of the changes in communications media and in the way we assimilate information since the advent of radio. Proposes the theory that we have moved beyond a print-based structuring of communication to a sound-based structuring. Written by an authority, an audio expert who has been a regular on WNYC radio for over twenty-five years and who has created over 5,000 radio and television advertising spots.

Eugene V. Stebbins,

### Listener Supported Radio: The Pacifica Stations

Unpublished PhD thesis available from the author, 2075 Maplewood Rd., Stow OH 44224 for $15.00.

An informative work for those people really serious about starting their own station and concerned about the internal dynamics of it all. Describes the early structure of the board and the staff of the first Pacifica station, KPFA, and delineates in careful detail the internal political disagreements which threatened to destroy the station.

# New Strategies for Reinvestment

A new focus for popular action has achieved prominence in the past few years: the campaign to end redlining and to promote neighborhood preservation. Concerned groups in dozens of cities and states have researched the lending policies of their local commercial banks and savings and loan associations. In each case, the findings have revealed the same trend: rural areas and the inner city areas of both large and small municipalities are being deprived of institutional investments—and they are decaying as a result. A quick tour through almost any city, especially the older cities in the northeast and the midwest, speaks for itself. The damage being done to American cities is significant. The question confronting citizens, community organizations, and public officials alike is what can be done to halt this process and to provide for needed capital investment.

The key concept in all strategies to improve the economic condition of cities and their neighborhoods is reinvestment, turning the flow of capital around so that money earned and saved in the inner cities stays there and does not go to fund projects elsewhere. A variety of different strategies are being pursued by municipalities, states and the federal government. The vast majority of such programs involve some degree of cooperation from the private banks. The logic is that the private banks control the funds necessary for investment, that public agencies cannot do the job alone (either because they lack sufficient funding or because of political difficulties involved in having the public sector assume responsibilities traditionally delegated to the private sector), and that regulation of the institutions by the state and federal banking authorities in an effort to promote more socially acceptable lending patterns is both politically and technically difficult. As a result, almost all reinvestment strategies depend upon the involvement of the banking community.

**The key concept is reinvestment, turning the flow of capital back toward the inner city**

In Chicago and Colorado, governmental deposits are offered as incentives for banks to change their lending policies. In many programs for reform of the nation's financial institutions, the allowance of tax breaks on mortgage loans is suggested. In Maryland and in parts of Pennsylvania, governmental guarantee arrangements have been offered to banks as insurance against the possibility of default on mortgages and rehabilitation loans to redlined areas. Small-scale pilot programs, such as Neighborhood Housing Services, set up with the cooperation of lenders, neighborhood residents and city governments, have been established in over a dozen cities in an attempt to provide an increase in housing investment. In Illinois, the state Housing Development Authority has worked out a plan to provide cheap money in the form of tax-exempt bond financing to institutions willing to alter their discriminatory mortgage policies.

Just how effective these strategies are is unclear; anti-redlining programs have been in effect in most jurisdictions, if at all, for only a few years. There is good reason to believe that many reinvestment strategies might be more puffery than progress—much talk and little substance. Preliminary analysis of the cheap money and the pilot program strategies have proved disappointing. The incentives and disincentives as proposed or implemented do not have much bite to them. In evaluating their cheap money program, the Illinois Legislative Investigating Committee noted that "though it is still too early to determine the overall success of the program, the low number of banks and savings and loan associations (8.1% of all Chicago banks and S&L's) which took advantage of the offer is generally regarded as a disappointment." A pilot program in the Anacostia section of Washington DC found that despite the guarantees and endorsement of the project, banks still would not give mortgage loans in the target area.

It is too early to determine the success or failure of most programs; but if these plans to spur reinvestment are not successful, if cooperative efforts with private banks are a barren avenue for reinvestment strategies, then citizens and officials are placed in a quandary. Private banks still control the bulk of investment capital accessible to disinvested areas. If the banks do not cooperate, then where can the public turn? The way out of this dilemma may very well involve the institution of public banking.

The final report of the community members of the Mayor's Reinvestment Task Force in Seattle stated that "the past failure of Seattle's commercial and mutual savings banks and savings and loan associations to compete vigorously in neighborhood reinvestment lending leaves us somewhat skeptical of their future willingness to compete in this area—after the public pressure abates." They went on to recommend that the city undertake the planning for a "community development bank," whose sole function would be to provide loans to redlined areas. Similar distrust of private banks has led to the initiation of state bank proposals and legislation in New York, Vermont, Oregon, Washington, the District of Columbia, and elsewhere. Rather than waiting for cooperation from private banks, proponents of these proposals for state-owned banks have advocated the establishment of alternative public institutions with the capability and the mandate to respond to the social needs of state residents.

## The Bank of North Dakota

Many of the public bank proposals take their cues from the structure and the success of the Bank of North Dakota. With almost half a billion dollars in resources, the Bank of North Dakota is by far the largest bank in the state. The bank primarily purchases the local bonds of cities, school districts, and other public entities within North Dakota, and participates with private banks in the state in granting loans. The bank generally will not initiate loans, but will buy a share (up to 100% of a loan initiated by the private banks.

The bank's depositors are primarily state and local governmental entities. The bank also accepts deposits from individuals and businesses; but, with only one office in the state and no active solicitation, private deposits form a small share of the bank's total deposits. As of June 7, 1976, the bank had $408 million in total liabilities, $365 million in deposits. Only about $20 million of this came from private parties, the rest from state and local governmental bodies.

Control of the bank rests in the hands of state public officials, as mandated in the 1919 legislation which created the bank. One of their main concerns is that the institution make a profit for the state, so that the state treasury will benefit from increased general revenues. Since 1968 the profits have increased dramatically, from almost $2 million in 1968 to over $9 million in 1974, with a slight drop to over $8 million in 1975.

In many ways the Bank of North Dakota is similar to a privately owned and controlled commercial bank; in practice, it is supportive of many of the policies of these banks. The bank keeps rather strictly within the usual bounds of providing debt capital to existing business enterprises and housing ventures. It does not provide money for development; loans are not made for equity capital, site planning, and the other costs involved in getting a new venture off the ground. As far as the state and the bank managers are concerned, the bank is a money-maker, a profit-center for the state. It is not considered a function of the bank to offer below-market interest rate subsidies, rent subsidies, down-payment grants, or even the more usual financial strategies used by public bodies to provide business opportunities, jobs, and adequate and affordable housing to low or moderate income residents. The state bank is tied into existing bank lending policies. The Veteran's Administration, the Small Business Administration, the Federal Housing Administration and other agencies set the ground rules for making loans, and the state bank acts in accord with those rules. Similarly, the private banks set their own ground rules and the public bank, through participation in loans with these banks, follows them. The state bank has not yet involved itself in truly innovative loan policy experiments.

The loan policies of the Bank of North Dakota, even though they are similar to those of privately owned commercial banks, do at least resemble the best in those banks. Capital flows in this country are moving from city to suburb, from the northeast and midwest to the south and southwest, and from within the United States to outside its borders. With the capital goes jobs, development, and tax revenues. Most banks participate fully in this process, in an attempt to maximize their own yields. The Bank of North Dakota, though, lends money and purchases state and local bonds only within North Dakota. Since it is the largest bank in the state, its limitation to statewide development helps deter the loss of capital and jobs.

While many private banks do not take advantage of federal guarantee programs, the Bank of North Dakota participates actively in them. In Washington DC, for instance, the larger banks do not make FHA or VA mortgage loans or student loans and they make very few Small Business Administration loans. Often, these loan programs are the only opportunity for moderate income individuals to purchase a home, gain an education, or start a business. The Bank of North Dakota does grant VA- and FHA-guaranteed mortgage loans and grants a large number of SBA-guaranteed loans to small businesses and federally guaranteed loans to students.

Since it is publicly owned and operated, North Dakota's state bank is subject to public accountability; for this reason, since policy mandates are within the political arena, and thus subject to direct popular pressure, the chance of influencing North Dakota's public bank managers is greater than that of influencing the policy of private banks. There is some momentum in anti-redlining strategies to gain public accountability over private institutions, on the state and federal levels, in an attempt to redirect loan policy. In North Dakota this has been a reality since 1919.

Further, the profits of the bank are returned to the state. These monies are also subject to public accountability, through the legislative budgeting process. If the use of the surplus is not seen as desirable by the state residents (if, for example, they would rather the profits were used for down payment subsidies to low income individuals), there is a well-defined process for change. Needless to say, such leverage with private banks is non-existent.

## A Proposal for Washington DC

The Bank of North Dakota is one model for public banking, a model which is neither wholly an alternative nor an exact duplication of private commercial banks. In Washington DC, staff members of the Institute for Local Self-Reliance and an informal group organized by the City Council have developed a proposal for a different model of public banking, a model which views competition with existing banks rather than cooperation with them as the best pressure that a community can bring to bear.

Washington is a city with the general legislative powers of a state; but, at present, there are no laws in the city concerning the regulation or creation of financial institutions. This includes credit unions as well, which are federally chartered. The proposed model involves the adoption by the city council of laws which would permit the nine existent community credit unions in Washington to expand their services and powers. Currently, these credit unions can only grant consumer loans and can only accept savings deposits. New laws could enable these local financial institutions to accept savings and checking accounts, both individual and corporate, and to initiate housing, consumer, and commercial loans. In effect, the suggestion is to make the credit unions competitive with commercial banks.

This is not an unreasonable expectation. The introduction of checking accounts would provide new sources of funds. The system could also be established so that there would exist a

*continued on p. 15*

## ILSR Publications

The Institute for Local Self-Reliance has recently published two papers of interest to those concerned with finance and banking. They are:

**1** How to Research Your Local Bank (or Savings and Loan Association) 36 pp. $2.00 plus 25¢ postage
**2** Public Banking: A Model for the District of Columbia 30 pp. $2.00 plus 25¢ postage

Both booklets are available from the Institute for Local Self-Reliance, 1717 18th Street NW, Washington DC 20009.

# Progress Reports

## Energy

The Community Action Agency of Cranston RI, is preparing an ambitious program to train unemployed residents in the installation of solar water heaters. With the help of a grant of $50,000 from the Community Services Administration and the New England Regional Commission, ten Cranston residents, paid with federal CETA funds, are taking classes in carpentry and plumbing at a local vocational training school and are learning to build prototype solar collectors. This fall, there will be adult education classes in the principles of solar energy, and solar water heaters will be installed for a number of low-income households. Some trainees will apprentice with local solar energy firms. For information, contact: Dan Waintroob, Director of Housing and Energy, Cranston Community Action Program, 30 Rolfe Street, Cranston RI 02910.

The Cambridge School in Weston, Massachusetts, is planning a Lifedorm for next year. Students and teachers at the school will design and live in a dormitory heated and lighted by solar and wind energy. They will use wood, cut on the school's land, as a supplementary fuel. Students will build greenhouses to grow food and tanks to raise edible fish. New courses, such as *Introduction to Aquaculture, Organic Farming,* and *The Sociology of Communal Living,* will help teach them how. The school turned down ERDA funding as a solar energy demonstration project because too many strings were attached and is seeking private funds for the Lifedorm project. Contact: David L. Mitchell, Director of Development, Cambridge School, Weston MA 02193.

In upstate New York, a battle is under way between Niagara Mohawk Power Corporation, one of New York's largest private utilities, and the city of Sherrill, the smallest city in the state, over the control of electricity. The city recently municipalized its power system, which meant buying the system from a subsidiary of Oneida Ltd., the largest industry in the area and by far the largest user of electricity. It had been estimated that the cost of electricity in Sherrill would drop 43% as a result of municipalization. Niagara Mohawk did not object to municipalization, but did object to the fact that the Oneida plant would become a customer of the city and not remain with the private company. The private utility's statement noted, "There is no good reason why the city should pirate Niagara Mohawk's customer." The mayor of Sherrill has set back the date for the start of municipal operations, but he affirmed that the city "will take possession and operate when we get the power."

The three towns of Norwich, Wallingford and Groton, Connecticut, are forming a cooperative for buying electricity for their municipally-owned electric utilities. The cities reacted to what they considered to be excessive rate increases by the wholesaler, Connecticut Light and Power. They have decided to establish a non-profit wholesale entity and sell tax-free bonds in order to raise the capital either to build their own facilities or to get entitlements. They expect that, by eliminating the middleperson, they will be able to provide cheaper electricity for residents of the three towns. For information, contact: Robert Grimshaw, 34 Shetucket St., Norwich CT 06360.

## Waste Utilization

Leningrad, population 4.3 million, is the first major city to attempt recycling all of its garbage. A plant in operation since 1972 handles 580,000 tons of garbage, producing compost and marketable chemicals and metals. A six-fold expansion of the plant by 1985 is expected to handle the city's entire output of garbage. The plant is paying for itself in the value of compost and recycled metals, according to a report in the *New York Times,* May 9. The possibility of such a plant functioning in America today is non-existent, though: the Soviet garbage stream is quite different from that of our country. Soviet garbage contains little or no packaging material. Plastic and other disposable packaging is unknown, almost all paper is recycled, and glass containers have large deposits and are repeatedly reused. *Environment* June 1976.

The wastepaper recycling program at the George Washington University in Washington DC has collected 500,000 pounds of paper in the past year and now averages a collection of 10 tons a week. The recycling system, which began in 1971 as a way for students in dormitories to recycle their newspapers, was expanded in January 1975 to include office wastepaper. The program now involves thirty-six different office buildings at the university. Each desk is supplied with two wastebaskets, one marked "paper only" and the other for general rubbish. At present, 90% of the wastepaper generated in the participating offices is being collected for recycling by the student staff. Net savings from the first year's operation was $32,000. With adequate expansion, the recycling system at George Washington could realize even greater savings. Corrugated cardboard and aluminum cans could be added to the list of materials recycled, and the remaining university offices which are not participating could be included. For information, contact: David Baruch, Assistant to the Director, Recycling, Physical Plant, the George Washington University, Washington DC 20052.

EPA collection/recycling pilot projects in Somerville and Marblehead, Massachusetts have been operating successfully for the past six months. In Somerville, between 200-250 tons are collected each month, about 7% of the total solid waste stream. So far, the city has broken even: total collection and administrative costs have been balanced off by revenues from resale of materials and credits based on disposal costs avoided. In Marblehead, where ordinances have been stressed but not enforced, 80% participation has been achieved, and 30% of the total solid waste stream, over half the recyclable inorganic material, is being recycled. For full details, contact: Penny Hansen, OSWMP, EPA, Washington DC 20460.

## Local Initiative

Dayton, Ohio has delegated a great deal of authority to its neighborhoods in the past few years with the establishment of Neighborhood Priority Boards. Eight million dollars have been provided over and above regular municipal services to be allocated by these boards as they see fit. One board is making $200,000 available to its residents in 6% home improvement loans for such things as insulation, storm windows and doors. Dayton has also initiated community-based police teams. As much as possible, police are given patrol duty in the neighborhood in which they live. The police are aided by Neighborhood Assistance Officers, a 140-member corps of volunteers who have their own uniforms and receive eight weeks of special training with a heavy emphasis on first aid. They are not permitted to make arrests, carry guns or conduct searches. However, they presently handle 80% of all requests made to the police department.

The tenants of Co-op City in the Bronx have won their 13-month battle against the State Housing Department. The rent strike was finally settled when both sides agreed to a six-month trial period during which tenants would manage the 15,000-family housing development themselves rather than pay higher monthly maintenance fees. The residents of Co-op City have successfully prevented any rent increases for two years. The strike began over a proposed 25% hike in maintenance charges; by the time it was over, residents were withholding $26 million in back rent.

Consumers Against High Prices and a strong coalition of community groups in the West Palm Beach area are organizing a consumer-owned medical facility. The proposed Mid-County Medical Center will be devoted solely to "primary health care," and will not provide for hospital or other institutional care. The stress will be on preventive medicine, home care services and health education. The Center will be a non-profit corporation operated by a board of directors which will be democratically elected by the dues-paying members. All profits will be returned to the community in the form of improvements in service or lower fees. Scores of volunteers are involved in both fundraising and program development. Already, over $20,000 from 4,000 residents has been raised. For information, contact: Hy Ruchlis, 326 Andover M, West Palm Beach FL 33409. *You've Got to Move,* June 1976.

## Community Development

The Board of Trustees of the village of Rockville Center NY—dissatisfied with bids that would have required payment of more than 10% interest on notes for financing programs of the municipally-owned electric system and other projects—decided to offer $1,000 notes at 7% interest to local residents. The public response was so great that within two hours, the $276,000 issue was oversubscribed by nearly $1 million. Village officials are now considering community financing for all short term needs. *The Public Works,* Spring 1976.

Atlanta, Georgia has established a planning and budgeting system which encourages the development of the city's neighborhoods into interdependent urban villages. Leon Eplan, the Commissioner of Budget and Planning, envisages many identifiable communities, each providing shopping and community services to its residents and each having its own vibrant economic life. This neighborhood-centered goal grew out of charter revision hearings which began in 1971. City residents expressed a strong concern for neighborhood preservation and a lack of confidence in the existing city planning and zoning process. In response, the 1973 charter revision provided for active involvement of the neighborhoods in planning. The City prepared two booklets: *The Value of Neighborhoods* and *How to Plan your Neighborhood.* Initially, neighborhoods used these very general guides to develop their own plans. Now they receive extensive technical information and assistance from the staff of the Division of Neighborhood Planning. In 1975, official boundaries were adopted for twenty-four neighborhood planning units containing between seven and twenty neighborhoods each. These twenty-four committees are now preparing plans and project recommendations for incorporation into next year's operating budget and comprehensive development plan. For more information, contact: William F. Kennedy, Director, Division of Neighborhood Planning, Department of Budget and Planning, City Hall, Atlanta GA 30304.

The Center for Social and Environmental Concerns (CSEC), in association with Domestic Technology, Inc., is providing the training and seed money necessary to construct forty solar greenhouses in each of six midwestern states by this fall (the Dakotas, Montana, Wyoming, Utah, Colorado). Construction costs are estimated at $1 per square foot. In the higher altitudes of Montana, the growing season has already been extended from 120 days to 10 months using these durable greenhouses. CSEC is attempting to work with Community Action Agencies in helping recipients of Aid to Families with Dependent Children (AFDC) to build large greenhouses which will grow cash crops. It is planned that the surplus from the sale of crops will be used to fund the construction of housing for participants. A set of working drawings of the greenhouses is available from Domestic Technology for $10. A three page description of the greenhouse project in Cheyenne, Wyoming, is available from CSEC for a self-addressed stamped envelope. Write to: CSEC, 710 11th Ave., Helena MT; and Domestic Technology, Inc., PO Box 2043, Evergreen CO.

**When writing to any of the contacts mentioned in SELF-RELIANCE, please send a self-addressed stamped envelope. It will speed the reply and will save these folks some money.**

# Resources

**In this issue of SELF-RELIANCE, we present a list of local and regional publications which we feel deserve some publicity. Many of these newspapers, newsletters and magazines are unknown outside of their home state or city. All of them, though, provide a wealth of information to their readers. We would like to review more local periodicals in a future issue; if you think we should see yours, send us a sample copy. We would appreciate it.**

## ACORN News

Published monthly by ACORN,
523 West 15th Street,
Little Rock AK 72202. $1.20/year.

*The News* is the newsletter for the members of ACORN, the Arkansas Community Organizations for Reform Now. It consists of reports on activities of the member organizations in the many cities and neighborhoods of Arkansas. The newsletter is a good way to keep up with the progress of one of the largest and best organized community organizations in the country, now expanding into South Dakota, Texas, Louisiana, and Tennessee.

## AERO Sun-Times

Published monthly by the Alternative Energy Resources Organization,
435 Stapleton Bldg., Billings MT 59101.
$10/year.

The *Sun-Times* focuses on the development and potential of renewable sources of energy in Montana. Keeps track of innovative technology, the politics of solar energy and related news, and examines what it all means for Montana. A lively, interesting magazine for area residents.

## Common Ground

Published quarterly at 2314 Elliot Avenue South, Minneapolis MN 55404.
$4/year; supporting subscription, $10/yr.

Focusing on Minneapolis, *Common Ground* presents articles on neighborhoods, community development, workplace issues and grassroots culture. The magazine is well-conceived and makes good use of graphics. The theme of community building is a constant throughout each issue. Analyzes problems Minneapolis shares with all urban areas as well as problems and issues unique to the Twin Cities.

## Community

Published bi-monthly at 345 N. San Pablo, Fresno CA 93776. $5/year.

*Community* serves as "a journal of constructive social change" for Fresno, reporting on new projects and old struggles which affect residents of the area. Includes a calendar of events of importance to the community and a directory of local social action groups. Has improved markedly with each of its first three issues.

## The Community Word

Published monthly by the
Point Foundation, 503 Remington,
Fort Collins CO 80521. $6/year.

Sponsored by a food co-op and a book coop in Fort Collins, the *Community Word* stresses "community education/action toward self sufficiency and political action." The paper reports on the progrss of the community's co-ops and also reports on local political developments. "The sole reason for being," the staff explains, "is to help you and your neighbors exchange the ideas and ideals through which to grow."

## DC Gazette

Published monthly at 1739 Connecticut Avenue NW, Washington DC 20009. $6/year.

The *Gazette* is *the* source for information about local politics and happenings in the District of Columbia. Unflagging watchdogs of the City Council, the Mayor, the subway-in-progress and the real estate industry, the editor and staff seem to have their noses in all the right places at the right times. Fine reporting on neighborhood developments. Well-written, enjoyable and overflowing with common sense.

## Free for All

Published bi-monthly at PO Box 962,
Madison WI 53701.
Distributed free in Wisconsin.

A radical voice for the "Paris of the Midwest." Reports on workers' struggles, political developments, co-ops and culture, both in Madison and beyond. Solid coverage of local issues and events. The staff functions as a collective and actively solicits input from the community which it serves.

## The Maine Organic Farmer and Gardener

Published bi-monthly at Box 373,
Kennebunkport ME 04046. $2.50/year.

A fine guide to the technique, significance and philosophy of organic farming and an excellent source of information on developments in Maine. Also addresses broader issues of marketing, co-ops, and the plight of the small farmer. The publishers, Maine Organic Farmers and Gardeners Association, are in the process of developing a research library on biological agriculture; if you wish to donate any materials, let them know.

## The Mendocino Grapevine

Published weekly at 156 East Standley St., Ukiah CA 95482. $7/year.

An excellent weekly newspaper for Mendocino county. Mixes local cultural information with fine political and environmental reporting. Hoping to keep rsidents better informed of important county-wide news, the paper has recently moved its office to the county seat of Ukiah. The staff feels that it will be better able to keep abreast of local developments by being "within walking distance of many of the people we have to see and the meetings that have to be covered."

## SCOOP

Published monthly at PO Box 7271,
Powderhorn Station, Minneapolis MN
55407. $5/year; group or sustaining subscription, $10/year.

Subtitled, "cooperation in the North Country," *SCOOP* provides its readers with detailed information concerning the active and diverse cooperative businesses in the Minneapolis area. The paper has provided consistently clear and helpful reporting on the struggle within the coop movement and contains short reports on the status of the various cooperative food stores, warehouses, restaurants and other businesses.

# The Trouble with High Technology

As explained in an earlier article in SELF-RELIANCE, cities are currently struggling to find a solution to the national crisis in solid waste disposal and utilization. Industry is pushing for massive high technology resource and energy recovery plants. Many are already being built or are in the planning stage. City officials, however, are confused. They hear very different stories from opponents and proponents of these high technology plants. Before making decisions for their cities, decisions which involve millions of dollars and could potentially affect the already fragile ecology of urban areas, city managers should have a better understanding of what they may be letting themselves in for.

## Cost

The first question is: how much will it really cost? One recent survey estimates that it will cost a city $30,000 for each ton of rated capacity. This estimate assumes that the technology will be available to produce steam, electricity, or oil from the burning of shredded garbage. David Sussman of EPA's Office of Solid Waste Management Programs (OSWMP) believes that this estimate may be as much as two or three times lower than actual costs since the technology has not yet been perfected.

Even using the conservative estimate, a city would have to invest $30 million for a 1000 ton per day plant which, when amortized over 20 years, would end up costing $65 million. According to a formula used by Dr. John Skinner of EPA's OSWMP, another $30 million will be needed to pay for operation costs of the plant during that period—$1.5 million annually. Landfill costs which have traditionally been held artificially low, run anywhere from $3 to $15 a ton. It is now clear that the introduction of resource recovery plants will actually result in an increase in municipal solid waste disposal costs.

City officials are not always made directly aware of these cost structures. Operating costs are presented to them on a per ton basis and estimated credits from the resale of materials and the recovery of energy are deducted from per ton operating costs, despite the fact that it is unclear both whether there is an adequate market for garbage-derived energy and whether the technology for materials recovery is functional. If the market is not adequate and if the technology continues to fail, then those estimated credits which bring plant cost estimates down are nonexistent and the actual cost to cities will soar.

Doubts are being expressed by many solid waste experts. EPA's Director of Resource Recovery, Nicholas Humber, reported to the D.C. Metropolitan Council of Governments in May that the recovery of both glass and aluminum from mixed garbage has not been proven successful on a large scale and that, although aluminum separation technology may be perfected soon, at this time only the recovery of ferrous metal is feasible. Even the industry's spokespersons have reservations. In a speech before a conference of industry and government officials, Harold Gershowitz, president of Waste Management, Inc., cautioned, ". . . There is danger that the country will commit too many dollars prematurely. I question whether we should be caught up in a rush to build these systems before we have full-scale operations of the various resource recovery conversion concepts available."

## Profitability

City officials must carefully analyze whether these high technology plants will be profitable over time. There is a real possibility that they will not. Those plants built to date have been characterized by their uniqueness; when they have been profitable, it has been as a result of situations which are not generalizable to other cities. A privately owned facility in Saugus, Massachusetts, is competitive only because of artificially high dumping fees of $13/ton. In New Orleans, a demonstration plant which is producing refuse-derived fuel (rdf) has proved profitable; the profitability, though, results not from the burning of the fuel for energy, but rather from the use of the shredded garbage for landfill. The fact that land sells for $17,000 an acre in the Delta city has created the situation where it is more profitable to dump the garbage than to utilize the technology for its designed purpose, for fuel energy.

Profitability also depends upon whether plants can collect enough garbage. In Hempstead LI, a plant is being built which will burn paper for its BTU value. At the Congressional Symposium on Resource Conservation and Recovery in April 1976, Richard Scudder of Garden State Paper Company presented an impressive list of economic and environmental arguments for *not* burning municipal waste paper for its BTU value but rather for recycling the paper. One argument is of particular interest:

> *The waste news in garbage has a higher heating value than the average of the other combustibles. Plants to generate steam or electricity from this waste are not volume limited or weight limited, they are BTU limited. Accordingly, if the waste news is removed from the mix, a higher weight of garbage can be substituted without loss of total BTU's, provided only that additional garbage is available. If this is done, the profitability of the plant becomes greater without the waste news than with it, and in addition the waste news can be sold.*

Paper is valuable as fiber, more valuable than for the BTU's of heat it can produce. If burned, paper is worth approximately $12/ton; if recycled, it can be worth upwards of $30/ton. The removal of paper from the waste stream by recycling directly threatens high technology systems. After paper is removed, there may not be sufficient BTU's in the remaining garbage to vaporize water without the aid of external energy sources. There may not even be enough garbage left to burn; as Bob McDonough of Solid Waste Recovery, Co. succinctly put it, cities "will be stuck with some silly looking plants that will be laboring to get a BTU out of what's left over after recycling catches on." Already, recycling in the city is becoming both accepted and profitable, as the results of a student-initiated recycling program at George Washington University have proven (see Progress Reports). The recycling of aluminum is also on the rise, and the enactment of a bottle bill could eliminate as much as 10% of the waste stream before collection.

To insure the economic viability of high technology plants, cities are being forced to prevent the recycling of municipal wastes so that the plants can run at full capacity. Recently, three cities took steps in this direction. In Detroit, in preparation for breaking ground for what will be either a 3000 or 5700 ton per day resource recovery facility, the City Council raised the possibility of claiming title to all waste collected in the city by both public and private haulers. In Washington, D.C., a bill is now pending that will prohibit any "novel, experimental, or unusual methods of collecting and transporting solid waste requiring specially designed vehicles and equipment," unless approved by the Department of Environmental Services. And in Denver, the Regional Council of State Governments introduced legislation at the state level, to guarantee its control over the quantity and composition of area solid waste through authority to supervise all landfill sites. City officials should ask themselves whether such preventive measures will not simply complicate their garbage problems, insuring that the waste stream continues to grow and that collection costs, which make up two thirds of total costs, continue to rise.

## Environmental Impact

Should city managers go ahead with this massive investment in resource recovery technology, there are greater problems to worry about than the ability of Americans to generate enough garbage. A timely Environmental Action Foundation report by Marchant Wentworth, entitled *Resource Recovery: Truth and Consequences,* examines the possibility of increased air pollution when firing refuse-derived fuel with either coal or oil. Tests have shown that burning refuse-derived fuel lowered the efficiency of electrostatic precipitators and increased particulate emissions. On-going tests under a National Science Foundation grant indicate that the major portion of some toxic metals in the air, particularly cadmium, come from the incineration of municipal garbage. These studies, coupled with the congressional report on the interrelation between air pollution and the cancer epidemic in America, should make city officials think twice. Before the burning of refuse in power plants is implemented on a wide scale, it must be shown that combinations of electrostatic precipitators and scrubbers can remove these trace elements from the incineration process. If that cannot be done, the level of toxic metals in the atmosphere could become intolerable."

The technology required to adequately contain emissions from rdf plants is very costly. According to one estimate, additional capital costs for electrostatic precipitators for a 300 megawatt plant burning rdf will amount to $9.2 million, or 24% above the capital costs for controlling air pollution caused by coal-burning plants. Annual maintenance costs for this equipment average about $278,000, or 16% higher. Dr. John Skinner estimates that electrostatic precipitators for a 150 megawatt ton plant can cost anywhere from $5 to $10 million. Because of these costs, we can expect utilities to seek variances from air pollution regulations in order to justify burning rdf; and this will add to the mounting pollution crisis facing the cities and the nation.

Given these serious reservations about the economics and technology of resource recovery systems, and given the availability of source reduction techniques and low technology systems, why have city administrators agreed to risk their money and environment?

One essential factor has been lobbying pressure from industry. Sophisticated articles in prestigious national journals have spread the word about technology that is readily available to cities to solve once and for all their garbage headaches. Incorrect impressions formed from this type of publicity are formidable obstacles to an objective appraisal of alternative solid waste systems.

**City officials must carefully analyze the economic and environmental viability of high technology plants**

City officials are being encouraged by the government to build resource recovery plants. The current version of the House Solid Waste Act includes $2.5 billion for loan guarantees to resource recovery plants and contract insurance for facility operators to subsidize them if cities fail to meet solid waste supply quotas. An additional $900 million in loan guarantees will become available through the Energy Research and Development Administration for bio-mass conversion systems.

There are other reasons, too, why cities look toward resource recovery plants to solve the waste crisis. A recent survey of the nation's mayors revealed that they consider garbage to be their number one headache. It is easy to see why a system which promises a reduction in solid waste volume of 95% is so attractive: city officials are banking on a miracle solution and are crossing their fingers. Moreover, as EPA's Bob Lowe points out, it is the personnel of municipal public works departments who make solid waste policy, and these people are generally engineers who prefer to deal with physical plant problems than with the type of human relations problems associated with low technology alternatives. City officials are reluctant to initiate both a high technology and a low technology project at the same time, since that would require different staffs and thus strain limited resources.

For all these reasons, city officials have considered high technology solutions to their waste problems. However, as the distrust of high technology systems increases, the apprehension concerning low technology solutions is lessening. The recycling market is currently strong; and it could be further strengthened and made more regular by national and local legislation aimed at ending the subsidization of virgin materials and at introducing environmental and cleanup costs into the initial cost of a product. Also, new advances in technology have eliminated the need for extensive pre-sorting of garbage, and have thereby reduced the time commitment required of citizens by recycling. Household garbage units will soon be marketed which have several detachable containers so that metals, for instance, can be stored and taken to the curbside on the day assigned for that pickup. A new invention now permits newsprint to be conveniently bundled and tied. Operating experiences have improved on the design of the collection vehicles. These technological innovations have been matched by a corresponding improvement in marketing and routing skills among the recyclers in the 75 collection/recycling projects now in operation. City managers should keep these advances in mind—as well as the cost and technological problems of high technology solutions—when they make their decisions on solid waste disposal.

—Neil Seldman

# To Serve the Consumer and the Community

Much attention has been focused on the role of the investment policies of banks and savings and loan associations in determining the economic well-being and the physical shape of urban neighborhoods. Life insurance companies, though, have kept a lower profile and have avoided similar scrutiny. Few people realize that insurance companies, with their $263.3 billion in assets, have the third largest investment portfolios of any business institution, trailing only commercial banks and savings and loan associations. Life insurance companies made $15.2 billion in loans in 1974 alone.

Because of the nature of the life insurance industry—policies usually remain in effect for twenty or thirty years before benefits are paid—insurance companies tend to invest their assets in secure, long-term capital markets such as corporate bonds and both commercial and residential mortgages. 33% of all assets held by insurance companies in 1974 were in the form of mortgages, 37% in the form of corporate bonds and 4.5% in government securities. Of the new investments made during 1974, 74% were in corporate bonds, only 10% in mortgages and 6% in government bonds.

**A community-based insurance company could both improve individual coverage and spur economic development**

The drop in mortgage holdings is significant and indicates industry priorities. Until 1966, the conventional home mortgage contract interest rate was significantly higher than the interest rate on corporate bonds. So until 1966, the life insurance industry consistently increased its share of home mortgages. After 1966, when bonds began yielding a higher return on the investment than mortgages, the industry changed its investment policy and began an aggressive phase of buying bonds and selling mortgages. Even within the mortgage market, the life insurance companies have invested where they felt that the return would be greatest. With the post-war housing boom, the industry actively financed residential mortgages. When the boom slowed, the companies turned to mortgages on multi-family apartment buildings and then to office buildings and shopping centers. In the period between 1971-1974, residential holdings declined by $1 billion while commercial holdings increased by $3.7 billion.

Life insurance companies make investment decisions every day which have serious impact on urban neighborhoods, decisions which have helped to create the crisis situation which now exists in the urban housing market. Life insurance companies have contributed as much as banks and savings and loan associations to redlining and disinvestment in cities and neighborhoods; they have participated in the effective credit-starvation of the residents of many neighborhoods in our older core cities. By pursuing a policy of growth and a conservative investment policy often determined by considerations of race, life insurance companies have ignored and run counter to the needs of large segments of the American population—even the needs of the very people whose policy premiums provide the investment capital.

This need not be the case. An insurance company, if managed with a different set of priorities, if managed specifically for the benefit of citizens who pay the premiums and the neighborhoods in which they live, could play a constructive role in the economic development of urban communities while providing quality insurance for area residents.

## Individual Benefits

Benefits to the individual policyholder from a life insurance company which limited its sale of policies and its investments to a small area, to just a few neighborhoods, could come from increased dividends, lower premiums and improved coverage. Commercial companies could increase dividends without damaging their financial position; but the welfare of the policyholder is not their primary concern. Each year, insurance companies build up sizeable reserves from their operations. These reserves, accumulated from the year's premium payments and from the interest on those premiums, are used to pay the benefits and dividends for which the company expects to be liable that year. For a number of reasons, most insurance companies end up with a surplus from the year's reserves. While return on investment is figured conservatively at between 2.5-3.5% by actuaries calculating necessary reserves (and, consequently, necessary premium prices), companies in 1975 averaged a 6.25% rate of return. Since actuarial statistics are based on the mortality figures of 1954-59, and Americans have a longer life expectancy in 1976 than they did in 1956, the companies rarely suffer from unexpected loss. Further, companies usually allow for more death than is statistically anticipated, sometimes as much as 150% of the standard ordinary mortality table. As the result of these conservative calculations, insurance companies invariably end up with more reserves than they "anticipated." In 1950, only half as many people died as insurers expected. Some of this extra money is returned to the policyholders as dividends (if they own cash value policies); most becomes surplus, investable capital.

The policyholder pays for this surplus in his premiums, but does not benefit from it. For each dollar paid out in benefits by insurance companies, $2.90 is taken in. In the last twenty years, the insurance industry has provided $89 billion in security at a price to consumers of $260 billion. A company oriented toward the insurance needs of its clients could easily offer higher dividends or lower premiums.

Premiums for insurance sold by a community-based company could be lower for another reason. Insurance could be sold through cooperating community organizations, neighborhood associations, or credit unions. This would make it unnecessary to work through agents and to pay agents' commissions. Were community organizations to participate, they could offer group policies to their members and enable individuals who wanted more coverage to contract directly with the company. The savings in overhead and the potential for large sales would be significant.

Thirdly, a community-based company could provide improved coverage for individual policyholders. There are three major types of life insurance sold to consumers. Industrial insurance is both the most expensive insurance per $1000 and provides the least complete coverage. Offering benefits of a maximum of $1000 if the insured dies and usually collected in small weekly premiums, this is the type of insurance most often sold to low-income people. A second type of insurance, term insurance, is issued for a set period of time, typically one to five years. No benefits are paid unless the insured dies: the policy builds no cash value and never "matures". It differs from the third major type of life insurance, whole life, in that whole life provides not only insurance coverage but also a savings plan. The policy accrues interest over the term of the policy, which is usually twenty years or until age 65. The savings cannot be withdrawn by the policyholders until the policy matures and the rate of interest does not compete with that of banks and savings and loan associations; but the policyholder does get something more than insurance coverage for his premiums. As a result of their more complete coverage, whole life policies cost more in premiums than do term policies.

People who buy industrial life insurance are paying more and receiving less. In general, urban blacks are large buyers of industrial insurance; and one study has shown that blacks receive $36 of coverage for each dollar they pay in premiums while whites receive $64 of coverage per dollar. An insurance company which wants to provide the best coverage for its policyholders can see to it that people are given the option of term or whole life rather than industrial insurance.

## Community Benefits

The attraction of a community-based life insurance company is not only from the point of view of the consumer: perhaps even more exciting are the possibilities for community economic development inherent in the operation of such a company. Insurance companies are important sources of credit in America today and a community-based company pursuing an aggressive local investment policy could be a strong counter to redlining and disinvestment.

Insurance companies need to raise a large amount of capital before they are allowed to write any insurance policies. In Arizona, the minimum capital and surplus required by the state is $150,000, in New Jersey it is $4,350,000, and in Washington DC $1.5 million. Assuming that a group of people could raise $1.5 million to start a company in Washington, how would the community which they service benefit? The $1.5 million is investable capital and a sizeable chunk at that. On top of that, assuming a 6% rate of return, the company would earn another $90,000 from that $1.5 million in the first year and more every year thereafter. This is more capital than most rural banks have to invest, more capital than most community credit unions or small business investment companies have. The possibilities for use of this capital are varied: consumer loans, small business loans, residential mortgages, seed money for new ventures, all of which would benefit the local community. A certain amount of money would have to be kept in short-term securities and cash so as to avoid cash flow problems; but most of the money could be used to provide sorely-needed long-term capital for residents and businesses. The company's investment decision-makers, guided by the company charter and by the advice of policyholders, would be able to actively search for appropriate and worthwhile investments.

That $1.5 million in investable capital represents far more than $1.5 million in investments. In any number of ways, the money can be leveraged and its investment potential multiplied. The company could give mortgages and then sell the mortgages to governmental agencies such as Freddie Mac and Fannie Mae. The company could convince the municipality or other credit institution in the city or neighborhood to jointly sponsor a specific loan or investment. If one capital source is behind a given project, it becomes much easier to involve others. Creative leveraging plans are only now beginning to be utilized by community organizations and institutions: the city of Portsmouth, Virginia has set an example by using its $200,000 Community Development Block Grant to leverage $500,000 in low-interest housing rehabilitation loans. With clever investment management, a community-owned life insurance company could make its capital

### The Wisconsin State Life Fund

The Wisconsin State Life Fund is the only state-owned life insurance company in America. Created by the state legislature in 1911, it is a relic of the Populist era. The company provides insurance to Wisconsin residents at significantly lower premiums than do commercial companies. After ten years of paying for a $10,000 whole life policy from a commercial company, a 45-year-old man would have paid $738.20 net (1973 figures); if he had bought his insurance from the State Life Fund, he would have *received* $432.20 in dividends and cash surrender value. Representative Les Aspin has explained how the price of insurance from the State Fund could be so much cheaper: "It pays no insurance agents' commissions, it has no advertising, it makes no profit, and it is run on a shoestring." The Fund's operating expenses are so low—and it does not operate for a profit—that it can save each policyholder hundreds of dollars in premiums over the life of a policy. However, because it cannot advertise, few residents of Wisconsin are aware of the company's existence: most policyholders are middle-class professionals and, logically enough, life-insurance agents. And, because of the pressure of commercial companies, this low visibility is likely to continue; the only reason the State Fund has survived this long is that every campaign to abolish the Fund, rather than weakening its position, ends up generating more publicity and new policies. From 1970 to 1974, assets climbed from $7.5 million to $11.5 million, the number of policies issued each year jumped from 612 to 1,401, and the number of policies in force rose from 9,278 to 13,229. The State Fund is, for both the state and the consumers, a good deal; it does not, however, actively seek a positive role in neighborhood economic development by its investment policies. Of the $11.5 million in assets on December 31, 1974, $9.8 million were in bonds and stocks: only $82,019 was invested in mortgages, either residential or commercial.

Information from "State Business", by John Case, Leonard Goldberg and Derek Shearer, *Working Papers*, Spring 1976.

reserves and surplus go a long way toward spurring local economic development.

Just the very existence in a community of a credit institution actively providing financing in that area makes the future financial situation of the area more promising. The institution could prove the creditworthiness of the area and, as a result, attract other capital. In Washington DC, savings and loan associations which have invested in areas of the city redlined by other banks and S&L's have actually experienced fewer mortgage defaults than their competitors. It is safe to assume that if that trend continues, other financial institutions might change their lending policies.

### Is It Possible?

Could a small, community-based company survive? The very high financial barriers to entry might make it impossible in many communities even to consider the possibility of such a company. It is possible, though, for a small company to survive. American Citizens Life Insurance Company is licensed to sell insurance only in Washington DC: it does not sell insurance throughout the city, concentrating on a target population of perhaps half the city of Washington. The company, incorporated in 1948, had in force as of December 31, 1975, 8,302 policies at a face value of $6,516,971. The company sells 90-95% industrial insurance, sells no group policies and sells through six company agents. Last year, $284,453 in premium income was generated from policies. The investment income generated during the same year was $84,612. Dennis Stackhouse, executive vice-president of American Citizens, feels that given the experience of his company, a community-based company could survive. He stated that such a company would be able to survive even if it were only selling ordinary life insurance and no industrial life policies. The company would have to contract with a good reinsurance company so that large losses could be covered without endangering the stability of the company, but that is not a problem. In fact, most reinsurance companies will give free advice and training to new

### Small, local insurance companies can and do survive

companies in exchange for a commitment to buy reinsurance from them alone. The advantages of community residents making investment decisions would enable the company to diversify its portfolio to include mortgages to an extent many private small companies hesitate to do. And the savings in overhead from possible cooperation with credit unions and community organizations rather than sale of insurance by individual agents would enable the company to offer competitive or better than competitive premium rates.

Anyone interested in starting a life insurance company today would probably find the fewest barriers to entry in Texas or Arizona, where capital requirements are low. It may well be that a small-scale life insurance company limiting its policies and its investments to one community is not a realistic option in many states; but in states where it is a possibility, with good management and sound investments, such a company could benefit both insurance consumers and the community in which they live. Long-term capital is not easy to obtain: a life insurance company could help some of our neighborhoods and municipalities in the search.

—Harold Leibovitz and Richard Kazis

## New Strategies for Reinvestment

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central institution which could spread public capital around to the branches in a time of financial crisis. This concept is not new: it has been endorsed in every recent piece of national legislation on financial reform.

The city could even give preferential treatment to its public bank network. The bank could secure favorable branch locations, could be allowed to offer higher interest rates on deposits than can banks, and could obtain "cheap capital" with the help of the city's tax-exempt status. The bank could also offer the recipients of city checks the option of automatic deposit at their local branch.

If the public bank were to be competitive or were given advantages over private banks, and if the balance sheets of the private banks were affected, then the city and its residents would have some bargaining power with the banks. On the one hand, the extension of the powers of the existing community-based credit unions to include the holding of checking accounts and the granting of commercial and housing loans would immediately improve the credit potential of residents of lower-income areas where the credit unions are located. On the other hand, the need to tap the capital reserves of private banks would still be crucial; for the resources of the public bank alone would not be sufficient to reverse disinvestment. Some of the advantages given to the public bank branches could be traded away for concessions from private banks regarding their mortgage loan policy. For example, the city could alter the public bank's preferential interest rate in exchange for a firm commitment from private banks that their money would be loaned out to areas and groups of people previously redlined. The bargaining possibilities are varied: what is most important is that such a public bank *would* give the city and its residents some bargaining power.

This proposal for a public bank for the District of Columbia is very different from the Bank of North Dakota; this is logical, since the economic and political realities of the District are not those of North Dakota. In other jurisdictions, other models may be more appropriate. In some areas, cooperation with the private banks may be the best policy; in some, competition may force more concessions. What is clear, though, is that public banking is an important new direction for reinvestment strategies, one which must be carefully considered by all groups fighting redlining in their cities and neighborhoods.

—William Batko

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# Notes

**The Second Annual Public Policy Reader** is now available. *The Reader* is an indispensible guide to developments in the movement for the redistribution and decentralization of political and economic power through public policy. Reports on government, education, health, women, food, land, growth, energy, economic development, tax reform, public enterprise. Available for $5.00 from: Conference on Alternative State and Local Public Policies, 1901 Q Street NW, Washington DC 20009.

**RAIN Magazine** has published a limited number of wall posters depicting what a city block *could* look like. The poster, beautifully drawn in black ink on white paper, shows a neighborhood of rooftop gardens, pedestrian malls, electric cars and bicycles, windmills and solar collectors, cottage industries, credit unions and happy people. Available for $3.00 from: RAIN, 2270 NW Irving, Portland OR 97210.

**The people at RAIN** have also recently published "Coming Around—An Introductory Sourcelist on Appropriate Technology." This eleven page booklet is a valuable listing of the diverse and scattered publications on appropriate technology. Available for $1.00 from RAIN.

**The Center for Community Economic Development** has just published *Competitive Scale in Manufacturing: The Case of Consumer Goods* by Barry Stein and Mark Hodax, a study of size and efficiency that also describes the technique the authors have created for determining the minimum initial size necessary for start-ups in consumer goods industries. Available for $1.75 from CCED, 639 Massachusetts Avenue, Cambridge MA 02139.

**Urban Planning Aid**—in addition to publishing many fine books, pamphlets and fact sheets on housing, occupational health and safety, and the media—also publishes Community Press Features, an excellent monthly packet of camera-ready articles and graphics for community newspapers and organizations. Available free to community papers, $10/year for individuals and organizations that can afford it, and $30 to libraries. Write to UPA, 639 Massachusetts Avenue, Cambridge MA 02139.

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