

been handing out money to keep the poor alive without getting any real use from them. We can't afford this any more. If we don't decide to simply eliminate these people or ship them somewhere, then we have to put them to work and get some use value out of them."

Heritage spokesmen say that they oppose planned shrinkage—the policy of deliberately deciding to triage certain areas of the city by making austerity budget cuts in services predominantly in those areas. In reality, Heritage proposals such as the enterprise zone are the end-game of the "planned shrinkage" process.

As an action plan, the Heritage urban policy breaks down into two sets of proposals: those on the immediate agenda and those which must be put off for political reasons. At this moment, the enterprise zone is on the front burner; scrapping rent control, and related proposals, will take longer to effect.

### The workhouse zone

The enterprise zone concept is thus the foot in the door for the entire Heritage urban package. The proposal was incorporated into the 1980 GOP platform, and the concept received Ronald Reagan's public endorsement several times on the campaign trail.

The originator of the proposal now being proffered by Heritage is Peter Hall, a leading British urban policy

expert and the former chairman of the socialist Fabian Society. Hall has dubbed his proposal a "free-port concept." In a 1977 speech, he elaborated on it as "an essay in non-plan. Small selected areas of inner cities would be simply thrown open to all kinds of initiative, with minimum control. In other words, we would aim to recreate the Hong Kong of the 1950s and the 1960s inside inner Liverpool or Glasgow." The specified areas would be free of national exchange and customs control and foreign business and capital would be welcomed. All goods could be imported and sold duty free.

According to Hall, the areas would be based on "fairly shameless free enterprise" and would be "free of taxes, social services, industrial and other regulations. Bureaucracy would be kept to an absolute minimum. So would personal and corporate taxation. Trade unions would be allowed, as in Hong Kong, but there would be no closed shops. Wages would find their own level."

In 1978, Hall's proposal was embraced and modified by then Conservative opposition economic spokesman Sir Geoffrey Howe. Now Chancellor of the Exchequer in Margaret Thatcher's government, Howe announced in his March 1980 budget message that he would support a limited version of the Hall proposal, shying away from the "free trade zone" component. In July



Photo: NSIPS

New York's South Bronx.

## Columbia's Savas on 'the free market'

*The following is an interview with Emmanuel Savas, an adviser on President-elect Reagan's Urban Task Force. Savas is director of the Center for Government Studies, Graduate School of Business, Columbia University. One of New York City's largest landlords, the university stands to gain enormously if rent control and building and fire safety codes are repealed.*

**EIR:** Professor Savas, you attended the meeting which wrote the set of recommendations for the Urban Task Force. Do you agree with those recommendations, and was there much divergence in views?

**Savas:** The views of those at the meeting were basically unanimous. I myself do question one of the recommendations, which will subsidize mortgage bonds for housing construction. I oppose this because it will divert capital from industrial investment.

**EIR:** Why not subsidize both housing construction

1980, seven targeted areas were selected as enterprise zones to be opened by the end of this year.

The enterprise zone idea was introduced to the United States by the Heritage Foundation in early 1979. It followed discussion of the concept at a September 1978 meeting of the Mont Pelerin Society in Hong Kong attended by Heritage president Ed Feulner.

A fall 1980 Heritage publication identifies the three interrelated points behind the proposal:

1) The belief that federal government programs have created the urban crisis and that any large-scale federal effort to redress those problems is doomed to failure. Documentation of various mismanaged federal programs is offered; no mention whatsoever is made of the looting of urban America through real-estate speculation or its related destruction of urban life.

2) The belief that the key to reviving inner cities is small "innovative and creative business." Without stating so explicitly (though it is done so in other presentations on this theme), the Heritage Foundation endorses the postindustrial society idea, which states that an urban, industrial-based society is no longer possible. There can be no revival of American cities based on an industrial renaissance, the pamphlet states. The small assembly shops and ethnic- and counterculture-oriented service industries (disco, head shops, etc.) are the way

of the future.

3) The belief that a locally controlled program allocating "limited resources" and focusing on "self-help" is the way to salvation. Heritage Foundation policy planners sound remarkably similar to "community control" proponents from such Ford Foundation groups as the old Students for a Democratic Society in the late 1960s.

The Heritage enterprise zone borrows liberally from both Hall and Sir Geoffrey. They stress that an American enterprise zone must eventually lower the minimum wage—at least for youth—and eliminate rent control, while creating a tax shelter for real-estate investment. These issues stir political controversy and may have to be initially compromised, Heritage says, to "get the ball rolling."

In public discussion, a conscious effort is made to portray the enterprise zones as a vehicle for creating "meaningful jobs." This is especially true in efforts to sell the idea to black and other leaders. In private discussion, the view presented is quite different.

"We are talking about the Hong Kong model and we mean it quite literally," said a Heritage spokesman. "The jobs in Hong Kong may not be great, but at least they are jobs. That is what counts."

According to a spokesman, in an "ideal" enterprise

and industrial investment?

**Savas:** That might excessively benefit those two sectors at the expense of others. I favor a free capital market. I find many of Milton Friedman's ideas appealing, though I try to approach these issues in a pragmatic, nonideological way.

**EIR:** Why do you oppose rent control?

**Savas:** It is a myth that rent control keeps rents down. Rent control causes a decrease in the availability of affordable housing, and we should not give housing aid to cities which are destroying their housing through rent control. . . . Of course we wouldn't require them to end it all at once. If they make a real commitment to end it over time, that would suffice.

**EIR:** And food stamps. Isn't it the case that if we replace food stamps with cash handouts, as you suggest, that the money will probably just be wasted, instead of going to ensure nutrition?

**Savas:** Food stamps were never meant to ensure nutrition. They were designed as a handout to farmers. If we want to engage in income transfers, let's do it openly and honestly, without subsidizing the Agriculture Department.

**EIR:** I'm sure you realize that these ideas of yours are going to face a lot of opposition. How do you expect to ever get them passed?

**Savas:** Immediate passage doesn't matter. But intellectual shock is the key. The key thing is the gradual permeation of new ideas into peoples' consciousness. Gradually society will start to adopt them.

**EIR:** Won't your idea of free enterprise zones without minimum wage laws just lead to dead-end jobs?

**Savas:** There's no such thing as a dead-end job. Is a dishwasher a dead-end job? One can go from being a dishwasher to a counterman, a counterman to a restaurant manager, from manager to owner, and then to the owner of a chain of restaurants. Foreigners are glad to take even the most menial jobs in our economy. For them it's a step up, in the next generation they climb the social ladder.

These urban enterprise zones are a way of duplicating here in the U.S. the boom-town phenomenon in Third World countries. You get rid of all the minimum wage laws, zoning codes, building codes, fire-safety codes, environmental codes, and investment will come in. If we don't do that, we are going to have to turn the South Bronx into a reservation.