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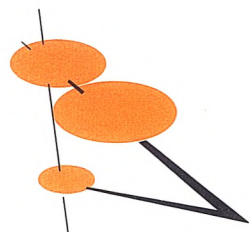
SAN FRANCISCO FEDERAL RESERVE BANK OF PHILADELPHIA

# Monthly Review

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July 1972

## **New Towns vs. Old Problems**

... The U.S. will add about 100 million people by the turn of the century ... how many of them will new towns accommodate?

## **Quotas on Foreign Steel**

... A new quota agreement covering foreign steel imports could result in an 11-percent reduction in imports in 1972 alone.

**Editor: William Burke**

## New Towns vs. Old Problems

The passage of the Housing and Urban Development Act of 1970 demonstrated Congress' concern over the continuation of "established patterns of urban development" and the impact of rising population upon economic and environmental balance, including the migration and growth trends which reinforce existing disparities between urban, suburban and rural areas. The legislation envisioned new communities as one device for achieving a more "balanced" growth which would in turn "preserve and enhance both the natural and urban environment." This development thus climaxes a renewed interest in "new towns" as a solution for long-standing urban problems.

### New towns not new

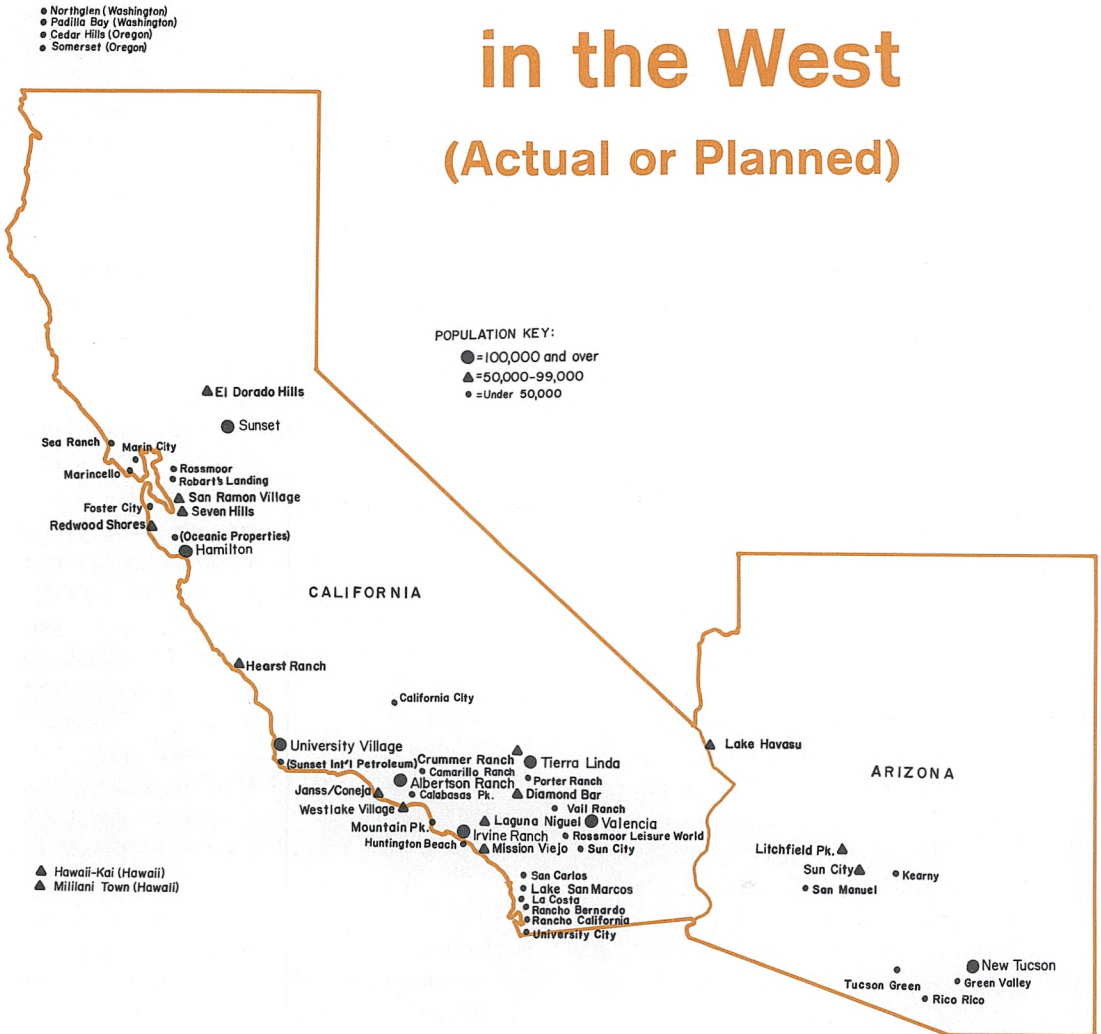
Interest in new communities of course is not new; evidence of town planning and construction for special purposes has been found in many places throughout the ancient world, including India, Persia, Egypt — and especially Greece, where settlements in outlying areas were established at least partly to accommodate population increases in the principal city-states. In the United States, one of the earliest efforts to build a totally new city—Washington, D.C.—involved the creation of a public agency which was empowered to formulate a development plan and to acquire 5,000 acres of privately held land for resale to those who agreed to conform to its land-use specifications. In laying out the specifications of the nation's capital, this plan reserved substantial acreage for open space, streets, parks and public buildings.

During and between the First and Second World Wars, a number of new towns were built for special purposes under government sponsorship, such as Oak Ridge, Tennessee, Los Alamos, New Mexico and Richland, Washington (atomic bomb manufacture), Norris, Tennessee (TVA), and Boulder City, Nevada (Boulder Dam). More recently, interest in new towns has centered largely on Reston, Virginia and Columbia, Maryland—private ventures started in the late '60s and projected to accommodate populations of 75,000 and 120,000, respectively, when finally completed. By one recent count, however, some 130 new communities of one type or another (but at least 1,000 acres in size) either have been proposed or are under development in this country, and 58 of those 130 towns are in Twelfth District states.



Nonetheless, probably the most ambitious of the new-town efforts during the postwar period have centered in the United Kingdom, where some 30 new towns have been built with a high degree of governmental direction and financial support. The British new towns, with an emphasis upon green belts, community centers and other social amenities, reflect the views of Ebenezer Howard (1850-1928), who sought in his day to combine the "best" ingredients of urban and rural life

# New Cities in the West (Actual or Planned)



into new planned communities as an alternative to the squalor and congestion of the large industrial cities.

Located at sufficient distances from existing towns to be as self-contained as possible and not merely extensions of suburbia, the new towns have been designed to siphon-off population from London and other large cities. They are expected to absorb a significant portion of the 20-million increase in the U.K.'s population projected by the turn of the century.

Similar U.S. concern over the ability to absorb future population growth has led to renewed interest here in the new-town movement. In particular, the 1970 legislation was influenced by the National Committee on Urban Growth's recommendation that 100 new cities of 100,000 population each, and 10 new cities of 1 million each, be created to accommodate 20 million of the additional 100 million people expected by the turn of the century. Perhaps 3½ million of those 20-million new-town dwellers would be absorbed by the 58 new towns now being built (or planned) in Western states.

### What new towns?

"Variety" is perhaps the best word to use to characterize new towns, or new communities. They come in all shapes and sizes, from the 93,000-acre Irvine Ranch in Southern California with a projected population of over 400,000, to the 2,600-acre new town of Riverton, New York, with a projected population of 25,000. There is, in fact, no unanimity of opinion as to what actually constitutes a new town, partly because they exhibit such a wide variety of sizes, locations, functions and land uses. (One observer has described new towns as essentially "a vehicle for defining and synthesizing a variety of proposals for the improvement of specific problems of environment.") The arguments commonly advanced on behalf of new towns

run the gamut from considerations of aesthetics and the environment to economic efficiency and the implementation of various social goals, with "balance" as the central theme.

By its very nature, the totally pre-planned new community can schedule the orderly location, timing and sequence of development by coordinating the construction of housing, commercial facilities and community infrastructure (utilities, transportation, education, recreation and cultural facilities) into a harmonious whole. Unlike the small-scale developer who is not responsible for the environment in which he operates, the new-town developer can and should be concerned with the total environment and with the optimum sequence of development. By planning ahead and thereby guiding development, he can avoid both the visible and invisible costs of sprawl.

In contrast to the present patterns of urban development, which are characterized by a progressive spread of low-density building over the entire landscape, the cluster development which is integral to new-town proposals should result in an overall land use which is not only ecologically balanced, but more economical. Unit costs are lower, for example, if 3,000 residences are built sequentially on 50 acres than if the same number are built in increments of 60 on 50 separate sites.

This is considered a particularly important objective on the fringes of metropolitan areas, where unprotected open lands and agricultural areas easily succumb to the pressures of expanding population. The large-scale approach of new-town planning also would overcome the problems associated with urban-renewal and Model Cities programs, which are frequently criticized for failure to achieve their expected impact because of concentration on relatively small-scale, fragmented projects.

### Why new towns?

Although the U.S. does not yet have a comprehensively defined national urban policy, new towns are considered a means of implementing a number of specific social goals which have emerged over the years. These include an increased degree of population decentralization and an increased degree of dispersion within existing metropolitan areas, as well as the provision of more and better job and housing opportunities for minorities outside of the urban ghettos. By siphoning off in-migrants who would otherwise congregate in the cities, new towns will help relieve the mounting problems of congestion in the main urban centers.

Present urban centers are believed by many economists to suffer diseconomies of scale. Conclusive proof is lacking, partly because of the unavailability of adequate measures of the full cost of such factors as pollution and congestion, but some evidence exists to support the view that per capita costs of various public services (police protection, sanitation, education and transportation) are substantially higher in very large cities than elsewhere.

In 1970, for example, per capita taxes and expenditures for public services in cities with populations of 1 million or more were double those of cities in the 300-500,000 size bracket, and over three times those of cities in the 50-99,000 size category. In the view of the New York Urban Development Corporation, "Congestion New York scale saps not only humans but their institutions, as the almost daily crisis in local and metropolitan services demonstrates."

A related goal of many new-town projects is a high level of self-sufficiency, which would reduce the need for long-distance commuting for work, shopping and recreation, thereby helping to relieve congestion in the main metropolitan areas. To the extent that they

are self-contained, new towns may also make it easier to establish a sense of community. Their residents allegedly will be able to effect a greater degree of community participation and at the same time maintain an identity that otherwise would be suffused in the social vortex of the metropolitan core cities.

In addition, new towns might serve as testing laboratories for urban innovations. They provide a chance to experiment with innovative designs in residential, commercial and industrial architecture, as well as with new transportation systems and new methods of public administration and urban management. In the process, they provide an opportunity to develop solutions to the problems affecting the core cities. On several counts — economic, social and purely structural — new towns thus can represent an exercise in thinking in metropolitan terms.

### Independents and satellites

Other features such as size and location help to distinguish new towns from traditional builder developments. Size is one; while a large subdivider or builder seldom develops a single parcel of more than 1,000 acres and 2,500 units, new towns average about 10,000 acres in size. A standard definition is at least 1,000 acres planned for a minimum 3,000 to 4,000 residents and sufficient supporting facilities, activities and uses to constitute a complete community.

Yet another basis is location, or more particularly, relative distance from established metropolitan centers. Depending upon their implementation of certain specific goals, four types of new town—*independent*, *satellite*, *peripheral* and *in-town*—are recognized by the Department of Housing and Urban Development as eligible for various kinds of Federal assistance.

- The independent or free-standing new town is located beyond commuting distance from another major urban center and is envi-

sioned to be relatively self-sufficient, with an eventual population of 250,000 or more. A city planned as part of a national-settlement policy — such as Brazil's capital of Brasilia — would qualify as an independent or free-standing urban entity, as would have Salt Lake City or Fairbanks in their day, had they been comprehensively planned.

Today, Lake Havasu City in Arizona (new home of the London Bridge) and the large Irvine Ranch project in Southern California might qualify as independent new towns. The latter project has allocated 1,000 acres of its 93,000 acres to educational purposes, through the donation of land for a local campus to the University of California, and has allocated 66 percent of the remainder for residential purposes, 26 percent for industrial-commercial uses, and 8 percent for open space. It is expected that 90 percent of the jobs in the completed project will be held by residents.

- Satellite new towns are located within commuting distance of a major city, usually on sparsely settled land devoted to agricultural uses. (Most proposed new towns fall into this category.) The prototypes are Reston, Virginia, some 20 miles from Washington, D.C., and Columbia, Maryland, midway between Washington and Baltimore. Reston's population is expected to grow from its present 10,000 to 75,000 on 6,800 acres; Columbia's from 15,000 to 120,000 on 18,000 acres.

Though different in architectural design — Reston being rather advanced and Columbia rather conservative — both communities will have relatively high population densities, but clustered in such a way as to leave vast areas to open space. Housing is grouped in "villages" separated by green belts, with each village containing its own shopping center and school, while attractive town centers accommodate high-rise office and commercial buildings.

Riverton, New York, being developed by a consortium including Reston's original developer Robert Simon, is one of three satellite new towns thus far declared eligible for Federal support. Planned for development over a 16-year period, the new town will eventually accommodate 25,000 people on 2,560 acres of land near Rochester. About 40 percent of the land will be allocated to housing, 22 percent to commercial and industrial uses, and 24 percent to recreational and open space — including a golf course, 12 indoor and outdoor swimming pools, three lakes and a riverside marina. In Riverton, 14 miles of walkways (tunneling under or bridging roads) will link schools, residential areas, shopping centers and industrial parks. A rapid-transit link to nearby Rochester will be developed on the existing Erie-Lackawanna rail line, and between 30-40 percent of the 8,000 residential units will be for low- and moderate-income families, including the elderly. The developer also plans to offer prepaid health care and medical insurance for residents.

### Other types of towns

- Peripheral ("in-filling") new towns are established either on the edge of existing metropolitan areas or within the suburban fringe on lands that for one reason or another have been utilized for agricultural, military, or other purposes. In effect, peripheral new towns represent efforts to accommodate, with appropriate planning, over-spill from either the central city or existing suburban areas. One example is Foster City, built on 2,600 acres of reclaimed tidelands in the southwestern portion of San Francisco Bay, and designed to accommodate a population of 35,000 in a community of high-rise apartments, garden apartments, townhouses and single-family residences with some commercial and industrial activity.

- In-town new towns are closely related to peripheral new towns and essentially rep-

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resent a form of urban renewal; that is, major developments designed to revitalize inner-city areas. One such project will create two new towns on Welfare Island in New York's East River, with 5,000 units of mixed-income housing and an ecological preserve—and no automobiles allowed. It is sponsored by the New York (State) Urban Development Corporation, which has broad powers to condemn and acquire land, to override local zoning and building codes and to float its own debt obligations.

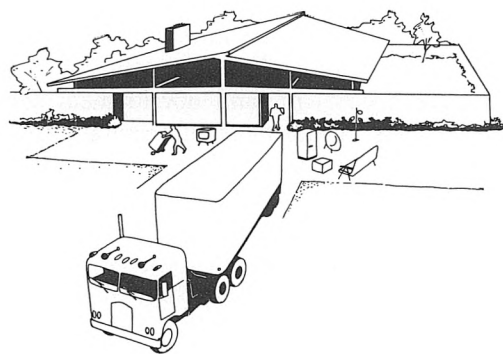
Another project under the same sponsorship eventually will generate 35,000 jobs and house a mixed-income population of 60,000 in a new town to be built over the storage and repair yards of the Long Island Railroad in Queens. Lower levels of the new community will be allocated to parking, vehicle circulation, and industrial space, and the top levels to office buildings, a shopping center and residential buildings.

Although the foregoing classification is based upon relative distance from major urban centers, virtually all of the new towns thus far initiated or planned in this country happen to be located within the general orbit of the fastest growing metropolitan regions—witness the heavy concentration in Southern California. This trend of course conflicts with one of the major purposes of new-town development—population dispersion—but it is understandable in view of such factors as access to transportation facilities, the availability of adequate supplies of land, labor and other resources and, not least of all, the potential for population growth itself. Some of the problems encountered in the development process may be understood by looking at the developers themselves.

### Who are the developers?

In contrast to the British and European experience, the American new-town movement has (to date) received its greatest

organizational and financial support from private enterprise rather than from the public sector. Motivated by the profitable investment opportunities in “environmentally constructive ends” — which may include a 20-percent (or more) pre-tax return on investment — large landowning and development firms, building firms, oil companies, industrial corporations, insurance companies and commercial banks are to be found in the forefront of the new-town movement.



One major type of developer is the large landowning firm, such as the Irvine Ranch Company in California. Originally involved in ranching, citrus and extractive operations, the Irvine Company has turned to new-community development to take advantage of the increased value of its land holdings brought about by the growth of the Los Angeles-San Diego area. Similarly, Goodyear Rubber Company has undertaken development of its 13,000-acre Litchfield Park, Arizona, project on land originally bought in 1916 for growing cotton to be used in tire manufacturing.

Other large Western landowners, such as Leslie Salt Company, Weyerhaeuser and Boise Cascade, have gotten into community development to obtain a multiple and more profitable use of their land holdings. In some cases, holding periods of 50 years or more have kept the book value of lands well below their present market value, offering the



potential of major capital gains over time.

Large national corporations have become increasingly interested in new-town development. Westinghouse has plans for new towns in Florida and California to serve as markets for large-scale testing of new products. Other companies, such as IT&T (through Levitt & Sons, its building subsidiary) and the Penn Central (through Macco Realty, its Southern California land-development subsidiary) are entering the field as part of their diversification efforts.

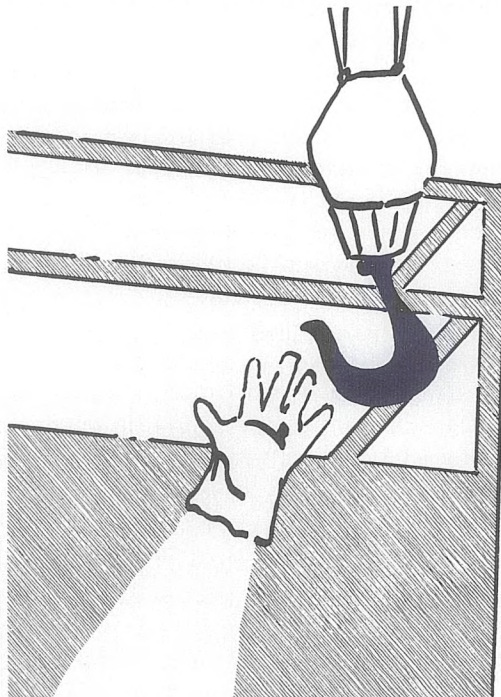
Oil companies are now major investors, being interested as they are in the risk-shelter benefits of land development stemming from property-tax and capital-gain tax legislation. Sunasco (Sunset International Petroleum), which has acquired a number of building firms and now derives the largest part of its income from real estate, currently is involved in the development of three new communities in California. Gulf Oil, after investing heavily in Reston, has now assumed control of that prototype community.

With the experience of some prototype new towns in mind, some observers have concluded that considerable public support will be required to maintain the momentum of the new-town movement, in view of the heavy "front-end" costs which must be borne by the developer before cash flow turns positive. These costs arise from the necessity to finance land acquisition, site development and improvement, and essential infrastructure during the lengthy period before any appreciable cash flow develops from land sales, home sales, and commercial and industrial leases.

The cost of land acquisition alone for a 10,000-acre new town may approximate \$15 million, entirely apart from outlays for financing costs and infrastructure. As for the latter, the cost of Reston's roads, sewers and water lines amounted to \$14 million, while in one California development, a 5-

mile access road alone cost \$1 million.

Serious problems can arise unless the development plan carefully keeps construction in phase with return cash flow, which means



that housing availability must be kept in phase with job opportunities, and hence with commercial and industrial development. Costs mount also as a consequence of the delays that result from dealings with local authorities over such matters as zoning and building-code requirements.

The developer usually provides between 5 and 20 percent of the total prospective development cost as his equity investment, with the proceeds being used for land acquisition, architect and engineering fees and general overhead. Thus, reliance upon external financing can be both very substantial and costly.

The enormous cost of new-town ventures thus helps explain why virtually all of their backers are large firms, and it also helps to

explain why most new-town proposals are still just that — proposals. Even some large firms have discarded their original plans to enter the field, discouraged by the difficulties of large-scale land acquisition, by the difficulties encountered in securing the approval of local authorities with frequently overlapping jurisdictions, by the high cost of providing the essential infrastructure, and by the long gestation period required for a positive cash flow to develop. (Some economic models developed in connection with specific new-town proposals estimate that full development requires eight years or more.) Consequently, Congress has passed legislation to assist new-town development because of its conviction that such ventures are merited in terms of helping to restructure the nation's future urban growth.

### Federal support

To implement the 1970 legislation, a new Community Development Corporation was created in the Department of Housing and Urban Development, with the assignment of determining eligibility standards for new-town proposals and of serving as a vehicle for extending various forms of assistance. As to eligibility criteria, a new town must be of one of the four types noted above, and in addition, must be "a well planned and harmonious whole . . . economically sound . . . and an attractive place to live, work and play."

Ample provision must be made for open space, as well as for "most, if not all of the basic activities and facilities normally associated with a city or town," including residential, industrial, commercial, educational, religious and cultural activities. In addition, the new community must offer equal opportunity for minority-group employment, and must provide "substantial" (but unspecified) amounts of low- and moderate-income housing during each phase

of residential development.

Financial assistance to qualified new town-developers may take several forms, including up to \$500 million overall in debt guarantees. A limit of \$50 million is placed on any single project, but otherwise the debt guarantees may cover up to 100 percent of the real-property and development costs incurred by public-development agencies, and 85 percent of the costs incurred by private developers. The act also calls for \$250 million in loans and grants to help defray the cost of interest payments for a period up to 15 years.

In addition, \$168 million (through fiscal 1973) is authorized in loans and grants to help defray the cost of schools and other essential public services during the initial stages of community development, and in special planning grants to help cover planning costs and technological innovations such as antipollution construction techniques. Finally, additional funding is available through 13 existing Federal agencies for sewers, water supply, open space, mass transportation and other public facilities.

Altogether, about \$1 billion in assistance may become available to reduce the risk to developers resulting from their heavy front-end costs. To date, Congress has failed to appropriate any funds in support of the loan and grant measures, but the debt-guarantee program is well underway. Thus far, HUD has made \$227 million in debt guarantees in support of ten projects designed to accommodate over 630,000 people by 1990, and the volume of applications for assistance is rising rapidly. None of the ten projects are in the West, however.

With adequate Federal funding, the new-town movement could witness a major upsurge during the next decade, as private developers become attracted by the profit potential on projects in which a large part of the risk is borne by the Federal government.

Still, Federal assistance is not without its costs, and some observers question its effectiveness in terms of implementing the objectives which new towns are designed to achieve.

### Problems of Federal support

For one thing, the cost of filing a detailed application for HUD assistance is considerable — as much as \$500,000, according to one study of the San Francisco Bay Area — and the amount of red tape involved is substantial. More importantly, while Federal aid can alleviate some fundamental problems such as developers' heavy front-end costs, it is not presently designed to cope with other factors equally critical to the success or failure of a new-town venture — location, zoning, and the rate of sale of developed properties. Land, for example, must be acquired or tied up through purchase or purchase options before applying for Federal aid, without any certainty that aid will in fact be provided. And while the new legislation stresses the importance of new-town location, it provides no means for guiding the choice of location; the initiative ultimately rests with the developer.

A related problem concerns the degree to which Federally imposed criteria for new-town assistance can be blunted, if not entirely thwarted, by local-government authorities. The typically fragmented structure and nature of local governments may, in fact, effectively preclude the kind of metropolitan planning and land-use control which is necessary to control growth on an area-wide basis.

For this reason, many observers emphasize the importance of state public-development corporations which have both broad powers and access to Federal funding, such as the Urban Development Corporation established by the New York State legislature. The NYUDC has the power to condemn and acquire land, override local zoning and building codes, raise funds through

the flotation of general obligation bonds, undertake the construction of transportation and other public utilities, and sell developed land to new-town builders. With these powers, the NYUDC plans to channel one-third of the Empire State's growth into new towns during the rest of the century.

Other locational incentives might take the form of land-acquisition loans or grants,



actual land grants by state agencies, and various fiscal incentives such as property-tax deferrals, investment tax credits, and accelerated-depreciation allowances on structures built in publicly designated new-city areas. In addition, some observers advocate the establishment of National and Regional Urban Development Banks, which would be empowered to make land purchases and development loans with funds derived from the sale of security issues or from private bank loans.

### Self-sufficiency and efficiency

Still, a number of fundamental problems remain, including the question of whether the commonly stated objectives of new-town development are fully compatible with one another. For example, is a relatively high degree of self-sufficiency compatible with the advantages of efficiency, which derive from specialization? Or is it even attainable?

It is significant that virtually all of the proposed new towns in this country are located within the orbit of existing large metropolitan centers.

By definition, existing large urban centers not only afford the widest range of opportunities — economic, social and cultural — but they are also the primary sources of the labor skills and materials upon which new-town developers must rely in implementing their projects. They also are the major outlets for the products of the major national firms, who take transportation costs and other market factors very much into account in deciding upon the location of their facilities.

Thus, while open land in rural areas may be less expensive and easier to assemble in large parcels for development, land improvement and other development costs may be relatively higher in these areas, due to the cost of transporting to the site the skilled labor and materials which are not available locally. Furthermore, even in the most highly-developed new towns here and abroad, the goal of a high degree of self-containment has proven elusive. A considerable proportion of their residents still commute to nearby urban centers for employment and, at least in Reston and Columbia, still depend overwhelmingly on automobiles rather than public transportation for their transportation needs.

Closely related to these considerations is the fundamental question of economic efficiency — the question of whether external economies or diseconomies characterize existing urban centers and projected new towns. For example, to what extent do external economies in metropolitan centers offset the external diseconomies which result from pollution and congestion? (An example of the former would be the provision by a city of parks and recreation facilities which are utilized without charge by suburbanites; an example of the latter would be industrial

development which creates traffic and pollution problems for a neighboring community.) While considerable evidence points to the existence of diseconomies in existing large cities, there have been very few empirical studies of the problem, partly because no accounting system exists which would make possible the accurate measurement of social benefits and social costs.

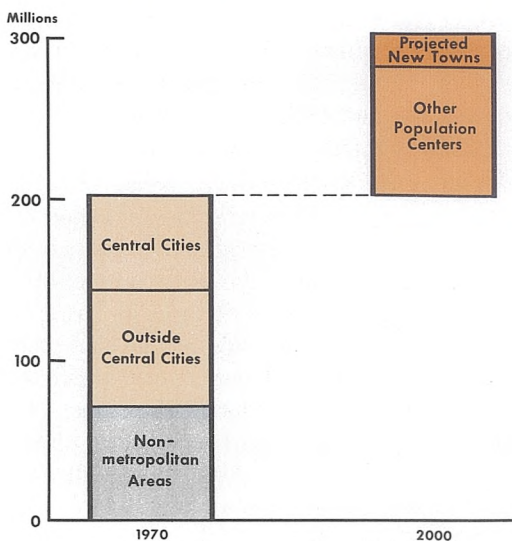
Consequently, the continued location of income-generating activities in large urban centers might indicate that the marginal benefits exceed the marginal costs incurred by those who make this decision — but it may also reflect a rational response to a pricing system that (1) does not measure the total (or social) cost of such externalities as pollution and congestion and that (2) requires new firms and residents to bear only the average, rather than the higher marginal cost, of entry. Under these conditions, firms might continue to locate in large urban-core cities, where operations at least appear profitable, even though the resulting net social product (taking diseconomies into account) is less than that which would be generated by an alternative location. Still, the increasing tendency of business to locate in the suburbs suggests a recognition of the diseconomies attendant to operating in the central cities.

In any event, the proper measurement of efficiency would require an accounting and pricing system that takes all values into account, including the so-called intangibles and amenities. Such a system does not yet exist, and even if it did, the problem of calculating the costs of switching from one urban form to another — from existing cities to projected new towns — would still be formidable.

### Social balance

Another problem with achieving compatibility among the various new-town objectives centers on the question of social

**New towns may house only one-fifth of nation's 100 million new residents**



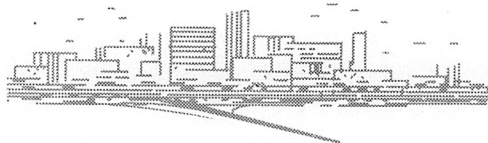
balance, that is, the accommodation of a representative mix of socio-ethnic and income groups within the community. As noted previously, the provision of equal job opportunities and adequate low- and middle-income housing rank high among the eligibility criteria governing Federal financial assistance to new-town developers.

Reston and Columbia have achieved some success in achieving racial mix, as minorities (in this case Blacks) account for about 7 and 15 percent, respectively, of their resident populations. As for the income mix, the available evidence indicates that median incomes are quite high (about \$20,000), and that the income of minority residents is well above the median of minority groups generally, partly because these residents include a significant number of well-paid professionals. In fact, new-town homes for the most part have been considered luxury items, well beyond the reach of the typical low- or moderate-income worker.

By definition, new towns lack an inventory of the older, cheaper units which now

house most of the urban poor. In the absence of very substantial subsidies exceeding what is now available through FHA 235-236 programs, new-town developers probably could not produce substantial amounts of new housing for that income category. In short, attempting to house low-income groups in new towns may prove to be a relatively costly and inefficient way of providing them with decent housing — more costly at least than refurbishing older units in the inner cities. However, if the problem of financing low-income housing were to be solved, new towns could offer a potentially significant increase in job opportunities to minorities, whose problems have been compounded by the tendency of employers to leave the central cities for the suburbs.

Beyond that, the emphasis of new-town planners on aesthetics and the environment is essentially a matter of interest only to the relatively affluent. (For this reason, measures of efficiency as applied to alternative urban forms may have to take explicit account of differing class biases.) New-town residents concerned with the amenities thus may be unsympathetic to the developer's efforts to make the community self-contained (and profitable) by the inclusion of an income- and tax-generating industrial base.



Nor have the new towns been altogether successful in instilling a sense of identity and participation among their residents. ("New Town blues," a phenomenon first discovered among residents of the British new towns, has been found to affect American new-town dwellers also.) Otherwise, surveys indicate that new-town residents generally

are satisfied with what their communities offer, even though they are beginning to experience some of the woes that affect the rest of urban America.

### Other problems

On yet other counts, critics question the ability of new towns to meet their stated objectives. For one thing, new towns might actually exacerbate environmental problems by contributing to a leap-frogging urban sprawl, since virtually all of the proposed new communities are to be located within the orbit of existing metropolitan centers. As for pollution control, it may be easier (and much less costly) to take pollution away from the people where the problem is the greatest — in the large urban centers — than to take people away from the pollution problem.

Moreover, questions may arise about the potential of new towns as urban laboratories, simply because of the limit imposed on experimentation by the inherent riskiness of new-town development. With adequate public assistance, some potential for experimentation would still appear possible, including such innovations as pre-fabricated and modular-type housing, but cost factors might limit the private sector's experimentation for the foreseeable future.

Other questions arise concerning the effectiveness of trying to control the nation's population growth — a projected increase of 100 million by the end of the century — by simply creating 10 new cities of 1-million population and 100 new cities of 100,000 population. Critics note that the 20 million people accommodated by the proposed new towns would represent only 20 percent of the total population increase over the period — and only 7 percent of the total population — so that existing cities would have to absorb the remaining 80 percent of the projected growth. (It is assumed that the size of the rural population would remain

relatively unchanged.) Indeed, if each of the smallest 200 metropolitan areas in the nation were to absorb an additional half-million people, the projected 100 million increase in population could be accommodated without any of the 200 areas exceeding 2.5 million in size — and without the creation of any new towns at all.

Critics of the new-town movement contend that it would be enormously expensive to achieve a truly massive redistribution of population — that is, enough of a redistribution to make a real difference in terms of economic, social, environmental and geographical balance. The total cost might be considerably less, and the likelihood of success increased, by programs aimed at directing growth towards existing cities with populations of from 250,000 to 500,000.

Unlike totally new towns, these “growth centers” already have a well developed infrastructure; unlike the major metropolitan areas, they are not overwhelmed (at least not yet) by the vicious circle of urban problems. The Presidential Commission on Population and the American Future (the Rockefeller Commission) consequently has embraced recommendations favoring the channeling of population towards medium-sized growth centers.

A final obstacle — perhaps the major obstacle — to the new-town movement is the absence of a well-defined national urban policy. According to this line of thought, formulating and carrying out such a policy would require an unprecedented degree of cooperation among the Federal government, the state and local governments, and the private sector.

Yet the fragmented nature of the governmental structure and policy-making apparatus in this country — the pluralistic system which emphasizes decentralized decision-making and local autonomy — works against concerted action. Rather, it is more

conducive to an *ad hoc*, cautious approach to urban problems, which in itself reflects a widespread lack of agreement as to just what urban problems require what solution, in what order, and in what way.

### What future?

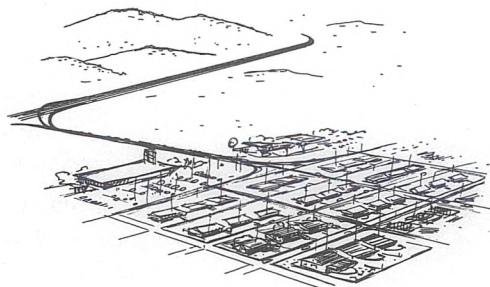
What then is the future of the new-town movement? Any solid conclusions are impossible, simply because of the limited American experience with new towns; thus far, very few have come to fruition, and the empirical basis of any definitive assessment is lacking. In view of the magnitude of the problems, however, private enterprise alone is not likely to play a major role in developing new towns with the broad socio-economic-environmental characteristics envisioned by their creators. Moreover, the various public programs which have been initiated in support of new towns thus far appear to be inadequate to the implementation of their stated objectives.

Given the pluralistic nature of the decision-making apparatus in this country, the success or failure of the new-town movement may ultimately be determined at the state level. In other words, many of the more serious problems faced by new-town

developers, including the problems of land acquisition and conformance with local zoning and building codes in overlapping or contiguous jurisdictions, might best be resolved by state-development agencies such as the NYUDC, with wide powers to overcome such local restrictions.

Furthermore, state agencies would appear to be in a particularly favorable position to assure that urban growth—including the creation of new towns—is accomplished with an eye to region-wide environmental balance. (This consideration is particularly important in the West, where individual states typically encompass large, geographically diversified areas.) In addition, state-development agencies with broad powers and well formulated land-use plans would be eligible (as is already the case) for Federal new-community assistance on preferential terms, and would be able to maintain a reasonable balance between the demands of a nationwide population-growth policy and their own regional interests. The success of the new-town movement thus will depend on a host of private and governmental initiatives, and not least of all upon effective action at the statewide level.

*Nonna Noto and Verle Johnston*



## Quotas on Foreign Steel

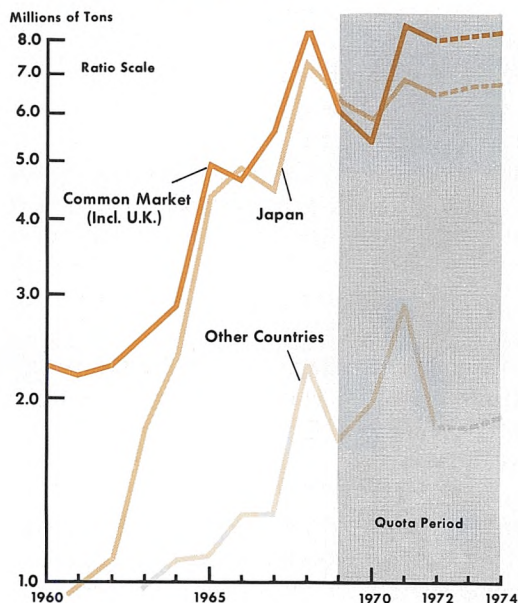
Most major foreign producers of steel agreed this past May to a new three-year plan restricting their export of steel-mill products to the United States. The agreement, which could result in an 11-percent reduction in imports in 1972 alone, tightens somewhat a quota arrangement which was in effect during the 1969-71 period.

President Nixon hailed the agreement as “a welcome development . . . which will enable domestic steel producers to make their plans with confidence that imports will not be disruptive to the domestic market,” and he added, “it will help preserve the jobs of American steelworkers.” Spokesmen for the domestic steel industry echoed the President’s sentiments, but spokesmen for the consumer movement took a completely different line. Consumers Union sought an injunction against the agreement in a Washington Federal court, charging that it constituted a “per se” violation of the Sherman Act, since it permitted “artificially high price levels” through its limitations on U.S. supplies of foreign steel. Wholesale prices of steel-mill products jumped 20 percent during the period of the last quota arrangement, or almost twice as fast as the average for all industrial commodities.

In letters of intent to the Secretary of State, producer federations in the Common Market countries (acting through the European Coal and Steel Community), Japan and the United Kingdom agreed to limit their steel imports to the U.S. this year to

14.5 million tons. Japan and the Common Market each would account for 6.5 million tons, and the U. K. for the other 1.5 million tons. (In 1971, their shipments were 6.9, 7.2, and 1.4 million tons, respectively.) Non-signatory producing countries, such as Canada and Sweden, would be expected to hold their shipments below 1.8 million tons, down from 2.9 million tons last year. Total imports thus could fall to 16.3 million tons in 1972, from last year’s record high of 18.3 million tons.

### Quota agreements act to brake sharp upsurge in imports





### Reduced market share

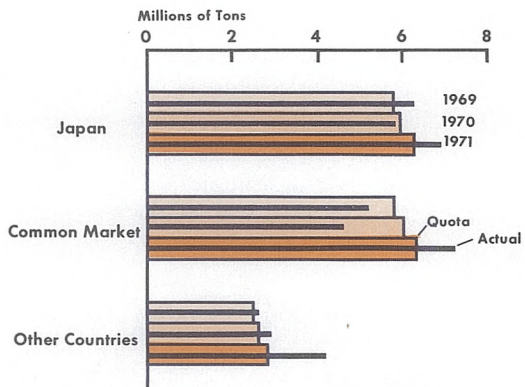
If the “voluntary” agreement holds up, foreign steel will account for a much reduced share of the American market this year. Domestic producers could ship perhaps 96.0 million tons this year — assuming the standard forecast of a 10-percent increase over 1971 production levels — with perhaps 93.2 million tons of that total going to domestic buyers. Thus, with 16.3 million tons of imports, total domestic consumption might reach 109.5 million tons. At that level, imports would account for 14.8 percent of the U.S. market — down from 17.9 percent last year, but still higher than any other year except 1968.

Although the agreement permits increased imports during the remaining years of the three-year pact, total imports by 1974 could still fall 7 percent below the 1971 peak of 18.3 million tons. In 1973, Japanese producers are expected to limit their export increase to 2.5 percent and European producers (including the U.K.) to 1.0 percent; in 1974, all producers are expected to adhere to the 2.5-percent growth limit.

The new agreement thus generally follows the pattern set by the 1969-71 agreement, with sharp reductions in the first year of the pact followed by limitations on growth in the succeeding two years. The old agreement envisaged a 14-percent overall reduction between the pre-pact year (1968) and the third year of the agreement (1971), with a 22-percent cut in the first year followed by 5-percent increases in each of the next two years.

Imports of steel-mill products actually conformed quite closely to the quota restrictions during the first year of the old three-year agreement, falling from a high of 18.0 million tons in 1968 to only 14.0 million tons in 1969 and 13.4 million tons in 1970. This decline reflected in part the general compliance with the quota agreement, but

### All major producing countries exceed quotas during 1971



it also reflected the slowdown in the U.S. economy and the boom in foreign markets, which tended to divert steel to the faster growing markets overseas. In 1971, however, imports jumped sharply above the 15.4 million ton quota to a record high of 18.3 million tons, as steel users in this country built up their inventories as protection against a possible strike.

During all three years of the agreement, the performance of individual countries varied with regard to compliance. Japan exceeded its quota in both 1969 and 1971, and Common Market countries far exceeded their quota in 1971 after falling considerably below quota in earlier years. Non-signatory producing countries exceeded their implied quotas in all three years, and by a very considerable margin in 1971.

### Less specialty steel

Last year, foreign producers exceeded their quota limitations most sharply in the high-quality, low-volume categories, such as stainless steel (34 percent over quota), and tool and other alloy steel (59 percent over quota). These categories still represented only 3.3 percent of total steel imports, but the high prices of specialty steels enabled foreign producers to boost their revenues

from U.S. trade by more than the proportionate increase in their total volume of shipments to this country. This increase in the mix of higher-value products, along with the general increase in steel prices, enabled foreign producers to maintain total receipts from U.S. sales almost even between 1968 and 1970, even in the face of a 25-percent reduction in overall volume — and helped bring about a new peak in dollar receipts as tonnage soared last year.



Not surprisingly, the new agreement calls for the sharpest reductions in trade to occur in these specialty-steel categories. Between 1971 and 1972, the Common Market (including the U.K.) and Japan are expected to reduce their alloy-steel shipments from 324,000 to 254,000 tons, and their stainless-steel shipments from 147,000 to 106,000 tons. The agreement calls for some increase

in alloy-steel shipments between 1972 and 1974, but for continued cutbacks in stainless-steel shipments.

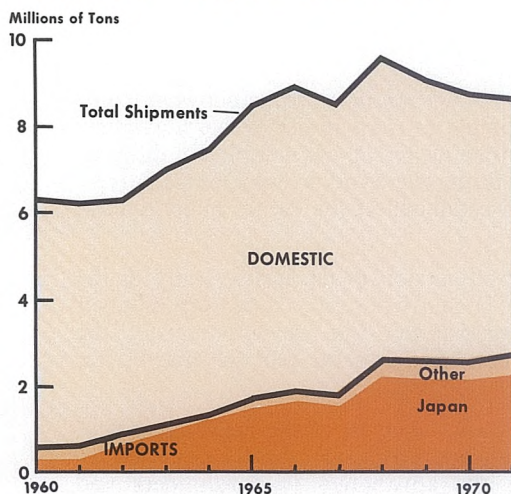
Some problems may arise in reducing total imports of specialty steels, however. The European producer associations which negotiated the agreement account for only about two-thirds of European specialty-steel shipments to the U.S., but spokesmen for these associations stated that they “will use their best efforts” to induce non-participating firms in Common Market countries to abide by the quota limitations. More importantly, non-signatory nations may have a considerable impact on the market, at least in the stainless-steel category. Canada and Sweden, who accounted for almost one-fourth of U.S. stainless-steel imports in 1971, have been exceeding last year’s pace so far in 1972, and thus may offset much of the cutback agreed to by other producers.

### Less steel in the West

The new agreement attempts to curb further foreign penetration into each of the regions of the U.S. — especially the West, which now buys almost one-third of its steel from foreign sources. (The foreign share of the District steel market jumped from 9 to 31 percent between 1961 and 1971, while the import share in the rest of the nation rose from 5 to 17 percent over the decade.) Henceforth, the foreign signatories will attempt to maintain the same proportionate geographic distribution of shipments as they maintained on average during the 1969-71 period, although some year-to-year fluctuations are permitted. Japanese producers specifically agreed to ship no more than one-third of their total U.S. shipments to the Pacific Coast customs region, in conformance with the 1969-71 average pattern.

The terms of the new quota agreement are somewhat more favorable to the domestic industry than those of the original pact,

## Japan sharply increases its share of Western U.S. market



especially from the standpoint of the overall growth mix of steel products and geographical market penetration. Its overall effectiveness could be reduced by the voluntary rather than mandatory nature of the program and by the non-participation of some important producing countries — just as in 1971, when imports were almost 19 percent over quota. Still, the agreement promises to reduce considerably the foreign

competition to domestic producers; in the first quarter of 1972, even before the pact was signed, steel imports had already declined to the levels permitted under the agreement, and the downward trend continued in April.

Nonetheless, the legality of the agreement will remain unsettled until the courts rule upon the validity of the Consumers Union suit. In seeking an injunction, Consumers Union charged that the agreement represented an antitrust violation, since it was a “conspiracy” between Administration officials and foreign and domestic steel interests for “unreasonable restraint” of trade. The suit also alleged a violation of the 1962 Trade Agreements Act, because there were no Tariff Commission investigations, public hearings, and findings of serious injury to domestic industry prior to the agreement. The next move is uncertain. But if consumer interests were to succeed in keeping open the channels of trade by blocking this arrangement, producer interests might seek redress by persuading Congress to enact mandatory quotas on the steel trade.

*Yvonne Levy*

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## Publications Available

**The China Trade** (40 pp. 1972)—An analysis of two centuries' trade between China and the West. The study describes the development of trade under Western auspices during the 19th and early 20th centuries, and then describes the completely different trading environment existing today. After analyzing the structure of China's current imports and exports, the study concludes with estimates of the future magnitude of the China trade.

**Silver: End of an Era** (32 pp. 1972)—A revised version of an earlier study of the politics and economics of the silver industry. The study describes a century of silver legislation (leading up to the recent demonetization), the development of the Western mining industry, world coinage and industrial demand, and the sharp price fluctuations of the past decade.

**Nation-Spanning Credit Cards** (12 pp. 1972)—An analysis of the rapid growth of bank credit cards, with emphasis on the nationwide coverage recently obtained by two major card plans. The study describes the advantages to cardholders and merchants from widespread credit-card usage, technological developments enhancing the spread of a general electronic-payments system, and the increasing profitability of card plans with the growing maturity of the industry.

**Wall Street: Before the Fall** (36 pp. 1970)—An analysis of basic stockmarket developments of the past 15 years. The booklet describes the supply and demand factors underlying general price trends, and analyzes the industry's operational problems and the expanded role of institutional buying in recent years.

**Calibrating the Building Trades** (20 pp. 1971)—An analysis of the unique features of the construction industry and their effect on construction wage trends. The study describes the Administration's development of an "incomes policy" tailored to that specific industry.

**Aluminum: Past and Future** (64 pp. 1971)—An analysis of the long-term growth of the aluminum industry, with its eight-fold expansion in consumption over the past quarter-century. The study describes the locational factors responsible for the national and international spread of the industry, and analyzes the reasons for recent fears over the industry's sharp expansion of capacity.

**Copper: Red Metal in Flux** (56 pp. 1968)—An historical study of the copper industry, with emphasis on the growth of Western producers. The report describes copper's response to the competitive inroads of other materials in traditional copper-using industries.

**Law of the River** (16 pp. 1968)—An analysis of present and future sources of water for the Pacific Southwest. The report describes how Southern California and Arizona are looking beyond the Colorado River to meet their 21st-century needs for water.

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