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AGENCY: DEPARTMENT OF THE TREASURY

HEADLINE: REMARKS BY TREASURY SECRETARY LAWRENCE H. SUMMERS BEFORE THE U.S. CONFERENCE OF MAYORS BUILDING SAFER, MORE PROSPEROUS AMERICAN CITIES

CONTACT: 202-622-2960

Thank you, I am glad to be here today. I want to talk, first, about the importance of America's big cities and what has happened in our inner cities in these years of strong national performance. I would then like to touch on two issues that are especially important to cities: our approach to economic empowerment, and guns.

### **The Burden that American Cities Carry**

The possibility of a nation rides to a great degree on the possibility of its cities. Cities are where people come together, create ideas, put those ideas into practice and take human achievement to its limits. Cities work for America - we cannot imagine the economic success of this nation without our cities. So America has to work for its cities.

But inner cities also carry a disproportionate amount of America's responsibilities. They are home to more than their fair share of difficult to educate children; more than their fair share of people on welfare; and attract more than their fair share of those with nowhere else to go.

Because poverty is disproportionately concentrated in our big cities, the cities are compelled to spend more of their own resources per head to combat poverty than smaller cities - this imposes a much higher tax burden on the mid-income residents of most big cities and acts as an incentive for them to move out to the suburbs.

The best news for cities in America's economic success is that it has created an environment where jobs look for people more than people look for jobs. That benefits most the people who would usually be last in the line. But it is not enough. Although their economies have grown over the last decade, cities have not kept pace with the rest of the nation.

One in five residents of our big cities lives below poverty compared to one in seven in the nation as a whole. Philadelphia County, for example, is home to only 12 percent of Pennsylvanians - but nearly half of its

welfare recipients. In 1996, almost 1 in 5 urban children was "at risk" of poor economic outcomes as an adult - that is twice the number at risk in the suburbs - and fifty percent more than in 1976. Big cities carry a much heavier share of the fiscal burden. In 1992 large cities raised more than \$1,200 in municipal revenues and spend almost \$400 of this per capita on health. Smaller cities spent just \$40 per head on health or less than 10 per cent of their own revenues. Gyourko and Summers

### **A New Approach to Economic Empowerment and Inclusion**

We are committed to bringing economic development to all of America's cities. This has to be a moral imperative of the highest order. It is also a national economic imperative: because in a high-pressure economy, everyone that is brought into the productive enterprise of the nation marks a reduction in inflationary threats.

Central to our efforts to support economic development in cities has been the idea of expanding access to capital. The First Lady likes to say that it takes a village to raise a child. She's right. And it takes capital to build a successful village.

### **Expanding access to capital**

Traditionally and importantly the question of access to capital has been about debt and the provision of loans. We have continued to build on that tradition in recent years: with a revitalized Community Reinvestment Act, which last year resulted in some \$88 billion in private capital flowing into community lending; and with the creation of the Community Development Financial Institutions Fund, which has provided more than \$300m to local financial institutions since 1996, a sum that has been leveraged many times over in additional private investment.

At the same time, we have learned that there can be more important barriers to attracting or creating businesses in our disadvantaged communities. Notably, lack of access to equity and lack of the kind of technical expertise business networks that firms in the mainstream economy take for granted.

That is why the President launched his New Markets Initiative last year, to unlock the potential of America's inner cities and rural areas at a time when the purchasing power of these communities is estimated to approach \$700 billion. This initiative includes a New Markets Tax Credit, providing a 25 percent tax credit for equity investment in local, specialized financial institutions that will then invest in local businesses. As you know, last week the President announced his proposal for a major expansion of the New Markets Tax Credit to \$5 billion for the FY2001 budget. And that is also why, through BusinessLINC, led by Vice President Al Gore, we are encouraging businesses throughout the nation to take a second look at opportunities for partnering with firms in inner

cities and rural areas.

In addition, to ensure that our nation's urban areas have the special support they need, we have proposed:

Allowing State and local governments to issue Better America Bonds, tax credit bonds - similar to the current Qualified Zone Academy Bonds - to finance projects to protect open spaces or otherwise to improve the environment. Raising the annual State limitation on the Low Income Housing Tax Credit to \$1.75 per capita effective for calendar year 2001 and to index that amount for inflation, beginning with calendar year 2002 And expanding the empowerment zone tax initiative by \$4.4 billion over the next 10 years.

Second, promoting universal access to a bank account

When we talk about finance we must also talk about individual access to financial services. Like money itself, the benefits that a bank account provides are easy to take for granted. Until you do not have one. And today, in the age of the Internet, derivatives, and embedded options, between 10 and 20 percent of American households still lack that basic passport to the broader economy. If it was an important national challenge half a century ago to ensure that essentially every American had access to electricity, to running water, and to a telephone - in new economy, ensuring access to a basic bank account must be a critical challenge for today.

One recent survey in Chicago found that 44 percent of recipients of the Earned Income Tax Credit used a check cashing service to cash their EITC refund check. Estimates suggest that the costs over a lifetime for low- and middle-income families of paying fees for every check paid in, and bill paid out, could be more than \$15,000.

This crucial problem can be tackled on a number of fronts:

By building on the experience of the Electronic Transfer Account, which is now a useful entry point to the financial services mainstream for federal benefits recipients without a bank account. In only its first five months ETA 99 has secured commitments from over 300 banks to offer the account, underlining, that these types of innovations can benefit both sides. By passing the President's new initiative -- First Accounts - to bring the "unbanked" into the financial mainstream. The President's FY 2001 budget for the Treasury Department will include \$30 million to pilot strategies to help low- and moderate-income Americans benefit from basic financial services that most of us take for granted - like bank accounts and ATMs.

And yet, the only way to ensure that our cities' underserved

communities are able to adequately maintain the safety of the people living within them. As we have seen too often, economic distress goes hand-in-hand with the proliferation of violence - and we know well that seed capital and economic development cannot take root when the bullets are flying.

### **A New Approach to Building Safer Cities**

Ensuring the safety of all of our citizens, is the first and most essential responsibility of government and it is critical to expanding the reach of our prosperity. We have made important progress in recent years:

For 7 years in succession, the gun homicide rate has fallen, by an average of 7 percent a year. Overall, gun crime has fallen by more than a third, and the number of juveniles committing homicides with guns has fallen by 57 percent. Federal firearms prosecutions are higher today than they were in 1992, and they are up 25 percent just from 1998 to 1999.

And yet, as your "Wall of Death" shows us so powerfully, a very great deal remains to be done. It is simply not acceptable that, in 1997, 32,436 people died from gunfire in the United States - or one every sixteen minutes. You have to live with these statistics every day - and the pain and suffering that they leave behind.

Because you have joined your voices with others, the nature of the public dialogue about gun violence has been transformed. The old canards about guns are being abandoned. Now it is widely accepted that we can do better with our laws and that we need to support, not undercut, our law enforcement efforts. Your foresight led you to create a committee to bear down on the problem. Your voice was heard clearly in the resolution you passed to support most of the Administration's gun proposals. You have focused national attention on the role of the gun industry, which is bringing about a long overdue dialogue. For your leadership, I thank you.

But we must do more. Last night, in his State of the Union message, President Clinton laid out a common sense path for progress. Today I want to highlight three areas where our partnership with Mayors will be most important:

First, tougher, wider enforcement.

As Treasury Secretary, I am proud of the efforts of the men and women of the ATF to reduce violent crimes with firearms. The President has proposed to add 300 new agents at ATF, the largest increase in the history of the ATF.

These agents will work with U.S. Attorneys and with you. They will build on what we know works in gun enforcement by targeting the most

violent offenders and vigorously prosecuting those who cross the line. They will also work with you to disarm violent offenders by focusing enforcement efforts on the criminals-behind-the-criminal: the gun traffickers, and illegal gun buyers and possessors. And they will work with community institutions and services so that these offenders are supported if they choose to build new and productive lives in society.

Second, greater gun industry and gun owner responsibility

The President's budget proposes to add 200 inspectors to ATF's workforce. These new inspectors will enable ATF to target more aggressively those dealers that are now identified as a source of crime guns.

While many licensed gun dealers are not associated with guns used in crime, in 1998 there were over 2,000 dealers that had 5 or more guns traced to them in 1998. This small group - representing less than 3 percent of active gun dealers - was associated with nearly three-quarters of crime gun traces to active dealers in 1998. The new inspectors will enhance ATF's ability to determine who is responsible for those traces - straw purchasers or other unlicensed sellers or the licensed gun dealer. If the gun dealer is in violation of the gun laws, the inspectors will take regulatory action or refer the case for criminal investigation.

But gun dealers are only one part of a more comprehensive approach:

Manufacturers, wholesalers, retail dealers, and pawnbrokers all need to do more to tighten the chain of distribution, control inventory, secure their premises against theft, and use common sense in dealing with customers. Gun owners too must take greater care. More than a third of handguns are stored loaded and unlocked. The accidental gun death rate of children under 15 in the United States is nine times higher than in 25 other industrialized nations combined. We can reduce accidents and theft if gun owners, especially parents, take more responsibility for keeping firearms under wraps - and if we pass the safety lock legislation to ensure that safe storage is an option provided at the point of sale. This is why the President last night proposed a plan to develop a system of state-based licenses for handgun purchases. Applicants for a handgun license would be required to complete a certified firearms safety course or exam to demonstrate that they can handle and store a gun safely.

Third, common sense gun legislation.

For those of us who believe that tougher enforcement must be coupled with better legislation to eliminate gun violence, our last legislative session ended in deep disappointment that an opportunity had been squandered and the lessons of Columbine had been ignored.

This year we must carry forward President Clinton's call to adopt all

the common sense gun legislation considered by Congress in the fall, especially closing the gun show loophole. Right now, we know that criminals who are rejected at guns stores based on Brady checks will seek out these unlicensed sellers, wherever they are, especially at gun shows where so many sellers gather. Closing the gun show loophole will squeeze the criminal, not the law abiding gun owner.

The President's handgun licensing proposal would build on the gun show legislation by requiring applicants to pass Brady background check. Each state licensing authority would regularly cross-check criminal history records to flush out license holders who have since fallen into the prohibited category, including felons and persons under domestic violence restraining orders. State participation would be optional - and supported by federal funding. For states that choose not to participate, federally approved gun dealers or a federal entity would be authorized to issue licenses. Under this system, more gun buyers would receive background checks, and states would have more ability to prevent guns from falling into the wrong hands. I ask you to support these proposals.

### **Concluding Remarks**

These are some of the particular ways we will be working to make our cities safer and more economically vibrant in the months and years ahead. You know better than I that there are many, many, others. Our commitment to sound policies, at the macro and the micro level - in Washington and around the country - has paid important dividends for your cities. But we can and must do more to help lift the heavy burden that our cities carry in America today. And we must all work together to do it. Thank you very much.