

Chronic Poverty In New Orleans

"Pro Bono Publico" Revisited

and

Total Community Action, Inc's Poverty Reduction Proposal

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SECTION I

INTRODUCTION

In a classic study of the New Orleans economy conducted in the early 1970s, Professor James R. Bobo of the University of New Orleans characterized the state and evolution of the local economy to that point in time.¹ He summarized the problems confronting the New Orleans economy under two interrelated problem areas: economic stagnation and sub-employment. He believed the relationship between the two areas to be reciprocal; i.e., both cause and effect. The two problems are manifested in chronic and excessive unemployment; low labor force participation rates; disproportionate levels of poverty; extreme income inequality; low educational attainment; and high geographic concentrations of the poor. His main findings are:

1. The New Orleans economy experienced relative stagnation during the preceding decade, with growth being insufficient to absorb the natural increase in the working-age population.
2. The problems associated with unemployment transcended the traditional measure of the unemployment rate. Of equal or greater significance were the problems of sub-employment and high concentration of unemployment and sub-employment among the poor. The latter problems in part related to: (a) cultural values, which promoted acceptance of such conditions; (b) extreme income concentration; and (c) low educational preparation.
3. New Orleans' sluggish growth was due, at least in part, to low labor force participation rates.
4. The basic economic problems were exacerbated by the de-emphasis of goods-producing activities and the growing emphasis on service activities. Services often offer lower wages and experience and less productivity growth than goods-producing activities.
5. New Orleans suffered from a disproportionate incidence of poverty and poor households. Together with the high concentration of income in the hands of wealthy individuals, this resulted in a diminished middle class, denying the region of "dynamism," entrepreneurship, and social and economic leadership.
6. New Orleans is a "dual" economy where the "haves" and "have-nots" were differentially impacted by economic development, with the weak fortunes of the underclass seeming impervious to conventional economic development.
7. New Orleans suffered "unnecessarily" from a maldistribution of income, with extreme concentrations at the top and bottom of the income distribution. The resolution of this condition required the departure of the then-prevalent

¹James R. Bobo, *The New Orleans Economy: Pro Bono Publico?* Research Study No. 19 (New Orleans, LA: Division of Business and Economic Research, College of Business Administration, University of New Orleans, 1975), HC107.L8 L58, no. 19 SPEC.

development strategy, which focused on tourism with its low-skilled and low-paying jobs. A focus upon manufacturing activities, which offer higher wage opportunities for blue-collar workers, would have been more appropriate.

It is the objective of this study to revisit Professor Bobo's provocative study to ascertain whether the conditions and forces present during his day remain or whether significant strides have been made to eliminate the causes and effects of chronic poverty and inequality in the New Orleans region. Sadly, we find the former to be the more appropriate characterization. Most of the conditions described a generation earlier still persist and, in certain respects, have worsened.

Professor Bobo's important findings should have served as a wake-up call to policy makers and the media and helped shape new policy initiatives directed at reducing hard-core poverty in the New Orleans area. Unfortunately, that did not take place. It is hoped that the present effort will produce such a response. To expedite this process, specific policy measures are developed in the concluding section of this report. While not necessarily definitive, these are essential steps if the problem of chronic poverty is to be overcome.

The organization of the present study will closely follow that of Professor Bobo's. We begin with an analysis of the current state of the New Orleans economy, including the composition of employment by industry. This is followed by an analysis of income inequality within the region. Next, we turn to the issue of sub-employment, particularly as it is reflected in labor force participation rates. The focus then turns to the implications of industrial structure, sub-employment, and inequality for poorness and poverty for the metropolitan area and the City of New Orleans. This is followed by an analysis of selected communities within the City, showing that metropolitan-wide or Citywide measures of hardship grossly understate the magnitude of the problems faced by a significant subset of area residents. The final section, produced by Total Community Action, Inc. (TCA), provides suggestions for changes in policy and media coverage that might serve to address the problems of hard-core poverty.

Before turning to the analysis, a brief digression on methodology is in order. The problems addressed in both studies are sometimes best understood if they are measured in relative as opposed to absolute terms. For that reason, Professor Bobo frequently compared New Orleans' performance with that of the nation as a whole or urban areas

with the nation as a whole. In addition, he also used three peer cities—Atlanta, Dallas and Houston—to serve as metropolitan benchmarks. In the existing study, we also provide national benchmarks, though data limitations prevent us from compiling national urban area measures. With respect to metropolitan benchmarks, we employed Birmingham, Jacksonville, Nashville, Oklahoma City, and San Antonio. These areas, all located in the South, are more comparable to New Orleans than Atlanta, Dallas and Houston with respect to the size of their economies. Table I-1 summarizes key indicators for New Orleans and those “peer” metropolitan areas employed in the study. It can be seen that the populations of each are roughly similar to that of New Orleans, although they differ somewhat in measures of prosperity.

TABLE I-1

New Orleans MSA vs Peer MSA's 1999

	Population		Households	Median income in 1999	Per Capita Income	Median earnings in 1999 of full-time, year-round workers		Percent of Households in Poverty
	1999	1989				Male	Female	
	Birmingham, AL MSA	921,106	840,140	39,278	21,410	36,791	26,947	13.1
Jacksonville, FL MSA	1,100,491	906,727	42,439	21,763	35,039	26,021	10.7	
Memphis, TN--AR--MS MSA	1,135,614	1,007,306	40,201	20,327	36,685	26,392	15.3	
Nashville, TN MSA	1,231,311	985,026	44,223	22,874	36,666	27,194	10.1	
New Orleans, LA MSA	1,337,726	1,285,270	35,317	18,834	35,353	24,441	18.4	
Oklahoma City, OK MSA	1,083,346	958,839	36,797	19,366	32,333	24,448	13.5	
San Antonio, TX MSA	1,592,383	1,324,749	39,140	18,518	31,088	24,872	15.1	

Source: U.S. Census Bureau

SECTION II

ECONOMIC PERFORMANCE OF THE NEW ORLEANS ECONOMY

In this section we address the issue of economic performance. Has the New Orleans economy continued to “stagnate,” as Professor Bobo noted for his era? In investigating this issue, we take a macroeconomic approach, focusing upon aggregates while leaving a discussion of microeconomic issues to later sections. Our focus will be upon the period between the 1990 and 2000 Censuses. When appropriate, however, we shall extend the discussion to 2003, the most recent period covered by federal government data sources. We shall consider both absolute and relative economic performance. For the latter, we shall measure New Orleans relative to select “peer” metropolitan areas.

Current State of the Economy

First, we begin with a snapshot of New Orleans as it stood as of the 2000 Decennial Census and for the most recent period for which data is available—2003 for the most part. The data are shown in Table II-1. In 1999, its population of 1,337,726 placed the New Orleans metropolitan area 34th among metropolitan areas in the United States. The City of New Orleans with 484,674 residents accounted for 36% of its metro area’s population, which ranked it 38th among U.S. cities. Median family income for the metro area was \$42,626, nearly 15% below the figure for the nation as a whole. Median income in the City, \$32,338, was well below its metro level and only 65% of the national median.

The disparity between City and metro nearly disappears, however, with respect to per-capita personal income, while the gap between the region and the nation remains at 11%. The latter apparent paradox reflects a relative concentration of very high-income families in the city as compared to the suburbs.² The data on the distribution of families among income classes bear witness to this point. City families fell disproportionately into the lowest income classes. More than 50% of the families enjoyed income less than \$30,000 in 1999. This compares to 26% for the nation as a whole and 33% for the metro

²This will be demonstrated in a later section where it is shown that the top ten percent of households account for 41% of all income earned in the City, but only 35% of all income earned in the metro area.

area. The incidence of poverty is, consequently, much higher in the City than elsewhere. Twenty-eight percent of all City residents lived under conditions of poverty versus 15% and 12% for the metro area and nation, respectively. Since the metro area includes the City, the disparity in measured poverty between City and suburbs is even wider than the 13 percentage points shown in the table.

Unemployment is also a more pervasive feature of the New Orleans metro and City of New Orleans economies. The census revealed unemployment to be 1.8 percentage points higher in the metro area than the nation as a whole—a difference of nearly 50%. And the metro figures mask the heavy incidence of unemployment among City residents—nearly 13% in 1999, more than triple the national average. Since many workers may not seek employment because they have faint hope of finding it, the

TABLE II-1

Select Characteristics of New Orleans Economy

		City	MSA	Nation
population¹	1999	484,674	1,337,726	281,421,906
	2004	463,123	1,317,426	293,655,404
median family income	1999	32,338	42,626	50,046
	2003	35,677	45,705	52,273
Personal income per capita³	1999	24,223	24,915	27,939
	2003	30,152	30,092	31,472
Income distribution 1999				
		Share of families		
	Less than \$10,000	21.0%	9.9%	5.8%
	\$10,000 to \$19,999	17.8%	12.1%	9.3%
	\$20,000 to \$29,999	14.7%	12.8%	11.6%
	\$30,000 to \$49,999	20.3%	22.9%	23.2%
	\$50,000 to \$74,999	12.6%	20.0%	22.3%
	\$75,000 to \$99,999	5.7%	10.5%	12.5%
	\$100,000 to \$199,999	5.6%	9.3%	12.3%
	\$200,000 or more	2.2%	2.5%	2.9%
% individuals in poverty	1999	28%	15%	12%
	2003	21%	16%	13%
Unemployment rate	1999	12.7%	5.5%	3.7%
	2003	11.9%	8.7%	7.6%
	1999 ²	5.0%	4.3%	n.a.
	2005 ²	5.3%	4.5%	n.a.
Labor force participation rate	1999	58.0%	61.2%	63.7%
	2003	60.3%	64.0%	66.0%

Data in italics from U.S. Census Bureau: 1999 data from 2000 Census, 2003 data from American Community Survey

¹ 2004 from Louisiana Tech Economic Research Division

² figures from La Dept of Labor, not comparable with 1999 data from the U.S. Census

³ Bureau of Economic Analysis, U.S. Department of Commerce

TABLE II-1 (cont'd)

Housing units	City	MSA	Nation
2003			
total	212,394	565,137	n.a.
occupied	181,306	502,250	n.a.
vacant	31,088	62,887	n.a.
1999			
total	215,091	556,234	n.a.
occupied	188,251	505,579	n.a.
vacant	26,840	50,655	n.a.
Housing tenure 1999			
rental	53.5%	38.2%	33.8%
homeowner	46.5%	66.2%	66.2%
Non-farm employment ³			
			(000's)
1999	319,704	758,461	159,808
2003	317,837	773,668	164,140
Industrial structure 1999			
Agriculture, and mining	1%	2%	2%
Construction	5%	7%	7%
Manufacturing	5%	8%	14%
Wholesale trade	3%	4%	4%
Retail trade	10%	11%	12%
Transp,wh, and utilities	6%	6%	5%
Information	2%	2%	3%
FIRE	6%	6%	7%
Prof, scie, mgt, svc	10%	10%	9%
Edu, health soc svcs	26%	21%	20%
Ent, rec, accom.food svc	15%	11%	8%
Other services	5%	5%	5%
Public administration	6%	6%	5%

Data in italics from U.S. Census Bureau:1999 data from 2000 Census, 2003 data from American Community Survey

¹ 2004 from Louisiana Tech Economic Research Division

² figures from La Dept of Labor, not comparable with 1999 data from the U.S. Census

³ Bureau of Economic Analysis, U.S. Department of Commerce

unemployment rates understate the true scope of the unemployment problem. For the nation as a whole, 64 out of 100 individuals of working age are either at work or seeking work. The corresponding figure for the City of New Orleans is 58 of 100. If it followed the national pattern, New Orleans would have 6 out of 100 additional working-age persons seeking work. Under such circumstances, the true unemployment rate among New Orleans residents would rise to 19%.

A contributing factor to low incomes in the New Orleans economy rests with its industrial structure. As compared with the nation, New Orleans experiences a much smaller percentage of manufacturing jobs and a much higher percentage of service jobs,

particularly in the hospitality sector. Since wages are much higher on average in the former than the latter, these disparities contribute to New Orleans lagging in economic performance.

To sum up this snapshot, New Orleans economy is turning in a sub-par performance. The consequence, and perhaps also the cause, is the failure to provide acceptable living standards for a significant portion of its population. Not only does this failure produce direct hardships on numerous families and individuals, but it indirectly contributes to rampant crime, poor health, and general misery.

Performance 1969-1999

Table II-2 summarizes key features of the New Orleans and U.S. economy for the period 1989-1999.

TABLE II-2

**Economic Performance and Growth
New Orleans MSA and Nation, 1969-99**

	New Orleans MSA			United States		
	1999	1969	% change	1999	1969	% change
Population	1,317,149	1,114,759	18.2%	279,040,168	201,298,000	38.6%
Total Employment	759,676	496,361	53.0%	162,955,300	91,057,200	79.0%
Real Personal Income						
total	32,817	17,494	87.6%	7,796,137	3,505,568	122.4%
per capita	24,915	15,693	58.8%	27,939	17,414	60.4%
per employee	43,199	35,245	22.6%	47,842	38,499	24.3%

* In dollar of 1999 purchasing power

The population of the New Orleans Metropolitan Statistical Area (MSA) expanded by 18% during the period.³ By contrast, the national population expanded by 39%, more than twice as fast. MSA employment growth outpaced employment growth by a factor of three. This reflects the upsurge in work force participation by females, a national phenomenon. Like population, employment growth failed to keep pace with

³In order to improve comparability, all figures are based upon MSA regional definitions as they existed during the 2000 Census. Parishes included are: Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St John, and St Tammany.

national performance, with a gap of 26 percentage points. These employment figure disparities are only partly reflected in the relative growth rates of real personal income. Here, national growth outstripped MSA growth by 45 percentage points. The differential with employment growth meant that improvement in MSA job quality, as reflected in personal income per employee, failed to keep pace with the national average. Finally, the local economy failed to close the gap with living standards that existed at the beginning of the period. Relative to the national average, MSA per-capita income stood at 90% in 1969 but only 89% in 1999.

The preceding figures suggest that the New Orleans economy, while growing in absolute terms over the 30-year period, shrank in relative terms. Professor Bobo's characterization of the local economy as stagnant appears to remain accurate, at least in relative terms.

The preceding observation is even more apparent if we compare the growth of New Orleans economy to other southern metropolitan areas of similar size (Table II-3). Whether the measure is population, employment, personal income, or earnings, New Orleans lags substantially behind each of the peer cities. In some instances, such as Jacksonville, Nashville, and San Antonio, the differences are dramatic. At the beginning of the period, the economies of each of the peer MSAs were substantially below that of New Orleans. Nevertheless, by the end of the period, personal income in three areas surpassed New Orleans, and the remaining areas had substantially closed the gap that existed 30 years earlier.

In terms of quality of jobs, as reflected in earnings per job, New Orleans ranked first in 1969, but next to last in 1999. Indeed, real earnings per job increased by a scant 7% over the 30-year period. As we shall demonstrate later, this reflects the increased emphasis on hospitality employment in the New Orleans region, along with the loss of manufacturing and mining jobs. As a result, living standards, as reflected by per-capita income, lagged all but one of the peer cities. While New Orleans ranked second in per-capita income in 1969, it ranked second from last in 1999.

Thus, whether relative to the nation as a whole or comparable peer MSAs, New Orleans' economic performance was mediocre at worst and anemic at best over the 30-year interval. In the next section, we examine whether recent performance continues these trends.

TABLE II-3

Comparative Economic Growth, New Orleans And Peer MSA's, 1969-89

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio
Population							
1969	1,114,759	816,723	619,535	903,251	740,317	697,691	941,515
1999	1,317,149	1,047,440	1,109,951	1,194,756	1,293,463	1,088,347	1,689,009
% growth 69-99	18%	28%	79%	32%	75%	56%	79%
Employment							
1969	496,361	352,871	290,598	413,329	371,039	342,584	425,208
1999	759,676	620,035	692,369	757,542	897,464	687,142	965,789
% growth 69-99	53%	76%	138%	83%	142%	101%	127%
Real personal income							
1969	17,494,380	11,696,950	9,695,553	12,762,854	11,353,295	11,534,862	13,418,704
1999	32,817,023	28,026,533	30,306,376	33,139,503	37,416,782	26,103,682	41,584,682
% growth 69-99	88%	140%	213%	160%	230%	126%	210%
Real personal income per capita							
1969	15,693	14,322	15,650	14,130	15,336	16,533	14,252
1999	24,915	26,757	27,304	27,737	28,928	23,985	24,621
% growth 69-99	59%	87%	74%	96%	89%	45%	73%
Real earnings							
1969	15,581,662	10,194,563	8,533,179	11,365,348	9,967,751	9,989,513	11,377,609
1999	25,565,917	21,933,882	23,677,163	28,206,499	31,666,470	20,822,836	32,603,205
% growth 69-99	64%	115%	177%	148%	218%	108%	187%
Real earnings per job							
1969	31,392	28,890	29,364	27,497	26,864	29,159	26,758
1999	33,654	35,375	34,197	37,234	35,284	30,304	33,758
% growth 69-99	7%	22%	16%	35%	31%	4%	26%
Employment per capita							
1969	45%	43%	47%	46%	50%	49%	45%
1999	58%	59%	62%	63%	69%	63%	57%
change 69-99 (ptge points)	13.1	16.0	15.5	17.6	19.3	14.0	12.0

Source: Bureau of Economic Analysis.

Performance 1989-2003

Table II-4 shows how New Orleans' economic performance compared with that of the nation over the 14-year interval of 1989-2003. As before, New Orleans continues to lag the nation in population and employment growth. However, the gap in the latter is much narrower than for the 1969-1999 period. This is reflected in a relatively narrow gap in real personal income growth. Curiously, the gap in real earnings growth was 10 percentage points, a difference of one-third. Real earnings per job continued to lag the national pace, reflecting the continued emphasis on hospitality jobs in the New Orleans market. The disparity between personal income and earnings growth likely reflects a relative growth in transfer income as compared to work income over the period. Indeed, per-capita income growth in New Orleans outpaced that for the nation. For the first time in decades, the absolute gap in living standards between New Orleans and the nation narrowed. As of 2003, real per-capita income stood at 96.5% of the national average. In addition to the growth of transfer income, this was brought about by a sharp increase in the employment/population ratio, which rose from 52% to 59% over the 14-year interval. The 59% figure places New Orleans economy above the 57% for the nation and appears to redress one of Professor Bobo's main concerns—underemployment.

TABLE II-4

**Economic Performance and Growth
New Orleans MSA and U.S., 1989-2003**

	New Orleans	United States
Population		
1989	1,275,840	246,819,222
2003	1,315,810	290,788,976
% growth 89-2003	3%	18%
Employment		
1989	665,528	137,199,800
2003	774,751	167,174,400
% growth 89-2003	16%	22%
Real personal income		
1989	\$ 27,742,996	\$ 6,141,538,369
2003	\$ 35,850,790	\$ 8,286,262,067
% growth 89-2003	29%	35%
Real personal income per capita		
1989	\$ 21,745	\$ 24,883
2003	\$ 27,246	\$ 28,496
% growth 89-2003	25%	15%
Real earnings		
1989	\$ 19,000,659	\$ 4,175,131,698
2003	\$ 24,372,824	\$ 5,741,218,898
% growth 89-2003	28%	38%
Real earnings per job		
1989	\$ 28,549.75	\$ 30,431.03
2003	\$ 31,458.91	\$ 34,342.69
% growth 89-2003	10%	13%
Employment per capita		
1989	52%	56%
2003	59%	57%
Change 89-2003 (pctge points)		
	6.7	1.9

Source: U.S. Bureau of Economic Analysis

When compared with its peer metropolitan areas, however, the performance of New Orleans is less favorable (Table II-5). Its growth—population, employment, and all absolute dollar magnitudes—place it in the rear of the pack, in many instances, well behind the others. Apparently, conditions for rapid growth in the southern metropolitan areas were very favorable during the interval. Unfortunately, New Orleans failed to

capitalize on the favorable growth environment. Only with respect to per-capita personal income growth did it keep pace, and this was despite the continued deterioration of job quality. The sharp uptake in the employment to population ratio more than offset the decline in job quality and enabled New Orleans to almost totally eliminate the gap between it and its peers in this important ratio.

TABLE II-5

Comparative Economic Growth, New Orleans And Peer MSA's, 1989-2003

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio
Population							
1989	1,275,840	954,416	904,284	1,063,001	1,040,507	969,976	1,401,286
2003	1,315,810	1,073,969	1,197,332	1,238,859	1,372,121	1,133,283	1,816,323
% growth 89-2003	3%	13%	32%	17%	32%	17%	30%
Employment							
1989	665,528	510,739	540,561	618,781	657,769	561,238	718,894
2003	774,751	622,966	727,942	761,562	917,979	700,306	1,016,270
% growth 89-2003	16%	22%	35%	23%	40%	25%	41%
Real personal income							
1989	27,742,996	21,677,171	22,140,052	24,366,158	25,044,610	21,646,452	28,751,828
2003	35,850,790	30,670,147	33,092,144	35,532,819	41,455,276	29,713,798	45,030,216
% growth 89-2003	29%	41%	49%	46%	66%	37%	57%
Real personal income per capita							
1989	21,745	22,713	24,483	22,922	24,070	22,316	20,519
2003	27,246	28,557	27,638	28,681	30,213	26,220	24,792
% growth 89-2003	25%	26%	13%	25%	26%	17%	21%
Real earnings							
1989	19,000,659	14,616,412	15,738,628	17,395,919	18,222,869	15,275,369	19,709,621
2003	24,372,824	21,209,469	22,989,428	26,479,638	31,361,402	21,065,587	32,093,706
% growth 89-2003	28%	45%	46%	52%	72%	38%	63%
Real earnings per job							
1989	28,550	28,618	29,115	28,113	27,704	27,217	27,417
2003	31,459	34,046	31,581	34,770	34,164	30,081	31,580
% growth 89-2003	10%	19%	8%	24%	23%	11%	15%
Employment per capita							
1989	52%	54%	60%	58%	63%	58%	51%
2003	59%	58%	61%	61%	67%	62%	56%
change 89-2003 (pctge points)	6.7	4.5	1.0	3.3	3.7	3.9	4.6

Source: Bureau of Economic Analysis.

Recapitulation

One of the two keystones of Professor Bobo's 1975 analysis, the stagnation of the New Orleans economy, still persists to this day. Be it population growth, employment growth, personal income growth, or any other measure of the absolute size of the economy, New Orleans significantly lagged the nation and its peers during the 1969-2003 time period. The rapid economic growth enjoyed by southern metropolitan areas was not shared by the local economy. Moreover, earnings per job, a key measure of job quality, continue to slide. One ray of sunshine in this otherwise dismal performance is the area's ability to grow its per-capita income at rates equal to or higher than its peers and the nation. Per-capita income is a key indicator of living standards. New Orleans has managed to grow this indicator despite the lackluster advance of its economy. In large measure, this is due to its success in increasing its employment to population ratio. Whether this is the result of changing demographic patterns, such as an increase in the work age population relative to the total population, or due to greater success in employing those of working age will be discussed below.

SECTION III

STRUCTURE OF EMPLOYMENT

Professor Bobo repeatedly stressed that the economic development pattern of New Orleans was not consistent with the reduction of poverty. Specifically, he argued that this was the result of the prevailing policy emphasis upon services, particularly tourist services, and the resulting de-emphasis of commodity-producing activities, particularly manufacturing. Wages in the latter sectors are generally greater and afford a better avenue for impoverished individuals to escape poverty. Table III-1 provides a detailed breakdown of employment by industry for the metropolitan area and the City proper, along with average weekly wages in each sector. The City figures are relevant because many poor New Orleans residents lack the mobility to access jobs in the suburbs.

The table shows that a very small portion of jobs in the metropolitan area and an even smaller portion in the City are in the highly paid manufacturing sector. An insignificant portion is in the mining sector, the sector with the highest average wages. By contrast, a large portion of metropolitan employment and an even larger share of City employment are located in the hospitality and entertainment sectors. The average wage in these sectors is the lowest among sectors. Each of the aforementioned sectors is of strategic importance to the economy of the region because they emphasize goods and services provided to non-residents. These so-called export sectors are the basis for employment in many of the other sectors, such as wholesale and retail trade, construction, health care, and utilities. For a regional economy to grow, it must expand its exports to non-residents or increase its transfer payments, such as welfare, Social Security, and Medicaid, from outside the region. The transfer path to growth can be successful for some communities, as Florida has demonstrated with its success in attracting retired residents. Whether such an option is available for communities such as New Orleans remains in doubt, not in least part due to lofty crime rates.

TABLE III-1

**Industrial Distribution of Employment 3rd Quarter, 2004
New Orleans MSA and City of New Orleans**

Industry	MSA		City		MSA Average Weekly Wage
	Average Employment	Share	Average Employment	Share	
Agriculture, Forestry, Fishing & Hunting	669	0.1%	85	0.0%	\$ 437
Mining	8,442	1.4%	4,601	1.8%	\$ 1,388
Utilities	5,031	0.8%	1,993	0.8%	\$ 958
Construction	32,678	5.5%	7,191	2.9%	\$ 653
Manufacturing	41,609	7.0%	8,013	3.2%	\$ 926
Wholesale Trade	26,330	4.4%	6,366	2.5%	\$ 876
Retail Trade	68,668	11.5%	19,573	7.8%	\$ 416
Transportation and Warehousing	28,783	4.8%	13,613	5.4%	\$ 801
Information	10,712	1.8%	5,116	2.0%	\$ 739
Finance and Insurance	23,719	4.0%	10,623	4.2%	\$ 835
Real Estate and Rental and Leasing	11,785	2.0%	4,560	1.8%	\$ 562
Professional and Technical Services	29,628	4.9%	14,957	6.0%	\$ 902
Management of Companies and Enterprises	8,032	1.3%	4,552	1.8%	\$ 974
Administrative and Waste Services	35,400	5.9%	15,752	6.3%	\$ 440
Educational Services	53,001	8.9%	31,208	12.5%	\$ 665
Health Care and Social Assistance	79,726	13.3%	34,981	14.0%	\$ 677
Arts, Entertainment, and Recreation	17,053	2.8%	8,326	3.3%	\$ 470
Accommodation and Food Services	69,393	11.6%	33,773	13.5%	\$ 275
Other Services, Ex. Public Admin	17,686	3.0%	7,678	3.1%	\$ 460
Public Administration	30,308	5.1%	17,460	7.0%	\$ 763
Total	598,653		250,421		

Source: Louisiana Department of Labor

In Tables III-2 and III-3, we sketch how the industrial sector of the New Orleans economy has evolved since 1969. Services, which include the hospitality sector, show a dramatic gain, rising from 22% to 34% of all jobs. Manufacturing showed a large drop, falling from 12.6% to 6.3%. Other significant declines occurred in transportation, mining, and wholesale trade. The reduction in transport reflects the contraction of port activities, which also influences the wholesale trade sector. The decrease in mining is a consequence of the meltdown of the U.S. oil and gas industry during the 1980s. Taken together, these decreases accounted for 14.4% of all jobs, and most of these are in relatively high-paying activities. The job decreases were offset by gains in services and retail trade. Table III-3 reveals that 78% of all job growth occurred in these two low-paying sectors. It is ironic that the very weaknesses that Professor Bobo identified in 1975 have greatly expanded over the next generation. His call for a development policy that would stress high-paying, blue-collar jobs clearly fell upon deaf ears.

TABLE III-2**Change In Structure of Employment
New Orleans MSA, 1969-99**

	1969	1999	Change
Agricultural , fishing	0.4%	1.1%	0.7%
Mining	4.0%	1.9%	-2.1%
Construction	6.2%	5.9%	-0.4%
Manufacturing	12.6%	6.3%	-6.3%
Transp and public utilities	10.4%	6.4%	-4.0%
Wholesale trade	7.0%	5.0%	-2.0%
Retail trade	15.0%	17.3%	2.3%
Finance, insurance, and real estate	6.4%	7.0%	0.5%
Services	22.4%	34.0%	11.6%
Government	15.5%	15.1%	-0.4%
Federal, civilian	2.8%	2.1%	-0.7%
Military	1.9%	1.5%	-0.4%
State and local	10.8%	11.5%	0.7%

Source: Bureau of Economic Analysis

Table III-3**Sources of Employment Growth 1969-89****New Orleans MSA**

(percent of employment growth)

Agricultural services, forestry, fishing and other /	2%
Mining	-2%
Construction	5%
Manufacturing	-5%
Transportation and public utilities	-1%
Wholesale trade	1%
Retail trade	22%
Finance, insurance, and real estate	8%
Services	56%
Government and government enterprises	14%

Source: Bureau of Economic Analysis

Comparison with Peer Cities

Table III-4 shows how the industrial structure of New Orleans compares with that of its peer cities. Once again, a similar picture emerges. New Orleans has a smaller share of employment in manufacturing than its average peer, and has a larger share in the hospitality sector. It also underperforms in the important finance and insurance group. It appears that New Orleans is less a regional center of finance than its peers. It also lags in the information sector, an ominous sign because this sector should expand in economic importance over time. This is partly offset by the professional, scientific, and health care sectors where New Orleans shows a slight lead. In general, success in the finance and high-tech sectors requires a skilled work force, a feature that is notably absent in an economy marked by high concentrations of poor residents such as New Orleans. Even if the region were able to attract significant new jobs in these sectors, they would likely be filled by immigrants as opposed to existing inhabitants.

Table III-4

Source of Employment Growth, 1969-99
New Orleans MSA and Peer MSA's
 (percent of employment growth)

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio	average peers
Agricultural services, forestry, fishing	2.5%	2.0%	1.4%	1.2%	1.3%	1.5%	1.4%	1.5%
Mining	-1.9%	-0.8%	0.3%	0.5%	0.3%	2.5%	0.5%	0.6%
Construction	5.2%	8.9%	6.0%	6.0%	6.3%	4.6%	7.4%	6.5%
Manufacturing	-5.5%	-8.0%	2.8%	-1.4%	5.0%	5.6%	4.1%	1.3%
Transportation and public utilities	-1.2%	5.4%	6.0%	15.2%	5.1%	2.8%	5.5%	6.7%
Wholesale trade	1.3%	5.9%	3.2%	4.5%	4.7%	4.2%	3.3%	4.3%
Retail trade	21.6%	19.9%	18.8%	19.2%	19.3%	18.6%	20.1%	19.3%
Finance, insurance, and real estate	8.0%	11.5%	14.3%	6.7%	8.3%	6.9%	11.0%	9.8%
Services	55.8%	43.8%	43.5%	44.9%	43.3%	44.4%	42.6%	43.8%
Government and government enterprises	14.3%	11.3%	3.7%	3.4%	6.5%	8.9%	4.1%	6.3%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

TABLE III-5

**Comparative Industrial Structure, 1999
Peer Metropolitan Areas (% of employment)**

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio	average peers
Agriculture and mining	1.9	0.9	0.5	0.5	0.7	1.9	0.7	0.9
Construction	7.2	7.4	7.6	6.3	7.5	6.7	7.8	7.2
Manufacturing	8.1	11	7.6	11.2	13.5	10.3	7.6	10.2
Wholesale trade	3.8	4.9	4	5	4.5	3.8	3.5	4.3
Retail trade	11.4	11.7	12.6	11.5	11.6	12	12.6	12.0
Transportation and warehousing, and utilities	6	5.5	7.5	11.7	5.1	4.4	5	6.5
Information	2.2	3.7	3.2	2.1	4.1	2.8	3.4	3.2
Finance, insurance and real estate	6.2	9.5	12.1	6.4	7.8	7.3	8.7	8.6
Professional, scientific, and technical services	5.9	6.1	5.2	4.4	5.3	4.9	5.1	5.2
Administrative and waste management services	3.7	3.2	4.8	4.1	3.5	3.7	4.3	3.9
Educational services	9.2	7.9	6.5	7.4	7.5	8.7	9.6	7.9
Health care and social assistance	12.1	12.6	10.2	11.5	11.3	11.1	11.6	11.4
Entertainment accommodation, and food services	11.3	6.1	8.4	8	8.5	8.4	9.4	8.1
Other services	5.2	5.5	4.7	5.3	2	5.7	5	4.7
Public administration	5.7	3.9	5.3	4.8	6.5	8.1	5.7	5.7

Source: U.S. Census Bureau

In Table III-5 we show the breakdown of non-farm employment growth over the 1969-1999 period. On average, 44% of peer MSA employment growth occurred in the service sector, nearly 12 percentage points less than that for New Orleans. Similarly, 19% of employment growth took place in peer MSAs as compared to 21% for New Orleans. On the other side, New Orleans' manufacturing sector actually shrunk; whereas, in some peer cities, it grew and, on average, remained roughly stable. The transport and wholesale sectors were also more important contributors to peer cities than to New Orleans.

SECTION IV

INCOME INEQUALITY

Introduction

One of Professor Bobo's major observations was related to extreme income inequality in the New Orleans setting. He states that in this regard, "income distribution in New Orleans is fundamentally different from the U.S. and all SMSAs. . . ." ⁴ It is his hypothesis that such extreme inequality can be causally related to poverty and to the (dire) economic conditions in general. ⁵ Specifically, it "underlies and reflects many of the problems with which we are grappling, such as sub-employment and inadequate economic development and excessive poverty and poorness." Moreover, "it suggests that [because] the control of the social and economic structure is highly concentrated, more than in all SMSAs . . . , the power to generate and monopolize social and economic opportunities is (similarly) more concentrated." Finally, "it (extreme inequality) tends to corroborate (sic) the relative absence of a middle class and greater proportion of poor people, both of which tend to militate against constructive social change."

While these hypotheses are insightful and provocative, it should be pointed out that a high incidence of poverty must, by the force of the underlying mathematics, increase measured income inequality. To avoid being rooted in tautology, Bobo's concept of inequality must not only include extreme poverty but also a disproportionate share of income for the rich. This is, in fact, exactly what he showed to characterize the New Orleans economy during 1969.

Income Inequality During 2000

There can be numerous measures of income inequality. The ones adopted by Bobo and those frequently employed in policy discussions are: (a) income shares for families or households grouped by income size such as quintiles or deciles; (b) a graphic depiction of inequality known as a Lorenz curve; a summary measure of inequality such as a Gini coefficient. Each measure is useful in its own way. Percentile distributions

⁴Ibid., p. 26.

⁵Ibid.

allow focus on various portions of the income distribution, such as the poor, rich, or middle class. The Lorenz curve summarizes complex tabular data in a single diagram, while the Gini coefficient permits straightforward interregional and inter-temporal comparisons.

Comparison with Peer Cities

Bobo showed that, during 1969, income inequality in the New Orleans regions surpassed that of Houston, Atlanta, Dallas, and the average of all metropolitan areas in the United States. Using a more representative set of peer cities, we find that a similar situation existed in 1999 (Table IV-1). Moreover, income is also more concentrated when compared for the nation as a whole.⁶

TABLE IV-1
Household Income Inequality in 1999
(metropolitan areas except U.S.)

	New Orleans	Birmingham	Jack-sonville	Memphis	Nashville	Oklahoma City	San Antonio	United States
	percent of income							
decile								
1	0.8%	0.7%	1.0%	0.5%	0.9%	0.8%	0.8%	0.8%
2	1.3%	1.9%	3.7%	2.6%	3.6%	3.5%	3.5%	3.3%
3	5.8%	6.6%	8.1%	6.7%	7.9%	7.6%	7.5%	7.2%
4	11.0%	11.7%	13.5%	12.0%	13.3%	12.9%	12.9%	12.4%
5	17.2%	18.1%	20.5%	18.6%	20.1%	19.7%	19.7%	19.0%
6	25.3%	26.2%	29.0%	26.7%	28.6%	28.0%	28.0%	27.3%
7	35.5%	36.1%	39.2%	37.1%	38.8%	38.5%	38.2%	37.5%
8	48.2%	48.7%	51.7%	49.6%	51.2%	51.2%	50.8%	50.2%
9	64.9%	65.1%	67.7%	66.1%	67.0%	67.7%	67.2%	65.4%
10	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gini coefficient*	0.4785	0.4704	0.4322	0.4606	0.4380	0.4410	0.4435	0.4547
Middle class share **	32.7%	34.8%	38.7%	35.7%	38.4%	36.0%	36.3%	39.4%
Upper 10% share	35.1%	34.9%	32.3%	33.9%	33.0%	32.3%	32.8%	34.6%

* larger implies greater inequality

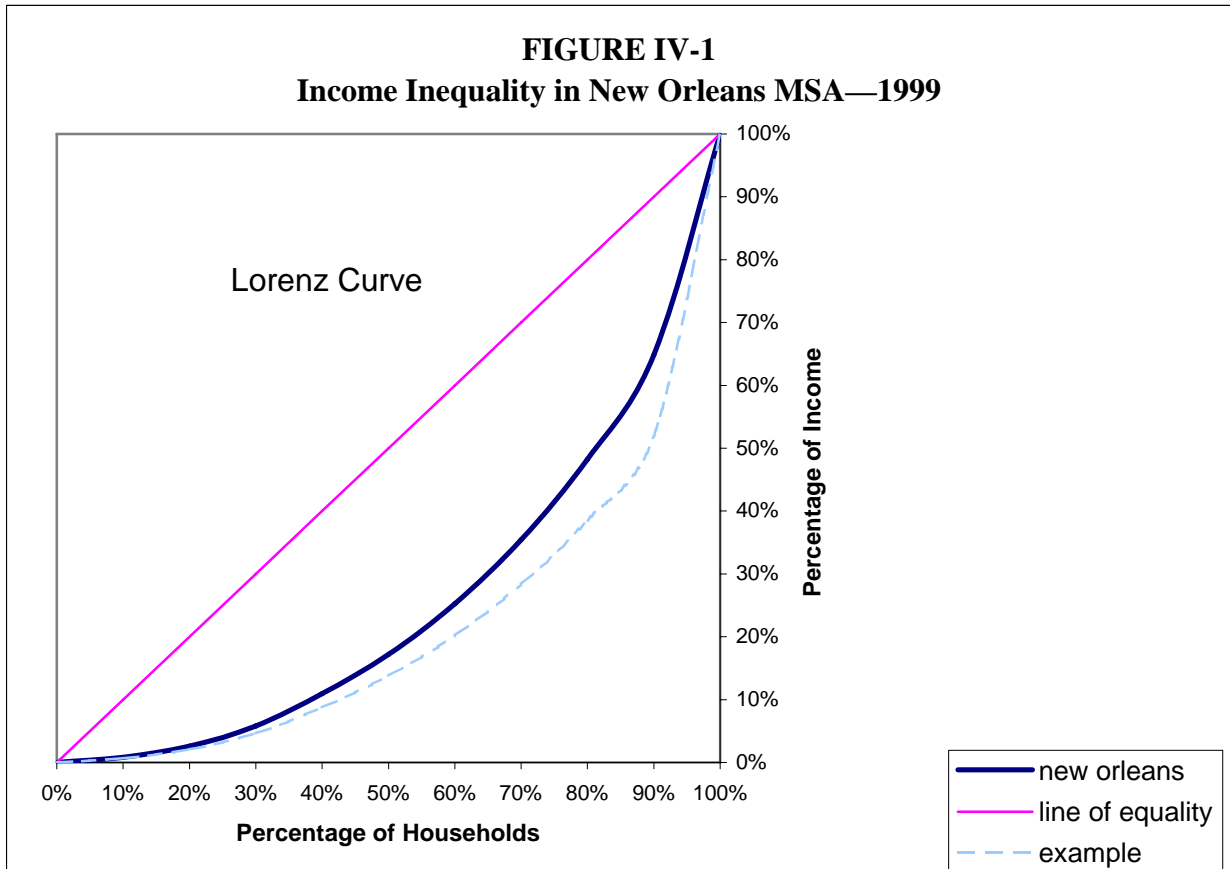
** households with incomes between \$40,000 and \$75,000

⁶The Census Bureau did not provide tabulations of households or families by income class for all metropolitan areas combined in 2000. However, since the U.S. population is overwhelmingly urban, the national average provides a similar comparison.

Each row under the decile heading shows the share of income accruing to households in that income decile. For example, the figure in the fourth row for Memphis indicates that the poorest 40% of families received 12% of all income in that metropolitan area. Similarly, the figure in the ninth row for Nashville shows that the poorest 90% of families accounted for 67% of total metropolitan income. By subtracting the figures in the table from 100%, the shares received by the richest group of households can be discerned. For example, the 67% figure previously cited for the poorest 90% implies that the richest 10% of households received 33% of the total Nashville metropolitan income.

Inspection of the table shows that the share of income accruing to the poorest 30% of households is lower in New Orleans than for any of its peer metro areas and for the nation as a whole. Conversely, the share of income accruing to the richest 10% of households is greater in New Orleans than peer cities or the nation as a whole. Using the data on the distribution of households by income class, it is possible to calculate the proportion of households that earn income between various levels. Of particular interest is the proportion of households earning between \$40,000 and \$75,000 during 1999. This can be interpreted as the income range of middle-class households. Our computations show that the share of households falling into this income interval is significantly smaller for New Orleans than for peer cities and the national average. Thus, Bobo's concern about the relative absence of middle-class households in New Orleans appears to remain relevant to this day.

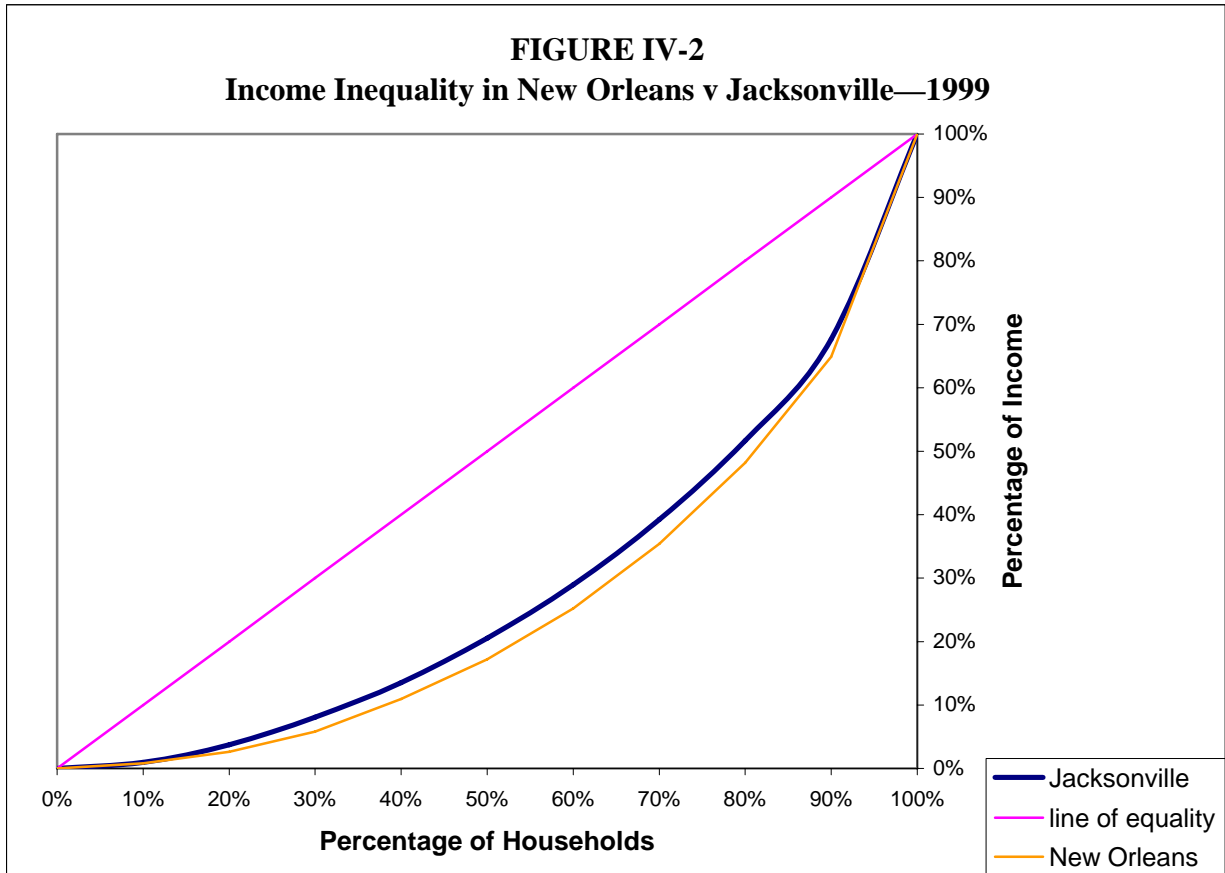
A frequently used summary measure of income inequality is the Gini coefficient. This measure is best understood diagrammatically. The Lorenz curve is a line that relates the decile column in our table to the figures in the columns under each metropolitan area. The latter measure the cumulative income received by a particular decile segment. The Lorenz curve for New Orleans for the year 1999 is shown in Figure IV-1.



If income were distributed equally, i.e., all households had identical income, the Lorenz curve would be given by the diagonal line, referred to as the line of equality. The actual Lorenz curve is shown by the convex curve. The greater the inequality, the greater the deviation from the diagonal line. An example of greater inequality is shown by the dashed curve. This corresponds to income shares of 80% of those shown in the table for New Orleans except for the 100% value. It would correspond to a situation where each income class below the top 10% were required to turn over 20% of their income to the top 10%. The Gini coefficient is a measure of the area between the convex line and the diagonal. For New Orleans metropolitan area households, the Gini coefficient for 1999 is .4785. For the hypothetical example, it is .5628.

Table IV-1 indicates that the Gini coefficient is higher for New Orleans than its peer cities and the national average. While the differences appear small, their magnitude can be judged relative to the hypothetical example above. There, the difference was .0843. The average Gini for the peer cities is .4476, a difference of .0309. Because the hypothetical example involved a dramatic redistribution in the New Orleans area, the

average disparity of .0309 is quite significant. As a further illustration, the Lorenz curves for New Orleans and Jacksonville are displayed in Figure IV-2.



Changes Since 1969

Although Bobo found that extreme inequality characterized the New Orleans income distribution, inequality increased significantly by 1999, mirroring a national pattern where the lion's share of economic growth accrued disproportionately to the wealthy and highly educated. (See Table IV-2.)

TABLE IV-2

Income Inequality Among New Orleans households

Percent of households	City		Metro	
	percent of income		percent of income	
	1969	1999	1969	1999
10%	0.0%	0.0%	0.0%	0.0%
20%	0.9%	0.9%	1.1%	0.8%
30%	3.3%	1.8%	4.1%	2.6%
40%	7.4%	4.5%	8.9%	5.8%
50%	12.9%	8.6%	15.3%	11.0%
60%	19.9%	14.1%	23.1%	17.2%
70%	28.8%	21.1%	32.3%	25.2%
80%	39.0%	30.2%	43.1%	35.4%
90%	51.8%	42.2%	55.7%	48.2%
100%	69.1%	59.2%	72.3%	64.9%
Gini coefficient*	0.4348274	0.5356489	0.389491	0.4785171
Low class share	3.3%	1.8%	4.1%	2.6%
Middle class share	31.6%	25.7%	34.2%	29.6%
Upper 10% share	17.4%	17.0%	16.7%	16.7%

* larger implies greater inequality

In the City and overall metro area, income shares of all income classes but the highest dropped precipitously. By 1999, the poorest 30% of households received only 4.5% of total income in the City and only 5.8% in the metro area as a whole. The top 10% saw their share rising from 31% to 41% in the City and from 28% to 35% in the metro area. In the meantime, those households in the middle of the income distribution experienced a significant decline in their income share.

The data in the table also permits a comparison of inequality between the City and its suburbs. In both 1969 and 1999, the Gini coefficient is significantly higher in the City than for the metro area as a whole, and this disparity has increased over time. The

magnitude of the difference was .046 in 1969 and .057 in 1999. These differences understate the true differences because City residents are included in both figures.

The increase in inequality is somewhat reduced if we limit our focus to family households. The same is true of the 1969 disparity between City and suburbs. However, the latter increased sharply since 1969, reaching a level of almost 10 percentage points. The exodus of middle-income families from the City, which has been characteristic of large cities throughout the nation, may be responsible for the growing gap. (See Table IV-3.)

TABLE IV-3

Income Inequality Among New Orleans Families

Percent of families	City		Metro	
	Percent of income		Percent of income	
	1969	1999	1969	1999
10%	0.0%	0.0%	0.0%	0.0%
20%	0.9%	0.8%	1.0%	0.7%
30%	3.3%	2.2%	4.0%	3.2%
40%	7.4%	5.1%	8.7%	7.1%
50%	12.8%	9.2%	15.0%	12.4%
60%	20.0%	14.9%	22.7%	19.1%
70%	28.6%	22.1%	31.9%	27.5%
80%	39.2%	31.4%	42.5%	37.8%
90%	52.0%	43.4%	55.0%	50.3%
100%	69.6%	59.2%	71.5%	66.4%
Gini coefficient*	0.433	0.524	0.396	0.428
Low class share (30th percentile)	3%	2%	4%	3%
Middle class share (40th thru 80th percentile)	32%	26%	34%	31%
Upper 10% share	18%	16%	17%	16%

* larger implies greater inequality

The trends in inequality as well as City-suburban disparities are nicely summarized by the Lorenz curves.

FIGURE 1V-3
Income Inequality in New Orleans MSA
(households: 1999 v 1969)

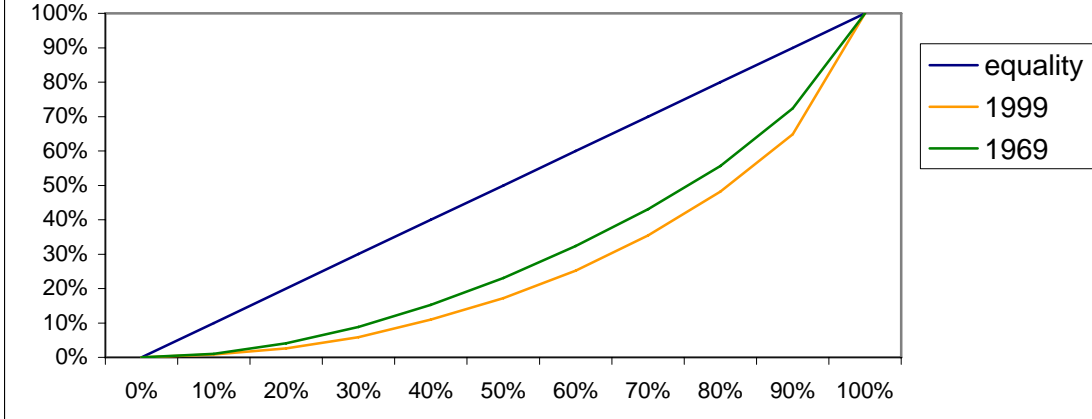
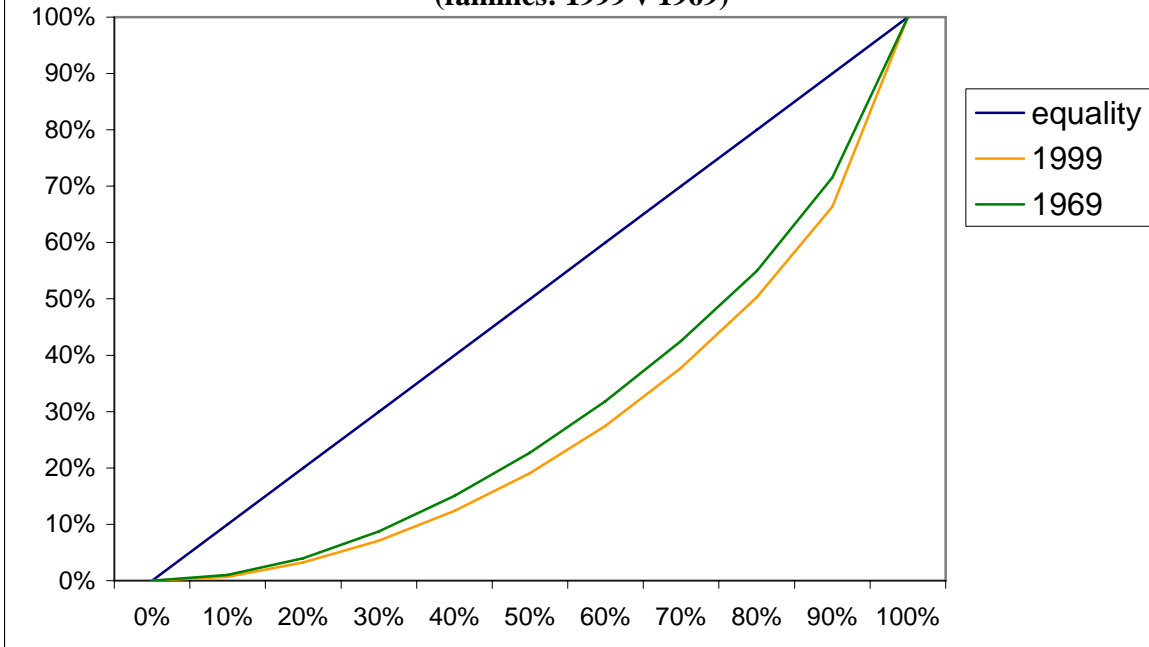
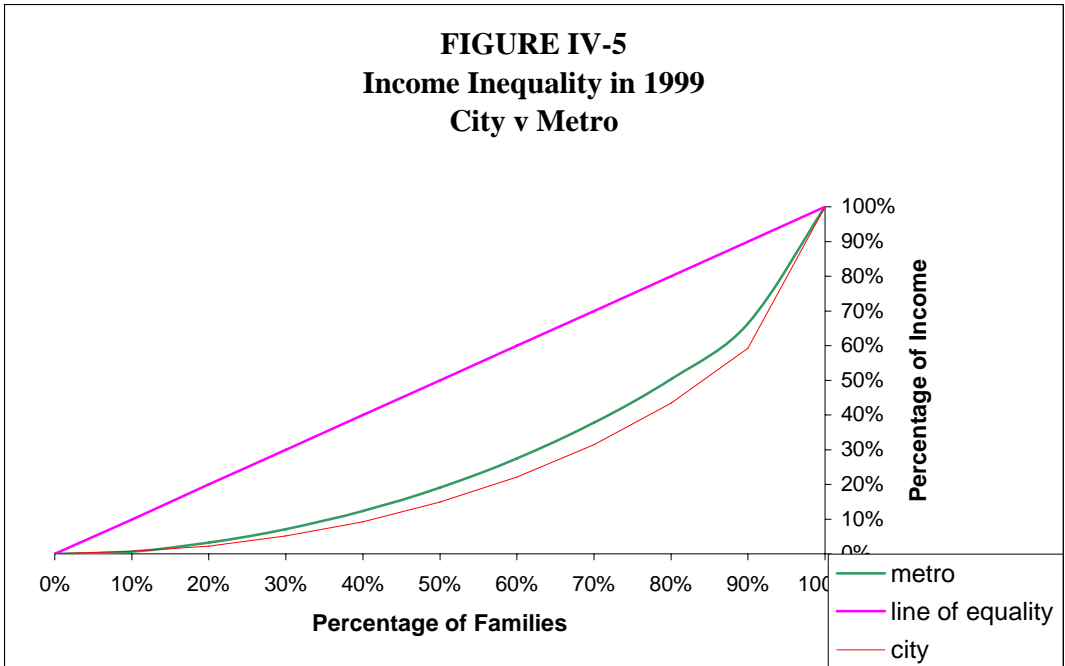


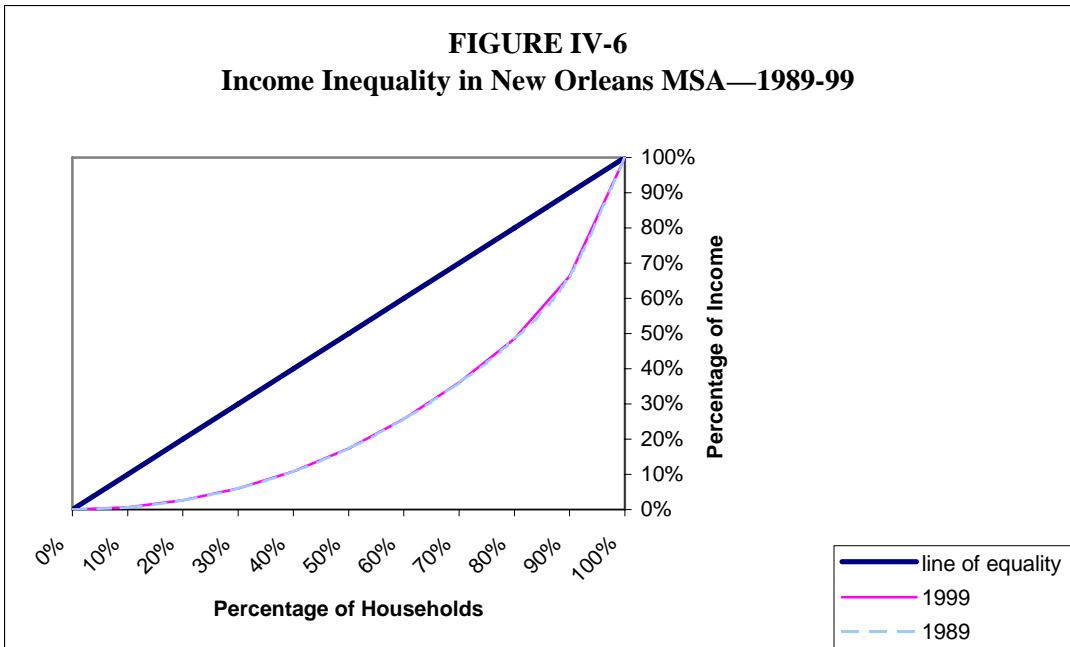
FIGURE 1V-4
Income Inequality in New Orleans MSA
(families: 1999 v 1969)





Changes Since 1989

As Figure IV-6 indicates, virtually all of the increases since 1969 had taken place since 1989.



SECTION V

PARTICIPATION RATES

Bobo noted that the unemployment rates understated the extent of underemployment in that many individuals may be discouraged from seeking work because of poor job prospects and, perhaps, because of safety-net benefits that would be lost by working. Formally, the labor force participation rate is defined as the ratio of those currently at work or seeking work to the total population of the age group in question. The most common age group for which participation rates are reported is the 16+ age group. However, age-, sex-, and race-specific participation rates are often used to gain added perspective. In our report, we will consider the 16-24 and 25-64 age cohorts in addition to those by sex and race.

Overall, labor force participation rates were higher in New Orleans than for peer cities in both 1989 and 1999 (Table V-1). This is true whether focus is limited to the central city or expanded to include the metropolitan area. It is also true for both sexes.

TABLE V-1

Labor Force Participation Rates 1989, 1999

		New Orleans city	Birmingham city	Jacksonville city	Memphis city	Nashville- Davidson	Oklahoma City city	San Antonio city
Total	89	58.0%	59.3%	69.5%	63.5%	68.8%	67.4%	64.2%
	99	57.8%	58.6%	67.2%	63.0%	67.4%	64.4%	62.7%
Males	89	65.3%	66.5%	79.4%	70.3%	76.2%	76.6%	74.2%
	99	61.5%	63.2%	74.6%	68.3%	74.1%	71.6%	70.5%
Females	89	52.0%	53.7%	60.4%	57.9%	62.3%	59.2%	55.3%
	99	54.6%	54.9%	60.6%	58.4%	61.2%	57.6%	55.7%
		msa	msa	msa	msa	msa	msa	msa
Total	89	62.0%	61.7%	68.6%	66.6%	69.2%	67.1%	65.5%
	99	61.2%	62.6%	66.8%	65.6%	69.1%	64.9%	63.5%
Males	89	71.4%	71.9%	78.5%	75.1%	77.9%	75.7%	75.6%
	99	67.5%	70.5%	74.6%	72.5%	76.7%	72.0%	71.3%
Females	89	53.9%	53.0%	59.4%	59.2%	61.4%	59.1%	56.2%
	99	55.7%	55.8%	59.6%	59.5%	62.0%	58.3%	56.3%

Source: U.S. Census Bureau

However, the gap between New Orleans and its peer cities narrowed during the 1990s. The same is true for the metro area, with the exception of Birmingham and Nashville. This is true despite the opposite trend in male participation. The relatively large increase in female participation in New Orleans was responsible for the favorable overall showing for the New Orleans region (Table V-2).

TABLE V-2

Change in participation rates 1989-1999

(percentage points)

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio
	Cities						
Males	3.8%	3.3%	4.8%	2.0%	2.1%	5.0%	3.7%
Females	-2.6%	-1.2%	-0.2%	-0.5%	1.0%	1.5%	-0.4%
Total	0.2%	0.7%	2.3%	0.5%	1.4%	3.1%	1.5%
	MSAs						
Males	3.8%	1.4%	3.9%	2.6%	1.3%	3.6%	4.3%
Females	-1.7%	-2.8%	-0.2%	-0.3%	-0.6%	0.8%	-0.1%
Total	0.8%	-0.9%	1.8%	1.0%	0.1%	2.1%	2.0%

Source: U.S. Census Bureau

Age and Race

If we decompose participation rates by age and race cohorts, a similar picture emerges. In 1999, male participation rates in New Orleans lie below those for its peers. The differences are particularly large for black males. In New Orleans, 16 to 24-year-old black males were in the labor force only 49% of the time. In Jacksonville, by contrast the figure stood at 60%. The young white male participation in New Orleans stood at 62%. The figures for black males 25-64 were much higher at 68%. Moreover, the gap with peers was much smaller, with New Orleans being quite comparable to Birmingham and Oklahoma City. Female black participation rates were lower in New Orleans than peer cities, but the gap was smaller than it was for males. White female participation rates for the 25-64 age group in New Orleans were indistinguishable from those of peer cities. However, the rates for young females 16-24 were significantly lower. Because the latter

was the case for white males and black males and females, this suggests a difficulty confronting New Orleans' young workers in finding suitable employment. Nevertheless, the figures for young blacks were much lower than for whites—more than 10 percentage points. Perhaps this reflects the large differences in unemployment rates facing the two groups. The unemployment rate in excess of 25% was reported for young blacks—more than twice that of their white counterparts. (See Table V-3.)

TABLE V-3

Participation and Unemployment Rates, Peer MSAs, 1999

	New Orleans msa	Birmingham msa	Jacksonville msa	Memphis msa	Nashville msa	Oklahoma City msa	San Antonio msa
Participation Rates 1999							
Blacks							
Males							
16-24	49%	55%	60%	56%	58%	58%	66%
25-64	68%	69%	75%	72%	75%	70%	77%
Females							
16-24	54%	56%	60%	59%	60%	62%	56%
25-64	66%	68%	71%	70%	73%	69%	63%
Whites							
Males							
16-24	62%	68%	76%	71%	71%	69%	67%
25-64	85%	87%	87%	89%	88%	85%	83%
Females							
16-24	59%	62%	67%	66%	66%	65%	59%
25-64	69%	68%	70%	71%	73%	70%	68%
Unemployment Rates 1999							
Blacks							
Males							
16-24	27%	22%	21%	26%	22%	23%	14%
25-64	10%	9%	6%	9%	7%	7%	5%
Females							
16-24	26%	23%	18%	24%	19%	23%	16%
25-64	9%	7%	6%	8%	6%	7%	5%
Whites							
Males							
16-24	10%	11%	9%	9%	10%	9%	13%
25-64	3%	2%	3%	2%	2%	3%	4%
Females							
16-24	9%	9%	9%	9%	10%	8%	12%
25-64	3%	3%	3%	3%	3%	3%	4%

Source: U.S. Census Bureau

Changes Since 1969

New Orleans' male participation rates, whether central city or metropolitan area, fell sharply between the Bobo study and 1999. Overall, City male participation rates fell by 10 percentage points, from 71% to 61%. For the metro area, the decline was 8

percentage points. For black males, the decline was even steeper—11 percentage points for City black males.

In stark contrast, female participation rates increased dramatically over the same period. For the metro area as a whole, female participation rates jumped by nearly 20 percentage points over the period (Table V-4). This closely parallels the experience for the U.S. economy as a whole for the same period.

TABLE V-4

Participation Rates New Orleans Region --1969-1999

	City			City Black		
	Male	Female	Total	Male	Female	Total
1969	71.2%	40.0%	53.9%	67.0%	41.6%	52.7%
1989	65.3%	52.0%	58.0%	61.6%	53.7%	57.1%
1999	61.5%	54.6%	57.8%	56.1%	54.9%	55.5%
	MSA			MSA Black		
	Male	Female	Total	Male	Female	Total
1969	75.5%	38.4%	55.5%	67.8%	41.8%	53.3%
1989	71.4%	53.9%	62.0%	63.1%	54.8%	58.4%
1999	67.5%	55.7%	61.2%	58.0%	56.4%	57.1%
	U.S.			U.S. Black		
	Male	Female	Total	Male	Female	Total
1969	80%	43%	60%	60%		
1999	75%	61%	67%	66%		

The strong increase in female participation was sufficient to offset the drop in male rates, resulting in an overall increase in participation rate in both the city and metro area. Inspection of the national figures produces similar results.

SECTION VI

POVERTY

Chronic poverty is an unfortunate characteristic of the New Orleans landscape. Despite major strides in the improvement of average living standards, the fraction of individuals living in poverty remains at alarming levels. Poverty thresholds, as defined by the Census Bureau, are shown in the table at the end of this section. The threshold in 1999 for a single-head family with two children was \$13,423. Thresholds are increased for families of larger sizes. Table VI-1 shows poverty rates in the New Orleans region during the year 1999

TABLE VI-1

**Various Measures of Income and Poverty
New Orleans and Selected Parishes**

	Orleans Parish	Jefferson Parish	St Bernard Parish	St Tammany Parish	New Orleans MSA
Families below poverty level (%)					
1999	23.7	10.8	10.5	7.6	14.8
1969	21.6	8.5	8.5	16.9	16.4
Unrelated individuals below poverty level (%)					
1999	42.3	34.4	49.9	51.3	41.4
1969	32.6	21.7	26.4	23.1	27.5
Persons below poverty level (%)					
1999	27.9	13.7	13.1	9.7	18.4
1969	26.9	10.3	9.8	20.7	20.2
Median income families					
1999	32,338	55,346	42,785	55,346	42,626
1969**	33,797	46,462	43,752	39,289	39,358
Families below 2/3 msa median income*					
1999	54%	23%	32%	23%	35%
1969	47%	25%	26%	40%	38%

* \$7,000 for 1969 and \$30,000 for 1999

** 1969 figure in 1999 dollars

More than 18% of metropolitan area residents and 15% of area families fell below the poverty level in 1999. This is well above the national figures of 13% and 9%, respectively. The incidence of poverty is highest in the City and lower in the suburbs. Nearly 28% of all City residents found themselves mired in poverty in 1999.

Table VI-2 suggests that poverty has lessened slightly in the metropolitan area since the time of the Bobo report. The incidence of poverty dropped from 20.2% to 18.4%, however, the extent of improvement may be overstated because four parishes

were added to metropolitan boundaries over the period. It is important to note that poverty rates for the metro area's two largest parishes actually increased over the period. It may well be that as of 1999, the region's poverty levels were not significantly below those of a generation earlier.

Poverty has been particularly acute for African Americans. Table VI-3 shows the metropolitan poverty rate during 1999 for blacks to be 29.8, nearly double that for all races. If we expand our discussion to include those who enjoy less than two-thirds of metro's median income, the figure rises to 53%.⁷ Table VI-2 further shows that, indeed, there has been a reduction in poverty incidence for black residents. All measures of poverty hardship among blacks show a considerable drop between 1969 and 1999. Nevertheless, one-third of area blacks remained under the poverty threshold. Chronic poverty remains a serious problem for black families, deserving of the most energetic policy responses.

⁷The two-thirds convention was introduced by Bobo and is included here for completeness.

TABLE VI-2**Black Poor in Orleans Jefferson,
and St Tammany Parishes, 1969 V 1999**

	Orleans	Jefferson	St Tammany	Metro area
Percent Families Poor				
1999	54.7	50.4	44.7	53.0
1969	68.1	60.1	76.4	n.a.
Median Income*				
1999	25,017	27,747	31,875	26,110
1969	20,314	26,624	19,652	n.a.
Percent of Families Below Poverty				
1999	31.3	27.1	25.1	29.8
1969	38.9	31.1	45.1	38.2
Percent of All Persons In Poverty				
1999	35.0	29.5	27.0	33.0
1969	43.7	33.3	52.4	n.a.
Persons in households less than 75% of poverty level				
1999	26.8	23.2	18.4	25.4
1969	32.4	23.4	36.2	n.a.
Persons in households less than 125% of poverty level				
1999	42.7	66.9	34.5	40.9
1969	53.4	45.7	62.9	n.a.

Sources: 1999 figures from U.S. Census Bureau. 1969 figures from Bobo report

*1969 figures expressed in 1999 purchasing power.

Comparison with Peer MSAs

Table VI-3 compares New Orleans poverty incidence with that of the six peer MSAs.

TABLE VI-3

**Various Measures of Income and Poverty
New Orleans MSA and Peer Areas, 1999**

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio
Families below poverty level (%)							
All families	14.8	10.2	8	12.3	7.4	10	11.9
Black families	29.8	22.8	19.2	23.2	20.5	24.8	18.9
Unrelated individuals below poverty level (%)							
All individuals	27.5	24.1	20	23.6	20.2	24	23.4
Black individuals	39.1	35.1	31	32.9	28.1	35	31.3
Persons below poverty level (%)							
All persons	18.4	13.1	10.7	15.3	10.1	13.5	15.1
Black persons	33	25.8	22.1	26.2	22.6	28.6	23.4
Median income families							
All families	42,626	48,079	50,189	47,440	52,679	45,059	44,729
Black families	26,110	30,457	33,602	31,176	34,607	25,178	33,581
Families below \$30,000							
All families	35%	29%	25%	30%	23%	30%	31%
Black families	56%	49%	44%	48%	44%	52%	44%

Source: 1999 figures : U. S. Census Bureau; 1969 figures Bobo report

New Orleans is seen as experiencing a significantly higher incidence of poverty and poorness than the six peers. Nashville families are less than half as likely to suffer poverty than their counterparts in New Orleans. Professor Bobo hypothesized that extreme poverty could hamper economic development. This hypothesis seems consistent with the facts that we have uncovered. New Orleans has the highest poverty rates and slowest growth rates among its peers.

Manifestations of Poverty

Poverty imposes economic hardships on those afflicted. Unfortunately, it also gives rise to conditions and behavior that exacerbate such hardships and, perhaps more important, tends to perpetuate the condition itself. The latter is particularly significant when poverty conditions are *extreme*. When the incidence of poverty is acute, the social and moral values of those affected may become compromised. The result is high crime,

low educational achievement, and neighborhood blight. These conditions, in turn, tend to discourage investment and job development in the community. Not only is the barrier to individual efforts to overcome poverty raised, but also the resource base of the community, vital for the amelioration of the adverse poverty conditions, is seriously eroded. Together, these inter-relationships create a self-sustaining cycle of poverty and misery.

Crime

Table VI-4 shows the most recent crime statistics for the City of New Orleans and five of its peers.⁸ The central cities are chosen because they are home to the vast majority of metropolitan poor households. The figures for the overall crime index suggest that New Orleans is the safest city among the group. Its property crime index places it next to last, while its violent crime index puts it in the middle of the pack. It would appear that at least relative to its peers, crime in the City of New Orleans is not a problem.

When compared to the national figures, New Orleans crime appears significantly higher. Moreover, once the data underlying the aggregate statistics is revealed a different picture emerges. The murder rate in the City of New Orleans exceeds that of its closest competitor by a factor of two and by its most distant competitor by a factor of five. The situation for the robbery rate is somewhat better, but New Orleans still ranks second. Murder and robbery tend to be associated with drug activities. In turn, the latter is closely related to the lack of significant employment alternatives in the mainstream economy. Viewed from this perspective, murder and robbery rates are key indicators of the extent of poverty in a community.

⁸Data for Memphis were not available.

TABLE VI-4

**Crime Rates in
New Orleans and Peer Cities, 2002**
(rate per 100,000)

	New Orleans	Birmingham	Jacksonville	Nashville	Oklahoma City	San Antonio	United State
Crime	6,419	8,681	6,633	8,209	9,743	7,873	4,119
	937	837	916	1,549	1,549	817	495
	5,482	4,985	5,717	6,660	6,660	7,056	3,624
Murder	53	27	12	11	7	8	6
Robber	410	484	262	371	228	177	146

Source: FBI

Education

Extreme poverty also manifests itself in poor educational achievement contributing to the further sustaining of poverty. Nearly half of all New Orleans residents 25+ years of age had a high school education or less in 1999 (Table VI-5). The table also shows that in 1999, New Orleans lagged its peers with respect to the share of its adult 25+ population with more than a high school education. In addition, it shows that blacks lag non-blacks in all regions with respect to post-secondary education attainment.

TABLE VI-5

**Educational Status of Persons 25+
New Orleans and Peer MSAs, 1999**

	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio
High School or Less	50.7	47.5	45.4	48.1	46.6	44.2	47.8
Some College or More	49.2	52.4	54.4	51.9	53.3	55.8	52.3
Blacks*							
High School or Less	60.7	54.6	56.3	60.8	53.2	50.1	64.5
Some College or More	39.3	45.5	43.7	39.3	46.9	49.9	35.4

Source: U.S. Census Bureau

* Hispanic in San Antonio

The situation is somewhat brighter for persons 18-24 years of age. Table VI-6 shows that although New Orleans high school graduation rates for this segment are at the lower end of peer performance, the share of such individuals enrolled in higher education puts it somewhat in the middle of the pack. Nevertheless, the share of those attending college is a disappointing 33%, a figure significantly below that for the older age group. This suggests that educational attainment may be retrogressing in New Orleans as well as other regions.

TABLE VI-6

**Educational Status of Persons 18-24
New Orleans and Peer MSAs, 1999**

	(percent)						
	New Orleans	Birmingham	Jacksonville	Memphis	Nashville	Oklahoma City	San Antonio
High school graduates	72.1	73.4	74.1	70.3	76.5	76.7	71.8
Enrolled in college or graduate school	33.0	32.0	26.4	26.7	34.3	38.3	27.0

Source: U.S. Census Bureau

Elementary and secondary schools in the New Orleans area are highly segregated. Heavy enrollment in private schools by white students is largely responsible. Table VI-7 shows that 61% of City white pupils and 37% of suburban white pupils were enrolled in private schools in 1999. This contrasts with 10% private school attendance by blacks. The large portion of private school enrollment seriously undermines support for public education in the metropolitan area, particularly within City limits. In essence, too many voters do not see themselves as stakeholders in the public system.

TABLE VI-7

School Enrollment 1999

	City of New Orleans	New Orleans MSA	Non-City MSA	City of New Orleans	New Orleans MSA	Non-City MSA
	Black			White		
Enrolled in k-12	81,135	128,917	47,782	13,878	128,592	114,714
Private	8,531	12,807	4,276	8,501	51,250	42,749
Private share	11%	10%	9%	61%	40%	37%

Source: U.S. Census Bureau

Figures on educational attainment can mask educational deficiencies because of loose standards for promotion and graduation. Table VI-8 provides recent results of the Louisiana Educational Assessment Program (LEAP) and the graduate exit exam (GEE) exams and Iowa test scores. They show City of New Orleans public school students to be lagging far behind state and national standards. For example, 72% of Orleans Parish’s fourth graders scored below “basic” in mathematics. Of these, two-thirds fell into the unsatisfactory category. For high school students taking the graduate exit exam, 46% scored unsatisfactory on the math portion of the exam. The latter performance is even worse than it appears because high school dropouts are not factored into the figures. The dismal performance of Orleans Parish’s public school students points to the failure of the school system to provide essential job skills or college preparation. In part, this is attributable to insufficient funding for the public schools but is also due to a culture of poverty that places little emphasis on education. Parents, who themselves are educationally disadvantaged, can often provide little support and encouragement to their own offspring. Here again is an important example of how conditions of poverty feed on themselves.

TABLE VI-8

**LEAP, GEE, and IOWA Test Scores
Orleans Parish vs State, Spring 2004**

	English		Math		Science		Social Studies	
	City	State	City	State	City	State	City	State
LEAP								
Grade 4								
Unsatisfactory	35	19	43	24	35	27	39	20
Approaching basic	25	22	29	23	38	23	26	27
Grade 8								
Unsatisfactory	40	18	48	25	54	23	46	20
Approaching basic	38	36	23	22	27	27	29	27
GEE								
Unsatisfactory	42	18	46	23	41	19	36	16
Approaching basic	23	21	16	15	27	24	24	22
Iowa Test percentile								
Grade 3	35	57						
Grade 5	40	57						
Grade 6	28	46						
Grade 7	30	48						
Grade 9	33	48						

Source: Louisiana Department of Education

Asset Building

One key characteristic of poverty households is their lack of assets. Assets provide an important source of income to non-poor households, augmenting their income from labor. In addition to income, assets increase a household's stake-holding in their society—an important dimension of social health. Unfortunately, there is a lack of geographical data on asset ownership, particularly for poor households. There is, however, good data on holdings of one of the most important assets in household's portfolios—housing. Houses provide a source of income through the savings of rent that would have to be otherwise spent on one's dwelling. Homeownership also provides stability to a community because, among other things, households have financial stakes there. Homeowners are much less likely to litter and otherwise contribute to neighborhood blight. They also have positive incentives to improve neighborhood amenities such as neighborhood schools.

Table VI-9 shows homeownership in the City of New Orleans by race and poverty status. Black households are seen to be less likely to own than their white counterparts, and are less likely to live in an owner-occupied home. Homeownership is relatively rare in poor households. Only 21% of poor households own their own units, and census figures show that 44% of these are elderly households, aged 60 or older. Poor children are, thus, very unlikely to enjoy an owner-occupied home or reside in a neighborhood marked by a high rate of home ownership.

TABLE VI-9

Home Ownership City of New Orleans, 1999

	Total	White	Black
Total occupied units	188,251	67,445	112,976
Owner occupied	87,535	37,312	46,994
Owner occupied %	46%	55%	42%
Total population	467,013	130,283	314,818
Owner occupied	231,064	83,025	137,683
Owner occupied %	49%	64%	44%
Households in poverty	48,155		
Owner occupied	9,896	1,852	7,559
Owner occupied %	21%	22%	20%
Elderly %	44%	57%	42%

Source: U.S. Census Bureau

Poverty Levels—A Postscript

Recent estimates by the U.S. Census Bureau published in its American Community Survey (ACS) pose some intriguing questions about the extent of poverty in the City of New Orleans. Before turning to the data, it must be emphasized that the figures published by the ACS are estimates based upon a small sample (1 per 480 households) and are, therefore, subject to statistical uncertainty.

In Table VI-10, we show ACS annual estimates of persons in poverty and the population for the years 2000-2004 for the City of New Orleans, Jefferson Parish, the City's largest suburb, the metropolitan area as a whole and, by subtraction, the aggregate

for the remaining parishes in the metropolitan area. Also shown are the same figures as reported by the 2000 Census that apply to the year 1999.

Inspection of the table shows a dramatic drop in the incidence of poverty in the City over the five-year interval. There, poverty levels decreased by more than 37,500, a reduction of nearly 29%. At the same time, City population is estimated to have decreased by 37,000. It is tempting to conjecture that the reduction in City poverty was accomplished through out-migration of the poor to the suburbs. The figures, however, do not support such a hypothesis. Poverty rates in Jefferson, the City's nearest neighbor and most likely recipient of City migrants, remained virtually unchanged. Moreover, poverty for the metropolitan area as whole also declined by 37,000. So, if the ACS figures are accurate, we have witnessed an historic decline in poverty in the New Orleans region, with the reduction occurring entirely within the City of New Orleans. This is particularly striking, given the absence of significant employment gains in the metropolitan area between 1999 and 2003. The U.S. Bureau of Economic Analysis (BEA) estimates that total employment increased by only 15,000 jobs over the period, a scant 2% increase. Similarly, the Louisiana Department of Labor reported an increase in covered non-agricultural employment of only 5,000. Moreover, employment in the City and Jefferson Parish, the most likely outlets for hiring the poor, actually decreased over the period. Given the conflicting trends in poverty and employment, it would be prudent to wait until the 2010 Census or some special census to verify the ACS trends in poverty.

TABLE VI-10

**Poverty and Poverty Rates
Orleans and Jefferson Parishes
New Orleans MSA 1999-2003**

	Orleans Parish	Jefferson Parish	Other MSA Parishes	New Orleans MSA
Persons Below Poverty Level				
1999	130,896	61,688	48,491	241,075
2000	122,719	55,720	50,489	228,928
2001	110,300	58,905	59,005	228,210
2002	99,144	77,307	44,878	221,329
2003	93,156	63,322	47,269	203,747
Population				
1999	484,674	455,466	397,586	1,337,726
2000	467,033	448,510	390,729	1,306,272
2001	457,779	444,370	393,870	1,296,019
2002	455,914	445,052	403,048	1,304,014
2003	447,537	447,005	409,989	1,304,531
Poverty Rate (%)				
1999	27	14	12	18
2000	26	12	13	18
2001	24	13	15	18
2002	22	17	11	17
2003	21	14	12	16
Employment				
'1999				
BEA				759,676
LDL	259,010	259,010	124,398	600,039
'2003				
BEA				774,751
LDL	250,767	212,254	141,986	605,007

Source: 2000 U.S. Census for 1999 data, American Community Survey for 2000-03

TABLE VI-11

Poverty Thresholds, 1999

Size of family unit	Weighted average threshold	Related Children Under 18 years								
		None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual)	8,501									
Under 65 years	8,667	8,667								
65 years and over	7,990	7,990								
Two people	10,869									
Householder under 65 years	11,214	11,156	11,483							
Householder 65 years and over	10,075	10,070	11,440							
Three people	13,290	13,032	13,410	13,423						
Four people	17,029	17,184	17,465	16,895	16,954					
Five people	20,127	20,723	21,024	20,380	19,882	19,578				
Six people	22,727	23,835	23,930	23,436	22,964	22,261	21,845			
Seven people	25,912	27,425	27,596	27,006	26,595	25,828	24,934	23,953		
Eight people	28,967	30,673	30,944	30,387	29,899	29,206	28,327	27,412	27,180	
Nine people or more	34,417	36,897	37,076	36,583	36,169	35,489	34,554	33,708	33,499	32,208

Source: U.S. Census Bureau

SECTION VII

LOW-INCOME NEIGHBORHOODS

In 1966, the U.S. Department of Labor conducted a survey of economic conditions in areas that were identified as neighborhoods where the poor and impoverished reside in New Orleans. The neighborhoods were located in five areas: Central City, Irish Channel, Lower Ninth Ward, Desire, and Florida. The survey found that the problems of unemployment and sub-employment were considerably higher than citywide or metropolitan-wide averages. Unemployment and sub-employment in these neighborhoods were a result of personal as opposed to economic factors, such as inferior skills, sub-par education, police and garnishment records, discrimination in hiring practices, and, perhaps most crucial, hopelessness. Given these circumstances, in Professor Bobo's words, "no conceivable increase in gross national product would stir these backwaters."

Professor Bobo extended and further elaborated on the Department of Labor's analysis to the 1969 Census data using a special tabulation of "low-income areas" of the City of New Orleans. Although not coterminous with the region studied by the Labor Department, Bobo, using a similar methodology, found nearly identical conditions of the downtrodden in the census special study area.

Unfortunately, the detailed survey conducted by the Labor Department has not been repeated since that time, and the details provided by the 1970 Census of Low-Income Areas was not repeated in the 1970 Census. Hence, calculations of sub-employment and employment problems as contained in the Bobo study cannot be replicated. However, the maps provided in the Bobo report can be used to construct employment, income, and poverty data for similar neighborhoods in 1999.⁹ Because of changes in census tract boundaries and abandoned and vacant housing, the population of the 1999 low-income neighborhoods, 126,000, was 100,000 less than in 1969. However, the basic economic character of the area has remained quite similar.

In Table VII-1, we show income statistics for the low-income area and the metropolitan area as a whole. The median family income in the poor area is almost half that of the metropolitan area. There is a pronounced disparity in the share of families in

⁹Census tracts included in the 1999 definition of low-income areas are provided at the end of this section.

the lowest income classes. For example, the share of families with income less than \$30,000 is more than double in the low-income area than for the metropolitan area. The share of families in poverty is 39% for all low-income residents and 42% for black low-income residents. By contrast, the figures for the metropolitan area are 15% and 30%, respectively. Single females head an overwhelming portion of poor families. These figures convincingly demonstrate that the poor are heavily concentrated in certain geographical regions in the metropolitan area.

TABLE VII-1

**Percentage Distribution of Family Income,
Low Income Areas and New Orleans MSA, 1999**

	Low Income Areas		MSA	
	All races	Black	All races	Black
Less than \$10,000	27.2%	29.4%	9.9%	20.0%
\$10,000 to \$14,999	13.1%	14.1%	6.1%	10.6%
\$15,000 to \$19,999	10.3%	10.8%	6.0%	9.3%
\$20,000 to \$24,999	8.8%	9.2%	6.3%	8.2%
\$25,000 to \$29,999	7.1%	7.1%	6.5%	7.7%
\$30,000 to \$34,999	6.3%	6.1%	6.2%	6.5%
\$35,000 to \$39,999	4.8%	4.8%	5.7%	5.7%
\$40,000 to \$44,999	4.0%	3.7%	5.7%	5.2%
\$45,000 to \$49,999	3.2%	3.0%	5.3%	4.4%
\$50,000 to \$59,999	4.5%	4.1%	9.0%	6.6%
\$60,000 to \$74,999	4.6%	3.9%	11.0%	6.8%
\$75,000 to \$99,999	2.9%	2.2%	10.5%	5.1%
\$100,000 to \$124,999	1.4%	0.8%	5.1%	1.9%
\$125,000 to \$149,999	0.4%	0.2%	2.3%	0.9%
\$150,000 to \$199,999	0.5%	0.2%	1.9%	0.4%
\$200,000 or more	1.1%	0.6%	2.5%	0.7%
Average median income	22,107	18,493	42,626	26,110
Below poverty level	39%	42%	15%	30%
Percent of poor families				
Married	15%	13%	n.c.	n.c.
Female head	78%	80%	66%	75%
Poor (below \$30k)	66%	71%	35%	56%

Source: U. S. Census Bureau

We can also contrast work behavior of the low-income area with that for the metropolitan community. Table VII-2 shows that unemployment rates for both male and females, for all races or for blacks only, are significantly higher in the low-income areas.

The overall unemployment rate, 14.8%, is more than twice as high as that for the metropolitan area as whole. Also, labor force participation rates are significantly lower in the low-income areas. Fifty percent of all work-age persons are not actively seeking work, which is ten percentage points higher than the figure for the metropolitan area. If the latter differential is added to the unemployment rate, the result is an unemployment figure of 25%. Performing the same exercise for black males residing in the low-income areas, we get a whopping 32.3% unemployment rate. The latter does not include individuals who were not counted by the census, which, in the case of low-income areas, could prove to be quite substantial. Nor does it include those who can only find part-time work but would like full-time work.¹⁰

TABLE VII-2

**Selected Labor Force Data,
Low Income Areas and New Orleans MSA, 1999**

	Total	Males		Females	
		All Races	Black	All Races	Black
<i>Low-income Areas</i>					
Total Non-Institutional Population 16 years and over	126,238	56,354	46,998	69,884	58,881
Civilian Labor Force	63,160	29,044	21,189	34,116	28,024
Percent Unemployed	14.8%	14.0%	19.2%	15.1%	17.4%
Percent not in labor force	49.8%	48.2%	55.1%	51.1%	52.3%
<i>New Orleans MSA</i>					
Total Non-Institutional Population 16 years and over	1,021,502	478,379	155,562	543,123	196,785
Civilian Labor Force	620,909	319,611	89,420	301,298	110,547
Percent Unemployed	6.8%	6.5%	13.1%	7.1%	12.5%
Percent not in labor force	38.8%	32.5%	42.0%	44.3%	42.9%

Unemployment issues were particularly harsh for teens, as Table VII-3 shows. Nearly 40% of teens not enrolled in school were unemployed. An acute unemployment

¹⁰Professor Bobo included such individuals in his estimate of sub-employment. Unfortunately, the Census no longer distinguishes part-time workers from full-time workers.

problem extended beyond the teen years to those under the age of 25, where 32% of black males and 25% of black females seeking work were unemployed. For black males between the ages of 25 and 64, the unemployment rate was 16%, a figure more than triple that (4.8%) for the MSA as a whole.

TABLE VII-3

**Unemployment Rates by Age, Sex and Race
Low Income Areas and New Orleans MSA, 1999**

	Total Unemployed	Males		Females	
		All Races	Black	All Races	Black
Total, 16 years and over	14.8%	14.0%	19.2%	15.1%	17.4%
16 to 19 years	46.2%	33.2%	36.1%	54.5%	56.5%
In school	48.8%	28.0%	30.5%	60.3%	61.6%
Not in school	39.4%	42.5%	45.6%	36.6%	40.2%
20-24 years	23.8%	27.6%	31.6%	20.8%	24.6%
25 to 64 years	11.4%	12.5%	15.7%	10.4%	11.7%
65+ years	6.9%	9.1%	10.9%	4.8%	5.1%
Married	n.a.	8.6%	11.0%	5.0%	5.9%
Female Head	n.a.	n.a.	n.a.	7.6%	7.8%

Source: U.S. Census Bureau

We conclude this section with a discussion on the changes that have occurred in the low-income area over the 30-year period from 1969 to 1999, which is summarized in Table VII-4. The picture is discouraging and indicates the tenacity of extreme poverty. With the exception of the unemployment rate for non-students, every indicator has worsened over time. Since both census years were ones of national prosperity, the weakening cannot be attributed to the overall economy, nor can it be attributed to the local economic conditions. As shown earlier in this report, the metropolitan area experienced significant economic growth over the period. Recall, however, that the population in the low-income area was 100,000 less in 1999 than in 1969. The intensification of poverty conditions could be the results of out-flight and/or physical

contraction of housing over the period. The latter seems particularly plausible because the investment climate in the neighborhoods has not been conducive to new housing construction or significant renovation activity. Despite this caveat, many of the conclusions drawn by Professor Bobo about the persistence and resistance of poverty to mainstream economic growth remain valid as of 1999.

TABLE VII-4

**Comparison of Low Income Areas in
City of New Orleans, 1969 and 1999**

<u>Indicator</u>	1969 Bobo	1999 Census
Unemployed	13%	15%
Unemployment rate among teenagers	41%	46.2%
students	38%	48.8%
non-students	44%	39.4%
Median Family Income*	25,766	22,107
Labor Force Non-Participation Rate for Males 20-64	27.1%	42.3%
Poverty Rate Families	34.4%	38.9%
Poor Families**	62%	66%

* 1969 figure in terms of 1999 purchasing power

** less than \$7,000 in 1969, \$30,000 in 1999

SECTION VIII

IDENTIFICATION OF POLICY RESPONSES

The preceding section covers the implications of the continuance of historic trends in the level and composition of economic growth for the elimination and alleviation of chronic poverty. It compellingly demonstrates that continued emphasis on hospitality sector jobs, most of which offer sub-par wages and benefits, would not provide a suitable environment for the eradication of hard-core poverty. Similarly, it argues that continued growth in health care, while offering many high-wage job opportunities, might not be much help without instituting intense coordination and linkage with area learning/training—in short run because of skill requirements. It considers alternative growth patterns in order to ascertain which development path would be conducive to reducing chronic poverty.

This section intends to build on the development path selected as most conducive to reducing chronic poverty in City of New Orleans. It specifically argues that there is a need for an official policy at both the state and city levels on poverty reduction. Because poverty is the most formidable problem in the City and State and causes the most debilitating effects in the City and State, there is a need to formally train professionals to systematically formulate and administer a plan to help reduce poverty. Also, it posits that in order to develop a comprehensive theory of the poverty reduction and demonstrate its relevance to rendering the local areas more competitive, a wide range of considerations, within each of them, must include an investigation of interventions tried in many cities, regions, and countries. In addition, research based on one or two interventions or a handful of approaches runs the risk of mistaking what may be exceptional for general principles. Further, this section offers recommendations on proven poverty-reduction interventions that have been used by public administrators in cities, regions, and states with similar social/economic conditions, usual amounts, and long-duration poverty that caused debilitating effects.¹¹

While much is learned through an aggregate, economy-wide approach to understanding the chronic poverty in New Orleans, TCA seeks a different starting point. TCA's theory begins and comports with a school of thought to which a growing number

¹¹See article entitled "Advantages of Backwardness" for cogent discussion on how an economy can use proven models to accelerate its improvements.

of economists and social policy advocates subscribes, which is to have an official policy on poverty (reduction). This number includes William J. Wilson of the Harvard School, Gary Burtless of the Brookings Institution, Katherine Porter of the Institute for Research on Poverty in Wisconsin, and Wendell Primus of the Center on Budget and Policy Priorities.¹² With such a policy, TCA posits that local government can achieve greater success with providing leadership in reducing poverty by adopting an official policy on poverty and, thereby, garnering appropriate support and resources required to address the debilitating effects of poverty.

Theory presented in this section attempts to capture the full complexity of poverty rather than abstract from it. TCA seeks to integrate the many elements that have debilitating effects. The result is the start of a holistic approach where the level of complexity may be uncomfortable to some. TCA believes, however, that greater simplification would obscure some of the most important parts of the problem. The theory draws on and spans several fields. At its core is the theory of asset building, where there are important insights to be gained from ongoing research across the nation. In essence, the literature shows that policies can be formulated to promote ways citizens can accumulate assets. For most households, the principal sources of assets include owned homes and real estate, cash and savings, stocks and bonds, retirement and life insurance plans, and any business ownership.¹³ Such assets provide families with stability and protection against the unexpected.

TCA has noted some of the most important antecedents to its approach in various fields, as well as some of the most compelling individual works.

What is a Policy?

It is instructive here to first define a policy. As literature on the topic warns, policy is oftentimes used incorrectly as a synonym for implementation. One accomplished observer of policy mused, “Sometimes policy means a statement of intention. Other times, we speak of policy as if it were equivalent to actual behavior;

¹²Sherraden, Michael. (1991). *Assets and the Poor: A New American Welfare Policy*. Armonk, NY: M. E. Sharp, Inc.

¹³Woo, Lillian G., Schweke, F. William, & Buchholz, David E. (2004). *Hidden in Plain Sight*. Washington, DC: Corporation for Enterprise Development.

however, as oftentimes pointed out, an official behavior could be to do nothing.”¹⁴ Accordingly, for the purpose of this paper, TCA will follow one observer’s counsel and define policy “as declared assumptions containing initial conditions, action plan, and predicted consequences of plan. Thus, if X is done, then Y will result.”¹⁵ Another view, although there are variances, is that policy is defined as the purposive behavior of some or group of officials after systematic analysis and selection on an action plan to reach a goal or realize an objective or purpose. By extension, a public policy is what action plans government selects to overcome a concern. In context to this paper, if the City of New Orleans adopts an official policy on poverty, it can, then and only then, within time, effectively deal with the most formidable problem facing New Orleans—structural poverty and dismal low labor force participation.

To the notion of policy as a course of action, successful intervention more times than not is based, in part, on the answers to two questions. First, is there political acceptability of government involvement and to what extent? Second, what role is the policy designed to achieve? Clearly, relative to the first question, there is political acceptability in both Louisiana and New Orleans on providing assistance to citizens who are poor. Nevertheless, the approach is a far cry from a coherent strategy of poverty. At best, it is a major effort to administer federal grants that are available to states with some tailoring and even less formal interdepartmental linkage and/or coordination. Importantly, it is noted that the 52nd Governor of Louisiana has made an unprecedented move to change this approach to help address the most formidable problem in our state, poverty. For example, unlike all of the governors preceding her, including 99% or more of the heads of other states, she has officially recognized poverty as the most formidable problem in our state. Hopefully, the ultimate action plan adopted by the state will contain a specific typology and reasons for interventions as well as the extent of intervention.

Three examples of reasons for government intervention, i.e., structural poverty, poverty imputed to flawed economic development models used by government, amount and duration of poverty, and a four-part typology, i.e., traditional market failures, merit

¹⁴Pressman, Jeffery L., & Wildavsky, Aaron B. (1973). *Implementation*. Berkeley, CA: University of California Press.

¹⁵Ibid.

good, limit decision-making ability, and creation of individual values, are instructive here.

Typology to Decide Intervention

Historically, those responsible for growing and attending the well being of local, state, and/or national economy did not use poverty as part of discourses for arriving at an economic development strategy.¹⁶ Conversely, it was believed that a robust economy would provide opportunities for family-supporting jobs for citizens in all strata, i.e., “a rising tide lifts all boats.” This theory, however, was debunked in the 1960s with more informed theories on structural poverty, i.e., poverty embedded within the nature of an economic system that is not eradicated by economic growth, and poverty due to inadequate employment opportunities for an expanding labor force causing traditional market failure,¹⁷ i.e., consumers’ lack of complete and accurate information about how the market works, thus, hindering their ability to predict costs and benefits of future actions. These two considerations caused a fundamental shift in the assumptions around both poverty and the government’s role in eradicating poverty. At the national level, John F. Kennedy, the first to offer an official policy on poverty, envisioned what he termed a “positive and constructive initiative.” The initiative, he argued,

must stress the integrity and preservation of the family unit. It must contribute to the attack on dependency, juvenile delinquency, family breakdown, illegitimacy, ill health, and disability. It must reduce the incidence of these problems, prevent their occurrence and recurrence, and strengthen and protect the vulnerable in a highly competitive world.¹⁸

Merit good, a good that government deems is undervalued by its citizens, is also a useful guideline for determining government intervention in poverty reduction. The logic here is a social judgment that people should have specific levels of certain goods. The distinguishing feature is that society takes an interest in the quantity of these items that

¹⁶The reader is cautioned that the course of economic development may not easily be changed by government. All too often, the success or failure of regional or national economic growth is placed with government. In fact, the path of development will follow the comparative advantages of a region. Overcoming these forces is a difficult and often insurmountable task.

¹⁷See Alexandra Schweitzer, *Guidelines for Financing Government Interventions*, prepared for the U.S. Department of Health, Education and Welfare and Georgetown University, July 1972.

¹⁸“Text from President’s Message to Congress ‘Seeking Reforms in Welfare Programs.’” *New York Times*, 2 February 1962.

individuals receive. This interest may extend to a determination that people should have specified amounts of these goods. For example, a minimum level of housing and education is expected in many societies. Hence, intervention is advisable when significant numbers of citizens receive education and housing below these minimum levels, and the reason is attributed to a structural and/or flawed economic development approach by government.

Literary findings support the conclusion that the guideline of limited decision-making ability contributes to intergenerational poverty. Its premise is that a major percentage of persons born into poverty will remain in poverty unless there is an unusual intervention, oftentimes by government, i.e. enforcement of child support laws, earned income tax credit, Pell grant, etc. Further, if this cycle is unattended, individuals' abilities to decide what is best for them will vary enormously. At one end of the spectrum are those who need no assistance to make any and all decisions. At the other end are minors and institutionalized persons who are believed in need of assistance to make decisions. In between is a group, which includes criminals, mental patients, the mentally challenged and drug addicts, capable of making some, but not all decisions. This population as a whole forms a continuum of decision-making competences.

People also vary in the skill with which they carry out their decisions. For example, it is one thing to decide to enter a job-training program; however, additional steps are required to find an effective program and to enroll in it. Similarly, parents might want to provide adequate nutrition for their children but not know which foods to serve or how to prepare them. Families that are perfectly competent to make decisions may be unable or only partly able to act on those decisions. If a family is only marginally capable of making decisions, difficulties in carrying them through are inevitable.

The last guideline offered, influencing individual values, is less politically acceptable, but if creatively handled, seems to offer promise as both a guideline for intervention and an actionable step of an official policy on poverty reduction. For example, modern psychology and sociology have proven that many personal desires are neither innate nor static. Society and government influence individuals' tastes and wants, both directly and indirectly. Although overtly generated wants are simply created with more deliberation than other wants, they often have been linked with totalitarian control techniques, such as brainwashing and propaganda. The limitations of this point of view

are made evident by consideration of the opposite extreme. What if there were no systems of societal or governmental influence, only individual persuasion? Without a common systems of values, society as we know it would not exist. Law of the jungle would prevail.

The real problem to be addressed in designing a government initiative that influences personal values is not whether, but how to do it. What techniques of persuasion are to be allowed? To what extent should schools be used to inculcate social values? Is subliminal advertising permissible? What are the roles of the family, society, and the government? Education is one way for society to transmit its values. If the government provides the schools, it can ensure that students will be taught, or at least exposed to, certain beliefs.

Understanding the reasons for poverty, TCA feels, will help select one or a combination of approaches for intervention. Those reasons are offered in the next section.

Reasons for Poverty

Three schools of thought are used as frames for the reasons poverty exists in our society. First is the school on lacks. Generally the school holds that where one finds high levels of concentrated poverty in the United States and these levels persist, the affected persons, in significant numbers, lack will power, morals, skills and/or individual drive. Specific language from one popular reference offers three premises:

- Premise #1: People respond to incentives and disincentives. Sticks and carrots work.
- Premise #2: People are not inherently hard working or moral. In the absence of countervailing influences, people will avoid work and be amoral.
- Premise #3: People must be held responsible for their actions. Whether they are responsible in some ultimate philosophical or biochemical sense cannot be the issue if society is to function.¹⁹

¹⁹These premises are not without merit, nevertheless, they seem to be always used in reference to Blacks in *Losing Ground*. As a matter of fact, the book is not a book about poverty as purported, rather, it is about Blacks with occasional references to other races living in poverty. More pointedly, it could have been a solid effort if it had focused on poverty first, second, and third instead of Blacks' first, second, and an occasional reference to everyone living in poverty. Even more to the point, 90% of the references on Blacks should have been omitted. It went totally beyond any objective standard of juxtaposition. As a result, one leaves thinking that race is linked to the debilitating effects of poverty, as opposed to social, cultural, and economic conditions. (I make this observation knowing that in a later book, the author opines

Breaking with prevailing perspective, one publication asserts that low Intelligence Quotient, followed distantly by socioeconomic circumstances and then age, are the best precursors of poverty than any other factors.²⁰ Because such deficiencies are imputed to choices made by individuals and/or their families on behalf of individuals that caused a condition, government has no role except to create and maintain stable institutions that afford each individual the opportunity to make an informed choice. Although this school is often dismissed as mordant, some proponents have made the case, although small in numbers, that there are some poor persons who fit this category—thus, this frame helps inform, in a very small way, the existence of poverty.

The second frame, structural poverty, is attributed to flawed economic development within and between the various industrial sectors that has adversely affected the structure of income and employment in two primary ways, both of which have served to retard the rate of growth of income and employment. First, the economic development policy has produced a pronounced and continuing trend, exceeding national and regional trends, away from employment in the goods-producing sectors (manufacturing, construction, mining, and agriculture) to service-type employment sectors, which, on the average, pay lower wages and salaries.²¹ Second, by extension, this massive shift to predominately service-type employment probably has reduced overall productivity and perhaps helps explain universally why employers in areas where there is low production get away with paying unusually low wages. Closely related to the adverse structural change is the lack of growth of federal employment, which has been a major factor in the employment growth of other areas. Last is the failure of government's economic development effort, particularly local government, to provide adequate employment opportunities for an expanding labor force. TCA feels that these, i.e., structural poverty

that poverty is the result of IQ, socioeconomic status, and age. (See Hernstein, Richard J., & Murray, Charles. (1994). *The Bell Curve, Intelligence and Class Structure in American Life*. New York: Free Press).

²⁰Hernstein & Murray, 1994.

²¹An economist reviewing this write-up before going to press reminded TCA that many service jobs are extremely high paying—e.g., finance and medicine and, further, that my point that the high-paying jobs are out of reach of the unskilled while goods-producing jobs are not. In the meantime, a prospering economy creates the demand for personal services—housekeeping, food away from home, etc.—and clerks in retail establishments to sell foreign-made goods to the affluent.

and failed economic development frames, best inform and explain the extent and duration of poverty, particularly in the City of New Orleans and State of Louisiana.

SECTION IX

NEED FOR TRAINED POVERTY PROFESSIONALS

The economy of our State and City is beset by pervasive and seemingly intractable economic problems. Although it is generally held that those problems are known and well understood, fundamental to this paper is the contention that the many and varied vested-interest, views, confusion, and misinformation are mistaken for perception; and understanding these problems is neither generally known nor well understood.

One seldom-mentioned fact is that those of us who have assumed roles in the State and City government effort on poverty reduction have done so without specific preparation for undertaking poverty-reduction efforts. Unlike leaders of other industries and fields, most of the workers in government and/or quasi public organizations did not have the benefit of a formal curriculum to prepare them for their chosen task, such as an aspiring accountant or businessperson who acquires most of the requisite training from formal courses as a means of successfully assuming their chosen professions. A similar case can be made for future urban planners, writers, actors/actresses, lawyers, social workers, political scientists, pollsters, geologists, etc.

In contrast and to some extent paradoxically, leaders and workers assigned to poverty-reduction efforts have taken on what is arguably one of the formidable undertakings of our time—poverty reduction—without the benefit of formal preparation, save those who might have been fortunate enough to attend workshops and/or formal classes, such as the one periodically held at Washington University’s Center and/or the University of Wisconsin-Madison’s Institute for Research on Poverty, or the Senior Executive Program School of Government at Harvard University and/or an undergraduate or graduate program in public administration or related fields. As a result, we have found ourselves improvising and overly borrowing from fields and/or disciplines relevant to poverty but do not have a specific and primary focus on poverty and its side effects. Consequently, we have oftentimes muddled, reacted, and been on the receiving end of some not-fully-earned criticism from some customers and opponents of public administrators assigned to address poverty. Derivatively, this means one of our needs is to engage, on a large scale, universities to develop curriculum in which leaders and workers can acquire the skills required to develop models that can be used to

systematically address poverty. Such curriculum should include core courses on poverty reduction, i.e., reasons for poverty, institutionalized pathology of neighborhoods, poverty-reduction strategies, interventions for reducing poverty, asset building, wealth, power and inequality, relationships among the labor force, employment, and economic development that includes poverty reduction as an official policy. Alignment of such core or similar courses with social and economic factors in our states, regions, and cities would be of great benefit, particularly in the design of poverty-reduction models that will increase, extend, confirm, and give new insight into understanding poverty. Likewise, such a curriculum would greatly benefit our State and City and might even become an economic development engine in that a well designed, staffed and administered curriculum at our universities could attract students from around the world, given the extent of poverty globally.

Admittedly, this is a long-term strategy. Nevertheless, considering the pervasiveness, complexity, and manifestation of poverty, e.g., chronic and excessive unemployment, relatively low labor force participation rates, extreme income inequality, disproportionately large percentages of poorness, relatively low educational attainment, and comparatively high geographic as well as racial and sexual concentrations of poor and impoverished people, human, social, and physical blight, substandard housing, rampant crime, and substandard school systems, a more deliberate and systematic approach is not only needed, it is the only practicable option for true poverty reduction. As one informed practitioner of poverty reduction observes:

After decades of economic prominence, the United States today may be an under-developing nation. Arguably, we may be moving backward instead of forward. Thousands of homeless people are crowded into temporary shelters; thousands more are doubled up in substandard housing. Our largest cities are shocking; there are so many hungry and homeless people on the streets and in the subways that it looks like the third world. Although more hidden, poverty in rural areas of the United States is even worse than it is in the cities. Across the nation, one-fifth of all our children live in poverty. One-fifth does not learn to read beyond the fourth-grade level. Almost one-third does not finish high school.²²

²²Sherraden, 1991.

The logic here is, because of the complexity, pervasiveness, and manifestation of poverty and, arguably, the fact that we are moving backward instead of forward, a long-term plan of tooling and retooling leaders and workers via curriculum offered at universities could afford a solid means of minimally gaining the skills to systematically approach poverty reduction. This suggestion is tantamount to recognition of voids and the subsequent progress made in other fields/disciplines. Seven examples are offered here:

- The forming of a professional society to “advance the science, processes, and art of public administration,” or the offering of the first identifiable graduate schools in Public Administration and the first professional chairs were established in the 1920s.
- Columbia University organized a master’s program in Climate and Society. The 12-month M.A. program will train professionals and academics to understand and cope with the impacts of climate change on society and the environment.
- Similarly, Case Western Reserve University set up a Masters Degree in Social Administration. The aim of the program is to offer a format of concentrated weekend learning for social workers with career experience who are employed full-time. Classes meet one weekend per month throughout the calendar year.
- Locally, Loyola University responded to businesses across the United States and established a Master of Quality Management (MQM). The MQM program was offered through a consortium of the College of Business Administration and the STAT-A-MATRIX Institute, the world’s leading and most diversified consulting organization dedicated to the sole pursuit of quality management.
- The medical world has also joined the ranks of meeting new demands, i.e., Louisiana State University at Alexandria Emergency Medical Service (EMS) established a program to meet the growing demands of adequate EMS’s. The program is composed of 75 credit hours and five semesters in length.
- Tulane University, responding to local demand, established a Casino and Resort Management Program to address industry needs. It consists of one year of liberal arts courses and one year of Casino Resort Management courses (8 classes).
- Lastly, some of America’s profitable manufacturing firms—Alcoa, Boeing, Chrysler, Ford, General Motors, Johnson and Johnson, Digital Equipment, Eastman Kodak, Hewlett-Packard, Motorola, Polaroid, and United Technologies—funded, helped design and implement MIT’s Leader in

Manufacturing Program to recover their leadership position in manufacturing.²³

The recommendation of establishing a curriculum also comports well with the reasoning of Rupert Murdoch and officials of Oxford University in their setting up a MBA center for a new generation of media moguls. The move is prompted by, among other things, the music executives' major concern over the threat of file-sharing technologies and piracy, and increased regulations, as well as the future of advertising.²⁴

Commenting on the move, Anthony Hopwood, Dean of the school, observes:

One of the problems with many business schools is that they teach and deal with management as an abstract concept, whereas many firms will have very specific management needs. That is all the more true in the media where we have seen the rapid internationalization of many media businesses, the impact of technology and a considerable pressure for the professionalisation of management.

Oxford will offer its MBA students the chance to specialize during their matriculation in school. The end-product, comparable to TCA's expectation, is a specialist who helps the media cope with the digital revolution. Also, conducting world-class research and analysis and talking to independent and experienced minds will help produce an actionable plan for effectively dealing with digital revolution.

To make the curriculum attractive, it is recommended that the curriculum become a degree program offered on an intensive semester/quarter basis. Examples and definition(s) of intensive semester/quarter models are listed in Table IX-1.

²³Thurow, Lester C. (2003). *Head to Head*. New York: Harper Collins Publishing Co.

²⁴Hopwood, Anthony. (2005, April 26). Oxford to Train Future Murdochs." *Financial Times*, 8.

TABLE IX-1
Definitions of Intensive Models

UNIVERSITY	INTENSIVE SEMESTER
<p>I. University of California, Berkeley/Berkeley, Columbia School of Business</p>	<p>Part-time evening MBA program serves students with a similar profile but who continue to be fully employed while pursuing their degrees. The program's compact 19-month schedule and compressed format keep travel time manageable and minimize time out of the office. The program is divided into five terms of three to four months in length. During each term, class sessions meet five times, typically Thursday through Saturday.</p>
<p>II. University of Southern California/USC School of Policy, Planning and Development</p>	<p>The registrar's office informally defined it as "graduate classes offered Thursday-Sunday or Friday-Saturday. Classes meet for 12-16 sessions, and the program is completed in 1-2 years."</p>
<p>III. Duke University/Fuqua School of Business</p>	<p>The Duke MBA: Weekend Executive Students have already proven themselves to be valuable, high-performing employees in their respective companies. Classes are held on alternating weekends. Divided into 6 terms, students take 3 courses each term.</p>
<p>IV. Purdue University/Krannert Graduate School of Management</p>	<p>The schedule of six concentrated two-week sessions interspersed throughout a two-year program period allows participants to maintain their job responsibilities while they acquire the broad range of managerial skills needed to be effective in today's and tomorrow's dynamic business environment. The program is divided into three modules, each of which corresponds in course content to an academic semester.</p>

UNIVERSITY	INTENSIVE SEMESTER
V. The Ohio State University/Fisher College of Business	On-campus sessions, beginning in January, meet just three days a month (Thursday, Friday and Saturday, 8:00 am-5:00 pm) over the 18-month program period. Students are able to plan when they will need to be away from the office, because the EMBA program dates are set well in advance of the upcoming year.
VI. Vanderbilt Owen Graduate School of Management	Offers a rigorous program of study in an energetic, supportive atmosphere. Classes are held on alternating weekends (Friday and Saturday) over a 21-month period.

Looking back and considering the effect of debilitating problems caused by poverty and its duration, not to mention the cost and waste of human lives associated with poverty, it is difficult to comprehend why poverty is not recognized as a professional field of study and an intellectual challenge comparable to business administration, political science, social studies, urban studies, law, music, architecture, physical education, management, economic, sociology, public policy, criminal justice, art, nursing, pre-med, public administration, etc.

A specialist who is formally prepared understands theories for intervention, when examined against the backdrops of the reasons for poverty, and will ultimately produce formidable methods for developing an official policy. The section that follows examines the focus of an official policy on poverty reduction.

Need for an Official Policy

A second need to which a growing number of economists²⁵ and social policy advocates²⁶ subscribe is to induce government to adopt an official policy on poverty.

²⁵Sherraden, 1991.

This group includes William J. Wilson of the Harvard School, Gary Burtless of the Brookings Institution, Katherine Porter of the Institute for Research on Poverty in Wisconsin, and Wendell Primus of the Center on Budget and Policy Priorities. Similarly, TCA believes that local governments and states should take the lead in adopting an official policy on poverty reduction. As one informed practitioner of poverty reduction observes:

However, Ms. Schoor is fully aware that although such interventions are essential in a serious attack on persistent poverty and related problems, they are not sufficient. She appropriately argues that in the final analysis, they ought to be combined with a comprehensive economic policy to enhance employment opportunities for disadvantaged Americans and to raise incomes. I fully agree, and I believe that if this policy prescription calling for the integration of thoughtful non-economic and economic strategies, were adopted in our country, we would eliminate the problems of persistent poverty in a relatively short period of time. And the life chances of high-risk children and their families would noticeably improve.²⁷

Traditionally, government adopts public policy to alleviate and/or prevent problems. The adoption of policy represents recognition by decision makers of a concern and their formal agreement to set in motion the activities necessary to solve a problem. The policy can take the form of laws or regulations, or guidelines, which can be publicly disseminated. Considering the extreme level of poverty that is prevalent in Louisiana and Orleans Parish is not a recent phenomenon, but has persisted since attention was first drawn to the problem of urban poverty, coupled with its manifestations, 40 years ago, TCA feels that it is only logical that both the City of New Orleans and the State of Louisiana must adopt an official policy on poverty. Contrary to popular theory that “a rising tide lifts all boats,” extreme poverty has endured in the face of spectacular gains in average living standards for the average Louisianan. It has persisted despite the plethora of government programs created to eliminate and ameliorate it. Sadly, poverty in New Orleans and Louisiana seems more entrenched than ever.

²⁶Gary Burtless, in Sherraden, 1991.

²⁷William J. Wilson, in Sherraden. 1991.

Historically, anti-poverty policymakers traditionally focused on income, spending, and consumption. However, a new vision is steadily emerging—one that focuses on savings, investment, and asset accumulation that work in conjunction with, not instead of, traditional anti-poverty programs. Although the trend toward asset accumulation can be traced as far back as the Homestead Act, only recently has the savings and assets base of the poor gained any attention. The next section offers a general discussion of asset building.

Proven Interventions

It is often said that the test of a society's compassion is how it treats its most vulnerable members. Likewise, TCA believes that efficacy of the methods used to respond to the plight of disadvantaged persons is a better test. In selecting a compassionate and effective approach to poverty, society embracing the debate about big picture solutions to practical local options can be replicated, with some tweaking. The selection process can be centered on a series of case studies presented by policy makers/observers on successful programs and failures. Thus, if history is any guide, the promising practice for poverty reduction across the world, with some custom tailoring, may be asset building.²⁸ The role of assets in poverty alleviation can be simply stated: assets matter. Assets provide more than just an economic cushion—assets provide a psychological orientation that income alone cannot provide. Assets help to address the growing wealth gap and the increasing racial disparities of asset ownership. In its broadest meaning, asset building consists of public policies that are enacted to encourage individuals to accumulate assets, i.e., first-time homeownership, purchase of post-secondary education, and starting and operating a business. The research shows that these efforts, while not a panacea compared to others, have helped millions plan for the future, prepare for retirement, and weather unexpected financial storms. Assets, TCA believes, provide families with stability and protection against the unexpected. To date, the tool most effectively used to acquire assets for the poor in the United States is the Individual Development Accounts (IDA). Because there are many books and articles on

²⁸Bargin & Orsini, "In-Work Policies in Europe: Killing Two Birds with One Stone," and Brewer, Duncan, Shephard & Suarez, "Did Working Families Tax Credit Work?" Prepared for conference on *Changing Social Policies for Low-Income Families and Less-Skilled Workers* in Europe and the United States, at University of Michigan, National Poverty Center, 2005.

IDAs, no discussion is offered here. The section that follows presents TCA's recommendations and other poverty-reduction measures that have reduced and helped sustain poverty reduction across the country.

SECTION X

TCA's POVERTY REDUCTION PROPOSAL

1. The City of New Orleans and the State of Louisiana, using acceptable citizen participation models and best practices of policy development, must adopt an official policy on poverty reduction as a part of their economic development strategy.
2. The City of New Orleans should use a percentage of its Community Development Block Grant Funds to induce private/public partnerships to tailor their fringe benefits to help income-eligible workers of six years to build assets. Four examples of asset-building projects offered are:
 - TCA, Inc., and Liberty Bank's Individual Development Account project (IDA);
 - TCA, Inc., and First Bank and Trust's IDA project;
 - Harrah's project for first-time home ownership and education. (It is strongly recommended that the New Orleans City Council closely enforce and monitor the requirements of the project and its results as well as urge that the project be tweaked, when required.) The program was designed by Dr. Peter W. Dangerfield, Jr., using TCA's Poverty-Reduction Model; and
 - Pampy's Crystal Catering's IDA assistance for workers.
3. The City of New Orleans and the State of Louisiana must formally link and coordinate with public and private entities to intensively and consistently promote proven interventions that both grow and sustain growth out of poverty. Examples include:
 - Healthy relationships;
 - Individual Development Account (IDA);
 - education (529),
 - business development, and
 - homeownership;
 - Earned Income Tax Credit (EITC);
 - Enforcement of child support policies;
 - Louisiana Children's Health Insurance Program (LA CHIP).
4. Both the City and State are encouraged to weigh the pros and cons of instituting an EITC at local and state levels, respectively. (The City is encouraged to track the proposed pilot project in New York where there is a subsidy of wages of low-income working fathers who do not have custody of their children, as long as they are up-to-date on their child support payments.)
5. The City of New Orleans and the State of Louisiana must enact procurement policies that drastically reduce the underutilization of minority and female entrepreneurs in public procurement. Further, the adopted policy must include an annual evaluation, performance measures and indicators, monitoring, and continuous improvement measures.

6. The City of New Orleans and the State of Louisiana must undertake an aggressive, intensive and ongoing campaign to encourage the private sector to purchase goods and services from minority entrepreneurs as a normal course of business.
7. Universities in Louisiana must be encouraged to offer curriculum that prepare students and current public employees on policies and methods for averting, reducing, and sustaining growth from poverty, and also offer undergraduate and graduate degrees with a concentration in poverty reduction. Further, universities should be encouraged to offer poverty-reduction courses on an intensive semester basis, i.e., compressing a normal two-year or 30-36 semester hour curriculum of graduate study into 12 weekends of intensive study and interaction. (Universities across America have used this method, i.e., Loyola University at New Orleans, University of New Orleans, Tulane University, University of Southern California, and Purdue University.)
8. Both the City and State should urge the media to use their considerable resources to assist in educating citizens, themselves, and policymakers as to the causes and consequences of chronic poverty. (TCA understands that, in itself, this will not remedy the problem of poverty. It would, at a minimum, raise the level of public discourse on the issue, thus, increasing the potential for beneficial public policies.)

The kind of discourse envisioned under number 8 is discussed below.

SECTION XI

OPPORTUNITY AND NEED FOR MEDIA TO HELP OUR CITIZENRY TO UNDERSTAND POVERTY AND ITS MANIFESTATIONS

Even though New Orleans has witnessed more than seven decades of extreme poverty among 20-30% of its population, the pervasive and debilitating problems associated with poverty are not well known or understood by its mainstream citizenry or its journalists. While substantial data describing the nature and extent of poverty are available, there is a major deficiency of public discussion about the reciprocal relationship between chronic poverty and the social, economic, and cultural fiber of a society, including the quality of life. Also, a similar deficiency exists concerning the major manifestations of persistent poverty: chronic and excessive unemployment; low labor force participation; extreme income inequality; substandard educational attainment; geographic, racial and sexual concentration; substandard housing; rampant crime activity; and the vicious self-reinforcing mechanism associated with intergenerational transmission.²⁹

Because of their strategic role in disseminating information, the media is in an excellent position to educate the public about these deficiencies. Poverty is arguably the most critical social problem facing our City and State. Therefore, TCA urges the media to use their considerable resources to assist in educating citizens and policymakers on the causes and consequences of chronic poverty. TCA understands that, in itself, this will not remedy the problem of poverty. It would, at a minimum, raise the level of public discourse on the issue by increasing the potential for beneficial public policies.

If an ordinary citizen were asked the source of his/her information about economic conditions, the answer would be “media.” Truthfully, the same would be true for elected officials. Thus, TCA believes that the media, after confirming the extent, duration, and problems associated with poverty, should be the agents for educating the public on the conditions and side effects of poverty. Without the media’s assistance in this task, the discussion will not rise from the backroom level. The problems must be objectively reported and findings phrased in laypersons’ terms. The message should be

²⁹We make mention here that some observers of poverty do not view crime, illegitimacy, low education achievement, underemployment, and unemployment as effects of poverty. See Chapter V of *The Bell Curve*.

intermittently reinforced to increase people's understanding/perceptions and behavior. As one informed writer ably states:

If ideas are to take root and spread, therefore, they need champions—obsessive people who have the skill, motivation, energy, and bullheadedness to do whatever is necessary to move them forward: to persuade, inspire, seduce, cajole, enlighten, touch hearts, alleviate fears, shift perceptions, articulate meanings and artfully maneuver them through systems.³⁰

The media are not being asked to be obsessive but, rather, to employ industry standards and use their resources to objectively tell the story of poverty. Further, they should not be bullheaded, but frequently reinforce and follow up on points derived from research on poverty in New Orleans. In other words, keep, within reason, the story at center stage. Such focus will position poverty as a topic deserving of attention by both citizens and policymakers, thus, providing the springboard for action. Commenting on this notion more than 36 years ago, one of the most accomplished economists to work in our area stated:

A comprehensive treatment of the economy may be too extensive for the media to handle in one stint, and it is doubtful that any of them have personnel capable of presenting a detached analysis of the industrial base and current and future trends in the labor force, employment, unemployment, income, and residential construction; over time, however, it is possible. But incomprehensibly, neither the press, nor radio, nor television has currently or in the immediate past assigned a competent staff member to cover the local economy on a continuing basis (as in the political arena); and, as indicated, this is one hope of developing competence among reporters to adequately inform the public on economic conditions.³¹

Again, poverty is arguably the most critical social problem facing our City and State. By educating the public in its major dimensions, the media would serve as a catalyst for informing and perhaps inducing elected officials and public administrators to examine innovative means for addressing and ameliorating the consequences of chronic

³⁰Bornstein, David. (2004). *How to Change the World: Social Entrepreneurs and the Power of New Ideas*. New York: Oxford University Press Inc., p. 93.

³¹Bobo, James R. (1975). *The New Orleans Economy*, p. 122.

poverty. Further, TCA encourages the media to actively participate in seminars and symposia related to causes and consequences of poverty. Going further, the media might subsidize the education of their staffs with programs offered at local universities.

SECTION XII

CONCLUSION

Ironically, the very weaknesses that Dr. Bobo identified in 1975 have continued to expand to date, i.e., growing of jobs that have built-in structural poverty. More pointedly, as shown in Figures XII-1 thru XII-6, New Orleans has as much poverty now as it had in 1970.³²

The Lorenz curve drawn for Orleans Parish shows an amazing degree of consistency over the past 30 years for 70% of the population, with a slightly greater degree of equality for the upper 30%. This would insinuate that there has been no improvement in the degree of income distribution over the past 30 years. Looking at each of the Council Districts, we see a remarkably similar story. Council Districts A, B, C, and D have seen virtually no change since 1970. Council District E has actually gotten worse. Income distribution is not in and of itself a measure of poverty; but the Lorenz curves, along with the data on actual incomes of the various districts, show that Orleans Parish as a whole and each of the Council Districts individually are experiencing the same levels of poverty that they have for the past 30 years.

³²Developed by Max O. Lorenz, the Lorenz curve was developed to graphically represent the income distribution within a certain geographical or demographical region. It is an illustration of such comments as “the bottom 30% of all households only earn 10% of the income,” or “the top 5% of the households are earning 75% of the income.”

The cumulative percentage of households is plotted on the x-axis, and the cumulative percentage of incomes is plotted on the y-axis. An equal distribution of income, one in which everyone earned the same amount, would be represented by a 45 degree line rising from the origin to the upper right hand corner. This would illustrate that the bottom 20% of households would earn 20% of the income, and the bottom 50% of households would earn 50% of the income, etc. A perfectly unequal distribution of income is one in which one person earns all of the money. In this situation, the Lorenz curve would lie along the x-axis until $x = 99\%$; however, when $x = 100\%$, the curve would become a vertical line. Thus, a right angle would be formed.

The degree of curvature is one measure of income inequality. The greater the degree of curvature, the larger the space between the line of perfect equality to the Lorenz curve, the greater the inequality. And, of course, the smaller the degree of curvature, the greater the equality of income distribution. By comparing two Lorenz curves drawn using income data from 30 years apart, statements can be made regarding the degree to which poverty has improved, gotten worse, or stayed the same.

In each of the following graphs, there are two Lorenz curves—one representing 1970 and one representing 2000. The Lorenz curve for the year 2000 was constructed using the 2000 Census data. This data was lined up with the current political districts, and the appropriate calculations were performed. In order make a comparison over time, it was necessary to fit the 1970 Census tracts into present-day political boundaries because, in the 30 years between the two censuses, problems arose; tract numbers changed; and some that were used in 2000 did not exist in 1970. An assumption was made that census tracts of the same number identified the same piece of land. That assumption is currently being verified based on data compiled by the Greater New Orleans Community Data Center from the Census CD Neighborhood Change Database (NCDB) created by Geolytics and the Urban Institute with financial support from the Rockefeller Foundation, 2003.

Figure X-1

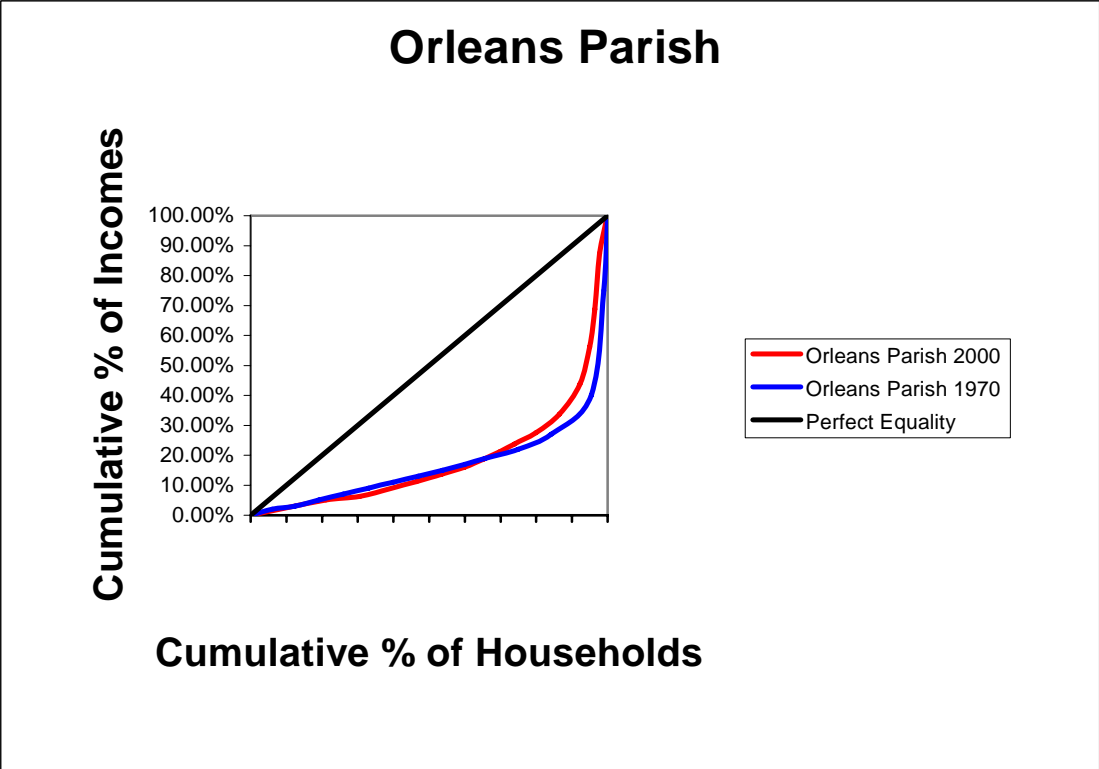


Figure X-2

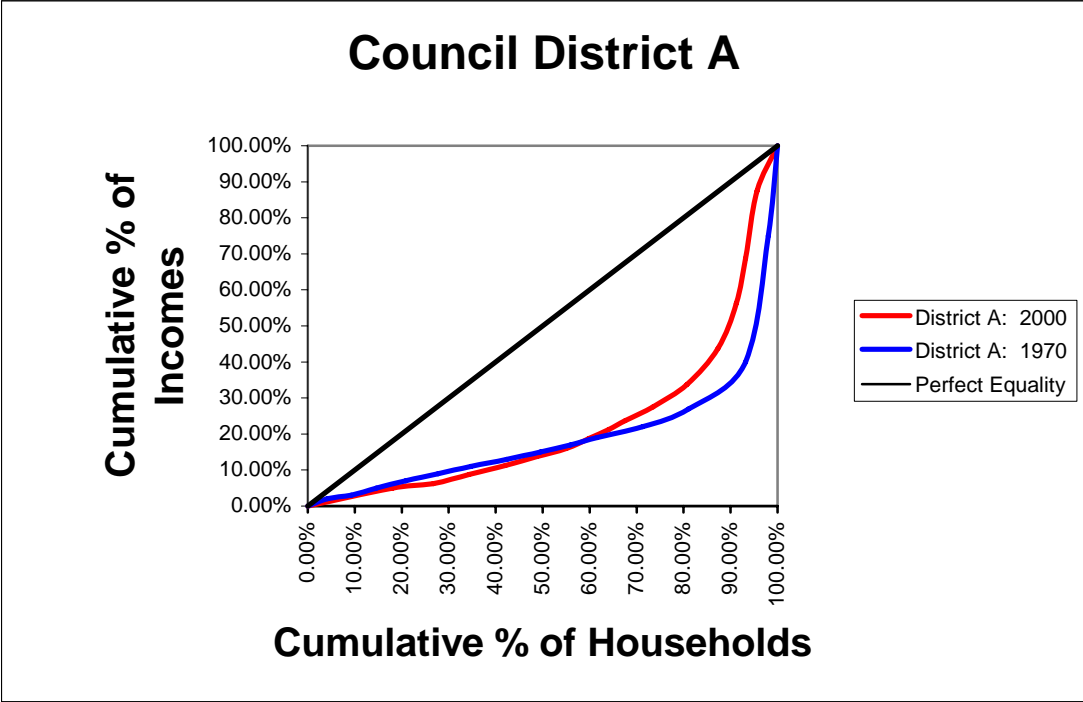


Figure X-3

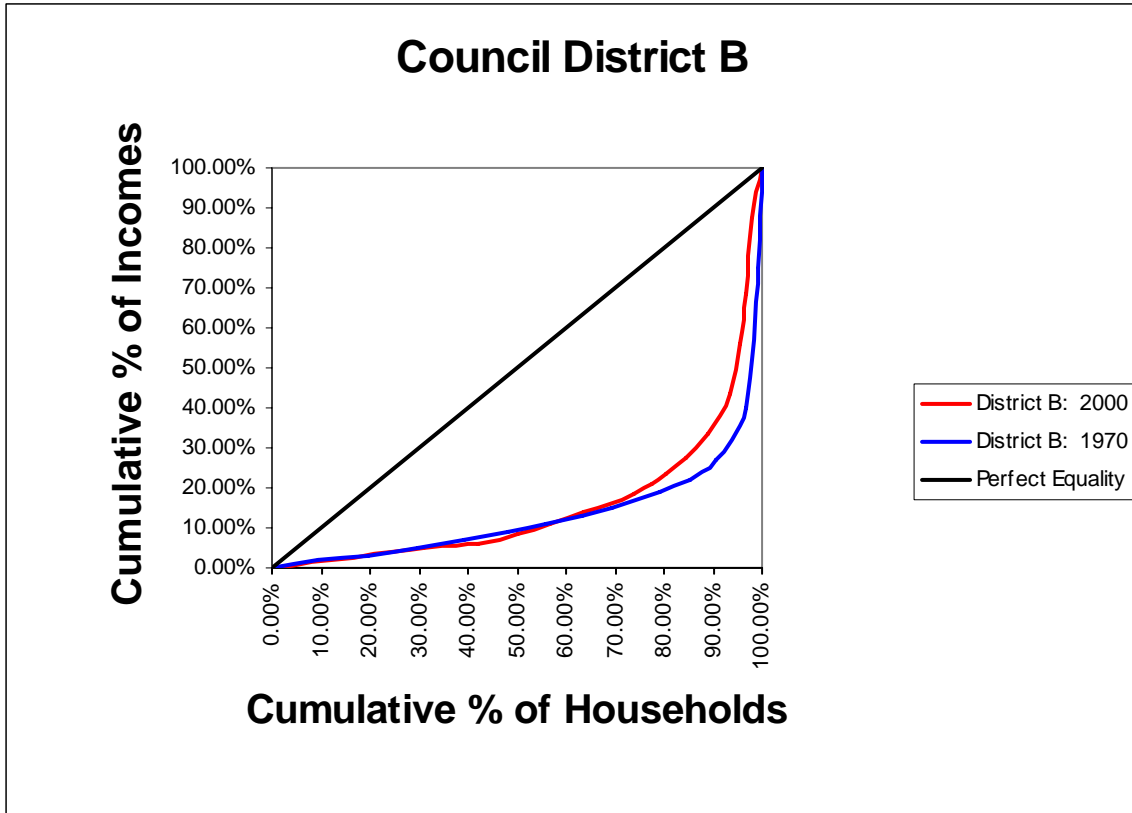


Figure X-4

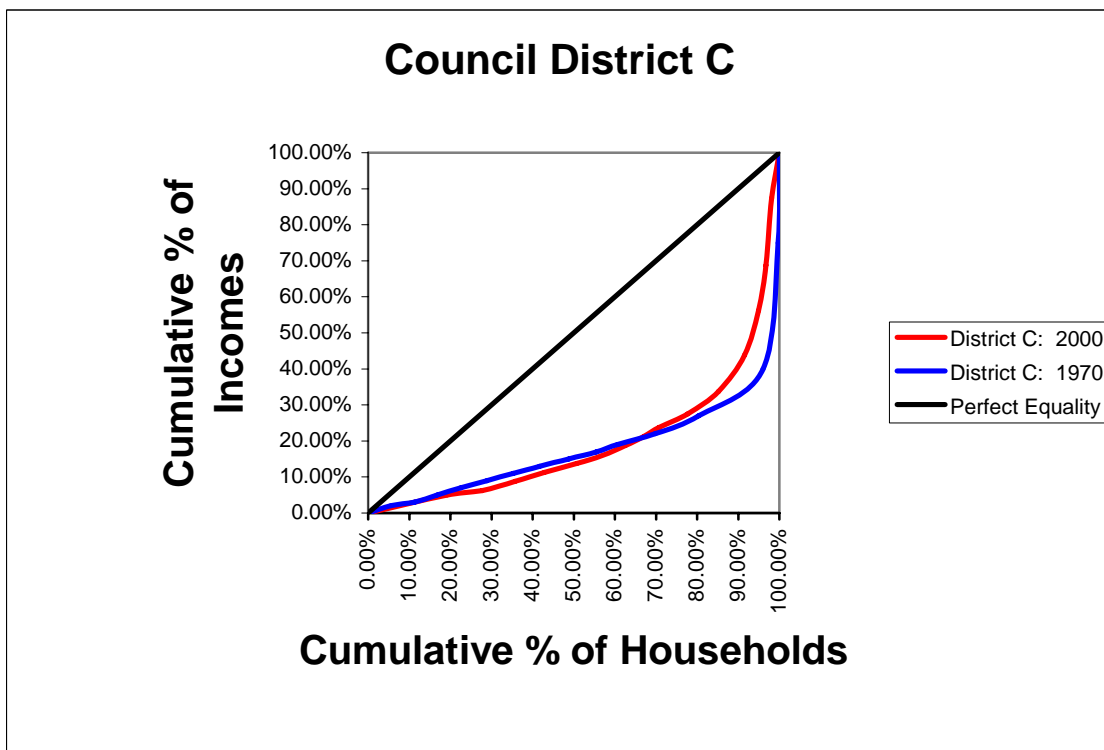


Figure X-5

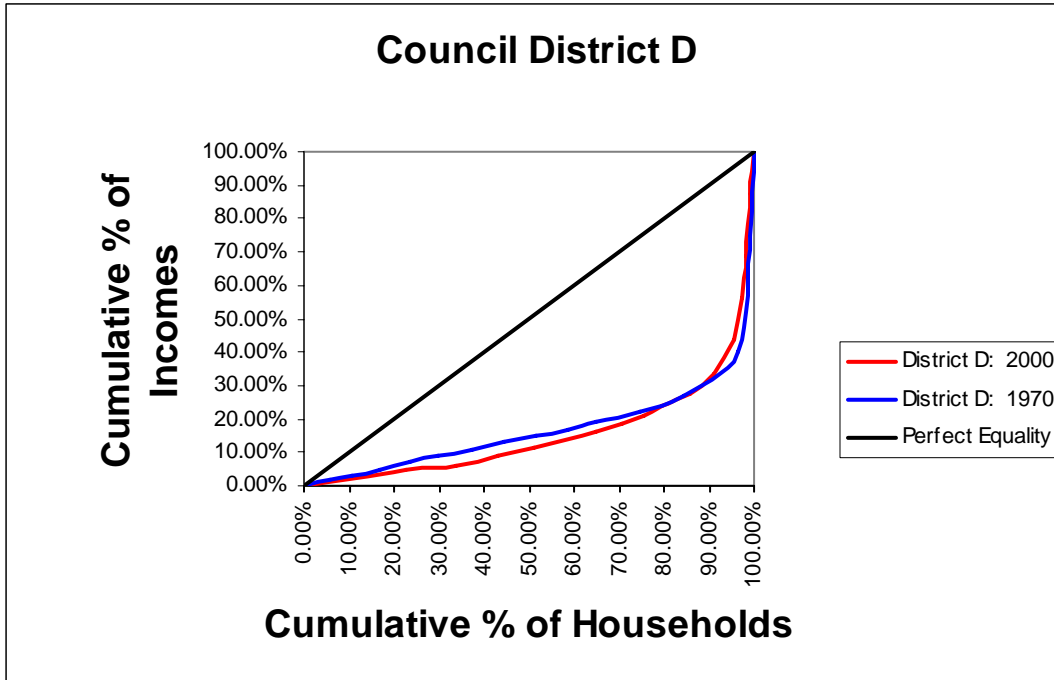
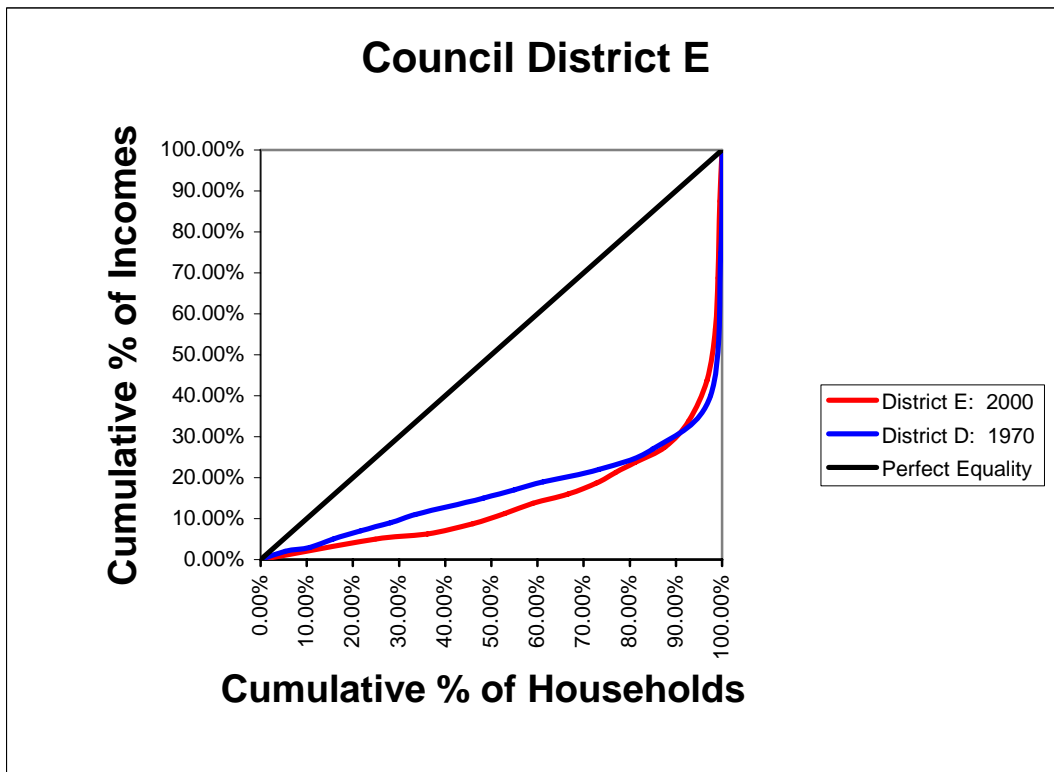


Figure X-6



It should be noted, however, that over the last three years, the New Orleans Economy has shown signs of improvement and is moving toward the very theory discussed in this paper, i.e., over \$3 billion in private and public construction; and, more

importantly, there is recognition of the need to grow industries that play to New Orleans' strengths. A clear example of this is the Request for Proposal released on May 28, 2005.

It reads:

The City of New Orleans, Office of Economic Development ("City") has initiated a Request for Proposal for developing and implementing a comprehensive economic development strategy that transitions the city into the "new" economy as a viable competitor in target industries. This RFP solicits bids for professional services to provide the City of New Orleans with a comprehensive plan to drive economic growth in the Greater New Orleans area.

Preference will be given to companies with international name recognition.

The city is seeking an internationally recognized consulting firm to help us to identify target industries for which the city and region possess competitive advantage and produce practicable strategies that drive economic growth in those target industries.

Clearly, this is a major departure from past efforts and tantamount to recognition needed to grow more industries as well as comports proven theory of how to sustain and compete in the global economy. It has helped to transform thinking and action in countries, states, and cities.³³ Also, it is what Dr. Bobo envisioned 30 years ago when he argued:

A fourth proposition, the structural hypothesis, contends that economic development in New Orleans since 1953, and especially since 1966, within and between the various industrial sectors, has adversely affected the structure of income and employment in two primary ways, both of which have served to retard the rate of growth of income and employment. First, there has been a pronounced and continuing trend, exceeding national and regional trends, away from employment in the goods-producing sectors (manufacturing, construction, mining, and agriculture) to service-type employment sectors, which, on the average, pay lower wages and salaries. Second, this massive shift to predominantly service-type employment probably has reduced overall productivity. Closely related to the adverse structural change is the lack of growth of federal employment, which has been a major factor in the employment growth of other areas. The rhetoric of alleged congressional "clout" that emerges in

³³Porter, Michael E. (1990). *The Competitive Advantage of Nations*. New York: Free Press.

New Orleans at election time has not been reflected in increasing federal employment.³⁴

Another promising start is the City of New Orleans' call for the hotels and motels to self-impose improvements in pay for their employees. According to the daily newspaper, the Mayor observed:

“You should voluntarily as a group come up with a way where your minimum job is at least paying a dollar above minimum wage. Go make that happen.” Nagin recounted his comments in a meeting on Thursday with the publisher and editors and reporters at *The Times-Picayune*.

“I want to dismantle this whole perception and reality about ‘you’re a low-wage paying industry,’” Nagin said in a meeting that association members say they hope will make the start of ongoing dialogue with the mayor.³⁵

This is particularly promising, assuming it is heeded, because the hotel/motel vendors pay scale is very low; thus, they are perpetuators of poverty. They are half an inch or an inch better than fast food vendors, major perpetuators of poverty, that limit their workers' hours to avoid having to offer fringe benefits.³⁶ (This City is encouraged to

³⁴Bobo, James R. (1975). *The New Orleans Economy*, p. 2.

³⁵See *The Times Picayune*, May 28, 2005, *Nagin asks hotels to raise wages: He urges \$1 over minimum wage* by Rebecca Mowbray, Business Writer. This advice/challenge should be made with all employers in New Orleans. Moreover, the employers should be asked to consider proven asset-building methods as a part of their fringe benefit package. (See #2 of TCA's Poverty Reduction Recommendations.) Understandably, some of the measures are coupled with employee match and can be used to defray cost, thus, rendering the measures more affordable. Equally, employers should be encouraged to educate their employees on the measures even if they do not offer benefits. The logic here is that awareness of the measures can help facilitate interest and, ultimately, participation.

TCA's approach to low pay is to pay each employee \$2.00 over minimum wage, make funds and agency time available to attend school, administer an Individual Development Account for first-time homeownership, purchase of post-secondary education, or business ownership, and routinely promote with each new hire, 529, LaCHIP, Earned Income Tax Credit, Child Tax Credit and Advance Earned Income Tax Credit. Again, awareness of asset building and its efficacy are important.

TCA makes note that an excellent and accomplished economist reviewing the draft before publication made an observation: “Asking private firms to voluntarily and unilaterally increase their wages is unrealistic because of the forces of market competition. The market would punish those who follow this advice. To achieve the stated goal legislation—preferably state-wide—raising the minimum wage is more appropriate.”

³⁶Historically, across the United States, employers, particularly in predominately service-oriented economies, violate state and federal minimum wage and overtime laws. To guard against this growing practice, TCA strongly recommends that local officials, Louisiana Department of Labor, and the State Attorney General monitor and target violators of the laws. See *The Christian Science Monitor*, June 3, 2005, for the approach used by other states that has helped stem the abuse of state and federal minimum-wage laws.

reinforce this tone and incorporate it as a part of an official policy.) Also, TCA strongly recommends to both the City and State that they adopt an economic development approach, using acceptable citizen participation models and best practices of policy development that include an official policy on poverty reduction. Then and only then can we, as a City and State, effectively and systematically address the most formidable problem facing New Orleans and Louisiana—poverty and its debilitating effects.

As Dr. William Oakland ably argues:

The very existence of extreme poverty is itself a strong, perhaps overwhelming, deterrent to rapid economic growth. The widespread absence of marketable skills means that new business ventures would be unable to find sufficient local talent to make them competitive with rivals elsewhere. This is exactly the situation found in the less developed nations of the world, leading to a widening gap between “have” and “have-not” nations. The failure of the New Orleans region to keep pace with the rest of the nation is a similar manifestation of this problem. Not only does a rising tide not lift all boats, but the weakest boats serve as a barrier to a rising tide.³⁷

It is churlish to argue that achieving a robust economy is not the best way to lessen the effects of poverty. Nevertheless, those peer cities of which have been extremely successful in growing their economies (e.g., Nashville, Jacksonville, San Antonio), still exhibit significant levels of poverty. To be successful, another fundamental staple to poverty reduction is to include, as part of the New Orleans and Louisiana economic development strategy, an official policy on poverty reduction where the action plan contains declared assumptions of initial conditions and expected gains of the adopted plan over a period of time. Absent such a plan, the City and State are the same as an eight-cylinder auto engine where six or fewer cylinders work on behalf of eight due to lack of participation and/or under participation and/or no participation and/or involvement in nonproductive motions of the non-functioning cylinder. The City and State should abhor a non-functional cylinder, i.e. poverty/waste, no less than Mother Nature does. The waste of cylinders impedes their competitiveness of an economy. World class economists, for example, make the case that competition revolves around six questions: (1) Who has the best educated and best skilled work force? (2) Who expands their standards of living most rapidly? (3) Who can make the best products? (4) Who

³⁷See *Reducing Poverty in New Orleans*. (2004). Total Community Action, Inc., 1420 S. Jefferson Davis Parkway, New Orleans, Louisiana 70125.

organizes best? (5) Whose institutions—government, education, and business—are leaders in efficiency? (6) Who is the leader in investment—plant and equipment, research and development (R&D), infrastructure? Generalizing this to our City and State and considering the levels and duration of poverty and its debilitating effects, New Orleans and Louisiana will not become competitive until both address questions one through six—but, in particular, one and two, which are germane to poverty reduction. Our viable option is clear: In order to be successful, an official policy to move the City and State ahead must include a component on poverty reduction.

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Dr. Dangerfield received a Doctorate in Public Administration from the University of Southern California with a concentration in Citizen Participation and Customer Input. Dr. Dangerfield earned a Master's Degree in Political Science with an emphasis in Public Administration from Louisiana State University in New Orleans, a Master's Degree in Quality Management from Loyola University in New Orleans, a Master's Degree in Public Administration from the University of Southern California, and a Master's Degree in Liberal Arts from Tulane University. Dr. Dangerfield's other experiences include authoring the original Open Access Plan used by the City of New Orleans and Harrah's and serving as one of three liaisons for the New Orleans Disparity Study.

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