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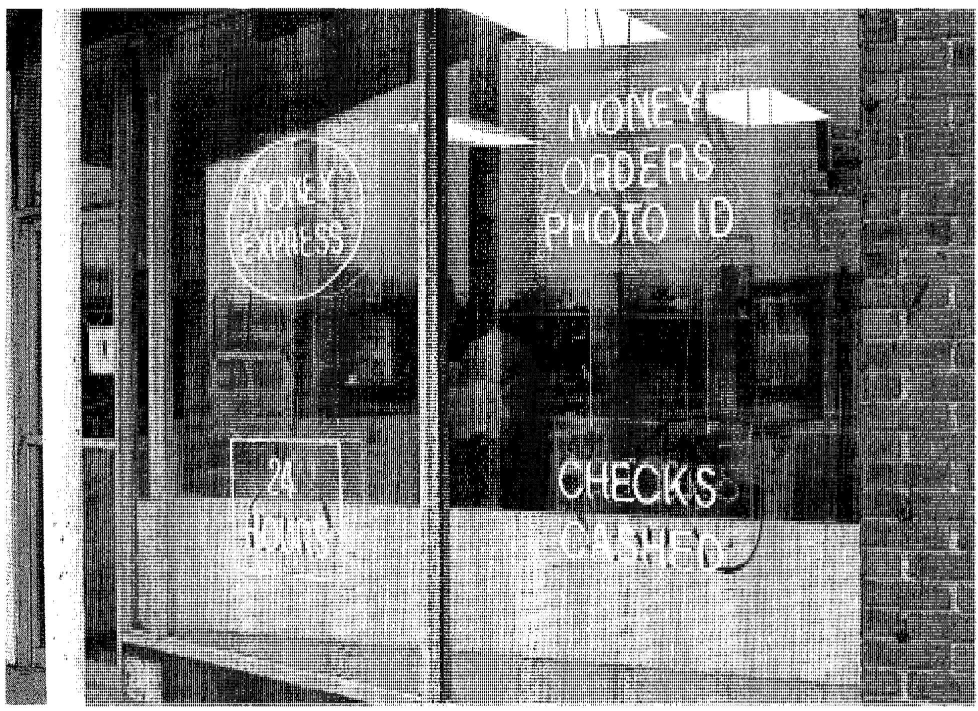
Discrimination in St. Paul's Financial Services

by Frederick W. Smith and William J. Craig



In 1977 the federal Community Reinvestment Act (CRA) was passed, requiring that financial institutions meet the credit needs of their local communities, including the needs of low and moderate income neighborhoods, as long as this is consistent with the safe and sound operation of the institutions themselves. Ever since its passage, the CRA has been controversial. It has been criticized by financial institutions, while community organizations have used it in campaigns to obtain commitments from banks to make additional loan monies available in the neighborhood. It legitimates a number of questions. Are residents and businesses in low and moderate income neighborhoods receiving the financial services they need? Or are some neighborhoods more favored than others? Are mortgages and home improvement loans being made equitably or are certain groups—for example, people of color and lower income people—being discriminated against?

In January of 1989, at the request of the St. Paul City Council's Research Center, CURA began a study of community reinvestment in St. Paul. The purpose was to determine if residents and businesses in St. Paul are receiving the financial services they need. A three-phase research design was developed. An initial series of inter-

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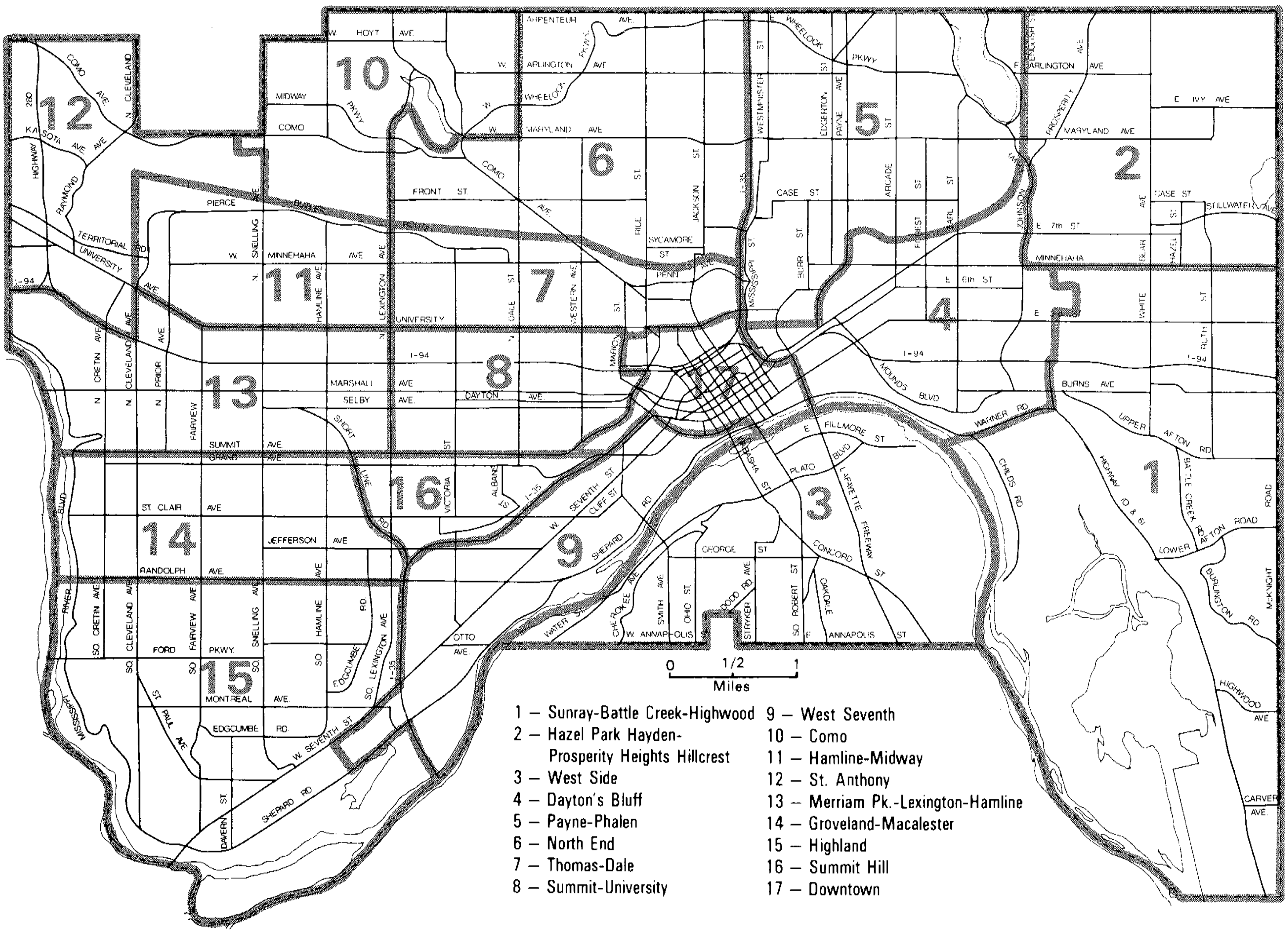
Figure 1. St. Paul's Citizen Participation Planning Districts



views was conducted with key informants who had comparative experience with financial services in several St. Paul neighborhoods. Second, publicly available financial data were analyzed city-wide to determine if there were any discernible patterns of racial or economic discrimination. Finally, a second round of interviews was conducted with key informants in four diverse planning districts to enable neighborhood level comparisons of local financial institutions.

The St. Paul Neighborhoods

The physical diversity of St. Paul neighborhoods is well documented and the ring pattern of neighborhood characteristics is familiar to many. The highest proportion of deficient housing units, for example, are found in the central city neighborhoods ringing downtown (Districts 3 through 9 in Figure 1). Moving toward the city's boundaries, one finds fewer buildings in need of repair or replacement. Minority residents are concentrated in the neighborhoods bordering downtown. Median family income is lower in these neighborhoods; wealthier areas are on the outer edges of the city. Homes with the lowest value are concentrated in the neighborhoods circling downtown; highest values occur on East River Road (Mississippi River Boulevard, at the extreme left in Districts 13, 14, and 15), in Highland Park (District 15), and in Battle Creek (District 1). Summit Hill (District 16), is the prominent exception to this ring pattern. It is close-in but houses a high income population and maintains high property values.

What may not be so familiar, however, is the attitude of residents about neighborhood conditions. The *Star-Tribune's* Minnesota Poll, conducted in April of 1989, asked 1,013 adult residents of St. Paul whether they considered nineteen issues "major," "minor," or "no problem" in their neighborhood. At least ten of these nineteen issues are frequently associated with declining neighborhoods. They include deteriorating buildings, landlords who don't maintain their property, selling of drugs such as crack, and lack of access to parks and park programs. When response rates were mapped by neighborhood, the concentric ring pattern was again quite clear. Residents in inner-city neighborhoods identified three to ten times more of these issues as "major problems" than those on the city's periphery. Something other than lack of concern must explain the deteriorating conditions in parts of these central neighborhoods.

Initial Interviews

A first round of interviews was conducted with fifteen key informants selected from a variety of organizations to represent different perspectives. They included district council staff and board members; staff of neighborhood service organizations and community development corporations; business owners and business association leaders; realtors; developers; and non-profit, for-profit, and government financial

cover photo: Low income people encounter many barriers to using banks and often turn to check cashing services, like this one, instead. The rates for such services are usually higher than at banks.

service providers. The informants were geographically distributed throughout the city and they offered perspectives on all areas of the city.

According to those interviewed, the credit needs of individuals are influenced by the neighborhood in which they live or do business. And the vitality of the neighborhood in turn is influenced by the financial resources of its individual residents and businesses. Applications for mortgages or other loans grow out of an individual's understanding of financial services. This usually includes having one or more checking accounts; some method of financial record keeping and budgeting; and understanding interest rates, points, and similar financial terms.

Most of those interviewed were not critical of the banks; these institutions "can only do so much and still remain in business." Many noted, however, that there are still great needs within certain neighborhoods, especially for long-term, below market interest rate mortgage and rehabilitation loans. A second need mentioned by most of the informants was for guidance tailored to the unsophisticated or inexperienced seeker of financial services. Many commented that the financial system is not set up to serve the needs of those who are not already knowledgeable about it.

The areas cited by first round informants as being in greatest need of financial services formed the familiar ring around downtown with Frogtown (District 7) identified as the neighborhood in greatest need because of deteriorating buildings; crime; not enough viable commercial activity; and a lack of any sustained, effective neighborhood organization.

In discussing financial service needs, three areas outside of the scope of the study were frequently mentioned. First, realtors were described as having a large amount of influence over both where prospective buyers look for homes and what types of financing options they consider. Second, appraisers, it was noted, often overvalue properties in low income, inner-city areas, making them more difficult to sell. Third, some informants recounted problems in obtaining insurance for rehabilitated houses in the inner-city.

Analysis of Financial Data about Loans

The first round informants established in general terms that there were needs for financial services in St. Paul's central neighborhoods. The question remained, however, whether minority and low and moderate income neighborhoods are being treated equitably by the financial institutions that serve them. And, are the financial resources currently available adequate to the needs of these neighborhoods?

• Loans from Banks

The most readily available data focus on loans for the purchase and improvement of homes for individuals.* The federal Home Mortgage Disclosure Act (HMDA) requires lenders to disclose by census tract the number and value of all mortgages and home improvement loans made in their service area. Many of the big financial institutions, like Twin City Federal and First Banks, make most of their mortgage loans through their wholly owned mortgage subsidiaries. These loans are not reported in the HMDA data, so we know little about the total lending of these institutions. HMDA data also contain no information on loans made by mortgage companies. Nationally, according to the U.S. Department of Housing and Urban Development, mortgage companies provided between a quarter and half of all mortgages issued in the 1980s. Further, the loan data are furnished only by census tract. There is no data reported on individual applicants or on the recipients of these loans. The only means of assessing income and racial or ethnic characteristics in the lending patterns, therefore, is to use census data for the tracts reported.

A preliminary analysis of the HMDA data for St. Paul showed surprising evenness in the distribution of loans across the city. Three of the top institutions (Cherokee State Bank, Liberty State Bank, and Western Bank) had exemplary levels of service in low income areas.

HMDA data were then systematically analyzed by census tract for any patterns of racial or income discrimination. Racial discrimination would be evident if the number of mortgage loans decreased in census tracts where larger numbers of minority people live. The census tracts in St. Paul were plotted on a grid with the proportion of minority people on the horizontal axis and the level of median income on the vertical axis (Table 1). The large number of blanks in the table show that many combinations of minority population and income level do not exist in St. Paul. Where numbers do appear in the table they represent one or more census tracts. Racial discrimination, as distinct from income discrimination, would be evident on this table if the number of loans decreased in any line read left to right. In fact, the tracts receiving the largest number of loans were those with the largest minority populations, more than 50 percent. No pattern of racial discrimination is shown.

Looking at Table 1 by column, one can see the influence of income while controlling for the effect of race. As shown in the first column, census tracts with 10 percent or fewer minority, the highest income tracts received 98.6 loans per 1,000 owner-occupied units while the lowest income tracts received only 50.8. Since the table refers to the number of mortgages, not the dollar amount, this evidence is disturbing. More mortgages are going to upper income neighborhoods.

The same analysis was made with home improvement loans (Table 2). Here again no pattern of racial discrimination is evident and, in addition, the bias towards granting more loans in wealthier areas is gone. It may be that more homes purchased in lower income areas are in need of repair. Or possibly wealthier people finance home improvements out of savings or

* More technical aspects of the analysis and problems with the data sets are discussed at length in the full report of this study, here the major problems are only briefly mentioned.

Table 1. Number of Mortgage Loans per 1,000 Owner-Occupied Units, St. Paul, 1981-1987

	Minority Population (in percents)				
Income*	0-10	11-20	21-30	31-50	>50
40%	—	—	—	—	—
41—60%	—	—	80.6	1.5	—
61—76%	50.8	69.2	—	—	107.4
77—92%	73.0	64.9	72.8	—	—
93—109%	64.3	—	—	—	—
> 110%	98.6	—	—	—	—

* Median income in these census tracts in relation to the Twin Cities metropolitan area median income.

Table 2. Number of Home Improvement Loans per 1,000 Owner-Occupied Units, St. Paul, 1981-1987

	Minority Population (in percents)				
Income*	0-10	11-20	21-30	31-50	>50
40%	—	—	—	—	—
41—60%	—	—	133.3	151.2	—
61—76%	153.8	118.8	—	—	158.6
77—92%	124.0	145.2	123.8	—	—
93—109%	105.1	—	—	—	—
> 110%	133.3	—	—	—	—

* Median income in these census tracts in relation to the Twin Cities metropolitan area median income.

through (unreported) equity loans. In any case, no income discrimination is apparent in home improvement loans.

- **Loans from Thrift Institutions**

A different set of data comes from the Federal Home Loan Bank Board (FHLBB). The FHLBB requires that thrift institutions (savings and loan, and savings banks) create a loan register and from it file reports with the board semiannually. From this source, unlike the HMDA data, one can obtain information about loans granted and loans rejected by the race, gender, and marital status of the applicant. Information on loan applications and rejections is also categorized by income level and proportion of minorities in the census tract where the property is located, making it comparable to the HMDA data. We were, unfortunately, able to obtain only summary information for the ten-county metropolitan area, so there was no way to examine FHLBB data specifically for St. Paul.

The semiannual reports for the period January 1981 through June 30, 1987 were collected and summarized. Table 3 shows the rejection rates for home mortgages by the race of the applicant. There is a clear disparity against all applicants of color except Asians. Rejection rates for blacks are over twice the rejection rates for whites whether measured as a percentage of the number of loan applications turned down (21.2 compared with 9.1) or as a percentage of the dollar amounts rejected (14.5 compared with 6.4). Rejection rates for American Indians and Hispanics are also significantly higher than for whites. Only Asians do as well as whites.

Table 4 shows the rejection rates for home mortgages by demographic characteristics of the encompassing census tract; tracts are divided into six different combinations of income level and minority status. As we saw in the HMDA analysis, rejection rates increase as income levels of the tracts decrease. And, perhaps more disturbing, within a given income level, rejection rates are significantly higher in minority tracts than in white tracts for all but the highest income category. In the low income tracts the rejection rate for minorities is more than twice as high as for whites based on the number of applications rejected and almost twice as high based on the dollar amount. In moderate income tracts, the rejection rate for minorities is about one and a half times higher than for whites. This is particularly disturbing given the narrow income range of these moderate income tracts and the fact that both the average amount requested and the average amount granted were lower in the minority tracts.

For home improvement loans, the FHLBB data on individual applicants also showed high rejection rates for minorities as compared to whites. In the tract level data, income discrimination persisted, with applicants from low income areas being rejected much more often than applicants from moderate or higher income areas. Perhaps the one encouraging note from the FHLBB data was that moderate and higher income minority tracts often fared better than their white counterparts in getting home improvement loans. The fact is, however, that the average loan requested by people living in low and moderate income minority tracts is a fraction of the amount requested from other areas.

This analysis is based on FHLBB data for the entire metropolitan area, but there is little doubt that it applies to the central neighborhoods of Minneapolis and St. Paul. The two cities contain 69 percent of the population of color, 84 percent of the black population.

Table 3. FHLBB Mortgage Loans by Race of Applicant, Minneapolis-St. Paul Metropolitan Area, January 1, 1981 to June 30, 1988

Race	Number of applications	Total amount requested*	Average amount of loan requested*	Average amount of loan granted*	Percent of loans rejected (number)	Percent of loans rejected (amount)
Asian	455	$33,926	$74.56	$74.59	8.1	7.4
Black	345	29,755	86.25	73.67	21.2	14.5
American Indian/Alaskan	164	10,219	62.31	62.25	13.4	11.9
Hispanic	177	13,001	73.45	73.49	15.8	12.0
White	51,934	7,880,766	151.75	169.83	9.1	6.4

* Thousands of 1986 dollars.

Table 4. FHLBB Mortgage Loans by Census Tract Characteristics, Minneapolis-St. Paul Metropolitan Area, January 1, 1981 to June 30, 1988

Income and Race*	Number of applications	Total amount requested**	Average amount of loan requested**	Average amount of loan granted**	Percent of loans rejected (number)	Percent of loans rejected (amount)
Low-income						
minority	152	$8,027	$52.81	$51.97	26.3	28.1
white	2,254	84,316	37.41	54.58	10.8	15.6
Moderate income						
minority	142	7,965	56.09	63.98	14.1	11.1
white	5,011	329,434	65.74	67.22	8.7	7.5
Average income or above,						
minority	33	2,779	84.21	91.86	6.1	4.2
white	32,182	2,370,723	73.67	77.06	7.0	6.7

* Income levels are defined as follows: low-income tracts have median incomes that are 80 percent or less of the median income for the entire metropolitan area, moderate income are 81-95 percent of the metropolitan level, and average income or above are 96 percent or more of the same level. Minority means any tract with 25 percent or more minority population.

** Thousands of 1986 dollars.

• **Rate of Home Sales**

A possible explanation for higher income areas in St. Paul getting more mortgages is that properties in these areas change hands more frequently than in poorer areas. Ramsey County's Department of Taxation and Records Administration provided information on single-family home sales in St. Paul from 1981 through 1988. These data showed that no part of the city has a very high turnover rate: 6.3 percent is the highest and 2.1 percent the lowest, with 89 percent of the city having a turnover of 3 to 5 percent each year. The pattern of turnover is relatively random, with both high and low income areas showing a relatively high turnover. Overall, however, low income neighborhoods have slightly lower turnover rates for single-family homes.

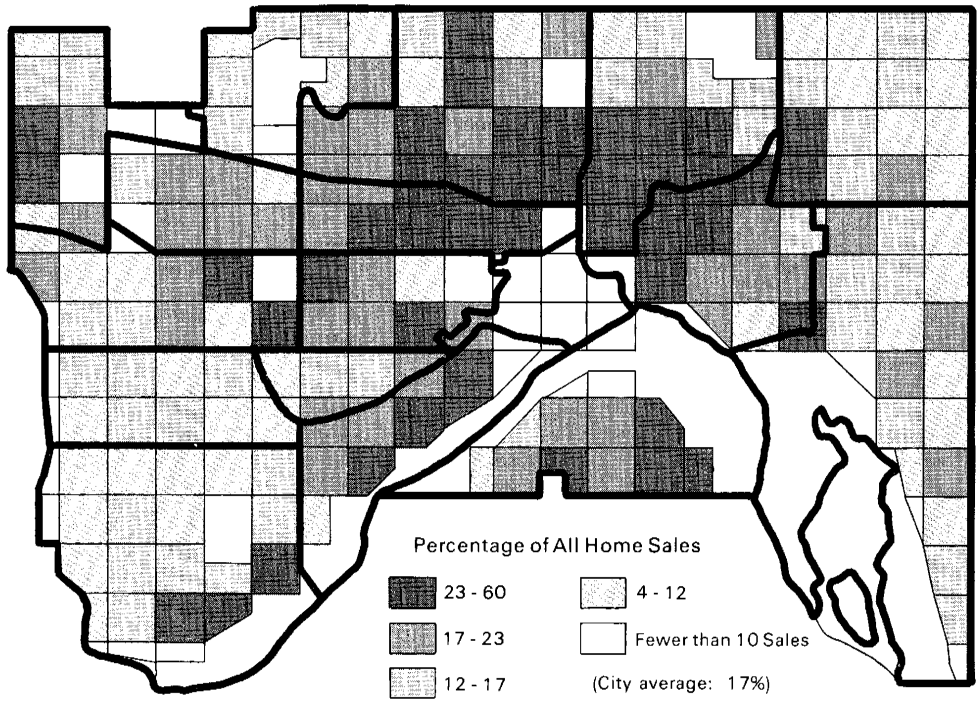
• **Speed of Home Sales and Method of Selling**

Data provided by the St. Paul Association of Realtors provided additional information about differences in the real estate markets across the city. Homes in poor neighborhoods usually take two to three times as long to sell as those in middle or upper class neighborhoods. Some of the most expensive homes, in Summit Hill and Battle Creek, may also take a long time in selling.

Generally, a homeowner contracts with a realtor to list their home for 180 days. After that a new contract may be signed, a new real estate company may be engaged, or the seller may remove the home from the market. Half or more of the listed homes in the poorer neighborhoods of St. Paul did not sell through this process. Yet we know that homes are bought and sold in these neighborhoods at about the same rate as in other neighborhoods. Means other than Multiple Listing Service real estate agents and conventional mortgages must be used to buy and sell homes in these neighborhoods.

The standard method of sale is through a warranty deed, where the buyer pays the seller in full, usually with money borrowed from a financial institution through a mortgage loan. An alternative approach is to sell through a contract-for-deed. The seller provides the financing and the buyer makes payments to the seller for a specified period of time. Data on homes sold by contract-for-deed were available through Ramsey County's Department of Taxation and Records Administration. The county records all home sales, including those financed by mortgage companies. Sales that are not by warrantee deed are almost always sales by contract-for-deed. These sales are mapped in Figure 2. It is clear that the low income areas encircling downtown are relying heavily on contract-for-deed sales. In other words, residents of these poorer neighborhoods are not using financial institutions to finance their home sales. The map shows a high use of contract sales in the area north of downtown, along West Seventh Street, and on the West Side. In fact, in those areas contracts were used for more than 30 percent of the sales.

Figure 2. Contract-for-Deed Sales, 1981-1988*



*Sales that were not by warranty deed.

• **Conclusions about Discrimination**

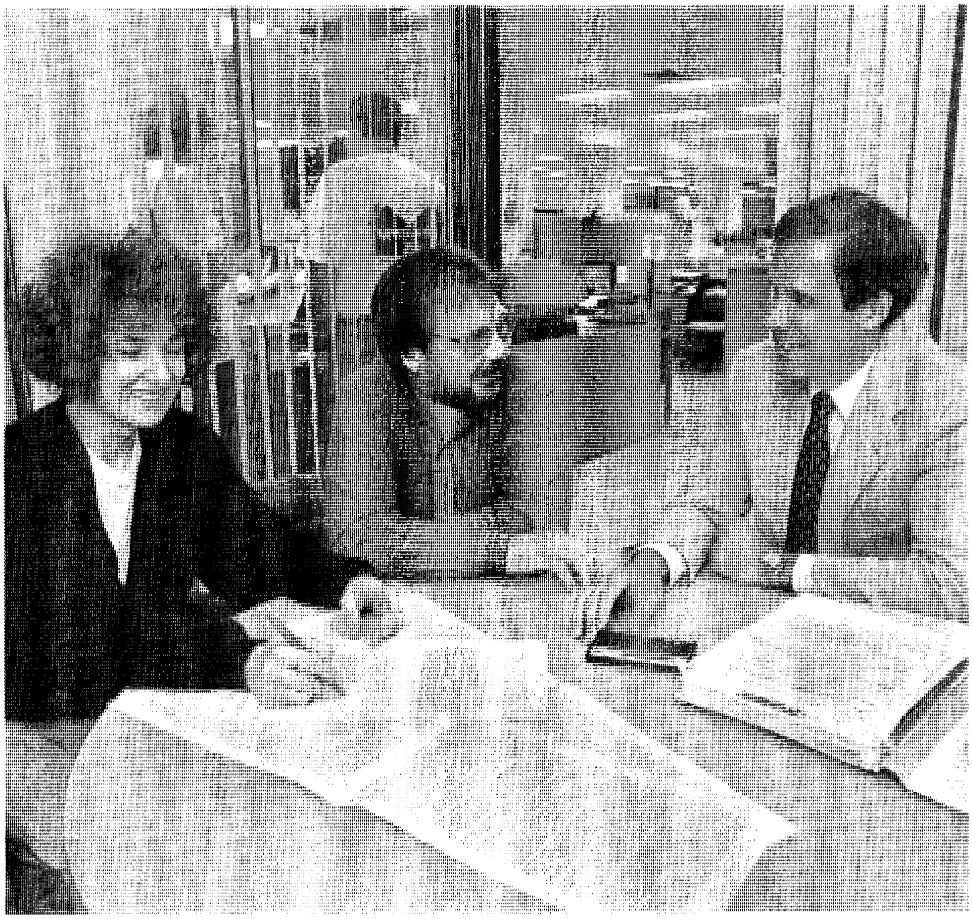
St. Paul is very fortunate in having a number of banks that are knowledgeable, concerned, and involved in its neighborhoods, including the lower income areas of the city. At the same time, it is also clear that much of the need for home mortgages in low and moderate income neighborhoods is not met by traditional financial institutions. What limited information we have indicates that blacks, American Indians, and Hispanics are denied mortgage loans at more than twice the rate of whites and Asians in the Twin Cities metropolitan area. The rate of discrepancy moderates for home improvement loans but applicants of color are still denied loans more frequently than whites. In addition, low income areas receive as many home improvement loans per 1,000 owner-occupied units as do wealthier areas but more applications are rejected from poor areas than from wealthier ones.

The Second Round of Interviews

The third and final stage of the research was to conduct another round of interviews in the neighborhoods. Forty-four key informants from four of the seventeen districts in St. Paul were selected for interviews in June and July of 1989. They were asked about their attitudes on various financial service issues in their districts. They represented the same constituencies chosen for the first round of interviews. Representatives of twelve financial institutions serving these districts were also interviewed.

The four districts were chosen to provide a cross section of St. Paul neighborhoods. St. Anthony Park (District 12) is a neighborhood with relatively few problems that contains some of the most desirable housing in the city. It and Midway-Hamline (District 11) have relatively few minority residents. Midway-Hamline has the most active commercial center outside of downtown. On the other hand, Frogtown (District 7) and the West Side (District 3) have many minority residents. Both are in the ring of neighborhoods close to downtown. Frogtown is struggling with numerous social and economic issues and has trouble maintaining effective neighborhood service and advocacy programs, while the West Side has many community-based organizations.

As expected and consistent with the first round of interviews, financial problems were more serious in Frogtown than on the West Side, substantially moderated in Midway-Hamline, and nonexistent or totally different in St. Anthony Park. For example, the informants from Frogtown and the West Side said that it was harder to get development financing in their districts than in other parts of the city. Informants from Midway-Hamline reported the same level of difficulty as elsewhere, while the St. Anthony Park people said they had less difficulty getting financing but more difficulty getting community approval for projects. Selling a home in Frogtown was more difficult than in other parts of the city, while in St. Anthony Park



St. Paul is fortunate to have banks like Western Bank, pictured here, with an exemplary loan service record. Nevertheless, the financial service needs of many low income residents are not being met by banks.

homes were in high demand and easy to sell.

How did financial institutions meet the needs for mortgages? In Frogtown their role was judged as "minimal to moderate" while in St. Anthony Park it was "moderate to excellent." Home improvement loans were especially hard to get for the amount of work the owner wanted to do on the West Side and in Frogtown. In St. Anthony Park there was no problem obtaining either business or home improvement loans, while in Midway-Hamline sometimes the size of a home improvement loan proved to be a problem. Resident awareness of other sources of capital (from special government or nonprofit programs) seemed to be in inverse proportion to the need. Also, these programs have the reputation among bankers of involving too much paperwork and being unnecessarily cumbersome. Since most of the programs require the participation of local financial institutions, this may explain why they are neither well known nor well used.

Informants in all areas spoke of the need for financial counseling. In the low income neighborhoods people needed very basic information—how to use a bank, how checking and savings accounts work, and how to apply for a loan. In wealthier neighborhoods they needed investment strategies, information about budgets, and comparative information on mortgages and home improvement loans.

For regular banking services (checking and savings accounts) people seemed to prefer convenience and friendliness over cost. An institution's "community" activities can draw in and keep customers. Low income people, however, tend to avoid banks for their daily needs and will pay more to have a check cashed or a money order drawn up when they must.

For the occasional large loan, people's patterns are apparently different. Here, the most important factor is cost. Many seem willing to trade convenience and personal attention for the best deal possible. An institution's "community" activities do not have as much influence in attracting customers for large loans. Neighborhood business people, on the other hand, tended to keep both their personal accounts and their business accounts at the closest, most convenient financial institution.

Conclusions

Financial institutions have not abandoned the central neighborhoods of St. Paul. Officers at these institutions were aware of the requirements of the Community Reinvestment Act (CRA), knew to varying degrees the needs of their service areas, and seemed genuinely committed to dealing with the issues of community reinvestment. Nevertheless, major problems still exist and large areas of the city have unserved needs.

Access to capital varies in St. Paul depending on the average income in one's neighborhood and one's race. What kind of financial information one needs varies, too. Because some parts of the city lack familiarity with financial institutions, making more capital available will not necessarily stimulate community revitalization in these areas. Reduced fee checking accounts, savings and loan programs for low income residents, education about how personal bank accounts work, about how to apply for a loan and about how banks work, and help with household budgeting are all needed. These are also community reinvestment needs.

From various financial data sources and from community interviews, we found lack of understanding about how financial systems work and we found higher loan rejection rates and extensive use of contract-for-deed mortgages in poorer parts of the city and among people of color. If financial institutions as a group are to meet the intent of the Community Reinvestment Act, they will need to reach out to educate and serve all people of the community. Ready to help are various community-based organizations including community development corporations, neighborhood housing services, district councils, churches, community service and education programs, and advocacy groups for people of color.

Fred Smith is CURA's coordinator of community development programs. Will Craig is assistant director of CURA and director of the University's Minnesota Center for Survey Research. This article summarizes their full report, *Community Reinvestment in the City of St. Paul: Are Residents and Businesses Receiving the Financial Services They Need?* (by William J. Craig, Miriam Goldfein, Lucy Mathews Heegaard, and Frederick W. Smith). Copies of full report may be ordered free-of-charge by phoning 612/625-1551, or writing CURA.

Developing Markets for Minnesota's Recycled Materials

by Thomas R. Peek

The amount of solid waste in Minnesota is on the rise, expected to increase more than 20 percent during the next decade. At the same time, the environmental problems and costs associated with solid waste burial and incineration have led to public opposition and government regulation of these disposal methods which were once thought to be the solutions to the garbage crisis. As a result, recycling is becoming an increasingly important waste disposal option for Minnesota.

But with the proliferation of community recycling programs in the 1980s, the amount of recycled paper, plastic, glass, and other materials has grown dramatically, so much so that there have been periodic oversupplies of some materials. In the spring of 1989, for example, there was a glut of recycled newsprint in the Twin Cities. These short-term oversupplies, and the 1989 legislature's decision to establish far-reaching recycling goals for the state's counties (35 percent in the Twin Cities and 25 percent in greater Minnesota by 1993) have made the marketing of recycled materials a major public policy concern in Minnesota.

In response to this concern, in December of 1989, a select group of public and private sector people met in Minneapolis to develop a strategy for marketing Minnesota's recycled materials. The workshop, sponsored by CURA in cooperation with The Minnesota Project, was funded by a grant from the Northwest Area Foundation. About one-third of the thirty-five participants came from industry, another third from government, and the remainder from the academic community and the nonprofits. Included in this group were some of the key decision-makers in industry and state government—people with responsibility and leverage in those spheres. While the sessions focused on Minnesota, out-of-state participants brought perspectives from Arkansas, California, Florida, Iowa, Ohio, Washington, Wisconsin, and Alberta, Canada. The workshop resulted in a significant assessment of the current market barriers that prevent full use of Minnesota's recycled materials, and an innovative *Blueprint for Action.*

Recycled Materials in Today's Markets

The market potential for recycled materials in Minnesota looks bright, especially in the long term. For most materials—including paper, plastics, glass, aluminum, ferrous metals, and textiles—markets already exist. The demand is strong or moderate and these industries have or anticipate having the capacity to use more materials than Minnesota currently supplies. New products are being made out of these old materials.

On the other hand, some recycled materials—including certain plastics, used oil, yard wastes, spent batteries, and discarded tires—are plagued with low demand and are not easily made into new end-use products.

Most of Minnesota's recycled materials have real potential in the marketplace. The problem is overcoming the barriers that keep them from reaching those markets. That was the task tackled by the workshop participants in December.

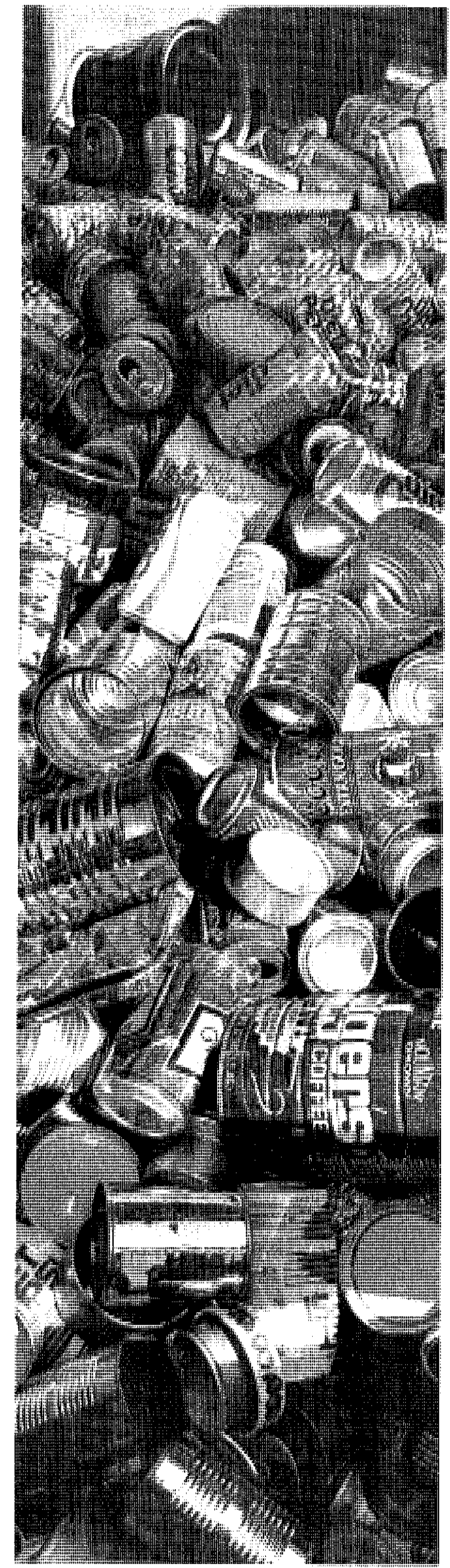
Barriers to the Marketplace and How They Can be Overcome

While there was not unanimous agreement on every detail, workshop participants reached major agreement on a number of key observations and proposals. They identified three barriers as the most important forces inhibiting the use of recycled materials:

- The quality of recycled materials is inadequate. There are currently no uniform standards for materials or for packaging. Materials separation is often inadequate so that contaminants remain in the recycled materials.
- The supply of recycled materials is diffuse. The distance between supplier and market and the large number of brokers mean that the supply of materials is often scattered. Rural areas are especially vulnerable to this problem.
- Recycled materials often cost more than virgin materials. The current costs of collection, processing, and transportation are still high, but the demand for recycled materials is not yet high enough to realize economies of scale. And the price of some virgin materials is kept artificially low by subsidies that amount to unfair competition. This is particularly true of subsidies on wood and petroleum-based products—subsidies that affect the price of paper and plastics.

What can be done to overcome these barriers? Participants at the workshop agreed on five major actions:

- Cooperative arrangements should be established to coordinate collection, transportation, processing, and broker-



ing of recycled materials. This will reduce costs and enhance the supply and quality of recycled materials. Such arrangements might include multi-county market cooperatives, materials recycling facilities, and multi-state cooperatives.

- Existing subsidies that lower the price of virgin materials should be changed. Government action at the federal and state level will be needed.
- Materials and packaging standards for products made from paper, plastics, glass, and metals should be improved in order to enhance product design and recyclability. While the public and private sectors should be involved in making these changes, standards and regulations must be enforceable by government.
- Bans, taxes, deposits, or fees should be imposed on packaging and containers in order to enhance their recyclability. This will create incentives for recycling and waste reduction, and improve the quality of the materials recovered.
- Uneconomical aspects of collection, processing, and transportation should be subsidized in order to make recycled materials competitive with virgin materials. This can be accomplished through public research and development, tax breaks, grants, and other forms of subsidy.

Who's Responsible for Taking These Actions?

The workshop participants recognized that the public and private sectors each have legitimate and important roles to play in marketing recycled materials, and that public/private cooperation is essential. They concluded that government intervention in the market is necessary even if the use of recycled materials is ultimately not profitable. This is the only way that recycling will be expanded and that environmental and landfill abatement goals will be achieved.

The group suggested that the increasing costs of waste disposal—costs not reflected in the current prices of packaging and of products made from virgin materials—require public strategies. They said that the costs that would be avoided if these virgin materials and packaging materials were recycled rather than added to the waste stream justify public expenditures for recycling and materials marketing. While recycling may be expensive, especially in the short run, recycled materials are an important resource and their price must be set with an eye toward total systems costs, including the costs of virgin resource development and waste disposal.

The group acknowledged that while Minnesota and other states can do much to overcome the market barriers for recycled materials, some federal action is required to set standards for materials and packaging, establish labeling requirements, and modify existing public subsidies of virgin materials.

What's Happened to the Group's Recommendations?

Following its publication, the *Blueprint for Action* was sent to workshop participants for use in their own industries, agencies, and organizations. In addition, under the auspices of the Northwest Area Foundation, several hundred copies were mailed to public and private officials throughout the Upper Midwest and elsewhere, in the hope that it would be helpful to them. In Minnesota, the *Blueprint for Action* has contributed to the development of marketing strategies at the Minnesota Office of Waste Management, the agency charged by the 1989 legislature with primary responsibility for developing a state strategy for marketing Minnesota's recycled materials.

Tom Peek, a graduate of the Humphrey Institute and for some years a member of the CURA staff, is currently a writer/consultant in Santa Cruz, California. In addition to his free-lance work, Peek is writing his second novel. *The Blueprint for Action* is one of three publications to come out of the project on marketing recycled or "secondary" materials in Minnesota. In addition, there was a background report, *Market Status Report,* and an *Executive Summary,* published separately but also included as part of the *Blueprint for Action.* These reports, all under the general title *Building a Strategy for Marketing Minnesota's Secondary Materials,* may be ordered free-of-charge by writing CURA or phoning 612/625-1551.

Photos on pages 1, 6, and 7 by Robert Friedman.

CURA reporter

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The Center for Urban and Regional Affairs was established to help make the University of Minnesota more responsive to the needs of the larger community and to increase the constructive interaction between faculty and students, on the one hand, and those dealing directly with major public problems, on the other hand.

The **CURA Reporter** is published five times during the year to provide information about what CURA projects are doing.

Thomas M. Scott, director; Thomas L. Anding, associate director; William J. Craig, assistant director; Judith H. Weir, editor.

CURA
University of Minnesota
330 Hubert H. Humphrey Center
301 19th Avenue South
Minneapolis, MN 55455

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