

According to well-placed sources in Washington, the proposals represent part of an attempted policy coup by the Heritage Foundation, a think tank moving to take over key policy-formulating channels in the incoming administration.

In private discussions, Heritage policy planners describe their urban plan from two interrelated perspectives. It is not an urban policy at all, but an effort to create a massive speculative boondoggle around urban real estate.

The major purpose behind the floating of the Wilson task force proposals was "to create the kind of climate needed to stabilize the real-estate market," a Heritage Foundation spokesman said. What was motivating key people on the Reagan task force was the knowledge that "without at least talking about drastic action, the real-estate market was headed for a blowout in the near term." The only way to save the market is to channel "tens of billions of dollars of new money into it," said the Heritage spokesman, who was familiar with the task force deliberations. The Wilson program doesn't come out and say it, said the spokesman, but it is grounded on the assumption that "we will commit a huge portion of our capital to pass through the real-estate market. We can then generate new capital off the mortgage market."

By removing rent control, making direct payout to landlords, and creating in "free-enterprise zones" new

outlets for real-estate investment, Heritage proposes to create a new speculative bubble on top of the one already ready to burst.

Heritage planners say that the creation of so-called International Banking Facilities as proposed by the Federal Reserve will create an unlimited tap for speculative funds for this purpose. New tax incentives are also planned. And, as the accompanying article on mortgage indexation details, Heritage proposes to rewrite U.S. mortgage laws to encourage all new and existing mortgages on both private homes and urban apartments to be cut loose from their presently fixed interest rates, averaging 13 percent today for a 30-year mortgage. Instead, mortgages will be freely indexed to Federal Reserve interest rates, rising to as much as 20 or 25 percent in the medium term.

To be precise, they propose to reward speculative investment in real-estate ground rent and penalize investment in what produces real wealth.

To back this speculative investment, the Heritage people also propose a drastic shift of urban human "capital" into labor-intensive, low-wage jobs. That is the policy behind the "free-enterprise zone"—a policy specifically modeled on the sweatshop economy of the British crown colony of Hong Kong.

It is summed up by the following statement to a reporter by a Heritage urban policy expert: "We have

How Heritage sells the enterprise zone plan

The following is excerpted from the concluded section of the fall 1980 Heritage Foundation "critical issues" pamphlet entitled "Enterprise Zones—Pioneering in the Inner City."

The Enterprise Zones concept marks a radical departure in thinking on the inner city problem. But unlike most radical ideas, enthusiasm for it is not limited to one narrow political group or lobby. . . .

Fiscal conservatives appreciate that the enterprise zone approach is not just another bureaucratic program designed to throw tax dollars at the inner cities. The idea is fundamentally antibureaucratic; it clears away guidelines rather than creating them. Furthermore, it does not involve the expenditure of billions of dollars in grants and loans in the hope that something may spring from the rubble. . . .

But the enterprise zone also appeals to those who

have been directly involved for many years in the central city projects—the urban liberals and the minorities. Many such people have grown frustrated, disillusioned and tired of the ineffectiveness of large government projects which never seem able to deal with local conditions. . . .

Unexpected local problems and crises have been generally dealt with at the local level [in the United States] by a combination of individual initiative and community resolve. This apparently haphazard approach has allowed unconventional but effective solutions to be applied to problems. . . .

The enterprise zone is strongly within this tradition. It is a recognition both that at least part of the urban crisis is due to government and that success is more likely if residents of a community are given a real chance to rebuild commerce and housing of their neighborhood with a minimum of taxes and red tape. The enterprise zone imposes no blueprint and stifles no local idea. What it does do is declare the blighted inner cities open neighborhoods, devoid of as many regulations and tax costs as possible, and invite what may be called urban pioneering. . . .