

**Joint Center for Housing Studies  
Harvard University**

**History Lessons for Today's Housing Policy  
The Political Processes of Making Low-Income Housing Policy**

**Alexander von Hoffman  
August 2012  
W12-5**

The research for this paper was conducted with the support of the Rockefeller Foundation.

© by Alexander von Hoffman. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

Any opinions expressed are those of the author and not those of the Joint Center for Housing Studies of Harvard University or of any of the persons or organizations providing support to the Joint Center for Housing Studies.

This is a preprint of an article whose final and definitive form has been published in [Housing Policy Debate](#) © 2012 copyright Taylor & Francis:



## Table of Contents

I.	Introduction.....	1
II.	Housing Policy in the Great Economic Crisis.....	2
III.	The Postwar Housing Crisis.....	10
IV.	Housing Remedies for the Urban Crisis.....	17
V.	Policy Crisis and the Long Winding Road to a New Approach.....	27
VI.	Some Lessons from History for Promoting a New Rental Housing Policy.....	41



## **I. INTRODUCTION**

History offers valuable lessons to policy makers. Among other lessons, it teaches us the reasons that the government adopted the programs that constitute the current housing policy landscape. The political strategies that succeeded in the past illuminate the possibilities for winning approval for and enacting new policies today.

In recent American history, four crises related to housing led the United States government to initiate large-scale housing programs for low-and moderate-income Americans. During the economic crisis of the Great Depression, Franklin Roosevelt's New Deal produced the public housing program. In response to the acute housing shortage at the end of World War II, the government took a couple of wrong policy turns before finding a winning formula in the housing component of the G. I. bill. To help solve the urban crisis of the late-1960s, the Johnson administration set a high goal for national housing production and enacted two large low-income housing production programs based on subsidizing private industry. When these programs careened into crisis in the 1970s, Richard Nixon inaugurated a new approach of vouchers, although it would take almost a generation before that policy was fully accepted.<sup>1</sup>

The following pages examine the political processes that led to the adoption of new housing policies. They identify the conditions, political alignments, and ideologies that prevailed in each period and trace the actors and strategies that led to the ultimate adoption of new policies.

## **II. HOUSING POLICY IN THE GREAT ECONOMIC CRISIS**

The Great Depression was the worst economic emergency the United States has faced, and as with virtually all economic slumps, it hit the housing sector first. So severe was the crisis that both the Herbert Hoover and Franklin D. Roosevelt administrations felt obliged to erect new governmental structures to solve the problems of the housing sector. Most of this effort aimed at buttressing the private housing industry, especially the financial institutions that supported it.

But during the Roosevelt presidency, the government made a small but significant effort to serve low-income Americans. The Congress in 1933 introduced public housing in trial form as part of a public works bill and in the U.S. Housing Act of 1937 set up the permanent program that still exists today. But as much as the public housing program stands today as one of the

pillars of the Roosevelt's New Deal social program—the last piece of major domestic legislation passed during Roosevelt's second term—it arose outside the administration and the president did not particularly like it. Indeed, perhaps the greatest lesson of public housing is that during a crisis determined activists can, with skill and luck, impose an unorthodox policy on a government that under ordinary circumstances would reject it.

## **CONTEMPORARY CONDITIONS**

Today it is common to compare the economic and housing problems facing the United States to the conditions that existed during the 1930s and to seek solutions to present-day challenges in the Roosevelt's administration's responses to the Great Depression. There is indeed much to be learned from the New Deal housing policies, but we should keep in mind the differences as well as the similarities between the two eras before applying actions of the 1930s to our time.

To begin with, large portions of the United States in 1930 were, by today's standards, under-developed. Vast stretches of the American countryside had no electricity, and more than half of non-farm households lacked telephones.<sup>2</sup> Poverty and isolation were endemic to the South and common in rural areas across the country.

In general, the financial condition of average Americans was far more precarious then than now. Even before the Depression hit, wages for American workers tended to be low, partly as a result of the weakness of labor unions in the industrial sector. As a group, African Americans and members of other minority groups were paid more poorly than others, so that even educated professionals of minority background suffered from high unemployment or low wages. Furthermore, the limited safety net of various forms of social insurance was available primarily through voluntary associations of one sort or another (not employers or government), and hard times revealed the brutal inadequacies of such a system.

The quality of housing in the 1930s was a far cry from what it is today. Since the early twentieth century the worst overcrowding in urban slum neighborhoods had abated, but cities still contained large numbers of "substandard" dwellings as a byproduct of the old and increasingly obsolescent building stock. In large cities such as St. Louis a great number of existing units built in the previous century contained outhouses instead of indoor toilets and provided only cold water or no running water at all. In contrast with the United States today, the

prevailing housing problem for low-income Americans was substandard conditions, more than affordability.

In 1930, home ownership rates remained relatively low: for decades, less than half of all American households owned their own homes. Cultural attitudes partly explain the low home ownership rate. Until recently, many native-born middle- and upper-middle-class urban families cared little about purchasing their homes, an attitude that had begun to change only recently—thanks in part to own-your-own home campaigns launched in the 1920s by then-Secretary of Commerce Herbert Hoover and women’s magazine editors, among others.<sup>3</sup> Not only was it socially acceptable to be a tenant, it was relatively easy to find places to let: apartments in buildings ranging from three-deckers to large multifamily structures as well as rooms in numerous boarding and rooming houses. In contrast to many native-born Americans, immigrants often placed a high value on owning their homes and for decades had aspired to be home owners.

The traditional methods of financing the purchase of a home also discouraged home ownership. Unlike today, the entry level for home ownership was high, and the decision to buy was not taken lightly. In contrast to regulations in the 1920s that allowed investors to buy stocks with margin loans using little equity (and led to the stock market crash of 1929), those who borrowed to buy houses had to put substantial money down—40 percent was common—for mortgages of short terms. Working- and middle-class home-buyers generally sought financing from local real estate brokers, neighborhood savings and loans banks, or mutual aid societies.

Further thinning the ranks of home owners during the late 1920s and 1930s, untold numbers of Americans lost the houses they had tried to buy. To try to put some order into an uneven and inefficient finance system and address the mounting number of mortgage foreclosures, President Herbert Hoover and Congress in July 1932 created the Home Loan Bank System, with twelve Federal Home Loan Banks and a Federal Home Loan Bank Board (FHLBB), but it had little immediate effect on the foreclosures. In 1933, it is estimated, about half of all loans on houses in urban areas were delinquent and the number of foreclosures had soared to an average of 1,000 per day. Ravaging unemployment—up to a quarter of all workers by 1933—and a massive credit constriction outran Hoover’s fledgling credit system. As the national home ownership rate sank to about two-fifths of all households, it appeared that most Americans would rent their homes for the foreseeable future.<sup>4</sup>

In sum, when FDR took office, large stretches of the United States were underdeveloped, a large minority of the population was poor or unemployed or both, many dwellings were woefully deficient, and people were losing their homes at a record rate. America had almost nowhere to go but up.

## **POLITICS**

Anyone who calls on the Obama administration to repeat the accomplishments of the New Deal should consider the stark contrast in the relative standing of the political parties in the two eras. Between 1929 and 1933, the Depression motivated Americans to replace Republicans with Democrats in the federal government—and then some. By the mid-1930s, the Democrats not only won the presidency in 1932 by an imposing 17 percentage points (57 to 40 percent) but also built overwhelming Congressional majorities—reaching in 1937 astonishing levels of 79 percent in the Senate and 77 percent in the House. (True, the Democrats were a different party in the 1930s, with conservative Southern segregationists as well as liberals, but party discipline was greater as well.) In comparison, recent Democratic victories were respectable but not tremendous: in 2008 Barack Obama was elected by six points (53 to 47 percent), and Democrats won solid but hardly commanding majorities in Congress.<sup>5</sup>

Outside of electoral politics, the federal lobbying system of the 1930s was immature in comparison to today's influence machinery. Until the turn of the nineteenth century, most lobbying targeted state and city officials who generally made the important decisions about government contracts, business regulations, and social reform legislation. At century's end, the federal government began to expand its budgets and scope of activity, stimulating the formation of national trade and reform associations—such as the National Association of Manufacturers in 1895, the National Association of Real Estate Boards (today National Association of Realtors) in 1908, and the National Federation of Settlements in 1911—to influence federal policies drawn up by the Congress and federal executive agencies. As the federal government dramatically expanded its reach during the New Deal and World War II, new and different groups of reformers and businesspeople formed organizations and tried their hands at lobbying, but this relatively new process was less formal and systematized than it would later become.

## **IDEOLOGIES**

In addition, Roosevelt rode to power on a left-wing surge in the American body politic. Fairly or unfairly, most Americans blamed the Hoover administration and its conservative-sounding policies for failing to cope with the Depression. Furthermore, the desperate conditions seemed to call for extraordinary measures, and numerous dissident political movements and leaders appeared on the left and right. In this milieu, political liberals held sway with the most coherent and persuasive policy agenda—much of it inherited from the Progressive era. Moreover, recent history seemed to affirm the liberals' belief that government should act on a large scale to better the lives of citizens.<sup>6</sup>

In a nation that contained large under-developed areas and populations, the liberals' philosophy of government activism could address distinct, if overlapping, areas of need.

New Deal policies aimed at promoting economic development, physical infrastructure, and social welfare, diverse goals which seemed of a piece. They aimed at bringing large sectors of American population and geography into the modern world without resorting to the extremes of communism or fascism. Nonetheless, the expansion of the federal government into the realm of social welfare was unfamiliar, which at different times caused even some liberals and members of the Roosevelt administration to balk at certain proposals.<sup>7</sup>

## **NARRATIVE**

### **The Private Tier of Federal Housing Policy**

In the realm of housing policy, the Roosevelt administration began by trying to staunch the immediate crisis of the hemorrhaging of mortgage foreclosures. To this end, the New Deal offered the immensely popular Home Owners Loan Corporation, which under the aegis of the FHLBB bailed out defaulting home buyers by trading government bonds for delinquent mortgages. A second long-range and far-reaching step came in the 1934 National Housing Act. Roosevelt's economic advisers devised the bill at the behest of the president to find ways to stimulate the residential construction industry that would rely not on government spending but rather on private effort. They hoped that instituting federal mortgage insurance through the Federal Housing Administration (FHA) would increase the amount of credit available to Americans for home improvements (initially the most popular use of the program at a time when few were able to consider buying a new home) and house purchases. These along with Hoover's Federal Home Loan Bank system and similar banking and finance measures constituted what has

been called the first tier in American housing policy designed to buttress the private financing of real estate. Written by Keynesian pro-growth economists—such as Marriner Eccles—the first tier policies received great support from the housing industry. The political support for the FHA came not from prospective home-owners or even the commercial banks and insurance companies who somewhat reluctantly took advantage of it, but rather building industry groups including the National Association of Real Estate Boards (NAREB), U.S. Building and Loan League, and the Durable Goods Industries Committee, headed by the president of the Johns Manville Corporation.<sup>8</sup>

### **A Different Kind of Housing Program**

Public housing was of a different ilk. Unlike the FHA, the push for a public housing program came from outside the government. Moreover, public housing's most ardent supporters thought of it as the anti-FHA program, the ideological opposite of the concept of buttressing the private industry. As supporters of social welfare, they shared the fundamental reformist notion that only an expansion of government powers could solve the social ills of the day.

The concept of a public housing program in particular derived from both old and recent thinking about the physical environment. On the one hand, the idea of public housing arose from the housing reform movement that dated to the early nineteenth century. For traditional housing reformers, the target was always the urban slum, which they blamed for a variety of ills afflicting the poor—including disease, crime, and alcoholism—not to mention the physical hazards such as fire. Public housing, its supporters believed, would move housing reform beyond requiring landlords to install fire escapes, windows, and bathrooms on overcrowded and otherwise inadequate buildings. The more recent inspiration for public housing emerged from the modern idea of planning, in the broadest sense, drawn heavily from European experiments in Garden City and municipally owned housing developments. The New Deal expressed the planning impulse in everything from Tennessee Valley Authority communities to economic plans for national full-employment.<sup>9</sup>

After building regulations failed to put an end to slums, in the 1920s a group of housing reformers—primarily social workers in New York City—proposed that government sponsor housing. The campaign that began focused on the local level of government, hence the proponents referred to their program as municipal housing. In their scheme, city governments would provide tax breaks or funding to non- or limited profit housing associations, or possibly

build the housing themselves. The Depression struck, however, before the municipal housing effort could gain full momentum and, like earlier reform efforts, spread across the country.<sup>10</sup>

Once the Democrats took over the federal government in 1932 and began to prepare large spending programs, the housing reformers shifted their attention away from locally based municipal housing to a national scheme run from Washington. Mary Kingsbury Simkhovitch, a settlement house worker from New York City, and Father John O'Grady, the head of Catholic Charities, persuaded the Democratic leaders to fund the first experiment in a federal public housing program from the large public works bill, which established the Public Works Administration (PWA). In the trial program, administrators in the Interior Department in Washington coordinated with local authorities but essentially made the important decisions of where and what sort of public housing to build. This centralized approach produced—after some initial delay—dozens of well-designed rental housing projects but also led a federal Circuit Court of Appeals to rule that the PWA Housing Division's use of eminent domain infringed upon the constitutional rights of local jurisdictions, further slowing down the development of new public housing. The long-term result of the court decision was to split responsibility for public housing between Washington, which provided funds, and local authorities, which controlled site selection and development.

### **A Brilliant Political Campaign**

In the meantime, public housing had attracted new proponents, including local government officials, progressive architects, and labor union organizers. Out of this diverse group emerged two unlikely but extraordinarily talented leaders. Ernest J. Bohn, a Republican Cleveland city councilor and former Ohio state legislator, almost single-handedly created a national movement for public housing between the summers of 1933 and 1934. In little more than a year's time, Bohn brought 400 people to a National Conference on Slum Clearance; used the conference's findings to persuade the state of Ohio to enact the nation's first public housing law; encouraged seven other states to follow suit; helped organize and became the first president of the National Association of Housing Officials (NAHO<sup>11</sup>); and through NAHO took a panel of distinguished international housing experts on a "housing study tour" of fourteen cities, which he used to publicize and identify converts to the cause.

The other figure, Catherine Bauer, was a young writer and junior member of the influential group of thinkers known as the Regional Planning Association of America. After

steeping herself in European public housing programs and projects, Bauer wrote a compelling book on the subject, *Modern Housing*, published in 1934. In it she called upon Americans to start a grassroots movement for public housing. Bauer envisioned a broad-based program in which not only government agencies, but also labor unions, cooperative societies, and building associations built modernist-style residences for moderate-income as well as low-income households. Not content simply to write, Bauer accepted an offer from some left-leaning trade unionists to head a new housing committee, the Labor Housing Conference, under the auspices of the Pennsylvania Federation of Labor. From this perch, Bauer toured the country, giving talks to union locals and organizing labor public housing committees. When speaking to the trade union locals, Bauer linked public housing to construction jobs—at a time when residential construction had slowed to a crawl. For other union workers, she presented the program as a way for working people to get decent homes they could afford. The painstaking work of organizing union men enabled Bauer to harness the political muscle of organized labor—winning the endorsement of the American Federation of Labor (AFL) at its 1935 convention, for example—in support of public housing.

But the rush to get federal legislation precluded a genuine grassroots organizing effort, so instead Bohn, Bauer, and the other “public housers,” as they called themselves, masterfully created the appearance of a groundswell in favor of their program. They cultivated supporters in the liberal organizations that backed the New Deal—labor unions, the major councils and social service organizations of religious denominations, including the Roman Catholic Church, big-city mayors, as well as social workers, architects, and planners. At critical junctures in the campaign, the public housers sent out requests for support through the networks they had assembled, unleashing on Washington a flood of pro-public housing messages from all over the country. Arguing effectively that their program was the only worthwhile solution to the problems of the slums, the public housers stage-managed the broad but shallow support for public housing well enough to demonstrate that it was a legitimate part of the liberal social agenda.

Still, it took two years of nail-biting struggle, much of it within the Roosevelt administration, to get the law passed. The public housers had to overcome the opposition of the Treasury Department, starting with Secretary Henry Morgenthau and including top aides such as Eccles, who did not think that the federal government should build homes for low-income people. FDR himself disliked the public housing law, and only signed on in 1937 to get a

political victory after the fiasco of his attempt to pack the Supreme Court. The public housers' skillful lobbying effort would have been for naught had it not been for their chief legislative ally, New York Democratic Senator Robert Wagner, whose persistence and adroit political maneuvering overcame Congressional and administration opponents. It was fitting that the U.S. Housing Act of 1937 became known as the Wagner-Steagall Housing Act, one of two landmark New Deal laws that bear his name.

One problem Wagner and the public housers faced in rounding up support for the bill was that the varied supporters of the public housing program were not all in agreement as to its ultimate goal. The social workers chiefly wanted to save the poor by replacing the slums—as did key moderate liberals in Congress—whereas the followers of regional planning hoped to build modern homes throughout metropolitan areas for the broad middle-class. Similarly, a few left-wing labor leaders—such as Walter Reuther—subscribed to the reform principles of community planning and a mass housing program, but the bulk of labor support came from the building trades, where the prospect of employment in construction was the strongest motivation. Some downtown businessmen and mayors signed on to public housing mainly to improve the value of urban real estate by getting rid of slums. In the end, the least common political denominators became slum clearance, not the sweeping mass-housing visions of the public housers. Thus, the breadth of the political coalition supporting public housing gave the campaign strength but in effect narrowed its mission.<sup>12</sup>

### **The Creation of a Public Housing Program**

In the years immediately following the law's passage, public housing caught on. By mid-1941 the government had begun or completed construction of more than 132,000 rental homes. More than 70 years later, it is still a major component of low-income housing policy in the United States.

Much of the credit goes to Wagner's top aide, Leon Keyserling, who carefully drafted the public housing law. It established a federal agency, the United States Housing Authority (USHA), to administer the program while the federal government distributed grants and loans and formulated guidelines for the new housing. But the new law dodged constitutional issues by giving local housing authorities the power to select the sites and build and manage the housing projects. Using the ingenious device of long-term contracts, rather than annual appropriations, as way of committing federal dollars to the local authorities Keyserling protected the new program

from the changeable budgetary moods of Congress. The federal government's financing of the development subsidized rents for low-income households, and the local authority maintained the buildings with the revenue from the rents—a system that worked well until the 1960s when the pool of tenants became too poor to sustain it.

Before and immediately following the passage of the act, state and local jurisdictions formed housing authorities and applied to the new United States Housing Authority (USHA) for funds. In big cities and rural communities alike civic, charitable, business and political leaders perceived the local housing conditions of low-income people as a critical matter and public housing seemed a viable way to clear and replace the slums. In many places, moreover, working-class people, black and white alike, perceived the new housing as an improvement on their current choices. Thus, in some ways public housing had the appeal of another modernization program for those sections of American cities and the countryside where the housing appeared obsolete.

Yet the public housing system soon developed the features of the top-heavy bureaucracy that would plague it in later decades. One problem was Nathan Straus, the first director of the USHA, who was an abrasive administrator who quarreled with top staffers and alienated key members of Congress—never a good practice for an agency director. Beyond personalities, however, agency officials worried that Congress would cease to appropriate funds if the program was not run efficiently. Unfortunately, such concerns reinforced the desire, inherited from its PWA predecessor, to control implementation. As a result, the USHA sent local housing authorities a myriad of regulations concerning construction cost ceilings, limits on tenant incomes, and architecture. For their part, local housing authority officials usually deferred to their Washington funding agency, a habit that smothered innovation at the local level. By following USHA guidelines for project design and construction costs, for example, the local authorities produced standardized versions of modernist architecture monotonously executed with the favorite building material of the bricklayers unions—easily recognizable and therefore stigmatized as poor people's housing.

A major reason for the rigid hierarchy that emerged was that the federal program was established before a locally-based public housing movement had time to develop. Had there been independent organizations on the ground when the program began, local public housing interests would have produced their own ideas and methods and would have protected their

prerogatives. In New York City, the one place where the public housing idea took hold before the federal program, the housing authority maintained its independence from Washington and, considering its enormous inventory, has adapted well to changing circumstances. Elsewhere, for the most part the federal agency dictated policy to the local authority, the authority officials dictated to the managers of the housing projects, and the managers ordered the tenants around, often in a condescending manner. “We are...handing out this stuff,” Bauer complained to a USHA official in 1940, “‘from the top down’ - and from a pretty small top group at that.”<sup>13</sup>

The ultimate consequence of such a hierarchical system was that it deprived the program of enthusiastic popular support. Public housing failed to inspire among its inhabitants the sense of commitment or loyalty that home ownership did for its occupants. Without such feelings, the housing program could not build political support beyond housing officials and enlightened leadership of unions, social workers, and other liberal organizations. “What housing mainly needs,” Bauer concluded, underlining her words for emphasis, “is more grass roots.”<sup>14</sup> The lack of grassroots support, in turn, left public housing vulnerable to attacks by conservative foes and local residents who feared having poor African Americans or other low-income residents in their neighborhoods.

### **Lessons and Observations**

The crusade for public housing established a durable low-income housing program and just as importantly, established the precedent that the government would provide homes to low-income Americans. Perhaps the greatest lesson of the crusade for a federal public housing program is that during a crisis determined activists can, with skill and luck, impose an unorthodox policy on a government that under ordinary circumstances would reject it.

To do so, the support of an array of outside interest groups was essential—a simple but important lesson for making policy in the modern era. As the federal government expanded under Roosevelt, it attracted and to a certain extent relied upon outside groups to help set policy agendas. In the housing realm, industry trade associations stepped up to support the government’s FHA legislation, while mainly reform-minded interest groups enlisted in the campaign for public housing. In particular, the public housers enlisted liberal supporters within several politically influential groups, which then threw their political weight behind the public housing bill.

Acquiring the broad political coalition necessary to pass sweeping housing legislation, however, will likely blur or narrow the purpose of the policy. In this case, the goal of public housing was reduced from recreating the living environments of masses of Americans to replacing the slums where the poor lived with better homes.

Ultimately, it took a masterful political operative—in this case, the liberal lion of the Senate, Robert Wagner—to get the public housing law passed—overcoming resistance within the Roosevelt administration as well as in the Congress. Successful policy making, this history teaches, often depends on skillful individuals in government who can coordinate the interested parties, deflect opposition, and persuade the right people in Congress and the administration.

The long life of the public housing program demonstrates the importance of careful program design. The decentralization of the program helped build local institutional infrastructure and political support. The funding mechanisms, particularly the device of long-term contracts, rather than annual appropriations, helped protect the program from defunding by conservative Congresses.

In the long-term, enthusiastic popular support is invaluable for sustaining a highly visible program such as public housing. The history of the Social Security program is instructive: a noisy national campaign for old age pensions galvanized the elderly to take political action; the government then took heed and constructed the Social Security program to satisfy the demands. Not surprisingly, Social Security was a popular program that became politically entrenched. In contrast, the lack of fully-developed grassroots support for public housing hindered the carrying out of the program as originally intended and left it vulnerable to political attacks. Public housing survived, thanks to its careful design and ability to meet the needs of low-income families relatively efficiently, but it has never been truly popular.

### **III. THE POSTWAR HOUSING CRISIS**

Of all the periods in American history that might be considered a time of “housing crisis,” the situation that occurred at the end of World War II was perhaps the most critical. The return of millions of members of the armed forces from overseas created an acute shortage of homes. The housing shortage made for volatile politics. Under intense pressure to act, the Truman administration first imposed the kind of centralized controls generally admired by those on the left-wing of American politics. Had this policy been successful, American politics and

government—and possibly the housing industry—would likely be quite different from what they became. But centralized control failed spectacularly, and another policy emerged out the turmoil. Like public housing it was instigated and promoted by an interest group outside the government. Unlike public housing, this policy was built on individuals buying houses made available by private industry. It was the housing component of the G. I. Bill, and it became the most popular housing program in American history.

### **CONTEMPORARY CONDITIONS**

As World War II drew to a close, the government under President Harry S. Truman attempted to hasten the transition from a militarized to a peace-time society. The end of war production and the flood of returning soldiers in search of jobs did not return the nation to Depression conditions as some feared. Instead came a surge in consumer demand, rapid inflation, and labor unrest, including the debilitating national coal and railroad strikes of 1946. By mid-1947, the supply of consumer goods increased while inflation and the worst of the labor conflicts had begun to subside.

The postwar housing crisis had more lasting effects. The end of World War II in 1945 brought a rapid demobilizing of the armed forces—the number of active-duty personnel dropped from more than 12 million in June 1945 to 3 million a year later. The return of service personnel to a land where few homes had been built since before the Great Depression precipitated a housing shortage of epic proportions. The rate of rental and for-sale vacancies in non-farm areas in April 1940 stood at a little under 5 percent; by November 1945 it had plunged to a mere 1.4 percent. An unprecedented spike in the number of households or would-be households further aggravated the need for homes. In 1946 the number of marriages soared to 2.3 million while 610,000 couples divorced, both peak figures that would not be matched for decades. In search of places to live, veterans were forced to squeeze in with relatives and cram into trailers, coal sheds, cellars, and even tents in the public parks.<sup>15</sup>

Although the nation in 1945 had produced an anemic 326,000 units, in the following years the number of housing starts rose to more than a million annually, peaking in 1950 at 2 million starts. Starting in 1948, the United States economy entered a five-year business cycle of growth. During these years, unemployment averaged only 4 percent, which meant that the country approached a state of nearly full employment.<sup>16</sup>

By 1950 the housing crisis had begun to abate, and the great home building boom of the 1950s was underway. The high rate of employment, rising incomes, and a growing population—courtesy of the decade’s famous baby boom—fed Americans’ voracious appetite not only for houses but also automobiles, appliances, and other consumer goods.

## **POLITICS**

During the postwar years, national politics shifted repeatedly. Fatigue with the Democrats and unhappiness with the postwar turmoil—including the Truman administration’s maintenance of wartime price controls—led Americans in 1946 to return the control of both the House and the Senate to the Republicans. Two years later, it appeared that the nation was about to end decades of Democratic rule and give the presidency to the GOP as well. But in his bid for reelection in 1948, President Harry Truman pinned the blame for the failure of government to solve the nation’s problems on the Republicans and scored an upset victory. The following year, in 1949, Democrats were able to capture majorities in both legislative chambers, but in the following elections these eroded until the major parties reached a rough parity.

[Throughout these years the housing crisis, and particularly the need for homes for returning veterans, was among the leading issues in American life. Indeed, Truman’s charge that the “do-nothing” 80<sup>th</sup> Congress had failed to pass meaningful housing legislation helped secure his re-election. Splashed across the headlines and talked about across the country, the housing issue reverberated in American politics during the immediate postwar years and into the Cold War era.]

## **IDEOLOGIES**

After the war, social reformers of all stripes hoped to return and complete the domestic policy agenda begun in the New Deal. The left-wing’s fortunes crested around 1948 with the presidential campaign of Henry A. Wallace under the banner of the Progressive Party, which attracted many communists. Less extreme liberals soldiered on in the face of counter-attacks in the name of anti-communism and, more insidiously, the political complacency engendered by the growing prosperity of the 1950s. Nonetheless, the liberal ideas of the New Deal era—based on an activist government, with central economic and social planning largely controlled from Washington, still carried weight.

Meanwhile, conservative opposition to the New Deal social welfare agenda, which began with the second plunge of the economy in 1938, gained strength after the war as the American public increasingly yearned for “normalcy.” Ironically, the housing industry, which had revived largely due to banking and insurance supports that Roosevelt had promulgated, led the political charge against any policies that infringed in any way on its sphere of activities. They drew support from right-wing politicians. Before gaining fame for his anti-communist witch hunts, Senator Joseph McCarthy joined the industry’s campaign against “socialistic” public housing.

## **NARRATIVE**

### **An Experiment in Centralized Federal Authority**

Under Truman, government housing policy swung back and forth between the ideals of centralized control and supported but uncontrolled free enterprise. The first approach of the fledgling administration of Harry S. Truman was to maintain wage and price Roosevelt wartime controls, but in regard to construction the new president heeded conservatives in the administration to let private sector run free. In October 1945 the administration removed wartime controls on building materials, but was disappointed when developers produced not homes but “race tracks, summer resorts, bowling alleys, stores, and cocktail bars.”<sup>17</sup>

After angry veterans bitterly complained, John W. Snyder, Truman’s chief of the Office of War Mobilization and Reconversion and heretofore a “profit-system man,” changed course and convinced Truman to create a new Office of Housing Expediter to run a crash housing program. In December 1945 the president named Wilson Wyatt, the former mayor of Louisville and a man of boundless energy and enthusiasm, as Housing Expediter and in February 1946 chief of the National Housing Agency.

Prodded by the president and Democratic leaders, Congress passed the Veterans’ Emergency Housing Act of 1946, Wyatt’s bold program of centralized controls. Its provision allowed Wyatt to resume extensive controls over construction materials, housing prices, and rents. To smooth the way for home building, Wyatt created subsidies for producers of building materials and allotted their products to residential construction. He also pushed extensive loans to promote his favorite program, prefabricated housing.

Wyatt appeared to be making little headway in restarting housing production. The fragmented small-scale nature of the housing industry and labor strikes in lumber, steel,

railroads, and coal undermined Wyatt's optimistic predictions of housing mass production. The labor unrest was beyond Wyatt's control, and perhaps he could have been forgiven for them.

Not so the Housing Expediter's deep infatuation with manufactured housing and particularly the all-steel prefabricated ranch houses of the fledgling Lustron Company. Wyatt demanded that the Reconstruction Finance Corporation loan \$90 million to housing prefabrication companies—including \$52 million to Lustron. Although the RFC resisted such large loans, he adamantly insisted that the prefab industry could end the production logjam and produce three-quarters of a million homes in two years. By the end of 1946, however, the industry, still in its infancy and of a type that requires a prolonged start-up period, had built only a fraction of the 250,000 prefabricated homes Wyatt promised or perhaps overpromised.<sup>18</sup> A shift in the national mood and the conservative victory in the fall elections induced the Truman administration to lift most wage and price controls, rendering the Housing Expediter's position untenable.

With little Congressional support for either Wyatt or continued centralized management of the economy, Truman executed an abrupt about-face, ended controls on building materials, eased them on rents, and in December 1946 forced Wyatt to resign. The next year the government repealed most of the Veterans Emergency Housing Act, but this only signaled a retreat from control of prices of materials and manufactured housing, not government housing programs. As news coverage of housing focused on Wyatt, federal policy controversies such as Lustron and the continuing demands for dwellings for veterans and residents of cities, most Americans were unaware that the increasing production of homes had come close to meeting Wyatt's ambitious goals.<sup>19</sup>

Neither the president nor reformers abandoned the notion of government housing. Propelled by the emergency of the housing shortage, Truman labeled the legislature the "do-nothing Congress" and in his bid for reelection in 1948 called on it to pass, among other bills, the Taft-Ellender-Wagner legislation for funding new low-income public housing and urban redevelopment. Since at least 1943, reformers, big-city civic leaders and officials, and the real estate industry had been debating what to do about America's cities. Housing reformers, particularly the public housers, wanted to restart the public housing program, which conservatives in Congress had stymied since before the war, and expand government assistance to cooperative housing associations that would provide housing for middle-income households.

The city leaders and spokesmen for the real estate profession wanted financial assistance to clear slums and redevelop their sites for what they considered better uses. Since the war's end, the Taft-Ellender-Wagner bill had been snared in a bitter battle between the liberal supporters of public housing and the housing industry supporters of urban redevelopment, who categorically rejected public housing. In the wake of Truman's surprise reelection, Congress passed the bill now known as the Housing Act of 1949 and re-authorized the public housing program.<sup>20</sup>

This turned out to be the political highpoint for the liberal reformers. As the housing shortage eased, so too did the momentum for housing reform. In the late 1940s, the private housing industry, aided by a range of federal housing finance tools (particularly the insurance program of the FHA), produced successively higher numbers of dwellings. In 1950 production reached the unprecedented figure of more than 1.3 million housing starts. The waning sense of emergency and the resurgent strength of private building industry undercut the arguments for nonprofit forms of housing. In addition, a growing anti-communist fervor allowed conservatives to condemn progressive social programs of any stripe as socialist and even communist. Thus, the housing reformers' long-standing desire for a large-scale cooperative housing program for moderate-income households died a quiet death when it was removed from the Housing Act of 1950.

### **The Cry to House Veterans**

While reformers and conservatives fought each other over housing policies, the cause of veterans' housing shot forward like a political juggernaut. The millions of returning soldiers represented virtually all segments of the American people—mainly men but hundreds of thousands of women, too; predominantly middle-class but spanning all income levels; whites and also African Americans, Hispanics, and Asians. They hailed from and moved to all regions of the country. Matured by their experiences in the war, these young people were eager to get settled and pursue their lives.

Responding to the outcry from local jurisdictions inundated with returnees, the federal government rushed to enact measures to place the veterans and their families in homes before all others. The Congress and Truman administration gave blanket priority for public housing apartments to veterans, whether or not they had lived in substandard housing or earned more than the program's income limits. During the war, the government had built temporary housing, including Navy Quonset huts, for workers at military industrial plants, and officials now turned

these over to the vets. To Wyatt's Veterans Emergency Housing Act, Congress added a provision that revived the FHA war workers housing program but for veterans and then gave former servicemen and women first preference in private sales and rentals of all new housing.<sup>21</sup>

Enmeshed in their battle over public housing, both the private industry and reformer groups feared the demand to give veterans shelter because it threatened to divert their favorite programs but could do little but watch the stampede for veterans' housing.

### **Housing in the G.I. Bill of Rights**

Of all the programs for veterans housing, the largest and most successful was initiated as part of the Servicemen's Readjustment Act of 1944, better known as the G.I. Bill.

The early intent of this legislation was far more modest than the final result. Mindful of the thousands of jobless World War I veterans who joined the Bonus March on Washington in 1932, the Roosevelt administration had proposed in 1943 a small and temporary package of benefits (a year of higher education, for example) to returning veterans. By providing modest short-term support, they hoped to avoid having large numbers of unemployed soldiers wandering about the country and the potential threat that would pose to national stability.

The American Legion, an highly patriotic and conservative organization, inserted itself into the discussion by drafting legislation that surprisingly included medical care, unemployment insurance, four-year college education, home and farm mortgages, and furlough pay—a large social welfare package for veterans. In March 1944 members of Congress introduced this measure, which an inspired piece of public relations the Legion dubbed the “G.I. Bill of Rights.” By providing blanket support for all former soldiers and sailors, the bill broadened coverage from past veteran policy, which focused on disabled warriors (a move that did not sit well with the Veterans of Foreign Wars and disabled veterans' groups).

Nonetheless, the Servicemen's Readjustment Act that was signed into law on June 22, 1944 was written as a short-term measure, and it is doubtful that the authors envisioned the broad and long-term program that it became. Providing a year's worth of unemployment insurance to ease the transition, the law offered refresher or retraining courses, education for those whose schooling had been interrupted, and/or a quick stake to those who wanted to get a home or start a business or farm.<sup>22</sup> The housing provision offered a government guaranty of up to 50 percent of a 20-year mortgage loan for home, farm, or business, with the first year's interest to be paid by

the Veterans Administration. Access was limited: veterans had to apply within two years of leaving the military and could only receive one mortgage.

In December 1945, Congress, in response to the complaints of veterans' organizations that few vets had obtained mortgages, amended the G. I. Bill to make it more accessible. The new provisions doubled the maximum mortgage guarantee to \$4000, extended the guarantees from 20 to 25 years, and loosened the appraisal standards from "reasonable normal value" (which many had interpreted to mean prices before the wartime inflation) to "reasonable value" (reflecting current prices). The Congress not only removed the requirement that the VA approve loans before they were made, but also gave an automatic guarantee to any mortgage the lender felt was sound. In addition, Congress lengthened the period former armed service personnel were eligible to apply for a loan to ten years.

The G. I. bill had become an extraordinarily generous long-term government housing program, with easy terms for borrowers and virtual *carte blanche* to private lenders. Lenient provisions of the loan guarantees not only allowed borrowers to take out loans of up to 100 percent of the purchase price of a house, but also permitted loans with no down payment. Yet the mortgage program took no account of financial need. Even more remarkable, the G. I. housing program lacked a mechanism for government oversight of local underwriting decisions. Meanwhile, the private lenders who made and held the loans were covered by the VA insurance for losses up to 50 percent of mortgage values. Since foreclosures generally do not result in losses of this magnitude, the lenders faced almost no risk. "This created a situation," an appalled housing expert declared, "without parallel in the history of federal financial transactions in which a private lending institution was authorized to make mortgage loans...fully guaranteed by the federal government without prior review or approval of any federal official." In addition, bureaucratic indecision landed administration of the program in the VA, not the Housing and Home Finance Agency (HHFA), which was home to the FHA and the governmental expertise in mortgage underwriting.<sup>23</sup>

Regardless of the easygoing administration, in the late 1940s the number of VA loans rose but not spectacularly, even after the Reconstruction Finance Corporation began purchasing the loans. Most of the loans went to buy existing homes, moreover, and, at a time when young Americans were marrying in unprecedented numbers, the demand for new homes soared. The government responded with provisions of the Housing Act of 1950 that pumped up the G.I. loan

program still further. The law raised the maximum amount of guaranty to 60 percent of the loan, stretched the pay-back period to 30 years, and extended eligibility to single widows of veterans and veterans who had already taken out a VA loan but lost their homes through no fault of their own. Not content to liberalize the terms, Congress authorized the government to lend money for home purchases directly to veterans—where mortgage lenders were unavailable.<sup>24</sup>

Finally the VA housing program took off, although it is unclear whether the efforts to prime the housing pump for vets or the general growth of the national economy brought about the desired effect. The number of housing starts financed with VA loans more than doubled between 1949 and 1950 and reached 10 percent of all nonfarm housing starts in the United States. Over the next decade, the number of VA guaranteed housing starts averaged close to 200,000 per year, in the mid-1950s, even exceeded those in the FHA mortgage-insurance program.<sup>25</sup>

Nonetheless, for several reasons the VA housing program had low default rates—fewer than 3 per thousand mortgages for most of the 1950s. The home buyers were mature young people from their time in the service; moreover, most were forming families and had an incentive to stay in their houses. The mass-built suburban bungalows and Cape Cod-style houses the vets bought were modest affairs and therefore inexpensive. And the high rates of employment and rising standard of living made it possible to make the loan payments.

### **The Most Popular Federal Housing Program Ever**

The G. I. Bill marked a major turning point in American housing policy. The resurgent lending and building industry took advantage of friendly government policies and low land costs outside cities to build mass housing for veterans in the form of suburban single-family homes, not urban rental apartments or public housing. Along with the FHA program, the VA housing helped raise the nation's home ownership rates from well under half of all homes to more than 60 percent by 1960. It should be noted that Americans, whose appetites were whetted during the war for consumer goods of all kinds, leapt at the opportunity of home ownership.

A great source of the G. I. Bill's popularity and political strength was that it was a broad-based social program aimed at members of the working- and middle-classes. After the war, some in Congress had worried that houses created by programs such as the Veterans Emergency Housing Act might end up in the hands of non-veterans with high incomes. The authors of the Senate report on the 1950 legislation amending the VA program insisted that the bill must help

middle-income families, who they described as “the families of the average workingman—the clerks in the stores, the men who put gasoline in your car, the neighborhood grocer, the rank and file of labor, the average young veteran.” President Truman agreed on the need for houses affordable to those of moderate income, whom he called the “backbone of the nation.” Although the G. I. Bill and the other veterans housing programs to varying degrees also served low-income Americans, their sponsors presented the programs as ways to help deserving middle-income workers, not the poor.<sup>26</sup>

Nonetheless, since so many had served in the war, the VA loan program for a time came close to being an entitlement program. In practice, the uneven nature of the housing credit industry limited the VA housing program by geography and race. Rural areas had few credit institutions. Worse, African Americans, particularly in the South, were unable to get mortgages from local white-run savings and loan companies. (Such inequities were a consequence of leaving implementation of the program to local lenders.)<sup>27</sup>

Such was the broad-based appeal of veteran housing in the postwar years that it paved the way for housing programs targeted to special constituencies. When many veterans took the opportunity offered by the education provisions of the G. I. Bill, college and university presidents came hat in hand to Washington, arguing that the influx of vets required the government to help private and public schools build dormitories. As a result, Congress created the college housing program in the Housing Act of 1950. The college housing program followed the precedent in the veterans program of providing direct government housing loans, in this case to educational institutions. The direct loans in college housing in turn provided a model for the elderly housing program, Section 202 of the National Housing Act. Passed in 1959, Section 202 set up a revolving fund from which the administrator of the HHFA could lend to nonprofits and nursing homes to build rental housing for elderly persons. Significantly, the popularity of each of these groups—veterans, students in higher education (a national priority in the Cold War), and the elderly silenced any objections that the representatives of private industry and supporters of free markets might have had.<sup>28</sup>

### **Lessons and Observations**

The postwar housing crisis demonstrates that in the United States highly centralized control of the housing industry—as Wyatt tried to do through cost, material, and rent controls—is extremely difficult. Under the kind of pressure the country faced at war’s end, it may well be

impossible. Although Wyatt had only a year to prove its effectiveness, his experiment revealed the problems that arise from attempting to organize production in a fragmented and localized industry such as housing. Both the supply and demand dimensions of the housing field are complex. Hence, those decision makers at headquarters can find it hard simply to obtain relevant information from many and varied localities over the large territory of the United States.

Furthermore, centralized control entices managers facing complex conditions to seek a single large and simple solution—which likely will fail. In the case of the postwar emergency housing plan, the siren of false policy was to commit primarily and prematurely to rapid mass-prefabrication heavily dependent upon the Lustron Corporation. Of course, the personality of the director is another factor; someone other than Wyatt might have embarked on a more flexible strategy and pursued it more tactfully.

Still, establishing a highly centralized government program is politically problematic. In the United States, private industry holds a strong political position, in part because of societal attitudes, and any large effort to take away its prerogatives—and business—will likely provoke a powerful political counter-campaign against the program. In any case, a single control headquarters for a massive program creates a large political bulls-eye for critics to target. Opponents can blame any faults, be they superficial, temporary, or inherent, on the Washington agency in charge.

Conversely, the positive lesson that the postwar housing crisis teaches is that some form of decentralized administration is conducive to successful housing policies. The VA program of the G. I. bill, as well as the FHA, was decentralized and, once government incentives were sufficient, appeared to break the housing logjam. Decentralization carries its own risks: the program did not operate well for racial minorities and without the rise in employment and incomes could have cost the government substantially.

Besides its decentralized structure, VA housing owed its success to its political supporters outside government. The program owed its existence to key constituent groups: the American Legion and other veterans groups which largely conceived and channeled political pressure for the program in a timely fashion. In addition, the program worked through private lenders and helped private home builders. Happy to get customers, the housing industry strongly supported this government program and basked in its patriotic glow.

Just as importantly, the VA program served a population that evoked admiration and sympathy. After long years of war and domestic privation, the American public viewed veterans, who had put their lives on hold for the cause, as worthy of help. Because veterans were seen as middle-class, moreover, the VA housing program aimed at and appealed to a population group that is a key part of the American electorate.

Last but not least, the VA program for the most part produced a modest but inexpensive version of a popular type of home—the single-family house.

#### **IV. HOUSING REMEDIES FOR THE URBAN CRISIS**

At the end of his term in office, Lyndon Johnson managed to achieve two significant housing laws, the Fair Housing Act of 1968 and the Housing Act of 1968. In creating and passing both laws, events played a large part. After looking briefly at the events leading to the passage of the Fair Housing Act of 1968, we will examine the forces that created the low-income housing of the Housing Act of 1968.

#### **CONTEMPORARY CONDITIONS**

The extraordinarily dramatic events of the 1960s, as is well known, caused profound political upheaval in the United States. After John F. Kennedy was cut down in 1963, the Civil Rights movement came to a climax, riots broke out in the urban ghettos of America's cities, and in 1968 two great national leaders, Robert F. Kennedy and Dr. Martin Luther King, Jr. were also assassinated. At the same time, the escalation of the war in Vietnam, emergence of the counterculture, the rise and disintegration into violence of the New Left political movement, and mounting anti-war demonstrations helped create a time of political and cultural turmoil like no other in recent history.

Yet the 1960s were also prosperous years. To business people the decade was memorable for a great bull market, dazzling growth of technology companies such as IBM and Xerox, conglomerate mergers and acquisitions, and the popularity of the “nifty fifty” corporations as sure-thing investments. Often forgotten today, the prosperous times increased the American public's tolerance for spending on social programs.

In the latter years of the decade, the country began to show economic strains from the large government spending on domestic programs and the war in Vietnam. Inflation began to take hold in the American economy. To prevent further inflation, the president and his advisers

decided in early 1968 to impose a ten percent surcharge to all individual and corporate income taxes and to make cuts in federal spending.<sup>29</sup>

The housing boom of the 1950s continued through the 1960s. The annual number of housing starts for the 1960s averaged 1.4 million, only a little below that of the 1950s when pent-up demand pushed housing construction. As a result, suburban development continued to show great momentum, as single-family houses took up about two-thirds of the new housing starts. As whites increasingly took up residence in the growing suburbs, African Americans and members of other minority groups spread out from inner-city ghettos into outer-city neighborhoods. Although it had little impact on the degree of residential segregation, the migration of African Americans alleviated the critically crowded housing conditions in the ghettos during the early postwar period.

## **POLITICS**

The politics of crisis in general brought with it a decisive electoral swing to the left. In the election of 1965, Democrats seized 68 percent of the seats in both Houses of Congress, and many of the elected were liberals. The two-thirds party domination was not as great as the historic dominance during the 1930s, but gave the Lyndon Johnson (LBJ) and congressional party leaders far more leeway than Obama and the Democratic leadership have had (after the 2008 election, Democrats held less than 60 percent majorities in both houses; the 2010 election narrowed their margin in the Senate to a majority of one and delivered the House to the Republicans by a 55-45 percent margin). With such large majorities, as well as support from liberal Republicans (a group that has largely disappeared), Johnson was able to use his legerdemain of personal persuasion to extract an astounding record of legislation from the 89<sup>th</sup> Congress, including the cluster of anti-poverty programs, aimed at achieving what LBJ called the Great Society.

The civil rights movement took up the attention of and greatly influenced policy makers in the 1960s. Led by the Johnson administration, the nation's political leaders responded to the lunch counter boycotts, bus integration demonstrations, and voter registration drives by passing the Civil Rights Act in 1964, and after the climactic demonstrations in Selma, Alabama, the Voting Rights Act in 1965. The civil rights movement then moved north. In 1966 the Southern Christian Leadership Conference and Dr. Martin Luther King, Jr., joined the Chicago Freedom Movement, which attacked the problems of poverty by campaigning against slums and

discrimination in housing but became bogged down. Meanwhile, the “black power” movement, with its overtones of racial nationalism, challenged the integrationist goals of the civil rights movement.

Most dramatically, the outbreak of riots in African American neighborhoods at the peak of the civil rights movement galvanized the multiplying worries about America’s cities. From the first large outbreak of violence in New York’s Harlem and Bedford-Stuyvesant neighborhoods in 1964, every summer the riots multiplied and grew larger. In 1965 the spectacular upheaval in the Watts district of Los Angeles riveted the nation; in 1967, 128 cities experienced disorders, including the Detroit riot that was the worst in modern memory. In April 1968 the assassination of Martin Luther King, Jr. provoked upheavals in dozens of cities, including Washington and Chicago where thousands of U.S. soldiers were sent to pacify the population. By the late 1960s, the violence had forged a belief in the “urban crisis,” an issue of utmost national importance to resolve.

Opposition to the Vietnam War and discontent with the liberal agenda—including backlashes against integration, riots, and the counterculture—took a toll on the popularity of both the president and the Democrats. In the 1966 election, the Democrats lost almost 50 seats in the House, although they retained a 57% majority, and 4 seats in the Senate. The events of 1968 threw national politics, especially on the Democratic side, into complete turmoil. On March 31, 1968, Johnson announced he would not run for re-election; on April 4, Martin Luther King, Jr. was assassinated; after winning the California primary on June 5 Robert Kennedy died from an assassin’s bullet; and in August 1968 at the Democratic convention the Chicago police fought demonstrators in the streets.

## **IDEOLOGIES**

Ideologically, the nation’s leaders in making policy interpreted the urban crisis as a symptom of America’s deep-rooted problems of racial inequality. Although there were some dissenters, most agreed with the president and congressional liberals that the government should act against discrimination in employment, education, and housing and continue to try to end poverty.

The proposals and programs aimed at ending urban violence and racial inequality incorporated diverse and at times contradictory ideological approaches. To quell the long-term causes of the urban unrest, Congress in 1966 passed the administration’s ambitious Model Cities

program. Within it, centralized systems management and planning, borrowed from the Department of Defense, vied with decentralized community participation, derived from the anti-poverty community action program and the community organizing work pioneered by Saul Alinsky.

Physical or environmental determinism, a long tradition in American thought, inclined American leaders to blame slums and ghettos for the upheavals in the cities. In 1966 both Vice-President Hubert Humphrey and Robert Weaver, Secretary of the newly-created Department of Housing and Urban Development (HUD), strongly condemned “the deprivations of the environment,” urging action “to heal their sickness before they explode.” Two years later, the Kerner Commission on civil disorders concurred with this interpretation.<sup>30</sup> Hence, many concluded that a solution to urban violence lay in producing better homes for the lower classes. “Everyone agrees,” wrote Democratic congressman Wright Patman to President Johnson in August 1967, “that bad housing is one of the major causes of the social unrest and discontent. This is a time when we should be accelerating our housing programs to serve lower income families.”<sup>31</sup>

In search of ways to end the urban crisis, policy makers turned to private enterprise. The corporate boom of the 1960s inspired hope that business would serve as an engine of social change. For example, New York Senator Robert Kennedy sought to harness the power and wealth of corporate America for social betterment.<sup>32</sup> In 1966 Kennedy and his aides developed the idea of a “community development corporation,” and as an experiment set up two nonprofit organizations in the Bedford-Stuyvesant neighborhood of Brooklyn, one made up of local leaders and another of corporate executives—including the chairmen of IBM and First National City Bank (Citibank). As Daniel Patrick Moynihan put it, the Bedford-Stuyvesant project would “get the market to do what the bureaucracy cannot.”<sup>33</sup>

Similarly the president and his administration sought to tap corporate power to solve the urgent problems of the cities. In 1966 the administration assembled one hundred business leaders for a “Business-Government Conference on Urban Problems” and HUD Secretary Weaver announced the Turnkey program, in which private developers built housing projects for local housing authorities. In the annual State of the Union address in January 1967, the president declared, “We should call upon the genius of private industry...to help rebuild our great cities.”<sup>34</sup> Later that year, LBJ ordered each of his cabinet secretaries to come up with ways the private

sector could solve the massive problems facing America's cities.<sup>35</sup> Indeed, by the end of his term in office, Johnson had made the term, "public-private partnership" a slogan of his administration.

## **NARRATIVE**

### **A Brief Look at the Fair Housing Act**

Two major events helped bring the campaign to bar discrimination in residential real estate transactions to a climax in 1968. Since the late 1940s, the effort to end discrimination in housing had been fought on two fronts: government agencies and the private sector. In 1962, John F. Kennedy partially fulfilled his campaign promise to outlaw housing discrimination by federal agencies—such as FHA which considered race when deciding to insure mortgages—with a "stroke of a pen," i.e., an executive order. A provision of the 1964 Civil Rights Act expanded the federal government's commitment to non-discrimination its programs, but left alone homes acquired with FHA and VA mortgages.

As the civil rights movement grew strength during the 1960s, states began adopting their own fair housing measures, increasing pressure for a sweeping federal housing anti-discrimination measure. In 1966, President Johnson recommended a new law that would ban discrimination in all private sales and rentals of homes. Liberal Senator Walter Mondale (D-Minn.) pressed the case, but southern conservative opposition in Congress stalled the legislation.

In 1967, Mondale again introduced anti-discrimination legislation, on which the Senate held hearings that August. The bill was held over to be considered in the next session of Congress in 1968. In January Lyndon Johnson again asked Congress to pass the omnibus civil rights bill, with its open housing provision. Nonetheless, in February Senate conservatives defeated a cloture vote that would have ended their filibuster.

The Senate liberals, uncharacteristically well-organized, mustered a sufficiently large number of senators to indicate that, with some compromise on the extent of the bill's coverage, they could win the vote. After conceding to the Senate minority leader some reduction in the bill's enforcement and coverage, however, the vote was still up in the air.

On March 1, just days before the scheduled vote, the Kerner Commission released its report in which it emphatically condemned the discrimination that had created racial ghettos and endorsed the policy of integration including a comprehensive open housing law. On March 4,

Senate voted for cloture and a week later passed the bill by a large margin. The bill now went to the House to vote on the bill with the new Senate amendments, where it was referred to the Rules Committee. It appeared as if the bill might die in the Rules Committee, but that immediately changed on April 4, 1968 when Martin Luther King, Jr. was assassinated and violence immediately erupted in the District of Columbia. The Rules Committee quickly wrapped up its hearings and reported the legislation out, and the members of the House, mindful of rioting in the streets, passed the bill.<sup>36</sup>

On April 11, 1968 Johnson signed the Civil Rights Act of 1968, including Title VIII better known as the Fair Housing Act.<sup>37</sup> It banned discrimination on the basis of race, color, religion, and national origin in all real estate transactions, except for single-family houses sold without a broker and owner-occupied buildings with four or fewer units. Although its enforcement mechanisms were weak, the new law set the moral and legal authority of the federal government against housing discrimination.<sup>38</sup>

### **Rivals' Programs for Low-Income Housing**

After three years of passing large housing and urban development bills, the Johnson administration chose not to prepare any major low-income housing legislation for 1967. But with violence breaking out in the cities, members of Congress that year leapt into the legislative vacuum by proposing dozens of bills. Of the many proposals, the most original bills were submitted by two freshman senators—Robert F. Kennedy (D-New York) and Charles H. Percy (R-Illinois). As it turned out, these two senators were considered LBJ's political rivals and potential contenders for the presidency. This fact alone determined that Johnson and his men would oppose their plans.

Kennedy's plan called for encouraging "private enterprise to provide adequate housing in urban poverty areas." As part of a campaign to lure large businesses to economically deprived areas such as Bedford-Stuyvesant, Kennedy proposed a combination of tax credits and accelerated depreciation methods as the profit incentives for large-scale housing developers. While administration officials privately deemed Kennedy's housing proposal worthy of serious consideration, publicly HUD Secretary Weaver criticized the bill as inadequate and expensive and the treasury department dismissed the proposal for aiding too few people. The White House's opposition led the Senate finance committee, chaired by long-time Johnson ally Russell Long, to bury the bill.<sup>39</sup>

In contrast to Kennedy's program, Percy's proposal to enable low-income families to purchase houses had an immediate impact on national policy. Based on the ideas of Charles Abrams, one of the original public housers, it called for a quasi-public nonprofit entity, the National Home Ownership Foundation, to lend or guarantee loans made by local lending institutions to nonprofit, cooperative, or limited-dividend groups to build or rehabilitate "safe, decent, low-cost" homes for sale. The act called for the Department of Treasury to provide direct subsidies to low- and moderate-income people taking out home mortgages. Percy's home ownership bill contained some striking innovations: the nonprofit groups were to provide training and counseling to the home buyers; low-income home owners' insurance against foreclosure due to illness or unemployment; and the potential for buyers to use their own labor to defray costs or "sweat equity."<sup>40</sup>

Ordinarily liberals would support a low-income housing bill based on nonprofit organizations, but its authorship by a Republican confused the usual lines of political support. Glad to have a legitimate Republican policy alternative, Percy's fellow Republicans rallied to the bill: all 36 Republican senators and 106 of 187 House Republicans signed on as co-sponsors. Percy persuaded four Democratic senators to co-sponsor the act, and several others would have joined the effort but declined to endorse an act authored by a likely Republican candidate for the presidency.

Indeed, Johnson and his allies attacked Percy's bill from numerous fronts. Weaver, who was deeply skeptical about home ownership for the poor, labeled Percy's bill a "gimmick" and "simply inadequate." The liberal AFL-CIO condemned it as a "cruel hoax," and the National Housing Conference (NHC) and the National Association of Housing and Redevelopment Officials (NAHRO) both rejected the bill. The industry trade associations, the National Association of Real Estate Boards (NAREB, now NAR) and National Association of Home Builders (NAHB) were also cool to the idea. Used to dealing with HUD and the FHA, the housing interest groups disliked the idea of placing control in the hands of an independent nonprofit foundation.

More ominously for Percy, Democrat Senator Walter F. Mondale (Minn.) pushed an alternative home ownership program to be carried out by for-profit businesses—using the FHA mortgage insurance system and private mortgage financing—rather than nonprofit organizations. Banking and Currency Chairman John Sparkman (D-Alabama) instructed Mondale and Percy to

come up with a compromise between their two bills, but the result of the negotiations produced a bill that left only the goal of low-income home ownership from Percy's bill. Seeing that Percy was losing control of the bill, Republicans began drifting away from it.<sup>41</sup>

### **Runaway Commissions Attack HUD**

To rescue America's cities from disaster, Johnson called on outside expertise in the form of two national commissions. It was not unusual for Johnson to look for policy advice outside the government: during his time in office, he made extensive use of "task forces" to circumvent the standing bureaucracies. In January 1967 he set up the National Commission on Urban Problems as an independent body to review and reform the ways that zoning, building codes, taxation and development standards hindered the supply of low-cost housing. The president named former senator Paul Douglas (D-Illinois) to be its chair and gave him free rein.

From the first, HUD Secretary Weaver objected to the idea of an independent commission and refused to help Douglas investigate HUD's effectiveness. Douglas for his part considered Weaver to be a "timid and ineffective" bureaucrat. Weaver also opposed Douglas's decision to hold extensive hearings around the country on the plight of the cities. When the witnesses and Douglas himself criticized the government's public housing and urban renewal programs, Douglas alienated not only Weaver, but also the White House. Burdened by a weak staff, Douglas himself ended up writing a confusing tome of a report which Johnson did his best to bury.<sup>42</sup>

In the meantime, Johnson plotted to concoct his own housing plan—in true LBJ fashion, one of unprecedented magnitude—to supplant those of his political rivals. LBJ, however, did not trust Weaver to come up with an innovative public-private solution to the problem of housing. Rather than simply asking Weaver to draft a bill, Johnson created another commission to develop the policy. In the early part of LBJ's term, Weaver had been able to monitor and even influence the recommendations of various task forces by placing representatives on them. The personnel of the new housing committee were beyond Weaver's reach, which as with the Douglas commission posed challenges to the HUD Secretary.

In June 1967 Johnson announced the formation of the commission, named to reflect his grand ambitions, the Committee to Rebuild America's Slums. To ensure that private industry dominated the group, the president placed at its head an old ally, Edgar Kaiser, president of the corporate conglomerate Kaiser Industries, Inc.,<sup>43</sup> and stacked the committee with businessmen:

construction and building supply company executives, home builders, real estate developers, and a prominent Chicago banker. Although LBJ included a few reliable labor and civil rights leaders, he left out groups such as the National Housing Conference or NAHRO. Such public housers were grateful that the president had increased the levels of spending on public housing and, in any case, knew he was already committed to a new public-private approach.

The relationship between the Committee to Rebuild America's Slums and the newly created Department of Housing and Urban Development was uncomfortable from the start. Johnson and his special aide for domestic policy, Joseph Califano, wanted to use Kaiser to rouse the federal bureaucracy to action. To Weaver's credit, he freely provided staff and support to Kaiser's group, including its feisty staff members. Yet the very existence of the Kaiser committee indicated that LBJ did not feel that HUD could handle this assignment.

Complicating matters, Kaiser then attacked Weaver behind the scenes. The committee's investigation of the government housing programs in the fall of 1967 convinced Kaiser that by shaking up its project pipeline HUD could triple its production of assisted housing. But HUD officials backed up by the budget bureau argued that it would be impossible to produce anything close to the results the Kaiser committee staff projected.<sup>44</sup> Kaiser concluded that with Weaver at the helm, HUD would be unable to produce a large public-private program quickly. He criticized the secretary to the White House, asking the administration to hem in Weaver with two new under-secretaries who could push HUD to increase production of low-income housing.

Kaiser's campaign could have put Weaver's job in jeopardy, but fortunately for the Secretary an unexpected ally emerged to defend Weaver on the Kaiser committee. Surprisingly, it was Leon Weiner, the president of the NAHB. Weiner was one of a group of pro-growth, pro-business liberals who had risen in the home builders' trade association. Weiner, who had overcome anti-Semitism to rise to the presidency of the NAHB, fiercely opposed public housing but was just as strongly committed to civil rights. He had previously won Johnson's approval by swinging NAHB support for the administration's Rent Supplements and Model Cities programs. To be sure, Weiner's support of Weaver was advantageous to the home builders, who had a strong interest in preserving HUD agencies, especially FHA and FNMA, that supported their business. Regardless, in the subcommittees and general meetings of the Kaiser committee, Weiner forcefully stood up for HUD and fought to preserve its authority. Outside the committee,

he helped arrange for NAHB to adopt a legislative agenda that matched HUD's program so precisely it surprised some HUD officials.<sup>45</sup>

### **To Make a Truly Big Housing Bill**

While Johnson charged the Kaiser committee with finding ways to rebuild all of America's slums, he also directed Weaver "to put together a ten-year housing program that would eliminate all the substandard housing in this country."<sup>46</sup> Thus, the president divided responsibility for what would become the 1968 housing bill between the Kaiser committee and HUD. Meanwhile, the Congress, led by Senate Banking and Currency Committee chairman Senator John Sparkman (D-Alabama), worked on its own legislative proposals. The three centers of power pushed ahead simultaneously, consulting and jousting with one another while they advanced their own particular agendas. Because of the effective work of Kaiser committee staff led by Howard Moskof, Kaiser's own leadership abilities, and especially the trust and support of the president, the Kaiser committee was able to influence the legislation as Sparkman and others drafted it.<sup>47</sup>

With everyone from the president on down convinced that a large program of housing would help stop the rioting and save the ghettos,<sup>48</sup> it was evident that the legislative package would have to include some great production goal. Hence, Kaiser and the committee's chief of staff, Howard Moskof, organized a subcommittee to work on the task, and Moskof hired two technical consultants and tapped economists from HUD, the Council of Economic Advisors, and NAHB to come up with a target for housing production. The experts calculated current supply and volume of rehabilitation, rate of home building and demolitions, likely future demand for housing based on demographic information such as immigration and household formation, "national housing needs" for particular income groups (e.g., to replace substandard units and end crowding of poor families), and the ability of the private market system to supply the homes for all groups. In the end, the committee accepted a goal in the next ten years to build or rehabilitate 26 million dwelling units, of which 6 million would go to low- and moderate-income families.<sup>49</sup>

But NAHB was the driving force for the idea of national goals, only one of several instances in which the home builders' association shaped national housing policy in 1968. By organizing interest group conferences housing goals on the outside while Weiner lead inside the Kaiser committee, the NAHB obtained an added provision in the 1968 legislation that the government annually review progress toward meeting the goals.<sup>50</sup>

A delighted White House jumped on the big target for housing, even while the bill was pending. In his January 1968 State of the Union address, the president put the Kaiser committee figures forward as a national goal. Johnson called for 300,000 new housing units for low- and middle-income families next year—more than half of the production of the previous ten years—and 6 million in the following decade.<sup>51</sup>

### **The Big Business Approach to Housing**

The large housing goals raised the stakes for the 1968 housing legislation but left unanswered the question of how to reach them. The White House pushed the idea of new building technologies, but the Kaiser staff, with the help of NAHB expert testimony, was able to convince the committee to keep this approach small and experimental. That left the committee members to struggle over whether small or big business could mass produce housing sufficiently to hit the ten-year targets.

In the 1960s the large business model had great allure, especially when compared to the small-scale, localized, and fragmented nature of the home building industry. “The industry,” a Kaiser committee memo lamented, “has no GM, GE, IBM, Esso, AT&T or similar unit with the size and market power adequate for the tasks now before it.” At first some committee members envisioned a public-private profit-making corporation, a version of the Corporation for Public Broadcasting or the Communications Satellite Corporation (COMSAT) that would build apartment buildings and houses.<sup>52</sup> Those who were familiar with the housing industry objected. “Proposals for vast joint Government-industry corporations are more dramatic than realistic,” wrote Weiner, the head of the home builders’ association, “Such mechanisms would be cumbersome and unworkable in an industry where flexibility is the first consideration.”<sup>53</sup>

The Kaiser committee revised the concept of the housing corporation into a national finance agency. The proposed National Corporation for Housing Partnerships would build up a fund with money from corporate members and investors and use it to provide the working capital for local development projects. To attract investors, Kaiser proposed tax benefits that would allow investors to deduct losses and depreciation from the venture from their incomes.<sup>54</sup> “The idea was that private enterprise would invest [and] get the tax benefits,” Moskof explained, “and now you would have a well-funded organization which would assist local...nonprofits to build housing all over the country.” His idealistic staff members objected that it was boondoggle for corporations, but Moskof saw no harm in the scheme. After several Fortune 500 executives

indicated they would be willing to participate in the new corporation, Kaiser convinced skeptical committee members such as Weiner to agree to it. The White House approved, and in March 1968 HUD staff worked with Senator Sparkman to incorporate the National Corporation for Housing Partnerships in the housing bill.<sup>55</sup>

### **Builder Programs for Home Buyers and Renters**

Weiner and the home builders accepted the National Corporation for Housing Partnerships because they knew that the 1968 housing bill would contain two new large low-income housing programs geared to their industry. The NAHB had been consulting with the respective Senate and House committee staff members and HUD's legislative liaisons as they drafted provisions for low-income home buyers and renters.

The home ownership provision, titled Section 235 of the National Housing Act was inspired by Percy's proposal of the prior year. Section 235, however, transformed Percy's small-scale plan for nonprofits to help low-income people purchase and maintain houses into a large-scale production and sales program located within the FHA-private industry system. Borrowing a subsidy mechanism from Percy's proposal, Section 235 enabled HUD to pay to private lenders of the FHA-insured loans the difference between 20 percent of the home buyer's monthly income and the monthly mortgage payment. To boost the volume of subsidized houses, the program's mortgage interest rate was lowered from Percy's figure to 1 percent—to reach the low-income group—while the limits on the home buyers' incomes were raised—adding moderate-income customers.

To push the FHA to insure the new mortgages and stop redlining inner city neighborhoods, the bill's authors loosened credit requirements for borrowers and viability criteria for neighborhoods. They also created a Special Risk Mortgage Fund for the new programs' mortgages that, they stated, was "not intended to be actuarially sound." The new bill also minimized the first-time buyer education that Percy had emphasized in his scheme, an omission that would come back to haunt the government.

The major actors in the drafting of the 1968 housing bill supported Section 236, the bill's program for development of rental housing. Weaver, the Kaiser committee members and staff, and major interest groups all wanted to boost the output of an existing but unproductive subsidy program, Section 221 (d) (3), aimed at encouraging nonprofit entities to build or rehabilitate buildings with rental units. The solution, advocated by both HUD and the Kaiser committee,

was to replace the old program's method of purchasing below-market-rate mortgages with an annual subsidy that allowed rental developers to pay mortgages the interest rate of only 1 percent. In this way, Section 236 subsidized rents for lower income households and had less impact on the annual budget than its predecessor, which made it politically more palatable to members of Congress.<sup>56</sup>

### **Clear Sailing**

As the Congress took up the big housing bill in the spring, Lyndon Johnson's task force strategy began to pay off. In March 1968, Sparkman and his counterpart in the House, William Barrett (D-Pennsylvania), introduced and held hearings on the legislation. First, HUD Secretary Weaver, then Edgar Kaiser, the chairman of the president's urban housing committee, endorsed the legislation. A noteworthy parade of interest groups followed. The long-time supporters of public housing—the AFL-CIO, U.S. Conference of Mayors and National League of Cities, and NAHRO—all favored the massive social program to save urban America. But so too did the traditional enemies of public housing: NAHB, the Mortgage Bankers Association of America, American Bankers Association, and even the conservative U.S. Chamber of Commerce. The legislation had brought both sides of the housing lobbying war together.<sup>57</sup>

With such a phalanx of support—and the memory of the riots that followed the assassination of the Reverend Martin Luther King Jr. still fresh—members of Congress were not disposed to alter the legislation greatly. They fussed with the formulae for eligibility for the housing programs—attempting to restrict the programs to relatively lower-income families—and slightly reduced the administration's large authorizations. But for the most part, the bill enjoyed clear sailing. In May it passed the Senate by a roll call vote of 67-4; in July the House approved it by almost a two-to-one margin. The chambers adopted the conference report by similar margins, and on August 1, 1968, Lyndon Johnson signed the Housing and Urban Development Act of 1968 into law.<sup>58</sup>

### **Lessons and Observations**

History teaches that the success of a new policy depends greatly on the political place from which it emerges. Senator Percy's plan for home ownership, although smaller than what would eventually be passed, was arguably superior in its safeguards. Although its use of

nonprofit groups would normally appeal to liberals, Percy's party affiliation as a Republican and image as someone with presidential ambitions prevented Democrats from supporting it.

The presidential commission has powerful potential for making policy *if* the president and key congressional leaders see it as a vehicle. The Kaiser committee succeeded for several reasons. Kaiser was a skilled leader who hired a bright and capable staff, whose director could parley with Congressional leaders as well as committee members. Kaiser also had the President's ear when he wanted it, and more importantly, the president's interest and trust.

The composition of the outside policy committee was also helpful. The members of the committee were mainly well-known national business leaders, labor, and civil rights leaders. They represented different constituencies and were also the President's allies, both of which gave the committee credibility on Capitol Hill. Public housers, the one group left off the committee, did not go along with the new legislation because they knew that LBJ had already raised appropriations for public housing and that, as HUD's recent programs indicated, new policies would be built on private sector participation.

Yet, as Robert Weaver was well aware, the presidential commission can be a problematic device for making policy, particularly if it is given a great deal of independence. For starters, there is the threat of a runaway group that ends up attacking the administration that created it, as did Paul Douglas and the witnesses in the hearings held by Douglas's National Commission on Urban Problems. The creation of a policy commission also sets up a potential rival to agency officials for control of policy. LBJ, for example, treated the Kaiser committee as an alternative housing policy agency to HUD, using it to develop and evaluate policy proposals. The conflict of interest between the Committee and HUD grew so extreme that Kaiser at one point tried to restrict Secretary Weaver's ability to shape policy.

Finally, as in all times of crisis, circumstances and events outside the government set the framework and the timing for policy making. The violent upheavals in the nation's cities combined with the tragedies of the political assassinations swung political support to urban policy in general and to the administration's proposals. In the late 1960s, even conservative and business leaders were shocked by the turn of events and looked to Washington for policies to help save the nation. Housing industry leaders, particularly of the NAHB, similarly supported the president, even as they shaped the legislation to their liking. Liberals, although given to

criticizing administration officials for not going far enough, also felt the pull of events and united (on urban and housing issues at least) behind the president's grand housing act.

## **V. POLICY CRISIS AND THE LONG WINDING ROAD TO A NEW APPROACH**

### **CONTEMPORARY CONDITIONS**

The years between 1968 and 1983 were a rocky period for the American economy. During these years, the United States experienced not only what economists sometimes call the Great Inflation, but also relatively high rates of unemployment and spikes in the price of energy, particularly the oil price hike of 1973. In the mid-1980s inflation declined, but only after a deep recession induced by tight monetary policy slowed price appreciation.

Despite the repeated shocks to the American economy, between 1968 and 1983, new homes were built at a volume never reached before or since. The most productive period fell during the 1970s, when the United States counted 19 million housing starts, 3 million of which were subsidized dwellings for low-income households.

The massive production in the 1970s reinforced two long-standing trends, which affected low-income housing in the United States. The first was that the boom in new construction and remodeling of existing buildings significantly improved the quality of the nation's homes. The proportion of American homes lacking running water, a flush toilet, or a private bath had plunged from 45 percent in 1940 to less than 3 percent in 1980. While the percentage of homes in need of significant physical repair also fell, between 1940 and 1980 the percent of United States citizens living in severely crowded conditions decreased from 9 percent to less than 1.5 percent and the share of homes considered crowded declined from 20 to 4.5 percent. The marked improvement in housing conditions undermined the rationale for building new homes for low-income families, which had been federal policy since the creation of the public housing program in 1937.<sup>59</sup>

At the same time, the building of tremendous numbers of residences, mostly in the suburbs, contributed to the movement of Americans to the outer sections of metropolitan areas. Starting about 1970, millions of African Americans took advantage of new housing opportunities and their own rising incomes by moving to outer-city neighborhoods and suburbs. With the departure of so many middle- and working-class Americans, inner-city neighborhoods became

predominantly precincts of the poor. This was especially true of public housing developments, which attracted an increasingly impoverished tenantry.<sup>60</sup>

Starting in the 1980s, a long period of unevenly distributed prosperity began. With the exceptions of the recessions that occurred in the early 1980s and again at the turn of the decade of the 1990s, the American economy grew. Wealth increased in certain sectors, notably finance and technology, yet median incomes rose only slowly. Great flows of immigrants helped swell the population of many but not all metropolitan areas, as these regional economies grew. Certain cities and suburbs, in the northeast and on the West Coast especially, experienced large and sustained rises in land values and housing prices. Encouraged by the federal government, home ownership rates rose to historic highs, but the proportion of income households paid for shelter also rose, creating added burdens to low-income Americans.

## **POLITICS**

In retrospect it is apparent that Richard Nixon presided over the last of the liberal New Deal-style administrations. The Democrats held sway in Congress, and liberal-left politics, which emphasized opposition to the Vietnam War and support for civil rights and government social programs, peaked sometime in the early 1970s. In his first term especially, Nixon responded with an array of bold domestic proposals, including those for the Environmental Protection Agency (successful) and a sweeping guaranteed income for all Americans (unsuccessful).

After Nixon's tenure in office ended in 1974, rocky economic conditions pushed the nation away from expansive liberalism. In the wake of the Watergate scandal, the Democrats enjoyed a short-lived ascendancy with large majorities in both houses of Congress, but in the late 1970s, political conservatism began to gain strength. The 1980 election brought a true conservative ideologue, Ronald Reagan, to the White House. For most of the 1980s, however, the Republicans controlled the Senate, while the Democrats kept their majority in the House of Representatives.

The election of George H.W. Bush in 1988 and majorities of Democrats in Congress heralded a centrist tone in national politics. The election of a "New Democrat" Bill Clinton to the presidency continued the trend of moderation. In 1994, the Republicans seized control of both congressional chambers, although by small majorities, instigating a period in which

domestic policy, as reflected in the enactment of work requirements for welfare recipients, continued along a relatively conservative path.

## **IDEOLOGIES**

Starting with the administration of Jimmy Carter and reaching a kind of apotheosis under President Ronald Reagan, the federal government became averse to spending great sums on domestic programs and more inclined toward retrenchment. The goal of saving the cities, which had become so urgent in the 1960s, all but disappeared from the national agenda. Instead, the dominant perception of a major social problem became the “underclass,” people who allegedly had been mired in poverty for generations and were stuck permanently in dependency. For conservatives, and increasing numbers of voters, modifying and not rewarding this group became paramount, and the idea of reforming the welfare system gained traction. Under presidents George H. W. Bush and Bill Clinton, the stringent domestic policy abated somewhat, but the conservative ideas in both of these centrist administrations contrasted sharply with the liberal orientation of the Johnson and Nixon administrations.

## **NARRATIVE**

In a few short years after its passage, the Johnson administration’s vaulting new housing law—with its ambitious national goals and high-powered private sector low-income housing programs—crashed on the shoals of new realities. The result would be the birth of a very different approach to housing policy, one based not on enormous production engines, but on simply helping to pay rent. But changing policy would not come easy. Now accepted as a useful tool to help low-income people find homes, the full adoption of housing vouchers took two decades. Highlights of this long journey included a major program review by HUD, a presidential commission on housing policy, two demonstration projects undertaken thirteen years apart, and in between the largest housing program experiment the federal government has ever undertaken.

### **The Housing Policy Smash-Up**

If President Richard Nixon seemed to focus on domestic policy only fitfully, his administration officials took their jobs seriously. Nixon’s first Secretary of Housing and Urban Development, George Romney, was by personality and experience—as chairman of American

Motors Corp. and governor of Michigan—predisposed to strong executive action. He embraced the goal of stimulating housing production and energetically implemented the new FHA low-income housing programs inherited from the Johnson administration. Romney placed the current president of the NAHB, Eugene Gullledge, in charge of the FHA and to emphasize the point also named him Assistant Secretary for Housing Production. With first-hand knowledge of the obstacles home builders faced, Gullledge reorganized the FHA, streamlined the approval process, and set production goals for the fifty-some local FHA offices around the country.<sup>61</sup>

HUD was so successful in launching the Section 235 program for low-income home ownership and Section 236 for multifamily development for low-income renters that the production of subsidized housing reached its highest levels ever. In 1970, the number of all government-subsidized housing starts (including public housing and various FHA programs) soared to 431,000, or 30 percent of the total of all new dwellings started in the United States. If subsidized rehabilitated homes are added to the figure, the peak year came in 1971 when the number of subsidized units approached 500,000.<sup>62</sup>

But the price of speed was effectiveness, and highly publicized problems soon beset both programs. The Section 235 home ownership program produced a national scandal when local FHA officials were caught scheming with mortgage lenders and real estate appraisers to defraud naïve and unprepared home buyers into purchasing miserable but highly overvalued properties. In addition, the lack of proper screening of buyers produced an extremely high number of foreclosures, some 18 percent of the total. Many blamed Romney for charging ahead too quickly. HUD, critics charged, had failed to prepare FHA staff members, who were used to working closely with local real estate officials for middle-class and above buyers, to understand the low-income home buyers. Others felt he delegated too much responsibility to FHA state administrators, who were often political appointees. (It is worth noting that the Johnson legislation, shaped by the FHA-home builder coalition, had stripped Section 235 of the restraints that Charles Percy had originally proposed.)<sup>63</sup>

Section 236, the 1968 act's multifamily rental program, was spared the accusations of widespread fraud but fared little better. Many of the nonprofit sponsors proved inept, and inflated construction costs (to increase immediate returns and obtain higher government subsidies) and high foreclosure rates afflicted many 236 projects. To demonstrate the program's shockingly wasteful costs, the Senate's Subcommittee on Housing for the Elderly (part of the

Special Committee on the Aging) showed that a Section 236 purchase of a 211-unit housing project in Biloxi, Mississippi cost the federal government more than \$8 million, whereas using the Section 202 direct-loan program for elderly housing would have cost a third of that price.<sup>64</sup> Even housing advocate Cushing Dolbeare took a shot at Section 236, which she disdained for its tax subsidies that benefited wealthy investors and lending institutions.<sup>65</sup>

And public housing, the original government low-income housing program, also had run into trouble. As it was set up, local housing authorities paid for the maintenance of their housing projects with the tenant's rents. Starting in 1970, however, the Brooke amendments put a cap on the percentage of income the authorities could charge their tenants. By the early 1970s, the housing authorities in large cities had become caught between the financial scissor blades of falling tenant incomes—and therefore rents—and rising maintenance costs. A combination of factors including poor property management, deteriorating conditions, and general undesirability of public housing increased the number of vacancies and further lowered revenues. Congress began to make authorization payments to cover operating expenses for public housing authorities, and these operating subsidies ballooned from \$31 million in fiscal year 1970 to \$280 million in fiscal year 1973.<sup>66</sup> Meanwhile, the changes in public housing gave the projects an image of unsafe apartments where destitute tenants, frequently African American, lived.

The notorious Pruitt-Igoe public housing complex in St. Louis vividly exemplified the problems of public housing. Not long after its completion, the giant project comprised of almost 3,000 apartments in 33 high-rise elevator buildings began to deteriorate dramatically. After years and many millions of dollars spent to rehabilitate it, HUD and the St. Louis housing authority decided to demolish it by, oddly enough, blowing it up with dynamite. The dramatic destruction of Pruitt-Igoe, closely covered by national press, appeared as a shocking symbol of federal housing policy.<sup>67</sup>

### **A Growing Sense of Policy Failure**

While the bad press proliferated, the big-housing-production programs were losing popularity with the people who counted. Inside the Nixon administration, OMB officials were concerned that Romney's HUD operations were sloppy, and White House political operatives—including the president—were appalled by Romney's loud campaign to integrate the suburbs. By 1971 even HUD officials had grave misgivings about the housing production programs they were overseeing. In the third annual report on national housing goals, HUD questioned the

skyrocketing costs; the equity of treatment of people of similar economic circumstances; and the promotion of “poorly planned crackerbox developments” in the suburbs and segregated urban housing projects that looked like “prisons of the poor.”<sup>68</sup>

A chorus of complaints about the large production programs arose from members of Congress and mayors in both parties. Although the congressional housing subcommittees, who worked closely with their home builder and liberal constituencies, did their best to ignore the burgeoning problems, other congressional leaders with less stake in the fate of FHA pursued the matter. Two Democratic subcommittee chairmen in 1971 conducted investigations of the housing scandal. In 1972 Senator William Proxmire (D.-Wisc.) used the opportunity of the release of six Joint Economic Committee of Congress papers on housing policy to attack the current programs. That year Toledo congressman Ludlow Ashley, a rising Democratic leader in the House’s housing subcommittee, concluded “The whole housing delivery system has broken down. We have to reexamine the whole structure of federal programs in this area.”<sup>69</sup>

Many at the time—and since—disagreed. Not surprisingly, members of the housing-lobby complex that shaped the big-production housing programs—including NAHB, the National Housing Conference, and NAHRO—defended them as vital parts of the nation’s domestic policy. In the academy, political scientist R. Allen Hays analyzed the performance of the Section 235 and 236 programs and concluded that although they had severe problems—caused by administrative laxity and the inexperience of developers and officials—these problems were correctable.<sup>70</sup>

But even if the mechanics of the programs were fixable, a more fundamental problem lurked below the surface: did housing production even address the most pressing housing problem? Postwar home construction and remodeling had largely vanquished the decrepit overcrowded slums that gave rise to public housing and its descendant programs. At the same time, the cost of shelter for low-income families was increasing. It began to dawn on housing experts that the overriding housing problem in the United States was shifting from slums to affordability. In 1977, the authors of a Harvard-MIT Joint Center for Urban Studies analysis observed that programs that emphasized “the production of new, subsidized housing” did not help “people who are living in physically adequate housing but who, without sacrificing other necessities, cannot afford to pay their rent.” Income assistance, they concluded, would aid people in these circumstances more directly and effectively.<sup>71</sup>

Furthermore, the housing production programs for low-income people had failed to cure the economic decline of inner-city neighborhoods. In fact, it was more likely that the massive building of homes in the 1970s—3 million starts of subsidized housing units and 19 million housing starts overall between 1970 and 1979—accelerated the decline of low-income communities. On the positive side, the great surge of residential construction offered Americans of all backgrounds far more places to live. During the 1970s, great numbers of African Americans moved to outer-city neighborhoods and suburbs. Yet by decanting urban populations, the government-sponsored home building binge helped to depopulate inner-city neighborhoods and leave them dotted with abandoned buildings.

The decreasing slum conditions, the rise in housing costs for low-income people, and the excess number of dwelling units all argued for direct income supplements, not additional subsidized units.

### **Historical Context: Liberal Housing Advocates Introduce Tenant Rent Subsidies**

Whether called rent certificates, supplements, or vouchers, the direct subsidy of tenants had long been controversial. From the late 1930s through the 1940s, conservative industry trade associations—such as the U.S. Chamber of Commerce and the NAREB (now NAR)—proposed “rent certificates” as a way of providing low-income housing without public housing. At the time public housers adamantly condemned the idea as an unconscionable reward for slumlords and asserted it would raise rents. Over the years, various governmental commissions, including President Eisenhower’s Advisory Committee on Government Housing, considered the idea only to drop it as untenable.<sup>72</sup>

Then starting in the late 1950s, liberal housing reformers began to discuss renter subsidies as an alternative to public housing, whose efficacy they had begun to doubt. At a NAHRO conference in 1958, two authors of the 1937 federal public housing law, Catherine Bauer and Warren Jay Vinton proposed using rent certificates “to scatter problem families” and in conjunction with other programs provide low-income housing.<sup>73</sup> As John F. Kennedy’s chief of HHFA, Robert Weaver used his policy laboratory, the HHFA low-income demonstration program, to fund rent subsidy pilot programs in several cities. In September 1963, he announced that it was now possible to give tenants rent supplements without supporting slums or inflating rents, the major objections in the past.<sup>74</sup>

Under Weaver, the federal government then took its first tentative steps in the direction of direct renter subsidies. In the Housing Act of 1964, Weaver and his HHFA staff inserted a provision that allowed the government to help pay the rents of low- and moderate-income families and elderly individuals displaced by urban renewal. In 1965, Congress passed the Rent Supplements program, which Weaver had conceived as a way to serve moderate-income people. It was a hard-fought legislative battle, however, with liberals insisting that the program serve the truly poor and conservatives opposing it as a tool of racial and “socio-economic integration.” The 1965 Rent Supplement program fell short of a true voucher program, since tenants could only use the rent subsidies in buildings developed by nonprofit entities with federally-insured financing. The same 1965 housing act also amended the public housing program by allowing housing authorities to lease or purchase existing units for the use of public housing-eligible households.<sup>75</sup>

In its last year, the liberal Johnson administration heavily committed federal policy to the large production programs described above, but opened the door to renter subsidies in the future. Although the basic purpose of the President’s Committee on Urban Housing was to boost construction, Kaiser committee staff members concluded that direct cash payments to low-income renters were more efficient and flexible than high-powered supply programs. Chief of staff Moskof had worked in the early 1960s as a government attorney in New Haven, where he saw, courtesy of an HHFA demonstration program, that rent subsidies effectively and quickly relocated people displaced by urban renewal. In addition, the idea of housing allowances was gaining currency among economists.<sup>76</sup>

Moskof three times tried to persuade the Kaiser committee members, most of whom were tied to the construction industry, to include rent supplements in the report because they would stimulate new construction, but they repeatedly turned him down. At the last moment, Leon Weiner came to the rescue. The home builder argued that since Moskof had been helpful and felt strongly about the issue, the committee as a good will gesture should include vouchers as a demonstration experiment.<sup>77</sup>

Thus, thanks to the intervention of the head of the home builders association, the President’s Committee on Urban Housing gave its blessing to a policy alternative to production: direct subsidies to renters. The 1968 report declared that:

...the housing allowance subsidy technique may possibly prove to be the most efficient technique for adjusting the supply of housing to the needs of both subsidized and nonsubsidized users.

Noting some of the fears that a full-scale program raised, the report recommended experiments to try out rent allowances on a small scale.<sup>78</sup>

### **The Republicans' Turn**

After winning the White House in 1968, Republicans now picked up the idea of renter subsidies that the liberal Democrats had introduced. The Kaiser committee published its report just as Richard Nixon was about to take office, and the committee's recommendation to pursue housing allowances caught the eye of incoming officials of the new administration at HUD.

Malcolm Peabody, Jr., Deputy Assistant Secretary for Equal Opportunity, was particularly interested. In his home state of Massachusetts, Peabody had chaired a special commission on low-income housing that had recommended a rent supplement program enacted by the state legislature in 1966. Peabody sought out Moskof to learn more about rental vouchers, and soon grew enthusiastic about the concept. He developed an argument that housing and education vouchers could improve the lives of low-income Americans by stimulating individual initiative but at less expense than large top-heavy government programs. He also came to believe that housing vouchers would break up inner-city concentrations of poverty and encourage racial and economic integration.

In the summer of 1970 Peabody helped initiate, under the Model Cities program in Kansas City, Missouri and Wilmington, Delaware, the first demonstrations of housing allowances. Meanwhile, HUD officials, spurred by undersecretary Richard Van Dusen's interest, started to study housing activity of people receiving income supplements in trials run by the Department of Health and Human Services in Seattle and Denver.<sup>79</sup> The early results of these programs, which showed that low-income renters moved to better neighborhoods, led some economists to call for expansion of direct cash payments, suggesting that the costs and uneven distribution of housing subsidies tied to specific developments supported a shift to direct income supplements.<sup>80</sup>

But in one of many political twists and turns, Peabody and his allies had to work around their own bosses to get a rental voucher program. At the White House, Daniel Patrick Moynihan was in charge of overhauling welfare policy by means of a guaranteed income and, the HUD

officials believed, would not countenance any other income maintenance proposals such as vouchers. They also knew that HUD Secretary George Romney was suspicious of vouchers.

Therefore, Peabody worked with Timothy D. Naegele, an aide to the Massachusetts Republican senator, Edward Brooke, to persuade Brooke to introduce legislation for rental vouchers. Brooke liked the idea as a way to help low-income people afford decent homes in areas that lacked public housing. When the Senate took up housing legislation in 1970, Brooke sponsored a provision that would authorize two years of housing allowances at \$100 million annually, initiating a full-blown program under the guise of an experiment. Brooke's fellow Senate Banking Committee members would not countenance such a large program, and Brooke had to settle for \$20 million for two years, only enough to fund an actual temporary experiment.<sup>81</sup>

The housing allowance provision, Section 504, of the Housing Act of 1970 took top Nixon officials by surprise. At the congressional hearings on the bill, Cushing Dolbeare and Robert Embry, Baltimore's housing commissioner, had praised the idea, but otherwise few people had even commented on the housing allowance provision. HUD officials, who did not want to call attention to it or their own preliminary voucher trials, also said little. As feared, White House aides disliked the provision because they felt it ran counter to the president's program.<sup>82</sup>

### **The Experimental Housing Allowance Program**

At HUD, Assistant Secretary for Research and Technology Harold Finger became a convert, talking the idea up to HUD Secretary Romney. Finger took charge of designing an operational research method for housing allowances, the Experimental Housing Allowance Program (EHAP).<sup>83</sup>

Under Finger, HUD officials scrupulously thought through and implemented the voucher experiments. They divided EHAP into three research topics. The first, called the Housing Allowance Demand Experiment, aimed to discover what effect housing allowances, of varying forms and levels, would have on renters by observing the behavior of 1,800 households in each of two cities, Pittsburgh, Pennsylvania and Phoenix, Arizona. To measure the influence of housing allowances on the quantity, quality, and cost of available dwellings, the program directors devised the Housing Allowance Supply Experiment, which was carried out in Green Bay, Wisconsin, and South Bend, Indiana. The third component, the Administrative Agency

Experiment, was added at HUD Secretary Romney's request, and used eight small cities to find the most effective ways of implementing a housing allowance at the local level.<sup>84</sup>

### **The Nixon Housing Moratorium**

The experiments with vouchers were still in the planning stage when President Richard Nixon took one of the bold, dramatic, and controversial actions of the sort that became a trademark of his administration. On January 9, 1973, HUD Secretary Romney announced that the administration would freeze all new expenditures on subsidized low-income housing programs for the next 18 months. The housing program fiascos, such as the Pruitt-Igoe public housing project, lent credibility to the idea that housing programs had become, in the words of Nixon's Domestic Policy Advisor, John Ehrlichman, "inherently unworkable" and provided a pretext for the moratorium. The real reason, however, was fiscal: the Office of Management and Budget—Romney's bete noir in the Nixon administration—had imposed the freeze over the HUD Secretary's objections.<sup>85</sup>

The housing interest groups were shocked. Romney gamely announced the moratorium at the annual meeting of the NAHB, but this hardly mollified the home builders. The suspension, NAHB president, Stanley Waranch, sputtered redundantly, was "disastrous and a catastrophe." The other housing interest groups, whether trade associations or reform organizations, shared his opinion. If nothing else, the Nixon housing moratorium had united housing interests groups of every stripe, albeit in opposition to the administration. In addition, many advocates and lobbyists distrusted the Nixon administration, fearing the moratorium was a first step in eliminating all housing programs whatsoever. Only the National Association of Realtors sympathized with the administration's approach.<sup>86</sup>

Indeed, the housing moratorium signaled that the Nixon administration was attempting to break down the "iron triangle" of lobbyists, Congressional committees, and federal agency officials that had grown up in housing policy. After the 1972 election, Nixon accepted Romney's repeated offer of resignation. Significantly, neither the new HUD Secretary, James T. Lynn, nor the business executive who replaced FHA Commissioner Gullledge had a background in housing.

At the same time, the Nixon administration decided to shift housing policy away from the large production programs. To this end, from March to September 1973 HUD conducted a thorough review of policy, published in a report and supporting technical papers under the title,

*Housing in the Seventies*. Some criticized the report for lacking objectivity and having a political purpose, although this could be said of policy reports issued by most administrations. In any case, the report thoroughly documented the high costs and problems of the existing housing production programs. Although the report made no recommendations, the accompanying working papers indicated general policy direction by including chapters on revenue sharing in housing and housing allowances.<sup>87</sup>

### **Nixon Discovers Housing Allowances**

On September 19, 1973 President Nixon delivered a special message on housing policy that set forth the administration's new direction, direct housing allowances for low-income citizens.<sup>88</sup> The president attacked "the underlying assumption that the basic problem of the poor is a lack of housing rather than a lack of income." In words that echoed the Kaiser committee report, Nixon asserted, "of the policy alternatives available, the most promising way to achieve decent housing for all of our families at an acceptable cost appears to be direct cash assistance."<sup>89</sup>

As for a pure form of cash assistance, Nixon pointed to EHAP, the experiment from which his administration had originally recoiled, and asked the Congress for more money to expand it in preparation for a national cash assistance program. Indeed, HUD officials wanted to propose such a program, starting with assistance for the low-income elderly, but the large cost and their wish to coordinate with the welfare reform proposals led the administration to delay. HUD officials therefore planned to propose the full program of direct housing cash assistance in late 1974 or early 1975—long before the full results of EHAP would arrive—and were drafting it when Nixon resigned in August 1974. Even though the experiment had just begun, Nixon had already chosen housing allowances as the policy of the future.<sup>90</sup>

In the meantime, the president lifted the ban on Section 23, a little-known proviso of a 1965 law that allowed housing authorities to lease new and existing housing for low income families, because it had some features of a direct rental subsidy. The HUD policy review found that this small program had become popular among public housing authorities, and even Democratic Senator William Proxmire complimented it as inexpensive and more acceptable to communities than conventional public housing. While it prepared the housing allowance program, HUD asked the Congress to expand Section 23 program by an additional 200,000 units, 150,000 units of which allotted for new construction.<sup>91</sup>

In the spring of 1974, as Nixon became increasingly mired in investigations of the Watergate affair, HUD officials struggled to establish housing allowances as the new national housing policy. A major arena of battle was EHAP, which now began to receive intense scrutiny. One criticism, made early on by the General Accounting Office (GAO) and repeated later by more partisan observers, was that the chosen sites were insufficiently representative, especially of those with low vacancy rates where presumably an influx of vouchers might raise rents. (Most sites had vacancy rates slightly below the national average.) Few remembered that in writing the legislation, Brooke had specifically barred EHAP from such places for that reason.<sup>92</sup> The report urged that test sites with poor housing quality and low vacancy rates be added and that the decision to launch a national housing allowance program be delayed until 1977. HUD chief Lynn demurred. He criticized the GAO's analysis of site choice, asserted that EHAP had already produced enough data to get started, and promised to use later EHAP findings to adjust the new program.<sup>93</sup>

Like Nixon administration officials, opponents of housing allowances also could not wait for results of the EHAP study before drawing conclusions. Liberal Democrats in Congress such as Senator Proxmire and Congressman Ashley seized on the GAO report and expressed fears that housing allowances would not spur new construction of low-income housing. The sociologist Herbert Gans weighed in, stating that landlords would use vouchers as an excuse to raise rents of the eligible poor and those who earned just above the eligible limit.

The housing interest groups—such as NAHB, NHC, NAHRO, the United States Conference of Mayors, the AFL-CIO, and many banking associations—that allied to oppose the housing moratorium were extremely wary of a shift to total reliance on cash assistance programs, including vouchers.<sup>94</sup> At House hearings held in October 1973, only NAREB among the major interest groups testified in favor of the administration's plan. The head of NAHRO expressed disbelief that the administration would abandon the housing production goals set in 1968. The home builders bluntly condemned housing allowances and the call to end production programs, while other groups couched their opposition in a desire to wait for the conclusion of EHAP. Some experts—including Henry Aaron of the Brookings Institution and former-HUD Secretary Robert Weaver—as well as some organizations—including the Mortgage Bankers Association—backed the idea in theory but insisted that housing allowances should be combined with production programs.

Many, including even some Republican senators and congressmen, called for further experimentation with housing allowances before committing to a national program. In part, they felt unsure about an untried low-income housing method that differed so completely from the long-familiar housing production approach. But most of the vociferous criticism of the methods and results of the experiment, Naegele pointed out, arose from the supporters of the old builder-type programs who felt threatened by the vouchers.<sup>95</sup>

As Watergate propelled the president to his resignation, Congress and the administration fought over the direction of housing policy. In the Senate, Banking and Currency Chairman Senator John Sparkman was close to the both the housing industry and reformer interest groups. Sparkman attempted to take the administration head on, pushing through his committee a bill that ramped up the big Sections 235 and 236 programs as well as rejecting Nixon's community development block grants.

The House, however, resisted the builder-reformer lobby and far more than the Senate supported the administration agenda. Liberals on the House Banking Committee who represented central cities where there were few opportunities for new construction found plans to use existing housing appealing. In addition, House members were more sensitive than Senators to constituent complaints about the inequities of the existing programs. The Nixon administration gave members, especially those who wanted something out of the bill, an extra reason to support its proposals by threatening a presidential veto of any legislation that extended the builder-subsidy programs. In the end, the House's compromise with the Administration prevailed in conference.<sup>96</sup>

The wrangling in Congress over what became the Housing and Community Development Act of 1974 produced a complex new program, Section 8, which incorporated both production and rent supplements goals. The production elements of Section 8, the new construction and rehabilitation programs, used rental subsidies instead of the developer mortgage or other financing commitments. The Section 8 existing housing program replaced the Section 23 leased housing program and embodied the concept, if not all the characteristics, of housing allowances. Although limits on the amounts of rents (the "fair market rent" set the ceiling) and the payment of the rent supplement by the local housing authority (rather than to the tenant) restricted the use of Section 8 rental assistance, the program theoretically allowed portability, as long as dwellings

met the housing authority's quality standards. In addition, the 1974 act kept the pure housing allowance idea alive by extending and increasing the authorized funding for EHAP.

### **Reagan Revolution**

After the housing act passed and Nixon resigned in August 1974, the policy movement toward housing vouchers began to ebb. Carla Hills, the Secretary of HUD for President Gerald Ford, was sensitive to criticism about her lack of housing background and consequently ramped up housing production. Patricia Harris, her successor under President Jimmy Carter, appointed representatives of the housing interest groups—such as U.S. Conference of Mayors and NAHB—in key positions at HUD, ignored the housing allowances, and again pushed the housing production pedal to the floor.

The election of Ronald Reagan in 1980 gave new life to the policy of direct rental assistance, even as it escalated the ideological tension in the debate. Even before taking office, the Reagan administration, steeped in conservative “supply-side” ideology and convinced of its mandate to change Washington, committed to rental vouchers as the principal low-income housing policy. Unlike Nixon officials who had been sympathetic to the idea of building some low-income housing, members of the Reagan administration were serious about shutting down direct government-subsidized production programs. In June 1981, Reagan established a presidential commission and named members who, except for former Senator Edward Brooke (R-Massachusetts), were likely to follow the administration line. The commission again reviewed housing programs and, not surprisingly, rejected massive building of low-income housing in favor of a housing payments program, which it deemed most efficient and far less costly than the rapidly escalating obligations for current Section 8 contracts.<sup>97</sup>

As the political struggle over vouchers resumed in the early Reagan years, the opposing sides replayed the arguments over the significance of EHAP.<sup>98</sup> By the time Reagan took office, the experiment had been completed and had generated enough data to be analyzed. The voluminous studies of the experiment generated reams of analysis, which indicated that housing allowances were effective, but did not realize all the hopes of the advocates or the fears of the opponents. From a political perspective, perhaps the most important findings were that housing allowances neither inflated local rents nor broke up economic and racial segregated settlement patterns. Critics, however, continued to repeat their criticisms of the experiment and vouchers in general.<sup>99</sup>

The Reagan administrations' positions—which included support for drastic cuts in social programs—only deepened many housing advocates' long-standing suspicion of voucher programs. Liberals recoiled as Reagan officials pushed to repeal all low-income housing production programs, pay for the vouchers from already authorized funds instead of new monies, and cut the subsidies available. “Distrust of vouchers is definitely a philosophical thing,” explained Cushing Dolbeare, president of the National Low Income Housing Coalition and a long-time supporter of the concept, but “Reagan has given vouchers a bad name.”<sup>100</sup>

Despite the strong belief among housing advocates that Reagan officials were chiefly interested in eliminating government social programs, the administration managed to establish housing vouchers in federal policy. In 1983, the administration pushed to issue 80,000 vouchers as part of the Section 8 program, but liberal Democrats, especially in the House where they were strongest, managed to whittle down the administration request to another demonstration project—13 years after the Model Cities demonstration and ten years after the EHAP field operations began—with a mere 15,000 vouchers.

Yet the legislation placed the proverbial camel's nose in the tent, by establishing a new Section 8 program in which tenants and landlords agreed upon a given rent and government voucher payments to the landlord covered the difference between 30 percent of the tenant's income and a standard rent level set by HUD. Although they were reserved for only the poorest Americans, the new vouchers were more flexible than the earlier Section 8 rental assistance program for existing housing that had been created in 1974—they allowed tenants to spend more or less than 30 percent of their income depending on whether they wished to save the difference or rent a more expensive dwelling. The administration continued to press to enlarge the program and make it more flexible (by applying vouchers to all private rental dwellings, not just approved rehabilitated units as was often the case). And in 1987, the Congress passed a housing act that made the demonstration program permanent, made the vouchers and certificates truly portable, and even started a demonstration rural rental voucher program under the Farmers Home Administration.<sup>101</sup>

### **The Parties Change Policy Positions**

During the 1990s, rental vouchers became a firmly established part of federal housing policy. Under the George H.W. Bush administration, another struggle between the advocates and opponents of government-supported low-income housing production ended in the

compromise of the Affordable Housing Act of 1990 which gave some money to vouchers for new construction, as well as HUD Secretary Jack Kemp's effort to sell public housing units to tenants.

During the presidency of Bill Clinton, the political positions on vouchers changed once again. Henry Cisneros, Clinton's HUD Secretary, adopted part of the agenda developed by Jack Kemp in the preceding Republican administration and declared the Clinton administration's support for vouchers. This position blunted the Republicans' attempt to gut HUD's housing programs, after they won control of both houses of Congress in 1994. In reaction to Clinton's and Cisneros's support, some Republicans now opposed vouchers—and all housing assistance—while others continued to back this approach to low-income housing. By the end of Clinton's second term, the political parties had changed places on the issue, with most Democrats now voting to fund more rental vouchers and most Republicans rejecting them. Completing the reversal, the administration and Congress merged the Section 8 rental certificates, the product of the first compromise on the issue, into vouchers, now renamed as Housing Choice Vouchers.<sup>102</sup>

### **Liberals Reclaim Rental Vouchers**

Although simple partisanship explains the Republicans' newly minted (and shallow) opposition to vouchers, more than political advantage motivated liberal Democrats to adopt vouchers. By the 1990s, liberal housing advocates had by and large swung to Dolbear's position that vouchers were one of a number of good methods of supporting very low-income Americans. But more than that, housing advocates and policy makers discovered that vouchers were valuable tools for achieving several different reform goals.

In the 1990s housing reformers, like the Nixon administration officials two decades earlier, saw vouchers as a way to break up concentrations of poverty and foster racial and economic integration. In Chicago, from 1981 to 1996 the court-ordered Gautreaux program, the product of litigation to end racial discrimination in public housing, used rental vouchers to find homes for low-income inner-city residents in higher-income suburbs. Fair housing advocates embraced the Gautreaux approach, and in 1993 Congress responded by creating the Moving to Opportunity demonstration program in five metropolitan areas, in which inner-city residents also used Section 8 vouchers to relocate to the suburbs.<sup>103</sup>

At the same time, local public housing authorities that participated in the HOPE VI program, in which public housing developments are partially or totally demolished and rebuilt as

mixed income housing, used vouchers to ensure that residents who chose not to return to public housing would be able to live in a satisfactory home elsewhere.<sup>104</sup>

Leaders of non-profit groups, such as community development corporations, that sought to revive inner-city neighborhoods by renovating run-down apartment building liked Section 8 vouchers and certificates because they allowed low-income families to afford their homes even with the increased rents that rehabilitation brought. Similarly, HUD officials discovered that rental vouchers were a useful tool for preserving affordable housing: low-income tenants of “expiring use” subsidized properties could use vouchers to keep their apartments when owners paid off their mortgages and raised rents to market levels. In New York City with its perennially tight housing market, a range of agencies relied on vouchers to help their clients, including the homeless, find acceptable shelter.<sup>105</sup>

After a quarter-century of political struggle, vouchers had become an accepted part of federal housing policy. “With the passage of time,” Louis Winnick has observed, “the voucher’s self-evident versatility, flexible and multipurpose, softened hardened minds and ingrained hostility.” Nonetheless, vouchers remain politically weaker, Alex Schwartz believes, than production programs, which have the potent lobbying support of housing developers and the construction industry.<sup>106</sup>

### **Lessons and Observations**

The saga of the gradual acceptance of rental vouchers in American housing policy demonstrates that changing course can be difficult, even when the executive branch wants to do so. The adoption of what is now widely accepted as a worthwhile method of supporting low-income housing took two decades and involved distinct two demonstration projects, a presidential commission, the largest housing program experiment the federal government has ever undertaken, and then a long and intense debate over the results of that experiment. In the process, the cause of vouchers was taken up by first one side of the ideological and partisan divide and then the other.

What conditions facilitate the adoption of new housing policies? Generally, assumptions about good policies change slowly—unless some dramatic event blows away preconceptions. The collapse of the housing industry during the Depression paved the way for public housing, and in the case of vouchers, the rampant problems with the 1968 production programs created openings for a different approach.

Research is helpful, the history of vouchers shows, in formulating a useful policy tool and convincing decision makers that a policy is desirable. By simply showing a policy is worthy of study, research can bestow credibility on a new policy approach. Research also can bolster or undermine arguments about the worthiness of a policy, although it sometimes does both simultaneously. Perhaps most importantly, the use of program trials lends familiarity and renders it less threatening.

Regardless of the contributions of credible research, in the end political dynamics determine whether and when a policy is adopted. “Policy does not wait for experimental results,” Struyk and Bendick concluded about Nixon’s decision to support vouchers before the EHAP was complete.<sup>107</sup>

Why? Because administration policy goals determines research programs, not vice versa. Thus, the Kaiser Commission’s research that called for large production programs followed the Johnson administration line, just as EHAP and the Reagan Commission followed Nixon and Reagan policies.

A shift in ideology championed by the president can trump or at least blunt Congressional-interest group power blocs or even shift the partisan alignments on an issue such as vouchers. Still, the political policy alignments are slow to change, especially when the parties invested in the status quo are well represented in the Congress.

Therefore, to enact new housing policies successfully, it is necessary to lay the intellectual and political groundwork inside and outside Washington carefully. Eventually circumstances that bridge partisan lines may produce opportunities for a new policy. As we have seen, Republicans adopted vouchers because they seemed efficient and oriented to the private market oriented, whereas liberal Democrats, after some hesitation, embraced them as a way to extend housing benefits by supplementing production programs.

Finally, it behooves policy makers to approach programs with an open mind, rather than looking at them as part of ideological and partisan wars—admittedly very difficult!

## **VI. SOME LESSONS FROM HISTORY FOR PROMOTING A NEW RENTAL HOUSING POLICY**

Leaving to the policy experts at the Department of Housing and Urban Development the essential business of determining the *content* of a new rental policy, here are some guidelines derived from the history of American housing policy for promoting the policy.

### **Decentralize and Use the Private Sector**

Whatever a new rental housing policy would be, history teaches that it is more likely to be passed and succeed if it includes a decentralized program. Contrast the morality tale of Wilson Wyatt's postwar centralized housing policy with the durability of the public housing program. The exception to this rule might be a program in which the federal government sends benefits directly to individuals, such as in tax credits for individuals. Even rental vouchers, however, were administered as a decentralized program through public housing authorities.

Secondly, if history is any guide, a politically successful policy will make extensive use of the private sector (either for-profit or nonprofit or both). Numerous examples from the past include the V.A. housing program, the mortgage subsidies for low-income rental housing, and rental vouchers, not to mention the low-income housing tax credit. Again a direct benefit such as a tax credit or voucher might be an exception. Nonetheless, utilizing private sector agents to carry out a new housing policy will create stakeholders in the success of the program, spread political support for it, and generally avoid criticism for increasing government bureaucracy.

### **Inside and Outside Help**

A key ingredient of a successful drive for a new federal policy is the support of high administration officials. This point may seem obvious but is sometimes overlooked.

The higher the rank of government official who favors a policy, the better are the chances the policy will be enacted. The president's direct interest in the passage of a new program lends the greatest weight, but lack of support from the president need not be fatal. Even a high White House aide can lend the necessary push. In the case of public housing, Franklin Roosevelt disliked the program but his wife, Eleanor, lobbied him to support it.

Policy history shows time and again that strong political support outside the government is just as essential to the adoption of a policy as is support from within the government. Outside political support could come from national organizations with local affiliates, coalitions of grass-

roots groups, or—as in the classic case of public housing—powerful interest groups (labor, for example) whose main constituency is not related to the housing industry. Although of late housing policy lobbying has been an insiders’ game, history teaches that outside political force is most effective when it is felt from local jurisdictions where members of Congress go looking for votes.

The potential outside support for a rental housing policy can be divided into two large categories. One represents the reformer side of the low-income housing field, generally the organizations that represent tenants and/or develop and manage subsidized rental properties for low-income people. This category would include the interest groups that represent either tenants (such as the American Tenants Association) or government and subsidized housing owners and managers (e. g., National Association of Housing and Redevelopment Officials, Council of Large Public Housing Authorities, Public Housing Authorities Directors Association, and National Affordable Housing Management Association<sup>1</sup>) as well as the large number of organizations involved in low-income housing and community development. This would include not only large nonprofit rental housing developers—such as Mercy Housing, Inc., BRIDGE Housing, and The Community Builders—but also the large community development intermediaries—the Enterprise Community Partners, LISC, and NeighborWorks America through its multifamily initiative. This reform sector of the housing field has exerted considerable influence on housing policy in the past and has a stake in advancing new rental policies.

The other source of potential outside support for rental housing policy comes from the private sector, which history shows has the ear of elected officials and exerts considerable lobbying influence. Organizations likely to have a great interest in encouraging the amount and earnings of rental housing include National Association of Residential Property Managers (NARPM); American Association of Small Property Owners; National Multi-Housing Council; National Association of Independent Landlords; and the National Apartment Association. Even such housing lobby powerhouses as the National Association of Realtors and, through its Multifamily Council, the National Association of Home Builders, will take an interest in rental policies.

---

<sup>1</sup> The members of NAHMA are evenly divided, roughly speaking, between nonprofit and for-profit companies, so it is one of the trade groups that might be said to bridge the reform-private sector categories.

Of course, housing finance interest groups also take a keen interest in rental policies. These include trade associations such as the Mortgage Bankers Association, and the Financial Services Roundtable, including its Housing Policy Council that speak for the financial industry as well as the Coalition of Community Development Financial Institutions, the Community Development Venture Capital Alliance and other groups that represent entities that invest in endeavors—often run by nonprofits—aimed at improving the lives of low-income people.

It would be a mistake to believe that all these groups would back new policies—as history shows they are often threatened by change that may in the end benefit them. Nor should HUD cater to them simply to curry political favor, an approach that may not lead to wise policies. But to succeed, good policies must at some point in their development engender significant and broad-based support from individuals and organizations.

### **Special Commissions**

Special commissions potentially can generate helpful ideas from experts in the field or can bring and build outside political support of important interest groups (through their representatives). But if they are not carefully composed and organized, commissions also can wander off track, either by producing impractical or impolitic ideas or even by attacking the administration positions.

Another method to springboard ideas into the policy realm, of course, is a conference of experts and/or interested parties. Of these, a White House conference has the most visibility and credibility. In any case, it would help if agency officials think through a short- to medium-term strategy that would include identifying an ideal program or range of programs, a public relations effort (run either by the agency or outside parties) to heighten awareness and build enthusiasm for the program goals, and lining up of political support from interest groups (such as mentioned above), other federal agencies, and elected officials.

### **Find the Political Sweet-Spot**

At a time when unemployment is high and many Americans have a hard time meeting mortgage payments, it makes sense to present new rental housing policy as something that will benefit a broad swath of the American people. History teaches that while Americans can be sympathetic towards the poor, they are most enthusiastic about helping working people. For this

reason, government aid to members of sympathetic middle-class groups (e.g., veterans or the elderly) has usually been more popular than aid targeted strictly to members of the lower-class (e.g., welfare programs).

Of course, so-called middle-class groups may contain or can be defined to include low-income people. Thus, reformers can succeed in helping the poor by including them in a program that targets or is seen as targeting so-called “worthy” groups. The public housing crusade of the 1930s, the housing component of the G. I. bill and, more recently, the “workforce housing” campaigns in Illinois and elsewhere demonstrate the appeal and the potential of programs with an ambiguous constituency.

Some policy makers may still prefer to propose programs explicitly targeted to very low-income people. Such an approach will always garner some political support, even in a time of fiscal crisis. In order to succeed, however, proponents of assistance to the extremely needy may have to argue that the program will inculcate or reward self sufficiency. As a price for political support, furthermore, some law makers may insist on time limits on participation in the program or work and school requirements—conditions aimed at imposing middle-class values.

### **Give Renting a Good Name**

In the light of the above, a new rental housing policy should be accompanied by an education campaign (ideally conducted in concert with outside groups and the press) that presents renting as a positive act, not as a failure to own a home. It is also important to present renting as something that Americans of all income levels choose to do.

This is no easy task. More than a century’s worth of propaganda about the virtues of home ownership; the falling income and therefore status of renters in recent decades; and the declarations of recent presidents about the importance of raising the home ownership rate have all helped equate the idea of the “American dream” with owning a house.

The current political and economic climate offers many reasons that renting can be the right housing choice for Americans. One is that rental housing is not confined to a single building type—such as large multifamily buildings. Families, for example, can rent in a single-family house with a swimming pool. Similarly, rental properties are located in the suburbs as well as the cities.

Another advantage of renting is that it frees individuals from the burdens of home ownership—maintenance, especially—and the hassles of owning a condo—shared repair expenses and inefficient and uncooperative boards, for examples.

Most importantly—especially today—is the fact that renting offers the timely opportunity to live debt-free and without financial risk. Whether renting is a life-style choice for young and old, it comes without debt.

Fortunately, business writers have caught on to the potential wisdom of renting. David Leonhardt writes in the *New York Times* April 21, 2010

...it's worth remembering that the advantages of home ownership are frequently exaggerated. The mortgage-interest tax deduction doesn't eliminate the cost of borrowing money; it merely reduces it. The freedom to paint your house any color you wish comes with the responsibility of paying for a new roof when the time comes. The \$15,000 or \$30,000 or \$50,000 that real estate agents' fees add to the price of a house can wipe out a lot of other savings.

The most striking part of the current situation may be that despite everything that has happened in the last few years, there are still places where renting does not get enough respect.

In his recent *Wall Street Journal* column (June 3, 2010) entitled, "A Fresh Look at Rent vs. Buy," Brett Arends states, "homeowners need to look first and hardest at present cash flow. The cult of homeownership made no sense. If renting is much cheaper than buying, think seriously about it." The authors of blogs and books on personal financial management sing a similar tune.

As more Americans face the reality that they can only afford to rent—or would be better off doing so—they are more likely to welcome a government policy that helps them do so.

\* \* \*

## NOTES

---

<sup>1</sup> During World War I led the federal government to implement two programs for housing workers in war-related shipyards and munitions plants, neither of which outlasted the war.

<sup>2</sup> Claude S. Fischer, *America Calling: a Social History of the Telephone to 1940* (Berkeley: University of California Press, 1992), 93, 102.

<sup>3</sup> Janet Hutchison, "Shaping Housing and Enhancing Consumption: Hoover's Interwar Housing Policy," in John F. Bauman, Roger Biles and Kristin M. Szylvian, *From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth-Century America* (University Park, Pa.: Pennsylvania State University Press, 2000), 81-101.

<sup>4</sup> The main factors in the foreclosure crisis of the Depression contrast with the current foreclosure emergency, which was precipitated by shoddy and unscrupulous lending practices. Federal Home Loan Bank Board, *Fifth Annual Report...from July 1, 1936 to June 30, 1937* (Washington, D. C.: U.S. Government Printing Office, 1938), 2-4; David C. Wheelock, "Changing the Rules: State Mortgage Foreclosure Moratoria During the Great Depression," *Federal Reserve Bank of St. Louis Review*, November/December 2008, 90(6), pp. 569-570; United States Census Bureau, "Historical Census of Housing Tables: Homeownership," (2004), <<http://www.census.gov/hhes/www/housing/census/historic/owner.html>>.

<sup>5</sup> In 2010, Republicans won control of the House and gained seats in the Senate, further thinning the ranks of Obama's Congressional supporters.

<sup>6</sup> Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge, Mass.: Harvard University Press, 1998); Alan Brinkley, *Voices of Protest: Huey Long, Father Coughlin and the Great Depression* (New York: Vintage Books, 1983)

<sup>7</sup> These, among many other works, convey a sense of the breadth of New Deal policies aimed at bringing the lagging sectors of American society into the twentieth century. Rodgers, *Atlantic Crossings*; Paul K. Conkin, *Tomorrow a New World: The New Deal Community Program* (Ithaca: Cornell University Press, 1959); Burns, Helen M. *The American Banking Community and New Deal Banking Reforms, 1933-1935* (Westport, Conn.: Greenwood Press, 1974); Jason Scott Smith, *Building New Deal Liberalism: The Political Economy of Public Works, 1933-1956* (Cambridge: Cambridge University Press, 2006); Alan Brinkley, *The End Of Reform: New Deal Liberalism in Recession and War* (New York: Alfred A. Knopf, 1995); Jennifer Klein, *For All These Rights: Business, Labor, and the Shaping of America's Public-Private Welfare State* (Princeton: Princeton University Press, 2003); Gwendolyn Mink, *The Wages of Motherhood: Inequality in the Welfare State, 1917-1942* (Ithaca, New York: Cornell University Press, 1995); Edward D. Berkowitz, *America's Welfare State from Roosevelt to Reagan* (Baltimore: Johns Hopkins University Press, 1991); James T. Patterson, *America's Struggle Against Poverty, 1900-1994* (Cambridge, Mass.: Harvard University Press, 1994).

<sup>8</sup> The financial and real estate industries, however, were far from unified. The leaders of the savings-and-loans bitterly opposed the creation of the FHA because it would allow rival lending institutions to enter into the field of home mortgages. Miles L. Colean, *A Backward Glance—An Oral History: The Growth of Government Housing Policy in the United States, 1934-1975* (Washington, D.C.: The Fund, 1975), 27, 30-31, passim; Gail Radford, *Modern Housing for America: Policy Struggles in the New Deal Era* (Chicago: University of Chicago Press, 1996), 179, ff.; David M. French, "The Contest for a National System of Home-Mortgage Finance" *The American Political Science Review*, Vol. 35, No. 1. (Feb., 1941), 53-69; Kevin Fox Gotham, "Racialization and the State: The Housing Act of 1934 and the Creation of the Federal Housing Administration," *Sociological Perspectives* 43: 2 (Summer 2000), 302-304; "Gives Approval To Housing Bill," *New York Times*, May 24, 1934, 8.

<sup>9</sup> The literature on housing reform is large, including Roy Lubove, *The Progressives and the Slums: Tenement House Reform in New York City, 1890-1917* (Pittsburgh: University of Pittsburgh, 1962); Conkin, *Tomorrow a New Day*; Rodgers, *Atlantic Crossings*; John F. Bauman, *Public Housing, Race, and Renewal: Urban Planning in Philadelphia, 1910-1974* (Philadelphia: Temple University Press, 1987).

<sup>10</sup> This passage and the following narrative is drawn from Alexander von Hoffman, "The End of the Dream: The Political Struggle of America's Public Housers," *Journal of Planning History*, 4:3 (August 2005)

<sup>11</sup> It would later expand its membership and take the name, National Association of Housing and Redevelopment Officials (NAHRO).

<sup>12</sup> For the legislative history and compromises, see D. Bradford Hunt, "Was the 1937 U.S. Housing Act a Pyrrhic Victory?" *Journal of Planning History* 4:3 (2005), 195-221.

<sup>13</sup> Nicholas Dagen Bloom, *Public Housing That Worked: New York in the Twentieth Century* (Philadelphia: University of Pennsylvania Press, 2008); Catherine Bauer to C.E.V. Prins (Director, Informational Service Division,

---

USHA), July 30, 1940, Catherine Bauer Wurster Papers, Bancroft Library, University of California, Berkeley, California.

<sup>14</sup> Bauer to Prins, *ibid*.

<sup>15</sup> Mason C. Doan, *American Housing Production, 1880-2000: A Concise History* (Lanham, Md.: University Press of America, 1996) 53-54.

<sup>16</sup> U.S. Department of Labor and U.S. Bureau of Labor Statistics, *100 Years of U.S. Consumer Spending: data for the nation, New York City, and Boston* Report 991, (Washington, D.C.: U.S. Department of Labor, U.S. Bureau of Labor Statistics, 2006), 21-22.

<sup>17</sup> Richard O. Davies, *Housing Reform during the Truman Administration*, (Columbia, Missouri: University of Missouri Press, 1966), 42-43.

<sup>18</sup> Davies, *Housing Reform*, 44, 54.

<sup>19</sup> Davies, *Housing Reform*, 50-58. The number of estimated housing starts in 1946 was 1,023,000, not far below Wyatt's goal of 1.2 million. Similarly the nation's housing starts over two years, 2,351,000, fell somewhat short of Wyatt's goal of 2.7 million homes. United States. Bureau of the Census, *Historical statistics of the United States, Colonial Times to 1970* (Washington: U.S. Dept. of Commerce, Bureau of the Census, U.S. Govt. Print. Off., 1975), Series N 156-169, 639. By the measure of the overall housing stock estimated from the U.S. Census, however, the nation actually exceeded Wyatt's targets—by increasing the number of homes by 1.5 million in 1946 and 3.5 million between 1946 and 1948. Doan, *American Housing Production*, Table A, 184.

<sup>20</sup> A great political irony was that the legislation that was the centerpiece of Truman's campaign was co-sponsored and strongly supported by Robert Taft, who believed that the federal government should assist local governments to replace slum housing.

<sup>21</sup> At the same time, vets inclined towards farming were given first choice in obtaining government loans or loan insurance for buying or improving farms. Veterans' Emergency Housing Act of 1946; Housing And Rent Act Of 1947 (Public Law 80-129, June 30, 1947); The Housing And Rent Act Of 1948 (Public Law 80-464, March 30, 1948) extended rent control and veterans' preference in new housing to April 1, 1949. Farmers Home Administration Act of 1946 (Public Law 79-731, August 14, 1946) amended the Bankhead Jones Farm Tenant Act. "How Veterans Organizations Stand on Housing," *Journal of Housing* 2:12 (December 1946) 279; "Federal Aid For Veterans Housing" *Journal of Housing* 3:2 (February 1947) 37; "Office of Housing Expediter Administers Rent Controls- Also Begins Wind-up of Veterans Emergency Program." *Journal of Housing* 3:8 (August 1947) 226-227; "Elderly Single Persons Asked to 'Double Up' Make Way for Vets," *Journal of Housing* 4:8 (August 1947) 24; "New York Has Four Way State Housing Program," *Journal of Housing* 5:3 (March 1948) 70-71.

<sup>22</sup> The law's creators thought that relatively few veterans would attend school and those who wanted to buy homes would take out loans quickly. Edward E. Odum, Solicitor of the Veterans Administration, expressed this view in 1945. See Olson, *G.I. Bill*, 38. For the purpose of the housing bill, see U.S. President's Commission on Veterans' Pensions, "Objectives and Historical Development of Veterans' Loan Benefits" in Mitchell, Paul J., ed. *Federal Housing Policy and Programs: Past and Present* (New Brunswick, N.J.: Rutgers University, Center for Urban Policy Research, 1985), 106-112.

<sup>23</sup> Nenko, "Housing in the Decade of the 1940s," 253-254; Wheaton, "The Evolution of Federal Housing Programs," 237-241, (quotation) 242.

<sup>24</sup> The provision specified the guarantee could cover 60 percent of the loan or \$7,500 or whichever was less.

<sup>25</sup> in 1955 the VA program produced almost 400,000 units or 24% of all private non-farm housing starts. Robert P. Jordan, "Vets Swamp VA for Loans Under New Law," *Washington Post*, June 25, 1950;

<sup>26</sup> Department of Veterans Affairs (Economic Systems Inc.; ORC Macro; The Hay Group), Evaluation of VA's Home Loan Guaranty Program Final Report (Washington, 2004),

<http://www.homeloans.va.gov/pdf/final%20report.pdf>, viewed November 9, 2007, Appendix C, 13-14.

<sup>27</sup> Suzanne Mettler, *Soldiers to Citizens: The G.I. Bill and the Making of the Greatest Generation* (New York: Oxford University Press, 2005), 101-102.

<sup>28</sup> The farm housing program began the limited use of direct government housing loans in 1937 and expanded their use in 1949. Alexander von Hoffman, "Rambling and Unfinished: Building the Housing Policy Complex," Joint Center of Housing Studies, Working Paper, forthcoming; John J. Agria, *College Housing; a Critique of the Federal College Housing Loan Program* (Washington, American Enterprise Institute for Public Policy Research, 1972), 17-20.

<sup>29</sup> Robert Dallek, *Flawed Giant: Lyndon Johnson and His Times, 1961-1973* (New York: Oxford University Press, 1998), 513-515.

- <sup>30</sup> James L. Sundquist, *Politics and Policy: the Eisenhower, Kennedy, and Johnson Years* (Washington, D.C.: Brookings Institution, 1968), 284-286; *Report of the National Advisory Commission on Civil Disorders* (New York: Bantam Books, 1968), see esp. 467-482.
- <sup>31</sup> Wright Patman to the President, August 23, 1967, WHCF: FA Box 16, Folder FA4 11/2/65, LBJ.
- <sup>32</sup> Jeff Shesol, *Mutual Contempt: Lyndon Johnson, Robert Kennedy, and the Feud that Defined a Decade* (New York: W.W. Norton, 1997), 248
- <sup>33</sup> William P. Ryan, "Bedford Stuyvesant and the Prototype Community Development Corporation," in Mitchell Sviridoff, ed., *Inventing Community Renewal: The Trials and Errors that Shaped the Modern Community Development Corporation* (New York: Community Development Research Center, New School University, 2004), 67-96; Shesol, *Mutual Contempt*, 249 (Moynihan quotation).
- <sup>34</sup> President Lyndon B. Johnson's Annual Message to the Congress on the State of the Union, January 10, 1967. Since 1961 Weaver had been experimenting with ways to use the private sector to produce and manage low-income housing. See Alexander von Hoffman, "The Quest for a New Frontier in Housing," Joint Center for Housing Studies Working Paper, W10-5, 2010.
- <sup>35</sup> Lyndon B. Johnson, Statement by the President on the Formation of a Committee to Rebuild America's Slums, June 2, 1967, reprinted in President's Committee on Urban Housing, *A Decent Home: The Report of the President's Committee on Urban Housing* (Washington, DC: Government Printing Office, 1969), 222-223; For example of cabinet meetings on the private sector involvement in solving urban problems, see presidential cabinet meeting of September 20, 1967, LBJ, in which the Postmaster General and the secretaries of the departments of Commerce, HUD, Health, Education, and Welfare, Interior, Defense, Agriculture, the Treasury, and Transportation produced reports. The Department of Commerce's response to the presidential directive is recorded in Memo, Frederick Simpich, assistant to Secretary of the Department of Commerce to Charles Maguire, October 25, 1967, EX HS 3 1/1/1967 Box 6, Folder 10/25/67-1/31/68, LBJ.
- <sup>36</sup> Dallek, *Flawed Giant*, 532-535; Jean E. Dubofsky, "Fair Housing: A Legislative History and a Perspective," *Washburn Law Journal* 8 (1969): 149-66; Mara S. Sidney, "Images of Race, Class and Markets: Rethinking the Origin of U.S. Fair Housing Policy," *Journal of Policy History* 13: 2 (2001), 181-214.
- <sup>37</sup> George R. Metcalf, *Fair Housing Comes of Age* (Westport, Connecticut: Greenwood Press, Inc., 1988), 75-85; David M. P. Freund, "'Democracy's Unfinished Business': Federal Policy and the Search for Fair Housing, 1961-1968," Report for the Poverty and Race Research Action Council, June 11, 2004; William J. Collins, "The Political Economy of State Fair Housing Laws before 1968," *Social Science History* 30: 1 (2006), 15-49.
- <sup>38</sup> Individuals had to initiate complaints, and HUD could only use persuasion or refer cases to the Justice Department.
- <sup>39</sup> Kennedy's approach to housing and urban policy languished, surfacing again years later as part of the community development movement.
- <sup>40</sup> For the act and the reasoning behind it, see S. 1592, A Bill To Charter a National Home Ownership Foundation, and for other purposes, 90<sup>th</sup> Congress, First Session, reprinted in *Housing Legislation of 1967*, 1414-1446; Explanatory Statement Submitted by Senator Percy" in *Housing Legislation of 1967*, 1517-1542; Warren H. Butler, "An Approach to Low and Moderate Income Home Ownership," *Rutgers Law Review* 22:1 (Fall 1967), 67-101; John McClaughry, "The Troubled Dream: The Life and Times of Section 235 of the National Housing Act," *Loyola University Law Journal* 6:1 (Winter 1975), 1-45; Carnegie, "Homeownership for the Poor: Running the Washington Gauntlet," *Journal of the American Planning Association* 36:3 (May 1970), 160-167.
- <sup>41</sup> Even the home ownership assistance of the foundation was watered down, as the foundation was to encourage *all* low-income housing opportunities, not limited to home ownership. McClaughry, "Troubled Dream," 11-14; United States Senate Committee on Banking and Currency, *Housing and Urban Development Act of 1967: Report to Accompany S. 2700 Together with Individual and Additional Views* (Washington, D. C.: U.S. Government Printing Office, November 28, 1967), 1-24; Robert Ellickson to Presidents committee, November 15, 1967, PCUH, Box 56, Folder Originals for November 16, 17 Meeting, LBJ.
- <sup>42</sup> Roger Biles, *Crusading Liberal: Paul H. Douglas of Illinois* (DeKalb: Northern Illinois University Press, 2002), 204-209 (quotation, 205); National Commission on Urban Problems, *Building the American City: Report of the National Commission on Urban Problems to the Congress and to the President of the United States* (Washington D.C.: U.S. Government Printing Office, 1968); Memo, Joseph Califano to the President, December 2, 1968, Folder 2 of 6, Box 256 EX FG 170/A-Z, Papers of Lyndon B. Johnson, Lyndon Baines Johnson Library, Austin, Texas; Memo, Califano to President, December 3, 1968, *ibid.*
- <sup>43</sup> The companies included Kaiser Aluminum, Kaiser Steel, and for a time the Jeep manufacturer, Willys Motors.

---

<sup>44</sup> Moskof thought that withdrawing funds from tardy projects and injecting them in more promising ventures would increase production and motivate the laggards. Fred Bohlen to Joe Califano, November 25, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America's Slums (11/22/63 – 12/31/67), 2.

<sup>45</sup> Lyndon B. Johnson to Leon Weiner, November 13, 1967, Papers of LBJ GEN FA 3 8/1/68, Box 16 Folder 8/20/67-5/8/68, LBJ; Bohlen to Califano, November 25, 1967; Subcommittee on Existing Programs, Minutes of Meeting, November 16-17, 1967, PCUH, Box 41, Folder Minutes, LBJ; Robert C. Wood to William Ross, Subject: Comments on the NAHB Policy Statement, January 19, 1968, Papers of Robert C. Wood, Box 66, folder NAHB, LBJ.

<sup>46</sup> Califano admitted such an enormous job might be impossible to achieve, but he and Kaiser felt it necessary to set high goals in order to make serious progress in the next few years. Joseph Califano to the President, November 10, 1967, FG 170 Box 254, Folder 10/13/67-01/03/68, LBJ.

<sup>47</sup> Lyn Shepard, "Housing-bill Chefs Toil over Recipe," *Christian Science Monitor*, January 18, 1968.

<sup>48</sup> *Congressional Quarterly Almanac*, 90<sup>th</sup> Congress 1<sup>st</sup> Session 1967 Vol. 23 (Washington D.C.: Congressional Quarterly Service, 1967), 501.

<sup>49</sup> Howard Moskof, Staff Report: The President's Committee on Urban Housing, September 28, 1967, President's Committee on Urban Housing (hereafter PCUH), Box 55, Binder "Staff Report," LBJ; Memo, unsigned [probably Howard Moskof] to The President's Committee on Urban Housing, Subject: "The Elusive Search for the All-Purpose Housing Solution – The Need to Analyze Each of the Several Components of the Problem," September 15, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America's Slums (11/22/63 – 12/31/67), LBJ; Moskof, interview.

<sup>50</sup> Attending groups included the lending trade associations interested in mortgage credit, the National League of Cities with the U.S. Conference of Mayors, NAHRO, National Association of County Officials, the U. S. Chamber of Commerce, and the AFL-CIO. William Lilley III, "The Homebuilders' Lobby," in Jon Pynoos, Robert Schafer, and Chester W. Hartman, eds. *Housing Urban America* (New York: Aldine Publishing Company, second ed., 1980), 39, (first published as "Washington Pressures/Home Builders' Lobbying Skills Result in Successes, 'Good-guy Image,'" *National Journal*, February 27, 1971, 431-445); Proceedings of the Twenty-Third Annual Convention of the National Association of Home Builders, Meeting of the 1966 Board of Directors, morning session, December 7, 1966, Chicago, Illinois, NAHB archives, 10-12; Presidents Committee on Urban Housing, Minutes, November 16-17, 1967, PCUH, Box 41, Folder Minutes, LBJ.

<sup>51</sup> John Sparkman, however, was not pleased by the gargantuan target which "smothered what I considered a fine, but modest, housing bill" that he had prepared the prior year. Lyndon B. Johnson, Annual Message to the Congress on the State of the Union, January 17, 1968; John Sparkman to Robert De Kruif, January 23, 1968, Sparkman Papers.

<sup>52</sup> Internal Memo of the Presidents Committee on Urban Housing, November 24, 1967, Subject: Better Urban Dwellings Corporation, PCUH, Box 57, Folder Original December Package, LBJ.

<sup>53</sup> Bohlen to Califano, November 25, 1967; *NAHB Policy Statement for 1968*, Approved by NAHB Board of Directors, December 6, 1967, Chicago Illinois, Section V. Housing Our Urban Poor, 2.

<sup>54</sup> Larry Levinson to Joseph Califano, December 26, 1967, EX HS 2 11/22/63 Box 3, Folder 9/1/67-12/31/67, LBJ; Moskof, interview; Carl A.S. Coan, Jr., interview by author, June 9, 2006, Washington, D.C.

<sup>55</sup> Joe Califano to the President, February 10, 1968, 8:30 p.m., Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America's Slums (1/1/68 – 9/30/68), LBJ; Lyndon B. Johnson, Special Message to the Congress on Urban Problems: "The Crisis of the Cities," February 22, 1968; "Hearings Begin on Urban Development Proposals," *Congressional Quarterly Weekly Report* 26: 11 (March 15, 1968), 526-527.

<sup>56</sup> Coan proposed that a subsidy could be determined by providing the difference between the fair market interest rate—what a for-profit developer would need to operate a project—and the basic or subsidized interest rate of 1 percent. In addition, the administration wanted to find a way to reduce its impact on the annual budget, as a change in accounting rules required regular appropriations for the cost of the program. PCUH, *A Decent Home*, 65; Coan, interview; Moskof, interview; Minutes, Subcommittee New and Existing Programs, Meeting of December 14, 1967, Box 47 unmarked folder, 10, LBJ; Alex F. Schwartz, *Housing Policy in the United States* (New York and London: Routledge, 2006) 130-131.

<sup>57</sup> United States House of Representatives, Subcommittee on Housing of the Committee on Banking and Currency, *Housing and Urban Development Legislation and Urban Insurance: Hearings...Ninetyth Congress: Second Session on H.R. 15624, H.R. 15626 and related bills* (Washington: United States Government Printing Office, 1968).

<sup>58</sup> "Massive Omnibus Housing Bill Passed By Senate," *Congressional Quarterly Weekly Report* 26: 28, June 7, 1968, 1429-1432; "Housing Bill Amendments," idem, June 21, 1968, 1506-1567; "House Passes Housing Bill,"

---

idem, July 12, 1968; 1708-1777; "Major Housing Bill Cleared," August 2, 1968, 2016-2093; Milton Semer, Julian H. Zimmerman, Ashley Foard, and John M. Frantz, "A Review of Federal Subsidized Housing Programs, in HUD *Housing in the Seventies Working Papers, National Housing Policy Review* (Washington, D.C.: U.S. Government Printing Office, 1973), 124-127.

<sup>59</sup> The share and numbers of crowded units increased slightly after 1980. U.S. Census, No. HS 27, Housing Units—Historical Trends for Selected Characteristics: 1940 to 2000, <[www.census.gov/statab/hist/02HS0027.xls](http://www.census.gov/statab/hist/02HS0027.xls)>, viewed April 12, 2009; U.S. Census, "Historical Census of Housing Tables: Crowding," <<http://www.census.gov/hhes/www/housing/census/historic/crowding.html>>; viewed May 27, 2010; F. John Devaney, *Tracking the American Dream: 50 Years of Housing History from the Census Bureau: 1940 to 1990*, Current Housing Reports, Series H121/94-1 (Washington, D.C.: U.S. Government Printing Office, 1994), 35-37; Robert Pear, "Average Size of Household in U.S. Declines to Lowest Ever Recorded," *New York Times*, April 15, 1987

<sup>60</sup> Stephan and Abigail Thernstrom, *America in Black and White: One Nation, Indivisible*, (New York: Simon and Schuster, 1997), 211-213; D. Bradford Hunt, *Blueprint for Disaster: The Unraveling of Public Housing in Chicago* (Chicago: University of Chicago Press, 2009), 183-186.

<sup>61</sup> HUD encouraged the offices that met their goals by giving them a Romney Production award. Lester M. Salamon, *The Money Committees: A Study of the House Banking and Currency Committee and the Senate Banking, Housing, and Urban Affairs Committee* (New York: Grossman, 1975), 231; Eugene A. Gullledge, NAHB/National Housing Endowment Oral History, Mesa, Arizona, October 28, 2005; Irving Welfeld *HUD Scandals: Howling Headlines and Silent Fiascoes* (New Brunswick, NJ: Transaction Publications, 1992), 40.

<sup>62</sup> George Sternlieb and David Listokin, "A Review of National Housing Policy," in Peter D. Salins, ed., *Housing America's Poor* (Chapel Hill: The University of North Carolina Press, 1987), 29; R. Allen Hays, *The Federal Government and Urban Housing: Ideology and Change in Public Policy*, 2<sup>nd</sup> ed. (Albany: State University of New York Press, 1995), 112, 118, 127.

<sup>63</sup> R. Allen Hays, *Federal Government and Urban Housing*, 117-121; Howard Moskof, interview with author, Chevy Chase, Maryland, June 18, 2008; McClaughry, "The Troubled Dream."

<sup>64</sup> Salamon, *The Money Committees*, 169-171.

<sup>65</sup> Cushing N. Dolbeare, *Federal Tax Rip-Offs: Housing Subsidies for the Rich* (Washington, D.C.: Rural Housing Alliance, 1972).

<sup>66</sup> U.S. Department of Housing and Urban Development (hereafter HUD), *Housing in the Seventies: a Report of the National Housing Policy Review* (Washington, D.C.: U.S. Government Printing Office, 1974), 123.

<sup>67</sup> Roger Montgomery, "Pruitt-Igoe: Policy Failure or Societal Symptom," in Barry Checkoway and Carl V. Patton, eds., *The Metropolitan Midwest, Policy Problems and Prospects for Change* (Urbana and Chicago: University of Illinois Press, 1985), 229-243; Eugene J. Meehan, *The Quality of Federal Policymaking: Programmed Failure in Public Housing* (Columbia: U. of Missouri Press, 1979).

<sup>68</sup> Memo, Martin Anderson to John Ehrlichman, March 31, 1970, Nixon Presidential Materials, White House Central Files (WHCF), Subject Files, FG 24, Box 1, Folder: EX FG 24 Dept of HUD, 1/1/70-3/31/70, National Archives II, College Park, Maryland (hereafter NA II); Paul H. O'Neill to Mr. Cole, August 18, 1972 and attached Memo, William G. Hamm to Mr. [Paul H.] O'Neill, Field Trip Report, August 16, 1972, Nixon Materials, WHCF, FG 24, Box 3, Folder: EX FG 24 5/1/72-[Dept of HUD 14 August to 29 December 1972], NA II; Charles J. Orlebeke, "The Evolution of Low-Income Housing Policy, 1949 to 1999," *Housing Policy Debate* 11:2 (2000), 496-498 (quotations).

<sup>69</sup> Representative John S. Monagan (Conn.) chaired the Government Operations Committee, and Senator Philip Hart (Mich.) chaired the Senate Judiciary Committee. Salamon, *The Money Committees*, 189; Orlebeke, "Evolution of Low-Income Housing Policy," 499.

<sup>70</sup> In fact, Hays found, both subsidy programs after a few years began to operate more smoothly. He felt the problems facing the public housing program were more fundamental, but noted that it had survived and showed surprising durability. Hays, *Federal Government and Urban Housing*, 113-130, 164-166.

<sup>71</sup> Louis Winnick, "The Triumph of Housing Allowance Programs: How a Fundamental Policy Conflict Was Resolved," *Cityscape* 1: 3 (September 1995), 97, 104; Bernard J. Frieden and Arthur J. Solomon, *The Nation's Housing 1975-1985* (Joint Center for Urban Studies, 1977), 87 (quotation).

<sup>72</sup> Edith Elmer Wood, "What Are Rent Subsidies?" *Public Housing Progress* 2:6 (March 15, 1936), 4; Edith Elmer Wood, "Family Allowances Could Kill Housing," *Public Housing Progress* 8:6 (October 1942); Edith Elmer Wood, "Low-Rent Housing Vs. Rent Certificates: National Association of Real Estate Boards Plan Is a Fraud, Dr. Wood Declares," *Public Housing* 9:12 (December 1943), 2; Report of the Subcommittee on Housing for Low-Income

---

Families, The President's Advisory Committee on Government Housing Policies and Programs, *Recommendations on Government Housing Policies and Programs*, a Report. (Washington, D.C.: U.S. Government Printing Office, 1953), 261-264, Exhibit 21, 323-330); Hilbert Fefferman, "Historical Highlights: Middle-Income Housing – Rent Supplements," typescript, March 6, 1965, in author's possession.

<sup>73</sup> "Three Views on How Public Housing Should Be Revamped," *House and Home* 14:5 (November 1958), 53. In addition, some cities such as Philadelphia ran small "rent certificate" pilot programs. See Statement of the United States Conference of Mayors (USCM) in United States House of Representatives Committee on Banking and Currency, Subcommittee on Housing, *Hearings before the Subcommittee on Housing of the Committee on Banking and Currency, House of Representatives, Eighty-eighth Congress, second session, on H.R. 9751...* (Washington: U.S. Government Printing Office, 1964), 514.

<sup>74</sup> Housing and Home Finance Agency, Office of the Administrator, *Low-income Housing Demonstration Program: Project Directory* (Washington, D.C.: The Office, 1961); Housing and Home Finance Agency, Office of Program Policy, *Low-income Housing Demonstration, a Search for Solutions* (Washington, D.C.: U.S. Govt. Print. Off., 1964), 10, 14; Community Service Society of New York, Department of Public Affairs, Committee on Housing and Urban Development, *Rent Subsidies: Recommended Guidelines* (CSSNY, November 1964), 1.

<sup>75</sup> The Rent Supplement program also applied to dwellings developed by limited dividend corporations and cooperative societies. Alexander von Hoffman, "Let Us Continue: Housing Policy in the Great Society, Part One," Joint Center for Housing Studies, Harvard University, Working Paper, W09-3 (2009).

<sup>76</sup> Eugene Smolensky, "Public Housing and Income Supplements—The Economics of Housing for the Poor," *Journal of the American Institute of Planners* 34:2 (March 1968): 94–101.

<sup>77</sup> Howard Moskof, interview with author, Chevy Chase, Maryland, June 18, 2008; Robert Ellickson, interview by author, Cambridge, Massachusetts, June 2, 2008.

<sup>78</sup> The President's Committee on Urban Housing, *A Decent Home*, Washington, D.C.: GPO, 1969, pp. 14, 70–72, 71 (quotation).

<sup>79</sup> Malcolm E. Peabody, Jr., "Massachusetts Expands State-Aided Program," *Journal of Housing* 23:9 (October 1966), 498-517; Moskof, interview; Raymond J. Struyk and Marc Bendick, Jr., eds., *Housing Vouchers for the Poor: Lessons from a National Experiment* (Washington, D.C.: The Urban Institute Press, 1981), 29; Jeremy B. Johnson, "The Political and Ideological Foundations of the New American Welfare State, 1970-2000," Ph.D. dissertation, Brown University, 2010, 145-147.

<sup>80</sup> Aaron, Henry J., *Shelter and Subsidies—Who Benefits from Federal Housing Policies?* (Washington, D.C.: The Brookings Institution, 1972); Richard F. Muth, "Capital and Current Expenditures in the Production of Housing," in C. Lowell Harris, ed., *Government Spending and Land Values: Public Money and Private Gain*, (Madison: University of Wisconsin Press, 1973), 65-78; Arthur P. Solomon & Chester G. Fenton, "The Nation's First Experience with Housing Allowances: The Kansas City Demonstration," *Land Economics* 50: 3 (August 1974), 213-223.

<sup>81</sup> "Housing Allowances: Cash Payments to Poor Weighed," *Congressional Quarterly Weekly Report* 32, May 4, 1974, 1110-1111.

<sup>82</sup> However, Donald Rumsfeld, the head of the Office of Economic Opportunity, which was experimenting with income transfers to the needy, liked the idea of housing vouchers. Struyk and Bendick, *Housing Vouchers for the Poor*, 30; Johnson, "Political and Ideological Foundations," 150-151; Nick Kotz, "White House Orders OEO to cut next Budget by 50%," *Washington Post*, October 13, 1970.

<sup>83</sup> Struyk and Bendick, *Housing Vouchers for the Poor*, 29; Orlebeke, "Evolution of Low-Income Housing Policy," 519.

<sup>84</sup> Struyk and Bendick, *Housing Vouchers for the Poor*, passim.

<sup>85</sup> Susanna McBee, "Subsidized Housing Frozen Before Justification by HUD," *Washington Post*, December 3, 1973; Richard P. Nathan, "A Retrospective on Richard M. Nixon's Domestic Policies," *Presidential Studies Quarterly* 26: 1, The Nixon Presidency (Winter, 1996), 155-164. The Nixon papers in the NA II reveal repeated attempts by OMB to cut HUD's budget. See, for example, George W. Romney to the President, August 2, 1972, WHCF, EX FG 24 5/1/72-, NA II.

<sup>86</sup> Michael C. Jensen, "Romney Discloses Halt in Subsidies for New Housing," *New York Times*, January 9, 1973; Peter Braestrup, "Romney Barred Housing Cuts," *Washington Post*, January 4, 1973; Memo, Dana G. Mead to Ken Cole, January 11, 1973, Nixon Materials, WHCF, Folder: EX FG 24 1/1/73-3/31/73, NA II.

<sup>87</sup> U.S. Department of Housing and Urban Development (hereafter HUD), *Housing in the Seventies: a Report of the National Housing Policy Review* (Washington, D.C.: U.S. Government Printing Office, 1974); HUD, *Housing in the Seventies: Working Papers* (Washington, D.C.: U.S. Government Printing Office, 1976); Senate Subcommittee on

---

Housing and Urban Affairs, *Critique of "Housing in the Seventies,"* (Committee Print, Washington, D. C.: February 22, 1974); Congressional Record, March 8, 1974); Hays, *Federal Government and Urban Housing*, 139-143.

<sup>88</sup> Nixon officials considered block grants for housing, but rejected them as too complicated to administer—especially to fulfill racial integration goals—and too difficult to control costs. Housing block grants surfaced briefly under Gerald Ford's HUD Secretary Carla Hills and were realized in the HOME program of the housing act of 1990. Testimony of James T. Lynn, U.S. House of Representatives, *Hearings Before the Subcommittee on Housing of the Committee on Banking and Currency, House of Representatives, Ninety-Third Congress, October 9, 10, 11, 12, 16, 17, 18, 23, 24, 25, and November 1, 1973* (Washington D.C.: Government Printing Office, 1973), 304-305; Robert C. Alexander, "Limitations on the Use of Housing Revenue Sharing Funds," in HUD, *Housing in the Seventies: Working Papers* (Washington, D.C.: U.S. Government Printing Office, 1976), 1207-1221; Robert C. Alexander and Donald J. Gogel, "Implications of Short Term Funding of Housing Revenue Sharing," *ibid*, 1222-1232; Orlebeke, "Evolution of Low-income Housing Policy, 507-510.

<sup>89</sup> Richard Nixon, "Special Message to the Congress Proposing Legislation and Outlining Administration Actions To Deal With Federal Housing Policy, September 19, 1973."

<sup>90</sup> "Housing Allowances: Cash Payments to Poor Weighed," 1110; Testimony of James T. Lynn, House of Representatives, *Hearings*, 305-306; Struyk and Bendick, *Housing Vouchers for the Poor*, 32-33.

<sup>91</sup> HUD, *Housing in the Seventies*, 154-155; Orlebeke, "Evolution of Low-Income Housing Policy," 500.

<sup>92</sup> "Housing Allowances: Cash Payments to Poor Weighed," 1110-1111; Struyk and Bendick, 44-48.

<sup>93</sup> U. S. General Accounting Office, *Observations on Housing Allowances and the Experimental Housing Allowance Program, Department of Housing and Urban Development; report to the Congress, by the Comptroller General of the United States* (Washington D.C.: 1974), 42-46, 53-55.

<sup>94</sup> "Lobby Groups," *Congressional Quarterly Weekly Report*, February 2, 1974, 222.

<sup>95</sup> "Are Cash Housing Allowances the Best Way to Aid the Poor?" *Congressional Quarterly Weekly Report* 32, May 4, 1974, 1111.

<sup>96</sup> Salamon, *The Money Committees*, 299-30.

<sup>97</sup> President's Commission on Housing, *The Report of the President's Commission on Housing* (Washington, D.C.: 1982), xxiii, 17-27; Orlebeke, "Evolution of Low-income Housing Policy," 505.

<sup>98</sup> It is also perhaps worth noting that policy makers and advocates subjected direct renter subsidies to a scrutiny that no other major housing program had undergone. Only a brief trial run and little analysis had preceded the creation of the public housing program. More recently, the Model Cities, Section 235, and Section 236 programs were implemented on large scale without any testing. Housing allowances seemed foreign, whereas big building programs, however troubled, represented the time-worn and familiar policy approach.

<sup>99</sup> Winnick, "Triumph of Housing Allowance Programs," 97, 106-110; Johnson, "Political and Ideological Foundations," 237-238.

<sup>100</sup> Hays, *Federal Government and Urban Housing*, 240-241; Testimony, Cathy Reynolds, National League of Cities, Hearings on Fiscal Year 1984 HUD Authorizations before the Subcommittee on Housing and Urban Affairs of the Committee on Banking, Housing, and Urban Affairs, United States Senate, Ninety-Eighth Congress, First Session. March 8, 9, and 10, 1983 (Washington: Government Printing Office, 1983), 232-237, 241-252; Rochelle L. Stanfield, "If Vouchers Work for Food, Why Not For Housing, Schools, Health and Jobs?" *National Journal* 15, April 23, 1983 (quotation).

<sup>101</sup> Public Law 98-181, § 207, November 30, 1983, 97 Stat. 1153; Public Law 100-242, February 5, 1988.

<sup>102</sup> Cisneros also called for a version of Kemp's enterprise zones, but dropped Kemp's idea to privatize public housing. Johnson, "Political and Ideological Foundations," 326-327, 338-339, 381-2, 387-8, 392-3.

<sup>103</sup> Winnick, "Triumph of Housing Allowance Programs," 113; John Goering, "Expanding Housing Choice and Integrating Neighborhoods: The MTO Experiment" in Xavier de Souza Briggs (ed.) *The Geography of Opportunity: Race and Housing Choice in Metropolitan America* (Washington, DC: Brookings Institute Press. 2005), 127-149.

<sup>104</sup> Susan J. Popkin, Bruce Katz, Mary K. Cunningham, Karen D. Brown, Jeremy Gustafson, Margery Austin Turner, *A Decade of HOPE VI: Research Findings and Policy Challenges* (Washington, D.C.: Urban Institute, 2004).

<sup>105</sup> Winnick, "Triumph of Housing Allowance Programs," 114-116; Schwartz, *Housing Policy in the United States*, 138.

<sup>106</sup> The most important housing production programs enacted in this period were the Low-income Housing Tax Credit in 1986 and the HOME program in 1990. Winnick, "Triumph of Housing Allowance Programs," 116; Schwartz, *Housing Policy in the United States*, 176.

<sup>107</sup> Struyk and Bendick, *Housing Vouchers for the Poor*, 30.