

THE NATIONAL HOUSING POLITICAL SYSTEM

BY

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B.A. Wellesley College
(1966)

Submitted in Partial Fulfillment
of the Requirements for the
Degree of Master of
City Planning

at the

Massachusetts Institute of Technology
September, 1968

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In this paper, the various groups which influence policy have been looked at as a single political system. The systems approach provides a framework for looking at all groups - both formal institutions and private interest groups - which influence housing policy. A final advantage to this method of analysis is that the housing political system can be evaluated by comparing actual policy outcomes with a set of generally accepted objectives. In particular, the housing political system has been evaluated in this paper in terms of its ability to generate a large volume of housing for low-income groups.

Although there are numerous agencies and organizations involved in housing politics, in general they can be divided into two main groups: "public-regarding" and "private-regarding." "Public-regarding" groups tend to have a broad, socially-oriented view toward housing policy; while "private-regarding" groups tend to have a narrow, economically-motivated attitude toward housing policy. Three major factors emerge concerning the politics of housing, from a study of the formulation and execution of housing policies. First of all, although there are by far a larger number of "public-regarding" than "private-regarding" groups in housing politics, the latter groups possess the controlling influence vis-a-vis housing policy. Secondly, three-way linkages exist between certain private associations, certain federal agencies and certain groups of Congressmen, through which the influence of private associations is channeled. Thirdly, because of the ties which exist between them and certain private groups and also because of their interest in maintaining their bureaucracy, public agencies, when challenged, act as interest groups, rather than passive administrators of government policy. An examination of the Federal Housing Administration (FHA) program and the public housing program helps to illustrate these three major aspects of housing politics and to bring out their implications.

In order to facilitate the attainment of national housing goals, the housing political system must be restructured so that "private-regarding" groups have a direct interest in low-income housing programs and yet a sufficient degree of control by "public-regarding" groups is maintained, in order to assure that housing programs will serve broad public purposes. Within the present system, there are many obstacles to remaking existing agencies in order to achieve such a restructuring. In addition, the massive public investment required, in the face of traditional American reluctance to rely on welfare assistance, implies that the prospect of any substantial low-income housing program being carried out in the near future is still doubtful.

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Preface

Mark Twain once remarked that many of his stories took on a character of their own as he wrote and thus shaped their own endings. The situation in the field of housing is similar, but the outcome is not as uplifting. In a seemingly inexorable manner, the nature of the housing political system determines the outcome of housing policies. Housing programs are enacted with a great deal of rhetoric and high expectations are engendered, yet no substantial program in behalf of low-income groups has ever been carried out. In order to explain this gap between the rhetoric and reality of housing policy in the United States, I have examined in detail the politics of national housing policy. The principal contribution of this paper, I feel, lies in its conceptualization of the housing political system, which shows that the politics of housing are very similar to American politics in general.

In writing this thesis, the criticism and encouragement of my advisor, Professor Langley Keyes were invaluable to me and I express my deepest appreciation to him. Also, I am grateful to John McClaughry, Fellow of the Kennedy Institute of Politics for offering his views on housing politics. My conversations with him made me aware of the importance of practical experience in understanding housing politics.

CHAPTER I

The Systems Approach

I

In this paper, I have viewed, as part of a single political system, the various groups having an impact on the formulation and execution of housing policy. The "systems approach" to policy issues is derived from another contemporary theory. The essence of this latter theory is that power is the unifying concept in political science and that the aim of political science is to understand and to describe human relationships of power and authority. By power, these theorists mean "the ability to affect or to control the decisions, behavior, policies, values, or fortunes of others."¹ This definition implies that power may or may not be coercive and therefore equates power with the concept of influence. Some political scientists have preferred to distinguish between power and influence by saying that power involves coercion while influence does not, necessarily.² However, the theory referred to here believes that "In a world of politics,....relations among men may be either sufficiently subtle to obscure the presence of coercion where it does exist, or sufficiently theatrical to suggest the presence of coercion where it does not exist. To avoid the difficulty which a distinction between political influence and

¹ Nelson P. Guild and Kenneth T. Palmer. Introduction to Politics, New York, John Wiley and Sons, c. 1968, p. 7.

² Ibid.

political power is bound to create, we have chosen to consider the terms identical."³ A second implication of the definition of power in this contemporary theory is that power does not necessarily involve getting people to do something which is against their will. Rather, "It refers simply to the ability to induce others to act in some way they might not otherwise act, willingly or unwillingly."⁴ Although the definition of power which contemporary political scientists use is a broad one, it is also a realistic one, for it implies that the formulation and execution of policies cannot be understood without studying the extra-legal role of groups such as business organizations and civic associations in the political process. One of the major criticisms of earlier approaches in political science, such as the use of the "state" as a unit of analysis, was that they called attention only to formal institutions, legally established under the state's constitution - legislatures, bureaucracies, executives, courts - whereas practical experience indicated that descriptions of such institutions were "secondary to the analysis of 'powerful' groups and interests in society, the means they use to achieve their goals, and broadly, the relationships between rulers and the ruled."⁵

Most important of all, the concept of power used by contemporary

³
Ibid.

⁴
Ibid.

⁵
Ibid., p. 6.

political scientists implies the existence of a relationship between persons or groups. Power held by one person or group is always in reference to another person or group. This aspect of power leads to the concept of a political system and the specific manifestations of power with which modern political theorists are concerned. When a set of power relationships is regular and persistent over time and involve approximately the same groups or persons, then the set of relations is referred to as a political system.⁶ Of course, this definition of political systems is, like power, a broad definition and implies that political systems can exist almost anywhere. When it comes to specifying more clearly which systems are relevant to political science, theorists are ambiguous because there is no general agreement on what is political and what is not political. However, political scientists consider themselves interested in the political system, that is the system which represents the nation or state. Therefore, any other political system is relevant to them - as a sub-system - if it is involved in some way with the larger political system.⁷ Although this test of relevance still is ambiguous and implies that political science must be concerned with any persistent set of power relations, for the purposes of this paper, it is sufficient that the reader understand that I have used the concept of a political system, described here, as a framework

⁶Ibid., p. 9.

⁷Ibid.

for studying the politics of housing. That is, I have postulated that a specific set of groups is responsible for housing policy and that a regular and persistent pattern of relationships exists among these groups. By looking at these groups and the ties between them, one can arrive at an understanding of the generation of the national housing policy in the United States and can perceive the real processes through which such policy is determined.

The systems approach in political science provides a realistic, but organized manner of seeing the numerous groups which affect housing policy. It is clear that no single group is solely responsible for making and implementing housing policy. Rather, many groups and individuals, some directly and some indirectly related to the formal political structure, are involved in the politics of housing. As indicated above, the decision as to which groups should be included for study in any political system is a difficult one, for a great deal of empirical study is needed in any given situation to ascertain whether a power relationship actually exists.⁸ In this paper, I have relied on evidence from hearings on housing legislation, on statements by the groups themselves and on statements by observers of these groups in deciding which groups have influenced housing policy and therefore ought to be included as "actors" in the political system under study. Although further investigation

⁸Ibid., p. 7.

might reveal a few more peripheral groups in the system, it would appear that this evidence is sufficient for citing the most influential groups in the system.

Thus, the aim of the approach used to study the politics of housing is to perceive the dynamics of housing policy. Given a set of groups which influence housing policy, how do these "actors" interact with one another when an issue arises? That is, what are the real processes out of which housing policy is formulated and executed? The importance of understanding housing politics has been best summarized by one author who has pointed out:

"...[T]he course of housing history makes no rational sense from any other point of view [than the political one.] The history of housing legislation, all in all, makes no ethical sense, no economic sense, no social sense. But it makes sense in terms of the system needs of political bodies....[although] this dimension is frequently ignored."⁹

In order to answer these questions, I have formulated my impressions of the groups which comprise the "housing political system," the linkages between them and the way in which they respond when challenged by an issue, in the following chapter. In Chapters III and IV, I have tried to provide a clearer characterization of the politics of housing through a discussion of two illustrative issues: the Federal

⁹Lawrence M. Friedman, "Government and Slum Housing: Some General Considerations," in Law and Contemporary Problems, Vol. XXXII, No. 2: Spring, 1967, pp. 357-370, p. 360.

Housing Administration program and public housing. By looking at the relationship between the actors in the housing political system to the policy outcomes in these areas, one can hopefully understand how and why national housing policy has been formulated and executed in the past and how if changes do not occur, it is likely to be executed in the future.

Besides providing an operational framework, the "systems approach" to political life has another major advantage. In addition to conceptualizing the politics of housing, another aim of this paper will be to evaluate the way in which housing policy is made and executed. Understanding the dynamics of the housing political system enables one to predict what trends are most likely to occur in the future in housing policy. The gap, if one exists, between these trends and a generally accepted set of national housing goals sets the focus for recommending feasible changes within the system which would facilitate the attainment of goals. This latter task involves a definition of national housing objectives; and hence the following section is a necessary digression to discuss such objectives.

II

The National Housing Act of 1949 contains the most explicit legislative statement of housing goals for the United States. The act states that the goal of national housing policy is "a decent home and suitable living environment for every American family."¹⁰ This statement suggests that goals for housing should be qualitative as well as quantitative. Beyond merely providing a shelter for every American family, the public interest in the general welfare, health and living standards of the nation compels that a decent home is assured for every American family. Behind this definition of the public interest in housing is the implication that the benefits to the entire society of providing every individual with an adequate living environment outweigh the costs of providing it.

Since the aim of public policy should be to provide for the satisfaction of otherwise unmet needs, the logical implication of the 1949 statement of goals is that policy should be directed toward the sectors of the population which private industry is most unlikely to serve. These sectors can best be defined through a measurement of total housing needs and of effective demand. The resulting gaps between those groups in need of standard housing and those able to afford it in the private market indicates the area where public

¹⁰ U.S. Congress, House, Committee on Banking and Currency Housing Act of 1949, 81st Congress, First Session, Washington, D.C., 1949.

policy ought to focus.

Interwoven with the determination of housing need is the problem of housing standards. Any statement of need implies that some set of criteria were used to define adequate living standards or "decent housing." However, the definition of minimum housing standards has been given little attention in housing research in the United States. In the past, the U.S. Bureau of Census has classified housing in one of three categories: sound, deteriorating and dilapidated. These categories refer to the condition of the physical structure: deteriorating housing requires repairs beyond those made in the normal course of maintenance and dilapidated housing requires repairs which constitute critical defects, such that the dwelling "does not provide safe and adequate shelter and in its present condition endangers the health, safety, or well-being of the occupants."¹¹ Further distinctions are made between housing with and without plumbing facilities. The Census standards, along with most housing standards set by banks, insurance companies, the Federal Housing Administration, the Veterans Administration and local building and zoning codes concentrate on specific physical items of the housing construction. As one expert puts it, such standards amount to "no more than a consensus of experts who combine their judgments on how people

¹¹Bernard J. Frieden, "Housing and National Urban Goals: Old Policies and New Realities" in James Q. Wilson, ed., The Metropolitan Enigma, Washington, D.C., Chamber of Commerce of the United States, c. 1967, pp. 148-193, p. 151.

prefer to live and how they ought to live."¹² Recent research has begun to attack the arbitrary way in which housing standards have been set in the past. These studies have recognized that housing standards are not absolute, but are a function of the total social situation in which an individual or family is living. As Richard Ratcliffe has observed:

"...the only standards which [should] have relevance in housing programs are those which have their basic expression in human values,..... it should also be recognized that the concept of standards has meaning at all levels of housing quality....It is shocking, therefore, to contemplate the continued setting of standards by legislative act, by judicial decision, by administrative determination, by the business judgments of builders and bankers, by the pencils of architects, and land planners, by the unenlightened or forced choices of consumers, standards which may perpetuate socially-dangerous living conditions for millions of families, all without benefit of a valid measurement or real understanding of the true impact of housing attributes on physical and mental well-being."¹³

The invalidity of absolute housing standards is reflected in the common knowledge that what is considered minimum living requirements in our country differs from norms held in other countries, as a result of differences in values and resources. The same principle applies to individuals and groups within our country.

¹²Richard V. Ratcliff, "Housing Standards," in William L.C. Wheaton, Grace Milgram, and Margy Ellen Meyerson, eds., Urban Housing, New York, The Free Press, c. 1966, pp. 391-394, p. 392.

¹³Ibid., pp. 392-393.

For example, a student couple will be willing to sacrifice many physical amenities in order to enjoy an education. Similarly, sociologists have often found that slum dwellers, contrary to typical middle-class assumptions, are often satisfied with their surroundings.¹⁴ Either external conditions camouflage the fact that housing is clean and comfortable within or residents, particularly older people, prefer the security of familiar community surroundings. Ideally, then, housing standards should be set by studying carefully human reactions to specific physical features and allowing people to choose a design, based on their awareness of its cost, functional and "cultural" aspects.¹⁵

Despite the problems in defining standards and therefore of precisely measuring needs, most experts would agree that, regardless of what criteria are used, the most critical unmet housing needs are found in the low-income sector of the population. In 1960, 36% of persons in the lower third income sector of the population lived in substandard housing, whereas in the middle and upper third income brackets these percentages were only 14% and 4%, respectively.¹⁶ The burden upon lower income groups is even greater when one also takes into account the percent of their income which low-income groups must spend for housing. A generally

¹⁴ See for example Herbert Gans, The Urban Villagers, New York, Free Press of Glencoe, 1962.

¹⁵ Ratcliffe, op. cit., p. 392.

¹⁶ Bernard Frieden, "Housing and National Urban Goals: Old Policies and New Realities" in James Q. Wilson, ed. The Metropolitan Enigma, Washington D.C., Chamber of Commerce of the United States, c. 1967, pp. 149-201, p. 159.

accepted standard is that twenty percent is a reasonable percentage of income for rent; but eighty-nine percent of the people in the lower third income bracket pay more than twenty percent of the income for rent. In contrast, in the upper third income bracket only ten percent fall into this category and in the middle third only forty-six percent.¹⁷ A high rent income ratio not only implies that poor people are paying high rents, but also that they must sacrifice expenditures for other needs, such as food and clothing. Another generally accepted average is that persons should spend about two and one-half times their income when buying a house. Given an average construction cost in 1966 of \$17,000 for private single family housing and \$12,625 for publicly-owned housing,¹⁸ this rule of thumb suggests that it is impossible for low-income groups to purchase new housing. With incomes less than \$4,000,¹⁹ the lower third of the population should only pay \$10,000 for such housing. In short, the relation between low-income people and poor housing can be emphasized in numerous ways. One final, but perhaps most important indication is that given in an Office of Economic Opportunity study which showed that poor housing is one of the major

¹⁷ Ibid., p. 162.

¹⁸ Nathaniel S. Keith, "National Housing Needs" in Law and Contemporary Problems, Vol. XXXI, No. 2: Spring, 1967, pp. 209-219, p. 213.

¹⁹ Charles Abrams, The City is the Frontier, New York, Harper & Row, c. 1965, p. 25.

concerns of poor people themselves.²⁰

To summarize, it is very difficult to place a quantitative tag on housing needs, because of the fact that there are no valid criteria for defining "decent housing." For the purposes of this paper, however, it will be assumed, backed by substantial evidence, that the sector of most critical need is the low income segment of the population. The needs of this group have persisted, despite the fact that federal housing programs have been in existence for over thirty years. Insights into the politics of housing should enable one to understand why no substantial housing program has been directed toward low-income groups in the past and whether such an outcome is likely to persist in the future.

²⁰Frieden, op. cit., p. 151.

CHAPTER II

The System

I

Housing is a complex issue which touches upon the interests of a large number of diverse groups. Housing is both a basic necessity and a good produced in the private market; and therefore it introduces many conflicts between public and private goals. It is an area of social concern where the needs of groups which cannot afford housing in the private market, or cannot obtain it because of discrimination, must be met; and among these groups - urban and rural poor, Negroes and Whites, elderly, large families and handicapped persons - priorities must be determined. It is a need whose sociological and psychological importance has been assumed without much definitive research. As brought out in the previous chapter, direct causal relationships between housing and such attributes as motivation, self-perception, family stability, economic stability, juvenile delinquency, and health have not really been established and much study is also needed into the sociological and psychological role of housing in relation to its total environment.

As an industry, housebuilding is comprised of many independent operations which are inefficiently coordinated. Many different organizations, such as large and small builders, private owners, churches and other non-profit sponsors, limited dividend corporations, public agencies, cooperative associations, land developers and realtors, initiate the housebuilding process; while numerous other groups, such as building materials manufacturers and suppliers, labor, Federal

agencies, municipal bodies, realtors, commercial banks, mortgage banks, life insurance companies, and savings and loan associations, participate in it. None of these actors is economically or politically strong enough - to exercise tight control over the other operators.

In addition, residential construction activity accounts for an important part of gross national product and fixed private domestic investment; and therefore housing bears on economic problems such as employment, inflation and monetary policy. These numerous aspects of housing policy provide access for many different agencies and organizations into housing politics.

It is difficult to place the diverse, housing interest groups into neat categories. Some of the interests are direct or indirect economic ones, such as those of private business organizations. The interest of other groups (National Housing Conference, National Association for the Advancement of Colored People) stems from the purposes of their organizations and the way in which housing relates to these purposes. Others are agencies (Department of Housing and Urban Development (HUD), Federal Housing Administration (FHA), Federal Home Loan Bank Board (FHLBB)) which are responsible for administering certain housing programs; and others are politicians, whose role involves responding to the housing needs of their constituents. Despite the agreement among all these groups on basic housing goals, there is frequent disagreement on specific policy questions of "how, what, when and for whom." It does seem valid, however, to divide housing interests

into two major categories - one of which will be called "public regarding" and the other "private regarding."* The "public-regarding" groups represent people who emphasize the aspects of housing which relate to the public interest and general welfare of society. Basically, their position is that the private market is unable to produce low-cost housing and therefore the Federal government has a direct responsibility in subsidizing housing for the poor. These people are usually referred to as "public housers" or "professional housers." Many of their groups, such as the National Housing Conference, the American Federation of Labor and Congress of Industrial Organizations, and the National Association of Housing and Redevelopment Officials, were among the original

*In this paper, I have borrowed the terms "public-regarding" and "private-regarding" from James Q. Wilson's article: "Planning and Politics: Citizen Participation in Urban Renewal" [Journal of the American Institute of Planners, Vol. XXIX, No. 4: November, 1963, pp. 242-249]. However, my use of these terms in the context of national housing politics, rather than local politics, and in referring to interest groups, rather than individuals, results in a substantial reformulation of Wilson's use of these terms.

In Wilson's article, people exhibiting a "public-regarding" attitude attach a high value to community-wide and neighborhood-wide goals. These people are most likely to be citizens who rank high in income, education, or both. On the other hand, "private-regarding" citizens lean toward a narrow concept of self-interest and see in plans for community-wide programs specific threats and short-term costs, rather than long-term benefits. "Private-regarding" people usually come from the lower and lower middle-class strata in a community.

In this paper, "public-regarding" and "private-regarding" refer to the position which interest groups take in general with regard to the role of the Federal government in housing. This application of the terms, therefore, does not carry the same class connotations as in Wilson's use of them. However, there is a basic similarity between the two uses in that in both cases "private-regarding" implies a narrow, economic view of self-interest, whereas "public-regarding" suggests a broad, socially-oriented view of self-interest.

proponents of public housing. On the other hand, the "private-regarding" groups view housing as a private industry and oppose Federal intervention. Their position is that the federal government does not have the right to interfere with the private market; and some of them would argue that housing goals can be achieved by private enterprise alone.

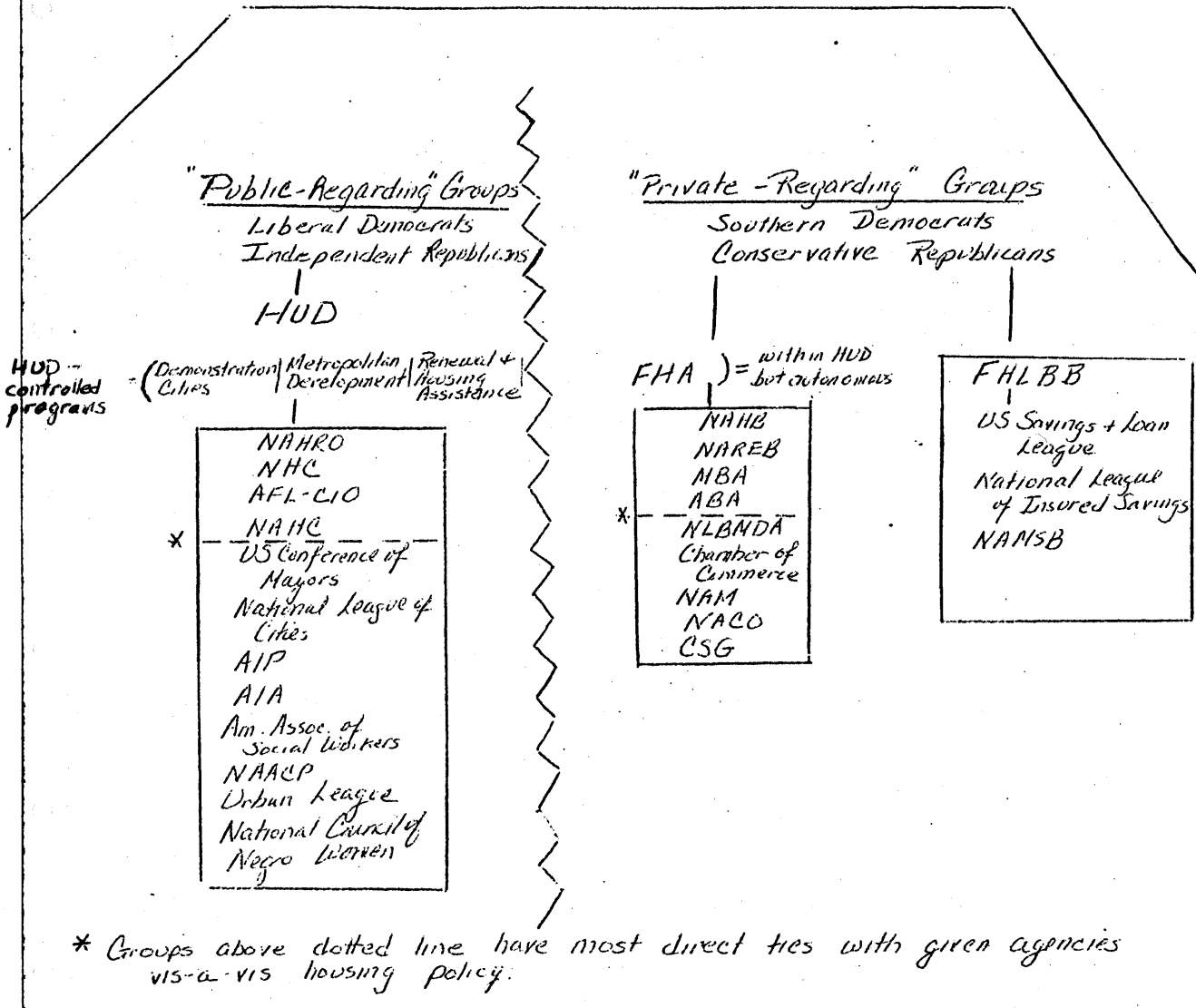
The groups which typically belong to each of these categories are best illustrated by the supporters and opposers of major housing acts. Tables I, II and III list the major agencies and organizations which supported the housing acts of 1937 and 1949 and the 1961 proposal to establish a Department of Housing and Urban Development. In both 1937 and 1949, public housing was the most important issue in housing legislation. Thus, support for each of these pieces of legislation can be interpreted as a mandate for Federal intervention into housing, or as a "public-regarding" position; whereas opposition represents a "private-regarding" stand in housing politics. As these tables show, the former group is comprised of organizations of public professionals, representatives of lower income and minority groups, social workers and religious organizations, and representatives of cities; while the core of the latter group is made up of various industry operators - realtors, homebuilders, mortgage financiers, materials dealers and manufacturers, private apartment owners and groups which represent state and rural interests.

The division between "public- and private-regarding" interests in housing politics is not always clear cut. On specific issues, the

special interests of groups often conflict with their ideological "private- or public-regarding" stand. As a result, there is often a crossing-over of liberal and conservative groups on various issues. For example, the National Association of Housing and Redevelopment Officials - typically a "public-regarding" group - opposed rent supplements, because rent supplements would be administered directly between the Federal Housing Administration and private developers, leaving local public housing agencies out of the picture. On the other hand, homebuilders and realtors were supporters of rent supplements, because rent supplements involved direct benefits for these "private-regarding" organizations. Urban renewal is another issue which resulted in a reversal of the usual opposition from "private-regarding" groups to Federal intervention. As Table IV indicates, in one way or another all major interest groups supported urban renewal. The "private-regarding" groups supported urban renewal because of its emphasis on and benefits for private industry. "Public-regarding" groups were forced to support urban renewal because of its stated goals, despite the fact that by this time they were aware of a great gap between the rhetoric and reality of the program.

In the 1960's, clashes between "public-regarding" and "private-regarding" groups on housing issues have become less frequent and intense than in earlier years. The absence of these splits is due largely to the fact that liberals have adopted a new concept of federal policy, on which housing programs have been based. This concept was labelled "creative federalism" by President Johnson in May, 1964, in

The National Housing Political System



- KEY:**
- NAHRO = National Association of Housing and Rehabilitation Officers
 - NHC = National Housing Conference
 - AFL-CIO = American Federation of Labor - Congress of Industrial Organizations
 - US Conference of Mayors = United States Conference of Mayors
 - AIP = American Institute of Planners
 - AIA = American Institute of Architects
 - Am. Assoc. of Social Workers = American Association of Social Workers
 - NAACP = National Association for the Advancement of Colored People
 - Urban League = National Urban League
 - NAHB = National Association of Homebuilders
 - NAREB = National Association of Real Estate Boards
 - MBA = Mortgage Bankers Association
 - ABA = American Bankers Association
 - NLBMDA = National Lumber and Building Materials Dealers Association
 - Chamber of Commerce = Chamber of Commerce of the United States
 - NAM = National Association of Manufacturers
 - NACO = National Association of County Officials
 - CSG = Council of State Governments
 - NAMSAB = National Association of Mutual Savings Banks

his "Great Society" speech.¹ Essentially, creative federalism implies the organization of federal programs in a manner which will lead to maximum involvement of private enterprise. The application of creative federalism to housing policies has led to the formulation of programs which offer economic inducements to private entrepreneurs to work for social purposes. As a result, one finds that private interests adhere less rigidly to their ideologically-framed opposition to federal interference in housing and that they are becoming involved in competing for the benefits in housing programs. Thus, new approaches in the 1960's have generated support for a federal role in housing from both "public-regarding" and "private-regarding" interest groups.

Although the dichotomy between "public-regarding" and "private-regarding" is becoming blurred, these categories are still useful for generally characterizing housing groups - whom and what they represent, their typical views on housing policy and their ties to other groups, to public agencies and to Congress. Therefore, as a means of providing a picture of the component actors in the system of housing politics, the following section on the major housing groups divides them into these two categories and briefly describes each of them.

¹Max Ways, "'Creative Federalism' and the Great Society," in Fortune, Vol. 73, No. 1: January, 1966, pp. 121-123+, p. 122.

II

Private-Regarding Groups:

National Association of Real Estate Boards (NAREB): One of the earliest organized housing groups in the Post-World War I period, NAREB opposed the continuance of government corporations in the field of housing; and throughout the history of public housing NAREB has fought against it.² The philosophic premise of the realtor group is that home ownership is necessary for the general welfare of the country; and, it views the idea of large numbers of people with the government as landlord as dangerous and as an obstacle to the ultimate goal of home ownership.³ NAREB has been one of the most active lobby groups in housing. It helped to form the "real estate lobby" after World War II to prevent continued government regulation of the housing industry. The other groups which comprised this lobby were the National Association of Homebuilders, the US Savings and Loan League, the Mortgage Bankers Association and the National Lumber Manufacturers.⁴ This coalition of housing interests voiced staunch support for free enterprise and ardent opposition to federal intervention in housing. They supported the Federal Home Loan Bank system and the Federal Housing Administration over public housing. The lobby broke up in 1952, when

²Timothy L. McDonnell, The Wagner Housing Act, Chicago, Loyola University Press, 1957, p. 20.

³Ibid., pp. 20-21.

⁴Telephone conversation with John Dickerman, former executive vice-president of the National Association of Homebuilders, May 2, 1968.

Eisenhower was elected.⁵ Since then, NAREB, like all "private-regarding" groups, has liberalized somewhat, particularly in recent years. In 1966 NAREB supported rent supplements. However, it has shifted less toward federal housing programs than the homebuilders. For example, in 1965 NAREB opposed the creation of a housing department and the expansion of federal activities in housing, whereas the National Association of Homebuilders supported it. NAREB has strong grass-roots support; hence local realtors have a strong voice in the organization's policy. However, NAREB has a small legislative staff; and therefore it is not as influential as the homebuilders and sometimes relies on the homebuilders to lobby for its interests.⁶

National Association of Homebuilders (NAHB): NAHB is one of the most important groups in housing politics. It represents the homebuilders, but over half its membership is comprised of architects, bankers, lumber dealers, suppliers and other operators involved in the house-building process.⁷ NAHB began in 1941 as a pressure group in order to maintain allocations of supplies to the private housing industry during the war. It originated from the Home Building Institute, a branch of NAREB which broke off and merged with the National Homebuilders Association, a federation of nine local associations in the

⁵Ibid.

⁶Conversation with John McClaughry, Fellow, John F. Kennedy Institute of Politics, Harvard University, 1967-68, May 2, 1968.

⁷Robert W. Murray, Jr., "The New Face of the NAHB," House and Home, January, 1962, pp. 108-113, p. 110.

area of Pittsburgh.⁸ After the war, NAHB was one of the major members of the "real estate lobby." As in NAREB, the strength of NAHB has rested in its grass-roots support from local homebuilders. As indicated above, NAHB has adopted a more pragmatic approach to housing policy in recent years than NAREB. The switch became most evident when Nathaniel Rogg was made executive vice-president of NAHB in 1966. Rogg was an economist, rather than a homebuilder. Before joining NAHB in 1954, he was chief economist for FHA. He seems to symbolize a new era in NAHB's attitude toward federal housing programs. NAHB began to look at FHA and other federal housing programs as positive forces, rather than as necessary evils, for bolstering the homebuilding industry and the residential mortgage market.⁹ FHA and NAHB have always worked very closely together and mutually supported one another's interests. Many NAHB executives are former FHA people; and NAHB people have left for important positions in FHA. NAHB defended rent supplements and Section 221 d(3) housing, both of which are administered by FHA. Indeed, NAHB offered meager support for Senator Percy's home ownership proposal, because the National Home Ownership Foundation system would have bypassed FHA.¹⁰ Ideologically, NAHB still would like to see housing goals achieved through private enterprise. However, its major

⁸U.S. Congress, House of Representatives, Select Committee on Lobbying Activities, Housing Lobby, 81st Congress, Second Session, 1950, p. 338.

⁹McClaghry, op. cit.

¹⁰Ibid.

interest is to expand the volume of homebuilding activity. The largest untouched housing market is in low and moderate income housing, which private homebuilders cannot reach on their own. Therefore, NAHB is a strong supporter of many administration programs. Larry Blackmon, who was president of NAHB in 1965, also a Texan, a Democrat and a close friend of Lyndon Johnson, stated to the homebuilders that the Federal government had provided homebuilders with the necessary tools, in rent supplements and Section 221 d(3) housing, for producing low-cost housing and urged homebuilders to make use of these programs.¹¹ This change in NAHB's approach to housing policy is a result of several factors: the decline in homebuilding activity between 1955 and 1966; the recognition of the failure of the industry to stimulate housing demand among existing home owners; an awareness of the need for research on how and why people spend money for housing and technological innovations; mounting pressures from government and other critics to reduce housing costs; and a desire to profit from the large low and moderate income housing market.¹² Thus, in order to promote its special interests NAHB has switched from a "purist" free enterprise position to a pragmatic, co-operative stand on housing policy.

¹¹Journal of Homebuilders, Vol.

¹²See Rogg's citing of major problem areas in the homebuilding industry in House and Home,

National Lumber and Building Materials Dealers Association (NLBMDA): NLBMDA represents over 28,000 lumber and building materials dealers. It is not a particularly sophisticated pressure group. It does not employ a full-time housing specialist, but rather assumes that the same programs which benefit the homebuilders will also benefit the materials dealers. Therefore, like NAREB, NLBMDA often relies on NAHB to lobby for its interests.¹³

Mortgage Bankers Association (MBA): MBA is a small organization and has less grass-roots support than NAREB and NAHB, because mortgage banks are not as widely spread as homebuilding and real estate operations. However, it is an effective pressure group, working directly through Congress and also promoting its interests through close liaison with NAHB. It is generally opposed to direct loans and public housing.¹⁴

United States Savings and Loan League: (US Savings and Loan League): This group, which represents savings and loan associations, is one of the most effective lobby groups in Congress.¹⁵ It is generally opposed to public housing. However, since the breaking up of the "real estate lobby" in the early 1950's, the US Savings and Loan League has "stuck to its own knitting" and concentrated its efforts on maintaining the

¹³McClaughry, op. cit.

¹⁴Congressional Quarterly Service, pub. Congress and the Nation, 1945-64, Washington, D.C., c. 1965, p. 462.

¹⁵Conversation with John McClaughry, Fellow, John F. Kennedy Institute of Politics, Harvard University, March 7, 1968.

autonomy of the Federal Home Loan Bank Board.¹⁶ It favors assisting low-income housing by insuring longer-term mortgages, which in turn provide interest to savings and loan associations.

Chamber of Commerce of the United States - Construction Division

(US Chamber of Commerce): The US Chamber of Commerce was one of the members of the "real estate lobby" and over the years has been a "bastion of Conservatism."¹⁷ Until very recently, it argued that housing was strictly a local problem and therefore opposed all federal low-income housing programs. But in 1967, the US Chamber of Commerce spoke in favor of citizen participation and income subsidies and endorsed the community action programs of the Office of Economic Opportunity and Senator Percy's National Home Ownership Foundation bill.¹⁸ On the other hand, the importance of the Chamber of Commerce is mitigated due to the fact that housing is only one of its many interests and therefore receives only part-time attention.

¹⁶Dickerman, op. cit.

¹⁷Ibid.

¹⁸U.S. Congress, Senate, Committee on Banking and Currency, Subcommittee on Housing and Urban Affairs, Housing Legislation of 1967, Parts I and II, 90th Congress, First Session, 1967, pp. 1195, 1203.

Public-regarding groups:

National Association of Housing and Redevelopment Officials (NAHRO):

NAHRO was one of the earliest supporters of public housing. Almost all of its members are on the public payroll, as public housing or urban renewal administrators, city planners, urban designers, architects, or related public administrators. One of the original organizers of NAHRO was Ernest Bohn, who was a member of the City Council of Cleveland, a Republican state and local official and an energetic politician.¹⁹ Bohn was a pioneer in public housing and probably the major person responsible for convincing Senator Taft to support it.²⁰ As originally organized, NAHRO (at that time the National Association of Housing Officials - NAHO) was not a pressure group. It was conceived as a government service organization which would help local, state and national housing officials in developing an adequate program for low-cost housing and slum clearance.²¹ It never took official stands on early pieces of housing legislation; however individual members were strong spokesmen in favor of public housing. NAHRO is still a very specific, very technical administrative group.²² However, because of the growth of urban renewal activities, NAHRO has built up a strong constituency in recent years. It is an urban-oriented interest and the "voice of more planning control;" therefore many of its

¹⁹McDonnell, op. cit., p. 57.

²⁰McClaughry, op. cit.

²¹McDonnell, op. cit., p. 56.

²²McClaughry, 3/7/68, op. cit.

liberal views are anathema to the homebuilders.²³ For example, NAHRO pushes for amenities and innovations, such as open space, setbacks, and community facilities, but is not very interested in whether housing is multifamily or single family; whereas the homebuilders are only interested in building as many homes as possible that will sell easily. On the other hand, the members of NAHRO do have a vested interest in the maintenance of the organizations to which they belong, and hence are not always liberal on specific issues. In particular, they are insistent proponents of the "public housing" formula and reluctantly support subsidy programs such as rent supplements which are not administered by local public housing authorities. NAHRO strongly favored the establishment of a housing department and its ties lie with the various HUD - controlled programs - demonstration cities, urban renewal, public housing and metropolitan development.

National Housing Conference (NHC): NHC is a coalition of about seventy-five organizations with an interest in housing. It is considered a very liberal organization.²⁴ Its president, Nathaniel Keith, is one of the "best informed" people in housing.²⁵ Many well-known professional housers who were "frontiersmen" in the housing field - Charles Abrams, Wallace Campbell, Boris Shiskin and David Krooth - belong to NHC. It was the first group of public housers to organize, and from the start,

²³McClaughry, 5/2/68, op. cit.

²⁴McClaughry, 3/7/68, op. cit.

²⁵Ibid.

was a "real pressure group."²⁶ It was begun in 1931 by two social workers (Mary Simkhovitch and Helen Alfred) and two lawyers (Ira Robbins and Louis Pink). Their aim was to build up support among individuals and organizations so that Congress would be forced to consider a long range housing program. The original leaders of NHC had close ties with Mrs. Franklin Roosevelt, Harold Ickes (who was in charge of PWA - where the first government housing program was placed), Senator Wagner (the sponsor of the 1937 Housing Act) and other government officials.²⁷ Support was given to NHC by housing authorities, such as Edith Wood, and religious, racial and political groups. NHC has exerted most of its efforts in general policy areas, rather than on specific programs. Its main concern is in obtaining priorities for housing. Since 1954, it has been less in the forefront on issues of low-income housing than NAHRO.²⁸

American Federation of Labor-Congress of Industrial Organizations

(AFL-CIO): The AFL-CIO's interest in housing began in attempting to get the Federal government to provide housing for workers. For this reason and because public housing provides jobs for labor, the AFL-CIO is a "complete supporter of public housing." Because of its support from labor, the AFL-CIO provides strong backing on housing issues, which the non-labor "public-regarding" groups lack.²⁹

²⁶ McDonnell, op. cit., p. 54.

²⁷ Ibid., p. 55.

²⁸ McCloughry, 5/2/68, op. cit.

²⁹ Ibid.

United States Conference of Mayors (US Conference of Mayors): The US Conference of Mayors represents cities of over 50,000 population. It supports a broad range of housing programs. The support of the US Conference of Mayors is very important in housing legislation; however, housing is only one of several urban issues which touches upon the interests of the US Conference of Mayors.

Other interests: There are numerous other groups representing "public-regarding" interests in housing. However, these groups do not add up to very much influence in Congress vis-a-vis housing policy, because they are not professional lobbyists or because housing is only one of their interests. Among these groups are the American Institute of Planners (AIP), the American Institute of Architects (AIA), the National League of Cities, the National Association for the Advancement of Colored People (NAACP) and the American Association of University Women.

The picture of the "system" of housing politics - that is, the major groups, the interests they represent, and the ties among them - which emerges from the above descriptions can best be summarized by the following diagram:

As is clear, the groups which comprise the constituency, so to speak, of HUD-controlled agencies are liberal, broadly-based, urban-oriented organizations, most of whose members belong to the public payroll. On the other hand, the "private-regarding" groups are primarily members of private business and have lined up with programs, such as FHA, which tend to be autonomous, which operate within the market framework and which support, rather than regulate, private enterprise.

Since the major entry of the Federal government into the field of housing in the 1930's, the "private-regarding" groups have had the strongest influence on housing policy. The "real estate group" which is comprised of realtors, homebuilders and mortgage bankers consists of some of the best organized lobbies in Congress. It has effectively limited direct government intervention in housing and promoted programs, such as FHA, which support the private market.

The power of the real estate group has rested in its grass-roots support. Such local involvement is very directly related to the structure of the homebuilding industry. The homebuilding and real estate industries are both highly localized. The average homebuilder operates at a production level of twenty-five houses per year. Real estate offices are located in almost every town and city. The banking industry is less, but still to a considerable extent, locally-based. Between these local members and their national leadership there exist well established channels of communication. Policy is largely determined by local interests. For example, policy in NAHB can be made only by the seven hundred - man national committee, which is comprised of

representatives from local associations. The twenty-five member executive committee can only interpret this policy as it applies to issues which affect the homebuilders.

In contrast, "public-regarding" groups do not have comparable support, and therefore influence, on housing policy. Although there are a large number of "public-regarding" groups, for a variety of reasons they do not carry the same amount of political strength as the relatively small number of "private-regarding" interest groups. First of all, some of the "public-regarding" groups (such as NAHRO) represent public agencies, whose role is considered to be a technical and administrative one, rather than that of a legitimate pressure group. Secondly, in several of the "public-regarding" groups (such as AFL-CIO, AIP, US Conference of Mayors, NAACP) housing is only one of their interests; and therefore these groups exert only limited efforts in the area of housing per se. For example, the US Conference of Mayors, which represents the major cities, is concerned with obtaining Federal funds to supplement local taxes for many needs - community facilities, mass transportation, open space, and education, as well as housing. Finally, many "public-regarding" groups are voluntary associations, which are comprised of individuals who are socially concerned, but not directly affected by housing problems.

The important conclusion which this discussion points out is that there exists a disequilibrium of influence in housing politics between "public-" and "private-regarding" groups. That is, there exists groups in the system of housing politics which represent "public-regarding" as well as "private-regarding" interests. Indeed, there are a larger

number of "public-regarding" groups than "private-regarding" groups. These two kinds of groups have frequently clashed over major housing issues. However, the relatively greater strength of "private-regarding" groups has been reflected in the outcome of housing policies over the past thirty years. These groups have effectively limited direct government intervention in housing and promoted programs which support their special interests. The major government program has been FHA, while public housing has been greatly restricted. No substantial programs in behalf of groups with the "most critical unmet needs" has been carried out. Thus, a gap persists between the broad goal of a decent home for every American family and the realities of housing conditions.

A second significant factor about the structure of the political system in which housing policy is formulated and executed is the existence of a definite pattern of linkages between the component actors in the system. Typically, the tie is a three-way linkage between a sector of private interests represented by a private association, a federal agency and a group of Congressmen. The two important linkages in the housing political system are that among Conservative Republicans, FHA and the real estate groups,* on the one hand, and that among liberal Democrats, the Department of Housing and Urban Development and "the public housers" on the other hand. A similar linkage also exists between Republic Congressmen, FHLBB and the savings and loan associations.

*Support of FHA being limited to Conservatives was truer in the late 1940's and early 1950's. Because of its long existence and successful operation, it usually receives broad support now.

The importance of these ties is that they signify an atmosphere of mutual support between the public agency and its "clientele." In return for special consideration for its interest, the client group supports and defends the agency from attack and attempts to diminish the agency's established base of power.³⁰ For example, FHA has enjoyed the "most vigorous and sustained support of homebuilders and certain classes of mortgage bankers [and in turn]FHA has since its inception tended to improve benefits available to mortgage lenders and the builders of sales housing."³¹

Beyond an atmosphere of mutual support, the ties also symbolize the characteristic attempts of special interests to control certain segments of public policy. By "capturing," so to speak, particular public agencies an interest group can assure that the agency's policy will operate in its interests. To the extent that an agency is autonomous and free from review by other groups in the system, it is easier for its clientele to achieve and maintain control over it.³² This helps to explain the degree of control which the real estate groups have been able to obtain over FHA and the savings and loan associations over FHLBB. Moreover, so long as policy does not diminish or replace its established base, the interest group which has isolated

³⁰Grant McConnell, Private Power and American Democracy, New York, Alfred A. Knopf, 1966, p. 162.

³¹Martin Meyerson, Barbara Terrett and William L.C. Wheaton, Housing People and Cities, New York, McGraw Hill, Inc., 1962, p. 285.

³²McConnell, op. cit., p. 7.

an area from opposing influences will be indifferent to what happens in other areas of housing policy. For example, the US Savings and Loan League has been concerned primarily with maintaining the preservation of the autonomy of the FHLBB. In the debate over a housing department in 1965, the League did not take a strong stand on either side, because the autonomy of the FHLBB was not threatened. Because FHA and FHLBB have existed longer and are more autonomous than HUD, the ties between them and their "clientele" are stronger; and thus, the control which economically motivated, conservative organizations have over housing policy is reinforced.

A third significant conclusion emerging from a study of the politics of housing relates to the way in which the components of the system respond to inputs - or issues. When challenged, all actors, public agencies as well as private organizations, act as interest groups. That is, all these groups have established bases of power which they seek to protect when change is proposed. This thesis differs from traditional theories of interest-group politics which see policy as a compromise between major interests and public agencies as impartial administrators of public policy. This thesis asserts that whenever a program is proposed which threatens to diminish its power, an agency, although perhaps not considered a legitimate pressure group, will marshal pressure against the program. For example, FHA was one of the stronger opponents of a housing department, because the proposed agency threatened the status of FHA. This "interest group reaction" of public agencies is explained in part by the fact that

public agencies have strong ties with private groups, as mentioned above, and therefore are prompted to support these ties when challenged. It is also a result of the fact that the agency has many technical and professional administrators active in a particular field and therefore feels it has a legitimate expertise to bring to bear on many issues. Finally, the interest of public agencies also lies in maintaining its organization. A bureaucracy provides job, social and economic status, and power, and policy change may threaten any or all of these for members of that organization. All of these factors compel a public agency to respond, like a private organization, as an interest group.

This characteristic response has several implications for the ability to introduce change into housing policy. First of all, it suggests that public agencies - as well as private organizations - must be taken into account and reckoned with whenever attempts are made to inject new programs into the set of existing policies. Indeed, opposition to or support for a proposed program will be characterized by the combined resistance or pressure of public and private groups. Secondly, it implies that a barrier to change is inherent in the nature of government agencies themselves. Due to the aim of bureaucracies to maintain themselves, programs which add to, rather than replace or remake the federal bureaucracies, have a better chance of being adopted. Thirdly, because of the ties between public agencies seeking to maintain themselves and private groups seeking to promote their interests, policies are less likely to be a compromise between

interests than they are to be an amalgamation of the aims of all major interest groups. Rather than replace one interest by another or trade-off between interests, policies are more likely to satisfy the entire arena of housing politics. Indeed, a significant aspect of housing legislation has been its omnibus nature. That is, major housing acts have typically contained "something for everyone" - especially FHA - because every group has recognized the difficulty of passing legislation which diminishes the power of other organizations or agencies.

III

In summary, three major and interrelated aspects of the political system in which housing policy is made will be examined in this study. First, the controlling interests in housing policy are locally-based, narrow-economic, "private-regarding" interest groups. They represent the homebuilders, realtors, mortgage bankers and other industries which are involved in the housebuilding process, and which have a direct economic investment in the field of housing. "Public-regarding" views are also represented in the housing political system. However, these views are represented by groups which do not possess political strength equal to that of the "private-regarding" interest groups. The resulting disequilibrium of influence has meant that housing policy has responded to the interests of "private-regarding" groups to a far greater degree than it has to "public-regarding" interest groups. Secondly, there exist three-way linkages between certain groups of Congressmen, certain

public agencies and certain special interests, represented by private associations. Typically, these ties are strong between an agency which is autonomous and its clientele; and they symbolize an atmosphere of mutual support between the two groups and their operations. As a result, the influence which certain private interests exert over policy is developed and strengthened through these ties. In particular, ties exist and are strong between Conservative Republicans, FHA and the "real estate groups" and the same Congressmen, FHLBB and savings and loan associations. Ties also exist, but are less free from influence by opposing groups, between Liberal Democrats, HUD and certain "public-regarding" interest groups, such as NAHRO, AIP and US Conference of Mayors. Thirdly, as a result of their ties to certain special interests and of their desire to maintain their organization, public agencies, as well as private organizations, tend to act as interest groups when challenged. Thus, opposition to changes in policy is characterized by the combined resistance of public agencies and private groups; and therefore, since public agencies do not really act as impartial administrators of housing policy, programs tend to become more entrenched and more difficult to either remove or remake.

These conclusions, which have been drawn regarding the system of housing politics, show that housing politics are very similar to American politics, in general. As Grant McConnell has pointed out in his book, Private Power and the American Democracy, "a substantial part of government in the United States has come under the influence or control

of narrowly-based and largely autonomous elites."³³ The result has been the establishment of varying degrees of control and exercise of public authority by the private groups within the public areas with which they are concerned. This authority is available for reinforcement of the groups' own discipline and, at the same time, for exploitation of public policy in the groups' own interests."³⁴ This development does not imply that government is, as a result, less responsible, but rather that it is responsible to a different set of values than it might otherwise be. The nature of the constituency is very important in predicting what interests and values public policy is likely to represent:

The narrow constituency will have less diversity than the large; as a consequence the policies followed in the two settings will often be different. In the aggregate, as in a nation, the two patterns will inevitably produce different results. And these will appear in the form of distribution of benefits to different groups and in the favoring of some values over others.³⁵

In particular, a system of narrowly-based constituencies lessens the possibility that policy will reflect the "public interest." This argument is not meant to imply that the public interest is something which is either manifest or obvious, but rests upon the theory that "public values" generally depend upon the creation of a national

³³ Ibid., p. 339.

³⁴ Ibid., p. 7.

³⁵ Ibid., p. 118.

constituency."³⁶

Far from providing guarantees of liberty, equality, and concern for the public interest, organization of political life by small constituencies tends to enforce conformity, to discriminate in favor of elites, and to eliminate public values from effective consideration. The service of a multitude of narrowly constituted political associations is often genuine. However, this service lies in the guarantee of stability and the enforcement of order rather than in support for the central values of a liberal society.³⁷

Applying these insights to housing politics, then, one infers that the important result stemming from the disequilibrium of "private-regarding" groups versus "public-regarding" groups vis-a-vis housing policy is that programs with liberal, broad social purposes are unlikely to be initiated and maintained. The broad, national goal of a decent home for every American family does not lie within the narrow-economic, conservative interests of the groups which exert controlling influence over housing policy. Stated simply: I - G - "Interests do not equal goals." That is the economic risk and material sacrifice usually implied in broad, social purpose objectives lie counter to the economic interests of "private-regarding" organizations.

In the next two chapters, the system of housing politics will be examined in detail through a discussion of two important and contrasting areas of housing policy: (1) FHA - a housing program

³⁶ Ibid., p. 8.

³⁷ Ibid., p. 6.

which operates within the framework of the private market and (2) public housing, (and recent low-income housing assistance programs). In the last chapter, the housing politics systems will be evaluated in relation to its goals and recommendations proposed for its restructuring.

TABLE I

Housing Act, 1937

Groups in favor

Labor Housing Conference of the
American Federation of Labor
National Public Housing Conference
National Council of Catholic
Charities
National Conference of Jewish Social
Service
US Conference of Mayors
National Conference on City Planning
American Association of Social
Workers
Public Works Administration - Housing
Administration
National Association of Housing
Officials
American City Planning Institute
Farm Credit Administration
American Institute of Architects
New York City Housing Authority
New York State Board of Housing
American Society of Municipal
Engineers
Massachusetts State Board of Housing
Construction Code Authority
Federal Council of Churches

Groups opposed

National Association of
Real Estate Boards
US Building and Loan League
US Chamber of Commerce
National Retail Lumber
Dealers Association

Source: Timothy L. McDonnell, The Wagner Housing Act, Chicago, Loyola
University Press, 1957, esp. pp. 60, 73-75, 172-175.

TABLE II

Housing Act, 1949

<u>Groups in favor</u>	<u>Groups opposed</u>
National Housing Conference	National Association of Real Estate Boards
National Association of Housing Officials	US Savings and Loan League
American Federation of Labor-Congress of Industrial Organizations	National Association of Homebuilders
Veterans of Foreign Wars	US Chamber of Commerce
American Legion	American Bankers Association
American Veterans Committee	Mortgage Bankers Association
Jewish War Veterans	Building Product Institute
Catholic War Veterans	National Retail Lumber Dealers Association
Organizations representing the three major religious denominations	Associated General Contractors
US Conference of Mayors	National Association of Apartment Owners
League of Women Voters	
American Association of University Women	
Urban League	
National Association for the Advancement of Colored People	

Source: Martin Meyerson, Barbara Terrett and William L.C. Wheaton, Housing People and Cities, New York, McGraw Hill, Inc., 1962, pp. 273-274.

TABLE III

Proposal to Create Housing Department, 1961

<u>Groups in favor</u>	<u>Groups opposed</u>
National Housing Conference	National Association of Real Estate Boards
National Association of Housing and Redevelopment Officials	US Chamber of Commerce
American Federation of Labor-Congress of Industrial Organizations	National Association of Manufacturers
American Municipal Association	National Association of County Officials
US Conference of Mayors	Council of State Governments
Americans for Democratic Action	American Farm Bureau Federation
American Institute of Planners	National Association of Home-builders
American Veterans Committee	
Florida League of Municipalities	
Alabama League of Municipalities	
National Association of Mutual Savings Banks	

Source: U.S. Congress, Senate, Committee on Government Operations, Subcommittee on Executive Reorganization, Establish a Department of Housing and Urban Development, 89th Congress, First Session, 1965, pp. 53, 55.

TABLE IV

Urban Renewal Provisions of Housing Act, 1954

<u>Groups in favor</u>	<u>Groups in favor</u> (with reservations as to whether urban renewal will achieve broad housing goals)
American Life Convention	Housing Committee of the American Federation of Labor
Life Insurance Association of America	Congress of Industrial Organizations
National Association of Mutual Savings Banks	American Council on Human Rights
American Institute of Architects	Americans for Democratic Action
National Association of Real Estate Boards	National Farmers Union
National Retail Lumber Dealers Association	National Association of Housing and Redevelopment Officials
National Catholic Charities	National Federation of Neighborhood Settlements and Neighborhood Centers
National Savings and Loan League	National Housing Conference
American Institute of Planners	
National Association of Homebuilders	
National Association of Apartment Owners	
National Association for the Advancement of Colored People	
City Administrators, Philadelphia	

Source: U.S. Congress, Senate, Committee on Banking and Currency, Housing Act of 1954, Part I, 83rd Congress, Second Session, 1954.

CHAPTER III

The Politics of FHA

The preceding chapter considered three major and interrelated factors concerning the politics of housing. First of all, the system in which housing policy is formulated and executed is comprised of numerous organizations and agencies which can be divided in general into two sectors: "public-regarding" and "private-regarding" interests. Of these, the "private-regarding" sector has tended to have the strongest influence on housing policy. Secondly, close linkages often exist between particular public agencies, their private clientele, and individual Congressmen - a relationship through which the influence of housing interests is channeled; and thirdly, when challenged, public agencies, as well as private organizations, react as interest groups. Their special interest lies in maintaining their bureaucracy. These factors have many implications for the way in which housing policies are perpetuated and for the way in which policy changes might be brought about. In this chapter, a discussion of the FHA program will be used to provide a case example the way in which these factors interrelate.

The Federal Housing Administration represents in several ways the federal government's major housing program. First, it has underwritten - and hence indirectly made possible the construction of - eight million homes.¹ Secondly, it has the largest staff of any federal housing program; and finally, it is one of the oldest and most widely supported of federal housing programs. In 1934, when FHA was proposed, realtor, homebuilders and mortgage banking interests realized that the

¹U.S. Congress, Senate, Committee on Banking and Currency, Subcommittee on Housing, Housing Legislation of 1965, p. 166.

forces supporting it were too strong for them to block; hence they joined in formulating FHA's program. In addition, FHA's long existence and established reputation has engendered perfunctory support from most liberal groups. Indeed, it is common knowledge that any new proposal has a better chance of being adopted if it "contains something" for FHA.

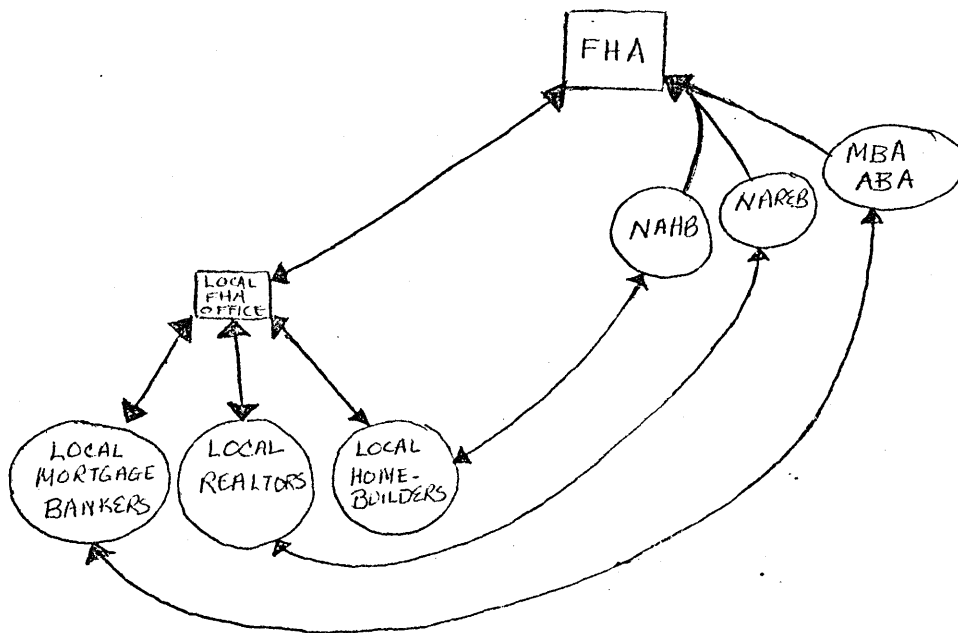
Although it represents a program of federal assistance to housing, FHA has achieved support from "private-regarding" groups because its operations are carried out within the framework of the private market. The system under which FHA works increases the housing supply indirectly by providing insurance for residential mortgage loans made by approved commercial and mortgage banks. The chief impact of FHA has been to engender a system of "FHA financing" - that is, private, long-term, small-downpayment residential mortgage loans.

FHA is a self-supporting program. Through a reserve built up from small insurance premiums, FHA has been able to cover the cost of mortgages which it has insured and which have defaulted. Thus, FHA is a self-sustaining, federal program involving direct participation by private enterprise. Specifically, the FHA program involves direct participation by homebuilders, mortgage bankers, and realtors and less direct participation by other actors, such as materials' dealers, in the housing industry. The success of its public function (i.e. inducing a greater supply of housing) depends upon the cooperative actions of these major private interest groups in the housing market, and hence leads to the establishment of close ties between FHA and these groups.

The linkage between FHA and the private housing market begins at the local level. FHA maintains local insuring offices in almost every major city in the United States. The officials of these offices interact frequently with local realtors, homebuilders and mortgage bankers. They inspect houses, issue advanced commitments to realtors and homebuilders, and approve local lending institutions. Although all loans insured by FHA must be approved in Washington, the recommendations of local offices are rarely disregarded. Thus, central approval amounts to a "rubber stamp" signature; the real responsibility for who and what gets mortgage insurance lies at the local level.

Ties between FHA and the private housing industry build up from the local to the national level. The homebuilders, realtors and bankers are represented in Washington by NAHB, NAREB, and MBA (mortgage banks), and ABA (commercial banks) respectively. All of these groups engage in daily "semi-lobbying" activities with FHA.² The overall system which emerges from this pattern of relationships between FHA and its clientele can be summarized by the following diagram:

²Murray, op. cit., p. 110.



As is clear, the structure of this system closely parallels the structure of the housing industry. The operations of FHA are highly localized, as are the activities of realtors, homebuilders, and mortgage bankers. As a result, the grass-roots organization of private, housing interest groups is reinforced. While the policy of NAHB, NAREB, and MBA is largely determined at the local level, FHA decisions are also made at this level. Thus, the structure of the system in which FHA programs are administered is geared to respond to the demands of local operators in the private housing market.

The fact that these "private-regarding" groups have in turn responded to and supported FHA is a reflection of the fact that they benefit directly from FHA programs. In essence, FHA has provided

about \$100 billion of risk free business for the private housing market by insuring loans totalling this amount.³ In turn, the supply of mortgage funds has been expanded beyond what it would have otherwise been. The ability of FHA to accomplish this objective, however, goes beyond merely adding its assurance to private capital. As suggested by Jack Berryhill in his article, "Agencies: How the FHA Got That Way":

FHA...[had] only one thing to sell: its insurance, which really means its reputation for soundness. If the financial community ever thought FHA couldn't fulfill its pledge, then the agency's entire raison d'etre would be vitiated....

If the loans are so risky that the insurance becomes bankrupt, FHA's pledge will be worthless.

And so, during the past 25 years, little decisions here and there among FHA's maze of operations have been made - always on the Conservative side unless Congress ordered otherwise.⁴

Thus FHA, through its operations and practices, responds in numerous ways to its clientele of homebuilders, realtors and mortgage financiers. First of all, property approved for insurance by FHA must satisfy FHA's minimum property standards (MPS). These standards set strict building requirements which are geared to assure that the insured property will have a high resale value. Oftentimes, the MPS require amenities which simply increase costs, without necessarily adding to the livability of a dwelling unit. Its emphasis on marketability reflects FHA's adoption

³1965 Senate Hearings, Housing Legislation, op. cit., p. 166.

⁴John Berryhill, "Agencies: How the FHA Got that Way," in City, Vol. 1, No. 4: November, 1967, pp. 34-39, p. 35.

⁵Ibid.

of the "sound business practices" of the private interests which it serves. This businessman's approach results in the so-called "underwriter's mentality" which characterizes FHA actions; and it stems from FHA's desire to gain and hold the confidence and cooperation of private lenders, homebuilders and realtors, as well as the agency's own perception of its role and responsibility. Moreover, this set of conservative attitudes and practices is deeply entrenched in FHA. Indeed, it appears that there is frequent interchange between top FHA people and NAHB officials, which would further dictate the character of FHA operations. For example, in 1962, NAHB's policy planner became an FHA commissioner and its construction department head became an FHA assistant commissioner for technical staff.⁶

Secondly, FHA minimum property standards contain specifications which serve the economic interests of particular groups - such as homebuilders, labor unions, and building materials suppliers. Indeed, the "MPS-writing function attracts just about every lobbyist in Washington...."⁷ These restrictions have often been cited and it is not necessary to reiterate them all here. An example would be that only certain kinds of materials can be used in FHA-insured properties. Thirdly, FHA protects the interests of homebuilders by avoiding the promotion of new building systems; and the agency has served realtors by prescribing regulations, such as wide streets, which will enhance property values.⁸

⁶ Murray, op. cit., p. 111.

⁷ Berryhill, op. cit., p. 35.

⁸ Ibid., pp. 35-36.

In short, FHA's conventional techniques reflect the fact that FHA has evolved into an organization which is imbued with the conservative, middle-class, business attitudes of its clientele. As a new agency, FHA feared that these private groups would not support its operations, unless FHA adopted "sound business practices." Over time, those attitudes and practices have become an integral part of FHA and have shaped the way the agency itself views its role.

FHA's commitment to and support of homebuilders, realtors and mortgage bankers is reciprocated by these groups. As suggested by their statements, they recognize the important degree of influence which they have achieved over FHA and are concerned that this relationship not be altered or diminished. For example, when the proposal to integrate FHA into a new housing department was made in 1965, MBA responded that:

Because of the wisdom of the original statute, the able leadership exhibited by its successive Commissioners, the sound business principles under which its operations have been carried on, and the obvious improvements that it has accomplished in housing conditions and in building and lending practices, a unique relationship of confidence and interdependence has been established between the FHA and the homebuilding and home financing community.... Consequently, this association has a genuine concern with any proposal that may in any way disrupt [this] relationship....⁹

In essence, FHA represents a significant "piece of governmental authority" which banking, realtor and homebuilding interests control. Programs which alter the pattern of relationship between FHA and its clientele would endanger this control. As a result, attempts to broaden

⁹1965 Senate Hearings, Establish a Housing Dept., p. 203.

FHA operations or to introduce programs involving a high degree of risk meet with strong opposition from the small sector of private interests which FHA serves. At the same time, FHA, out of concern for maintaining its organization, also reacts against policies which will change its role and hence its established base of power. Thus, the interest of both FHA and its clientele lies in preserving the status quo of FHA; and therefore attempts to change FHA are met with their combined resistance.

The combined resistance of FHA and its clientele to the establishment of a cabinet level housing department is an example of the way in which FHA and the private groups it serves together oppose housing policies which might broaden the role of FHA. The original bill, introduced by the administration, did not make any specific provisions for the status of FHA within the new department. It merely provided that all of the functions, powers and duties of the Housing and Home Finance Agency, of the Federal Housing Administration, and the Public Housing Administration in HHFA, and of the heads and other officers of these agencies be transferred to and vested in the Secretary of the Department of Housing and Urban Development. During the debate three major interest group positions emerged: one position opposed any establishment of a housing department, a second position supported a housing department, provided that the continuity of FHA operations was preserved by transferring FHA intact to the new department, and a third position supported the administration proposal without any major qualification. The following diagram shows how the various groups

in housing politics aligned themselves with respect to these three positions.

<u>NO HUD</u>	<u>HUD/FHA Intact</u>	<u>HUD</u>
NAREB	NAHB	NAHRO
US Chamber of Commerce - Construction Division	ABA	AFL-CIO
National Apartment Owners Association	NAMSB	AIP
NLBMDA	MBA	AIA
National Association of Manufacturers	American Life Convention	National League of Cities
American Fram Bureau Federation	Life Insurance Association	US Conference of Mayors
		NHC
		National League of Insured Savings
		US Savings and Loan League
		Religious Orgs. - e.g. Advisory Committee on Problems of a Metropolitan Society of United Presbyterian Church, USA
		Bureau of the Budget

Source: U.S. Congress, Senate, Committee on Government Operations, Subcommittee on Executive Reorganization, Establish a Department of Housing and Urban Development, 1965.

The purpose of the Department of Housing and Urban Development (HUD) was the creation of an agency which would respond to broad social purposes in relation to urban and housing problems. Since HUD was seen by "public-regarding" organizations as a vehicle for direct representation of their interests at the national level, the diffusion of FHA operations within HUD would have diminished the tight control which a small number of "private-regarding" groups exercised over FHA policies. Thus, the reactions of realtors, homebuilders and mortgage

bankers to the housing department proposal was largely a result of their concern in preserving FHA.

Among these groups, NAREB took the most conservative position. It opposed completely the creation of HUD on ideological grounds. It viewed any expansion of federal power as a threat to increase federal regulation in housing; and therefore NAREB was against any broad permanent role in federal housing. NAHB took a more pragmatic approach in the debate over HUD. Due to the strong Democratic majority in Congress, it realized that the passage of Johnson's proposal to establish a housing department was inevitable. Therefore, it developed a position of qualified support - it demanded that explicit provisions be made in the bill for transferring FHA intact to HUD. This position was also supported by the mortgage bankers. The arguments brought out by these groups emphasized the importance of FHA to their industries and vice-versa. They stressed the mutual dependence between FHA and their particular sector of private activity. Hence, their position stemmed from their primary concern in assuring the continuity of FHA operations. In addition, FHA, although a government agency, provided little support for the HUD proposal. As it has been pointed out by one author: "The fight to achieve Cabinet status [for housing and urban programs] had also to overcome the built-in reluctance of some officials who regarded the creation of a new department as having a diminishing effect on their established power."¹⁰

¹⁰ John B. Willmann, The Department of Housing and Urban Development, New York, Praeger, c. 1967, p. 22.

This combined resistance by FHA and the sector of private interests which it serves was supported in Congress by both Democrats and Republicans among whom FHA had strong support. As a result, an amendment was passed which contained one of the few explicit provisions concerning the organization of HUD in the final legislation. The amendment required that FHA be placed intact in the new housing department and that one of the assistant secretaries also be the FHA commissioner.

The significance of this amendment is reflected in the overall system of housing interest groups and agencies which emerged after the creation of HUD. It is one in which FHA and the "private-regarding" groups to which it is tied virtually comprise an autonomous sub-system of the entire system of housing interest groups and agencies. The autonomy of this sub-system implies that it is relatively free from accountability to the larger system - and in particular, to groups which are "public regarding." Indeed, the position which "public-regarding" groups took on the issue of HUD further suggests this conclusion. These groups supported the original administration proposal which implied that the operation of FHA would be integrated into the new department. Their concern was in seeing that all Federal housing and urban programs respond to the broad purposes of the housing department. Among these groups, NAHRO expressed this position most explicitly:

In our case, we strongly approve of Section 5(a) provisions, which transfer to and vest in the new

Secretary "all of the functions, powers, and duties of the Housing and Home Finance Agency, of the Federal Housing Administration, and the Public Housing Administration....

We would like to see all elements of the program administered by the Department united under a consistent philosophy and set of policies.

For instance, under the present HHFA set-up, the private mortgage financing program of the Federal Housing Administration is considered by many of its employees - and many Members of the Congress - as purely a 'banking' type of agency concerned with the economic soundness of the mortgages it insures.... Its philosophy, under a department, would eventually become consistent with an overall national philosophy of urban development.¹¹

The autonomy, which FHA has achieved, then, has resulted in a gap between the impact of FHA and its basic public purpose. That is, the risks which FHA takes are usually only those which are acceptable to its clientele. For example, the rate of default of all FHA-insured multifamily housing is only ten percent, a relatively low default rate.¹² As of 1964, the percentage of all dwelling units insured by FHA in central cities was 41.9% and most of these units lay outside blighted areas. Moreover, this percentage represented an improvement in the extent to which FHA activities had been concentrated in suburbs in earlier years.¹³ Section 203 single family home mortgage insurance

¹¹1965 Senate Hearings, Establish a Housing Department, op. cit., pp. 128-129.

¹²H.T. Fitzpatrick, "FHA and FNMA Assistance for Multifamily Housing," in Law and Contemporary Problems, Vol. XXXII, No. 3: Summer, 1967, School of Law, Duke University, Durham, North Carolina, pp. 439-64, p. 459.

¹³1965 Senate Hearings, Housing Legislation, op. cit., pp. 49, 53.

represents FHA's largest program. Under this program, 75% of the people who have obtained insurance have been in the upper 50% income bracket.¹⁴ In short, FHA benefits primarily middle class persons who are considered "safe" risks by conventional business criteria. Thus, not only its practices, but also its goals have become imbued with the influences of a small sector of private organizations. Programs which serve low income people are seen by both FHA and these private groups as involving "unacceptable" mortgage risks.

From a more objective point of view, it can be said that the real purpose of FHA is "to enlarge the area of total housing need which can be served effectively by private, rather than public, enterprise."¹⁵ When originally created, FHA was intended to induce private homebuilders, mortgage bankers and realtors to assume risks they would not otherwise have taken. Most programs which then involved a high degree of risk have become standard loans programs, through FHA's leadership. Non-federally insured mortgage terms have been adjusted to correspond to the liberal low downpayment, long term credit programs underwritten by FHA. Moreover, the volume of FHA business in these programs has often diminished, as it was taken over by the private market where no insurance premium was charged.¹⁶ Thus, due to the control which its "private-regarding" clientele have achieved over FHA, FHA has lost sight of its original emphasis. As it has been pointed out:

¹⁴ Charles Abrams, The City is the Frontier, New York, Harper, c. 1965, p. 51.

¹⁵ Fitzpatrick, op. cit., p. 459.

¹⁶ Berryhill, op. cit., p. 38.

If FHA is to take only such risks as are accepted by the typical conventional mortgage lender, then FHA cannot serve...[its] basic purpose. Further, FHA's contribution toward enlarging the area of total housing need which can be served effectively by private enterprise must certainly be something more than merely enabling conventional mortgage lenders to make mortgage loans with longer terms and higher ratios. If FHA is to serve its basic purpose, it must accept a higher risk of default.¹⁷

The problem of regaining FHA's basic purpose implies introducing a mechanism whereby the programs of FHA are responsive to broad social purposes. In other words, the very tight-knit system in which FHA is virtually controlled by a small sector of private interests must be broken into so that "public-regarding" groups will also have a say in FHA policies. For several reasons, however, such a change is very difficult to bring about. First of all, FHA has maintained its autonomy within HUD. Thus, although HUD itself may be oriented toward broad social purposes, FHA is immune from HUD's influence. Secondly, even if a changed outlook is incorporated "at the top" in FHA, there is no assurance that these changes can be communicated "to the bottom," due to the localization and fragmentation of FHA. Thirdly, if low-income housing programs are imposed upon FHA, FHA staff must not only accept new standards of risk evaluation, but they must also learn to deal with a new clientele. And finally, another barrier exists because, just as FHA views the middle-class as its client group, the Public Housing Administration views the low-income group as its territory. Therefore, the mutual reluctance of FHA and PHA to invade one another's territory must also be taken into account.

¹⁷Fitzpatrick, op. cit., p. 459.

Recently, programs have been imposed upon FHA which illustrate the difficulties mentioned above. The FHA Section 220 multifamily housing program provided insurance for housing in urban renewal areas. In order to encourage building activity in older sections of the city, terms which were more liberal than in other FHA insurance programs were incorporated into Section 220. Two years after the enactment of Section 220 in 1954, however, not a single project had been carried out under it. An investigation by the House of Representatives revealed that the basic cause in the failure of Section 220 "to get off the ground" was the intransigence of FHA itself, when it came to adopting new attitudes and practices. As it was pointed out:

The facts...have convinced the subcommittee that... by and large the agencies concerned are in no small measure responsible for the disappointing and frustrating delays which have characterized the program. The subcommittee believes that the basic problem has stemmed primarily from the negative attitude and philosophy displayed by many of the Government officials concerned....¹⁸

Another result of the implementation of Section 220 - and of another new FHA low-income housing program, (Section 221 d(3)) is that both of these programs have benefited moderate rather than low-income groups. Thus, the real test of FHA to deal with low-income persons has been in the rent supplement program, enacted in 1965, and limited strictly to persons eligible for public housing. This program will be discussed in greater detail in the following chapter, but it is relevant to note here that it has encountered

¹⁸1967 Senate Hearings, Housing Legislation, p. 49.

a frustrating amount of "FHA red tape." Indeed, the rigidity of FHA in undertaking the rent supplement program has caused Senator Brooke to demand that all subsidized housing programs be removed from FHA and placed in a separate low-income housing agency, "so that the rent supplement program (and others) can be made more socially and politically responsive."¹⁹ Interestingly, this is the same solution which the private-regarding groups would like to see, for it preserves the status quo of FHA.²⁰

The final implication, then, which emerges from this discussion of FHA relates to the new philosophy of federal - local relations - creative federalism - and its application to housing programs, for FHA is an outstanding example of direct private involvement in federal programs. However, because of the lack of any mechanism whereby "public-regarding" interests also influence FHA, FHA does not currently serve broad social goals.

As Grant McConnell has pointed out, the danger which lies in a small sector of private interests capturing control of a segment of public policy is that the chances are less than otherwise that policy will be responsive to broad liberal values. The FHA program indeed testifies to his observation.

¹⁹ Berryhill, op. cit., p. 34.

²⁰ See, for example, John G. Vaughn, "FHA's Eternal Dilemma: To Be An Insurance Agent or Social Worker," in The Mortgage Banker, March, 1966, pp. 20, 42.

CHAPTER IV

The Politics of Publicly-Subsidized Housing

The concept of public housing has been perhaps the most consistent and volatile issue in the politics of housing. Involving as it does direct federal intervention in the housing market public housing is a program over which "private-regarding" groups have clashed sharply with "public-regarding" groups since the first public housing program in 1937. The outcome to date of this battle bears witness to the controlling power of "private-regarding" groups in housing politics. Since 1937, two large-scale public housing programs have been authorized; and each enactment has been seen as an important legislative victory for "public-regarding" interests. In fact, however, the passage of these bills was less a victory for "public-regarding" groups than a concession of "private-regarding" groups to the economic importance of public housing in temporarily bolstering the private building industry. Moreover, renewed opposition from private interests, once emergency economic conditions were over, prevented the public housing program from being carried out to the extent envisioned in 1937 and in 1949.

Toward the end of the 1950's, the public housing debate receded into the background of housing politics, but emerged again in the 1960's. This time, however, the debate had a very new character, reflecting the more pragmatic attitude of both "private-regarding" and "public-regarding" groups toward housing problems and policies. Public assistance to housing for low-income families no longer implied direct federal intervention. Several alternatives to public housing

were proposed. All of the new alternatives involved direct participation by private industry in publicly-aided housing. Thus, divisions between interest groups over various subsidy proposals did not occur so much along traditional lines of "private-regarding" versus "public-regarding" interest groups. Rather, groups supported programs which benefited their particular interests - and opposed those which threatened these interests. For the first time, low-income housing policy bridged the gap between special private interests and broad public goals and issued forth general support from both "private-regarding" and "public-regarding" groups.

The first large-scale public housing program was enacted in 1937. As Table I shows, all of the groups which supported the 1937 housing act were typical "public-regarding" organizations, such as NPHC (later NHC), AFL, NAHO (later NAHRO), US Conference of Mayors and the American Association of Social Workers; while the opponents were a small core of "private-regarding" groups - NAREB, the US Building and Loan League (USBLL), the Chamber of Commerce of the United States, and NRLDA (Later NBLMDA). The groups which led the supporters of the program were NPHC, AFL and NAHO. (Although officially NAHO was not a pressure group, it had close ties with the New Deal administration and played an important role in providing technical advice for the people who drafted the Wagner Housing Act.¹) These major proponents all favored some kind of federal - local public housing program, for slightly

¹McDonnell, op. cit., p. 57.

varying motives. The main concern of NPHC was in a permanent, long-range government program of housing and slum clearance; the AFL was interested in obtaining federal aid to housing for workers; and NAHO was interested in encouraging and preserving the system of local housing authorities which had grown out of an earlier program administered by the Public Works Administration (PWA). The stand which these groups took was based on their assessment of the housing shortage and the need for decent housing, particularly among low-income families, and of the inability of the private market to supply such housing. They also emphasized the benefits which private industry would derive from a federal housing program; however, their primary concern was with the provision of adequate, low-cost housing per se.

On the other hand, the main interest of the groups which opposed the 1937 public housing proposal was in protecting private enterprise from federal interference and regulation. They viewed public housing as socialistic and a threat to free enterprise. NAREB was the most adamant of the groups against public housing. In general, NAREB opposed any federal program which would supplant private industry. It argued that the program proposed by the government would not benefit the very poor and that any program which reached these people would involve prohibitive federal expenditures. Therefore, NAREB's stand was that relief for poor people should be obtained through local or private philanthropy.² The NRLDA also expressed extreme

² McDonnell, Ibid., p. 82.

opposition to public housing because it would compete with private industry. Some members of the construction division of the Chamber of Commerce were in favor of an emergency housing program which would stimulate building activity. However, the Chamber itself was formally opposed to any permanent, long-range federal role in housing, because it viewed housing as strictly a local concern.³ The USBLL argued that private industry could solve the housing problem on its own, but recognized early in the 1937 debate that some sort of housing program was inevitable. Therefore, it took a more pragmatic approach and pushed for a restricted program, limited to very poor families and tied closely to slum clearance.

All of the "private-regarding" groups were active lobbyists and had established ties to important Congressmen. Both NAREB and USBLL, for example, were friendly with Representative Steagall, who was Chairman of the House Banking and Currency Committee, to which the housing issue was delegated. In general, rural senators objected to public housing, because it was sponsored by "city interests;" therefore they felt it would only benefit urban areas. Thus, the alignments which occurred in the debate over the 1937 Housing Act and the arguments put forth to justify these positions tended to be along traditional ideological lines: "public-regarding" groups and Democrats supported a direct federal role in housing; Republicans and "private-regarding" interests opposed it.

³Ibid., p. 83.

The major factor which accounts for the ability of "public-regarding" groups to obtain passage of the 1937 public housing program was the depression of the 1930's. The importance of the economic implications of the act to its passage are reflected in many ways. For example, after World War I⁴, during the prosperity of the 1920's, very little public interest was shown in public housing. As one author has pointed out, very few articles were written on the topic of public housing and the pioneer public housing groups, such as AFL and the National Conference of Social Work, did not discuss it at their meetings.⁵ After the economic crash in 1929, the decline in building activity caused a "tremendous increase of public interest in housing."⁶ Between 1929 and 1932, numerous articles on housing appeared in popular and opinion magazines.

The primary interest of the Roosevelt administration in public housing was because of the program's capacity "to put men and materials to work, to relieve unemployment."⁷ The nature of the public housing program, as it was conceived in the 1930's, also reflects the importance of economic conditions in giving rise to its

⁴During World War I, two government corporations had been established to provide housing for war workers. After the war, groups, such as AFL, National Conference of Social Workers, and individuals who had studied the housing problem, pressed for continuation of the program, but their efforts were defeated by NAREB; and the corporations were disbanded. See McDonnell, Ibid., pp. 7, 8, and 22.

⁵McDonnell, Ibid., p. 51.

⁶Ibid., p. 52.

⁷Ibid.

formulation. At this time, the average tenant was a typical working class family which had been hit by the depression. Public housing was intended to serve these people, who were not permanently poor, as a temporary refuge during the depression. Thus, although the interest of the groups which supported public housing in 1937 was in the provision of adequate housing, their ability to obtain general support for a public housing program depended in reality on the economic conditions existing at that time. Indeed, as Robert Fisher pointed out in his book, Twenty Years of Public Housing: "Temporary emergency conditions favored the enactment of a permanent housing program." (Italics mine)⁸

The economic importance of the Housing Act of 1937, however, did not mitigate opposition from private interests completely. They insisted upon certain restrictions in the program, which would limit the extent to which public housing could interfere with the private market. In particular, both NAREB and USBLL demanded that amendments be added which placed limits on the cost of each public housing unit and which tied the program to slum clearance. The final act required that one unit of substandard housing be removed for every unit of public housing constructed. The extent of influence which "private-regarding" interests had in restricting the public housing program and in preventing it from competing with private enterprise is further reflected in the way in which public housing activities were cut short

⁸ Robert Fisher, Twenty Years of Public Housing, New York, Harper, 1959, p. 229.

during World War II. In order to provide housing for war workers, a new administrative agency, the Federal Public Housing Authority, was established under the provisions of the Lanham Act of 1940.⁹ In 1942, this agency took over the functions of the United States Public Housing Authority (USHA).¹⁰ This arrangement was brought about due to pressure from private groups who were insistent in blocking an expansion - and possible permanence to - the federal government's role in housing. Thus, public housing constructed under the supervision of the USHA through the Housing Act of 1937 totaled only 117,000 units.

The years after World War II constitute perhaps the most highly politicized period in the debate over public housing. Realtors, builders and mortgage bankers organized in order to prevent continued federal interference and regulation in the building industry. The resulting "real estate lobby" was noted as a "very potent private lobby group" whose opposition was directed particularly at the resumption of public housing.¹¹ In each year, between 1945 and 1949, attempts were

⁹ "Legislative History of Public Housing Traced Through 25 Years," in Journal of Housing, Vol. 19, No. 8: October 15, 1962, pp. 431-445, p. 440.

¹⁰ Ibid.

¹¹ Congressional Quarterly Service, pub., Congress and the Nation, 1945-64, Washington, D.C., c. 1965, p. 476. The political pressure of the real estate lobby was so notorious as to cause Truman to state to Rayburn: "I do not recall every having witnessed a more deliberate campaign of misrepresentation and distortion against legislation of such critical importance to the public welfare." (Ibid.) The activities of the real estate lobby led to a Congressional investigation in 1950.

made by proponents of public housing to revive a broad public housing and slum clearance program, but defeated by opposition directed by the real estate lobby. Finally, in 1949, passage of a major public housing program was achieved. The power of private-regarding groups in obstructing its passage up until that time is reflected in the fact that:

A broad slum clearance and public housing bill was finally enacted [in 1949], four years after it was first recommended by Congressional committees on post-war planning, the House Special Committee on Economic Policy and Planning, and the Senate Committee on Postwar Economic Policy and Planning Subcommittee on Housing and Urban Redevelopment. (Italics mine.)¹²

The political environment in which the Housing Act of 1949 was enacted was similar in many ways to that of 1937. The alignment of groups which supported and opposed the act was the same as in 1937, as a comparison of Tables I and II shows. The most important addition to the opposing lobby groups was NAHB, which had been established in 1942. Also, mortgage bankers had become more actively involved in housing politics, probably due to their vested interest in FHA programs. On the whole, however, the picture was exactly as in 1937: a small number of "private-regarding" groups were vigorously opposed to public housing; while a large number of "public-regarding" associations supported it. Moreover, the arguments in favor and against public housing in 1949 were the traditional ones. Realtors,

¹²Ibid.

homebuilders and mortgage bankers argued that public housing was socialistic, bureaucratic, a local program, costly, not aimed at the poorest people, competitive with private industry, a job which private industry could handle, and harmful to the moral fibre of citizens; while supporters emphasized the housing shortage, the inability of private industry to alleviate the shortage, the harmful social effects of bad housing, and the need to utilize national resources and to stimulate employment. Congressional support for public housing divided along lines similar to those in 1937 - in general Democrats supported public housing, while Republicans opposed it.¹³

Finally, a major factor responsible for passage of the Housing Act of 1949 was the condition of the economy. As Chart I shows, 1949 was a year in which a major business cycle recession occurred. The fear of a drastic slump in building activity was coupled with the warnings in numerous post-war studies of the need for expansion of the homebuilding industry, in order to accommodate the "undoubling" of war families and increased rates of family formation. These economic factors mitigated opposition from private interests just enough

¹³One notable exception was Senator Robert Taft (R. Ohio). Taft supported public housing because he was convinced that private enterprise would never reach the lower-income groups and Taft's stand on public housing forebodes the switch which many Republicans from urbanized states would later make to support federal low-income housing programs.

to lead to a narrow passage of the 1949 Housing Act. Thus, as was true in 1937, the 1949 public housing program contained many purposes besides the provision of adequate housing. Indeed, the coincidence of its economic implications with the interests of "public-regarding" groups in obtaining decent housing for every American family through a federal program of public housing is vital in explaining its passage. Although the 1949 recession made passage of the public housing program inevitable, "private-regarding" groups were nevertheless able to restrict the scope of the program. As in 1937, the program was limited to low-income persons and closely tied to slum clearance. The legislation provided that a twenty percent gap must exist between the incomes of groups eligible for public housing and those able to purchase housing in the private market. In this way, "private-regarding" groups guarded a twenty percent gap between public housing and the private market.

After the Housing Act of 1949, "private-regarding" groups continued to fight against public housing. Because of this opposition, actual appropriations for public housing were severely cut back from the amount authorized in 1949. As Table VI shows, excluding 1954, appropriations were made for an average of 37,000 units each year between 1951 and 1956, whereas 135,000 units had been authorized.

As suggested so far, throughout the first twenty years of public housing, no substantial program ever really "got off the ground." This outcome is largely the result of the controlling influence of

"private-regarding" interests in housing policies. The times when public housing achieved sufficient general support were when concern over economic conditions motivated public interest in this issue. Thus, both in 1937 and in 1949, the ideological opposition of "private-regarding" groups to public housing was offset by their economic interest in the state of building activity. Otherwise, the nature of the public housing program was such as to arouse extreme opposition from "private-regarding" groups. That is, the costs of public housing to private interests outweighed the benefits. No mechanism in the program offered direct benefits which would mitigate the ideological opposition of "private-regarding" groups to direct federal intervention.

Thus, the "private-regarding" groups insisted on viewing public housing as a temporary, emergency economic measure. They wanted a very restrictive program, which would prevent any expansion of public housing activities and possible entrenchment of the public housing administration. Once the economic conditions which pressured the enactment of the Housing Act of 1937 and the Housing Act of 1949 had passed, private interests were free once again to renew their ideological opposition to public housing. Hence, the "public housing debate" continued into the 1950's, with no significant change in the relative positions of "private-regarding" and "public-regarding" groups.

Indeed, during the 1950's, both sides became more locked into

their positions on public housing than ever before. As mentioned earlier, private interests renewed their opposition to public housing and were able to obstruct implementation of the 1949 program. Their attacks pushed "public housers" into a fight to obtain some appropriations for public housing and to save even a part of the program. These political battles forced both "public-regarding" and "private-regarding" groups to adhere to extremely polarized views. As a result, public housing fell into what Catherine Bauer has called "the dreary deadlock" of the 1950's.¹⁴ Both sides held to their ideological "private-regarding" and "public-regarding" attitudes; and neither side attempted to seek new solutions.

The ability of "private-regarding" groups to regain and to maintain the strength of their opposition to public housing during the 1950's was due to several factors. First of all, their opposition was no longer constrained by economic considerations, since a quick recovery had been made from the 1949 recession. Secondly, the onset of the Korean war made Congress inclined to hold back appropriations for domestic programs. Thirdly, strong attacks at the local level by "private-regarding" groups (sometimes characterized by extreme propaganda)¹⁵ led many communities to reject

¹⁴Catherine Bauer, "The Dreary Deadlock of Public Housing" in Architectural Forum, Vol. 106: May, 1957, pp. 140-42+.

¹⁵"Legislative History, op. cit., p. 441.

public housing programs. Fourthly, "private-regarding" interests were backed by the policy of the Eisenhower administration. Eisenhower's own view was that his administration should "mark time" on public housing, "while the merits of continuation were evaluated."¹⁶ Eisenhower appointed Albert Cole as his HHFA administrator. Cole was a former Congressman from Kansas, who had consistently opposed public housing.¹⁷ In addition, Eisenhower's PHA commissioner was Charles E. Slusser, who was a realtor and "of the same mind" as Cole and Eisenhower on public housing.¹⁸ Slusser took a very narrow view toward the public housing program. He looked at it as a building program only and refused to allow tie-ins or assistance to social and welfare problems. Finally, the public housing program itself was exhibiting certain failures, which both liberals and conservatives had noted.

The inadequacies of public housing were coming to light largely due to the changing role which the program was falling into. The average tenant served by public housing in the 1950's tended to be quite different from the original public housing occupant. He was more likely to be relatively poorer and unaccustomed to urban living. The lack of physical and social amenities and the extreme degrees of isolation and concentration in public housing, critics claimed, exacerbated rather than alleviated the problems of this new class of

16
Ibid.

17
Ibid.

18
Ibid.

tenants.

Unfortunately, "public-regarding" groups were unable to admit these inadequacies for fear of losing a public housing program altogether. The unpopularity of public housing among tenants and local civic groups, as well as attacks by local private interests, had broken up a great deal of local support for public housing. Attitudes were such that many communities could only be persuaded to build public housing for the elderly, rather than the poor and disadvantaged. Little support came from these local areas to "public-regarding" groups at the Washington level. These latter offices fought alone to prevent the diminishment, or possible elimination, of their established program. They concentrated their efforts on squeezing out appropriations from a conservative Republican administration. The danger of losing their program meant that they did not have the power to improve it. NAHRO, NHC and AFL-CIO stuck rigidly to their argument that public housing was the only answer to low-income housing.

On the other hand, "private-regarding" groups were equally adamant in their opposition to public housing. They even went so far as to suggest in 1956 that they would be willing to "sacrifice the advantages the [Housing] bill contained for them for the greater aim of stalemating the public housing program."¹⁹ This statement provoked the FHA administration, which saw its bureaucracy

¹⁹ Ibid., p. 443.

threatened. The HHFA administrator announced that failure to pass the bill would "put a real crimp in FHA's operations."²⁰ In short, "vested interests ...were institutionalized...with the result that all three major groups - lenders, builders and public housers - ... [were] opposed to that kind of coordination that would permit more flexibility and realism in meeting the full range of local needs."²¹

The loosening of the public housing deadlock did not begin until the election of John F. Kennedy and a Democratic administration in 1960. Two appointments by Kennedy especially symbolize the outlook and emphasis of the new administration. First of all, Kennedy appointed Robert Weaver as HHFA administrator. Weaver was a Negro, an "urbanite" and a public housing expert. Also, Kennedy named as PHA commissioner Marie C. McGuire, who was another public housing professional. Thus, for a change, "private-regarding" realtors and homebuilders were not holders of key positions in HHFA.

Weaver's appointment was particularly significant, because he symbolized the fact that the Negro problem, the urban problem, and the problem of low-income housing had become inextricably related. Indeed, during the 1950's a shift in the distribution of Congressional support for public housing began which underlines this fact. On the one hand, the segment of Democrats with Southern constituencies started to voice opposition to public housing. The turning

²⁰Ibid.

²¹Bauer, op. cit., p. 219.

event for them was 1954 ruling in California which prohibited segregation in public housing.²² Before that time, public housing had not disrupted the patterns of residential segregation in most locations in which it was constructed. As a result of this decision, public housing lost one of its major Congressional proponents, Senator Maybank, a Democrat from North Carolina. When Kennedy nominated Weaver the opposition of Southern Democrats to public housing really became evident. The chief threat to Weaver's appointment came from Southern Democrats, who were led by Senator Robertson (D., Va.).²³ Their opposition was based on their fear that Weaver would insist on a policy of integration in all federal housing programs.²⁴

On the other hand, independent Republicans, representing urbanized states, became a major factor in support of housing legislation in the 1960's. Thus the emerging alignments were characterized by a four party, rather than a two party, split: a coalition of liberal Democrats and independent Republicans favored a strong federal role in housing, while a combination of conservative Republicans and Southern Democrats comprised the opposition.

These changes in political alignments were accompanied by the generation of new approaches to the issue of low-income housing. The

²² Housing Authority of San Francisco et. al. v. Banks et. al.

²³ New York Times, January 6, 1961, p. 1.

²⁴ New York Times, January 7, 1961, p. 1.

Housing Act of 1961 set the stage for the way in which this issue would be approached. Liberals had become increasingly aware of the inadequacies of the "bureaucratic approach." The need for a more cooperative atmosphere between public and private interests was stressed. The most significant example of this switch among liberals to reliance on the private sector is the 221 d(3) program brought into being by the 1961 Housing bill.

Section 221 d(3) housing was originally conceived to be a low and moderate income housing program. Federal subsidies would be provided in insurance for below-market-interest-rate loans and commitments to purchase these loans through the FNMA special assistance program. As it turned out, all Section 221 d(3) housing has been constructed for moderate income groups. However, the important point was that the proposal involved direct private participation in a housing program which was at least seen as a low income program. Moreover, for the first time a federal low-income housing program received general support from both public and private groups. For example, in 1965, when the administration proposed to phase out 221 d(3) housing, strong opposition was expressed by both "public-" and "private-regarding" groups.

Although there were several factors present in 1961 which made the outlook for low income housing look promising - including an authorization for 100,000 units of public housing, leaders of HHFA who were "public housers," and a more cooperative mood among "public-regarding" and "private-regarding" groups - the tradition still held

that no substantial program was implemented. Since no alternative to public housing had yet emerged, the extent to which housing programs met low-income needs was still dependent on the politics of public housing. Private interests again blocked actual spending on public housing - no appropriation was made for the PHA to handle the expanded program.²⁴ And, "just as they had following the passage of the 1949 housing act, real estate groups and homebuilders again launched strong anti-public housing campaigns."²⁵

The Housing Act of 1965, therefore, was extremely important in that from it three new programs for low-income housing did emerge: rent supplements, "turnkey" public housing, and leased public housing. All of these involved private industry directly in meeting the needs of low-income groups. Along with this new policy approach, the debate over publicly subsidized housing took on a new character. Traditional clashes over public housing were replaced by divisions over the distribution of the benefits from low-income housing programs. Contrary to the long-held assumptions of many people, "private-regarding" groups were found to support subsidy programs, provided that they were offered sufficient economic inducement. For the first time a large scale low-income housing program was enacted which had issued forth general support from "private-regarding" as well as "public-regarding" groups. The debate over rent supplements

²⁴"Legislative History," op. cit., p. 445.

²⁵Ibid.

provides the clearest example of these emerging aspects of housing politics.

As first conceived by the administration, rent supplements was a moderate-income housing program. It was devised to pay the difference between an individual's rent-paying ability (i.e. 20% of his income) and the economic rent, for persons with incomes too high for public housing, but too low to afford housing in the private market. The administration wanted the rent supplement program to gradually replace the Section 221 d(3) below-market-interest rate (BMIR) housing program, because the latter program turned out to be too expensive in the long run.*

As indicated in Table VI, which lists the major groups in support of and in opposition to rent supplements, there was widespread support for the idea of rent subsidies, but not for the bill introduced by the administration. The first round of opposition came from both liberal and conservative groups, which felt that subsidy programs should be directed toward the sector of greatest unmet needs - the lowest income groups. Most "private-regarding" groups, such as NAREB, NAHB and the Apartment Owners Association, wanted to see the rent supplement system replace public housing. NAREB, always opposed to government ownership, as well as regulation, in housing, saw a

*The expense of 221 d(3) housing was due to the fact that the subsidy was fixed throughout the life of the mortgage; whereas rent supplements could be adjusted as the income of persons improved.

danger that the administration's proposal could reach middle income groups; then there would be nothing to stop the expansion of subsidies to all families. Therefore, it demanded that rent supplements only be given to families with real need - that is, low income families who could not obtain housing in the private market with 25% (rather than 20%) of their income. In this way, government ownership of housing could be phased out. Both NAREB and NAHB were also against elimination of Section 221 d(3) BMIR housing, because this program directly benefited homebuilders and realtors. The Apartment Owners Association was "disappointed that the Administration's proposal...[did] not view the rent assistance plan as an eventual substitute for public housing."²⁶ It wanted an expansion of rent supplements to low income, as well as moderate income, groups and to existing, as well as new, dwelling units, because these provisions would increase benefits for private apartment owners. The Mortgage Bankers Association supported the realtors and home builders and apartment owners. It wanted rent supplements to help the "truly needy;" it also wanted rent supplements to apply to existing units, which would otherwise be at a disadvantage in the rental market and therefore subject to financial failure. In addition, a strong core of liberal Democratic Senators representing nine urbanized states, criticized the administration bill. These Senators were concerned with the real effect old programs such as FHA and PHA had had on

²⁶1965 Senate Hearings, Housing Legislation, op. cit., p. 1046.

cities. They argued that in many ways federal housing programs appeared to have increased rather than eliminated urban blight and deterioration. They wanted both to have a re-evaluation of these programs in relation to their impact on urban problems and to see more money put into housing programs. Their recommendations included a request to lower income limits for rent supplements in order to help "those who needed it most." Thus, their position was less one of opposition than of lukewarm support for the administration bill. Their main concern was that urban ghettos would be neglected.²⁷

While some "private-regarding" groups with a more pragmatic outlook on housing programs, accepted the idea of rent supplements, it should be pointed out some private interests remained opposed to federal assistance to housing. The US Chamber of Commerce asserted that the history of Federal subsidies for local community development and public housing evidenced very little constructive impact on either of these problems. Therefore, it recommended a transition from the system of Federal subsidies and controls to full local and state responsibility for community development and renewal. The NBLMDA was vigorously opposed to the administration's rent supplement proposal. It testified that it interpreted the program as a middle income program and therefore saw a danger in the program easily expanding beyond the middle income range. Moreover, it

²⁷Ibid.

averred that no need had been demonstrated for the subsidy. Its overall position was that: "There are some arguments for rent supplements, but the objections to such a program far outweigh the benefits."²⁸

The opposition expressed by these groups was backed by several conservative Republicans, such as Senator Tower from Texas and Representative Fino from New York. These people were aroused by the implications of socio-economic integration contained in the proposal. Fino's response was that the proposal amounted to a "social planner's dream disguised in housing terminology (by) giving the Housing Administrator a blank check to federalize American residential patterns and subsidize forced economic integration."²⁹

Paradoxically, the pressure to direct the provision of rent supplements toward low-income, rather than moderate income, families introduced a strong opposition from major "public-regarding" groups. NAHRO argued that the rent supplement program was too costly and in addition "administratively cumbersome and socially indefensible."³⁰ Its position was that the public housing formula was the best long-term method for meeting the "low-income poor housing dilemma."³¹ It is evident in their arguments that the primary concern of these

²⁸ Ibid., p. 518.

²⁹ Congress and the Nation, 1945-64, op. cit., p. 361.

³⁰ 1965 Senate Hearings, op. cit., p. 302.

³¹ Ibid., p. 304.

public-regarding interests was in preserving the public housing program. Their opposition stemmed from the fact that rent supplements were to be administered directly between FHA and private developers, leaving public housing officials out of the picture. As representative of public housing officials, NAHRO wanted leased public housing or turnkey housing instead, because both of these programs were administered by local public housing authorities. Thus, NAHRO was forced into a contradictory stand because of the conflict between its ideology and special interest in the maintenance of its organization. Although traditionally fighters for public housing and public assistance to low-income families, they also had a vested interest in the old public housing formula. Their reaction seemed to reflect an attitude that low-income families belonged to them, that this was their territory and only they should administer low-income housing programs. NAHRO's fear in the diminishment of its established based of power caused it to take a more conservative stand than major "private-regarding" groups, such as NAREB, NAHB and MBA.

This switch between "public-regarding" and "private-regarding" groups in the rent supplements debate reflects the new distributive nature of the conflicts over federal assistance to low-income housing. Programs now tend to appeal to - or threaten - the special interests of groups, and thus often weaken their ideological stand on housing policy. Splits occur over specific programs rather than the general

nature of the issue, such as public assistance to housing. Thus, rent supplements achieved the support of private groups such as homebuilders and realtors who would benefit directly from the program; whereas it provoked the opposition of public housing officials whose bureaucracy and domain of power were threatened. This distribution of support relates in an important way to the distribution of power in housing politics. It shows an adjustment of policy to the demands of private groups, which exert controlling influence in housing policy. That is, the adoption of rent supplements does not reflect so much a victory for "public-regarding" groups as it does support of "private-regarding" groups for a program which directly benefits them. Indeed, the rent supplement proposal was not passed until after it was closely tailored to meet the demands of special interests. First, the persons eligible for rent supplements were public housing, rather than moderate income, groups. Second, even after this amendment was adopted, private interests blocked appropriations in 1965, because they felt that the guidelines which FHA had drawn were not strict enough to assure that only public housing families could receive rent supplements. And third, rent supplements were further limited, through pressure from conservative interests, by a "local rider" (i.e. local approval for a rent supplement program must be obtained). Thus, by incorporating economic incentives, low-income housing programs tend to offset the ideological opposition of private interests to public assistance in housing and to

achieve general support. In this way, programs have a greater possibility of bridging the gap between the narrow economic interests of the "private-regarding" groups and the broad social goals of "public-regarding" interests.

To summarize, then, the politics of public housing reflects strongly the disequilibrium of influence which "private-regarding" groups hold in housing politics. As a result of private opposition, public housing has been carried out only to a nominal extent and has been of a very restrictive nature. Since, up until 1965, public housing was the only low-income housing program, the outcome of the public housing debate meant that a negligible impact on low-income housing needs was achieved in the first thirty years of housing policy. In 1965, public housing finally was looked at as one of several alternatives for providing public assistance to low-income housing. Since that time, several other proposals and refinements have been put forward. Because these new programs benefit "private-regarding" groups they have, unlike public housing, been generally supported by them. The implications which these shifts have for meeting national housing goals will be examined in greater detail in the final chapter.

TABLE V

	<u>Units auth., 1949</u>	<u>Actual approps.</u>
1951	135,000	50,000
1952	135,000	35,000
1953	135,000	20,000
1954	135,000	*
1955	135,000	45,000
1956	135,000	35,000

*35,000 units were authorized, but no new starts were included in the approps. bill.

Source: Congressional Quarterly Service, Congress and the Nation, 1945-64, p. 483.

TABLE VI

Rent Supplements Positions

<u>Groups in Favor</u>	<u>Groups Opposed</u>
ABA	NAHRO**
MBA	US Chamber of Commerce
NAMSB	NBLMDA
NAREB*	
NAHB*	
National Conference of Catholic Charities	
NHC**	
National League of Cities	
US Conference of Mayors	
AFL-CIO**	
AOA*	
Joint Center for Urban Studies of MIT and Harvard University	
National Council on the Aging	
US Savings and Loan League*	

*These groups favored rent supplements for people in public housing income groups.

**These groups opposed elimination of old public housing system.

Sources: U.S. Congress, Senate, Committee on Banking and Currency, Housing Legislation of 1965, Washington: 1965.

and Congressional Quarterly Service, 1965 Congressional Quarterly Almanac, 89th Congress, Vol. XXI, Washington, 1966.

CHAPTER V

Evaluation of System and Recommendations

This study has attempted to accomplish two tasks: first, to conceptualize the system of interest groups and agencies within which housing policy is formulated and executed and secondly, to examine in detail, through two case examples, the operation of that system. At the outset, it was pointed out that housing policy, to date, has had little impact on the sector of greatest unmet needs. That is, the main federal effort has not gone toward low-income housing. In the 1930's, emphasis was placed on housing working class families who had been hit by the depression. In the 1940's, federal assistance went to housing for war workers and veterans. In the 1950's, it was middle income housing in the suburbs and luxury housing in renewal areas which benefited from federal housing programs. In the 1960's, however there appears to be an effort - in theory at least - to provide low-income housing.¹

During the 1960's, the housing political system has been in a state of change. Ideological divisions between "private-regarding" and "public-regarding" groups have been obscured, for almost all interest groups now agree that a housing program is desirable or inevitable. Every interest group also wants to have a say in the housing program. Therefore several new ways to administer public subsidies have been proposed. Independent Republicans are playing a game of "one-upsmanship" by attempting to introduce methods for providing public assistance to housing that are more workable than

¹Friedman, op. cit., p. 357.

those solutions which liberals have advocated in the past. Congressmen who consider themselves progressive liberals are criticizing the old programs of the "old guard" liberals. Their contention is that housing programs must be geared toward encouraging participation by private enterprise. The "old guard" Democratic administration, sensing the need not to be outdone by its political opponents, is assimilating all of these ideas into its own program. The Percy home ownership plan, the Kennedy tax incentive proposal and the 1968 administration bill represent the output of these various factions. All of these programs have in common a more sophisticated approach to social planning than that which characterized the public housing program. Each proposal recognizes the political power of "private-regarding" interests in housing politics. By offering economic inducements to private enterprise, these proposals have in general achieved the support of "private-regarding" as well as "public-regarding" groups. As a result, traditional ideological battles have been replaced by disputes over the distribution of the pieces of the "federal cake."

It is important to point out that the distinction between "public-regarding" and "private-regarding" interest groups, which has been used in this study, defines the self-interest which characterizes various housing interest groups. The division is not meant to single out the "good guys" from the "bad guys" in housing politics. Rather, underlying this theme is the assumption that every organization and agency

will, as a rule, act in a manner which will promote its special interest. To the extent that policy interferes with its special interest and is empowered to do so, any organization or agency will try to prevent such policy from being enacted or implemented. Hence, "private-regarding" groups should be expected to approve only such policies as will result in material gain for their organizations; whereas, "public-regarding" groups will favor policies which help to achieve the broader purposes of their organizations. Policy, if it is to achieve its intended impact must take into account all of these interest groups, in the light of their role in the housing process and their influence in housing policies.

One of the paradoxes of housing politics is that while there exists a far greater number of "public-regarding" organizations than "private-regarding" groups, the latter groups comprise the controlling interests in housing politics. These interests, the core of which is represented by NAHB, NAREB, MBA, ABA and NLBMDA, channel their influence through strong, grass-roots pressure and close ties with FHA. Moreover, their power is important because they possess the organizational arrangements and technical skills to convert economic and material resources into housing.

The way in which public housing was consistently blocked provides an example of the controlling influence which the small, "private-regarding" groups have in housing politics. Public housing, as originally conceived, was politically unrealistic, because

it threatened to pre-empt the private housing interest groups. In addition, the public housing program was unsophisticated in terms of the sociological and psychological theories on which it was based. As a result, the program has generated very little low-income housing.

On the other hand, FHA does operate within the private market and it has indirectly brought about the construction of eight million homes. One lesson to be learned from the FHA experience, however, is that if a program is too autonomous and bends too much at the outset to attract the private interests on which it depends, then it will become controlled by these interests; and thus, the possibility that it will serve broad public purposes is greatly diminished. As one author has pointed out, federal programs must have "just enough give and just enough take"² if they are to achieve their public goals. With some of these political realities in mind, it is useful to discuss and to evaluate the new programs which have been proposed to date.

Traditional Public Housing: The failure of this program suggests that no more public housing projects should be constructed. However, this conclusion does not imply that the program can or should be "wiped out." Existing projects still have a useful life; and public housing authorities are established bureaucracies. Their interest

²Abrams, The City is the Frontier, op. cit., p. 91.

must be taken into account, as shown in the dispute over rent supplements. Programs which will reform existing public housing units must be formulated and funded. New projects should be built on scattered sites, so that the public housing "appearance" is lost.

Turnkey Public Housing: This program is one of the more promising of the new strategies, for several reasons. First of all, turnkey housing does not eliminate the administrative role of the public housing authority. Secondly, it allows private contractors greater freedom and cuts down frustrating red tape delays. As a result, public housing units are produced more quickly. Yet, under Turnkeys I and III, the private developer does not have to manage the property. (One of the problems in attracting private money into low-income housing is that private developers are unwilling to assume the "headaches" of operating decent housing in slum areas.) Finally, the program stays in the hands of control of "public-regarding" groups, since local public housing authorities accept contracts, choose tenants, and in some cases manage the units.

Section 23 Leased Public Housing: For reasons similar to those mentioned under turnkey housing, leased public housing is a promising alternative: it involves local public housing authorities, it benefits private apartment owners, it is controlled by "public-regarding" groups and it increases the speed at which public housing units are opened. However, a major impediment to leased housing is that it

relies on the existing housing supply. Moreover, the local housing authority must show that the leasing of existing units will not put a strain on the total housing supply in the community.³ Since there is already a shortage of housing in most urban areas, the ability to open many units under this program is limited.

Rehabilitation loans:

- A. To nonprofit or limited dividend agencies: Rehabilitation loans have both several advantages and limitations. First of all, they provide a source of funds to upgrade the large number of substandard units in most blighted areas. Secondly, they represent financing programs and hence involve techniques which FHA is best staffed to administer. Moreover, this program does not necessarily bypass local public housing authorities, since these bodies are also eligible to administer rehabilitation loans. Thus, Rehabilitation funds enable local authorities to open new units more quickly than when units are newly constructed. On the other hand, this program is limited because it relies on existing housing. In addition, rehabilitation programs to date have involved high costs, which result in rents that low-income groups cannot afford.
- B. To individuals: It is generally agreed that the best housing for the poor is provided by resident owners, who have an interest

³William H. Ledbetter, Jr., "Public Housing - A Social Experiment Seeks Acceptance" in Law and Contemporary Problems, Vol. XXXI, No. 3: Summer, 1967, pp. 490-527, p. 511.

in maintaining their property.⁴ Thus, direct, low-interest loans and grants to low-income owners could be one of the most acceptable methods of subsidizing politically and socially low-income housing. However, the low rate of low-income home ownership limits the number of people eligible for these programs.

Rent Supplements: Rent supplements offer many advantages in terms of flexibility, benefits to private developers and cost to the government. On the other hand, important difficulties which have already been encountered, or are likely to be, mitigate against these advantages. First of all, rent supplements are administered by FHA. Such a program requires FHA not only to allow new standard of risks, but also to administer an entirely new type of program. Training its staff to work with new clients, such as nonprofit institutions, and to accept a new program - in short, remaking FHA - is not a task which can be accomplished quickly. Secondly, rent supplements are a direct subsidy. Such welfare programs have never operated successfully. As the history of public housing illustrates, the fear of helping people "too much" has meant that these programs are highly restricted to the point of being practically impossible to implement. Limitations on the cost of units which are eligible for the rent supplement program are so low as to make the program unfeasible in large cities, such as New York.⁵ Unless rent supplements are part of a

⁴ New York Times, May 27, 1968, p. 53.

⁵ Ibid.

graduated income supplement or family allowance program which applies to all income groups, experience in public housing suggests that they will never "get off the ground." Thirdly, rent supplements have encountered strong opposition from conservatives who are opposed to socio-economic integration. As a result, funds are difficult to obtain, and when obtained, they are likely to be administered in a conservative manner. For example, rent supplements have tended to be applied to whole projects, rather than scattered units, thus concentrating large numbers of low-income people, as in public housing. In short, rent supplements are not subtle or indirect enough to constitute a subsidy program which is politically feasible.

Section 221 d(3) BMIR Housing: Although Section 221 d(3) BMIR housing has produced only moderate-income housing, it could reach low-income groups if (a) the interest rate subsidy were increased or (b) it was combined with rent supplements. Section 221 d(3) housing has received strong support from realtors and homebuilders. Mortgage bankers oppose it because it bypasses the use of private funds. (They would prefer that the interest subsidy be paid directly to banks.⁶) Section 221 d(3) is supported by realtors and homebuilders because although the program allows a limited rate of profit, there is quick return, due to the fact that there exists a large market for

⁶Saul B. Klamon, "Public/Private Approaches to Urban Mortgage and Housing Problems" in Law and Contemporary Problems, Vol. XXXII, No. 2: Spring, 1967, pp. 250-265, p. 262.

low and moderate income housing. Hence, through large volume, builders and realtors realize as much profit as they would from a few luxury apartment buildings. Two major problems can be seen in Section 221 d(3) housing however. First of all, it is administered by FHA. Since FHA is strongly controlled by realtors and homebuilders it is very possible that Section 221 d(3) could be "taken over" by these groups. The same kind of exploitation that occurred in the Section 608 program could happen again, where the "take" for private-regarding interests is exorbitant. Indeed, evaluations of Section 221 d(3) housing have revealed very shoddy construction, already. The buildings are unlikely to last forty years, but will last long enough for realtors to sell out and make a healthy capital gain. Secondly, Section 221 d(3), and also rent supplements, involve FHA in an area which PHA considers "its" territory. The reluctance of PHA to be undercut by FHA - as well as FHA's regard for the legerdemain of PHA⁷ - suggests that FHA is likely to implement these programs slowly or, to the extent possible, channel them to moderate or middle income groups.

National Housing Corporations: (As proposed in the 1968 Senate bill): National Housing Corporations have a major advantage in that they involve private industry and allow a great deal of freedom to private groups. On the other hand, there is a real danger in the

⁷Walter L. Smith, "The Implementation of the Rent Supplement Program - A Staff View" in Law and Contemporary Problems, Vol. XXXII, No. 3: Summer, 1967, pp. 482-489, p. 482.

autonomy of these corporations that they will, like FHA, be taken over by private groups to the extent that they do not serve broad social purposes. In addition, the functions of initiating low-cost housing projects or helping to establish local housing corporations will conflict with existing programs of HUD and the Office of Economic Opportunity. Therefore, implementation is likely to reach a stalemate as each agency attempts to protect its own bureaucracy.

In the light then of the political system within which national housing goals must be implemented, it is at least a hopeful sign that many of the new low-income housing programs are supported by "private-regarding" as well as "public-regarding" interest groups. However, there is a danger of reading too much into this sign and exaggerating the prospect for any far-reaching, federal low-income housing program in the immediate future. On the one hand, massive public investment is necessary to reach President Johnson's goal of six million low-income units in the next ten years (let alone five years, as urged by the National Advisory Commission on Civil Disorders.) Large expenditures are required for two purposes. Due to the fragmented structure of the housebuilding industry, costs of new housing are extremely high. Thus, the public subsidy must also be high if housing programs are to reach low-income groups. Secondly, it is politically unrealistic to assume that large expenditures on low-income housing programs will be approved without also providing programs which will directly benefit the majority

of middle class Americans. The white middle class must be "bought off," so to speak, if their sanction of assistance to low-income groups is to be obtained. This two-fold need for massive public investment, however, is confronted by the many conservative barriers. The fragmented structure of the housing industry is also directly related to the nature of the "private-regarding" interests in housing politics. That is, NAHB, NAREB and MBA are all grass-roots organizations, which tend to represent conservative, middle-class interests. Such groups are traditionally opposed to large-scale, federal intervention. Indeed, I would suggest that the subsidies required to reach low-income groups are too high to obtain broad support in Congress. In addition, the costs of the Vietnam war and the inflationary trends caused by war expenditures make Congress even more reluctant to appropriate large amounts of funds for domestic programs. The other side of the coin, then, is that a technological breakthrough in the production of housing is necessary in order to provide a large supply of low-income housing. Although such innovations can be encouraged, by channeling research funds into housing, reliance on technology is basically a long-term solution and does not improve the prospects for the immediate future.

In conclusion, this study suggests the following recommendations for re-structuring the political system of housing and for helping to achieve national housing goals.

1. Linkages between "private-regarding" groups and low-income housing programs must be established. "Private-regarding" groups play a necessary role in providing organizational arrangements and technical skills for converting economic and material resources into housing. Presently, the major government programs which directly benefit these private groups are ones which also tend to benefit middle income groups, especially FHA. At the same time, however, mechanisms which assure that these programs are responsive to public values must be incorporated into the system.
2. One way such linkages can be established is to create more flexibility within the existing public housing program. The turnkey programs are a good example of how such flexibility might be achieved: they allow greater freedom for private developers and involve less direct government interference. In addition, they retain control in the hands of "public-regarding" groups.
3. Another way such linkages could be established is to incorporate programs which involve greater social and economic risks into FHA. Section 221 d(3) is a good example of the type of program which could be integrated easily into the existing system of FHA techniques and client groups. However, there is a danger that these programs will be "taken over" by the small sector of private interests which FHA serves.
4. Flexibility and variety are important. No single program should necessarily benefit all interest groups. For example, mortgage

bankers might prefer turnkey housing to 221 d(3) housing, while homebuilders favor 221 d(3) housing. Such competition could loosen the tight knit system of FHA, by dividing the interests of its client groups, and hence provide an opportunity for the Secretary of HUD to achieve stronger control over FHA. In addition, needs vary between localities. Therefore, programs should have sufficient variety and flexibility to accommodate local differences.

5. Finally, the federal government should direct its research funds into three areas:

- a. Reaching a clear-cut definition of the housing problem and specific strategies for solving it. So far, most cities are still groping for such strategies, because they don't understand the causes of the housing problem.
 - b. Reducing housing costs through new materials and new building systems. New methods will also help to further "loosen" the housing political system, by bringing new actors, such as large corporations, into the housing process. The influence of such actors could dilute the control which small-scale realtors, homebuilders, and mortgage bankers presently have over housing policy.
 - c. Training public professionals. Such training would provide better staffs for local redevelopment authorities, local housing authorities and local housing groups.
- "Better public service" is a theme which is politically

acceptable. The effect of such programs, however, could be to improve the status and grass roots support of "public-regarding" groups and hence offset somewhat the disequilibrium of influence of "private-regarding" groups vis-a-vis housing policy.

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