

Labor's Love Lost? Rebuilding Unions' Involvement in Federal Housing Policy

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Abstract

Housing was a major issue in the 1948 elections, and the landmark Housing Act of 1949 ensued. Today, housing is barely on the political radar screen, despite the fact that the nation has serious housing problems. This article reviews the political coalition and strategy that led to the Housing Act of 1949 and compares them with the political coalition and potential for housing today.

Three key factors explain the effectiveness of the 1949 campaign: Progressive housing advocates in the 1930s and 1940s (1) had a radical vision of federal housing policy, (2) were part of a broader movement for social reform that linked housing to other issues and built alliances with organized labor, and (3) worked with this broad coalition to mobilize the urban and labor vote, activating a constituency for housing reform. Rebuilding this constituency requires learning lessons from this successful effort and adapting them to contemporary political and economic circumstances.

Keywords: Federal; Housing; Legislation

Introduction

Housing was a major issue in the 1948 presidential and congressional races and set the stage for the Housing Act of 1949. President Harry S Truman's pledge to address the postwar housing shortage and the problem of urban slums played a key role in his margin of victory.¹ There was much at stake and a prolonged battle over various provisions of the law, but there was also a consensus that Washington had to do something dramatic to address the nation's housing needs. Every major lobby group—business, real estate, labor unions, big-city mayors, and social reformers—played a role in the legislative clash over the 1949 act.

Now, fast-forward 50 years to the eve of the 2000 presidential and congressional elections. Housing is barely on the political radar screen. After the Republicans took control of Congress in 1994, the Clinton administration even briefly considered abolishing the Department of Housing and Urban Development (HUD) in order to balance

¹ For background on the Truman administration and on the Housing Act of 1949, I have relied primarily on Davies (1966), Freedman (1969), Gelfand (1975), Griffith (1989), Hamby (1995), and Keith (1973).

the budget and co-opt the GOP's agenda. In the presidential election of 1996, the Republican platform called for eliminating HUD. During the current election's primary season, none of the major candidates had anything to say about housing. "Housing just isn't an issue that polls well," explained HUD Secretary Andrew Cuomo, an adviser to Vice President Gore (Grunwald 2000, A6). The media treat housing as a marginal issue, and few major newspapers have full-time reporters covering housing matters. When major national newspapers and news magazines write about key domestic problems—or where the major candidates and parties stand on the major issues—they rarely include housing.²

Certainly the fact that housing conditions are significantly better today than they were 50 years ago accounts for the decline in urgency, but the United States still has serious housing problems, not only among the poor but also among middle-income households. Why, then, is there such a big difference between then and now in housing's place on the political agenda?

Three key factors explain the effectiveness of the campaign for the Housing Act of 1949:

1. Progressive housers³ had, since the early 1930s, persistently articulated and popularized a radical vision of the federal government's role in addressing housing needs that incorporated the concerns of the poor and the middle class. The progressives proposed bold alternatives, not incremental changes. Although they did not see their entire program enacted, their ideas shifted the debate, and some of their ideas were incorporated into the law.
2. The progressive housers were part of a broader movement for social reform that linked housing reform to other issues; in particular, they joined forces with the labor movement. Housers cultivated allies among veterans groups, civic organizations, and some business leaders, among others, connecting housing reform to

² Every major newspaper has a real estate section, but these typically do not focus on housing policy and politics. There are some exceptions to the media's blindness toward housing issues, such as the *New York Times's* Jason DeParle (1996), the *Washington Post's* Michael Grunwald, and syndicated columnist Neal Peirce.

³ The term "houser" typically refers to the loose network of social workers, settlement house staff, local public housing officials, planners, civic activists, and academics and writers who lobbied for progressive housing reform during the first half of the 20th century. Social workers, public housing officials, and planners all had their own professional associations. The National Public Housing Association (NPHA) sought to coordinate their efforts. Some union leaders are frequently identified as "housers," and the unions worked closely with and within the NPHA, but for this analysis they will be considered separately. See Lubove (1962), Oberlander and Newbrun (1999), Radford (1996), von Hoffman (1996), and Wright (1981).

other concerns as part of the evolving social contract between citizens and their government.

3. The movement for housing reform, particularly its labor component, forcefully mobilized the urban vote, dramatically increasing voter registration and turnout in key elections. This movement transformed American politics by actively recruiting and mobilizing a constituency for reform.

During the debate over the 1949 act, there was an ideological tug-of-war, rooted in vastly different conceptions of the appropriate role of government in society—both in general and with respect to housing. Progressive labor unions (primarily those in the Congress of Industrial Organizations [CIO]) and housers led the debate on the left. President Truman and many of his Democratic Party allies staked out the liberal terrain. Veterans organizations—typically identified with conservative views—leaned in a liberal direction on the housing issue. Senator Robert Taft (a conservative on most issues) and some other Republican members of Congress staked out the moderate terrain. The real estate industry and the right wing of the Republican Party led the debate on the right. This debate took place in the context of the emerging Cold War that damaged, but did not crush, the progressive forces, as it would a year or two later.

Part of what is missing today is the ideological tug-of-war over housing policy. While housing is a social and economic “problem,” it is barely a political “issue.” In other words, organized interest groups have not found a way to inject it into the public debate by polarizing different views, mobilizing different constituencies, shaping public opinion, and then forging compromise solutions. There is neither a general agreement that housing is a serious problem nor a wide spectrum of views about what role the federal government should play in addressing it. In particular, there is no contemporary parallel to the progressive labor unions and housers, who not only proposed bold policy prescriptions, but also knew how to popularize their ideas and link them to grassroots organizations with the capacity to mobilize people in the political arena.

In general, the contemporary debate over housing policy boils down to narrow discussions over the size and use of the HUD budget, even though the agency provides only about one-fifth of federal housing subsidies (Dolbear 1996a; Dreier 1997a). The contours of the debate extend from calls to abolish the agency (from the right) to demands (from the left) to maintain or marginally increase the existing budget, which now provides funding for less than one-third of low-income households. There are, of course, more radical positions, but their advocates are typically marginal to the public debate (Bratt 1989; Davis 1994; Dreier 1997a; Dreier and Atlas 1997; Hartman and Stone

1986; National Housing Law Project 1995; Stone 1993). While there is no overall consensus about housing policy, the differences among the major players are quite narrow and skewed toward the center-right, compared with those in the United States 50 years ago and in other Western democracies today.

Thus, while the 1949 act may provide some valuable policy lessons, the more important lessons have to do with building (actually, rebuilding) the political constituency for an activist federal housing policy. In particular, the catalytic role of organized labor and radical housing reformers during the Depression and postwar periods and their virtual absence within the current housing coalition—along with their bold ideas that expanded the public debate about government’s responsibility—account for much of the difference between then and now.

Setting the stage

The Housing Act of 1949 is better known for its lofty and often cited rhetoric than for its actual provisions. It declared that “the general welfare and security of the Nation require the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family.” This may seem prosaic today, but at the time it was an unprecedented statement about the federal government’s responsibility in the housing arena. Its actual provisions were much more modest. The act (1) established a federal urban redevelopment and slum clearance program, authorizing federal loans of \$1 billion over a five-year period to help local redevelopment agencies acquire slum properties and assemble sites for redevelopment; (2) reactivated the public housing program for low-income families (which had been on hold during World War II), authorizing subsidies to local housing authorities sufficient to build 810,000 units over six years; (3) expanded the Federal Housing Administration’s (FHA’s) mortgage insurance program to promote home building and homeownership; (4) created a program of financial assistance and subsidies to improve housing conditions on farms; and (5) authorized federal grants for research, primarily to improve the productivity of the housing industry (Freedman 1969; Keith 1973).

The goal enunciated in this act was clearly a continuation and expansion of the New Deal, based on the underlying belief that the federal government had a responsibility to address economic and social problems, particularly for those Americans whose basic needs were not being met by market forces and whose lot was exacerbated by downturns in the business cycle. The Social Security Act, Fair Labor Standards Act, National Industrial Recovery Act, National Labor Relations Act, Tennessee Valley Authority (TVA), rural electrification program, and other New Deal initiatives had dramatically changed the lives of

the American people, as well as their relationship with and attitude toward the federal government. Their hopeful and positive view of Washington was further confirmed by the nation's successful mobilization for and victory in World War II.

The debate over the 1949 act, like the debate over much of Roosevelt's New Deal and Truman's Fair Deal legislation, was framed not only by immediate practical and political realities, but also by an ideological battle over what role government should play in society. The debate spanned the broad spectrum of ideological and political perspectives. The initial momentum for government involvement to improve housing conditions originated with radical housing reformers, beginning in the Progressive Era and continuing into the Depression. Their ideas and efforts, which included key elements of the burgeoning labor movement, framed the debate in a new way that gave the interest groups pushing for a stronger government role room to maneuver. In fact, the housing bill was the *only* item on the Fair Deal agenda that Truman was able to get through Congress, even though it was controlled by his own party.

Government's role in housing matters dates primarily from two major turning points. First, during the Progressive era, tenement reform laws set the precedent that local government would establish standards and regulate housing safety. Second, during the 1930s, the public housing program, the FHA, and banking reforms (such as the establishment of the Federal Deposit Insurance Corporation) determined the federal role in expanding homeownership, stabilizing the housing and banking industries, and providing subsidies to the poor.⁴

Until the Depression, most American opinion leaders believed that the private market, with a helping hand from private philanthropy, could meet the nation's housing needs. During the Progressive Era, reformers sought to address the problem of slums in three ways. First, social workers tried to improve the behavior and values of the poor, teaching them how to cultivate good cooking, hygiene, child-rearing, and housekeeping habits. Second, reformers pushed for government regulation of slum housing by establishing codes with minimum standards and hiring inspectors. The tenement reform laws that resulted helped improve the physical condition of housing but also increased its cost beyond what poor and working-class tenants could afford. Third, reformers built private "model" housing for the poor. Most housing reformers at the time rejected the idea, then popular in Western Europe, that government should build and manage housing

⁴ This overlooks, of course, the federal government's role in building and subsidizing housing for defense workers during World War I, but this was a temporary measure that was quickly abandoned when the war ended. For a general discussion of the federal government's bias toward homeownership and market-oriented policies, see Carliner (1998).

for the poor. They believed, according to Lubove (1962, 104), that “it was ‘bad principle and worse policy’ for municipalities to spend public money competing with private enterprise in housing the masses.” In the first three decades of the 20th century, a few unions, wealthy philanthropists, and settlement house reformers built model housing developments (typically on a nonprofit or limited-dividend basis) for working-class families, but without government subsidy. (For example, the Amalgamated Clothing Workers sponsored housing cooperatives for its members.) It soon became clear, however, that despite the good intentions, this housing was too expensive for many poor and even working-class families (Dreier 1997b; Lubove 1962; Radford 1996; Wright 1981).

Reformers who wanted the federal government to play a major role in housing were a lonely voice in the political wilderness. The economic collapse of the Depression, however, provided them with a political opening to push their radical ideas that the federal government should subsidize social housing and help create a noncommercial sector free from profit and speculation. Like their European counterparts, they envisioned it for the middle class as well as the poor.

These reformers—economists, planners, union leaders, architects, social workers, and journalists—mobilized people and ideas to gain allies and win a temporary victory during the early years of the New Deal (Lubove 1962; Radford 1996). They had faith in public enterprise and the positive role of the built environment on people and communities. The housers’ ideas and political activism inspired two progressive federal housing programs within the Public Works Administration (PWA), beginning in 1933. One program produced seven limited-dividend housing developments with 3,123 units. One of these projects, the 284-unit Carl Mackley Homes built by the Hosiery Workers’ Union in Philadelphia, had spacious, well-designed units, with playgrounds for children, art and education programs for tenants, and lots of political activity. Through a second program, the PWA itself built 51 housing developments (with more than 21,000 units), including the Harlem River Houses in New York City (Radford 1996).

The reformers hoped to turn these prototype projects into a permanent government program. Led by Mary Simkhovitch (a settlement house worker who headed the National Public Housing Conference [NPHC], founded in 1931), Catherine Bauer, and liberal unions (through the Labor Housing Conference, founded in 1934), they pushed for well-designed, mixed-income, noncommercial, government-subsidized housing projects (including resident-owned cooperatives) sponsored by unions, other nonprofit organizations, and government agencies. Bauer, one of the heroines of social reform, was a journalist, planner, organizer, and political strategist who held together the fragile liberal-labor coalition for housing and learned how to translate her radical ideas into practical politics (Oberlander and Newbrun 1999; Radford 1996).

In the showdown over the magnitude and shape of public housing, the reformers were outmaneuvered by the real estate industry, led by the National Association of Real Estate Boards (NAREB).⁵ The industry warned about the specter of “socialism” and (with the enactment of the Public Housing Act in 1937) successfully lobbied to limit public housing to the poor and to give local governments discretion over whether and where to locate it. The two progressive programs were canceled. The 1937 act provided funds for local housing authorities to build 117,755 units of public housing in place of razed slums, thus linking slum clearance and public housing. It further required that one unit of public housing be built to replace every slum unit torn down (Davies 1966).

The public housing program was put on hold during World War II, and few units were built during the immediate postwar years. Likewise, the FHA, created in 1934, insured relatively few mortgages until the war ended. There was a severe housing shortage in both rural and urban areas, as veterans returned and the baby boomers were born. The enormous pent-up demand fueled the political logic for new federal housing legislation, but it did not dictate what kind of legislation was necessary or feasible. That was a matter of political and ideological combat.

The postwar political climate: Cold War and antilabor

Americans entered the postwar era with considerable anxiety. Now that the war was over, would the U.S. economy revert to Depression-era conditions or would there be prosperity? Would the postwar world be the start of an “American Century” (as *Time* publisher Henry Luce claimed), in which the United States would engage in a struggle among superpowers for economic, military, political, and cultural domination? Or would it be, as former Vice President Henry Wallace proclaimed, the “Century of the Common Man,” featuring world peace and greater social and economic equality at home?

The Cold War dominated postwar politics. It officially began in 1946 with Winston Churchill’s “iron curtain” speech in Missouri. Although fear of Soviet expansionism was genuine, it also became the battering ram used by conservatives to undermine attempts to address domestic problems. Major business groups feared a continuation of New Deal liberalism and the federal government’s wartime command of economic resources and business decisions. Business leaders argued that any effort by the federal government to regulate or restrain private enterprise was the first step toward socialism and communism. (The obvious exceptions were government grants to military contractors and

⁵ NAREB later became the National Association of Realtors.

later highway building, both of which were justified in terms of Cold War priorities.)

Coordinated by groups such as the National Association of Manufacturers (NAM), the U.S. Chamber of Commerce, the Committee for Economic Development, and the Business Advisory Council, but also involving business-backed foundations and think tanks, trade associations representing specific industries, and individual corporations, business engaged in an unprecedented mobilization to influence public opinion and public officials against federal government activism and the threat of “creeping socialism.”⁶ The NAM launched a major public relations campaign, to which business groups contributed \$37 million, to sell free enterprise. They opposed federal intervention in health care, education, civil rights, labor relations, housing, antitrust activities, progressive taxation, and other policy areas (Griffith 1989). There were some differences within the nation’s business community (particularly between large corporations and small firms), but these were minor compared with the basic consensus, which was typically brokered by the trade associations and policy groups sponsored by big business. Although each corporation and industry had its own specific concerns and lobbied to protect its own self-interest (for example, the American Medical Association’s opposition to Truman’s plan for national health insurance and the Farm Bureau’s opposition to Truman’s plan to provide income support to small family farmers), American business as a whole shared a general worldview and political program. Seen in this context, the NAREB opposition to public housing and antidiscrimination laws (discussed in more detail in later sections) was simply part of business’s larger agenda.

No issue was higher on this agenda than reversing the gains of the labor movement. The 1930s had witnessed an unprecedented level of labor militance. The New Deal’s National Labor Relations Act, which was sponsored by Senator Wagner and which gave employees the right to unionize, was both a product of labor activism and a catalyst for further unionization. During World War II, the Roosevelt administration, in exchange for labor-management peace, gave unions greater institutional security, which further changed the balance of power between labor and management. Between 1933 and 1945, union membership increased fivefold to more than 14 million members (about 30 percent of American workers), primarily in the large manufacturing sectors in the major cities of the East and Midwest. Moreover, after the war, “[u]nions seemed on the verge of recruiting millions of new work-

⁶ Remarks by T. H. Maenner, president of NAREB, during the debate over the 1949 housing bill capture this outlook: “Surely, if there is one thing clear about socialism, it is that it has never gained ascendance in one full blow. It always moves in bit by bit, eating away one area of free effort at a time until finally the people wake up and find that everything is controlled at a central political headquarters. Then it is too late to make speeches about socialism” (Davies 1966, 109–10).

ers in the service trades, in white-collar occupations, across great stretches of the South and Southwest, and even among the lower ranks of management” (Lichtenstein 1989, 129). The labor movement had a broad social agenda that went beyond improving wages and hours and included expanded health care, housing, education, and pensions. Some of the more liberal unions, such as the United Auto Workers, led by Walter Reuther, called for national industrial policy that included converting defense industries in order to revitalize cities and promote full employment (Lichtenstein 1995).

Immediately after the war, there was a wave of labor strikes in the automobile, steel, electronics, and other industries. Business leaders feared an upsurge in union membership and militance. “By war’s end, the dramatic growth and rising militancy of unionized workers had produced a powerful assault on management’s control of wages and the workplace, and even threatened to spill over in the areas of corporate pricing, investment, and plant location” (Griffith 1989, 73). Business leaders differed over how best to tame the threat of expanded union influence—some favored co-optation while others favored repression—but they agreed that unions had to be subdued. Led by NAM, business pressured Congress to pass the antiunion Taft-Hartley Act in 1947 over Truman’s veto, a law that began knocking the wind out of the labor movement’s sails.⁷ During the next five years, as part of the “red scare” purges of the domestic Cold War, many of labor’s more radical leaders were expelled or defeated. Although the labor movement was still able to mobilize its members to influence legislation, it was now divided, confused, and on the defensive, its leaders more willing to compromise with management and less willing to listen to the more progressive wing.

Business’s Cold War political agenda was aided by a variety of extreme right-wing groups and veterans organizations such as the American Legion. If anything, they helped make mainstream business’s views seem moderate. The South was still governed by Jim Crow. Southern blacks were denied the basic right to vote and were thus not a significant political force. The southern Democrats who dominated the region’s politics were almost totally segregated and segregationist.⁸

⁷ Federal Cold War legislation against “subversives” did further damage by eliminating many of the most militant and creative leaders in unions and other reform groups.

⁸ There were, of course, exceptions, such as white southerners Myles Horton of the Highlander Folk School, H. L. Mitchell of the Southern Tenant Farmers Union, Herman Nixon of the Southern Conference for Human Welfare, and a handful of others who challenged Jim Crow. Former Vice President Henry Wallace, running on the Progressive Party ticket for president in 1948 on a platform of abolishing segregation (as well as opposition to the Cold War), forced the Democratic Party to put a moderate civil rights plank in its platform that year (Egerton 1994; Kluger 1975; Sitkoff 1993). In his February 1948 message to Congress, Truman advocated an antilynching bill, the outlawing of segregation in interstate commerce, and other measures. This set the stage for some southern Democrats to bolt the party and form the States Rights (or Dixiecrat) Party, with Governor Strom Thurmond of South Carolina as its presidential candidate.

They were not so much opposed to New Deal economic liberalism (such as the popular TVA and Rural Electrification Administration) as they were opposed to federal efforts to tinker with Jim Crow. Many southern business and political leaders identified unions with radicalism and with racial integration. During the late 1940s, the center of gravity in both major political parties shifted to the right. Organized labor was still a powerful political factor, especially within the Democratic Party, but the progressive wing of the labor movement (mostly within the CIO)—the leading force for progressive domestic policy, including housing—was bullied, cowed, or outmaneuvered by moderate and opportunistic union leaders who used the Cold War climate to “red bait” progressive unionists.

In 1946, the Republicans captured a majority in both houses of Congress, in part by labeling New Dealers and liberals as “reds” or “socialists.” Truman shared business’s anticommunism, but resented its assault on his efforts to preserve and extend the New Deal, particularly its successful mobilization for the 1947 Taft-Hartley Act. During the 1948 presidential election campaign, he said in a typical speech, “Wall Street expects its money to elect a Republican administration that will listen to the gluttons of privilege first, and not to the people at all” (Griffith 1989, 87).⁹ Truman staked his come-from-behind campaign on preserving and expanding the New Deal domestic agenda, focusing particularly on housing, labor, price controls, and farm supports (Davies 1966). Truman’s 1948 victory was one of the major upsets in American political history and gave him the confidence to continue pushing for a comprehensive federal housing policy. In that election, the Democrats took back control of both the Senate (54 to 42) and the House (263 to 171), but the party’s center of gravity had shifted to the right. Truman could not count on members of his own party to unite behind his agenda, such as repeal of the Taft-Hartley Act (Hamby 1995).

The Cold War climate made it virtually impossible to enact progressive legislation on domestic issues. Truman failed in his efforts to get Congress to pass bills on civil rights, education, medical care, and agriculture. Davies suggests that “[f]or the achievement of domestic reforms no President has worked harder and accomplished less”

⁹ Despite his angry rhetoric over business’s opposition to his domestic agenda, Truman contributed to the domestic Cold War hysteria. In March 1947, he established a Loyalty Review Board by executive order. That same month he announced that “I wish not to accept the political support of [former Vice President] Henry Wallace and his Communists.” His Attorney General indicted Communist Party officials under the Smith Act and launched a wave of deportations of communists and former communists. On the foreign policy front, in 1947 he proclaimed the Truman Doctrine, which essentially appointed the United States as the world’s policeman, asserting the right to intervene anywhere to stop communism and “offering a blank check to all anticommunist governments, no matter how reactionary” (Lader 1979, 28).

(Davies 1966, x). The Housing Act of 1949 was an exception, and thus its success poses the question of how it occurred.

The most decisive political factor in this success was the emergence of the urban and labor votes. The Depression and the New Deal had significantly increased voter registration and turnout, particularly in the expanding big cities (Gamm 1990). This reflected a sea change in American politics. The influence of the big-city vote on national politics increased dramatically in 1932 and peaked in the late 1940s. Twelve large older cities alone cast 21.8 percent of the national vote in 1948. In key states with large electoral votes, the urban vote was particularly crucial. In the 1948 presidential election, for example, New York City cast 50 percent of the votes in New York state.¹⁰ The 1936 presidential election was the first in history in which the large cities' share of the national vote equaled their share of the national electorate. Their relative propensity to vote peaked in 1944 and remained high through 1952.¹¹ The Democrats depended on the labor, ethnic (Jews and Catholics), and African-American urban vote. Even in the South, Democrats comprehended the political consequences of growing urbanization and the decline of the rural population. Although the unions (and urban political machines) were the primary vehicle for mobilizing this vote and then lobbying Congress on its behalf, the U.S. Conference of Mayors, the National League of Cities, and allied organizations also lobbied the federal government to provide resources to help cities address their problems.

Postwar housing conditions

The Depression devastated America's housing industry and ravaged the conditions in which a large segment of the population lived. Almost no American was untouched in some way. Millions of homeowners lost their homes to bankruptcy and foreclosure. The homeownership rate declined dramatically. Many banks and S&Ls failed, leaving depositors empty-handed. The home-building industry virtually collapsed. The ranks of the homeless swelled, the frightening images of hobo camps and "Hoovervilles" becoming a metaphor for that traumatic era.

In his second inaugural address in 1937, President Franklin Delano Roosevelt described one-third of all Americans as "ill-housed." The first national housing surveys in the 1930s focused on physical condi-

¹⁰ Chicago cast 46.5 percent of Illinois ballots. Baltimore had 42.3 percent of Maryland's vote and Detroit, 31.8 percent of Michigan's. Los Angeles and San Francisco combined for 51.3 percent of the California vote, while Philadelphia and Pittsburgh formed 30.7 percent of Pennsylvania's electorate (Sauerzopf and Swanstrom 1999).

¹¹ This calculation looks at cities' share of the national vote in relation to their share of eligible voters (Nardulli, Dalager, and Greco 1996).

tions—health, safety, and comfort issues—because these were major problems for many Americans (Adams 1987). Because very little housing was built during the Depression and war years, the nation suffered from a tremendous shortage. During the war, the government built housing for defense workers, but new construction by the private housing industry had virtually stopped, in part because of the shortage of building materials, which were directed at the war effort. For the same reasons, there had been very little rehabilitation of existing apartments and homes, so much of the nation’s housing stock had deteriorated.

In 1940, 18 percent of the housing stock was dilapidated (Salins 1986), and 45 percent of all dwellings lacked adequate plumbing; this declined to 34 percent by 1950 (Meeks 1980; Weicher 1989). In 1950, more than 16 percent of all units were overcrowded (Salins 1986),¹² and slums were widespread in the nation’s urban areas (Davies 1966).

The nation’s urban population had grown tremendously during the war, as jobs in the defense industry lured workers to the cities. When the war was over, most did not return to their rural hometowns. As millions of veterans began returning home, the housing shortage reached crisis proportions. “Through the nation many veterans and their families lived in attics, basements, chicken coops, and boxcars” (Davies 1966, 41). They were desperate for a place to live. Most returning veterans had limited incomes and hardly any savings. Few Americans seeking housing could afford to pay more than \$50 a month for rent or more than \$6,000 for a house (Davies 1966). The private housing industry was not jumping at the chance to add urban housing for this group; it simply was not profitable enough.

Whatever their political views, people recognized that the nation would face a serious postwar housing shortage and that something had to be done. The National Housing Agency predicted that the nation would need to build 12.6 million units in the first decade after the war (Davies 1966).

The political constituencies for housing

The outlines of the postwar housing debate took shape before the war was over. Even while the United States was still engaged in World War II, Americans’ desire for better housing was high on the list of concerns for the postwar period. “For many, this meant buying a new home; for others, renting a larger apartment; and for some, simply occupying a clean flat with modern plumbing” (Davies 1966, xiii). Every major group in society recognized that housing would be on the post-

¹² At the time, the federal government defined overcrowding as a housing unit with more than one person per room (excluding bathrooms).

war agenda. The number of organizations and constituencies engaged in the issue expanded considerably. In addition to labor unions, social reformers, banks, and housing industry groups, other constituencies, such as veterans organizations, local government officials, ethnic and religious groups, and civic groups such as the League of Women Voters and parent-teacher associations, got involved. They organized "Housing Weeks," radio and community forums, and talks by public officials and produced public information films shown in local theaters. Also, a flood of articles about the housing crisis appeared in newspapers and magazines (Davies 1966).

During the Depression, the federal government had sought to revitalize the construction, housing, and banking industries by eliminating much of the risk of doing business (through the FHA and the Federal Savings and Loan Insurance Corporation). During the war, leaders of these industries, thinking about the postwar era, wanted government help even while invoking the rhetoric of free enterprise. Spokesmen such as Herbert Nelson, executive vice president of NAREB, had to walk a rhetorical tightrope to explain this apparent contradiction. He said, "In our country, we prefer that government activity shall take the form of assisting and aiding private business rather than undertaking great public projects of a governmental character" (Davies 1966, 17). During the war, the Roosevelt administration began planning to address the postwar housing shortage, while Congress held many hearings on the topic. In his 1944 State of the Union address, in which he proposed an Economic Bill of Rights, Roosevelt endorsed public housing, something he had not done before (Davies 1966).

The housing industry's perspective on war-related housing set the tone. In October 1940, to prepare for war, Roosevelt got Congress to pass the Lanham Act, which authorized constructing 700,000 units of federal housing for defense workers. Fearing the precedent of a massive government-owned housing program, the real estate industry successfully lobbied to add a provision that these units all had to be sold or demolished after the war and that they could not be converted into low-income public housing (Davies 1966). In a speech before the American Legion's Housing Committee in 1945, Nelson said that public housing was "European socialism in its most insidious form" (Davies 1966, 18). This was typical of the industry's antipathy toward public housing and its efforts to discredit the program. It argued that public housing would destroy the character and self-reliance of tenants, that it would destroy the entire private housing industry and even threaten the entire free enterprise system.¹³

¹³ Echoing the industry, Congressman Jesse P. Wolcott—a conservative Republican from Michigan who chaired the House Banking and Currency Committee from 1947 through 1948 (when the GOP controlled the Congress) and led the opposition to Truman's housing bill—charged that public housing would "fashion the key to open the door to socialism in America" (Davies 1966, 79).

Truman faced a similar problem when he tried to enact a Veteran's Emergency Housing Program (VEHP) to quickly construct low-cost housing for returning veterans. He announced the program in February 1946. The goal was to construct 2.7 million homes within two years and required a continuation of the federal government's war-time emergency power—such as rent controls, a \$10,000 ceiling on home prices (to avoid speculation and make the housing affordable to veterans), the rationing and strict allocation of scarce building materials, \$600 million in “premium payments,” and the use of Reconstruction Finance Corporation loans to the still-untested factory-made housing industry. The real estate industry attacked the program as another example of socialistic planning. Republicans in the House watered down the program, but eventually it was enacted by Congress. After the 1946 elections, however, the Republican majority forced Truman to lift price controls on everything except sugar, rice, and rents, leaving building materials to reach speculative prices and killing the VEHP (Davies 1966).

Truman nevertheless pushed for an unprecedented comprehensive housing program, a battle that took more than three years and resulted in the Housing Act of 1949. Three separate housing agendas came together in this battle: The first focused on an expansion of the public housing program, passed in 1937 but on hold during the war. The second involved slum clearance and the redevelopment of blighted areas of cities, while the third involved the expansion of the FHA to stimulate home building and homeownership.

The same forces that had pushed for public housing during the Depression—labor unions and progressive housers such as Charles Abrams and Catherine Bauer—lobbied for its expansion after the war, but their ranks expanded to include civic groups such as the League of Women Voters and, critically, veterans organizations. (Veterans groups had initially opposed public housing but by 1949 had become key supporters.) Many of these reformers still held to their earlier vision of public housing as mixed-income social housing, but they had lost that battle in 1937 and made little effort to revive the dream. Instead, they fought to expand the size of the program, to guarantee that it had adequate funds to construct well-designed and well-built units, and (for some of its champions) to allow them to be racially integrated. The reformers who favored public housing argued that it would not compete with private industry because it was targeted at families too poor to pay market rents (although in reality many believed that public housing would be preferable to private housing for the middle class, too). They sponsored the NPHC, a small organization that helped coordinate the lobbying for public housing.¹⁴

¹⁴ It later changed its name to the National Housing Conference and became dominated by private developers, no longer a strong advocate for public housing. Other organizations, such as the National Association of Housing and Redevelopment

Labor unions were the most effective political constituency for public housing. The housers had good ideas and groups such as the National Association for the Advancement of Colored People, Urban League, and League of Women Voters had members, but only the labor unions and veterans organizations had the political capacity and voting power to mobilize larger numbers of people, contact members of Congress all over the nation, and wield political clout to galvanize support and battle the powerful and well-funded forces of the real estate industry.¹⁵ Both the American Federation of Labor (AFL) and the CIO¹⁶ had long-standing housing committees that had fought for public housing in the 1930s; these committees were staffed by savvy directors who had good relationships with the major union leaders as well as with the housers.

Housers, unions, and other groups were strongly opposed by the real estate, banking, and home-building lobbies, which wanted no public housing at all and hoped to dismantle the National Housing Agency (which administered public housing). If there had to be a public housing program, they wanted it to be very limited, to restrict it to the poor (so as not to compete with private builders and landlords), and to restrict funding so that the housing, even if well constructed, was barren looking and bereft of amenities. They also wanted to ensure that local governments could decide whether they wanted it at all and where to site it. The housing industry was much better funded than the housing reformers, but it was still highly fragmented because the housing business was primarily a local enterprise; there were not yet any major firms with a national scope, and the trade associations were loose federations of local organizations.

The battle over postwar housing policy catalyzed the industry to become more cohesive. The three major industry lobby groups—NAREB, the National Association of Home Builders (NAHB), and the United States Savings and Loan League—began working closely together and mobilizing their vast network of local members to pressure Congress. They also had considerable influence with local newspapers, most of which echoed the industry's views on housing reform. They were joined by the trade groups among suppliers, such as the National Association of Retail Lumber Dealers and the National Clay Products Association. Behind the scenes, the industry's tactical strategy was coordinated by

Officials and the Conference of Large Public Housing Agencies, took NPHC's place as the key lobbying groups for public housing.

¹⁵ For example, when Republicans orchestrated field hearings around the country to give the real estate industry a platform to oppose the Taft-Ellender-Wagner bill, the Conference of Mayors, the NPHC, and the national labor organizations (the American Federation of Labor and CIO) mobilized to voice their support for public housing (Keith 1973).

¹⁶ These two labor groups merged in 1955.

Stuart Fitzpatrick, the director of the construction division of the U.S. Chamber of Commerce (Keith 1973), linking the industry to the broader business coalition seeking to reverse the New Deal.

The groups that supported public housing supported slum clearance, too. The housing industry initially opposed slum clearance, especially the “equivalent elimination” provision of the 1937 act. They lobbied successfully to remove this provision from the 1949 act. Despite the obvious hypocrisy involved, they favored federal government activism as long as it focused on private sector construction and gave control over the program to local governments, which were generally controlled by urban “growth coalitions” dominated by local business leaders (Domhoff 1978; Mollenkopf 1983). A few years later, during the Eisenhower administration, business recognized that the same tools used for slum clearance could also be used to revitalize central business districts, and the urban renewal program followed.¹⁷

The banking industry, real estate brokers, and home builders were even more eager to expand the FHA’s mortgage insurance program, which they saw as a major stimulus for their industries. The FHA insurance program for mortgage loans, begun in 1934 but on hold during the war, essentially eliminated the risk to the lender. It thus gave lenders great confidence to make low-down payment, long-term loans. Home builders and real estate agents could attract customers among middle-class families wanting to become homeowners. The industry also wanted a new government program of “yield insurance” to ensure a fair annual profit for builders of apartments for middle-income families and a government-funded research program to develop new building materials and construction techniques (Davies 1966). In addition to FHA insurance, the politically powerful veterans organizations wanted their own housing program, which led Congress to create a Veterans Administration housing program in 1944. Many of its features—and its impact on home building, homeownership, and suburbanization—were similar to those of the FHA.

The political and ideological battle over the 1949 act

The bill that finally emerged was a compromise of these three agendas (public housing, slum clearance, and homeownership) and the con-

¹⁷ Under the urban renewal program, slum clearance was divorced from public housing, except as housing to relocate residents displaced by the bulldozer. By then, banks (which had major investments in downtown real estate), commercial developers, downtown business interests such as department stores, the construction industry (and its junior partners, the construction unions), and major newspapers, along with urban mayors, became forceful advocates of “urban renewal.” This program included federal government subsidies for land taking and site assembly to remove “blight” (slums) and replace it with modern commercial projects and middle-class residential development.

flicting political forces behind them. Its passage was due in no small part to the leadership of President Truman and of three senators with very different views (and constituencies), each of whom recognized the need to find some common ground.

Truman, who had been a senator from a small town in Missouri, and most Democrats in Congress recognized the emergence of the urban vote as a key factor in postwar politics. (As a senator, Truman had voted for the Housing Act of 1937 [Davies 1966].) His message to Congress on postwar reconversion in September 1945, which outlined a housing plan that included the goal of a decent home for every American family, was designed to appeal primarily to the urban and labor constituencies. He called for a comprehensive housing bill that included public housing, slum clearance, government assistance for private housing, and national housing policy, thus affirming the government's responsibility for postwar housing (Davies 1966). This was a bold statement, especially for a man who was from a border state, who had been a weak vice president, and who had just inherited the office after Roosevelt's death the previous April.

Senators Robert Wagner (D-New York), Robert Taft (R-Ohio), and Allen Ellender (D-Louisiana) led the Senate's subcommittee on housing in the mid-1940s. Wagner was a leading urban progressive and labor ally, a sponsor of much of the New Deal's key legislation (including the National Labor Relations Act), and a forceful proponent of public housing. He worked closely with the unions and with big-city mayors, especially New York City Mayor Fiorello LaGuardia, in championing public housing and slum clearance. Ellender was a New Deal liberal and arch segregationist who had taken populist Huey Long's seat in the Senate in 1936. He supported Wagner's 1937 public housing act and was a strong advocate of the program, in part because of his many poor constituents in Louisiana who were living in desperate straits. Taft was Wagner's opposite in many ways. He was the leading conservative and New Deal critic in Congress and cosponsored the Taft-Hartley Act. He wanted to run for president and thus needed to broaden his appeal. Taft was somewhat favorable toward public housing, as long as it was locally controlled and did not compete with private housing. Several Ohio cities, including his hometown of Cincinnati, had serious slum problems. Taft's role was decisive. Here was a conservative Republican—a potential rival for the White House—cosponsoring a bill for the Democratic president! About 20 Republican senators from urban states followed his leadership (Davies 1966).

In August 1945, Wagner's staff drafted a comprehensive housing bill that incorporated Truman's program and was cosponsored by Ellender and Taft. It included

a national housing policy, a system of "yield insurance" for large-scale investors in middle-income rentals, various changes in the

lending powers of home loan banks to bring them into line with the GI [veterans' housing] bill, provisions for housing research, relaxed Federal Housing Administration insurance terms, loans to farmers for home improvements, extensive federal aid to urban redevelopment, and construction of a half-million units of public housing, to be built over a four-year period. (Davies 1966, 33)

The bill posed a major dilemma for the private housing industry, which continued its virulent opposition to public housing. The sponsors presented the industry with an "all or nothing" bill. Lobbyists calculated that they could eliminate the public housing provisions while preserving the other sections: They almost succeeded.

Despite support from the White House and Senate, the bill was stalled for three years; it was opposed primarily by a group of 50 congressmen, who were mostly from the South and mostly represented rural districts. Echoing the real estate industry line, they opposed the public housing provision of the bill. In other words, the southern Democrats split. Congressmen from urban areas supported Truman's program, while rural congressmen opposed it. The southern Democrats in the House contributed to the defeat of the Taft-Ellender-Wagner bill. In 1947, with control of Congress changing hands, Congress again defeated the Taft-Ellender-Wagner bill.¹⁸

In response, an angry Wagner issued the following statement:

Domestic treason is being perpetrated on the American Veteran and their fellow citizens by the money-mad real estate lobby and their unholy representatives in Congress. These economic vultures have not only prevented the Government from carrying out a necessary and comprehensive housing program but have succeeded in destroying an effective rent control program. (Davies 1966, 68)

Housing became a key issue during the 1948 election campaign and was an important reason for Truman's victory and for the Democrats' regaining control of both houses of Congress. Despite the opposition of the party's right wing, the Republicans could not afford to ignore the severe housing crisis that affected a huge percentage of the population.¹⁹ Its 1948 platform echoed Truman's goal of decent housing for all Americans—a dramatic break with the past. The GOP platform

¹⁸ Congress reluctantly approved Truman's plan to reorganize the government's housing programs within one agency (the new Housing and Home Finance Agency) and approved a watered-down version of Truman's bill to renew rent controls as long as the housing shortage persisted (Davies 1966).

¹⁹ Freshman Senator Joseph McCarthy of Wisconsin introduced his own housing bill in 1948, providing for an expanded FHA mortgage insurance program for veterans and a guaranteed profit for builders, but without any provision for public housing and slum clearance, which he identified with socialism. He later refined this form of bullying into what became known as "McCarthyism."

stressed that most housing should be provided by the private sector and that public housing and slum clearance should be a last resort "only where there is a need which cannot be met either by private enterprise or by states and localities." Truman would exploit the split over housing policy within the Republican ranks to his advantage by painting the entire party, including its presidential candidate, Thomas Dewey, with the same right-wing brush, even though the party included a number of supporters of his bill, such as Senator Taft.

Truman called a special session of Congress in 1948 to embarrass the Republicans over their opposition to his housing bill and to make the parties' differences a major issue in the presidential election. Dewey, torn between the two wings of his party, said virtually nothing specific about housing during the campaign. By contrast, Truman's campaign speeches always highlighted the housing issue. "This housing situation is intolerable and inexcusable," he said during a campaign stop in Buffalo (Davies 1966, 96). He criticized the Republicans for "working hand in glove with the real estate lobby" in opposing his bill and even criticized Taft as a "cold-hearted, cruel aristocrat" (Davies 1966, 96–97). The Republicans, he said, should update their 1928 slogan of "two cars in every garage" to "two families in every garage" (Davies 1966, 97). He even used the Cold War to his advantage, telling an audience in Wisconsin, "There is nothing more un-American than a slum. How can we expect to sell democracy to Europe until we prove that within the democratic system we can provide decent homes for our people?" (Davies 1966, 96). Truman won the election, and the Democrats recaptured control of both houses of Congress. But the representatives of rural areas, southern Democrats and right-wing Republicans alike, still controlled the House.

By early 1949, the housing shortage was still severe. More than 2.5 million families were doubled up in overcrowded housing, and more than 5 million families lived in slums. About one-third of urban families had incomes below \$2,500 a year and were unable to pay more than \$27 a month for housing (including utilities). Slums and blighted areas still covered much of the nation's urban areas, creating a fiscal crisis from the loss of property tax revenues. In rural areas, 67 percent of farm dwellings lacked running water, 80 percent had no modern toilet facilities, and 40 percent had no electricity (Davies 1966).

In his Fair Deal speech in January 1949, Truman outlined a progressive agenda that expanded the New Deal, proclaiming that "wealth should be created for the benefit of all" (Davies 1966, 102). In addition to his housing bill, he called for federal aid to education, national health insurance, a Fair Employment Practices Commission, a higher minimum wage, new rural development projects modeled on the TVA, civil rights legislation, aid to small (but not large) farmers, and repeal of the Taft-Hartley Act (Hamby 1995).

The same day that Truman delivered his Fair Deal address, eight Senate Democrats introduced the administration bill, which went even further than the previous Taft-Ellender-Wagner bill. It included 1.05 million public housing units over seven years, \$1 billion in loans and \$500 million in grants to cities and states for slum clearance and urban redevelopment, \$250 million in loans for repair of rural housing, and a program for housing research (Davies 1966). (The NPHC and the AFL had asked for 1 million units spread over four years. The more liberal CIO asked for 2 million units over four years [Freedman 1969].)

Often overlooked is the fact that labor unions and some religious organizations urged Truman to add a program of direct federal loans at low interest rates to finance the construction of housing for middle-income and lower-middle-income families. Truman rejected this proposal, fearing it would give the real estate industry another excuse to defeat his housing bill (Keith 1973).

The opponents had one more cynical trick up their sleeves. Seeking to split the alliance between the northern liberals and southern senators, conservative Republicans introduced an amendment in both houses to ban racial or ethnic discrimination in all public housing. To keep the alliance together, liberal proponents of public housing reluctantly agreed to vote against the amendments, hoping their civil rights supporters would understand their dilemma.

After three weeks of public hearings, the Senate Banking and Currency Committee reported out a housing bill, sponsored by 10 Democrats and 10 Republicans, which was a replica of Truman's bill except that it slightly reduced the public housing provision to 810,000 units over six years (Davies 1966). After the Senate passed the bill by a 57 to 13 margin, it went to the House, where an amendment to eliminate the public housing provision was narrowly defeated, 209 to 204. The House then enacted the housing bill, 227 to 186, and with Truman's signature on July 15, 1949, it became law. Supporters in the Senate included northern liberal Democrats, southern Democrats, and most Republicans (Davies 1966).²⁰

²⁰ Only two southern Democrats voted against the bill, and another, who did not vote, expressed his opposition. Most senators had rapidly growing cities and slums in their states that would benefit from the public housing and slum clearance provisions, and they all had veterans who would benefit from those provisions, plus the FHA provisions. Two Republican senators from urban states (California and Ohio) voted against the bill. The key to victory in the House was the urban vote. Of the 193 Democrats who voted in favor, 144 represented urban districts; 25 of the 33 Republicans who supported the bill represented urban areas. (For example, in 1948, when Republican Congressman Hardie Scott of Philadelphia announced he was going to vote against the Taft-Ellender-Wagner bill, he got a call from Philadelphia's Republican Mayor Bernard Samuel, who told him he would be denied renomination if he did not vote in favor of the bill [Keith 1973].) Of the 131 Republicans who opposed the bill,

The fragile victory

The Democratic Congress, elected along with Truman in November 1948, rejected all of his domestic proposals, except his housing bill. Many of the southern Democrats and most of the Republicans who voted in favor of the housing bill opposed the rest of his agenda. This reflects the centrality of the housing issue to the American public and the skillful maneuvering of housing's political coalition. However, this was the last major piece of housing legislation until the 1960s. As the domestic Cold War escalated and the constituencies for progressive reform, particularly organized labor, were put on the defensive, the momentum for housing reform was lost.

After the 1949 act was passed, Truman tried to add two other components to his housing plan. In 1950, taking labor's advice, he sought to provide assistance to middle-income families by enacting a program to aid the construction of privately owned housing cooperatives by providing 50-year low-interest loans from the federal government. It was, in part, Truman's attempt to address a segment of the population that the 1949 law neglected, as union leaders had noted a year earlier. At the time, the FHA primarily served families in the top third of the income ladder, while public housing served the poorest third. Truman wanted something for the "forgotten one-third" in the middle, those with annual incomes between \$2,700 and \$4,300 (Davies 1966). The real estate lobby vigorously opposed the plan as unnecessary (private housing starts reached 1.4 million in 1949 and 1.9 million in 1950). These interests also said it was inflationary, would lead to unfair competition with private builders (even though the co-ops would create privately owned housing) and lenders (because of the favorable interest rates), and constituted yet another example of what the lobby called pure socialism. Many southern Democrats abandoned Truman, most Republicans (including Taft) opposed it, and the program was defeated (Davies 1966; Keith 1973).

Truman also could not get Congress to pass legislation to ban discrimination in public housing and in FHA-insured housing. Here the southern Democrats drew the line. Most public housing in the North and all of it in the South was racially segregated. If Truman pushed such a bill, congressional support for public housing would disappear. Instead, his federal housing administrator, Raymond M. Foley, adopted a policy of allowing each local public housing authority to decide whether to permit segregation (Davies 1966). The FHA practiced racial redlining, persistently refusing to insure loans for African Americans and in racially and economically mixed areas; it used the excuse that

94 represented rural districts. Forty-eight of the 55 Democrats who voted against the bill were from the South, most of them from rural areas. The bill passed the House only because 47 southern Democrats, most of them from urban areas, supported it.

doing so would destroy property values and did not change this practice until the 1960s.²¹

Equally important, the opponents of public housing successfully undercut the implementation of the public housing part of the Housing Act of 1949 in two ways. First, because federal law required local approval of all public housing developments, the real estate industry organized a national campaign, carried out at the local level, to block the construction of new public housing authorized by the act. Across the country, the industry gained influence in local city councils and through appointments to local housing authorities to stop or scale down new developments, primarily by identifying public housing with socialism and communism and by exploiting racial fears among whites that public housing would lead to racial integration and lower property values.²² The NAHB, for example, sent “public education kits” to local leaders who wanted to fight public housing (Davies 1966). Conservative forces in Congress, state governments, local government, and the media used “red scare” tactics, identifying local public housing officials who were, had been, or were alleged to be communists (Wright 1981).

Second, Congress persistently failed to appropriate funds for the authorized number of units, and the program’s own regulations—including cost-per-unit limits and other standards imposed by Congress—tied the hands of local public housing officials, making it difficult to construct projects efficiently, quickly, and attractively. The Korean War also slowed down the implementation of public housing. The 1949 act called for construction of 810,000 units within six years. By the end of 1951, only 84,600 units had been built. By 1960, the total had not reached 300,000; by July 1, 1964, only 356,203 units had been built (Davies 1966; Freedman 1969). The slum clearance and urban redevelopment program took awhile to get started because it required cities to set up redevelopment agencies and formulate plans to identify and improve blighted areas (Keith 1973).

By then, the political forces favoring public housing were exhausted, fragmented, and on the defensive and could not mount an effective challenge. Although the national housing goals of the 1949 act were incorporated into later housing bills, it was not until 1968—in response to the urban riots and the recommendations of the Kerner Commis-

²¹ In 1950, two years after the U.S. Supreme Court ruled that restrictive covenants were not enforceable, Foley announced that the FHA would no longer insure a mortgage with such a covenant, but the practice continued informally for many years (Jackson 1985).

²² See Freedman (1969) for a description of the industry’s campaign to block implementation of public housing. For a discussion of the campaign against public housing in Los Angeles, see Freedman (1969), Hines (1982), and Parson (1982, 1983).

sion—that Congress actually declared a numerical goal and timetable for housing production.²³

The legacy of the Housing Act of 1949

The act is important not only for its idealistic rhetoric, but also because its key provisions became the basis for nearly all subsequent major housing legislation. This includes the reliance on the private sector to provide almost all of the nation's housing, with the federal government providing subsidies and with federal, state, and local governments regulating various aspects of the private housing sector. It also established the precedent—which has not been revised—that federal subsidies for low-income housing would not be an entitlement but more like a lottery for the lucky few. And for all intents and purposes, it cast aside an approach to housing that focused on creating a noncommercial “social housing” sector that would provide decent housing not only for the poor, but also for the middle class—an approach adopted by many European nations and later by Canada in the post-war period (Dreier and Hulchanski 1993).

For 30 years after the 1949 act, housing conditions significantly improved. Americans made steady progress toward broader homeownership and improved housing. Much of this improvement is due to steady increases in family incomes through the mid-1970s, brought about by increased productivity and unionization. But federal housing policy played a key role as well. Federally backed mortgages, the expansion of Fannie Mae and Freddie Mac, and federal tax deductions for homeowners contributed to rising homeownership rates. By the late 1970s, almost two out of every three American households owned their own dwellings. The size and quality of much middle-class housing improved significantly.²⁴ The quality of housing for most poor families also improved.²⁵ The FHA established minimum standards for home con-

²³ The goal was 26 million units over 10 years, a goal that was not reached.

²⁴ By 1964, the size of the average new single-family home was 1,470 square feet. By 1975, it was 1,645 square feet, and by 1997, 2,150 square feet. In 1960, only 12 percent of housing units had air conditioning; this increased to 37 percent in 1970 and to 57 percent in 1980. By 1995, 73 percent of housing units had air conditioning (and almost half—46 percent—had central air conditioning). The proportion of single-family homes with other amenities, such as a garage or more than one bathroom, also increased. By 1970, only 5.5 percent of all dwellings lacked some or all plumbing facilities. By 1995, only 1.5 percent of the nation's housing had this problem.

²⁵ The proportion of dwellings without plumbing, electricity, and other basic amenities plummeted dramatically. Much of the worst housing was torn down by the postwar urban renewal and highway programs, thus upgrading the overall quality of the nation's housing. Federal guidelines, policies, and funds also encouraged states and cities to adopt and enforce building and housing codes and to target resources for rehabilitating older housing, especially in cities. The improvements in housing quality might have been even more dramatic had not federal policies and lending industry practices exacerbated the decay of older housing in central cities.

struction “that became almost standard in the industry” (Jackson 1985, 204). This, along with the razing of many substandard housing units under urban renewal, gradually led to the improved physical condition of American housing.

At the same time, we can see in retrospect that the Housing Act of 1949, in combination with other federal policies, did more to promote suburbanization, encourage businesses and middle-class Americans to abandon the cities, and exacerbate economic and racial segregation than to revitalize central cities. Fueled by the political clout of the highway and home-building lobbies, the federal government enacted policies that promoted both suburban sprawl and city distress, draining cities of much of their economic lifeblood (Katz 2000).²⁶ From the 1940s through the 1970s, the FHA offered government-insured mortgages to whites in suburbia but denied them to almost anyone (regardless of race) who wished to buy a home in an urban neighborhood.²⁷ The federal government’s massive highway-building programs, which began in the 1950s, opened up the hinterlands to speculation and development. In the 1960s and 1970s, the federal urban renewal bulldozer destroyed low-income and working-class neighborhoods to make way for downtown business development. More housing was razed than was built (Kay 1997; Lewis 1997; Mollenkopf 1983).

Unlike policies that promote suburbanization, sprawl, and segregation, federal aid to America’s cities during the past half century has been a drop in the bucket. The vast array of urban programs—from public housing to Model Cities to enterprise zones to mass transit—swam against the tide of Washington’s preference for suburbanization (O’Connor 1999). Subsidized housing for the poor has contributed to these metropolitan inequalities. Low-income housing projects have

²⁶ Federal policies helped create urban ghettos, slums, and underfunded schools and ensured that the bus and subway lines that urban dwellers (particularly the poor) depend on are often poorly maintained and inefficient. For example, federal policies have consistently favored suburban development and disinvestment from central cities. Today, more than half of the nation’s population lives in suburbs, increasingly on the metropolitan fringes. America’s postwar suburban exodus was (and still is) subsidized by federal policies that both pushed people and businesses out of cities and pulled them into suburbs. Metropolitan segregation and suburban sprawl are, in large measure, a result of federal policies—housing, transportation, and tax policies, in particular; but the location of the nation’s job-creating defense facilities and military contracts have also favored suburban over urban sites (Bier and Meric 1994; Gyourko and Voith 1997; Markusen et al. 1991; Nivola 1999).

²⁷ More recently, however, the FHA has shifted its focus and targeted central cities. The FHA is increasingly a player in urban housing markets, but increasingly less important overall. Of the approximately 3.5 million home purchase loans made in 1994, about 42 percent were insured by private mortgage insurers, the FHA, or the Department of Veterans Affairs. The FHA insured 531,000 home purchase mortgages—about 15 percent of all mortgages and about 35 percent of all insured mortgages. Among the home purchase loans, 459,000 (67 percent) were for first-time buyers (U.S. General Accounting Office 1996). There is some evidence, however, that the FHA policies continue to promote racial segregation (Immergluck 1999).

been disproportionately located in central cities (Goering, Kamely, and Richardson 1994; Newman and Schnare 1997; Schill and Wachter 1995a, 1995b). The public housing program was essentially sabotaged, since it began with regulations that limited it to the poor, gave local governments (especially suburbs) the right to decide whether and where to locate it, provided sufficient funding only to design and build boxlike structures, and permitted it to be racially segregated. From its inception, public housing cast a shadow, stigmatizing government housing as the housing of last resort. Since the mid-1970s, public housing has been supplemented by federally assisted private housing (primarily Section 8 developments) and housing allowances (Section 8 vouchers and certificates). Together, however, federally assisted housing for the poor totals only slightly more than 4 million units (Kingsley 1997), the smallest proportion among Western democracies.

Much of the postwar housing progress slowed down by the late 1970s. By then, the nation began more than a decade of sluggish productivity, a product in part of the decline of federal spending for infrastructure and research and development, which had fueled productivity growth in the postwar era. Disparities in income widened significantly. Most American workers saw their incomes decline; only the significant increase in households with two wage-earners kept family incomes from plummeting dramatically. The poverty rate, which had declined significantly between the 1950s and 1970s, leveled off and even grew during the 1980s. The proportion of jobs paying poverty-level wages increased to one-fifth of all jobs by the early 1990s. The consequences of these trends were serious for housing. During the 1980s and early 1990s, the homeownership rate declined, rent-to-income ratios increased, and homelessness became a serious and visible problem.

Contemporary housing conditions

Recent economic and housing trends suggest that a rising tide not only does not lift all boats, it also raises rents and home prices. Although we are at the top of the business cycle, serious housing problems remain. The major housing problem confronting the poor and many middle-income households is affordability: how much of their income they pay for housing (Joint Center for Housing Studies 1999).

Homeownership

The homeownership rate reached an all-time peak of 66.8 percent in 1999, but this aggregate figure can be misleading. Compared with the early 1980s, the current rate has actually *declined* among all age cohorts under 55. For example, the homeownership rate among the 30 to 34 age group was 62.4 percent in 1978 and 53.6 percent 20 years

later. This trend does not portend well for the future (Savage 1999; Segal and Sullivan 1998; Uchitelle 1999; U.S. Bureau of the Census 1999). In many major metropolitan areas, the gap between wages and housing costs (rents and home prices) is widening, making it difficult for young families to accumulate the savings they need for a down payment (LePage 1999; Strickland 1999). Although the homeownership gap between white households and minority (African-American and Hispanic) households remains wide (even when household income is considered), it has narrowed, in part because of stronger enforcement of federal antiredlining laws and increased efforts by lenders as well as Fannie Mae and Freddie Mac to reach minority consumers. Moderate interest rates, relatively stable home prices, and employment growth also contributed to this trend (Evanoff and Segal 1996). In other words, the aggregate increase in homeownership is both fragile and somewhat misleading, because many moderate-income households are paying too much of their income for housing and many young families cannot enter the homeownership market. In late 1999, American households, particularly those with incomes under \$50,000, had an unprecedented level of debt (Earnest 2000). The next economic downturn may see a significant increase in mortgage delinquencies and foreclosure.

The rental housing squeeze

The most telling indicator of the housing shortage is the gap between the number of low-income households and the number of rental units affordable to the poor.²⁸ In 1970, there were 6.5 million low-cost units and 6.2 million low-income renter households—300,000 more low-cost rental units than low-income renters. By 1978, this surplus of affordable units had turned into a shortfall—7.4 million low-income renters and 5.7 million low-cost units—a shortage of 1.7 million units. Since then, the gap has widened further. By 1995, the shortage reached a record level of 4.4 million units—there were 10.5 million low-income renters and 6.1 million low-rent units (Daskal 1998). Waiting lists for subsidized housing are huge and growing (HUD 1999). In no metropolitan area in the nation can a family earning the minimum wage afford fair market rents. Family members would need to work an average of 86 hours per week—and as many as 174 hours per week in

²⁸ HUD defines low-income households as those with incomes below 80 percent of the median income in the metropolitan area. It defines very low income households as those with incomes below 50 percent of the median income in the metropolitan area. HUD's standards thus vary from area to area. It also adjusts the definition for family size. The U.S. Bureau of the Census defines a poverty household differently, although poverty incomes are usually close to HUD's very low income standards. The Bureau of the Census does not vary the criteria for different regions, but it does so for family size. HUD defines a housing unit as affordable if a household pays no more than 30 percent of its income for housing costs. Before 1981, HUD used a 25-percent-of-income standard.

San Francisco—to avoid paying more than 30 percent of their income for housing (Dolbeare 1999).

Not surprisingly, the deepening shortage has led to increasing housing burdens—in terms of cost, quality, and overcrowding—especially for the poor. One important factor is that not all of the 6.1 million low-cost units, which include both government-subsidized units and unsubsidized private-market units, are occupied by poor households. Low-income households must compete with others for low-cost apartments. In fact, 82 percent of poor renters—6 million households—spent at least 30 percent of their income on rent and utilities in 1995. Some 59 percent of poor renters—4.4 million households—spent more than half of their income on housing in 1995. The poorest renters have the worst housing burdens: 76 percent of renters with household incomes below half of the poverty level spent more than half of their income on housing, compared with 50 percent of those with household incomes between 50 and 100 percent of the poverty level (Daskal 1998).

Slums have not disappeared. Millions of low-income Americans live in inadequate housing, with infestations of vermin; water leakage through holes and open cracks in the walls, floors, and ceilings; defective heating systems; and dangerous lead paint. Millions live in overcrowded housing, doubling or tripling up and compounding health and safety problems.²⁹ In Los Angeles, for example, at least 150,000 apartments—one in nine—are substandard; most are in the city's poorest neighborhoods (Tobar 1997). The poor, racial minorities, city dwellers, and rural Americans, in particular, confront these daily indignities. Poor people are more likely to occupy older housing with deteriorated lead-based paint and lead-contaminated dust and soil around it, contributing to higher rates of lead poisoning (and associated problems, such as brain damage in children).³⁰ Many poor households not only live in inadequate housing, but also pay an exorbitant share of their income to do so (HUD 1998). More than half of poor renters living in physically deficient, overcrowded, or doubled-up housing also spent more than 50 percent of income on housing (Daskal 1998). Between 1985 and 1990, 5.7 million Americans were homeless at one time or another (sleeping in shelters, parks, bus and train sta-

²⁹ Today, 2.1 percent of American households (about 2 million) live in “severely inadequate” dwelling units and another 4.4 percent of all households (4.3 million) live in “moderately inadequate” units. In 1995, 2.5 million households (2.6 percent of all households) lived in overcrowded housing (HUD 1998). A housing unit is defined as having “severe physical problems” if it has serious problems (defined in detail by the U.S. Bureau of the Census) in any of five areas: plumbing, heating, electrical system, upkeep, and hallways. It has moderate problems if it has problems in plumbing, heating, upkeep, hallways, or kitchen, but no severe problems.

³⁰ Lead was banned from residential paint in 1978, but three-fourths of pre-1978 housing units (about 64 million privately owned units) contain some lead-based paint. About 16 percent of all low-income children residing in cities have elevated blood levels of lead (Farr and Dolbeare 1996).

tions, abandoned buildings, and elsewhere): Moreover, about 13.5 million people reported having been homeless at some point in their lives (Link et al. 1994).

Economic and racial segregation

Overall economic segregation within metropolitan areas is increasing. In general, the rich, ensconced in exclusive suburban enclaves protected by zoning regulations, tend to be isolated from other income groups; so also are the poor (Abramson, Tobin, and VanderGoot 1995). Between 1970 and 1990, the number of high-poverty census tracts in metropolitan areas doubled, and their population increased from 4.1 to 8.0 million, while the national population grew only 28 percent (Jargowsky 1997). In the largest 100 central cities, the share of the poor living in 40 percent poverty tracts increased from 16 to 28 percent (Kasarda 1993). One-third of the 17.1 million poor people who live in the 100 largest metropolitan areas (5.7 million poor people, or about 2 million households) would have to move to different neighborhoods in the same metropolitan area to achieve an even distribution of poor people (Abramson, Tobin, and VanderGoot 1995). Moreover, the level of racial segregation within metropolitan areas has hardly changed in 30 years, despite federal fair housing laws, or perhaps due to the failure to implement them (Jargowsky 1997). For poor whites, African Americans, and Hispanics, the number and percentage living in tracts with 40 percent or more residents in poverty rose substantially between 1970 and 1990, although disparities remain. In 1990, only 6.3 percent of all whites lived in areas of concentrated poverty, while 33.5 percent of African Americans and 22.1 percent of Hispanics lived in such areas (Jargowsky 1997). Even middle-income blacks are more likely to live in segregated areas than middle-income whites. African Americans and Hispanics who are poor are more likely to live in high-poverty neighborhoods than whites who are poor.³¹ Concentration of poverty exacerbates the widening mismatch between suburban jobs and the urban poor, compounds their obstacles to decent employment, and contributes to the fiscal problems of our cities. The poor who live among other poor people suffer from more violent crime, worse schools, higher property tax rates, and more costly goods and services of all kinds, even groceries (Jargowsky 1997; Wilson 1996).

The current allocation of federal housing resources

Nothing reflects the inequality of federal housing policy more than the allocation of housing subsidies. Most Americans think federal housing

³¹ For a penetrating critique of the position that racial segregation is the primary cause of rising levels of concentrated poverty, see Jargowsky (1997).

assistance is a poor people's program. In fact, relatively few low-income Americans receive such subsidies. By contrast, three-quarters of affluent Americans, some living in mansions, get housing aid from Washington through the tax system, which subsidizes people who can afford to buy homes without it. But as a nation, we focus more attention on direct federal aid to the poor—such as public housing and rent subsidies—than on the less visible indirect tax subsidies to those who are well-off.

In 1997, the federal government spent \$136 billion for various housing subsidies, as detailed in table 1.³² Tax expenditures account for more than \$104 billion, about three-quarters of the federal government's total housing subsidies.³³ The Treasury Department—not HUD—is the largest government housing subsidy agency. Moreover, as table 2 reveals, the gap between direct housing subsidies and tax expenditures has been widening. In 1978, the federal government

³² This analysis includes HUD, the Department of Agriculture, the Department of Health and Human Services (HHS), the Department of Defense, and a variety of tax expenditures for housing. It excludes a number of other forms of federal government-subsidized housing. It excludes the housing programs of the Federal Deposit Insurance Corporation, the government agency that insures banks that make mortgage loans and disposes of the real estate assets of failed banks and S&Ls. It also excludes the costs to government associated with FHA insurance, which is backed by the U.S. government and is a form of government subsidy. Also excluded are the Department of Veterans Affairs (which insures mortgages for veterans), Fannie Mae and Freddie Mac, the Federal Reserve System, and the Federal Home Loan Bank System. In addition to providing various housing subsidies, the federal government (primarily through the Department of Justice, but also through HUD) monitors and seeks to reduce housing discrimination, beginning with the Fair Housing Act of 1968. These costs are also not included in this analysis.

Until Congress passed welfare reform in 1996, federal and state governments combined allocated \$21.6 billion annually for Aid to Families with Dependent Children (AFDC), commonly called "welfare" (the federal portion was distributed by HHS). Recipients received monthly checks to cover some of their living expenses. One study estimated that about 30 percent of this amount was used to pay rent; this would total about \$6.5 billion in 1997 (Newman and Schnare 1994). Most AFDC recipients received no separate housing assistance and had to find accommodations in the private market. Also, most paid at least half of their welfare check for rent—and frequently much more (Newman 1999; Newman and Schnare 1994). About 23 percent of AFDC recipients (slightly more than 1 million households) received HUD subsidies as well; they lived in public or private assisted housing or had a rent certificate. These families paid 30 percent of their welfare income for rent and HUD paid the rest. They were better housed than AFDC families without HUD assistance. Among the "working poor" families receiving no housing subsidies, 59 percent paid at least half of their income for housing (Kingsley 1997; Sard et al. 1997).

³³ Each year the Joint Committee on Taxation of Congress (JTC) estimates the distribution of benefits of two of the major tax expenditures—the deduction for mortgage interest and local property tax payments. Unfortunately, the JTC's estimates of the cost of these expenditures differ from those of other sources, including those of the Office of Management and Budget (OMB). When comparing tax expenditures with other housing subsidies, the OMB figures (1996) are used. When examining the distribution of tax benefits for mortgage interest and property taxes, the JTC (1995) figures are used.

Table 1. Federal Housing Subsidies, 1997

	Amount (\$ billions)
Direct Housing Subsidies	
Department of Housing and Urban Development	\$12.0
Department of Agriculture	3.5
Department of Health of Human Services	6.5
Department of Defense	9.6
Subtotal	<u>\$31.6</u>
Indirect Housing Subsidies (Tax Expenditures)	
Homeowner Subsidies	
Deductibility of mortgage interest on owner-occupied residences	\$53.1
Deductibility of property tax on owner-occupied residences	16.8
Deferral of capital gains on sales of principal residence	15.0
Exclusion of capital gains on sales of principal residences for persons age 55 or older (\$125,000 exclusion)	6.7
Investor Subsidies	
Exclusion of interest on state and local government bonds for owner-occupied housing	2.5
Exclusion of interest on state and local government bonds for rental housing	1.2
Exclusion of interest on state and local debt for veterans housing	0.1
Investment credit for rehabilitation of structures	0.1
Depreciation of rental housing in excess of alternative depreciation system	1.3
Low-Income Housing Tax Credit	2.9
Deferral of income from post-1987 installment sales	1.0
Exemption from passive loss rules for \$25,000 of rental loss	3.7
Subtotal	<u>\$104.4</u>
Total	<u>\$136.0</u>

Sources: Newman and Schnare (1994); Office of Management and Budget (1996); *The Rural Housing Program in Fiscal Year 1997* (1998); U.S. Department of Defense (1998); U.S. General Accounting Office (1995).

spent 3.7 times more in direct subsidies than in tax expenditures. By 1997, the ratio was reversed; it spent 3.3 times more in tax expenditures than in direct housing subsidies.

Housing assistance for the poor is not an entitlement, like food stamps or Medicaid. The available funds can serve only a portion of those who meet eligibility criteria. About 15.8 million low-income renter households are eligible for federal housing assistance, but only about 4 million receive HUD housing assistance: 1.14 million households live in units owned by local public housing authorities, 1.7 million live in private, government-subsidized developments owned by private or non-profit entities,³⁴ and 1.2 million receive tenant-based rental certifi-

³⁴ Since 1997, owners of more than 100,000 HUD-insured or -subsidized apartments in 48 states and the District of Columbia have prepaid their mortgages or opted out of their Section 8 contracts. The typical rent increase after prepayment is 45 percent (personal communication from Michael Bodaken, National Housing Trust, July 1999).

Table 2. Federal Housing Subsidies by Program Category, 1978 to 1997
(1997 dollars, in millions)

Year	Homeowner Subsidies	Investor Subsidies	LIHTC ^a	Dept. of Agriculture	HUD	Dept. of Defense	AFDC ^b
1978	23,891	1,727		8,433	72,131	7,953	7,124
1979	33,725	4,059		8,876	52,027	7,619	6,695
1980	42,316	4,469		8,026	52,176	7,621	6,820
1981	53,600	5,904		6,823	45,051	11,554	6,671
1982	58,747	5,061		6,279	23,877	12,623	6,237
1983	58,688	5,642		4,799	15,458	9,966	6,309
1984	54,287	5,618		4,344	17,002	10,264	6,415
1985	56,543	5,258		4,205	15,926	10,806	6,292
1986	57,930	5,812		2,848	14,032	11,170	6,392
1987	53,440	8,789	211	2,772	12,207	11,202	6,656
1988	68,247	8,376	348	2,848	11,288	11,147	6,567
1989	63,902	8,773	819	2,738	11,192	11,176	6,587
1990	82,192	14,778	847	2,726	12,777	11,215	6,731
1991	78,460	18,347	940	2,647	22,326	11,251	7,086
1992	80,220	16,499	1,195	2,963	19,034	10,359	7,522
1993	89,179	13,395	1,708	3,999	20,283	10,000	7,343
1994	92,218	12,977	2,075	3,880	19,749	9,574	7,335
1995	93,772	11,005	2,363	2,940	12,380	9,572	6,911
1996	90,107	10,379	2,667	3,421	13,520	9,686	6,475
1997	91,740	9,930	2,945	3,538	12,020	9,665	6,492
Total	1,323,204	176,798	16,118	89,105	474,456	204,423	134,660

Sources: Newman and Schnare (1994); Office of Management and Budget (1996); *The Rural Housing Program in Fiscal Year 1997* (1998); U.S. Department of Defense (1998); U.S. General Accounting Office (1995).

^aLow-Income Housing Tax Credit.

^bAid to Families with Dependent Children. According to Newman and Schnare (1994), 30 percent of this amount is used to pay rent.

cates or vouchers that allow them to pay for private rental units.³⁵ That leaves almost 12 million poor households that are eligible for federal housing subsidies but do not receive them. They have to fend for themselves in the private marketplace, and many can barely afford to pay the rent (Dolbeare 1996b). Among this group, HUD identified 5.3 million households with “worst-case” housing problems—those who pay more than half of their income for housing and/or live in seriously substandard units (HUD 1996, 1998).

The federal government also provides housing subsidies to the poor through the tax system by means of the Low-Income Housing Tax Credit (LIHTC). During its first eight years, it subsidized approximately 900,000 units, with the number growing each year as states

³⁵ Different reports use different estimates of both the total number of households eligible for HUD assistance and the total number of households receiving such assistance, but they all agree that only about one-quarter of eligible recipients receive assistance (Carr 1998; Casey 1992; Congressional Budget Office 1994; HUD 1996; Joint Center for Housing Studies 1995; Kingsley 1997; McGough 1997).

and developers learned how to use the program.³⁶ In 1997, the program cost the federal government \$2.9 billion.

The LIHTC provides tax breaks to investors (corporations and individuals) to cover part of the cost of housing construction and rehabilitation. In exchange, rents are set to levels households with modest incomes can afford. The program grants investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing funds for the development of qualified, affordable rental housing. The return to the investors comes largely in the form of tax credits, paid in roughly equal annual allotments over 10 years. Developers may claim the credits themselves, but they typically sell them to investors for up-front cash used to build the project. Developers can sell the credits directly to one or more investors, but they typically sell them to a syndicator who acts as broker between the developer and investors. Investor profits on the LIHTC have ranged from 10 to 18 percent annually. The proportion of the tax credit that goes into the housing developments increased from 42 to 65 percent between 1987 and 1996, according to one report (E&Y Kenneth Leventhal Real Estate Group 1997), and to 75 percent, according to others (Cummings and DiPasquale 1998, 1999).

The LIHTC program is not administered by any federal agency, although the Internal Revenue Service has oversight to ensure that states and investors do not use more tax credits than are authorized. Instead, Congress authorized states (typically, state housing finance agencies) to allocate the tax credits to qualified housing development projects. The size of each state's tax credit allocation is determined by a formula based on population size, and the cost to the federal government is nearly \$30,000 per unit (Cummings and DiPasquale 1998). Unlike most HUD programs, the LIHTC program has, since its creation in 1986, received growing support, not only among low-income housing advocates but also among business leaders and the private housing industry. Also, unlike the HUD budget, LIHTC funding has increased. As a tax expenditure, the program is relatively invisible; its administrative costs are hidden, and its real costs per unit are hidden as well because the credit is typically combined with other subsidies. Few LIHTC projects rely on tax credits alone. To make the rents in LIHTC-assisted projects affordable to low-income residents, states

³⁶ The actual number of LIHTC units is a matter of some dispute. Different studies offer different estimates. The confusion is compounded by the fact that many LIHTC-assisted projects have additional government subsidies (particularly from HUD and the Department of Agriculture), without which the projects would not be feasible. It is difficult to count the total number of units created with government subsidies because so many projects have multiple federal subsidies, but each government agency counts each subsidy as a separate "subsidized" unit (Cummings and DiPasquale 1998, 1999; E&Y Kenneth Leventhal Real Estate Group 1997; U.S. General Accounting Office 1997).

and localities often use Community Development Block Grants, HOME grants, Section 8 certificates and vouchers, Rural Rental Housing funds, and property tax abatements (Hartman 1992; Stanfield 1994; Stegman 1991; U.S. General Accounting Office 1997).

The largest housing subsidy is the deduction for mortgage interest payments, which cost the federal government \$53 billion in 1997. These tax breaks are very regressive. The highest-income taxpayers with the largest houses and biggest mortgages get a highly disproportionate share of these federal tax expenditures. As table 3 reveals, half of the mortgage interest subsidy (49.7 percent) goes to the richest 5.6 percent of taxpayers, those with incomes over \$100,000. The 1.2 percent of taxpayers with incomes above \$200,000 received \$12.6 billion in mortgage interest deductions—21.6 percent of the entire amount. About 27 million homeowners (only 21.3 percent of the 131 million taxpayers) took the mortgage interest deduction, but this varies significantly with income.³⁷

Tax breaks for mortgage interest deductions have significant social consequences. They artificially inflate home prices, because both sellers and buyers assume that buyers will take advantage of the deduction and can thus afford to pay more than they would without it. This is especially true at the upper end of the scale, but it has ripple effects throughout the housing market. Because the mortgage interest deduction is proportional to the cost of housing, it also promotes suburbanization and sprawl, encouraging home buyers to buy larger homes in outlying areas rather than more modest homes in older suburbs and central cities (Gyourko and Voith 1997). Moderate-income homeowners, who generally cannot take advantage of the deduction, are concentrated in older suburbs and central cities. Until recently amended, the provision that allowed homeowners to defer capital gains taxes if they purchased a more expensive home exacerbated this tendency, encouraging the purchase of larger homes, typically in suburbs farther from the central city (Bier and Meric 1994). By encouraging the suburbanization of housing, the tax code contributes to the well-known costs of metropolitan sprawl: transportation gridlock,

³⁷ For example, 82.5 percent of taxpayers with incomes over \$200,000 took the mortgage interest deduction, with an average benefit of \$9,763. By contrast, only 28.1 percent of those in the \$40,000–\$50,000 bracket took the deduction; those who did so saved an average of \$952 on their taxes. Among those in the \$20,000–\$30,000 income category, only 6.6 percent took the deduction; those who did so received an average benefit of only \$502. Among households with incomes under \$20,000, slightly more than half own their own homes. Of these, only 28.5 percent have mortgages. Of those who have mortgages, only 6.8 percent itemize (taxpayers taking the standard deduction get no benefit from these tax breaks). Among households in the \$60,000–\$100,000 income bracket, more than 80 percent own their own homes. Of these, 78 percent have mortgages, and 66 percent of them itemize their tax deductions. Among households in the \$120,000–\$140,000 income bracket, 91 percent own their homes. Of these, 82 percent have mortgages, and 92 percent of them itemize (Green and Reschovsky 1997).

Table 3. Distribution of Tax Benefits for Mortgage Interest, Fiscal Year 1995

Income (\$ Thousands)	Number of Returns (Thousands)	Percent of All Returns	Number of Returns Taking the Mortgage Interest Deduction (Thousands)	Percent of All Returns in the Income Category (Thousands)	Value of Mortgage Interest Deductions (\$ Millions)	Percent of the Value of All Mortgage Interest Deductions	Average Value per Return for Those Taking the Mortgage Interest Deduction (\$)
Under 10	22,750	17.36	29	—	47	—	—
10–20	25,752	19.65	420	1.6	173	—	412
20–30	20,735	15.82	1,364	6.6	685	1.17	502
30–40	16,649	12.70	2,661	16.0	1,919	3.29	721
40–50	12,208	9.31	3,436	28.1	3,270	5.60	952
50–75	17,703	13.51	8,516	48.1	11,005	18.86	1,292
75–100	7,817	5.96	5,590	71.5	12,253	21.00	2,192
100–200	5,833	4.45	4,540	77.8	16,359	28.04	3,603
200 and over	1,568	1.20	1,293	82.5	12,624	21.64	9,763
Total	131,015		27,849	21.3	58,335		

Source: Joint Committee on Taxation (1995).

Note: Dashes indicate that the figures are insignificant.

pollution, costly infrastructure, loss of open space, and related dilemmas. It has also played a significant role in producing widespread patterns of residential racial segregation. In other words, the cost of these housing tax breaks is considerably greater than the amount that appears in the federal budget each year. The “external” costs to the environment, public health, and other factors do not show up when policy makers itemize the list of tax expenditures.

The mortgage interest deduction is a highly inefficient way to promote homeownership. For most high-income taxpayers, tax savings are a minor influence on their decision to own rather than rent: That is, they are likely to become homeowners with or without the tax subsidy. Without the tax subsidy, or with less of a tax subsidy, high-income taxpayers might purchase a slightly smaller or less expensive home (or a slightly smaller or less expensive second home). By contrast, for low- and moderate-income taxpayers, the mortgage interest deduction offers little or no incentive to own rather than rent, because on its own and in combination with other itemized deductions, it is likely to be lower than the standard deduction. (Canada has no comparable mortgage interest deduction, and its homeownership rate is about the same as that of the United States.)

The current political climate

The Cold War is over, but its legacy remains. In many Western democracies, the past two decades have witnessed attacks on Keynesian

economic policy and the social contract, partly in response to globalization, but mostly because of a corporate mobilization of ideas, money, and political influence. Even today, Europeans and Canadians expect more from their national governments—in terms of economic security, health insurance, child care, and housing assistance—than Americans do. There, social policy is more solidaristic (that is, more programs are universal, and fewer are means tested), which helps account for the willingness of the middle class to help the poor (Blank 1997). A key ingredient in efforts to protect and expand the social contract is the relatively greater strength of organized labor in Canada and Europe (Freeman 1994). Among Western democracies, the United States relies most heavily on private market forces to house its population. This is not to say that the government is not involved in housing matters, but rather that American policy emphasizes bolstering market forces and minimizing assistance for the poor.

The Reagan-Bush agenda was to reduce domestic spending to pay for tax cuts and military expansion. The result was a spiraling federal budget deficit, widening economic disparities, and worsening social conditions (Blau 1992; Mishel, Bernstein, and Schmitt 1999; Wolff 1995). In 1992, Democrat Bill Clinton was elected president, and the Democrats captured a majority of the seats in Congress, but the Democrats were deeply divided, with many members closely linked to big business interests that oppose progressive taxation, Keynesian pump-priming, and social spending, including housing assistance for the poor. Congress defeated two of the Clinton administration's early priorities: a major public investment program and health care reform. In 1994, conservative Republicans gained control of Congress, although in the two subsequent elections their hold has weakened. Faced with a huge budget deficit and a reluctant Congress, Clinton in his State of the Union address on January 23, 1996, subsequently declared that "the era of big government is over." (In fact, he proposed further increases in the military budget.) In place of bold visions and proposals, he offered cautious small steps. His domestic policy initiatives such as raising the minimum wage, expanding the Earned-Income Tax Credit, and empowerment zones are useful, but hardly challenge the widening disparities of income and wealth.

The economic recovery since the mid-1990s has partly reversed but not eliminated the troubling trends of the previous decade (Blau 1999; Bluestone and Rose 1997; Levy 1998; Mishel, Bernstein, and Schmitt 1999; Schwarz 1997, 1998; Shapiro and Greenstein 1999). Although the nation's official unemployment rate is now below 5 percent, millions of Americans are underemployed or are simply not counted as part of the labor force (the United States has the world's largest prison population). The poverty rate has declined somewhat (down to 12.7 percent in 1998), but not to the degree one would expect given the improvement in aggregate economic indicators (Center on Budget

and Policy Priorities 1998; Dalaker 1999). The ranks of the working poor continue to grow.³⁸

The most important fact about recent American politics is that more than half of all those eligible do not vote. Low turnout almost always helps Republicans and conservatives. Those who did not vote in recent elections, whether from indifference, confusion, or frustration over the choices, were disproportionately people on the lower rungs of the economic and social ladder, including those with the worst housing problems. Corporate money increasingly dominates the political process, pushing many Democrats to the ideological center and limiting debate on a progressive agenda. Among the most important factors in the decline of voter turnout has been the decline of civic involvement and, in particular, the decline of labor union membership. This is especially true among the have-nots.

From the 1930s through the 1970s, unions were the most effective vehicle for mobilizing poor and working-class voters. In recent elections, union members have consistently voted in greater numbers than people with similar demographic characteristics who are not union members. Under the leadership of AFL-CIO President John Sweeney, elected in 1995, unions have mobilized impressive grassroots campaigns that increased turnout and influenced the outcome in several key congressional races, Senate contests, and local government elections (Greenhouse 1998; Shogan 1999). Some environmental groups, women's organizations, and urban community organizations have also expanded their voter mobilization efforts, but their capacity to do so is less effective than that of unions, in part because their relationship to their members is weaker (Schlozman, Verba, and Brady 1999; Skocpol 1999). The future of progressive politics depends on whether these groups can expand their efforts in this direction (Weir and Ganz 1997).

Housing's weak political constituency

Truman's housing bill was the only part of his domestic agenda to survive in 1949. Today, by contrast, housing is barely on the domestic agenda, and housing programs for the poor are perhaps the most vulnerable component of domestic policy. Since 1980, HUD's budget has declined by 80 percent in constant dollars, more than any other domestic area (see table 2). Federal housing policy is vulnerable to polit-

³⁸ Since the 1970s, Americans are finding it more difficult to move out of poverty. In the 1980s, only 17 percent of poor American families advanced 20 percent or more above the poverty line, compared with 25 to 44 percent of the European poor. We are now more class bound than Europe. The research showing that workers at the bottom are increasingly trapped in poverty is reported in Bernstein (1996).

ical assault because it lacks a coherent political constituency and because it lacks legitimacy among much of the public.

Housing policy is viewed primarily as a social welfare issue rather than as a crucial component of the nation's economic well-being and its social contract. Despite the fact that HUD actually accounts for less than one-fifth of the nation's annual housing expenditures, the politics of housing focus almost exclusively on HUD. "Politically, HUD is about as popular as smallpox," reported the *Washington Post* in 1995 (Gugliotta 1995, A4). In 1994, House Speaker Newt Gingrich told the *Washington Post*, "You could abolish HUD tomorrow morning and improve life in most of America" (Cooper 1994, A1). Even Clinton's second HUD Secretary, Andrew Cuomo, observed that "HUD is really a metaphor for failed government programs, for failed aspirations" (Dionne 1997, A17). This is due, in part, to widely held (but misleading) stereotypes about public housing (Atlas and Dreier 1992). Echoing the rhetoric of the program's foes of 50 years ago in a speech to the National Association of Realtors during the 1996 presidential campaign, Republican candidate Bob Dole called public housing "one of the last bastions of socialism in the world." Local housing authorities, he said, have become "landlords of misery" (Gugliotta 1996, A5).

Indeed, HUD is an easy target. It is typically identified with public housing projects, big-city ghettos, and the welfare poor (Bratt and Keating 1993; "Abolish HUD" 1989). But even when the Clinton administration sought to move in the opposite direction—to deconcentrate the poor through the Moving to Opportunity (MTO) program (a small pilot program to help the ghetto poor find apartments in better neighborhoods)—Republicans and conservative pundits attacked it as "social engineering" (Dreier and Moberg 1996; Rockwell 1994).³⁹ Under Reagan and Bush, the department also became identified with mismanagement and corruption—the so-called "HUD scandal." As a result, most people now believe that federal low-income housing programs reward a combination of government bureaucrats, politically connected developers, and people who engage in antisocial or self-destructive behavior. So conservatives get to look like good-government reformers, even as they throw out the housing baby with the HUD bathwater. Some of HUD's credibility has been restored under the leadership of Secretaries Henry Cisneros and Andrew Cuomo, but negative perceptions are still widespread (Alvarez 1998; Grunwald 1999, 2000). Housing advocates have such low expectations that token gains, such as an additional 60,000 housing vouchers in the latest budget, are greeted as major victories (Lacey 1999).

³⁹ In addition, Democratic Senator Barbara Mikulski of Maryland, fearing a voter backlash from Baltimore's blue-collar suburbs, withdrew her support for the MTO program after Republican politicians claimed it would promote an exodus of public housing tenants into their communities.

Public perception of low-income housing programs is only half of the dilemma. In addition, housing policy lacks a coherent, well-organized political constituency. For the most part, HUD's current constituency is composed primarily of those who have a direct stake in housing the poor: big-city mayors and local government housing bureaucrats; private housing developers, landlords, and speculators; and poor people and their advocacy organizations. These groups are politically weak, fragmented, and generally viewed unfavorably.

The mayors, along with local and state government housing officials, depend on HUD funding and programs. Their lobby groups include the National Association of Housing and Redevelopment Officials, the National Council of State Housing Agencies, the Council of Large Public Housing Authorities, the National League of Cities, and the U.S. Conference of Mayors. This urban lobby has been losing clout steadily for years, as cities have come to represent a smaller portion of the overall electorate and as national political action committees have replaced city-based political machines as the key to winning urban seats in Congress (Edsall 1991; Paget 1998; Wolman and Marckini 1998).

HUD's private sector constituency includes the landlords, developers, real estate lawyers, and others who own and manage the existing inventory of HUD-assisted housing. Their lobby groups include the National Leased Housing Association, National Multi Housing Council, National Housing Partnership, National Association of HUD Management Agents, and National Housing Conference. The National Association of Realtors and the NAHB care primarily about FHA mortgage insurance for single-family homes, not low-income housing programs. Since HUD began, politically connected developers have fed at its trough of lucrative subsidies and mortgage insurance. The Reagan administration was simply more blatant about it and abused the system. The HUD scandals during the Reagan and Bush era confirmed the public's skepticism about federal housing programs as rip-offs.

Housing advocacy groups—including organizations such as the National Coalition for the Homeless, the National Low-Income Housing Coalition, the National Alliance of HUD Tenants, and the National Community Reinvestment Coalition—are often referred to as the "housing movement" by their friends and as "do gooders" (or worse) by enemies and skeptics. (Antipoverty advocacy groups such as the Center for Community Change and the Center on Budget and Policy Priorities are often part of the same movement. See Sard and Daskal 1998.) Funded primarily by foundations, these public interest organizations operate on shoestring budgets. Headquartered in Washington,

they serve as umbrella organizations, providing information and training to their loose networks of local housing activists (tenant groups, homeless shelters, community and church organizations, nonprofit developers). Most of these local groups, however, lack a strong base, making it difficult for the national organizations to mobilize members to protect or expand federal housing programs for the poor. In the past few decades, a few multiissue national networks, such as ACORN (Association of Community Organizations for Reform Now), National People's Action, and the Industrial Areas Foundation, have sporadically been able to link local organizing and national advocacy on key housing issues.

Perhaps the most highly touted shift in the housing arena in the past two decades has been the emergence of community-based nonprofit organizations as major players in the housing delivery system. By the early 1990s, more than 2,000 nonprofit community development corporations (CDCs) were engaged in a wide variety of housing and economic improvement activities. They found increasing support from foundations, private industry, and government at all levels and were highly regarded by liberals and conservatives alike. But these groups cannot produce even close to an adequate supply of housing for the poor, primarily because of the lack of subsidies to fill the gap between what it costs to develop housing and what the poor can afford to pay. Even the most generous estimates indicate that the nation's CDC sector has produced only 30,000 to 40,000 housing units a year during the past decade—a far cry from the number needed. Too few public resources are available for CDCs to significantly expand housing and other development activities (Bratt et al. 1994; Committee for Economic Development 1995; Kingsley, McNeely, and Gibson n.d; Walker and Weinheimer 1998). These groups can play an important role in the nation's housing efforts, but they will remain virtually empty shells unless the federal government provides adequate resources to turn them into tangible programs that help more people improve their housing.

In general, these housing advocacy and community development groups have had some success in protecting and even improving HUD programs, but they do not add up to a strong force for progressive housing policy, because there is little grassroots mobilization to provide them with adequate support to put their issues on the agenda and get Congress to pass them (Dreier 1996).

Moreover, the various segments of the housing constituency often work at cross-purposes, each lobbying for its own specific piece of the federal housing pie, weakening the overall impact of their efforts, and

undermining the likelihood of building broad support for federal housing programs.⁴⁰

Organized labor: The key missing ingredient

Our federal housing policy today ignores most of the poor and offers little for the near-poor and the fragile lower-middle class. Who speaks for these people at the bottom half of our economic ladder?

By far the most significant missing component in the political coalition for housing is organized labor, the one constituency with a large membership, a progressive policy agenda, significant financial resources, and the potential to engage in effective mobilization. It is also the one major political vehicle that could organize effectively across racial lines, across income groups from the very poor to the middle class, and across city and suburban boundaries. Indeed, it is unlikely that a renewal of progressive politics is possible in the United States without a stronger labor movement (Bronfenbrenner et al. 1998; Greenberg and Skocpol 1997; Meyerson 1998; Mort 1998).

Union strength, which reached a peak of 35 percent of the workforce in the mid-1950s, allowed American workers, especially blue-collar workers, to share in the postwar prosperity and join the middle class. Union pay scales even helped boost the wages of nonunion workers. Unionized workers continue to have higher wages, better pensions, longer vacations and maternity leaves, and better health insurance than their nonunion counterparts. In unionized firms, the wage gap between African-Americans and white workers is narrower than elsewhere, and both not only earn roughly the same wages, they also earn more than workers without union representation. Unionized African-American men earn 15.1 percent more than their counterparts in comparable nonunion jobs; for whites, the union “wage premium” is 14.9 percent, but it is 18.7 percent for Hispanics (Mishel, Bernstein, and Schmitt 1999). In general, union members have better housing conditions than nonunionized workers. For example, about

⁴⁰ Mayors focus on HUD’s Community Development Block Grant and HOME funding. Homeless groups focus on HUD programs for the homeless (such as those under the umbrella of the McKinney Act programs). ACORN, the National Community Reinvestment Coalition, and others focus on protecting and strengthening the Community Reinvestment Act. Civil rights groups and others focus on HUD’s line item for fair housing enforcement. The AARP and developers of seniors’ housing focus on HUD’s housing programs for the elderly. The National Alliance of HUD Tenants and the National Housing Trust focus on protecting subsidies in existing privately owned HUD-assisted housing. The National Council of State Housing Agencies focuses on preserving the mortgage revenue bond program, the LIHTC, and HUD’s multifamily housing programs. The CDCs and their networks and intermediaries, such as the Local Initiatives Support Corporation, the Enterprise Foundation, Neighborhood Reinvestment Corporation, and others, focus on preserving the LIHTC.

75 percent of current union members own their homes, compared with the national average of almost 67 percent.

Since the 1970s, union membership has declined precipitously, dropping to 15 percent of the work force in 1998, the lowest since the Depression. (Omitting government employees, unions represent only 11 percent of private sector workers.) The erosion of America's labor movement is a major reason for the declining wages and living standards and the widening economic disparities of the past two decades (Freeman 1992; Mishel, Bernstein, and Schmitt 1999).

The labor movement was the most influential part of the housing reform coalition in the 1930s and 1940s. As early as 1914, at the AFL's annual convention, unions called for government action to provide workers with low-cost housing loans. In the 1920s, the Amalgamated Clothing and Textile Workers sponsored cooperative housing projects for garment worker members in New York City. Several unions established banks, credit unions, and building-and-loan societies to offer members low-interest mortgages. Most Depression-era unions had housing committees devoted to lobbying for government action. In part because of the success of the garment workers' housing cooperatives, unions were instrumental in pushing the New Deal to create the housing division within the PWA to make loans for housing cooperatives built by nonprofit groups and unions.

During the postwar boom years, organized labor continued to support federal assistance for low-income housing but also pushed for government-backed low-cost mortgages (through the FHA) for the increasingly middle-class union membership. In the early 1950s, unions in New York formed the United Housing Foundation, which built thousands of cooperative apartments for moderate-income workers until efforts ceased in the early 1970s. In 1965, the United Auto Workers formed the Watts Labor Community Action Committee in Los Angeles's African-American community. Along with a variety of other job-training and small business programs, it has sponsored the construction of several hundred units of housing for low-income and moderate-income people. Unions were instrumental in expanding federal housing programs in the 1960s and early 1970s (Wolman 1971), and since then, a few unions, including the American Federation of State, County, and Municipal Employees; Communications Workers of America; International Brotherhood of Electrical Workers; and Bricklayers, have used a combination of union pension funds and government subsidies to create housing.

In the late 1980s, Boston's hotel workers union (Local 26) surveyed its members and found that their biggest problem was the city's skyrocketing housing costs. In its next contract negotiations, the union won a housing trust fund requiring employers to pay seven cents an

hour into the fund, which would be used to meet members' housing needs. When the hotel owners' association claimed that the union had no legal authority to do so, Local 26 led a successful campaign to amend the National Labor Relations Act in 1990 to allow unions and employers to provide housing assistance to workers under collective bargaining agreements. Few unions, however, have used this provision to bargain for housing benefits—such as employer-sponsored mortgage assistance or rent subsidies, for example.

In a few cities, unions have joined forces with community groups around housing issues. In the Los Angeles area, for example, the hotel workers union (Local 814) has joined with the Community Corporation of Santa Monica, a local nonprofit community development group, to help union members with their housing problems. This union/community collaboration has helped union members find, apply for, and qualify for subsidized and market-rate rental housing. The collaboration conducted a housing needs survey and two focus groups among union members, resulting in a referral system for homeownership assistance and an information network to educate members about their rights as tenants.

Organized labor's biggest involvement in housing is through the AFL-CIO's Housing Investment Trust (HIT). Since 1981, it has invested over \$3 billion in union pension funds in a variety of housing developments. In 1999, the HIT invested more than \$488 million in housing projects—both rental and homeownership—with more than 4,500 units. Many of HIT's projects involve the growing number of nonprofit CDCs around the country. But as unions earlier in this century discovered, the shortage of subsidies makes it difficult to create affordable housing for working-class families.

Since the 1970s, however, unions have not been a major political voice for federal housing policy, in part because the labor movement went into a sharp decline in terms of membership and political clout. For the past three decades, unions have been on the defensive, representing a shrinking proportion of the work force, dealing with the consequences of globalization, deindustrialization, and more sophisticated attacks by business. Some of American labor's decline is due to the erosion of manufacturing industries where unions were strong and the growth of service-sector employment where so far unions have made few inroads. It is also due to the union movement's own failure to put more resources into organizing new workers and new types of workplaces.

Another major factor is federal labor laws that give management an unfair advantage in all aspects of union activity. As *Business Week* recently noted, 43 percent of workers say that they would vote for a union at their workplace (up from 30 percent in 1984), but they fear

losing their jobs if they participate in union organizing campaigns. The use of antiunion scare tactics—legal and illegal—by employers has increased. One study found that one-third of companies (up from 8 percent in the 1960s) illegally fired union supporters during unionization drives. (The lucky ones get back pay and reinstatement five years after the fact.) Any employer with a clever labor attorney can stall union elections, giving management enough time to scare off potential recruits. American employers can require workers to attend meetings during the work day at which company managers and consultants give antiunion speeches, show antiunion films, and distribute antiunion literature (Bernstein 1999; Candaele and Dreier 1996). By contrast, unions have no equivalent rights of access to employees. To reach them, organizers frequently must visit their homes or hold secret meetings. The rules are stacked against employees, making it extremely difficult for even the most committed, talented organizers and workers to win union elections. Our nation's labor laws deprive workers of elementary rights of free speech and assembly in an atmosphere free of intimidation. Labor laws in Europe and Canada are much more evenhanded and facilitate a much higher level of unionization in those countries.

Now, however, after decades of decline, American unionism seems to be waking up. The ouster of long-time AFL-CIO president Lane Kirkland in 1995 was engineered by labor activists frustrated by the union movement's inertia. John Sweeney was elected to replace him and pledged to lead the American labor movement out of the economic desert by mobilizing a new wave of union organizing and recruiting a new generation of organizers, especially activists who are people of color. Sweeney's goal is not only to expand the number of union members, but to increase labor's political clout, in part by creating a program to train political campaign workers from the rank and file. A key component of this strategy was to increase voter registration and turnout among union members, the poor, and people of color. A new cohort of labor leaders at both the national and local levels is seeking to rekindle the movement spirit of activist unionism, in part by focusing on the low-wage service and manufacturing sectors, which are composed disproportionately of women, people of color, and immigrants. For example, in 1999 the Service Employees International Union in Los Angeles won a union election for 75,000 low-wage home care workers, most of them women and immigrants. This was the nation's largest single union victory since the 1930s (Greenhouse 1999; Swoboda 1999). Labor's efforts in the 1996 and 1998 elections, as well as the success of local union-community-clergy coalitions to enact "living wage" laws and the creation of the Union Summer program to involve college students in the labor movement, suggest that the Sweeney regime has already helped change the political culture of the union movement (Appelbaum and Dreier 1999; Firestone 1999; Greenhouse 1998; Verhover 1999). In recent years, membership has grown slightly,

although it has not increased as fast as the size of the work force (Greenhouse 2000).

From the mid-1970s through the mid-1990s, the labor movement put its social agenda (such as housing) on the back burner, trying, without much success, to maintain membership and political influence. Part of organized labor's recent renewal has been a growing recognition that unions tend to do better in gaining support and winning elections when they address the social and community concerns of their potential members (such as health care and child care), as well as their workplace problems (Bronfenbrenner et al. 1998).

Organized labor is potentially the most important political vehicle for challenging the widening gap between rich and poor, corporate layoffs, the increase in temporary and part-time work, major cutbacks in government social programs, and the export of good jobs to antiunion states and to low-wage countries. Without a strong labor movement, a revival of progressive politics in general and a progressive housing policy in particular is highly unlikely. Indeed, because housing consumes the largest part of the family budget in poor and working-class households, unions have a self-interest in addressing housing policy.

Thus, strengthening the labor movement and building bridges between today's labor movement and the existing housing coalition are important tasks. Organized labor clearly has a stake in progressive national housing policy. Most union members today are not eligible for low-income housing but neither do they benefit from federal housing policies for the middle class. Many poor and middle-income households, teetering on the economic edge, confront stagnating wages and have serious housing affordability problems. While the overall homeownership rate for union members is higher than the national average, today's younger union workers, as well as most workers in industries that unions hope to organize, are having a much harder time than their older counterparts.

While the building trades (construction) unions have long recognized that a strong housing construction sector creates jobs and stimulates economic growth, the rest of the labor movement needs to understand how its members and potential members suffer from the shortage of affordable housing.

Although labor's stake in an expanded housing policy is clear, the internal culture of organized labor does not make it easy to put new issues on the agenda. In the 1940s and 1950s, most national unions and many locals had housing committees. That is no longer true. As late as the 1970s, the AFL-CIO had one or two staff members responsible for dealing with housing issues, but no one on the national research or policy staff today has this charge. Getting unions more en-

gaged in housing must start at the grassroots, with housing advocates building relationships with local unions, working on issues central to labor groups (such as local living wage laws and organizing drives) and housing groups alike. At the same time, national housing organizations and unions can begin working around common concerns, such as efforts to raise the minimum wage and enact universal health insurance. One welcome sign was the AFL-CIO's presence at the September 1999 press conference announcing the National Low-Income Housing Coalition's *Out of Reach* report, documenting the wide gap between minimum wage incomes and housing costs.

Rebuilding housing's political coalition

If the United States is going to have a progressive housing policy, we must rebuild the political constituency for housing and restore public support for an activist government. Those are not easy tasks, but lessons can be learned from the successes and failures of the past half century.

Although much has changed since 1949, President Truman and the labor unions had one insight that remains true today: The housing agenda has always made the most headway when the concerns of the poor and the middle class were joined. Truman's inability to create a housing program for middle-income families eventually helped undermine public support for an activist government housing policy, especially for the poor. The key to solving our nation's housing crisis is to expand and strengthen the constituency for a progressive national housing policy that can link the needs of the poor and the concerns of middle-income families. Doing so requires strengthening the organizations that can mobilize their constituencies and, equally important, coordinating these organizational efforts into a coherent strategy that can affect public opinion and public policy.

Organized labor is the most important missing partner in the housing coalition, but housers need to build bridges with other constituencies as well. One key constituency that could have a major impact on housing policy is the business community. In a few cities, business leaders representing major employers have participated in public-private-community partnerships to help expand low-income housing by expanding the capacity of community-based agencies (Committee for Economic Development 1995; Dreier, Schwartz, and Greiner 1988; LePage 1999; Padilla 1999). In some urban areas, business leaders have recognized the dangers of a severe housing crisis—a shortage of housing for the work force, a shortage of discretionary income for families spending too much on housing, traffic congestion created by sprawl and long commutes—and sought to change public policy and

increase housing subsidies.⁴¹ Some banks and major corporations invest in the LIHTC program, both to earn profits and to generate positive publicity, especially among banks concerned about their Community Reinvestment Act (CRA) ranking. But in general, the business community, particularly at the national level, is not actively engaged in promoting a comprehensive housing policy. Mainstream business groups such as the U.S. Chamber of Commerce, the Business Roundtable, trade associations, and others sit on the sidelines when it comes to HUD and housing policy. With some exceptions, few business leaders view housing as a key component of a healthy business climate. Housers need to recognize that not all business leaders and industries are equally likely to be concerned about housing. The issue is most critical for major employers in metropolitan areas where the wage-housing gap is undermining the local business climate. Although many businesses today are quite mobile and thus may perceive that they have less of a stake in local housing conditions, many businesses and industries, particularly those in the financial, utility, and service sectors, are relatively immobile. These are the most likely business partners in a metropolitan housing coalition.

Progressive housing activists also need to build alliances with the large segment of the housing industry that focuses on building and selling starter homes for middle-income households as opposed to luxury and vacation homes.

Many environmental, civic, and religious organizations make token gestures, but fail to put the housing crisis at the top of their political agendas. Growing concerns about sprawl and proposals for smart growth have led some environmental groups to begin paying attention to housing issues (Danielsen, Lang, and Fulton 1999). For the most part, however, they want to redirect housing development toward central cities and older cities, often by creating “urban growth boundaries,” without considering policies to avoid spiraling housing prices, as has occurred in Portland, OR (Abbott 1997; Benfield, Raimi, and Chen 1999; Lang and Hornburg 1997). By contrast, the national Sierra Club recently issued a report on sprawl that incorporated the need for more affordable housing close to jobs (Axel-Lute 1999). In the high-cost San Jose area, the Sierra Club is part of a Housing Action Coalition with businesses, unions, and real estate organizations. Civic groups like the League of Women Voters; seniors groups like AARP; and religious groups like the National Council of Churches, National Conference of Catholic Bishops, and the Union of American Hebrew Congregations

⁴¹ For example, the Orange County (CA) Business Council, Merrill Lynch, the Enterprise Foundation, Fannie Mae, and the Building Industry Association of Orange County recently formed the Orange County Affordable Home Ownership Alliance to “promote the construction of housing that is affordable to workers who make low or medium wages” (Padilla 1999, 4).

all have mission statements on affordable housing and endorse legislation to expand housing subsidies, but they do not try to mobilize their membership as part of a political coalition.

If housers are to draw any key lessons from the experience of the past 50 years, they are the following:

1. Housing must be part of a broader agenda and movement for social and economic reform; this requires changing national priorities. Housing must be viewed as part of the broader social contract, a key element in promoting a healthy economy and standard of living. Housing problems cannot be isolated from other trends such as widening income disparities, growing job insecurity, and lack of access to health insurance or child care. Initiatives to both strengthen the labor movement and reconnect it to housing reform are key to this effort.
2. Housing reformers must build alliances across city and suburban boundaries, especially between central cities and older inner-ring suburbs (Dreier 1995; Orfield 1997; Rusk 1999). In contrast to the 1940s, the urban vote has dropped steadily since 1960, although its declining share of the national vote results from low turnout as well as declining population.⁴² Cities' representation in Congress has also shrunk.⁴³ But this does not doom chances for a strong housing coalition; it means that the coalition must incorporate the concerns of older suburbs. The serious problems of our cities can be solved only by addressing metropolitan regional con-

⁴² Cities with populations over 500,000 cast only 11 percent of the vote in 1992 and 10 percent in 1996 (Pomper 1993; "Portrait of the Electorate" 1996). By 1992, cities' propensity to vote had fallen to 0.82 (in other words, less than its share of the total population), the lowest level in the postwar period. According to Nardulli, Dalager, and Greco, "This drop in the relative propensity to vote accounts for almost 40 percent of the loss in voting power experienced by these cities between 1944 and 1992. Based on a drop in the cities' share of the national electorate, they should have dropped only 8 points (from 27 percent to 19 percent) rather than 13 points" (1996, 483–84). See also Dreyfus 1998.

⁴³ Between the early 1970s and the early 1990s, the number of central-city districts in the U.S. House of Representatives fell from 121 to 93, a decline of 23 percent, while suburban districts rose from 160 to 239, a 49 percent gain. Excluding the relatively conservative central cities of the South and West, urban House districts fell even more sharply, from 62 to 40. The number of congressional districts in which a *plurality* of residents lived in central cities declined from 110 in 1963 to 93 in 1993, or from 25 percent to 21 percent of all districts. Rural districts fell from 203 to 103, or from 47 percent to 24 percent of all districts. Districts with suburban pluralities increased from 122 to 239. For congressional districts with a *majority* of central-city residents, the decline is even more striking: Such districts increased from 94 to 103 between 1963 and 1973, but fell to 84 in 1993. During that period, rural-majority districts declined from 181 to 83. Meanwhile, suburban-majority districts increased steadily from 94 to 214 (Wolman and Marckini 1998).

cerns, but existing housing policies offer little for these older suburbs. The deconcentration of poverty and improvement of inner-city neighborhoods need not be at the expense of working-class suburbs. In fact, the health of cities and the health of older suburbs are interdependent (Barnes and Ledebur 1998; Hill, Wolman, and Ford 1995; Pastor et al. forthcoming).

3. Housing reformers need to change the debate by offering a bold vision that can appeal to a wider constituency. If, as Secretary Cuomo claims, housing “isn’t an issue that polls well” (Grunwald 2000, A6), that is not because housing problems are not serious. Housing reformers need to actively recruit allies and be more effective at mobilizing constituencies and public opinion. Housers must do a better job of cultivating the media and get more newspapers and television stations to cover housing issues (Dreier 1993; Dreier and Dubro 1991). But the message must be a bold one. Debate on housing policy should not be limited to making incremental increases in HUD’s budget. It should examine the more than \$100 million in federal housing subsidies and ask whether we are spending those funds effectively and efficiently.

As unions and others recognized in the postwar era, the housing policy agenda must not only be about the poor, but also about the many middle-income households that do not benefit from federal housing subsidies. We cannot expect the housing agenda to gain ground if its major constituencies remain narrow and fragmented. A progressive housing policy agenda for the first decade of the 21st century must appeal to a variety of constituencies: middle-class families unable to buy a home without paying an excessive amount of their household income; the working poor, shut out of homeownership and barely able to pay the rent; leaders within the business community concerned about the impact of the affordable housing shortage on the business climate and competitiveness; civic and religious leaders worried about how the housing crisis threatens the social fabric; and environmentalists and some affluent homeowners who recognize the economic and environmental costs of suburban sprawl. Moreover, national housing policy must have some coherence. The 1949 rhetoric of a “decent home and a suitable living environment” for all Americans still rings true. But the vehicles for reaching that goal cannot appear to be a crazy quilt of separate programs linked to narrow constituencies.

A 21st-century housing agenda

What should be the key components of a bold federal housing policy—a 21st-century counterpart to the progressive housers’ agenda in the

1930s and 1940s? Here is a five-part housing policy agenda that can help build and unite a broad political constituency.

1. *Expand affordable homeownership.* We need to expand affordable homeownership of all kinds—single-family homes, condominiums, and limited-equity cooperatives—especially among the working poor and moderate-income families. Government should target government help to those who could not otherwise achieve the American dream, not to the affluent. One way would be to amend the current tax law to provide a progressive refundable tax credit for moderate-income first-time home buyers, who may not be able to take advantage of the existing deduction for mortgage interest. This tax credit should be available each year. In addition, consumers should be permitted to use Section 8 vouchers to make mortgage payments, including shares of blanket mortgages for limited-equity cooperatives (a version of noncommercial “social” housing). Another way would be to use federal funds to subsidize down payments, a major barrier to homeownership for moderate-income families (Eggers and Burke 1996; Savage 1999). Both these measures would be a boon to builders who construct primarily starter homes. The well-known multiplier effects of home building would help stimulate jobs and economic growth. FHA, Fannie Mae, and Freddie Mac should allow more flexible underwriting and promote and finance alternative forms of homeownership such as limited-equity cooperatives.

2. *Set a universal housing allowance.* Housing subsidies for the poor should be an entitlement. The Section 8 housing voucher program is essentially an income supplement for the poor, but it serves only about 1.4 million households (Burke 1997). A universal housing voucher for eligible low-income households not currently served by housing subsidies would cost about \$50 billion a year. The housing voucher program should be administered on a metropolitan regional basis and not by the more than 3,000 local housing authorities. It should be available to the working poor as well as the welfare poor. Simply giving all low-income families a housing voucher, however, will not solve the problem. Since 1974, we have had experience with different variants of “demand side” voucher programs, called Section 8.⁴⁴ We know that vouchers work only when there are enough apartments. Otherwise, it is like giving out food stamps when the supermarket shelves are empty. In loose markets, vouchers work well, but in tight markets, problems emerge. During the mid-1980s, for example, half of all tenants

⁴⁴ Why do we call the government’s old-age insurance program “Social Security” and its preschool program “Head Start” but its largest housing program “Section 8,” as bureaucratic and impersonal a term as one can imagine? Let us replace that phrase with something more human, such as “Housing Allowances.”

with Section 8 certificates in Boston could not find apartments because of the tight market and high rents (Goering, Stebbins, and Siewert 1995).⁴⁵ A possible byproduct of this universal voucher program would be to help relieve the increasing concentration of the poor in high-poverty neighborhoods.⁴⁶

3. *Develop mixed-income rental and cooperative housing.* A universal housing allowance program will not work in areas with a shortage of rental or cooperative housing. In metropolitan areas with housing scarcity, we need to expand the overall supply, especially units affordable to low- and moderate-income families and, as the baby boomers age, senior citizens. But we should put an end to creating federally subsidized housing developments—whether from HUD, the Department of Agriculture, or the LIHTC—that are exclusively for the poor. The federal government should not promote ghettos and concentration of poverty. Instead, subsidies and administrative leverage should be used to promote construction of mixed-income rental and cooperative housing. But rather than use a block grant formula to distribute federal housing funds to all eligible jurisdictions, funds for new construction should be limited to areas with low vacancy rates for affordable housing. They should include a mix of market-rate units, units for middle-income households, and units for the poor.⁴⁷ Low-income units should comprise

⁴⁵ Even with a universal voucher, other obstacles remain. Racial minorities have trouble finding apartments with vouchers, even in markets with many vacancies (Finkel and Kennedy 1992). Landlords still often discriminate. That is why there are Section 8 ghettos in many cities. For example, Fischer (n.d.) found that over half the Section 8 families in suburban Chicago live in just seven suburban communities, six of which are in nearby suburbs. Large families and the elderly also have trouble finding apartments they can afford. Few private market apartment buildings have three- and four-bedroom units; even fewer accommodate those who are disabled or elderly. HUD typically required large apartments and some handicapped-accessible apartments in subsidized projects. Private developers are unlikely to build apartments for large families, even those with vouchers.

⁴⁶ For example, Chicago's Gautreaux program, run by a metropolitan-wide, nonprofit agency, provides support to Section 8 certificate-holders to help them find apartments in the area's suburbs. Because the program is small and relatively invisible (about 4,500 participating families in almost 20 years), it has been successful and relatively uncontroversial. When HUD tried to replicate this success with a small MTO program in five cities in 1994, opposition from one area—Baltimore's inner-ring suburbs—led to initial controversy, but the program has subsequently proved successful, although on a very limited scale (Dreier and Moberg 1996; Goering and Feins 1997; Goering et al. 1999; Rosenbaum 1995; Rosenbaum and Miller 1997; Turner 1998; Turner, Popkin, and Cunningham 2000).

⁴⁷ There is some experience with mixed-income housing, primarily financed through state housing finance agencies. Recently, HUD has sought to encourage local public housing authorities to recruit more working poor as tenants. While this is a good step, it is hardly the kind of mixed-income housing necessary to overcome political opposition to government-subsidized projects (Brophy and Smith 1997; Khadduri and Martin 1997; Rosenbaum, Stroh, and Flynn 1998; Schwartz and Tajbakhsh 1997).

no more than one-quarter or one-third of all units in these developments.⁴⁸ If we adopt a universal housing allowance, it can be used to subsidize low-income units.

While some of this housing can contribute to rebuilding inner-city neighborhoods, it should *not* be concentrated in central cities. If the universal voucher approach is to succeed and if we are to address the spatial segregation within metropolitan areas, we need more rental and cooperative housing in the existing suburbs, but without promoting further sprawl. Suburban opposition to low-income housing poses serious political obstacles, but well-designed rental and cooperative housing, primarily targeted to market-rate consumers, and having appropriate amenities, can help overcome NIMBY (not in my backyard) resistance. Both for-profit and nonprofit housing developers can play an important role in sponsoring these developments.

A few states already use antisnob zoning laws,⁴⁹ and some suburban communities have adopted inclusionary zoning policies to address this problem, but the track record is very uneven (Calavita, Grimes, and Mallach 1997; Mallach 1984; Peterson and Williams 1994). If suburban communities persist in using snob zoning and other mechanisms to forestall development of mixed-income housing, the federal government should use appropriate carrots and sticks to require them to do so.

4. *Reinvent housing projects.* What should be done about the existing inventory of federally subsidized low-income housing projects? The biggest secret is that most of these developments, whether owned by public housing authorities, nonprofit sponsors, or for-profit landlords, are well managed. Even so, many suffer from years of deferred maintenance. Some were poorly constructed, and quite a few are badly designed—ugly warehouses for the poor. These troubled projects are highly visible and cast a shadow over the entire enterprise of government-assisted housing for the poor

⁴⁸ Experience indicates that mixed-income developments, including those sponsored by nonprofit groups, should be able to compete effectively with for-profit landlords for middle-class as well as low-income tenants. For example, at Boston's Leighton Court development, built in the late 1980s by a nonprofit group, one-quarter of the 269 units are targeted for market-rate renters, one-half for moderate-income tenants, and one-quarter for the very poor. Well designed and well managed, it has had no difficulty filling its units. The Bridge Housing Corporation in the San Francisco Bay area is a good example of a nonprofit developer, backed by the local business community, that has sponsored well-designed, mixed-income housing in both the central city and suburban parts of the region with limited political resistance.

⁴⁹ "Snob zoning" is a form of land-use zoning that keeps out apartment buildings (and the poor and minorities); it compounds both the overall housing shortage and the geographic concentration of the poor (Downs 1991; Schill and Wachter 1995a, 1995b).

(Atlas and Dreier 1992). And whether they are well managed or troubled, HUD projects, which are restricted to low-income residents, exacerbate the concentration and segregation of the poor in ghettos.

If a universal housing allowance program were in place to ensure that almost all poor households have access to housing, HUD should set the goal of turning existing subsidized projects into mixed-income developments, owned by public housing authorities, nonprofit groups, and resident cooperatives. As long as the projects serve predominantly low-income tenants, it is unlikely that many working-class households will want to live in most of them. In other words, transforming these developments from projects into communities is not easy to do.

For those successful, well-managed developments (at least one-half the current units), HUD should continue to provide operating subsidies. But it should expand its recent efforts to allow owners more management flexibility, while simultaneously setting clear standards (for example, no racial discrimination). It should allow housing authorities and owners (for profit and nonprofit) to recruit working-class families to live there and it should give resident-run organizations the authority and responsibility to set standards for eviction and participate in management. It should link residents to job training, child care, and other services.

HUD should turn over troubled public housing developments and privately owned subsidized projects to nonprofit groups and resident-owned cooperatives. Doing so will require continued HUD oversight, but with a 10-year goal of "cooperatizing" (not simply privatizing) these taxpayer-funded housing developments.⁵⁰ This will not happen if, as in HUD's original 1995 plan, HUD is expected to unload most of the units within five years. Moreover, this plan does not mean simply turning the keys to existing projects over to tenants or nonprofit developers. It also requires HUD to provide funds to repair them. About \$40 to \$50 billion (\$4 to \$5 billion a year for 10 years) is needed to completely modernize, re-design, and repair the inventory of HUD-assisted projects; some developments should simply be torn down, others reconfigured, and others brought up to basic standards. In the past decade, HUD has had some success with buyouts of subsidized projects by resident organizations and nonprofit community groups (Peterman 1993, 1996). But it takes time to organize and educate the tenants,

⁵⁰ A few years ago, the Clinton administration and the Congress seriously considered withdrawing HUD insurance and project-based subsidies, a scenario that would have led many private owners to walk away from their developments and left many tenants much worse off.

build leadership, and create effective resident-run organizations. Most resident organizations need to start with short-term goals, such as improving security and services in their developments. Such groups should get technical and financial assistance to help them organize. ACORN is successfully doing this in public housing, while other groups, such as the Coalition for Economic Survival in Los Angeles, are doing it with private Section 8 housing.

5. *Strengthen neighborhoods through self-help.* Healthy communities require more than bricks and mortar. Conservatives and liberals alike agree that voluntary, intermediary community institutions are necessary to rebuild the social fabric—or social capital—of troubled neighborhoods (Kretzmann and McKnight 1993; Putnam 1995, 1996, 1998; Saegert and Winkel 1998; Temkin and Rohe 1998). The resurgence of CDCs and community organizing groups in the past two decades has created an infrastructure to strengthen neighborhoods in most major cities, but these groups will remain empty shells unless they have the resources to be effective (Dreier 1996; Kingsley, McNeely, and Gibson n.d.). HUD should encourage residents of troubled neighborhoods to organize self-help efforts to improve their communities. This support should come in two forms—support for resident-run organizations in rental housing developments and support for community revitalization efforts around housing code enforcement, homeownership counseling, and economic reinvestment.

Tenants who wish to organize to improve living conditions and safety in their communities should have the clear right to do so. Congress should enact legislation to provide residents in public housing and HUD-assisted developments, as well as in private multifamily housing, with a vehicle similar to the National Labor Relations Act—a National Tenant-Landlord Relations Act, in other words. To become recognized as the legitimate voice of the residents, a tenant group must win a majority of the votes of the residents of a development. An election should be held by secret ballot. HUD or some third party (such as the American Arbitration Association or the League of Women Voters) should supervise the elections, as the National Labor Relations Board does in labor-management relations. The law could exempt owners and tenants in buildings or complexes with fewer than, say, 20 apartments.

A tenant organization that wins a supervised election would become the recognized group vis-à-vis the local housing authority or landlord. Both the tenants organization and the owner (PHA or private) would have certain rights and responsibilities in terms of management, budgets, tenant selection and eviction, and so on, including the steps leading to resident management and owner-

ship. (Some elements of this process are already in place in the recent regulations regarding resident councils and tenant management corporations in subsidized developments.) Experience in public housing shows, for example, that when tenant groups are responsible for developing the standards for eviction and tenant selection, they are often much more effective than the housing authority is (Peterman 1993, 1996).

In public and subsidized housing developments, a tenant association that wins an election and becomes the official voice of the residents should receive funding from HUD on a per capita or per unit basis—in essence, a dues checkoff. This funding should be used to hire staff and consultants, buy equipment, rent office space, and operate the tenant association. In addition to setting this funding floor, HUD could encourage tenant associations to raise additional funds through grassroots fund-raising by providing matching funds based on some formula.

Some HUD money should also go to encourage grassroots community organizing around such issues as crime watches, code enforcement, homeownership counseling, and bank and insurance industry redlining. Much of the success of the nonprofit sector has been due to banks' willingness to make mortgage and construction loans in marginal neighborhoods to comply with the CRA. Thanks to grassroots community groups and national networks like ACORN, National People's Action, and the Center for Community Change, community reinvestment has been one of the real success stories of the past two decades (Dreier 1991, 1996; Fishbein 1992; Schwartz 1998; Squires 1992, 1997). Just as HUD provides funds to create community-university partnerships, it should fund a program (perhaps jointly with the Department of Labor) to link community-based organizations and labor unions in partnerships to provide homeownership and tenants' rights counseling for union members and to encourage unions to participate in community reinvestment coalitions. For example, unions could help lead an effort to strengthen the CRA so that banks making loans to corporations that use sweatshops or export good jobs would get lower CRA rankings from federal regulators.

Conclusion

America's housing crisis is fundamentally about affordability: the gap between housing costs and household incomes. It requires money to fill the gap. Only the federal government has the resources to address the problem, even if federal policy is implemented at the state, metropolitan, and local levels. The global assault on labor standards has transformed the U.S. economy and produced growing economic in-

equality and deepening poverty. Some form of government support is necessary to make housing economically manageable for the poor, as well as for growing segments of the middle class.

In earlier periods, radical housers proposed bold alternatives to existing policies. They shifted the debate by pushing the limits. Their demands were perhaps brazen, but they managed to walk a political tightrope. In today's terminology, they thought "outside the box." Not only did they think big, they organized well. They did not simply sit on the sidelines and criticize. They were political activists who built movements and coalitions. In particular, they hitched their ideas to the one political vehicle that could effectively mobilize the political power to enact progressive housing legislation: organized labor. As Catherine Bauer wrote, "There would never be a real housing movement until workers and consumers organized an effective demand: that housing is a major political issue or it is nothing" (Oberlander and Newbrun 1999, 106). This is the most important lesson of the Housing Act of 1949.

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