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**DROPS IN A BUCKET: COMMUNITY STRATEGIES FOR
PROVIDING LOW INCOME HOUSING**

Volume I

by

Susan Joel

A DISSERTATION

**Submitted to
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ABSTRACT

DROPS IN A BUCKET: COMMUNITY STRATEGIES FOR PROVIDING LOW INCOME HOUSING

By

Susan Joel

This project explores the ways that federalism and privatization have shaped ideas about the role of the federal government in domestic programs. Documentary research was connected to a field study that examined the material consequences of federal policy for individuals and communities attempting to meet local demands for decent and affordable low income housing.

The central research question of this project was the nature and role of the federal government in the U.S. as it attempts to shape and control responses to changing economic conditions as well as to adapt to economic and political circumstances that are beyond its control. The choices that are made in terms of low income housing policy are of interest here, particularly as they are shaped by and intersect with issues of class, race, and gender.

The focus was on low income housing since these programs have been understood by many as legitimately within the purview of local and state governments. As a result, federal low and moderate income housing programs have experienced greater retrenchment than other social programs since the 1980s. A secondary, but critical, area of inquiry were the ways that the needs of women and their dependent

children may or may not be recognized and addressed as domestic policy is transformed and articulated in domestic policies and programs.

Phase One of the project analyzed how the federal government and others have viewed the government's role in the provision of housing and the legislative efforts it has undertaken in this regard since the New Deal. Phase Two of the project explored how one mid-sized midwestern city has mobilized resources to provide services in the face of federal cutbacks. The interviews conducted in Phase Two of the project addressed a number of related issues but were especially concerned with the role of local non-profit low income housing organizations.

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There are many friends and colleagues who played important roles in my intellectual development and provided support and encouragement during this project. Members of the "DSG" reduced the isolation associated with writing and researching a dissertation and provided helpful and critical advice along the way: Michael Cushion, Valerie Gunter, and Naihua Zhang.

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PREFACE

This project began when the tremendous and unresolved social upheaval we are currently experiencing was unimagined. In the late 1980s, the legacy of Reaganism, with its emphasis on individual gain and limited social responsibility, seemed ensured. The purpose of this preface is to recognize the apparent re-emergence of urban issues into public and political discourse in the wake of the 1992 Los Angeles riots that occurred in response to the acquittal of the police officers who were videotaped while assaulting Rodney King.

My research was shaped by theoretical and historical factors that indicated that, during the 1980s, the problems facing urban areas and the people who lived in them were of little concern to politicians and the general public. Joel Blau, in his book, The Visible Poor, suggested that the limited efforts on the part of most levels of government to deal with urban homelessness was motivated and organized, not to resolve the problem, but to remove the homeless from the gaze of discomfited Americans. While I am not overly optimistic that significant and longlasting social programs will develop in response to this spring's unrest in many of

the nation's urban areas, I am more hopeful that urban problems, particularly those relating to housing, may be discussed in more meaningful and constructive ways than has been the case over the last 15 years.

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LIST OF ACRONYMS

AFDC	Aid for Dependent Children
BCHC	Biddle City Housing Consortium
BCRG	Biddle City Redevelopment Group
CDBG	Community Development Block Grant program
CHAS	Comprehensive Housing Affordability Strategy
CPWA	Community Public Works Administration
CRA	Community Reinvestment Act
DSS	Department of Social Services
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FIRREA	Financial Institutions Reform, Recovery and Enforcement Act of 1989
FNA	Fernwood Neighborhood Association
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
FY	Fiscal Year
HAP	Housing Assistance Plans
HOPE	Home Ownership and Opportunity for People Everywhere
HUD	Department of Housing and Urban Development
LISC	Local Initiatives Support Corporation
NAHA	National Affordable Housing Act of 1990
NASA	National Aeronautical and Space Administration
NHA	National Housing Act of 1935
NHG	Northside Housing Group
NHP	Neighborhood Housing Program
NICs	Newly Industrialized Countries
NIMBY	"Not in my Backyard"
NIRA	National Industrial Recovery Act
PHA	Public Housing Authority
RFC	Reconstruction Finance Corporation
RTC	Resolution Trust Corporation
SEV	State Equalized Valuation
SRO	Single Room Occupancy
UDAG	Urban Development Action Grant program
USHA	United States Housing Act of 1937
VA	Veterans Administration
WIC	Women, Infants, and Children Nutrition Program

Chapter I

INTRODUCTION

My interest in affordable and decent housing in the U.S. was sparked by two seemingly unrelated events. During the fall of 1989, "Biddle City"¹ was a-buzz with the activities of a for-profit housing organization that was promising quality, affordable housing for low income households, especially women and children receiving Aid for Dependent Children (AFDC). I became interested in the company and attempted to get to know more about it within the context of a field research seminar in which I was enrolled. The fact that this company was going to provide housing without government funds connected with my interest in political economic issues, particularly the effects of the "Reagan Revolution" on Americans and their communities. This project is thus an exploratory investigation into the ways that the federalist and privatization rhetorics introduced into the political discourse during the Reagan administration have shaped ideas about the role of the federal government in domestic programs. Documentary research was connected to a field study that examined the material consequences of federal

¹ This is the pseudonym I have chosen for the location of the case study that appears in Chapter VII.

policy for individuals and communities, attempting to meet local demands for decent and affordable low income housing.

Federalism in Historical Context²

The U.S. version of federalism has been defined as the territorial allocation of government authority secured by constitutional guarantees that resulted in the shifting mix of responsibilities and relationships among levels of government (Beer 1988; Hill 1990). Thus, changes in the perceived role of government have led to changes in policies, programs, and responsibility for their oversight and funding as federalism has been re-defined over time. The focus here is on the period since the New Deal, largely because, until 1930, the federal government was relatively uninvolved in shaping domestic and social policy. Patterson reported that most Americans, before 1930, had little experience with or lacked confidence in "government answers to public problems" (1986; 32). He also suggested that before 1917 "most ordinary Americans had little if any direct experience with government beyond the local level" (33).

Piven and Cloward (1982) claimed that the federal government has historically been more active in the

² The following sections about federalism are drawn from a conference paper entitled, "Examining the "New" Federalism: The Case of Low Income Housing," that I presented at the 1992 Michigan Sociological Association Meetings in Grand Rapids.

promotion of the social welfare and issues of equity during periods of economic and social crisis (see also Hill 1990). The New Deal (Roosevelt) and Great Society (Johnson) periods are most closely associated with a strong federal government where the federal government "overrode the interests and preferences of many state and local officials by articulating a national ideology of positive social intervention" (1990; 37). The New Deal and "Great Society" programs were implemented from the top down and justified by claims that they would restore economic growth, social order, and "calm a restive populace." Nonetheless, both programs stressed local involvement in the decision making and administrative processes and therefore can be viewed as consistent with federalist principles.

While Hill highlighted the interventionist role played by Roosevelt and Johnson, others, including Truman, Eisenhower, and Kennedy, also used their executive power to force states and localities to comply with the spirit of federal laws that outlawed social practices including arbitrary and race-based voter restrictions, segregation, restricted access to education, differential application of rules for welfare eligibility, and segregated housing. But these "sticks" were generally accompanied by the "carrot" of increased funding so that states and localities could enforce the law and provide mandated social programs at little cost to their treasuries. And such interventions

were formulated so that they would not be perceived as interfering with or limiting the operation of the free market. In fact, proponents of most government programs at the executive level have insisted that a major objective of all domestic policy should be stimulating the free market and promoting private accumulation. One example of the general focus on economic stability is the landmark 1949 Housing Act. This act is remembered for its assertion of the national housing goal.³ Nevertheless, the establishment of the national housing goal is but one part of the bill's objective of economic stimulation by providing jobs for the housing industry, viewed as most likely to lead the nation out of recessions.

Federalism in the 1980s

After nearly two decades of recession, inflation, and an escalating federal deficit, Ronald Reagan was catapulted into the White House on the promise that he would get the government off of the backs of the people and would restore the U.S. to its position as world leader. By 1988, after eight years of the "Reagan Revolution," the nation continued to struggle with the issues of fiscal insolvency and declining U.S. hegemony around the globe. While the Reagan administration's strategies did not reduce the federal

³ The national housing goal fixes the federal government with the responsibility for ensuring that all Americans are decently housed in suitable living environments.

deficit, they did bring about a significant decline in federal support for domestic programs for the poor. These phenomena have continued during the Bush administration.

Reagan and Bush's "new-new federalism"⁴ resulted in reductions in the share of federal budget appropriations directed toward social programs, and led to increasingly restrictive eligibility requirements for such programs. This was coupled with an expectation that local, state, and regional governments would pick up the slack by providing greater fiscal and administrative commitments to such programs. While the trend toward cuts in federal domestic spending began during Carter's tenure as president, it accelerated under Presidents Reagan and Bush. For example, Bush's 1988 campaign slogan of "a thousand points of light" served as a symbol for strategies premised on reduced federal government responsibility for meeting the needs of Americans. These strategies, based on increased local government responsibility echo the 19th and early 20th century reliance on philanthropic and charitable support for and care of disadvantaged groups.

The rhetoric of new-new federalism as developed by Reagan and extended by Bush thus form a philosophical theme around which executive policies have developed since the

⁴ "New-new federalism describes the federalism endorsed by the Reagan and Bush presidential administrations. The term "new federalism" refers to that developed during Nixon's presidency.

1980s. While federalist ideas appeared to be central to the Reagan agenda and certainly served as a justifying ideology for a reduced domestic agenda and budget appropriations on the part of the federal government, I became curious about how it compared with rhetorics and ideologies of other presidents.

New Federalism or New Legitimacy?

Discussions and analyses about the erosion of federal support for traditional social welfare programs generally trace such changes to the federalism. Republican administrations are seen as advocating a more limited role for the federal government and as a result they advocate a "new" federalism that at the least reduces domestic planning and development activities at the federal level. They advocate a reduction in the amount of federal revenues allocated for such purposes. Democratic presidential administrations are viewed as supporting the centralization of power at the federal level and, to that end, supporting social welfare policies and programs that are developed, directed, and funded by the federal government. However, since no president in the modern era has advocated a strong, central state and most have called for some degree of state and local responsibility within a context of power sharing, it is difficult to trace reduced federal commitment to social welfare programs to any form of "new" federalism. The historical evidence also suggests that the

implementation of federalist principles -- withdrawal of support for various programs -- has been selectively applied. Most "new federalist" agendas have specifically targeted programs for the working and non-working poor and near-poor; they do not generally affect policies and programs that address middle and upper income people, although this may in large part be due to the fact that benefits for these groups are generally not budget expenditures but instead are in the form of tax incentives, deductions, etc.

Even the most activist social welfare presidents (i.e., Roosevelt and Johnson) were cautious about "big government" and sought to include local units of governments and business in the development, funding, implementation, and oversight of social programs. It seems that a potentially more useful explanation would focus on two separate but related factors. The first is that the degree of support for a strong central government appears related to existing economic and social conditions. During times of economic and social upheaval (for example, economic and social dislocation during the 1930s and social upheaval in the 1960s) the executive branch proposed, and strongly advocated, a broader social agenda. During times of relative "peace and prosperity" the focus is on cooperation and inclusion of various social and economic institutions

and the question of strong versus weak central government is muted.

The second element of an alternative explanation is the issue of the legitimacy function of the state. I suggest that Reagan's "new-new" federalism is more accurately defined as a re-orientation of legitimacy efforts on the part of the state -- away from the poor and near-poor (social welfare) and toward monopoly capitalists and, by association, middle and upper income households (economic development), as suggested by Bluestone and Harrison (1988).

According to O'Connor (1973), crisis results when the government is unable to meet all of its fiscal and social obligations within a balanced budget and still must take action to restore budgetary equilibrium. The crisis in the current period (beginning in the late 1970s) resulted in a retrenchment of the federal commitment to domestic programs, beginning with Carter. These cutbacks were possible because of a perceived reduction in the threat to the state's legitimacy from the poor. The vocal and organized opposition to government policies, institutionalized racism, and other forms of inequality were seen as on the wane by the late 1970s. A concomitant re-emergence of cultural explanations for persistent poverty among people of color and others re-emphasized individual and cultural causes of their continued marginalization and lessened political and public support for social activist agendas. Together these

phenomena combined to reduce support for social programs for the poor and the belief that the government was responsible for ensuring some degree of economic and social justice; perspectives that had characterized the New Deal period and, to a lesser extent, the Great Society.

These political factors combined with ideas about economic opportunity that were facilitated by an economy that functioned to increase wealth and employment opportunities for a narrow sector of the population. At the same time, a shift from manufacturing to service also resulted in downward mobility and limited, living wage jobs for many Americans. While the perception of a growing economy led many, during the 1960s, to believe that the country could afford to pay for social programs, the opposite occurred during the 1980s. Free market, federalist, and individualistic rhetorics combined with fears that the U.S. economy had lost its competitive edge in the international economy. Many in the middle and working classes came to view social programs as a drain on national resources as well as contributing to the perceived decline in the quality of workers and productivity.

Reduced organized opposition from the poor and their advocates facilitated a rhetorical shift from support of social justice to ensuring the success of U.S. corporations. Reagan and Bush both used free market rhetoric to support privatization of formerly government-provided social welfare

and other domestic programs and reinforced "culture of poverty" notions that welfare programs, as constituted since the New Deal, diminished the motivation of individuals to overcome hardship and to "pull themselves up by their bootstraps."

The re-emergence of free market ideologies should be understood at least in part as the federal government's response to threats to the dominant position of U.S. monopoly capital. For example, cutting welfare benefits and entitlements (i.e., reducing the "social safety net") was but one in a series of actions designed to promote a "pro-business" atmosphere aimed at preserving or restoring the economic hegemony of the U.S. Reducing government support for the "reserve army of labor" exerted downward pressure on wages, as well as reducing the militancy of unionized workers. Other actions taken by the government in the belief that they would improve the competitive position of U.S. corporations included tax reform, support for business in labor disputes, opposition to an increased minimum wage, and deregulation of transportation and other industries (Harrison and Bluestone 1988).

For these reasons, I suggest that the current "new-new" federalist rhetoric is the result of a shift in legitimacy activities. During the New Deal and the Great Society, the belief that poverty was at least in part a result of structural problems in the economy and society

that the government had a responsibility to address led many to tolerate and support government intervention. Those who experienced the effects of the Depression and race- and sex-based discrimination were organized and acted in ways to ensure that they would be heard and that there would be some response from the government.

The perceived threats to governments in Europe from well-organized socialists may have influenced Roosevelt and other New Dealers. The New Deal period was characterized by a significant degree of political organization in the U.S. that supported socialist principles and the government's programs at least in part reflected concern about these groups. The subsequent Great Society period was also characterized by increased political organization of traditionally disenfranchised groups in the U.S. who demanded policies and programs to end the discrimination and other factors that contributed to their marginalization. Many in the working and middle classes supported their call for greater equality and inclusion. The urban violence and protests that characterized both of these periods reinforced the threat that these groups posed to government and fueled government's response.

During the 1980s, however, the federal government viewed its most dangerous threat as coming, not from the poor and near-poor as in the 1930s and 1960s, but instead

from more privileged societal groups.⁵ In the current period of declining competitiveness on the part of U.S. business, there is great pressure on the government to act in ways that do not exacerbate these problems and instead help to prop up the monopoly capital sector of the economy in order to protect the legitimacy of both.

Upper and middle class women and men dependent on monopoly sector corporations, have adopted similar views and perspectives on the origins of economic and social crises and are also attacking the government and reinforce the interests of the monopoly sector. Middle class tax protest movements, the increased belief that government is too intrusive, too costly, and largely ineffective in providing services to the needy illustrate the extent to which these groups view government social programs as wasteful and inefficient.⁶ Consequently, many Americans support privatization, believing that the private market would be more efficient at meeting the nation's social obligations. Lack of confidence in government social programs have

⁵ As I write this I wonder whether or not the riots in Los Angeles that occurred after the not guilty verdicts in the trial of four policemen charged with beating Rodney King signal yet another shift. However, Bush's public comments do not suggest that his administration supports adoption of a new federal urban policy.

⁶ While part of the middle class tax revolt can be traced to problems in the economy, another factor is the increasingly disproportionate tax burden of the middle class compared with declining tax rates for corporations and wealthy individuals.

combined with the belief that government policies are restricting the ability of corporations to compete and contribute to capital flight and plant relocation policies that affect the middle class, especially skilled manufacturing workers. Thus the government faces a challenge from more privileged Americans and its policies reflect an attempt to appease these groups to ensure its legitimacy.

Habermas provided insight into the origins of this new crisis of legitimacy in late capitalism:

The state apparatus thus has two simultaneous tasks. It has to levy the necessary taxes from profits and income and employ them so efficiently as to prevent any crises from disturbing growth. If the state fails [to raise taxes]...the result is a deficit in administrative efficiency. If it fails [to protect economic growth]...the result is a deficit in legitimation (1984).

In "The Dilemma of Legitimacy," Connolly suggested that the federal government has come to be seen by many Americans as an obstacle to achieving the "American dream:"

Victims of inflation...unable to alter the consumption priorities, shoddy products, expensive style changes, and price mark-ups in the corporate sector, demand what the state can give them: cuts in school budgets and welfare expenditures. They attack those proximate sources of inflation which are subject to public control (1984; 230).

People feel powerless to challenge a faltering economic system for various reasons (see, for example, Bauman 1988; Davis 1986; Ehrenreich 1989). Perceptions that "big" government is involved in all aspects of social life, as well as its monolithic structure, in contrast to the more

amorphous "economy," facilitate the focus of people's anger and frustration on the government.

Habermas asserted that the evolution of monopoly capitalism has resulted in an expanded role for the government in terms of legitimation activities. The logic of monopoly capitalism, with its attendant increases in unemployment, poverty, and economic stagnation, forces the state "into the role of subsidizer and supporter of private production, and imposes new limits on the state's ability to meet the needs of constituencies to whom it is formally accountable" (1984; 236). The state must then weigh its obligations and prioritize them. The result of that process, at least for the past decade or so, has been to highly rank those activities that subsidize capital (e.g., military expenditures and "tax reform") and to limit the state's social welfare obligations to the poor and near-poor. Thus, "new-new federalism" is a selective, not total, downsizing of government. The rhetoric associated with "new-new federalism" successfully obscures the real rationale for the downsizing of domestic programs and legitimizes their relegation to state and local governments, individuals, and communities.

The focus on "new-new" federalism as the motivation and logic underlying reduced federal responsibility for social welfare problems is an inaccurate assessment of the ideological underpinnings of Reagan's domestic policies, in

part because the movement toward "federalism" has been a consistent theme in presidential rhetoric since Franklin Roosevelt. Better explanations for reductions in federal social welfare programs can be developed by focusing instead on the legitimacy needs of monopoly capital and the state. As the consequences of monopoly capitalism have become manifest -- unemployment, inflation, economic stagnation, and declining standards of living -- the federal government has shifted its funding priorities from programs for the poor and needy to programs intended to prop up the economic system. One consequence of these strategies is increased demands on the resources of local and state governments as they attempt to provide and fund social services.

The contradiction in this situation is that local governments are being called on to take over for the federal government at a time when local governments are even less able to act autonomously from local elites and face opposition to increased taxes, especially to meet "welfare" expenses. Linda Tarr-Whelan, executive director of the Center for Policy Alternatives, described the contradictions inherent in Reagan's "new-new federalism":

Our weakening economy makes state policy developments more difficult...Where will the states get the resources for badly needed social programs? Currently they are battling the federal government to maintain traditional sources of revenue such as sales and excise tax (Vital Speeches 11/15/90).

In addition, the increasingly contentious competition between urban, suburban, and rural areas within states over

scarce resources affects government's responses to social problems.

Hill argued that the need for a strong federal role in implementing redistributive domestic reforms has, in large part, recognized this. The fact that the affects of social and economic problems tend to be centralized in cities underlies the New Deal and Great Society programs. Cities are "constitutional creatures" of the states and thus cannot act autonomously. With the rise of suburbanization, population has shifted from cities to suburbs and this has reduced the representation of cities and their residents in various political and policymaking bodies. The results include reduced political influence and declining tax revenues in urban centers. Cities have lost the clout that is generally required to generate new state initiatives and thus the cities tend to rely on the federal government to intervene in times of crisis. Since suburbanization has shifted centers of powers and influence in federal, state, and regional governments, federal advocacy, assistance, and guidelines are thus required to make state governments more responsive to the problems of urban areas.

As is the case in the present period, the New Deal and Great Society periods were characterized by concentrations of impoverished, unemployed, and disaffected persons in urban areas. The 1930s and 1960s were also a time of global unrest as socialist goals were adopted by people, political

parties, and governments seeking to bring about greater equality and an end to oppressive and exploitative practices in the developed and developing worlds. While economic development cannot be ignored as one reason for the introduction of social programs by the executive branch at various times since the New Deal, the threat posed by the organization of previously disenfranchised groups to the legitimacy of the federal government during these periods cannot be ignored.

From the middle 1970s a significant shift in political discourse emerged as more conservative, individualistic perspectives came to dominate interpretations of persistent poverty and other social problems. While some saw the government's social programs as resulting in a significant reduction of poverty, others saw the cost to the nation's economy as unjustifiable. As stagflation and recession came to characterize the 1980s, more critics of government gained support from the working and middle classes who were paying a greater proportion of their incomes in taxes. Demands that the government control its welfare spending and reshape programs so they were consistent with individualistic and meritocratic beliefs increased. O'Connor and Habermas suggested that the ascendance into office of politicians such as Reagan ultimately had less to do with these types of political demands, and more to do with the increased impotence of the left to successfully challenge the validity

of conservative claims. As a result, government has been infused with "country club economics" that seeks to increase the wealth of the rich by reducing taxes and promoting a pro-business climate (Nossiter 1990).

Thus the impetus for the significant shift in the ways that the executive branch understood and responded to social programs was generally not based in federalism. Nonetheless, the fact remains that since Reagan took office, significant reductions in funding for social programs for the poor have occurred. While federalism may not have been the impetus for reduced federal social welfare expenditures, it has become embedded in American's views about both government and social problems.

The objective of this project is to trace the effects of ideological and programmatic responses to shifting demands for government resources on the provision of decent and affordable housing to low income families, particularly women and their dependent children.

Consequences of Federalism for Housing Programs

Whether or not it is a new idea, the Reagan and Bush administrations afforded federalism a central place in their explanations of shifting priorities on the part of the federal government. One major consequence of this policy shift has been dramatic reductions in the budgets for social programs that predominantly serve the nation's poor and near-poor. While budget cuts did not constitute a new

strategy -- one need only look to the deinstitutionalization efforts of the 1960s for a relatively recent example -- in the current period, this approach was adopted in the context of an economic crisis at the state and local levels. Local governments were forced to respond to increased demand for city services in the face of shrinking resources. Shrinking resources can be traced in part to citizen opposition to tax increases and declining tax revenues as regional economies continued to undergo significant transformations. This project focused on one area of government support that has been disproportionately affected by the reduced federal commitment to social spending -- housing programs for the poor and near-poor.

Since the passage of the 1949 Housing Act, the federal government has been rhetorically committed to "a decent home and a suitable living environment for every American family." While this objective remains part of the political discourse about housing, U.S. policies toward meeting this goal have generally not been afforded a high priority among the various branches of government. Since 1980, federal executive and Congressional commitment to these objectives appears to be diminishing. For example, changes in the 1986 tax code and reductions in the Department of Housing and Urban Development (HUD) budget⁷ have eliminated most of the

⁷ Reductions in HUD appropriations declined from \$35.7 billion in 1980 to \$7 billion in 1988.

incentives for developers and owners to build and/or maintain low income housing. Moreover, while low and moderate income housing units continue to be lost, the federal government subsidized only 90,000 new rental units in 1988, down from 300,000 per year during the 1960s and 1970s (Greer 1988; 58). Federal appropriations for subsidized housing dropped 83.2% between fiscal years (FY) 1981-1991, with President Bush proposing an additional 8.7% cut in housing programs in his FY 1990-1991 budget (Miller 1990; 13). The 1991-1992 budget included a further 7.5% reduction in allocations for food and shelter programs ("All Things Considered," National Public Radio 1990). The National Affordable Housing Act of 1990 has been touted as a ray of light in an otherwise dismal legislative context. While the Act authorized approximately \$3 billion over a two year period, as of spring 1992, no funds had yet been appropriated to the local governments appointed to administer these funds.

Demand for Low Income Housing in the U.S.

On the demand side, estimates of homelessness in the U.S. range from 250,000 to 4 million people. Not included in these figures are those doubling-up with friends or relatives, or those paying more than 30% of their income on rent.⁸ The Neighborhood Reinvestment Corporation reported

⁸ It is widely accepted that shelter costs should not exceed 30% of net income. This is the figure used to compute tenant contributions in subsidized housing programs.

that "by the year 2003, unless some drastic steps are taken, 18.7 million people will be homeless, burdened with excessive rents, or forced to live in substandard housing" (Greer 1988; 58).

To reduce the number of homeless households, the Reagan and Bush administrations adopted a low income housing strategy that abandoned new construction projects in exchange for a voucher system whereby eligible low income households would locate private-sector housing. However, Greer (1988) reported that the national low income housing vacancy rate averages less than 3% (compared to 15% in 1968), making it unlikely that voucher recipients can locate housing.⁹ Moreover, Shelterforce (1988) reported that households in subsidized housing (especially large families) are being pressured to pay illegal kickbacks to landlords ranging from \$50-500 per month, reflecting one of the ways that reliance on the private sector has affected low income tenants by creating a "black-market" for subsidized low income housing.

The inability of poor households to find affordable housing (either with or without vouchers) has led to the doubling up of families, overcrowding of units, and homelessness. Each of these insecure forms of tenure can

⁹ Steinbach and Peirce (1987) reported that, nationally, about one-quarter of the issued vouchers are turned back because people cannot find appropriate rental units.

negatively affect the women and children likely to be forced to live under such stressful and uncertain conditions.

Homelessness has been associated with infants "failure to thrive" and emotional and other health problems of older children who are uncertain about where they will stay from one day to another (Children's Defense Fund 1989).

Furthermore, homelessness and transience (as families move from one friend or relative or shelter to another) can significantly affect children's school attendance and performance (Watson and Austerberry 1986). Thus, despite the fact that housing assistance programs remain nominally "gender neutral" in that eligibility requirements are not explicitly grounded in an assessment that a household is entitled to benefits at least in part due to the absence of a male breadwinner, the reality is that housing affordability and availability cannot be separated from issues of the gendered distribution of resources as described by Acker (1988) and Abramovitz (1988).

Historical evidence suggests that the alliance between the state and capital in the U.S. means that during times of economic retrenchment, stagflation, and increased international competitiveness, support for low income housing programs will continue to erode as pressure for reductions in social spending and taxes on the part of capital, organized labor, and the middle class escalates (Gilderbloom and Appelbaum 1987). The shrinking number of

secondary sector workers and trade union members (17% of the U.S. workforce in 1990) leaves the working class and the poor with a less unified voice in influencing domestic policies. The groups most affected by eroding low income housing policies, particularly poor women and their dependent children, are traditionally on the margins of the political and policy making processes. In addition, the large number of single parent households headed by women means that women and children are more likely than any other group to suffer from the diminution of the federal government's commitment to housing for the poor and near-poor.

The Effects of New Federalism on Low Income Housing

Many of those concerned about the poor and near-poor believe that things have reached the crisis point and there are few indications that the government is willing or able to develop comprehensive strategies for dealing with housing-related problems. I became interested in exploring the ways that shifting economic and social conditions shape and/or influence government policies and programs. My objective was to conduct an exploratory analysis of low and moderate income housing by linking together macro and micro levels of analysis.

While the provision of low and moderate income housing in the U.S. remains uncoordinated and suffers from the lack of a comprehensive national policy, the trend toward reduced

federal government support of such programs is clear. Increased demand for affordable housing has led to greater pressure on local and state governments to take a more active role in this area. The effects of the federal government's economic retrenchment have trickled down to lower levels of government in at least two contradictory ways -- decreased revenue sharing and increased demand for local government to provide social services formerly provided by the federal government (Gilderbloom and Appelbaum 1987; Hartman 1986; and Pickman 1988).

State and municipal governments feel both the obligation and the pressure to provide for the homeless and inadequately housed yet they often lack the financial resources to do so. Neighborhood-based programs and changes in the distribution of block grants during the Carter administration enabled local governments to gain expertise in providing housing through federal programs such as Community Development Block Grant (CDBG) housing rehabilitation programs. An optimist might suggest that what is unique about current efforts to respond to the housing crisis, aside from the lack of federal support, are the ways that municipal and state governments have entered into partnerships with the private, especially nonprofit, sectors and are able to respond with flexibility to unique local conditions (Berkshire 1989).

However, the increased role of local governments and their willingness to explore new and innovative avenues for the provision of housing in their communities is limited by the near-universal crisis facing most urban communities today. Such efforts can, at best, attempt to hold ground but can rarely lead to necessary increases in the number of available affordable housing units and does nothing to increase the supply of affordable housing. Housing and neighborhood development efforts on the part of city governments must fit in with often competing and larger-scale downtown development schemes that are believed to be essential for economic stability and growth. As a result, neighborhood stabilization, redevelopment, and the provision of affordable housing are often initiated through public/private partnerships, involving mostly small, non-profit organizations and city governments (Home Again 1984; Peirce 1989; Kirkpatrick, Dillon and Bloch 1987; and Pickman 1988). Moreover, the expertise gained by neighborhood groups under the Carter administration may go largely untapped due to the reduced access politically-minded groups have to market-oriented development programs that are centered, not in government, but instead in business, finance, and philanthropy (Peirce 1986).

The Emergence of Non-Profit Housing Providers

In 1988, the National Housing Task Force reported that a new wave of nonprofit organizations had entered the housing

field. The burgeoning number of non-profit housing providers can be traced to the Reagan administration's emphasis on privatization and public/private partnerships and the reduction of housing construction programs that had historically privileged large, for-profit developers.

Non-profit housing groups, working with state and local governments and private developers, began to develop the skills and expertise required to develop affordable housing (Quinn 1988). While there appear to be many groups interested in developing low income housing across the U.S., they face tremendous obstacles in funding their projects as a result of the elimination of the Section 8¹⁰ construction program and certain tax benefits previously available to individuals investing in such projects (Home Again 1984). A variety of programs, organizations, and coalitions began to emerge during the 1980s at the national, state, and local levels to:

- 1) increase the production of lower income housing by improving access to private financing;
- 2) increase public and charitable resources for such housing;
- 3) enhance the capacity and efficiency of non-profit housing developers;

¹⁰ Section 8 of the Housing and Community Development Act of 1974 offered construction and rent subsidies to private developers and homeowners willing to rent their units to eligible low and moderate income households at contracted "market" rents.

4) establish public/private partnerships to assemble financing packages to obtain funding for multiple projects; and

5) reduce the costs of housing development.

While many housing analysts and activists have been supportive of these groups because of the potential for local control and their flexibility in responding to local needs, as well as the prospect of reduced overhead costs, the same observers also point to possible problems with this approach. One problem is that these groups must secure funding for their housing projects through complicated and financially-creative ways that often involve high administration costs. This may result in the production of "upper-lower" or moderate income housing that the poor cannot afford (Peirce 1989). Relatively small-scale housing development projects must spend large amounts of staff time and organizational resources to put together financing packages for projects. Moreover, small projects cannot benefit from economies of scale that can reduce costs for larger construction projects.

Community-based, nonprofit housing organizations generally utilize the expertise and resources of trust funds, linkage programs, and technical assistance organizations in their efforts to fill the gaps in low and moderate income housing left by the withdrawal of federal funds, the reduction in affordable units, and the increased demand for such housing as a result of changing economic

conditions that disproportionately affect the urban working class and the poor. Community groups are often affiliated with neighborhood organizations concerned with quality of life or access to housing for its traditional residents or, in the case of Habitat for Humanity,¹¹ to churches that have chosen housing the poor as one of their missions.

While the extent of volunteer contributions of labor and money is remarkable, it is also clear that such efforts are unable to keep pace with the loss of housing that occurs on a daily basis in most U.S. cities. The Habitat for Humanity in Biddle City, for example, is able to build two or three houses per year. However, it is estimated that during the same period 50 units of similar housing will be demolished due to development or condemnation (Gillette 1989). In addition, the goals of low income housing organizations and neighborhood associations concerned with quality of life issues are not always consonant. Low income tenants and homeowners are often singled out as a source of neighborhood problems by neighborhood groups.

Organization of the Study

The central research question that brings these diverse issues together is the nature and role of the federal government in the U.S. as it attempts to shape and control

¹¹ "Habitat for Humanity International is an ecumenical Christian housing ministry whose objective is to eliminate poverty housing from the world and to make decent shelter a matter of conscience" (Alexander 1989; 7).

responses to changing economic conditions as well as to adapt to economic and political circumstances that are beyond its control. The choices that are made in terms of low income housing policy are of interest here, particularly as they are shaped by and intersect with issues of class and gender.

Chapter II is a review of the literature that focuses on the political, economic, and social contexts within which the federal government adopts strategies to ensure economic growth during periods of restructuring or deindustrialization. The focus here is on low income housing since it appeared that these programs have been justified by many as legitimately within the purview of local and state governments. As a result, federal low and moderate income housing programs have experienced greater retrenchment than other social programs since the 1980s. A secondary, but critical, area of inquiry is the way that the needs of women and their dependent children may or may not be recognized and addressed as domestic policy is transformed and articulated in social programs. The ideas and issues discussed in Chapter II provide a broad framework for an analysis of how the role of the federal government in domestic affairs is shaped by political economic factors and their effect on low income housing policies and programs.

Chapter III describes the philosophy that shaped the methodological approach used to gather and analyze the data.

It also identifies the various qualitative methodological strategies that brought together documents and field research in order to highlight the relationships between rhetoric, legislation, and community responses to changing federal housing policy and increased demand for low income housing at the local level.

One of the key research questions in this project was the extent to which Reagan's new-new federalism was an important factor shaping federal low income housing policy. A second question involved whether low income housing policies and programs have changed significantly since the New Deal. Chapters IV, V, and VI analyze both what has been said about what the government should do in terms of the provision of housing as well as the federal government's activities in domestic affairs as expressed in housing legislation enacted since the New Deal.

My review of housing legislation focused on two related issues. First, I was interested in the history of low income housing programs in the U.S. in order to determine whether or not the current approach to low income housing constituted a significant new policy direction. The second area of inquiry was the extent to which legislation enacted since 1980 reflected federalist principles. Chapter IV summarizes the period from the New Deal through the Eisenhower Administration. Chapter V focuses on the administrations of Kennedy and Johnson. Chapter VI contains

an analysis of speeches related to housing and federal housing legislation during the administrations of Nixon, Ford, Reagan, and Bush.

One of the key elements of federalism is the emphasis of the devolution of responsibility and authority to state and local units of government. For this reason, it seemed essential to explore the impact of the Reagan and Bush administrations' federalism at the community level. Biddle City and its for-profit and non-profit housing organizations provided a context within which these affects could be identified and assessed. Chapter VII presents a case study of Biddle City's low income housing community, emphasizing how various interest groups view the role of the federal government, the effects of federalism on the community's ability to house its residents, and the extent to which privatization and public/private partnerships have succeeding in meeting the city's decent and affordable housing needs.

Chapter VIII presents observations, conclusions, and recommendations derived from this research process. The focus is on pulling together the various streams of analysis presented in preceding chapters in order to assess the extent to which federal domestic policies since the 1980s have been driven by federalist ideology or other factors. In addition, this chapter assesses various strategies for meeting the national goal of housing everyone in the current

climate and offers recommendations for policies that can be pursued at the federal, state, and community levels so that this 50-year old goal can be met.

Chapter II

REVIEW OF THE LITERATURE

The literature that shaped the conceptual framework for this project was drawn from a variety of sources. The first, reflecting what O'Connor has described as the "fiscal crisis of the state," provided conceptual tools that were used to understand and interpret the changing role of the state in regard to low income housing policies. The second category of conceptual literature presented in this chapter addressed the origins and nature of federalism in the United States and its consequences for the ways that the federal government and others define the policy role of the federal government. This has particular implications for domestic issues such as housing.

This project focused specifically on two of the consequences of "new federalism" and the "fiscal crisis of the state." The primary issue of concern was the way that these phenomena have contributed to the shortage of affordable low income housing. For example, some researchers have suggested that the federal government's reduced role in low income housing has led to increased pressures on local and state governments to locate and appropriate resources in response to streamlined or

abandoned federal domestic programs (see, for example, Brownstein and Lore 1983; Clarke 1986; Dreier 1989; Gilderbloom and Appelbaum 1987; Shields 1988; and Zigas 1988). In addition, a few researchers have suggested that inadequate attention has been directed toward making the important and essential connections between the housing affordability crisis per se and the gendered contexts within which it has arisen and continues to exist (Sprague 1991). Subsequent sections of this chapter lay out a theoretical framework that makes connections between the "fiscal crisis of the state" and "new federalism" within the context of a feminist analytical framework that recognizes the "gendered" nature of these processes. Harding (1987; 1991) and others (see, for example, Abramovitz 1988; Acker 1987) have criticized the presumption of gender neutral social policy as well as policy analyses. They have suggested that feminist scholarship can contribute to an understanding of these issues by exploring the ways that policy and the ways that policy is interpreted and evaluated may in fact have differential consequences for women and men.

The Changing Economy and Its Effects on U.S. Government Policies

The Fiscal Crisis of the State

The analytical framework developed by James O'Connor in The Fiscal Crisis of the State is useful for understanding the transition from a "welfare capitalist" model (e.g., the

federal government's role in the economy and society that predominated during the 1960s and early 1970s) to an economic development model primarily concerned with facilitating economic growth and preserving the hegemony of U.S. monopoly capital within an increasingly competitive world order during the 1980s and 1990s.

O'Connor asserted that the state is shaped by struggles between competing interest groups within the state and in society at large. In O'Connor's view, economic problems emerge within the context of conflicts between and among classes (and their factions) as well as their effects on the state's legitimation and accumulation efforts. The state's role in the accumulation process -- the development of the economic infrastructure that makes the expansion of large scale private capital possible -- takes two forms. These forms correspond "to the capitalist state's two basic functions: social capital and social expenses" (1973; 6). The first form, social capital, is defined by O'Connor as "expenditures required for profitable private accumulation" (6), of which there are two kinds -- social investment and social consumption. Social investment

consists of projects and services that increase the productivity of a given amount of labor power and, other factors being equal, increase the rate of profit. A good example is state-financed industrial-development parks (7).

Social consumption consists of "projects and services that lower the reproduction costs of labor and, other things being equal, [also] increase the rate of profit" (1973; 7).

The second category of state expenditures are called social expenses. According to O'Connor, these

consist of projects and services which are required to maintain social harmony - to fulfill the state's 'legitimation' function. They are not even indirectly productive...The best example is the welfare system, which is designed...to keep social peace among unemployed workers (7).

While O'Connor's definitions of social capital and social expenses appear to have distinct boundaries, he is careful to acknowledge that "nearly every state agency is involved in the accumulation and legitimization functions, and nearly every state expenditure has this twofold character" (7).

Thus it is difficult to classify budgetary items as exclusively one or the other.

Origins of the Crisis

The first thesis in O'Connor's framework is that the "growth of the state is both a cause and effect of the expansion of monopoly capital" and the nature of monopoly capital is such that it produces negative effects (unemployment, poverty, and economic stagnation) which threaten the state's legitimacy (8). Thus, meeting the short-term needs of capital accumulation cannot be the sole objective of the state. The state must also meet the basic needs of those who "suffer the 'costs' of economic growth" (8) in order to

maintain its own legitimacy at the same time that the state preserves the legitimacy of the monopoly capitalist system.¹

For O'Connor, the fiscal crisis of the state emerges out of the contradictions inherent in the state's social capital and social expense obligations. Contradictions emerge as a result of the increasing socialization of capital costs which occurs in concert with continued private appropriation of profits. As a result, state expenditures increase without sufficient increases in tax revenues (9). O'Connor argued that the state is unable to raise sufficient revenues at the same time that monopoly capital's ability to produce surpluses is limited (10).

In addition to the problems that result from the socialization of costs while private appropriation of profits continues, O'Connor asserted that the fiscal crisis of the state was exacerbated by labor and monopoly capital's support of increased state-sector economic activity. Historically, both groups generally supported increases in welfare and defense expenditures, as well as increased state responsibility for the variable costs of capital (e.g., health care and retirement benefits), and the maintenance of the infrastructure and environment. Each of these endeavors has facilitated the growth of profits and wages in the monopoly sector and thus benefit workers and capitalists

¹ The legitimacy needs of the state will be explored in greater detail below.

within that sector (42) as well as a greater tax base from which the state can finance its activities. However, rising social expenses make it "increasingly difficult for the state to finance its activities from the 'growth dividend' indirectly produced by outlays on social capital" (42). The state must either raise taxes or use inflationary finance in order to finance its growing budget. The choice between higher taxes or borrowing is a political one made by mediating between various interest groups. O'Connor, however, argues that the monopoly sector tends to have greater access to policymakers and, as a result, state policies tend to favor workers and capitalists within that sector. Thus, monopoly sector workers are initially insulated from the fiscal crisis, while competitive sector workers face a decline in real wages (44).

O'Connor claimed that since World War II three methods have been used to ensure the stability of the capitalist system. However, he argued that each is inflationary and will ultimately result in a fiscal crisis for the state.

The options are:

Economic expansion overseas and worldwide hegemony; the maintenance of harmonious production relations in the monopoly sector; and the socialization of monopoly sector production costs and expenses, together with the private appropriation of profits and the absence of the socialization of wage payments. All of these conditions are closely related, and each has proven to be inflationary. In a nutshell, stability has required continuing inflation and a continuing fiscal crisis (or 'inflation' of the state budget) (46).

In O'Connor's view, until 1969 or 1970, the federal government pursued a strategy of controlled, moderate inflation in order to maintain its stability and did so because this approach also benefitted members of the power elite (47). Since then, inflation and fiscal crisis have become increasingly problematic and the state has been urged by monopoly sector capital (and others) to reduce inflation and balance its budget.

Resolving the Fiscal Crisis of the State

In the view of members of the monopoly sector, inflation becomes a problem because it increases the price of U.S. goods on the international market and thus disadvantages U.S. producers. It also results in higher interest rates that reduce domestic consumption. According to O'Connor, there are several ways to respond to the fiscal crisis:

The first is to deflate the economy as a whole by engineering a managed recession. The second is to introduce and enforce wage and price controls. And the third is to cooperate with monopoly capital to increase productivity in the private and state sectors (47).

O'Connor rejected the first two and argued that the only practical option in the long-run was for the state to cooperate with monopoly capital. He proposed that the state should facilitate the development of a "social-industrial complex" in order to raise productivity in the monopoly sector by restraining costs and prices, while increasing the efficiency of government bureaucracy (51). While O'Connor recognized that many groups could inhibit the successful

development of a social-industrial complex, including organized labor, competitive sector capital, and the military industry complex, he argued that the social-industrial complex was the only viable alternative for ensuring a stable capitalist society.

Informed and influenced by the political struggles underway during the period in which he was writing (i.e., 1960s and 1970s), O'Connor was hopeful that an alliance between state sector workers and clients would develop that would pressure the state and monopoly capital to take this path toward socially useful investment and production. While the ensuing 20 years have left O'Connor's vision unfulfilled, his analysis of the structural features of monopoly capitalist society remains an effective tool for understanding the various crises currently facing the state, as well as the attempts to resolve them.

Legitimacy and the State

O'Connor's framework was grounded in an awareness that the state's obligations to facilitate capital accumulation and maintain its own legitimacy are potentially contradictory. The ways that the legitimacy needs of the federal government are defined and contextualized within a framework of support for monopoly capital are explored below.

Lipset suggested that "[l]egitimacy involves the capacity of the system to engender and maintain the belief that the existing political institutions are the most

appropriate ones for society" (1984; 88). In the U.S., the legitimacy of the state is closely tied to the continued legitimacy of capitalism:

Two fundamental sets of priorities have governed... American civilization. It seeks to sustain an economy of growth so that each generation can be more prosperous, secure, and comfortable than its predecessor. And it seeks to support a constitutional democracy in which the state is accountable to its citizens and the citizens have rights against the state (Connolly 1984; 227).

The state must therefore work to ensure the legitimacy of both the economic and political systems. However, how closely they are related and their degree of interdependence continue to be debated.

In contrast to Skocpol (1985) who viewed the state as potentially autonomous, O'Connor saw the state as shaped by the struggles between various interests within the state and in society in general. Thus, for O'Connor, economic problems must be understood within the context of conflicts between and among classes and their effect on the state's legitimation and accumulation objectives:

The state mediates between various interest groups with unequal access to power, negotiating compromises between class fractions and incorporating working class demands into legislation on capitalist terms (Quadagno; quoted in Domhoff 1990; 62).

The anti-poverty programs of the 1960s and 1970s serve to illustrate Quadagno's assertion. Johnson's "Great Society" and other anti-poverty programs, as well as those supported by the Nixon and Carter administrations, focused on an increasingly limited redistribution of resources and

were seen as a response to social unrest during the 1960s. Such programs were generated at least in part to stifle threats to the legitimacy of the government (and capitalism) in the face of challenges from the Civil Rights and anti-War movements (Piven and Cloward 1971; 1982). While such programs went a long way toward ensuring the legitimacy of the state, they also contributed to increased federal debt and the bankruptcy or near-bankruptcy of some cities, while some sectors of the economy benefitted from resultant government contracts (e.g., the construction industry).

According to O'Connor, crisis results when the government is unable to meet all of its fiscal and social obligations without increasing the deficit due to pressure to ensure budgetary equilibrium from, for example, the middle class or monopoly capital. The current crisis which is began in the late 1970s resulted in a retrenchment of the federal commitment to domestic programs, beginning with the Carter administration. Such cutbacks may have been possible because of a perceived reduction in the threat to the state's legitimacy from the poor. By the middle 1970s, public protests on the part of members of the Civil Rights, anti-war, and welfare movements declined. High inflation, high unemployment, and continued deindustrialization may have contributed to the increasingly common rhetoric that persistent poverty was due to individual failure in the face of generous assistance from the government.

The shift in public perceptions about the poor should also be viewed in the context of evolving beliefs about the position of U.S. industry vis a vis its international competitors. Reductions in government social programs that occurred concomitant with the re-emergence of free market ideologies were part of the state's response to perceived threats to the dominant position of U.S. monopoly capital. For example, cutting welfare benefits and entitlements (i.e., reducing the "social safety net") was but one in a series of actions designed to promote a "pro-business" atmosphere in the U.S. aimed at restoring the economic hegemony of the U.S. Other actions taken by the government to improve the competitive position of U.S. corporations included tax reform, support for business in labor disputes, opposition to an increased minimum wage, and deregulation of transportation and other industries (Harrison and Bluestone 1988).

The cycles of economic expansion and retraction that occurred during the late 1960s and early 1970s led O'Connor to recognize the potential for serious economic difficulties that have to a great extent affected all levels of society. He believed that the government's reliance on military and defense spending to stabilize the economy spelled disaster; thus his proposal for a "social-industrial complex" as described above.

However, a social-industrial complex that exclusively supported the interests of monopoly capital would be untenable given the state's need for legitimacy from various sectors of society. Thus the federal government attempts to mediate the interests of competing groups, including the various arms of the government (e.g., state and local governments), as well as their bureaucracies, capitalist classes, working classes, the impoverished, and minorities, while cognizant of monopoly capital's interests. For this reason, federal government policies do not always appear to be consonant with the interests of monopoly capital and lend support to Skocpol's claim that the state is able, under certain conditions, to act in relative autonomy. For example, Lyndon Johnson's "Great Society" programs can be viewed as an initial step in this direction because they increased appropriations for poverty programs that did little, at least on the surface, to foster capital accumulation (Swartz and Peck 1990).

Despite the example of the "Great Society," O'Connor's optimistic view that, during the 1970s, the state would act independently in ways that promoted the reduction of inequality turned out to be misplaced. Recent history indicates that the state continues to act in the interests of a "power elite" that represents society's upper classes (Domhoff and Dye 1989). However, the current federal deficit indicates that, while the state does not often act

autonomously, neither can it act consistently within the interests of one segment of society. For example, while the federal government has been responsive to many of the concerns of monopoly capital, it has been less successful in reducing the federal deficit (a concern for at least some members of this sector). This in part reflects the lack of a consensus both within and among the government, monopoly capital, and society in general with regard to the long-term consequences of the deficit. As a result, federal debt continues to increase, at least in part as a result of continued high defense budgets (Davis 1986). The limited attempts to reduce the deficit that occur have generally focused on social welfare expenditures, in part because participants in social welfare programs are recognized as among the most disenfranchised groups in the U.S.²

O'Connor explained how the relative autonomy of the state, during the 1960s and early 1970s, resulted in the need to negotiate policies, programs, and practices between competing interest groups and indicated that this could (and

² During 1989-1990, high defense spending seemed difficult to justify in the face of mounting deficits and the end of the Cold War in Europe. However, Iraq's invasion of Kuwait and the dominant U.S. role in the Persian Gulf War put the issues of a "peace dividend" and reduced defense expenditures on the back burner. While the long-term consequences of this debt continue to be debated, in the short-run, high defense spending and the multi-billion dollar cost of the U.S. presence in the Persian Gulf will result in higher interest rates and lead to increased pressure to further reduce federal spending that will disproportionately affect spending for domestic programs (Chomsky 1991).

did) lead to fiscal crisis. For this reason, his framework is useful for understanding the nature and logic of government housing policies within the context of an urban crisis. While traditional analyses tend to view federal low income and moderate housing programs as a legitimization expense, more critical observers point out that the ways that the private sector have been integrated into this process facilitates capital accumulation. Since the first public housing programs were built during the New Deal, government-sponsored housing development has been used to spur a sagging economy (Gilderbloom and Appelbaum 1988). However, O'Connor's projection of the path U.S. society would follow into the 1980s and 1990s, resulting in the development of a strong welfare capitalist state was based in an inaccurate assessment that the state would continue to feel pressure from the working and non-working poor and near-poor. The following section identifies the factors that contributed to the decline in perceptions that the poor were a significant "interest group" and updates the condition of the U.S. economy and the role of the state within it in order to contemporize O'Connor's framework.

The Deindustrialisation of America

Bluestone and Harrison (1982; 1988) provide some important clues for understanding the shift from a welfare state to a developmental state. They also offered support for the idea that, beginning in the late 1970s and extending into the

present, the U.S. government exchanged concern for preserving legitimacy vis a vis the working class and the poor for ensuring legitimacy in terms of monopoly capitalists and the middle class. Bluestone and Harrison suggested that this is manifested in the government's attempt to stimulate economic growth in part by reducing its spending on domestic social programs. The shift away from O'Connor's vision of a social industrial complex and toward "new federalism" was in part spurred by a crisis in capitalism.

New Federalism in Historical Perspective

Federalist arguments supporting a reduced role for the federal government in domestic affairs reach back to the founding "fathers" and reflect an historic concern about the appropriate balance between state and federal power. One view was that the power of the federal government needed to be curbed by placing authority, decision making, and revenue at the levels of government closest to the people; levels viewed as best able to assess and respond to their needs.

While the legitimacy of a central government has been firmly established in the years since 1788, the debate over whether that government should be "strong" or "weak" continues, ebbing and flowing in different historical

periods.³ For example, Madison, a federalist, supported limited central government, while Hamilton, a nationalist, supported a strong and active central government (Rossiter 1961). In the contemporary period, various presidents (e.g., Eisenhower, Johnson, Nixon, and Reagan) have called for a "new" federalism that sought to limit the power of the federal government in order to increase the resources and responsibilities of local units of government.

Contemporary Federalism

Observers of the use of the term "federalism" in the contemporary period have explored the ways it has been used by various interest groups to legitimize potentially controversial policy decisions. By taking a social constructionist approach, such observers are interested in the ways that definitions are a product of interaction between various groups in society. In this view, "new federalism" can be understood as the product of competing social, economic, and political forces. Approaching the concept of federalism from this perspective, Hill defined Ronald Reagan's version of "new federalism" in the context of the fiscal crisis of the U.S.:

a conservative strategy to combat the declining international portion of the U.S. economy - reflected

³ Such debates can be traced as far back as Publius' essays supporting ratification of the U.S. constitution in New York newspapers between 1787-1788 where the issue of the appropriate role of central government was debated. Even those writing as Publius were not in agreement.

in shrinking productivity and profit rates, and expanding flows of capital abroad - through contraction and reorganization of the social welfare and social regulation policies advanced by popular movements of the 1960s and 1970s, largely under the auspices of the Democratic party and largely targeted on central city populations (1990; 35).

Reagan's new-new federalism can thus be seen as a new form of class conflict that pits monopoly capital against competitive capital, the rich and middle classes against the working classes and the poor, cities against suburbs, and the north against the south.

The fiscal crisis of the state which gave rise to "new federalism" is exemplified by declining profits for U.S. capital which began during the late 1960s and were the result of increased international competition and consumers' attraction to less expensive and higher quality imports. Consistent with O'Connor's analysis of the fiscal crisis of the state, Bluestone and Harrison trace the origins of the crisis within U.S. monopoly capital to the failure of the social contract between management and labor in the face of increased globalization of the economy. A second factor contributing to the crisis was the failure of U.S. capital to effectively compete within the world market. During the 1970s, the federal government had two possible responses to these phenomena. On the one hand, it could develop a national industrial policy that mediated between the needs of capital and labor. On the other hand, it could assist capital in pursuing a restructuring strategy that preserved

corporate profits at the expense of the social wage.

Bluestone and Harrison found that

[policy makers in] Washington began to adopt policies that effectively forced workers to accept wage concessions, discredited the trade-union movement, and reduced the cost to business of complying with government regulations. Social programs were either restricted to their present levels or, like publicly assisted housing, actually cut back (1988; 14).

This was not what O'Connor envisioned when he proposed that the state cooperate with monopoly capital to avert and/or manage the fiscal crisis. He imagined that this partnership would lead to increased productivity and surpluses that could be used to redistribute the nation's wealth more equitably. Instead, monopoly capital moved away from production-related activities and toward finance capital; mergers and acquisitions that filled corporate coffers (and also increased the debt of other corporations) but did little to improve industrial productivity or the ability of U.S. corporations to compete internationally.

Elements of the rhetoric of "new federalism" played an important role in legitimizing the government's limited response to the social upheaval that resulted from these activities of monopoly capital. The government's more active involvement in social activities, characterized by, for example, the "War on Poverty," were increasingly viewed as a contributing factor to the nation's economic problems. By the middle of the 1970s, "big" government was viewed as contributing to reduced corporate profits and

even middle-of-the-road Democrats and Republicans ...accepted the new conventional wisdom that government spending, regulation, and redistribution of income are somehow 'bad for business' (1988; 15).

The Reagan administration, with its ideological commitment to reducing government (i.e., domestic social spending) along lines that supported economic development, thus offered little in the way of assistance to those affected by deindustrialization and such inaction was not widely criticized.

Ideology and Policy in the Reagan Administration

While Bluestone and Harrison observed that ideology was prominent in explaining and justifying the reduced role of the federal government in social welfare activities, its importance in terms of policymaking has been challenged. For example, Swartz and Peck (1990) asserted that the trend toward a reduced role for the federal government in terms of social spending was established before the Reagan administration came to power. President Nixon's revenue sharing and block grant programs and President Carter's 1980 budget represented a commitment to a reduced federal role in domestic issues. Shannon argued that Reagan's "new federalism" is best seen, not as a political philosophy, but instead as a kind of "fiscal federalism" whereby the status of the federal budget, not ideology, shapes the role of the federal government in state-local systems:

When Congress finds itself in an 'easy' budget situation, additional federal dollars...flow into the

state-local sector at a faster rate than do additional dollars from state and local sources...Conversely, in a period marked by many years of 'tight' budgets, federal aid becomes a progressively smaller fraction of state and local budgets and...federal influence on state and local policy makers tends to decline although not as rapidly as the fall-off in federal aid (1990; 23).

Thus while the Reagan and Bush administrations expressed an ideological belief in decentralized government and the legitimacy of the "free" market, it is important to recognize that the budgetary constraints faced and designed by presidential administrations since the early 1970s were key factors which led to the demand that local units of government (and the poor) "pay their own way." "New federalism" is thus an important ideological and rhetorical device that has been used to justify policies that are at least in part consonant with the interests of "big business."

Shannon's perspective is similar to those of O'Connor and Bluestone and Harrison who asserted that the legitimacy of the state is closely linked to the success of monopoly capital. In this way, government budgetary priorities should be seen at least in part as reflecting the interests of monopoly capital. Social programs that absorb the reproduction and variable costs of capital are acceptable to monopoly capital (and the public) as long as they pose little risk to capital accumulation. As monopoly capital in the U.S. faced declining profit margins due in part to the failure to recognize and adapt to the changing nature of the

international economy, it increased the pressure on the federal government to "keep labor in line" and to reduce the "social safety net." Reagan's "new federalism," with the accompanying themes of individualism and meritocratic upward social mobility, helped shape middle and upper class views in ways that echoed monopoly capital's interests. Goodin and LeGrand point out the contradictory source of this alliance between the middle class and monopoly capital in their book, Not Only the Poor: The Middle Classes and the Welfare State. They explain that the

revenues that paid for the Great Society-War on Poverty came largely from payroll deductions and personal income taxes in part due to the decline in corporate taxes as a proportion of general revenue (1987; 82).

Concessions from workers, including lower wages and reduced benefits, came to be viewed as essential if U.S. capital was to resist competition from, for example, corporations from Japan and the newly industrializing countries (NICs).

Middle and upper class resistance to social programs, a pro-business political climate, and the declining ability of unions to protect their traditional memberships or organize the growing number of service sector employees led to reduced standards of living for many, as well as diminished economic security for more "average" families. The erosion of well-paid skilled manufacturing jobs and their replacement, to a great extent, with low-paid, unskilled service sector jobs also occurred as the impact of government deregulation and increased privatization provided

corporations with a relatively free hand to restructure and relocate their production facilities outside the U.S. (Harrison and Bluestone 1988).

During the 1970s, major industries in the U.S. essentially chose not to compete in the market with foreign manufacturers and instead sought to maintain profits through finance capital (e.g., mergers and acquisitions), off-shore assembly (e.g., textiles and electronics), and collaborative agreements with foreign manufacturers (e.g., automobile assembly). The declining position of these companies within the global economy led them to seek a variety of worker-related concessions that can be viewed as subsidizing their financial (as opposed to industrial) activities. These concessions included reduced wage and benefits packages, reduction in the size of the workforce, and, in some cases, the role and strength of unions. Such efforts were facilitated by the federal government's reduced commitment to policies that in the past had limited economic concentration and assisted un- and under-employed workers and symbolized the move away from O'Connor's vision of a social-industrial complex. The following section places the federal government's retreat from one aspect of the social safety net, the goal of "decent and affordable housing for all Americans," within the context of a changing economy and "new federalism."

The Urban Crisis: Low Income Housing

It is within the context of declining U.S. corporate profits, a shifting labor market (from manufacturing to service), and a debt-ridden federal government committed to continued military expansion that federal housing policies should be examined. Unlike most industrialized western European countries, the U.S. does not have a comprehensive national housing policy. The federal government in the U.S. is involved in two primary housing activities. By far the most significant of these activities are those related to homeownership. Since World War II, the federal government has attempted to stimulate the housing construction and real estate industries by insuring mortgages and providing for income tax deductions for mortgage interest and property tax payments for homeowners.⁴

A second, more visible, but smaller area of government housing activity is the provision and subsidy of low and moderate income housing. Between 1981-1989 appropriations for low and moderate income housing programs were reduced by 80%; from approximately \$30 billion during the late 1970s to

⁴ The Institute for Policy Studies reports that "conservative government estimates" of the homeownership deduction amounted to \$50.6 billion in FY 1987. It suggests that the households that are most likely to benefit from this deduction are those earning more than \$50,000 per year: "The richest one-sixth of the population get two-thirds of the benefits" (1989; 18-19).

approximately \$7 billion in 1988 (Hartman 1991).⁵ In addition, tax incentives for rental housing construction became less attractive to potential investors as a result of the Tax Reform Act of 1986 (Rouse and Harvey 1989; 39). In the 1980s, an increasing number of working Americans found that the cost of home ownership had increased beyond their reach. The stock of low income rental housing was also shrinking as a result of condominium conversion, abandonment, or gentrification. By 1990, the working and non-working poor and near-poor found themselves competing with each other and some middle class households for fewer relatively affordable housing units. Despite growing competition for such housing units, the 1982 President's Commission on Housing asserted that Americans were "the best housed people in the world" because problems such as overcrowding, lack of indoor plumbing and dilapidation had been solved.⁶

⁵ Budget appropriations for the Pentagon increased by an average of 7% per year between FY 1980-1985 and decreased by an average of only 2% between FY 1986-1991 (Hartman 1991).

⁶ Some social scientists, for example, Peter Salins, argued that the housing problem is not a problem at all, rather it is a reflection of U.S. prosperity. According to Salins (1987), increased prosperity means that Americans are more demanding in terms of their housing requirements and thus the government is faced with the prospect of providing more for low income households. He argued that housing policy is faced with a "movable target" comprised of ever more subjective requirements that are by nature impossible to assess and meet.

While the physical standards for low income housing have improved over the past 30 years, it is hard to ignore the fact that the supply of low income housing is decreasing as demand rises. For example, many units are being taken out of subsidy programs as their owners opt for early pay-backs of their government loans and mortgages in order to place units on the more lucrative private market.⁷ Additionally, public housing projects are being closed because they are considered unsafe for adults and children due to code violations and/or high crime and drug use and HUD support for their privatization. Central city redevelopment (i.e., urban renewal) has further reduced the supply of affordable, low income housing as neighborhoods and public housing complexes are demolished to make room for office complexes, industrial parks, or "enterprise zones" (e.g., Boston's West End and Detroit's Poletown neighborhoods). The supply of low income housing is also affected by the overall decline in residential housing starts as developers opt for more profitable central city development projects.⁸ The short supply of investment

⁷ "[M]ore than 40% (280,000) of the privately-owned, federally-subsidized units built in the 1960s and 1970s are at risk of being lost through mortgage default and foreclosure. Another 243,000 units in the more successful projects are ripe for conversion to market-rate housing or office buildings, as their subsidies expire, rent and occupancy restrictions, and tax benefits expire" (Institute for Policy Studies 1989; 20-21).

⁸ Today, the residential construction industry is heavily concentrated in luxury, single-family units in suburban and exurban areas.

capital due to recession and, until very recently, high interest rates, as well as the federal deficit have combined to limit the supply of low and moderate income housing, especially in urban areas (Gilderbloom and Appelbaum 1987; Peirce 1986).

The shortage of affordable housing and the government's response to it cannot be separated from deindustrialization and the re-emergence of free market ideologies as discussed above. O'Connor's insights about the state's need to legitimize its activities to various groups at different times is useful here. The re-emergence of private- or free market-based ideologies that have influenced the perspectives of politicians, government bureaucrats, corporate leaders, and the public on the role of the government vis a vis domestic spending can be traced, at least in part, to the belief that the state should re-direct its efforts toward facilitating capital accumulation and away from programs for the poor. Reduced government involvement in low and moderate income housing has been justified in terms of the need to reduce perceived obstacles to the operation of a free market, as well as by advocating a role for the market in the provision of services formerly the nominal provenance of government. Reductions in government social spending have also been legitimated in part by the belief that the poor are somehow responsible for their inability to succeed and the belief that the

government has grown too large, and interferes with the smooth operation of the "free" market (Gilderbloom and Appelbaum 1988; Hartman 1986). The underlying premise is that the poor will be served by private efforts (subsidized and coordinated by state and local governments) to help individuals "pull themselves up by their bootstraps" and by the additional jobs created as increased capital accumulation spurs corporate reinvestment.

As part of its pro-accumulation strategy, the U.S. government has distanced itself from the provision of services to the poor, especially low income housing, and it has justified this action in the belief that the private market is best able to provide housing for all but the most needy; thus only those "truly" deserving of assistance from the government will get it. This applies not only to housing but to other social services as well, and has resulted in cutbacks and the tightening of eligibility criteria for welfare, disability, food stamps, health care, and education. This approach appears to fit squarely with monopoly capital's desire to reduce the federal deficit through cutbacks in social spending, leaving lucrative military contracts and corporate tax benefits relatively secure.

"New federalism" as defined by the Reagan and Bush administrations has bolstered strategies leading to a reduced federal role in domestic programs for the poor by

arguing that the poor are most effectively served at the state and local levels and through public/private partnerships. Thus they have recommended that state and local governments work with the private sector to facilitate the distribution of available and affordable units to eligible households. As a result, the housing policies of the Reagan and Bush administrations have been characterized by a strong commitment to the private sector and confidence that state and local governments will develop innovative strategies to meet the housing needs of the nation's low and moderate income households.

One additional aspect of this strategy is the belief that the nation's concerned citizens, corporations, and churches will engage in philanthropic and charitable works to fill any gaps that develop between the "legitimate" demand for affordable housing and what the state and local governments and the private market can provide. Magazines such as Forbes have jumped on the privatization bandwagon, for example, when they published profiles of housing groups such as Local Initiatives Support Corporation (LISC). Such partnerships are viewed as necessary because:

'The big-government solution has been discredited,' says Grogan [president of LISC]. 'So has the private market solution. It's got to be an amalgam of public and private efforts that will gradually turn this thing around' (Cook 1987; 64).

These beliefs are consistent with "new federalist" rhetoric that has been used to stimulate support for local public/

private partnerships developed to deal with community problems. Mary K. Nenno cited the 1980 Republican platform's endorsement of community control and responsibility as a way to provide for the social needs of local residents:

'Government must never elbow aside private institutions - schools, churches, volunteer groups, labor and professional associations - in meeting the social needs of our neighborhoods and communities.' Particularly given approval under this approach are such activities as 'meals-on-wheels,' 'self-help,' 'urban homesteading' (1981; 14).

Support for public/private partnerships has been a general theme during the Reagan and Bush administrations. In a mid-term assessment of Reagan's presidency, Struyk, et al. report that

The Reagan administration has moved to increase the role of private, for-profit business in federally-linked community development activities...CDBG activities have been expanded to include the activities of private, for-profit economic development [through the enterprise zone strategy] (1983; 85).

The National Association of Homebuilders' report on low and moderate income housing asserted that

economic growth and the unfettered private market can go far toward meeting most housing needs...And we have urged the expansion of public/private partnerships that combine the creativity of entrepreneurs, private foundations, and state and local governments [to provide housing] (1986; i).

The commitment to community-based provision of social services through the development of private/public partnerships is illustrated by President Bush's "thousand points of light" program that presents awards to community

groups and individuals who provide service or support to those in need. While these partnerships are touted by many, both inside and outside presidential administrations, as an improvement over traditional government social services, there is evidence that, for most communities, federal assistance is essential if local coalitions are to be successful. For this reason, public/private partnerships are viewed by many as only one aspect of housing or neighborhood revitalization programs that must be built on a strong base of federal support (see, for example, Ahlbrandt 1986; NAHRO Monitor 1988; Nenno 1981; Rouse and Harvey 1989; Stegman and Holden 1987; and Weiss and Metzger 1987).

Summary

New federalism can be seen as a product of a historical conjuncture where the long-term structural decline of the economy occurred alongside a deepening world recession and then combined with the collapse of a social-democratic consensus that legitimated and supported domestic spending (ten Tusscher 1986). The result was the federal government's rejection of expenditures related to maintaining legitimacy among less privileged groups and a transfer of resources to help maintain stability in the monopoly sector of the economy. The Reagan administration claimed that the private and voluntaristic sectors would step in to fill the gap left by diminished federal support of social programs. However, increased support for a free

market ideology, the tendency to blame individuals for their failure to meet their own subsistence needs, and recession meant that the private sector did not become as directly involved as expected. Reductions in corporate and government support for volunteer and charitable organizations resulted in significant holes in the "social safety net."

While local and state governments were being called on to fill these gaps, many attempted to justify their minimal efforts with the same rationales offered by the federal government. The end result was that more pressure fell on the already-stretched resources of the charitable sector and the needs of many households went unmet.⁹ The following section describes another branch of literature that influences the analysis contained in this project and addresses a relatively less visible facet of these phenomena, that is, their disproportionate consequences for women and their dependent children.

The Gendered Distribution of Resources

The values that underlie social policy in the U.S., and the programmatic choices that emerge from them, may not reflect

⁹ For example, the Republican governor of Michigan, John Engler, has been straightforward and vigorous in his attempts to balance the state's budget through the use of supply-side economic strategies premised on the assumption of small government. One consequence of this approach was the elimination of the state's General Assistance program in 1991.

the values or needs of women and their dependent children, primarily because universal values of equality, opportunity, individualism, and self-sufficiency are generally premised on a world view shaped by the obligations and opportunities afforded to men who are freed from primary reproductive work such as childbearing, childrearing, and homemaking.

Virginia Sapiro suggested that social policy in the U.S. is gendered in that it has

supported individualism, independence, and self-reliance for some people (primarily men) and dependence and reliance on paternalism for others (primarily women)...Men are regarded as breadwinners for themselves and their families, and women are regarded as wives and mothers who are and should be economically dependent upon those breadwinners (1986; 227).

For Sapiro, the underlying ideology of the Protestant work ethic is key to understanding these historically gendered distinctions:

Whereas the Protestant work ethic as applied to income-producing work was a moral and economic principle for men, economic dependency was a moral, God-fearing principle for women (1986; 228).

Origins of the Patriarchal Family

Socialist feminist researchers have examined the ways that the distribution of power, resources, and wealth in capitalist societies, while couched in ideologies of equality, are in reality gendered. In Women's Oppression Today (1980), Barrett developed a theoretical framework for understanding the oppression of women in capitalist societies by incorporating the concept of patriarchy into a

Marxian analysis of capitalist societies. The concept of patriarchy is important because it "recognizes that men have privileges as men and wield power over women, even within the working class" (Brenner and Ramas 1984; 34).

Barrett's framework located the key to women's oppression within what she called the 'family-household system,' a combination of a social structure (household) and an ideology (the family). The household is characterized by a number of people, usually biologically related, who depend on the unpaid household labor of a wife/mother and the waged labor of a husband/father. The ideology of the family

defines family life as 'naturally' based on close kinship, as properly organized through a male breadwinner with a financially dependent wife and children, and as a haven of privacy beyond the public realm of commerce and industry (Barrett 1980).

Socialist feminist theorists such as Barrett have made important contributions to understanding the ways that patriarchy helps to shape both the family and society, as well as the ways that women's lives are constrained in capitalist societies.

Barrett and others recognized that the patriarchal family is not necessarily consistent with capitalist accumulation since the restricted participation of one-half of the population in wage labor constrains capital accumulation. Questions arise as to why the family system is prevalent in capitalist societies. Barrett traced the institutionalization of the patriarchal family structure and

the institution of the "family wage" for men to the 19th century conflict that pitted capitalists and skilled male workers against female workers. The coalition of capitalists and male craftworkers "won" and the result was that women were relegated to the home and to the low wage sectors of the economy. This gendered division of labor within the household and the labor market were mutually reinforcing as the low wages of women and their restricted job opportunities contributed to women's dependent positions as unwaged workers within the home (Brenner and Ramas 1984).

While recognizing the importance of Barrett's contributions, Brenner and Ramas suggested that she inadequately explained how the patriarchal family was institutionalized in spite of capital's unrelenting drive to accumulate and its concomitant need for a large reserve of workers. Brenner and Ramas argued that the struggle between women and men over who would hold the higher paying skilled jobs grew out of the pre-existing reality that women's wages were lower. Skilled male craftworkers sought to exclude women from these jobs, not because they were women, but because the low wages women generally received were a threat that could undermine wages within the crafts.

While sensitive to charges of biological determinism, Brenner and Ramas located the source of women's historically lower wages in women's reproductive capacities. They argued

that social relations are shaped by natural as well as social facts. Thus

a materialist account of women's oppression must simply consider the way in which the class-structured capitalist system of production can incorporate the biological facts of reproduction, and the extent to which biological differences...condition women's participation in economic/political life, their capacity for self-organization in defence of their interests and needs... (1984; 48).

It is women's biological ability to bear children and the inability of capitalist production to accommodate women's childbearing and childrearing responsibilities that are the basis of women's lack of access to "good" jobs and their dependent positions within the family.

Brenner and Ramas' analysis of the sexual division of labor and the formation of the family-household system recognized:

the contradiction between the capitalist dynamics of production and the exigencies of biological reproduction. On the one hand, as Marx and Engels argued, there is the distinct tendency of capital accumulation to pull women into wage labour and thus to lay the material basis for the independence from men. On the other hand...the exigencies of biological reproduction have historically posed a significant barrier to the full development of this tendency (Brenner and Ramas 1984; 48).

The tremendous energy requirements, the length of the work day, and the low wages that characterized the early factory system were incompatible with women's biological reproduction. This incompatibility is what led to the institutionalization of the gendered division of labor in the home and in the workplace and cemented women's

dependence on men within a patriarchal nuclear family (1984; 58).

Despite the reality that most families today require two breadwinners in order to meet basic needs, mothers remain primarily responsible for the care of dependent family members even when they hold full-time jobs as wage workers (Abramovitz 1988). Brenner and Ramas argued that this is not because gender divisions are 'embedded' in capitalist relations of production as Barrett claimed, but rather because capitalism has thus far been unable to find cheap substitutes for family care (1984; 61). Since the sexual division of labor continues to exist, it is more likely that women earn less than men and, as a result, their jobs are considered less important to the family. It is for this reason that women are more likely to miss time from work in order to meet family obligations, including care of sick children, household and automobile repairs, etc. For Brenner and Ramas, the permanence of the sexual division of labor within the family and in the workplace is a product of the reality that

capitalist class relations, especially the drive for profit, will continue to push in the direction of privatizing reproduction and forcing the working-class family to shoulder responsibility for its dependants (1984; 71).¹⁰

¹⁰ This is a characteristic of monopoly capital in the U.S. as described by O'Connor and Bluestone and Harrison.

The interaction of patriarchy and capitalism is such that women are compelled to work for wages because of the economic problems facing families due to monopoly capital's renegotiation of the social contract, while their earning power is constrained by their traditional responsibility for meeting the needs of dependent family members. Brenner and Ramas thus concluded that wage-earning opportunities for women will not expand unless and until the care of dependents is shared by men.

Women and State Welfare Policies

The socialist feminist framework described in the previous section provides a way to understand the nature of the gendered division of labor and women's subordinate status within it. It is, however, based on an ideal patriarchal nuclear family where women and children are located within households that contain male breadwinners. The rise in the number of women and children who do not live within such traditional family arrangements is at least in part responsible for the increased role of the state in meeting subsistence needs of single parent families as well as its subsidy of some of the expenses traditional families face (e.g., health care, child care, and education).

However, Brenner and Ramas reported that even though there were a large number of female headed households in Great Britain and the U.S. before World War II, both nations were reluctant to provide for their support. They suggested

that the basis for this reluctance was an ideological claim that state support of abandoned families would encourage male desertion and an abdication of their familial responsibilities (1984; 65). The minimal level of support provided by both governments during the post World War II period can be viewed as a product of capitalist accommodation to a political challenge on the part of the working class. Consistent with O'Connor's framework, welfare policies are seen by socialist feminist theorists as responses by the state as it mediates between competing class, gender, and racial and ethnic groups.

The grounding of welfare policies within the patriarchal family-household system as described by Barrett can be viewed as a reflection of the greater power of men within unions, political organizations, government, and the economy. The limited range of services and their overall inadequacy in meeting subsistence needs of families can be viewed as a response to capital's requirements:

While recognizing the need to provide for the poor in order to retain legitimacy and to control the lower orders, the ruling class is also...concerned to maintain work incentives. State subsidy above a bare minimum threatens to draw the sting of unemployment and undermine labour discipline. Protection of capitalist accumulation demands...a welfare state that is cheap (does not cut into profits) and minimal (does not undercut the necessity to labour) (Brenner and Ramas 1984; 67).

Thus, in Brenner and Ramas' analysis, the welfare system can be viewed as emerging as a result of state responses to the demands of the working class that threatened both the

state's legitimacy and the requirements of capital accumulation.

The Gendered Effects of the 'Family Wage' on Welfare Policies

Acker (1988) and Abramovitz (1988) explored the ways that the concept of the family wage within a patriarchal system resulted in certain assumptions about the role of women within families and society. The family wage, or the idea that a man should earn enough to support his wife and children, affects personal relations within the family and results in women traditionally having only indirect (through their husbands) or low waged links to the economy. The notion that women (wives) are responsible for reproducing the work force at the same time that they are assumed to be outside of the work force has enabled capitalists to benefit from women's work in two ways: Women's unwaged work at home results in lowered labor costs for capitalists at the same time that it justifies the devaluation of the waged work women do.

The assumption that women have men to support them has an additional consequence that is relevant to this discussion. Abramovitz suggested that when women are faced with supporting themselves and their children as single heads of households, the ideals of the patriarchal family and the family wage still hold and thus limit women's wage earning potential. Women, even when they are the sole or

primary breadwinners for their families, still have limited access to jobs that pay relatively high wages with other benefits. Moreover, women who head households must not only support their families through wage earning activities, they must continue to meet the family's reproductive needs. Thus, as Brenner and Ramas suggested, women who head households are often forced into jobs that provide the flexible schedules that mothers need in order to fulfill their obligations to their children. Such jobs are generally low waged and offer few benefits.

The assumption of a patriarchal nuclear family with a male breadwinner and a female homemaker affects the ways that the state distributes resources to its citizens. Women are more likely to receive means-tested benefits¹¹ based on their roles as mothers and wives (e.g., Aid for Dependent Children or survivor's benefits), while men's benefits are based on previous service to the government (e.g., military service) or wage earning experiences and are not means-tested:

Unlike 'earned rights' guaranteed through worklife participation, benefits based on family status provide no guarantee of future income security - when family status changes, benefits are lost...Feminist theorists argue that welfare programs constitute a mechanism for furthering women's subordination in the way they link income security with family structure and dependency relations...Welfare programs reinforce male dominance

¹¹ Means-tested benefits require that applicants meet a variety of eligibility requirements, based primarily on income.

over women by maintaining the economic subordination of women (Quadagno 1990; 14).

The Invisibility of Housing Programs in Socialist Feminist Analyses

Socialist feminist researchers have paid particular attention to the ways that the social welfare system in the U.S. is gendered. Abramovitz (1988), Acker (1988), Quadagno (1990), Piven and Cloward (1982), and Ehrenreich and Piven (1984) have researched the ways that the existing social welfare system institutionalizes and reinforces the subordinate status of women. They documented the ways that social welfare programs ensure that women who live outside the idealized norm of the patriarchal nuclear family will face structural and economic obstacles to meeting their families' subsistence needs and to become self-supporting. Programs such as Aid for Dependent Children (AFDC) are structured so that there are disincentives and obstacles to recipients entering the labor force. These social scientists agree that welfare programs are based on a model of the patriarchal family and that the state acts as a stand-in to the absent male breadwinner or provider. They also suggest that despite the patriarchal assumptions that underlie these programs, they do in fact result in women's increased independence from men. Instead of self-sufficiency, however, women become dependent on a distant and bureaucratic state.

While feminist social welfare research has carefully considered the gendered nature of income support programs such as AFDC, Food Stamps, the Women, Infants, and Children nutrition program (WIC), as well as job training and child care programs, they have not as a rule focused on government low income housing programs. There are several possible explanations for this exclusion. First, the issue of low income housing is generally within the purview of urban studies. Such researchers, working within either human ecology or class- or race-based frameworks, may recognize the disproportionate presence of women in economically distressed urban areas, however, they often fail to analyze this phenomenon in any meaningful way (Freeman 1980; S5). For example, Harman suggested that urban theorists such as Castells have been:

blinded to the interrelationship between capitalism, patriarchy, and urbanisation, especially where the latter is defined in terms of the spatial and built form of the city (1983; 104).

Feminist urban theorists have attempted to address the ways that urbanization may affect women and men differently. An obvious example is suburbanization, which resulted in atomized existences for families, especially wives and mothers, in buildings designed in ways that increased the amount of domestic labor required of homemakers.

Some urban researchers (see, for example, Freeman 1980; Watson 1988) have noted that female-headed households are more likely to be located in urban, as opposed to suburban

areas, due to the relatively lower housing costs and the likelihood of housing discrimination in suburban areas. While urban housing is cheaper and more available, it is less desirable, substandard, and located in declining neighborhoods often characterized by lack of services and higher crime rates. The apparent lack of attention to theorizing about the specifically gendered nature of the urban housing crisis is related to the reasons that observers of social welfare may overlook housing as an essential area of investigation. Many investigators approach housing as a commodity (albeit an expensive and necessary one). As a result, housing is generally collapsed into concerns about income in general. Thus for many researchers, the difficulty women face in securing housing is explained away as a result of insufficient income; if income maintenance programs simply provided more money or if women had access to high waged jobs, housing would no longer be a problem for them. Such approaches, however, overlook the gendered nature of the housing market, as well as the fact that women earn significantly less on average than men which continue to make homeownership less economically viable for most women (Simms 1983).

An additional issue that appears to disproportionately affect women's access to housing is that government low income housing programs are not means-tested entitlements and, as a result, housing subsidies or access to public

housing are not available to those who qualify. In other words, housing subsidies are dependent on appropriations, not need. For example, Lazare and Leonard reported that only "29% of poor renter households received any kind of federal, state, or local rent subsidy or lived in public housing in 1987" (1989; xiii). This may serve as a disincentive for some women to leave unfulfilling or physically dangerous or emotionally damaging marriages or live-in relationships.

The assumptions that underlie the distribution of resources to poor women by the state also reflect what I will call the "mystification" of the household." If it is assumed that the legitimate roles for women are those of homemaker, wife, and mother, it is also assumed that women fulfill these duties within a household. A major assumption on the part of the social welfare system and their observers is that households are generally located in homes. Thus the question of whether or not a woman has housing rarely arises; it is generally assumed that women have a place to live.¹²

There are two primary ways that women obtain homes. The first is consistent with the family ethic. Women are believed to acquire homes through marriage. Even in the

¹² The fact that women and their dependent children are the fastest growing group among the homeless may result in increased pressure on the government and others to investigate more carefully the relationship between women and housing (Children's Defense Fund 1990).

case where a recently married couple does not have access to a home of their own, it is assumed that they will find housing with a member of her or his family. Pascall (1986) suggested that the husband's occupation is the critical factor in determining where a family will live. She claims that unmarried women have a disadvantage in terms of access to housing that is of good quality and is secure.

[for women,] housing security depends on accepting and staying in marriage. But there is a further twist for married women: the effect of their unpaid work may be to reduce or eliminate paid work, independent income, and thus access to alternative housing (1986; 138).

When marriages fail, it is generally assumed that the woman (and her children) will remain in the family home, move in at least temporarily with a member of her family, or seek shelter in a refuge. Although many women may retain possession of a house as part of a divorce settlement, Tunnard reported that:

The experience of the Citizens' Rights Office and other agencies which work with one-parent families suggests that...divorce and separation carry a relatively high risk that the mother and children will lose an owner-occupied home (quoted in Pascall 1986; 144).

A second way that women acquire housing is through the rental or purchase of housing using either earnings or grants from programs such as AFDC. While many observers recognize the inadequacy of both women's earnings and AFDC grants for acquiring adequate and decent housing, these are rarely if ever directly analyzed by socialist feminist researchers. It is in this literature where housing is

likely to be subsumed as one aspect of analyses based on insufficient income. In this case, housing is assumed to be a symptom of a problem (inadequate income), not a problem in and of itself. The assumption being made here is that the state is providing women a means to purchase commodities, including housing. However, this appears to overlook the ways that the housing market operates to disadvantage women and their dependent children, as well as the inability of government programs to keep up with rising costs. This is partly a result of the moderate, controlled inflation that has characterized U.S. government economic policy as well as a reflection of the government's need to keep such grants low so as not to interfere with capital's access to relatively low waged workers.

Summary

The tendency to exclude government housing assistance programs from analyses of the social welfare system can generally be traced to assumptions that are made on the part of researchers who approach this issue from the perspective of state intervention in order to assist citizens to meet subsistence needs. The researchers mentioned above (e.g., Abramovitz 1988; Acker 1988; Piven and Cloward 1982; and Quadagno 1990) recognized that the role of the state in providing income maintenance or supplementation for the poor is a relatively recent phenomenon and is largely connected to the state's need for legitimacy in the face of political

opposition from the lower classes. Income maintenance programs, so long as they do not exert upward pressure on wages, and thus do not interfere with capital accumulation activities are tolerated by a large segment of capital. Food supplementation programs are also accepted because food is recognized as a basic necessity of life; that is, it is widely recognized that the government should ensure that its citizenry does not starve. In addition, such programs provide the poor with the resources to purchase food which facilitates consumption and aids the agricultural sector of the economy. Finally, food, and by association, food supplementation programs, are relatively inexpensive.

Housing, however, is quite a different matter. The government's role in housing is restricted by both the commodification of housing and patriarchal beliefs and ideologies about property ownership. The state has largely been unwilling to de-commodify housing; that is, to assert that housing is an entitlement and its cost should reflect a household's ability to pay. Instead, the cost of housing is a reflection of its importance as a capital investment that will increase in value. This, I believe, is key to understanding why women are disproportionately affected by government housing policies and extant market practices.

The framework developed in this chapter suggests that the policies of the federal government in regard to housing assistance are largely shaped by the evolution of the

state's efforts to legitimize and secure support for its activities as well as for those of monopoly capital. Through the mediated demands of capital (e.g., a relatively free environment within which to pursue profits), the working class and the poor (for state assistance in ensuring that the reproductive needs of families are met), the federal government has adopted policies that provide various forms of assistance to families including: income subsidy and income maintenance; health and child care; food and nutrition; education; rent subsidies; public housing; and home ownership subsidies. In general, the government has been unwilling to actively pursue programs that provide affordable and decent housing because they would require a fundamental shift in the rights to property and homeownership that are closely associated with core societal values.

In the U.S., the ability to purchase ever more valuable homes is considered a sign of accomplishment and success. If housing were an "entitlement;" that is, something everyone should have regardless of wealth or status, the value of homes would be limited and one major way that households increase their equity and assets would be fundamentally transformed. Thus the U.S. government's efforts in housing have been heavily weighted in favor of facilitating home ownership for citizens which is consistent

with the interests of capital.¹³ The purchase and sale of homes, with government mortgage insurance and lucrative tax deductions for mortgage interest payments, spur the market and have historically provided home ownership opportunities for a large, but declining, percentage of the population.

Facilitating home ownership, rather than providing affordable rental housing, is preferred by the state because it reduces social unrest. In 1927, a former president of the British Building Society said that:

The man [sic] who has something to protect and improve - a stake of some sort in this country - naturally turns his thought to the direction of the sane, ordered and perforce economical government. The thrifty man is seldom or never an extremist agitator (McDowell 1983; 148).

In this case, the interests of the poor may be ignored in favor of the consonant interests of capital and working and middle class Americans and the state. Moreover, since homeownership generally requires a "male income," the government's disproportionate support of homeownership may also serve to reinforce patriarchal social arrangements by providing fewer opportunities for women to live independently of men.

The shortage of low income housing must be analyzed on two levels -- the macro level that identifies the large-

¹³ The Bush administration's "weed and seed," program proposed in the aftermath of the Los Angeles riots, is an example of the homeownership bias. The program theoretically combines efforts to "weed out" drug dealers and "seed" neighborhoods with homeowners.

scale economic and political factors and the micro level that focuses on the effects of these economic and political factors in terms of who is most affected and why, as well as the nature of those effects. The theoretical framework developed in this chapter provides the conceptual tools that make such a combined analysis possible. O'Connor's contribution provides theoretical insight into how the state has moved from a social welfare state to one oriented toward facilitating economic development. It is with an awareness of this transition that exploration of the federal government's low income housing policies can be examined. However, such an analysis would ultimately be inadequate as it does not recognize the gendered effects of such policies. Attention must be paid to the ways that government social policies, especially those related to housing, may disproportionately affect women and their dependent children if we are to more fully understand the social, economic, and political contexts within which social policy is constructed. Chapter III lays out the methodological strategies used to accomplish the project's objectives.

Chapter III

RESEARCH METHODOLOGY

The political, economic, and social contexts within which the state adopts strategies to ensure economic growth during deindustrialization and/or re-structuring provide a broad framework for an analysis of the logic and impact of reduced federal commitment to programs to house the poor. As discussed in the preceding chapters, the provision of low income housing in the U.S. remains uncoordinated and suffers from the lack of comprehensive and consistent national policies. The diminished role of the federal government in terms of domestic issues has been legitimized by a rhetoric of "new federalism" which asserts that the current size and power of the federal government is inconsistent with the intent of our nation's founders and that efforts must be undertaken to "restore the balance of power as prescribed in the constitution." It is also argued that a decentralized approach to domestic issues would result in "greater efficiency" in assessing need, as well as delivering services. This project was driven by the following research questions:

- (1) What are the underlying political economic factors that have historically shaped U.S. low income housing policies and programs?

(2) Which factors account for the transition from a relatively active federal role in the provision of low income housing to the erosion of that involvement?

(3) What kinds of efforts and organizations have stepped in to replace federal low income housing programs? To what extent have they succeeded or failed? What are the causes of that success or failure?

(4) How does the gendered distribution of resources in society in general affect low income housing policies?

A variety of strategies were used to gather data relevant to these questions. Content analysis of federal housing legislation and published speeches that addressed ideas about the government's role in the provision of housing, since the New Deal, was used to gather information in order to assess the history of federal housing policy as well as perceptions about the role of the federal government in social welfare activities, particularly housing.

The ways that people and communities interpret and respond in their everyday lives to changes in federal welfare and low income housing policies and programs can provide insight into how state, local, and private agencies and organizations have stepped into housing provision. Thus, the second phase of this project relied on discussions with informants involved in local housing and community development efforts. These informants included representatives of government, members of low and moderate housing and emergency assistance organizations, or were concerned and involved citizens. Regardless of whether or not people accept proffered explanations for changes in the

federal government's role, communities must adapt and respond to new initiatives. How members of local communities understand the rationales that shape the nature and impact of federal domestic policies on their neighborhoods and communities provided a way to understand how the public integrates what it hears from the government.

It was through interview and field research that I hoped to understand more about how U.S. housing policy has affected women in particular. The welfare literature often focuses on how such policies and programs are grounded in patriarchal ideas about the role of women and the nature of families. Patriarchal beliefs and practices are recognized as having shaped the structure of welfare programs such as Aid for Dependent Children (Abramovitz 1988). Housing assistance programs have historically been premised on a traditional two-parent family and women's disproportionate need for permanent housing assistance appears to be overlooked.

The project thus involved two separate lines of inquiry -- historical documentary research and interviews -- in order to develop an intensive case study of one nation's ideological and programmatic responses to the provision of decent and affordable housing to low and moderate income families, particularly women with dependent children. The utility of the intensive case study approach was discussed by Evans and Nelson:

Like...many other scholars of comparative social history, we hold that what one wants to understand in comparative history or policy is not so much the effects of variables on narrowly defined actions as the relationship of concepts, and the structures and processes they represent, to each other at certain historical moments. A structured, highlighted comparison is one that focuses on one case study (instead of several) but which has delineated the important relationships so that the focused comparisons that are made will advance the systematic investigation of the questions at hand (1989; 71).

In the following pages, I discuss the research process, focusing on the methodological approach used in this project.

Research Philosophy

The critical case study developed in this research project is based on a grounded theoretical approach (Glaser and Strauss 1967) within an existing framework of critical social science (Fay 1987). Both assume that one objective of social science is to provide information and to offer insights so as to facilitate social change. A critical social scientific approach is particularly suited to this project because it is based on a belief that the dominant social forces of society shape people's understanding of themselves and society in ways that obscure how the existing social order fails to serve their interests.

Critical social science also seeks to uncover the ways that people are complicit in this process. This knowledge is used to educate people in order to empower them as a

first step toward achieving positive social change (Fay 1987). Fay suggested that

the shaping of ideas can be a function of social conditions but [they can also] play a causal role in creating and sustaining particular social structures (1987; 40).

Thus, the objective of the analysis of the speeches of leaders, thinkers, and participants was to determine how ideology and rhetoric are used to define social reality and whether such rhetoric accurately reflects or obscures the aims of the state, as well as the nature of the reality of institutional structures that affect social, economic, and political life.

While the critical social science paradigm served as an overarching framework within which the research questions were conceptualized, the theoretical insights gained from this project have emerged in part as a result of a grounded theory research strategy. Glaser and Strauss (1967) suggested that the grounded theory process leads to the development of middle range theories that emerge from the collection of and interaction with data. Such theories are especially useful at explaining how various parts of the world "work" so that those affected can understand and make decisions as to whether and how action should be taken.

While the research strategy utilized in this project relied heavily on methodological processes and objectives based on Glaser and Strauss' grounded theory approach, it occurs within an existing feminist, political economic

framework (see Chapter II). Strauss and Corbin, recognizing that most social scientists have adopted perspectives "grounded" by extant theories, suggested that grounded theory can be shaped by the precepts of existing theoretical paradigms. For example:

A researcher steeped in the perspectives of Symbolic Interactionism might examine the meanings given to situations by the people involved. A Marxist might seek to determine the structure of economic exploitation in a situation (1990; 51).

The feminist political economy framework that shapes this project emerged from historical and critical assessments of social, political, and economic relations in the U.S. As discussed in Chapter II, this project is an attempt to apply this framework to government-sponsored low income housing programs. Grounded theory methods are used to identify the ways that the role of the government in housing provision have been understood and enacted. Grounded theory provided an opportunity to combine feminist political economy with social constructionist insights in order to understand both what has happened and how what has happened has been understood and shaped by various actors and interest groups.

According to Glaser and Strauss, the process of creating analytical categories out of various forms of data results in an emergent, substantive theory that, as it is refined and improved by continuing data collection and analysis, can evolve into a more formal theoretical explanation of social phenomenon (1967; 55). Glaser and

Strauss also suggested that grounded theory is a preferable strategy for dealing with many sociological research questions because it allows for the recognition that human and social life are varied and complex, resulting in inexact fits with existing metatheory or substantive theoretical precepts (1967; 46).

Alternatives to a critical science and grounded theory approach are based on the positivist tradition which is organized around the objective of proving or disproving existing theories. Positivism is limited in several important ways. First, Glaser and Strauss pointed out that:

Potential theoretical sensitivity is lost when the sociologist commits himself [sic] to one specific preconceived theory...for then he becomes doctrinaire and can no longer 'see around' either his pet theory or any other (1967; 46).

This can limit the researcher's ability to look at data in different ways because the theory and the research questions point to certain avenues of inquiry, cutting off awareness of and access to alternative ways of conceptualizing the data. This can result in findings that may inaccurately capture and reflect social reality.

A second, related, limitation of positivist research strategies is the dominance of positivism and its counterpart, quantitative methodologies. Within the sciences, this has meant that research strategies premised in logico-deductive reasoning are granted immediate legitimacy and the unquestioned acceptance of their precepts

and assumptions. Critical social science, with its objective of

demonstrat[ing] the ways in which the self-understandings of a group of people are false (in the sense of failing to account for the life experiences of the members of the group), or incoherent (because internally contradictory) (Harding 1987)

would be limited in its success if it relied on methods associated with positivist social science. Such methods tend to accept commonplace assumptions about the way the world works within a prescribed research design (that cannot be changed even if the data indicate that it may be flawed), and to focus on quantifiable data that may reflect majoritarian views, ignoring significant minority divergence from statistically significant findings (Glaser and Strauss 1967; Fay 1987; Negri 1988).

Suggesting that the assumptions of positivism are value-laden and are thus equally deserving of exploration, justification, and challenges to their claims of methodological objectivity, Harding argued that

the authors of the favored social theories are not anonymous...they are all clearly men, and usually men of the dominant classes, races, and cultures. The people who identify and define scientific problems leave social fingerprints on the problems and their favored solutions to them (1987; 184).

Mills (1959) suggested that the sociological variety of positivism is particularly ill-suited to critical examination of social phenomena precisely because its values and assumptions are unquestioned and because the ways that academic social research is funded leads sociologists (and

others) to shape research agendas that are consistent with the frameworks of the power elite. Critical social science and grounded theory, by stepping away from positivist assumptions and seeking new ways of knowing and understanding, provide the best vehicles through which a sociological imagination can be used in the interests of positive social change -- enlightenment, empowerment and emancipation (Fay 1987; Mills 1959; Negri 1988).

However, this does not mean that a critical social science and grounded theoretical research process is anarchic or not "scientific" (Negri 1988). Since, at the most basic level, a research method is a way of gathering evidence, certain rules must guide that process; whether quantitative or qualitative, grounded or grand, critical or positivist. As Strauss and Corbin explained:

Grounded theorists share...[qualitative researchers'] conviction that the usual canons of 'good science' should be retained, but require redefinition in order to fit the realities of qualitative research, and the complexities of social phenomena that we seek to understand. The usual scientific canons include: significance, theory-observation compatibility, generalizability, consistency, reproducibility, precision, and verification (1990; 249-250; emphasis in original).

At the same time, Strauss and Corbin cautioned that these canons must be contextualized within a specific research process and thus strict adherence to their physical or biological science definitions would be ill-advised (Strauss and Corbin 1990; 250). The grounded theory process thus has developed its own set of evaluative criteria for judging the

quality of such research. Attempts have been made in this research project to follow the guidelines for evaluation set forth by Strauss and Corbin to ensure that: data are valid, reliable, and credible; and that the substantive and more formal theory that is refined during the research process accounts for variation, includes micro- and macro-social factors, historical processes of change or movement; are significant; and reflect "reality" (1990; 254-256).

Identifying the Data

The goal of this project was to understand how federalist rhetoric and ideologies have been conceptualized and articulated by elites over time and to explore the consequences for low income housing at the community level. The data are the products of theoretical sampling, and help to illuminate the role of the federal government in the provision of low income housing.

Strauss and Corbin described theoretical sampling as a cumulative process that is guided by "questions and comparisons that evolve during analysis and that help a researcher to discover relevant categories, their properties, and dimensions" (1990; 178). Speeches, laws, and interviews) were identified and collected based on these strategies.

The research process utilized herein made it "possible to uncover as many potentially relevant categories as possible, along with their properties and dimensions" and

led to the development of an analytic framework that allowed for a fuller understanding of the ways that the role of the government in general and in regard to housing has developed over time (Strauss and Corbin 1990; 182).

Phase One: Historical Views about the Role of the Federal Government in the Housing Industry

The research conducted in Phase One identified views about the role of the federal government in housing, particularly the provision of low and moderate income housing. This objective was accomplished in two ways. The primary source of data included housing legislation passed and adopted into law during the period 1930-1991. Of particular interest were statements related to how the Congress envisioned the impact of these laws on society. While the type of programs created under the legislation was of interest and was explored, i.e., what Congress viewed as the underlying rationale for the programs, what they expected such legislation to accomplish, and the approach that problem solving activities should take, offer insight into the ideological premises that generate federal policy and programs.

The second source of data utilized in Phase Two were speeches compiled in Vital Speeches related specifically to housing, especially for low and moderate income households (see Appendices A and B for lists of analyzed speeches). Of interest here were the ways that stakeholders viewed the

nature of housing problems in various historical periods and their ideas about how they could be solved. Of particular interest were both government and non-government stakeholders' views of the government's role.

The analysis of speeches was suggested by Kanter's analysis of business journals and Vital Speeches that appeared in the Changemasters (1983). Kanter was interested in tracing shifts in the cultural context for U.S. corporations between the 1960s and 1980s. My approach was to collect all of the speeches related to the role of the federal government, particularly in regards to housing, from Vital Speeches, beginning with the administration of Franklin Roosevelt. Kanter suggested that this strategy enables one to document shifts in the attitudes of key leaders over time, a central focus of this project.

Given the editorial policy of Vital Speeches, I would argue that, in addition to providing the "unedited and unexpurgated" speeches, the journal also highlights what were considered important issues at the time they were being debated.¹ While this journal is a good source of speeches

¹ The masthead of Vital Speeches claims that:
The publishers of Vital Speeches believe that the important addresses of the recognized leaders of public opinion constitute the best expressions of contemporary thought in America, and that it is extremely important for the welfare of the nation that these speeches be permanently recorded and disseminated. The publishers have no axe to grind. Vital Speeches will be found authentic and constructive...It is the policy of the publishers to cover both sides of public questions and to

for the purposes of this project precisely because they are reprinted in their entirety, the editorial decisions made about which speeches to include are also an important source of data. Post-structuralists such as Foucault, Derrida, and Habermas have suggested that social situations and the language used to describe those situations are central to the development and understanding of how events are interpreted by those who do and do not have access to power (Fraizer 1991). Thus the choices made by the editors of Vital Speeches may be seen as facilitating the efforts of those in power to have their interpretation of "reality" become the perspective held by the rest of society.

Vital Speeches facilitates an understanding of the ways that those in power have conceptualized the role of government over time. While I recognize that the speeches are "pre-selected" using criteria to which I was not privy, I would suggest that since this study's objective was to understand the ways that the powerful have viewed the role of the federal government, the use of data from a "public record" which claims to represent these very groups is a legitimate and useful approach.

print all speeches in full...This material gives the reader the best thought of the best minds on current national problems (emphasis added).

Phase Two: Community-based Responses to Changes in Federal Housing Policy

The second phase of this project relied on field research and interviews to illustrate how those involved in local efforts to produce decent and affordable housing perceived the affects of federal policy shifts on communities, as well as to provide an example of how one community has attempted to cope with the real effects of significantly reduced federal housing assistance. One of the claims made by supporters of new federalist is that, given appropriate technical assistance, committed state and local governments, and a core of voluntary groups and individual volunteers, communities can provide services formerly provided by the federal government. Proponents of this view assert that these services can be provided more efficiently and more cost-effectively at the local level. Biddle City was used to explore the ways that federal-level ideologies, rhetoric, and policy decisions affect local communities in significant and not entirely predictable ways. This phase of the project also sought to gather data about the extent to which the informants considered the particular needs of women and their dependent children in terms of their understanding of housing-related issues, as well as the types of housing programs and policies they endorsed and/or developed.

The data collected and analyzed were the result of two types of activities. Field research in Biddle City during Fall 1989 resulted in the identification of the

organizations providing low income housing to the city's residents. The list was updated during follow-up field research in 1991-1992. The second type of data resulted from an interviewing process whereby key informants, representing community housing groups, neighborhood organizations, technical assistance groups, foundations, and national and sub-national government departments, were identified through the field research process as well as systematic study of the local newspaper.

Data Collection and Analysis

Data Collection

The first part of the data collection process during Phase One involved identifying relevant housing legislation. Using the United States Code Annotated: General Index and Popular Name Table (1991) housing legislation was identified and then located in The U.S. Statutes at Large. Each law was carefully examined and relevant parts of the law, including the law's statement of findings and declaration of intent, were transcribed. In order to determine whether or not significant legislation was passed at the state level, the same process was used to identify state-level legislation.²

² State-level housing legislation was significant by its absence. It appears that housing legislation was generally passed at the state level to provide the legal mechanisms through which federal laws could be implemented.

The second part of the data collection process during Phase One involved reviewing Vital Speeches to locate addresses made about the role of the federal government in general or about specific housing issues. Relevant speeches were located either by use of the journal's annual index, the weekly table of contents, or by reviewing each issue of the journal speech by speech. Once relevant speeches were located, important sections were sorted and analyzed according to presidential administration. During the data collection process, special attention was given to identifying speeches by state-level officials on the subject of housing or the role of the federal government. There are three possible explanations for their absence. First, perhaps no state official gave any speeches on this subject. Second, it may have been the case that Vital Speeches did not consider these subjects important. Finally, Vital Speeches may not have considered representatives of state-level organizations who made speeches on these subjects to be of significant stature to be included in the journal.

Data Analysis

The data were first coded into emergent categories that reflected the project's conceptual framework, reflecting interest in the general role of the federal government and more specifically its role in housing. Qualitative analysis of the speeches was used to understand how these underlying ideological bases have shaped the government's role in

housing in various historical periods. While some have criticized the focus on rhetoric as a way of understanding social phenomena on the basis that people often do not do as they say (Edwards 1984), this project's objective of understanding the nature of ideological conceptions of the role of government makes such a focus not only useful but necessary.

A qualitative coding sheet was developed that identified key areas of inquiry. The speeches and legislation were reviewed on a line-by-line basis and were coded into relevant categories, and organized by presidential administration. Division of the data by presidential administration facilitated making comparisons from one administration to another so that an assessment could be made of the ways that different executives saw the role of the government.

A snowball-type sampling strategy was employed to identify the organizations and persons interviewed (see Appendix C). As I learned more about the community and met with members of various community groups and government agencies, key actors and organizations were identified. I met with representatives of as many of the organizations and agencies as I could identify and gain access to. As the study progressed, it became clear that local groups were dependent on a variety of government and other non-profit organizations in order to accomplish their goals. In order

to learn more about how these groups functioned within the larger housing industry as well as the community-at-large, I developed a list of question that I used in conversations with 30 informants representing city and state government, non-profit housing providers, technical assistance organizations, bankers, housing consumers, housing and community activists, and emergency assistance agencies.

The following chapters contain the findings from the two phases of the project. Chapter IV summarizes the findings of the documentary research beginning with the presidential administrations closely associated with New Deal programs and their legacies -- Franklin Roosevelt, Truman, and Eisenhower. Chapter V focuses on the federal government's role in housing provision as articulated during the transitional administrations of Kennedy and Johnson. The subjects of Chapter VI are the community development and revenue sharing administrations of Nixon, Ford, Carter, Reagan, and Bush. Chapter VII reports on the findings that emerged from the field research and interviews conducted in and about Biddle City.

Chapter IV

LOW INCOME HOUSING POLICY: 1930-1960

While there have been variations in terms of the nature of federalism advocated during presidential administrations since the New Deal, support for a limited federal government has remained constant. Even during periods such as the Great Depression and the Great Society, characterized by increased funding and involvement in domestic programs on the part of the federal government, federalism was endorsed by presidents and others (Joel 1991). For example, Presidents Roosevelt and Johnson, who orchestrated federal responses to social crises, asserted that the role of the federal government was to facilitate local and state government intervention and to involve private enterprise in low income housing programs. Thus, the "new-new federalism" adopted by Reagan did not signal as great a shift from previous administrations as is generally assumed (Joel 1991).

As an example of the policy implications of the federal government's historical commitment to federalism within the context of a "free" market, this chapter will describe the low income housing legislation adopted since 1930. Since legislation that becomes law is a result of compromise and

negotiation between different claimsmakers and stakeholders, it may not necessarily reflect the original intent of the various branches of government. Congressional legislation is also more likely to result in the creation or modification of programs rather than in the expression of a specific policy or philosophical objectives. Therefore, the legislative analysis presented here will be supplemented by comments appearing in speeches published in Vital Speeches that addressed housing-related issues.

These two types of data -- legislation and texts of speeches -- provide a useful depiction of the ways that the federal government's role in housing has been understood, articulated, and legislated since 1930.¹ Where appropriate, these data will be supplemented by secondary sources that have summarized and contextualized federal housing policies and programs.

The Depression Years: Herbert Hoover and Franklin Roosevelt

The legislative philosophy of the 1930s was set by the National Industrial Recovery Act of 1933 (NIRA). The

¹ Federal housing policy is generally believed to have been initiated during the Great Depression. Bos (1985), however, suggested that the period between 1917-1929 was important in terms of federal housing policy, largely because the focus on production and ownership as a "macroeconomic stabilizer" first appeared during this period. Yet the attention of most housing reformers and activists from the late 19th century until the Depression period was focused on slum and tenement housing conditions and was thus oriented to codes, zoning, and minimum standards that were under the purview of local governments (Mitchell 1985; 6).

purpose of this Act was to encourage "national industrial recovery... foster fair competition, and...provide for the construction of certain useful public works, etc." (U.S. Statutes at Large 1933; Ch. 90).² Residential construction was also identified as a critical ingredient in the recipe for economic recovery. Roosevelt asserted that:

from the point of view of widespread and sustained economic recovery, housing constitutes the largest and most promising single field of private enterprise... [The housing] industry, more than any other, can put idle funds to work and thus speed up circulation of the nation's money supply. This would...increase national income, reduce unemployment, and...contribute to a balancing of the budget (Vital Speeches 12/15/37).

Roosevelt believed that the state should supplement the resources of the market and that the "programs undertaken should be selected and planned so as to compete as little as possible with private enterprises" (Vital Speeches 1/14/35).

The 1930s were characterized by three significant policy and legislative directions. The first, housing finance, was geared toward stabilizing banks and encouraging home ownership in order to stimulate economic growth through increased residential construction. The federal government's involvement in banking regulation, mortgage insurance, and its creation of a secondary mortgage market were justified in terms of promoting economic stability and growth. Second, the provision of low income housing was

² While the NIRA was ultimately determined to be unconstitutional by the U.S. Supreme Court, its underlying logic and many of its programs were incorporated into subsequent legislation.

circumscribed by a belief that the private market was the legitimate source of housing for the majority of Americans as well as executive policy that was committed to expanding demand for commodities, including housing. As a result, public housing was limited from the start in terms of the quality of housing provided, the types of tenants, and, most importantly, the role it would play as a form of housing tenure in the United States. Finally, while the federal government recognized its obligation to regulate the banking industry, primarily to insure that banking and mortgage credit was widely available and policies were consistent across states, it delegated the funding, construction, and management of public housing to the local level. From the start, the federal government set policy for local government to follow vis a vis low income housing, but it avoided becoming a landlord itself.

The Emergency Relief and Construction Act of 1932 resulted in the Reconstruction Finance Corporation (RFC). The Home Loan Bank Act of 1932 created the Federal Home Loan Bank Board and the Federal Home Loan Bank system that, along with the Federal Savings and Loan Insurance Corporation (FSLIC)³, the Federal Deposit Insurance Corporation (FDIC)⁴, and the Homeowners' Loan Act of 1933, fundamentally transformed the mortgage lending system and made it possible

³ Created by Title IV of the Housing Act of 1934.

⁴ Created by the Banking Act of 1933.

for more Americans to purchase their own homes. As the Nixon-commissioned report, Housing in the Seventies, suggested

It was the[se] Depression-born institutions that demonstrated the soundness of the fully amortized, long-term, low-monthly-payment, low downpayment mortgage (1974; 8).

The resultant housing finance system relied on savings and loans⁵ and mutual building associations to provide these newly-created long-term mortgages, using insured deposits from member-shareholders.

Home Ownership

Among the most important institutions resulting from 1930s legislation were the Federal Housing Administration (FHA) and the Federal National Mortgage Association (FNMA).⁶ According to the National Housing Act which created these agencies:

The president is authorized to create a federal housing authority...to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions...against losses which they may sustain as a result of loans and advances of credit...made by them for the purpose of financing alterations, repairs, and improvements of real property (U.S. Statutes at Large 1934; ch.847).

⁵ The charters of federal savings and loan associations were authorized in the Home Owners' Loan Act of 1933.

⁶ Both are products of the National Housing Act of 1934.

The FHA was developed to insure mortgage lending institutions against losses at the same time that available credit to these institutions was increased through FNMA, the secondary mortgage market. FNMA purchases federally-insured mortgages from mortgage lending institutions, thus freeing up the institutions' assets and enabling them to make more loans. The secondary market also led to the development of a national mortgage credit market, making credit available regardless of regional credit reserves (Housing in the Seventies 1974; 9).

FHA and FNMA reflected Roosevelt and Congress' objective of facilitating a private housing market. Roosevelt expressed it this way:

The government has made provision, through assistance to municipal housing, for many of the most needy. But private enterprise and private capital must bear the burden of providing the great bulk of new housing...The government can help by reducing finance costs, making it easier for families of moderate incomes to buy or rent new houses and providing mechanisms to make it practicable for private enterprise to engage in large scale housing opportunities for the mass market (Vital Speeches 12/15/37).

Roosevelt believed that, with bank reforms and mortgage insurance, the private market could and should provide housing for most Americans. The role of the government should be to ensure that the market worked fairly and efficiently. Thus, in 1937, Roosevelt told Congress:

In the budget of the great mass of our families, the point is quickly reached where increased costs mean reduced consumption. Reduced consumption, in turn, means a decline in someone's business and someone's employment. The essential problem of the construction

industry and its workers, then, is to find a reasonable way to adjust the cost of housing to the consumer's means (Vital Speeches 12/15/37).

Roosevelt supported mortgage subsidies for home ownership (through FHA, the Reconstruction Finance Corporation, and the Home Owners' Loan Act) because he believed they would foster economic growth through increased consumption. He supported labor and proposed legislation to strengthen labor's bargaining position (first through NIRA and later through the Wagner Act) for similar reasons. For Roosevelt, a strong labor movement meant higher wages which resulted in increased consumption and generating greater demand for goods produced in the nation's factories.

While much of the federal government's attention during the Depression years was directed toward stimulating industry and commerce, some efforts were made to improve conditions of the urban unemployed. Many people were affected by high unemployment and lack of a social safety net during this period. The large number of Americans impoverished by the Depression led to widespread acceptance of the belief that difficult situations were the result of economic crisis, not individual failure. Thus there was public support for government social programs. However, Roosevelt and others, concerned about dependency on "handouts" from the government, advocated and developed programs that provided work opportunities for those affected by the Depression. These public works projects (for

example, the Works Progress Administration) also stimulated construction and related industries and thus were consistent with the Keynesian strategy of "pump priming."

Roosevelt's use of homeownership programs accomplished two related goals of government as discussed by O'Connor. Making homeownership possible for a broader segment of the population served to increase the stability and legitimacy of the government by providing the opportunity for potentially disgruntled Americans to obtain a stake in the system. At the same time, increased demand for single-family housing created demand for construction and consumer goods and services, thus fueling capital accumulation.

Low Income Housing and Slum Clearance

In contrast with the housing finance rhetoric and legislation during this period, the rationale for federal involvement in low income housing was only partly based on the need to "prime the economy." The major stimulus for federal involvement in urban housing was instead based on public concern about the social consequences of slums and the unsanitary and unsafe housing found there. In a speech entitled, "The Cesspools of our Civilization - The Slums...", Senator Robert Wagner (New York) claimed that:

these blighted areas [slums] are the favorite sporting ground of every species of crime and juvenile delinquency...This unhealthful environment provides the background for many of the so-called big shot racketeers (Vital Speeches 8/15/37).

The intent of this speech was to drum up support for the United States Housing Act of 1937. In it, Wagner represented the views of social workers and housing activists when he claimed that slums were the product of a troubled economy (not individual failure) and that the government had both an obligation to and an interest in remedying substandard living conditions in order to ensure that slum children would grow up to become "good" citizens, not "racketeers."

Nathan Strauss, the first administrator of the U.S. Housing Authority, suggested that decent housing would reduce threats to democracy. In a 1937 speech to the U.S. Chamber of Commerce, Strauss stated that:

A decent home for every American would be a stout bulwark...for our democratic form of government and our free institutions. The slums must go or the society that tolerates them will. It is the unescapable logic of that argument that has been the propelling force back of the great government rehousing programs of Holland, Switzerland, Sweden, France, and Great Britain (Vital Speeches 1/1/38).

However, the strategies adopted by these European nations and the U.S. were philosophically different. In Europe, governments came to have a broad commitment to, and played key roles in, the development, ownership, and management of housing for households from a variety of classes (Gilderbloom and Appelbaum 1987). In contrast, even as great an advocate for federally-assisted low income housing as Senator Robert Wagner made it clear that the federal government's role in housing should be strictly limited.

Wagner echoed the views of both Roosevelt and Strauss when he said:

The unique feature of this bill is that it contains adequate safeguards to assure that only slumdwellers and people of very low income groups will be able to benefit from this public aid...A provision is included for co-ordinating the building of new homes for slum dwellers with the destruction of the old and unhealthful quarters in which they now live. For these reasons, and because it protects private enterprise from competition, the bill has received widespread support from businessmen (Vital Speeches 8/15/37).

Reflecting the government's historic alliance with business and industry, Wagner alluded to what has become a consistent pattern in federal housing policy; that is, most of the benefits accrue to the industry and the middle and upper classes while only a fraction of this assistance is directed toward the poor. The United States Housing Act of 1937 put it this way:

[the purpose of this act is to] provide assistance to the states and political subdivisions thereof for the elimination of unsafe and insanitary housing conditions, for the eradication of slums, for the provision of decent, safe, and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity (U.S. Statutes at Large 1937; Ch. 896; emphasis added).

This Act's statement of intent is important for two reasons. First, it indicated that the responsibility for providing low income housing was located in local and state governments. The federal government did not take on this responsibility itself. Thus the legislation appears to have been conceived and implemented in accordance with federalist assumptions. Second, the legislation directly linked the

low income housing to the stimulation of the economy as well as to the provision of jobs. Thus, low income housing programs were viewed and developed as a way to create jobs through the construction, sale, and management of such units.

The nature of public housing as created in the U.S. Housing Act of 1937 reflected the belief that the government should only intervene in the market when it was clear that the market was incapable or unwilling to provide needed goods and/or services. Strauss suggested that the existence of slums was evidence that the market could not profitably house the poor and illustrated the need for public housing:

The fact that slums do exist in our country in alarming proportions is evidence that private industry cannot profitably eliminate them and provide good low-rent housing in their place. If this were possible, self-interest would long ago have wiped out our slums and provided good accommodations in their place. Society as a measure of self-preservation must destroy the slums, and the rehousing of slum dwellers must be done with government aid, if it is to be done at all (Vital Speeches 1/1/38).

Strauss went on to "sell" the public housing program to the Chamber of Commerce by arguing that it would not interfere with the demand for residential housing. Echoing Wagner, Strauss reiterated that public housing was to "serve only those very low income groups who are not in the market at

all for private home-building" and that public housing should meet only "minimum standards of decency" (183).⁷

However, Strauss and others were not entirely successful in their attempts to convince skeptics that public housing would not compete with market housing. Attorney Charles P. Taft, at a dinner of the sixth annual meeting of the National Association of Housing Officials, called for serious consideration of the concerns of those who argued that public housing posed a threat to market housing. One of the key concerns raised by Taft was the belief on the part of opponents of public housing that the government would enter the rental housing market and rent to anyone, regardless of income, thus competing with private landlords. A second concern raised by opponents of public housing was the government's decision to build projects on suburban vacant lands,⁸ thus competing with private builders and "stifling private enterprise." Taft's comments illustrated a key issue that has shaped much of the ensuing debate about the provision low income housing -- filtering:

⁷ The idea was that public housing should meet only the basic codes and standards for habitability, and thus would not compete with private developers of more commodious housing.

⁸ Underlying the issue of building public housing on vacant lands in the suburbs were race-based beliefs that an influx of people of color, poor or otherwise, would hamper the efforts of developers to sell homes and included suggestions that the suburbs were safer than the cities, largely because of the absence of people of color.

The...fact is that the opponents of vacant land projects believe and have admitted to me in private...that the slum dwellers should be taken care of in the depreciated outmoded dwellings of the economic level just above them, and that the new building should take place, almost entirely for the higher economic levels...that argument will never go down with the people of this country. It means that the slum dwellers like the end of a long line of marching men, are always running to catch up. The slums never do catch up, and that policy will keep them with us forever (Vital Speeches 1/1/38).

Despite Wagner and Strauss' promises that public housing would remain outside of the private market, many remained unconvinced. As a result, Strauss and subsequent public housing administrators were held to the minimum standards pledge and public housing provided the barest and most basic housing for the poorest households. This strategy, unique among western, developed nations, resulted in many of the problems that remain associated with public housing and led to its inadequate funding, almost from its inception.

Roosevelt's New Deal administration is generally characterized by a strong central government and housing policies enacted during this period indicate that the federal government played an important role in shaping policy and providing resources for their implementation. However, the evidence presented in this section makes it clear that the Roosevelt administration supported a limited role for the federal government, one based on expectations that state and local governments and the market would be important partners in the provision of housing.

1940s: War Emergency and Post-War Housing⁹

The early 1940s were characterized by limited activity in regard to residential housing. Residential housing programs during the period were generally targeted toward defense and war purposes and were funded by special programs under the FHA:¹⁰

These programs provided mortgage insurance on liberal terms to builders providing housing in 'critical defense areas;' they were reenacted and made available to veterans after the war ended (1974; 10).¹¹

Using emergency war powers, Roosevelt created the National Housing Administration¹² to ensure that the required war and defense housing were provided as well as to centralize all federal housing programs under the authority of a single administrator (Federal Register 1942; 1529-1530). In addition, in 1940, Congress provided mortgage relief to prevent foreclosure for those serving in the armed forces during the war.

The World War II period is the only time in history when the federal government owned or directly controlled a

⁹ This subtitle is borrowed from Subcommittee on Housing and Community Development's report entitled Evolution of the Role of the Federal Government in Housing and Community Development: A Chronology of Legislative and Selected Executive Actions, 1892-1974 (General Printing Office, October 1975).

¹⁰ These were enacted as sections 603 and 608 of the amended National Housing Act.

¹¹ Housing in the Seventies 1975.

¹² Executive Order 9072.

significant amount of non-military housing¹³ and, after the war, it destroyed two-thirds of the 853,000 units that were built. The remaining third was sold, primarily to colleges and universities. Even defense and war housing relied heavily on FHA insurance to entice private builders to build it. In addition to this fairly intense effort to build housing, the government also commandeered public housing for use by defense and war workers. Public housing was returned to local public housing agencies in 1949, along with some units of defense housing that were not destroyed. However, defense and war housing programs continued well into the 1950s and were expanded to provide housing to meet loosely-defined national defense needs¹⁴ as well as for distressed families of service members and veterans with families.¹⁵

The diversion of materials, supplies, and resources to the war effort meant that most non-war-related construction activities, including residential housing construction, came to a halt. The wartime reduction of already low productivity as a result of the Depression resulted in a

¹³ The federal government currently owns residential and other property acquired as part of the assets of savings and loan associations through the Resolution Trust Corporation (RTC). However, the objective of the RTC is to sell these properties, even at prices significantly lower than their appraised values.

¹⁴ Defense housing came to include housing for workers at the Atomic Energy Commission, NASA, and other federal agencies.

¹⁵ For example, Title V of PL 79-87 (U.S. Statutes at Large 1945).

severe housing shortage that the government recognized and began to plan for as early as 1942.

The War-time Housing Debates

Roosevelt was essentially silent on the housing issue during the war. His State of the Union addresses tended to focus on the need to guard against external threats to democracy (1941) and the need to increase war-related production (1942). In his 1942 Message to Congress, Roosevelt speculated about the expectations of returning war veterans:

When you talk with our young men and women you will find that with the opportunity for employment they want assurance against the evils of all major economic hazards...that will extend from cradle to grave...and this great government can and must provide it (Vital Speeches 1/15/43).

Plans for solving the anticipated post-war housing shortage focused on housing construction and encouraging home ownership. Former Governor of Ohio, Myers Cooper, in a 1942 address to the Annual Convention of the Pennsylvania Real Estate Association, underscored the value of homeownership to individuals and the nation, as well as the government's responsibility to ensure that ownership remained an accessible and profitable investment for the majority of Americans:

The right of the individual to own property and to be protected in that right is...more than a figure of speech. It is a great American heritage and must be protected at all hazards... (Vital Speeches 12/1/42).

He urged the realtors to recognize the potential threat posed by the federal government to homeownership after the war:

When the war is over the building enterprise will be called upon to meet a great economic and social need, since the shortage will run as high as 1.5 to 2 million units and the realtor must be prepared to meet this requirement; otherwise we will face government construction on a large scale which will include subsidizing housing improvements with the taxpayers' money and which will constitute the severest kind of competition since it will be cheaper to rent properties than to own one's own home (Vital Speeches 12/1/42).

Slum clearance and public housing projects were again viewed by some as a threat to the residential construction industry and government intervention in housing was perceived as a serious obstacle to the promotion of home ownership by the private market. Cooper concluded his speech by saying:

No one seriously objects to real slum clearance projects undertaken by the government in blighted areas. The objection is to the erection of low cost subsidized housing in suburban areas destructive to the incentive to own homes and which deny local governments its legitimate tax income (Vital Speeches 12/1/42).

Cooper's comments echoed those raised by Taft in 1938 and reflected the construction and real estate industries' claims that government low income housing was a serious threat to their livelihoods. In the post-war period, the government appeared to have been sensitive to these arguments and its greatest housing initiatives were along the lines of promoting home ownership through the provision of mortgage interest subsidies and insurance programs that

the real estate and construction industries supported.¹⁶ Taft and Cooper's assertions that low income, subsidized housing did not belong in the suburbs reflected the government's decision to locate the majority of such housing in central cities and urban areas which has continued essentially unabated since the 1940s. The next sections of this chapter summarize post-war housing activities on the part of the government, focusing first on rent control, and then turning to veterans' housing and urban housing policies and programs.

The Emergency Price Control Act of 1942

The Emergency Price Control Act of 1942 implemented rent and price controls that extended into the 1950s. The extension of rent control beyond the war's end was justified as a way of preventing inflation and rent-gouging as a result of the housing shortage. Not everyone agreed with Truman on rent control and some argued that it exacerbated the housing shortage. Senator Albert W. Hawkes (New Jersey) addressed the Brooklyn Real Estate Board in 1947:

...capital only seeks a place to work when there is opportunity for accomplishment and reward...unless we change the conditions and rules of the game and take the hand of the government off the throttle which could give full steam ahead, it is my opinion that the housing shortage will last twice as long as it

¹⁶ The demand for housing on the part of returning veterans who were starting families and the need to increase demand for durable goods were additional factors shaping the federal government's support for homeownership and suburbanization.

otherwise would, and the cost to the American people, who are in the market for housing will be double what it should be (Vital Speeches 2/15/47).

Nonetheless, rent control continued until 1953.

Veterans' Housing Programs

The Servicemen's Readjustment Act of 1944 reflected concerns about government housing activity as expressed by Cooper above. It was conceived as a response to the housing shortage as well as a way to help World War II veterans readjust to civilian life. The most relevant section of this piece of legislation is Chapter V, establishing the Veterans' Administration (VA) loan program. The VA program provides loans for the purchase or construction of homes, farms and farm equipment, and business property. The VA program began by providing loans to World War II veterans and has since been extended to cover all veterans of the armed forces since World War II. In addition, in order to increase the supply of available credit for VA loans, the RFC was authorized to create a secondary market for these loans in 1946.¹⁷

In his 1947 State of the Union address, Truman located the responsibility for veterans' housing with:

...private industry and labor. The government will continue to expedite the flow of key building materials, to limit non-residential construction, and to give financial support where it will do the most

¹⁷ The RFC was dismantled in 1947. However, the U.S. Housing Act of 1948 provided a secondary market for such loans when it authorized FNMA to buy VA mortgage loans.

good. Measures to stimulate rental housing and new types of housing accommodation will receive special attention (Vital Speeches 1/15/47).

Despite Truman's emphasis on rental housing in this address, it continued to constitute only a small part of federal housing initiatives. The Servicemen's Readjustment Act did not provide rent subsidies, although veterans were granted preference in housing rental and ownership, both public and private. The VA loan program remains the largest government housing program targeted to any single group (Hays 1985).

Federal Housing Policies and Programs

The 1940s were characterized by limited government activity in housing, especially during the war years. Housing legislation during the decade, in general, reflected the shortage of residential dwellings, especially for returning war veterans and their families. In an apparent response to concerns raised by the real estate and construction industries, veterans' and other housing programs focused nearly exclusively on providing loans and insurance so veterans and others could purchase single family dwellings.

While earlier presidents alluded to the federal government's responsibility to ensure decent housing for all Americans, the rhetoric heated up in the post-war period. In 1947, Truman suggested that "to reach our long-range goal of adequate housing for all our people, comprehensive housing legislation is urgently required" (Vital Speeches 1/15/47). The post-war period was characterized by a number

of reports, proposals, and legislative initiatives aimed at remedying the problems of the housing shortage, slums, and low income housing. Several times, Truman urged Congress to pass a housing bill that addressed the goal of decent and affordable housing,¹⁸ but no significant housing legislation was passed until the Housing Act of 1949. Part of the reason for the delay in the passage of a comprehensive housing bill was the debate between those who believed the government had a significant role to play and those who saw the solution to the shortage in the unregulated activities of the private market.

The Housing Act of 1949 was arguably the most important housing law enacted until this point because in it Congress asserted that the federal government had an obligation to ensure that all Americans were decently housed. Congress was unequivocal on this point:

The Congress hereby declares that the general welfare and security of the nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth and security of the nation (U.S. Statutes at Large 1949; Ch. 338).

¹⁸ He urged passage of a housing bill in his 1947 and 1948 State of the Union addresses, in a 1948 speech before the Greater Los Angeles Press Club, a 1948 campaign speech, and a 1949 address delivered at the Allegheny (Pennsylvania) County Fair.

Congress was also unequivocal about the role of the private sector in this endeavor:

The policy to be followed in attaining the national housing objective shall be (1) private enterprise shall be encouraged to serve as large a part of the total need as it can; (2) governmental assistance shall be utilized where feasible to enable private enterprise to serve more of the total need; (3) appropriate local bodies shall be encouraged and assisted to undertake positive programs...for adequate family life... (U.S. Statutes at Large 1949; Ch. 338).

The division of responsibility described in this act reflected compromise positions that delineated legitimate activities for government within a framework that protected traditional private housing interests. Thus, the government continued to engage in activities consonant with its approach since the New Deal: the coordination of low income housing production and distribution; supplying relatively cheap mortgage credit through its mortgage insurance programs; public housing for poor Americans; and slum clearance and urban redevelopment projects that utilized private developers and construction companies.¹⁹

The Housing Act of 1949 amended the public housing program by offering tenancy preferences to those displaced by slum clearance and/or urban redevelopment efforts and to families of disabled veterans. The act also authorized 135,000 new units of public housing per year for a period of

¹⁹ The legislation also defined the duties and responsibilities of local units of government, as well as the necessity of coordinating housing programs with slum clearance and community development efforts.

five years. However, Congress never appropriated funds to meet these goals. This was at least in part due to the success of the real estate and construction industries' lobbying efforts that focused on the need to strictly limit the availability of public housing. Edward Carr, president of the Association of Homebuilders, articulated the housing industry's opposition to government new construction programs for low income groups which was premised on filtering:

...we cannot build a brand new house for the lowest income people any more than you can build a brand new auto for them. You must, if you are going to take a fair look at housing, consider existing units...as well as new units...our aim...should be to keep [existing low rent units] up to minimum standard [and] enforce codes...and [using] the light of publicity on owners who allow their properties to become stinking hovels we can clear slums, and we can provide good and decent housing for all employable people in this country (Vital Speeches 5/1/48; 442; emphasis added).

The Housing Act of 1949 became law despite the breakdown in consensus about the government's role in domestic issues that intensified toward the end of the decade. The onset of the Cold War and the Korean Conflict contributed to waning support for social programs funded by the government, including low income housing. Much of this opposition was voiced terms of "threats to democracy" and "creeping socialism."

Truman claimed that those who were most concerned about the threat to democracy posed by domestic government

programs had little understanding of the best way to ensure democracy and prevent socialism:

They don't see that the very survival of free enterprise depends upon a rising standard of living and an expanding economy. They don't recognize that to work for the increasing security and liberty of the people of the U.S. is the key not only to our own prosperity but to the prosperity of the whole world (Vital Speeches 1949).

Truman suggested that the role of the federal government was to invest in programs that both stimulated economic growth and helped to reduce the discontent of the people. Thus, one reason for limited government and public support for public housing lay with the perception that it conflicted with the goal of protecting and enhancing private enterprise.

These excerpts and others from Truman's speeches reinforced the connection between government housing programs and the government's desire to stimulate and stabilize the economy, and had little to do with federalist philosophy. Moreover, the private enterprise system was viewed as key to national security and the preservation of democracy. The government's job was to ensure that private enterprise flourished. The mounting Cold War and escalating communist hysteria continued to shape the way that government social programs were viewed throughout the '50s. Increasingly, government spending came under closer scrutiny and became even more oriented to the promotion of home ownership, while slum clearance and urban redevelopment

efforts were geared toward economic development. Those left behind in the prosperity of the 1950s were those who were unable to buy homes, lost their businesses and homes as a result of slum clearance and urban renewal efforts, and remained in the central cities as the predominantly white middle class moved to the suburbs, followed by businesses and manufacturing.

1950s: Evolution of a Community Development Approach²⁰

In the early part of the 1950s, the Truman administration continued to defend its social agenda in the face of increasing opposition. Opponents were concerned about the cost of domestic programs, the "excessive intrusion" of the federal government into state and local affairs, and fears of "creeping socialism." While opponents were quick to criticize federal efforts such as public housing, there was praise for government mortgage subsidies and insurance programs for homebuyers. Allan E. Brockbank, president of the National Association of Homebuilders, recognized that the success of the homebuilding industry was dependent on government banking and mortgage policies:

The major factor is that we have low down payments and long amortization periods...government did help very

²⁰ This subtitle is borrowed from Subcommittee on Housing and Community Developments' report entitled Evolution of the Role of the Federal Government in Housing and Community Development: A Chronology of Legislative and Selected Executive Actions, 1892-1974 (General Printing Office, October 1975).

materially in the great progress of homebuilding that has come in recent years (Vital Speeches 8/1/52; 646).

The Housing Act of 1950 indicated that the need to protect the housing industry had gained even greater support, at least in Congress. The president was given authority to increase public housing appropriations, but only after considering "the general effect of any such increase upon conditions in the building industry and upon the national economy" (U.S. Statutes at Large 1950; Ch. 94). He was also directed to insure that any increased federal spending on housing would be in the "public interest." The Defense Housing and Community Facilities and Services Act of 1951 also directed the president to ensure that "private enterprise be afforded full opportunity to provide the defense housing needed whenever possible" (U.S. Statutes at Large 1951; PL 65-139).

Government low income housing programs, especially public housing, were increasingly seen as an obstacle to the continued success of the homebuilding industry. Brockbank, president of the Association of Homebuilders, claimed that public housing was economically unsound, a threat to democracy, and did not serve the truly needy.²¹ Brockbank also suggested that public housing did not alleviate the problems associated with slums (described by Wagner above)

²¹ Brockbank claimed that public housing units were overwhelmingly occupied by working class families, thus violating the Wagner Act's (USHA 1937) requirement that public housing serve only the poorest families.

because they exacerbated crime and juvenile delinquency (Vital Speeches 8/1/52).

However, the biggest problem with public housing, according to Brockbank and others, was that it posed a threat to private enterprise because it "bred communists" (Vital Speeches 8/1/52). During the Cold War, some viewed public housing as socialistic because it conflicted with capitalist ideologies that focused on the market, self-help, and individual responsibility. The 1950s were thus characterized by continued support for and expansion of mortgage programs as opposed to more direct government programs such as public housing.

Not everyone, however, agreed that public housing was a dangerous or ineffective way to provide housing. Louis Pink, a member of the New York City Housing Authority, elaborated the advantages of housing authorities in a speech before the National Association of Housing Officials in 1952. The independence of public housing authorities from local governments, as well as their focus on providing housing in areas where private enterprise refused to enter, were listed among their advantages. Pink also pointed out that housing authorities contracted with private developers and builders in their construction projects, thus working with, not against, private enterprise.

Pink encouraged the government to pursue the rehabilitation of existing units and to reduce its reliance on new construction:

No matter how much new building goes on...there will never be enough...Far too little has been done [in some cities]...to make older dwellings livable and prevent decay...Greater attention should be paid to preserving livable housing in areas which are marked for clearance (Vital Speeches 11/15/52).

Truman's presidency ended with decreased support for government domestic spending in conjunction with increased concern over federal involvement in local issues, including low income housing. However, the costs of the Korean War cannot be overlooked as a factor contributing to concerns about the federal budget. Eisenhower came to power urging caution about federal domestic spending in the context of the increased concerns of middle class voters about taxation and the poor's dependency on government. Eisenhower's election marked a slow down in New Deal-based social programs.

Dwight D. Eisenhower

Eisenhower was particularly concerned about the relationship between the federal and state governments and, presaging Nixon and Reagan's "new federalism," sought to significantly decentralize federal control of social welfare activities. One reason for his increased concern over the federal budget and the legitimacy of the federal government's role in various social welfare endeavors were the recession and

inflation that characterized his two terms in office.

Eisenhower did not demand the elimination of specific social programs; he believed spending reductions could be achieved by greater efficiency in programs that provided a safety net for the unemployed, aged, and disabled.

Eisenhower claimed that the founding principles of federalism supported reduced federal control over the domestic agenda. Moreover, he advocated adoption of the principle that:

The closer we leave government and every kind of government responsibility to the people, calling in the federal government where there is a clear service to be performed, which could not be performed adequately without its cooperation and its partnership - then I will say we are headed in the right direction (Vital Speeches 9/1/53).

In a 1954 campaign speech, Eisenhower summed up this principle by suggesting that "the private citizen knows better how to spend his [sic] money than the government" (Vital Speeches 7/1/54).

In his 1955 State of the Union Address, Eisenhower outlined his views on the purpose of the federal government:

First, to maintain justice and freedom among ourselves and to champion them for others so that we may work effectively for enduring peace...Second, to help keep our economy vigorous and expanding, thus sustaining our international strength and assuring better jobs, better living, better opportunities for every citizen. Third, to concern ourselves with the human problems of our people, so that every American may have the opportunity to lead a healthy, productive and rewarding life (Vital Speeches 1/15/55).

These purposes shaped the Eisenhower housing agenda.

Within a context of decentralized government and the legitimacy of private enterprise, Eisenhower commissioned the President's Advisory Council on Government Housing Policies and Programs to evaluate the government's housing and development policies and programs. In a January 1954 housing message to Congress, Eisenhower, relying on the Council's recommendations, explained why a well-housed populous was in the interest of the government:

First, good housing in good neighborhoods is necessary for good citizenship and good health among our people. Second, a high level of housing construction and vigorous community development are essential to the economic and social well-being of our country. It is, therefore, properly a concern of this Government to insure that opportunities are provided every American family to acquire a good home (Congressional Record 1952; 737).

In his 1954 State of the Union address, Eisenhower remarked that the goal of decent housing for all Americans should be easily attainable, if "the individual, the community, the state and federal governments will alike apply themselves to the purpose" (Vital Speeches 2/1/54).

During the Eisenhower administration the main foci of housing policy included facilitating home ownership, housing the elderly, and the provision of housing for those displaced by urban renewal projects. His administration was particularly attentive to the concerns of

homebuilders, realtors, and bankers who had been more or less united in their opposition to any expansion of the government beyond the regulations and insurance programs already in place, especially where that expansion involved subsidies to the poor (Hays 1985; 88).

While Congress supported a more activist role for the federal government in comparison to Eisenhower, the president was able to slow the "growth of federal involvement in social welfare programs" (Hays 1985; 85). Public housing expansion was limited and occurred almost exclusively in connection with urban renewal and slum clearance projects that displaced many low income families. Public housing was not popular with Eisenhower and, while he never tried to completely dismantle it, he consistently recommended inadequate levels of funding (Hays 1985; 94). According to Hays, local conservatives also worked to limit support for public housing and its ability to expand by opposing selected sites which delayed and, in some cases, canceled public housing projects (1985; 100).

In terms of general housing policy, Eisenhower asserted that low income housing could be provided through expanded FHA loan programs that made mortgage insurance available for the purchase of existing housing. He also encouraged more direct government action in special assistance FHA programs that would encourage home ownership through low downpayment mortgages on an experimental basis to low income families forced to relocate due to displacement as a result of slum clearance. Eisenhower proposed constructing 140,000 new units of public housing over a four-year period. These units were to be made available to families displaced due to slum redevelopment or highway construction. Eisenhower

clearly believed that public housing should be a temporary program necessary only until new, market-based alternatives were developed. Thus, public housing was especially necessary during urban renewal to house the number of low income households that were forced to relocate.

For the first time, special attention was directed toward the housing problems of minority households. Eisenhower vaguely promised that slum clearance and other government activities would be carefully monitored to ensure that "minorities" were not being targeted for displacement and that significant efforts were undertaken to ensure that those displaced were adequately rehoused. Housing in the Seventies suggested that the Housing Act of 1954 was significant because it signalled a shift to housing programs guaranteed to meet the needs of special populations, especially veterans and the elderly; an approach that characterizes current federal housing programs (1974; 13).

The Housing Act of 1954 reaffirmed Congress's interest in improving the housing conditions of Americans within a system that preserved and highlighted the role of private enterprise in housing and urban renewal:

It is declared to be the policy of Congress (a) to seek the constant improvement of the living conditions of all the people under a strong, free, competitive economy, and to take such action as will facilitate the operation of that economy to provide adequate housing for all the people and to meet the demands for new building; (b) to provide a means of financing housing within the framework of our private enterprise system and without vast expenditures of public money... (U.S. Statutes at Large 1954; Ch. 560).

The Housing and Urban Development Act of 1955 addressed Eisenhower's interest in decentralizing government. It stated that:

It has been the policy of the Congress to assist wherever possible the states and their political subdivisions to provide the services and facilities essential to the health and wellbeing of the people of the U.S...The Congress finds that in many instances municipalities, or other political subdivisions of states, which seek to provide essential public works or facilities are unable to do raise the necessary funds at reasonable interest rates (U.S. Statutes at Large 1955; PL 69-345).

The Act provided for the use of federal funds for non-residential purposes in redevelopment activities that followed sound planning standards, met local development objectives, and maximized redevelopment by private enterprise. The Housing Act of 1955 is thus a precursor to Johnson's local control programs and Nixon's revenue sharing programs.

In his 1956 State of the Union Address, Eisenhower felt confident enough to suggest that the necessary legislative authority existed to meet the nation's housing goals. He did, however, express concern about the housing needs of the elderly and suggested that the National Housing Act be amended to "assist private homebuilding industry as well as charitable and non-profit organizations to meet elderly housing needs" (Vital Speeches 2/1/56). The 1956 Housing Act provided for such initiatives. It also fostered decentralization through the requirement that local governments develop neighborhood renewal plans that

highlighted their goals and objectives, as well as the intended use of federal funds in these efforts. This was the first in a continuing series of Congressional requirements that local units of government submit plans that described how federal funds would be used to redevelop areas and provide housing.

The Housing Act of 1957 increased appropriations for slum clearance and urban renewal efforts and urged local public housing authorities to meet the needs of large families. Both of these efforts illustrated Eisenhower's dilemma -- urban problems could not (would not) be addressed without federal provision of funds and direction as to how to utilize them. At the same time, increased federal funds and involvement in policy making further reduced the willingness and ability of state and local governments to respond effectively to urban needs.

The issue of federal funding became increasingly important by the end of the decade as the country experienced its first significant recession during the post-war period. In a 1957 radio address, Eisenhower attempted to lay out the risks and benefits of a possible federal budget cut. However, he also argued that the government had little control over the economy:

We believe that the government has a...responsibility to keep abreast of the facts of economic activity, and to be prepared, whenever economic downturn occurs, to do whatever it can...to help bring about a healthy increase in employment and business activity. But...the real mainspring of our economy is not

government, but the built-in thrust and vigor of private enterprise (Vital Speeches 2/1/59).

In order to "help bring about...healthy...business activity," Eisenhower attempted to reduce spending on programs for the poor and eased restrictions on credit, including lowering FHA and VA downpayments which increased the availability of insured mortgages in order to stimulate private demand for houses. He also advocated reduced government regulation of the economy.²² Government spending for mortgage insurance programs, as well as for urban renewal (as opposed to those more directly benefitting the poor) were justified because

They are generally projects that start quickly, provide employment quickly and also do not drag out so long that they compete with the needs of private enterprise when the expected resurgence comes (Vital Speeches 4/1/58).

The 1950s closed with Eisenhower's promise that the economy was improving, partly due to a careful, balanced, and limited approach to federal domestic spending that stimulated economic activity and fostered more local and state control. Deteriorating urban areas were bulldozed and renovated and more working Americans were buying their "dream homes" through the FHA and VA mortgage insurance programs. In addition, the growing size and strength of the

²² Using rhetoric similar to that of Reagan and Bush, Eisenhower claimed that federal regulations were making it difficult for business to efficiently conduct itself and, as a result, needed to be minimized.

federal government that had concerned voters and led to Eisenhower's election had been reduced.

The federal government now saw its primary role as encouraging and facilitating state and local government planning of urban development so that the input of people who would be affected by these developments would have greater access to the decision makers. What was not predicted was the sense that the economic expansion had left groups of people behind and that local and state governments would be unwilling to direct their resources to these disenfranchised groups. Kennedy's position that the federal government had a major role to play in insuring continued and escalating economic growth and, to a lesser degree, closing the gap between the rich and poor were important factors that led to his slim margin of victory in 1960.

Chapter V

1960s: ECONOMIC AND POPULATION GROWTH

John F. Kennedy

The domestic policies of the Kennedy and Johnson administrations focused primarily on urban redevelopment as an economic stimulus that would result in more employment opportunities for the increasingly disaffected and vocal people of color and the poor, as well as meeting infrastructural needs of the large number of "baby boomers" coming of age during this period. For example, the Area Redevelopment Act¹ sought to establish programs to remedy persistent un- and under-employment in economically distressed areas. Lack of work was believed to be the underlying cause of urban problems. The Act declared that:

federal assistance to communities, industries, enterprises and individuals in areas needing redevelopment should enable [them] to achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions (U.S. Statutes at Large 1961; PL 87-27).

The legislation asserted that the federal government's obligation to ensure that the urban economic development that occurred was new and was not the transfer of jobs "from

¹ U.S. Statutes at Large 1961; PL 87-27.

one area of the U.S. to another," thus recognizing the potential problems associated with capital flight and plant relocation activities of major corporations.

Housing policies and programs were presented as components of omnibus urban renewal and redevelopment initiatives. While Eisenhower attended to the housing needs of specific groups such as the middle and working classes, the elderly, and veterans, Kennedy and Johnson turned to subsidy programs for low and moderate income households. In his first State of the Union address, Kennedy laid out his vision of the national agenda:

...our national household is cluttered with unfinished and neglected tasks. Our cities are being engulfed in squalor. Twelve long years after Congress declared our goal to be 'a decent home and a suitable living environment for every American family,' we still have 25 million Americans living in substandard homes. A new housing program under a new housing and urban development department will be needed this year (Vital Speeches 2/1/61).²

Even Kennedy, however, believed that meeting the national housing goal was a way to ensure economic growth. He saw increased construction employment, the redevelopment of urban areas, and an increase in the minimum wage as

² In a subsequent message to Congress, Kennedy clarified this estimate to "14 million American families who currently live in substandard or deteriorating homes...and an additional 39 million who are at risk from encroaching slums and blight" (Congressional Record 1961; 3642). Kennedy proposed some version of a cabinet-level housing and urban development department many times during his administration. The Department of Housing and Urban Development was not created until 1965.

important factors in developing human resources that would lead to long-term economic growth and political stability.

Kennedy's 1961 proposal for a National Housing Program laid out three objectives for housing and community development: (1) renewal of cities to assure sound growth of metropolitan areas; (2) provision of decent housing; and (3) encouraging a prosperous and efficient construction industry as key to economic growth and prosperity (Congressional Record 1961; 3642). Kennedy's proposal for improved housing for moderate income households was based on the same principles adopted by previous presidents, including reliance on the private sector to build more affordable homes through attractive mortgage terms and new, more efficient construction technologies.

One of Kennedy's most important policy innovations was in the area of low income housing. Kennedy asserted that more low income housing was required and he distanced himself from the "minimum standards of decency" position as articulated in the U.S. Housing Act of 1937. Kennedy called for more and flexible low income housing projects that responded to local needs and provided recreational and other facilities to improve the quality of life for tenants. However, in his 1961 Message to Congress, Kennedy made it clear that improved housing itself was insufficient. He suggested that:

urban renewal programs to date have been too narrow to cope effectively with the basic problems facing older

cities. We must do more than concern ourselves with bad housing - we must reshape our cities into effective nerve centers for expanding metropolitan areas. Our urban renewal efforts must be...reoriented from slum clearance and...prevention into positive programs for economic and social regeneration (Congressional Record 1961; 3643).

While Vital Speeches did not print any speeches on slums during the 1950s, the number of such addresses increased dramatically during the 1960s. The debate that emerged on the pages of this journal closely paralleled those of the 1930s. James Conant, president emeritus of Harvard, spoke about the problems of the slums and the obligations of society at the "Conference on Unemployed, Out of School Youth" in 1961. Conant claimed that slums posed a threat to democracy because communism fed "upon discontented, frustrated, unemployed people" (Vital Speeches 5/24/61). Conant also laid out widely-held cultural and structural arguments that sought to explain how the slums of the '60s were different than those of earlier times. For example, he suggested that economic and social conditions made it more difficult for people to "raise themselves up by their bootstraps." He pointed to the changing racial composition of the slums, the lack of stability of slum neighborhoods, and the shift from labor shortage to labor surplus as critical differences that made success difficult for the 1960s slumdweller. While Conant's perspective can be faulted for its reliance on "culture of poverty" arguments that ultimately misrepresent African American history as

well as blame victims, he recognized the critical shifts in economic conditions that occurred in the U.S. as well as persistent racism as essential components of analyses of the slums and those who lived there.

Building on Conant's analysis, Charles Palmer, former Defense Housing Coordinator under Roosevelt, outlined the economic and social costs of slums to the Harvard Graduate School of Business in 1962. He pointed out that the U.S. was further behind other developed nations in its response to urban decay and the provision of decent housing. He suggested that the reason for the lack of response on the part of the government was its reliance on restrictive statutes instead of pro-active programs of urban development. He also asserted that while it was clear to many that the government should provide housing to those who could not afford to obtain it privately, the government, and the American people, had, to some degree, accepted the notion that, with assistance, the private market could and should provide the majority of housing in the U.S. The absence of a national housing policy meant "rotten housing" for slumdwellers in decaying urban areas.

Distancing himself from Eisenhower's support of bulldozing and rehabilitation, Palmer recommended an extensive program of slum clearance for three economic reasons: (1) it benefitted the capital goods industry by increasing demand; (2) it expedited re-employment; and (3)

slums were "a menace to real estate values" (Vital Speeches 6/15/62). Palmer further asserted that extensive slum clearance projects were the provenance of the federal government because it had access to the resources and authority required for such a major undertaking. He also appeared somewhat mystified that business did not recognize the important benefits of government slum clearance activities that would result in increased stability of business districts as well as increased property values. Palmer concluded by suggesting that slum clearance:

...pays socially, economically, and is a factor for peace throughout the world. It is enlightened capitalism (Vital Speeches 6/15/62).

And, as such, should be eagerly supported by business, real estate, and industry.

Kennedy summed up his housing and urban development strategy by relating it, as did Eisenhower, to the continued international leadership role of the U.S.:

A nation that is ill housed is not as strong as a nation with adequate homes for every family, a nation with ugly, crime-infested cities and haphazard suburbs does not present the same image to the world as a nation characterized by bright and orderly urban development. To achieve our nation's housing goals, to meet our appropriate federal responsibilities to aid private and local efforts - and at the same time helping to combat the present recession while furthering long term growth... (Congressional Record 1961; 3644).

The Housing Act of 1961 was passed in June. Its key innovations included increased local control over public housing administration and subsidies for developers of low

and moderate income³ multi-family rental housing, as well as housing for the elderly.

Kennedy became even more committed to the government's ability to stimulate the economy as his term progressed and he argued that deficits did not pose a significant problem for the economy or the government. In his 1962 State of the Union Address he said:

A strong America depends on its cities - America's glory, and sometimes America's shame. To substitute sunlight for congestion and progress for decay, we have stepped up existing urban renewal and housing programs, and launched new ones (Vital Speeches 2/1/62).

Key among these new initiatives was the Public Works Acceleration Project of 1962 which claimed that:

Action by the federal government is necessary, both to provide useful work for the unemployed and underemployed in...communities and to help these communities, through improvements in their facilities to become better places in which to live and work... acceleration of these projects...will not only increase employment...when jobs are urgently required but will also meet longstanding public needs, improve community services, and enhance the health and public welfare of the nation (U.S. Statutes at Large 1962; PL 87-658).

One of the most important insights of the Kennedy administration was the realization that in housing the laws of supply and demand no longer held. Kennedy sought to establish an incomes policy that would encourage both labor and management to consider the inflationary aspects of their

³ The section 221(d)(3) program was a special assistance program of the FHA. It defined moderate income as those "families whose incomes were above limits set by local housing authorities but...below the amounts necessary to meet rental requirements in decent, new, unsubsidized private housing" (Housing in the Seventies 1975; 14-15).

wage and price decisions (Nossiter 1990; 94). Kennedy believed that voluntary wage and price controls would limit inflation and, combined with a major tax cut, would stimulate demand and increase employment. This insight reflected Kennedy's understanding of the increasing power of corporations to ensure continued profits despite conditions that, under traditional economic principles, would threaten them. The government thus had a role to play at least in moderating corporate power. But Kennedy's understanding of the new, international, and oligopolistic economy was not carried forward into the Johnson administration and the Vietnam War led to inflationary conditions that eroded much of the economic growth that occurred during Kennedy's tenure in office.

Lyndon B. Johnson

Johnson hoped to be the first president able to combine a comprehensive social agenda with the expensive activities involved in waging war. In order to preserve his Great Society programs, Johnson consistently underestimated the costs of the Vietnam War and adopted a "fight now, pay later" plan that led to the stagflation of the 1970s. In his 1966 State of the Union Message, Johnson said:

This nation is mighty enough - its society is healthy enough - its people are strong enough - to pursue our goals in the rest of the world while still building a Great Society here at home... (Vital Speeches 2/1/66).

Through the deceptions that the war cost less than it actually did and that victory was closer than it actually was, Johnson continued his commitment to the War on Poverty and oversaw the most extensive network of social programs since the New Deal. Johnson suggested that the economic prosperity and urban redevelopment of the 1950s and 1960s had not extended to all Americans; some had been limited by poverty and racism. He argued that the federal government was responsible for ensuring that prosperity was expanded to include those left behind.

Johnson's views were countered by those such as Edwin Neilan, president of the U.S. Chamber of Commerce. In a speech before the Indianapolis Chamber of Commerce, Neilan compared federal social programs to the old-fashioned pork barrel and asserted that they were attempts to garner votes, not resolve the problems of the poor (Vital Speeches 2/1/64). Neilan argued that the federal government had proven "shamefully" inefficient and ineffective and called for increased local control over both revenues and programs (1964; 238). He called on private enterprise and the American taxpayer to oppose the refunding of urban renewal programs. He also recommended that the Housing and Home Finance Agency not be granted cabinet-level status as had been proposed by both Kennedy and Johnson. To some extent, the Johnson administration sowed the seeds of support for

the anti-federal government Reagan policies of the 1980s (Nossiter 1990).

The Housing Act of 1964 provided new tools and resources for accomplishing both the national housing goal and urban redevelopment. However, it also reflected the historic reliance on the private sector. Generous subsidies in the form of low interest rates, cost-plus contracts, rent supplements, and tax abatements were used to entice the participation of the private sector. Despite criticism by those sharing the views of Neilan, these programs were widely accepted by the construction industry, developers, and real estate.

By 1965, Johnson was arguing that greater commitment to urban renewal was a way to "make the American city a better and more stimulating place to be" (Vital Speeches 1/15/65). Johnson also proposed increased resources for cities and states so that comprehensive, locally-controlled development plans could be generated. In regard to housing, the greatest percentage of housing produced during the Johnson administration was housing for the elderly (Rodrique and Flournoy 1986). The Housing Act of 1964, however, included resources to respond to the problems of large, low income families who faced difficulties in finding affordable appropriate-sized housing. While much of the rhetorical attention was directed toward the housing aspects of urban renewal projects, the reality was that urban renewal

overwhelmingly concentrated on the economic development of central business districts, as well as recreational, other public facilities, and transportation projects, not low income housing.

Despite opposition, the Great Society and War on Poverty programs continued throughout the Johnson administration. The Housing Act of 1965 resulted in the rent supplementation program that sought to deal with the chronic shortage of available public housing units by:

providing a supplementary form of low-rent housing which will aid in assuring a decent place to live for every citizen...[To] promote efficiency and economy in the program...public housing authorities will provide low-rent housing in private accommodations so long as it is provided at equal or lesser cost of housing in projects (U.S. Statutes at Large 1965).

The rent supplement program was important as it shifted provision of very low income housing from government to the private sector and because it was the precursor to the Section 8 housing subsidy program that emerged in the 1970s. The use of privately-owned housing was a response to the concentration problems associated with traditional public housing projects. The resultant dispersion of the poor throughout a community served to reduce some of the opposition to public housing (Housing in the Seventies 1975; 15).⁴

⁴ The Housing Act of 1965 also provided mortgage relief to homeowners facing foreclosure as a result of recession. No such accommodations were made for tenants.

The Demonstration Cities and Metropolitan Development Act of 1966 signaled increased commitment to community development in ways that gave increased control to local units of government. Responding at least in part to the increased social unrest in urban areas, Congress declared that:

...improving the quality of urban life is the most critical domestic problem facing the U.S...The persistence of widespread urban slums and blight, the concentration of persons of low income in older urban areas, the unmet needs for additional housing and community facilities and services arising from rapid expansion of our [cities] have resulted in marked deterioration in the quality of the environment and the lives of large numbers of our people... (U.S. Statutes at Large 1966; PL 89-754).

The Act also provided more technical assistance and urban planning grants to enable selected metropolitan areas ("model cities") to identify and carry out coordinated, comprehensive, and innovative development projects to resolve urban problems. In keeping with the historic objective of facilitating home ownership, new FHA special assistance programs, for example, section 221(d)(3) and (h) of the NHA, were created to provide 3% interest mortgages to non-profit organizations that bought, rehabilitated, and then sold homes to low income homebuyers. Homeownership was also encouraged through the Act's "New Communities" program that encouraged suburbanization in an effort to reduce urban crowding and respond to demographic changes in the population as "baby boomers" came of age.

Other urban renewal and housing legislation passed during the Johnson administration reaffirmed the government's goal of "a decent home for every American." The Housing and Urban Development Acts of 1968 and 1969⁵ relied heavily on increased access to mortgage credit, mortgage interest subsidies, and the private sector to provide housing and to stabilize urban areas. The 1968 legislation relied less on conservation and rehabilitation as, for example, compared to Eisenhower⁶ and broadly expanded the subsidy approach using FHA special assistance programs.⁷

⁵ The most significant programmatic change resulting from the Housing and Urban Development Act of 1969 was the Brooke amendment that limited tenant rents to 25% of their income. Operation and maintenance expenses of local public housing authorities would be subsidized by HUD. The rationale behind the Brooke amendment was to ensure the low-rent character of public housing projects. The failure of the federal government to provide subsidies to meet the real operating and maintenance expenses of PHAs is often cited as an important reason for the deterioration of public housing (U.S. Statutes at Large 1969; PL 91-152).

⁶ Housing in the Seventies suggested that the goal of 26 million new housing units in a ten-year period was consistent with the affirmation of the 1949 housing goal which also relied on new construction, not rehabilitation or conservation efforts (1975; 18). The goal was for new housing in general, and thus a large percentage was for middle and upper income households.

⁷ Section 235 provided special mortgage insurance and cash payments to help low and moderate income homebuyers to meet mortgage payments by subsidizing debt service costs in excess of an amortization at 1% interest. The federal government paid the difference between 20% of the purchaser's income and the mortgage amount. Section 236 offered a similar set of supports for developers and owners of multifamily rental properties; while section 223(3) offered subsidies in older, declining neighborhoods. The

By 1967, concerns about unrest had escalated in response to increasing urban violence. Johnson tried to calm the people and respond to critics who suggested that his programs were unsuccessful since the cities that had received the greatest amount of federal assistance also appeared to experience the most unrest. Senator Edward Brooke (Massachusetts) represented at least one group of critics when he said:

If we examine the government programs, especially urban renewal, we would find that more low income housing has been destroyed than has been built. Many more low income residents and small businesses have been displaced than have been relocated in new structures. The repeated promise made many years ago...of a decent home...for every American family has an empty ring for millions of Americans in urban slums (Vital Speeches 8/15/67).

Brooke claimed that the blame for the failure of government programs could be laid at the foot of the FHA bureaucracy which was uneasy about higher risk, low income housing projects and generally unable to respond as efficiently as was required to control construction costs and to build housing quickly in cost-effective ways.

Robert Weaver, secretary of HUD (1966-1969), placed the blame with local FHA offices and claimed that HUD regional offices would be more responsive and supportive of low income projects. He also responded to claims that the FHA had exacerbated, rather than alleviated, housing

Act also required equal opportunity in housing (U.S. Statutes at Large 1968; PL 90-448).

discrimination by race and suggested that it was no longer guilty of such charges.⁸ According to Weaver, FHA "has lifted the barriers that once prohibited insured mortgages in changing neighborhoods...[and] is taking positive steps to finance rebuilding in blighted areas in the central city" (Vital Speeches 9/15/67).

Brooke and Weaver saw social programs as serving the goal of improving urban areas. Robert Saulnier, Professor of Economics at Barnard College, however, argued that the government's funding of urban renewal projects only intensified the economic problems that created urban problems in the first place. In a speech before the "Annual Taxpayers Conference on the Public Expenditures Survey of Wisconsin," Saulnier asserted that "control over the federal budget has been lost" and was creating too large a demand on the nation's money supply and was fueling inflation.⁹

George Champion, chairman of the board of Chase Manhattan Bank, at the 1987 Grinnell College Convocation, suggested that welfare programs were obsolete and no longer

⁸ The Institute for Policy Studies summarized these claims in study in which they described how FHA and VA policies fostered suburban homeownership. The FHA and VA also withheld "these loans from the inner city ('redlining'), [and] federal homeownership policies fostered the decline of older low-income and minority neighborhoods" (1989; 17).

⁹ Saulnier may have been correct that the federal budget was out of control but he also paid insufficient attention to the extent to which excessive government spending was caused by war-related expenditures, not social spending.

responsive to the real needs of Americans. He suggested that public housing projects and their lowest income tenancy requirements had exacerbated urban problems by concentrating the poor and their related problems in densely-settled geographical areas. He claimed that the segregation of "welfare" recipients led to a labeling process whereby non-welfare recipients came to view "the sprawling welfare empire and the layers of local and state relief operations ...as the 'enemy,'" thus eroding public support for programs by many, including some the programs were developed to assist (Vital Speeches 12/1/67).

Representing the position of conservative business, J. Henry Smith, president of Equitable Life, asserted that the market was the most effective way of addressing domestic problems (Vital Speeches 12/5/67). He suggested that the market should be involved in remedying social problems as a public service and, citing the example of insurance companies' involvement with Medicare, claimed it was also profitable. Yet Smith is a bit disingenuous in his assumption that the private sector had not profited from urban renewal and housing programs. For example, the Housing and Urban Development Act of 1968 unequivocally stated that:

...the highest priority and emphasis should be given to meeting the housing needs of those families for which the national housing goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and individual

self-help techniques (U.S. Statutes at Large 1968; PL 90-448).

The cost-plus provisions of most public housing and urban development projects made them attractive and profitable for the private sector.

While the extent of funding for housing and urban development increased dramatically during the Johnson years, underlying assumptions about housing as a private sector function remained unchallenged. Since their inception, housing programs have functioned to subsidize private finance, building, and real estate in order to entice their cooperation in building more affordable housing as well as in urban redevelopment efforts. Nevertheless, Saulnier's argument, along with those of Smith and Champion, represented the views of an increasing number of critics of the Kennedy/Johnson domestic agenda and led in part to Nixon's victory in 1968. While Republicans asserted that the biggest threat to the nation's economic security was the Democrats' domestic agenda, the reality was that spending on the Vietnam War constituted a far greater threat to economic growth and contributed to stagflation, inflation, recession, and unemployment that have characterized the U.S. economy since the mid-1970s (Nossiter 1990). However, the precedent of using federalist rhetoric to justify domestic spending cuts during economically difficult times had been firmly established in American discourse, and this period proved to be no exception.

Chapter VI

COMMUNITY DEVELOPMENT, REVENUE SHARING, AND PRIVATISATION

1970s: The Age of Community Development¹

Richard M. Nixon²

In his book, The Federal Government and Urban Housing, R. Allen Hays suggested that the election of Richard Nixon in 1968 reflected the voters' frustration with continued urban unrest, rather than a rejection of the Kennedy/Johnson domestic agenda or any compelling commitment to the Vietnam War. The Nixon administration can be divided into two

¹ Vital Speeches reflected HUD's shift in focus, under Nixon, from housing for the poor to increased efficiency and housing production by reprinting speeches that reflected these concerns during the late 1960s and early 1970s. In a 1969 speech, Guy Mabry of Owens-Corning Fiberglass Company discussed the potential of mobile homes. In 1971, Samuel Lefrak spoke at the Pratt Institute about developing assembly line processes for housing production.

² Nixon did not speak explicitly about housing or urban redevelopment in any of his inaugural or State of the Union addresses. He spoke mainly about the Vietnam conflict, welfare reform, and his related desire to make state and local governments both more involved and responsible for domestic social programs. According to Nixon, government had encouraged expectations among the populous that it had become increasingly unable to meet. Nixon proposed reform of domestic programs at all levels of government through the implementation of "new federalism." He also called for a balanced budget in order to halt inflationary price increases. His 1971 State of the Union address restated his proposals for reform through federalism.

distinct periods. The first reflected the views of "liberal" Nixon advisors, including Daniel Patrick Moynihan, Robert Finch, and George Romney, who supported continued commitment to the poor, albeit in more efficient and less wasteful ways. By Nixon's second term, however, these more liberal advisors had left the administration and the domestic agenda shifted from reform of existing programs to their curtailment or outright abolition (Hays 1985; 108).

Housing activists were concerned that Nixon's election would result in the immediate cancellation of Johnson's housing programs. However, Nixon reassured them by appointing George Romney, a moderate Republican who supported federal urban redevelopment and housing programs, to head HUD. Under Romney, HUD continued to work toward the goal of decent housing for Americans. Harold B. Finger, Assistant Secretary for Research and Technology at HUD, spoke about the continuing housing shortage to the Portland Cement Association in 1969:

We fancy ourselves ahead of everyone else in the world in almost everything we try, we are not ahead in housing our people... (Vital Speeches 9/15/69).

Finger suggested that the housing shortage, first recognized during the Depression, was growing worse due to population growth and the deterioration of existing stock. According to Finger, the solution to the shortage was located in an effort coordinated by the federal government to provide funds so that the construction and finance industries could

efficiently produce affordable housing that reflected local needs.

Finger's focus was clearly on the general housing shortage and not the specific needs of low income households. This is illustrative of the dominant position that single family, residential housing has held in U.S. housing policy since the New Deal. When low income housing is considered, it is done so within the larger context of increasing housing production in general. Under Romney, production became HUD's primary focus, and housing the poor faded into the background both rhetorically and in practice.³

Finger's concerns about the housing shortage were echoed by Romney in a 1970 speech before the National Association of Homebuilders laying out the nation's housing program. Romney emphasized the need to maximize housing construction, especially the role of the private sector in this endeavor:

Our basic principle that has helped our nation achieve greatness is that public policies should encourage maximum private effort to meet basic human needs...But ...in recent years, private responsibility has been eroded by excessive reliance on governmental action. As a result, government has become too occupied with sponsoring programs - rather than initiating and

³ It has been suggested that housing efforts during the 1960s can be understood in strictly demographic terms. The coming of age of the baby boomers shifted politicians' orientation toward the needs of young, working and middle class voters, significant among these was housing (Mireley, personal communication, 1992).

reshaping policies that will encourage maximum private action in meeting human needs (Vital Speeches 3/1/70).

Housing and community development strategies developed during the Nixon administration were characterized by a conservative philosophy that sought to place local elites and governments more firmly in control of local development decisions and control over resources than had been the case under Kennedy and Johnson. It was premised on Nixon's belief that the federal government was too large and too involved in domestic issues, particularly welfare and community development, and led him to propose increased direct cash subsidies to "deserving" and eligible families. He was unsuccessful in this effort.⁴ Nixon was more successful in implementing the block grant revenue sharing strategy that placed control of federal funds with local elites and local governments. However, Nixon's CDBG strategy was not altogether new, most of the preceding administrations had provided financial support for locally developed projects, albeit within federally established guidelines.

⁴ Nixon's Family Assistance Plan proposed direct cash subsidies for eligible families. The families could choose how to spend the money, using the market to meet their housing, food, and other subsistence needs. Nixon's conservatism led him to conclude that direct subsidies to families would ultimately be less expensive and more efficient than any programmatic approach. Congress and the public rejected outright any policy that would put "unearned" cash in anyone's pockets. The social welfare bureaucracy also rejected such an approach, in part because of the consequences the reduction in welfare programs would have on social workers and other providers (Quadagno 1990).

According to Floyd Hyde, undersecretary at HUD, federal housing and community development programs were wasteful, inefficient, and duplicative. He claimed that the priorities of the federal government in terms of housing were misguided in that they disproportionately benefitted homeowners through the mortgage interest deduction. They also benefitted developers through generous cost-plus contracts, tax abatements, and loan insurance to the detriment of those in need of low income housing. Finally, he suggested a re-orientation of priorities on the part of the federal government -- away from "Skylab" and toward feeding and housing families. He recognized, however, that this was unlikely without the support of the general population, which continued to view programs for the poor as too extensive and costly.

Joseph Hall, vice president at the GAF Corporation, represented the views of one wing of the opposition to government low income housing programs in his assertion that:

The federal government has tried to relieve mounting political pressures and assuage frustrations by subsidizing housing to the tune of billions of dollars. Because it was the most direct route, we subsidized housing by subsidizing the builders of housing and the developers of communities (the quickest and easiest route). Now I have nothing against these builders and developers...I myself have been involved in about a billion dollars' worth of development, I have helped take care of a lot of middle income people and a few lower income folks...We build to serve an existing market, not to remedy society's ills...[we] made a contribution, but we certainly didn't make a dent in

housing statistics (Vital Speeches 11/1/72; emphasis added).

He went on to suggest that the "minimum standards of decency" that characterized public housing development had been a serious error and was largely responsible for the problems that characterized the worst public housing projects.

Hall's solution was to encourage homeownership and long-term leases in order to promote housing stability along with encouraging commercial development in the central cities. However, the problem with federal housing policy was not that it did not encourage homeownership, because it did. While Hall recognized the problems inherent in a strategy whereby housing was constructed under programs that placed developer profits ahead of the housing needs of low income people, he did not address them in his proposed solutions. It was this commitment to developer and construction company profits that led to the scandals that characterized the FHA section 235 and 236 programs and provided the impetus for Nixon to transform the nation's housing and community development programs.

In fact, these scandals highlighted the problems with encouraging low income homeownership. Hays (1985) reported that they resulted in the economic exploitation of the poor on the part of greedy banks, developers, builders, and real estate companies. The FHA approved mortgages for homes in decaying urban areas to low income people with no home

ownership experience and little understanding of the potential costs, problems, or obligations ownership entailed. People were sold homes that needed work (that they could not afford) and that cost more than they were realistically able to pay. While some critics of FHA homeownership programs focused on cultural explanations for high foreclosure rates as well as other problems in urban areas, the problems can be traced directly to insufficient administrative oversight on the part of FHA and HUD, as well as to the unrealistic premise that homeownership is a workable form of housing tenure for everyone (Hays 1985).⁵

The problems and scandals that surrounded FHA subsidy programs provided fuel for opponents of federal government housing programs, especially new construction subsidy programs. Perry Prentice, a retired vice president of Time, Inc., identified some of the opponents' claims in a talk to the Housing Industries Presidents Conference in 1972. Prentice discussed the Nixon administration's housing decisions, taken in light of the Douglas report that asserted that subsidy programs and public housing had failed and that the government had "destroyed more housing for the poor than it had created" (Vital Speeches 3/1/73).

⁵ One-third of section 236 projects were conducted by non-profit organizations. As is the case in many parts of the country today, non-profits have difficulty completing their projects, largely due to inadequate expertise and insufficient resources. Greater HUD oversight as well as technical assistance may have minimized foreclosures.

Hays reported that rumors that Nixon would implement a moratorium on housing programs began to circulate toward the end of 1972. Ultimately, in a 1973 radio address to the nation, Nixon spoke about community development and urban renewal and announced the moratorium.⁶ Nixon suggested that it was time to assess urban renewal and housing programs in light of evidence of continuing problems. The shift from reform to the curtailment and abandonment of domestic programs that accelerated during the Reagan administration began at this time. Nixon asserted that

We should be proud of our achievements; but we should never be complacent. Many challenges still remain. In approaching them we must recognize that many of the methods which have been tried in the past are not appropriate to the 1970s (Vital Speeches 4/1/73).

He went on to add that

...we will continue to press for greater efficiency and better management...it also means giving the lead role back to grassroots government again (Vital Speeches 4/1/73).

Citing concern about the high rate of FHA special assistance program foreclosures, Nixon said

In the field of housing, we must stop programs that have been turning the federal government into a nationwide slumlord. One of my highest domestic priorities ...will be the development of new policies that eliminate waste and target aid to genuinely needy families (Vital Speeches 4/1/73; emphasis added).

⁶ Between the time the rumors began and March 1973 when Nixon implemented the freeze, many housing projects were approved by HUD. Thus, housing in the "pipeline" continued to be produced during the moratorium.

Nixon eventually decided that the best way to remedy the problems described above was revenue sharing programs, including Community Development Block Grants (CDBG).

Revenue Sharing and Community Development

Despite Nixon's confidence that revenue sharing produced adequately funded programs that better met the needs of Americans, others remained unconvinced. U.S. Undersecretary of HUD, Floyd Hyde, addressed some of these concerns in a 1974 speech before the Harvard School of Design:

...we consistently reject the true magnitude of the task - social, economic, physical, and human. We invariably refuse to opt for workable plans or to pledge the necessary sacrifice for adequate resources and commitment (Vital Speeches 4/1/74).⁷

Community development and federal financial support of state and local planning and development projects were not invented by Nixon. Community development, called a variety of names, has been supported by government since the founding of the country. Hays suggested that there are two types of community development in the U.S. The first type involves the relationship between local governments and the

⁷ Joseph Hall, vice president of GAF Corporation, discussed the implications of these practices for public housing:

The fortunes of the public housing segment of our industry fluctuate even more than the so-called speculative private housing market. When the government sets a target for six million subsidized housing units for lower income families for the decade ahead, our recent production of public housing units had been at a rate of 1/10 of that target (Vital Speeches 11/1/72).

private sector and is directed toward controlling economic growth and its effects on the physical space. The second type involves the relationship between various levels of government in the local community development process (1985; 34). Nixon's community development and revenue sharing strategies attempted to transform the relationships between levels of government to give local governments greater control over the decision making and planning processes.

However, Hays was clear that decentralization (i.e., federalism) offers clear benefits to privileged groups. Hays cited James Madison's argument for strong federal government that claimed that "smaller units of government might be more easily dominated by a single faction which could then guide governmental decisions exclusively in its own interest" (1985; 38).

While history now shows that concerns about the ability of local government to meet local needs were valid, Nixon did attempt to militate against this weakness by providing resources to local governments. That is, Nixon's Community Development Block Grant program was built on local control and federal funding for local projects. The problem of course was that decisions about how to spend the federal funds were made at the local level and thus projects tended to benefit better neighborhoods, suburbs, as well as downtown economic development. Eisenhower recognized the tendency for local government to respond to the needs of

factions of the power elite, generally at the expense of programs for those most in need. Nixon's revenue sharing did not plan for this likely outcome.

The Better Communities Act of 1973 sought to deal with some of the imbalances that characterized the block grant program by creating special revenue sharing programs. However, the compromise that resulted continued to base allocations on competitive grantwriting and thus tended to benefit relatively better-off communities over the arguably more needy, urban areas.⁸ As Hays claimed, "the block grant system, while giving cities flexibility in how to spend the money they received, [it] imposed a new rigidity by utilizing a predetermined, mechanistic formula to determine how much a community would receive" (1985; 203).⁹

Nixon's "new federalism" involved more than the implementation of block grants and the decentralization of domestic programs. While Nixon's programs signaled a rhetorical departure from previous federal policies, in reality, block grants and revenue sharing were consistent with the approaches taken by all of the presidents since the New Deal. Roosevelt, Kennedy, and Johnson, for example, viewed the federal government's role in urban renewal as

⁸ These areas were able to devote more resources and hire skilled grant writers than less wealthy communities.

⁹ How much a community received was determined by the "quality" of their grants, census data that underestimated the size of urban areas with large minority populations, and a city's historic interest in receiving such funds.

essentially funding projects that were conceived of by local governments and local elites. Their approach differed from Nixon's only in that they sought to ensure that attention was paid to issues of equity and that the most needy benefitted from at least some of the federal assistance.

Hays pointed out that during the Nixon administration that:

with CDBG it was anticipated that local elected officials, and the popular and elite coalitions surrounding them, would once again be firmly in control of the community development process (1985; 207).

The Section 8 Housing Subsidy Program

The Housing and Community Development Act of 1974 encouraged local public housing authorities and local governments to explore alternative methods of supplying affordable housing to eligible families. Marking a return to the conservation and renovation emphases of the Eisenhower administration that had essentially been abandoned in favor of new construction under Kennedy and Johnson, Title VIII of the Act stated that:

The Congress further finds that policies designed to contribute to the achievement of the national housing goal have not directed sufficient attention and resources to the preservation of existing housing and neighborhoods...that the deterioration and abandonment of housing for the nation's lower income families has been accelerated over the last decade, and that this acceleration has contributed to neighborhood disintegration and has partially negated the progress toward achieving the national housing goal... (U.S. Statutes at Large 1974; PL 93-383).

The title further stated that

...if the national housing goal is to be achieved, a greater effort must be made to encourage the

preservation of existing housing and neighborhoods... Such an effort should concentrate...on housing and neighborhoods where deterioration is evident but has not yet become acute and...to provide an assessment of developments and progress...and to indicate the efforts to be undertaken in future years (U.S. Statutes at Large 1974; PL 83-383).

The most important innovation that occurred in housing during Nixon's tenure was the implementation of the Section 8 certificate program under the Housing and Community Development Act of 1974. Section 8 was developed to replace both low and moderate income subsidy programs and provide certificates that eligible families could use to obtain housing from private landlords approved by the program. The program used a direct subsidy of the "tenant's rent" (Hays 1985; 147). A tenant paid 25% of her income to the landlord, the difference between that amount and the "fair market rent" for the unit would be paid to the landlord by HUD.

The Housing and Community Development Act of 1974 marked a significant turning point in federal housing policy. In terms of the Section 8 program, the private market was a significant player, but there was an important shift in orientation from builder and developer subsidies to subsidies for landlords of existing properties.

Summary

This review and analysis suggest that Nixon's revenue sharing and block grant programs served to marginalize those groups who were not part of or had little access to the

local power elite. The result was a significant decrease in the use of federal community development funds for projects related to housing, community and economic development for lower income families and neighborhoods. Thus, it is with Nixon that the erosion of the historically inadequate federal housing system intensified, and led to the shortage of both decent and affordable housing that characterizes the U.S. today.

Gerald Ford

The Ford presidency is recognized as a "caretaker administration." However, escalating inflation and the continuing decline of urban areas were recognized as important issues and this and housing factored into the comments of Ford and others about the economy. When he accepted the presidency in 1974, Ford, returning to a claim dating back to Hoover, said that stimulating housing was the key to economic stability and that the housing recession was caused by high interest rates and posed a serious problem. Turning to traditional approaches that suggested that the economy could be stimulated by stimulating residential construction, Ford sought to increase the supply of mortgage credit in the hope that more people would purchase homes. He

urged Congress to enact...legislation to make most homes mortgages eligible for purchase by an agency of the federal government (Vital Speeches 10/15/74).

To this end, Ford signed into law the Emergency Housing Act of 1975 which authorized

temporary assistance to help defray mortgage payments on homes by persons who are temporarily unemployed or under employed as the result of adverse economic conditions (U.S. Statutes at Large 1975; PL 94-50).

This program was justified as a way to ease the effects of the recession on homeowners, to stem the tide of mortgage foreclosures and distress sales of homes, and to ensure that recession in the homebuilding industry did not escalate. Once again, the needs of largely suburban homeowners were recognized during an economic crisis, while those of mainly urban tenants were ignored. However, concerns about urban areas did not altogether disappear.

The debate that emerged between those who supported reduced federal government and those who were concerned about its affects on distressed urban areas was reflected in a speech by Vernon Jordan, Executive Director of the National Urban League. Jordan stated that:

The message we are getting...is that the needs of cities and of people who live in them are to be ignored...I cannot accept that message. The fate of our nation and of what most of us conceive as the good society are interwoven with the fate of cities...There is a...belief that a viable urban strategy should include deliberate abandonment of the most rundown slum areas to the point where declining property values make them more attractive for redevelopment as middle class enclaves (Vital Speeches 1/1/76).

For Jordan, the reason for the decline in urban areas could be traced to the intersection of race, money, and housing.

These are the three intertwined elements that constitute the core of the problems of urban survival. The cities are becoming Blacker, money is not being invested in urban housing to the extent necessary, and the housing stock is deteriorating at a rate not compensated for by new construction or by expanding

housing opportunities for Black and lower income families (Vital Speeches 1/1/76).

While Jordan believed that the federal government had a role to play in halting urban disinvestment, he also suggested that the problem was largely a result of the failure of private enterprise to invest in business, industry, and housing in urban areas. According to Jordan, the solution, at least for housing, was the traditional and historically untenable one of promoting homeownership.¹⁰

While recognizing continued urban problems, in his 1976 State of the Union address, Gerald Ford re-emphasized the failure of federal programs:

We thought we could transform the country through massive national programs...but often the programs did not work, too often they made things worse. In our rush to accomplish great deeds quickly, we trampled on sound principles of restraint, and endangered the rights of individuals. We unbalanced our economic system by the huge and unprecedented growth of federal expenditures and borrowing. And we were not totally honest with ourselves about how much these programs would cost and how we would pay for them. Finally, we shifted our emphasis from defense to domestic programs while our adversaries continued a massive buildup of arms (Vital Speeches 2/1/76).

Such comments contributed to conservative myth-building that claimed that domestic spending had escalated uncontrollably, had outpaced defense spending, and had put the economy in

¹⁰ The Supplemental Housing Authorization Act of 1977 is the only legislative response to Jordan's concerns during the Ford administration. It provided additional authorizations for lower income housing, extended riot and crime insurance programs, and created the National Commission on Neighborhoods to develop policies for encouraging neighborhood conservation.

crisis. However, using the Johnson administration as an example, history indicates that the deceit and under-estimation of federal spending more appropriately reflects defense spending than spending for domestic programs. Nevertheless, Ford gave credence to a point of view that continued to gain prominence in national political discourse and provided the framework for Reagan's anti-government, anti-domestic spending, and pro-business campaign strategy that swept him into office in 1980. By the end of the Ford administration, housing was no longer viewed as a goal in and of itself; it had been subsumed completely within community development and urban redevelopment strategies.

Jimmy Carter

Greater emphasis was placed on the view that low and moderate income housing should be part of a community development strategy during Carter's presidency. However, the traditional homeownership subsidies and insurance programs continued unabated and constituted the largest part of the federal government's housing agenda. Carter and others in government continued to view the housing and finance industries as key to economic health and worried about the effect high interest rates were having on residential construction and real estate. Carter's housing strategy was articulated in his 1981 State of the Union message:

The most important action government can take to meet America's housing needs is to restore stability to the economy and bring down the rate of inflation. Inflation has driven up home prices, operating costs, and interest rates. Market uncertainty about inflation has contributed to the instability in interest rates, which has been an added burden to homebuilders and homebuyers alike (Vital Speeches 2/1/81).

It was concern about inflation and rising interest rates that led to the deregulation of the savings and loan industry and its subsequent near-collapse in the 1980s. At the time, however, Carter and others believed that savings and loan regulations were hobbling the economy, making it difficult to attract depositors who could provide capital needed for mortgages.¹¹ It was hoped that deregulation would increase the competitive environment in which mortgages were offered and would result in lower interest rates. That the opposite occurred was disastrous for the construction, real estate, and banking industries, as well as for bank depositors.

Caves (1989) suggested that many Americans anticipated that the federal government would increase its role in housing under Carter. However, Carter's domestic policy was more like a modified version of Nixon's than like Johnson's or Kennedy's. Hays suggested that Carter lined up in the "federalist" camp, and his administration "did not display

¹¹ The Depository Institutions Deregulation and Monetary Control Act of 1980 provided for "the gradual elimination of all limits, on the rates of interest which are payable on deposits and accounts..." (U.S. Statutes at Large 1980; PL 96-221).

the desire for large new social welfare initiatives that previous Democratic administrations had shown" (1985; 152). Carter was more concerned about the energy crisis and inflation which he thought could be controlled through reduced federal deficits. In his 1978 State of the Union address, Carter explained that:

Inflation has hit us hardest not in the luxuries but in the essentials - food, energy, health and housing... Nothing makes it harder to achieve decent, health, housing and education for our people...or realize our national goal of a balanced budget, than a stagnant economy (Vital Speeches 2/15/77).

Carter's focus on controlling inflation through reduced federal deficits meant that federal support for domestic programs did not significantly increase during his administration.

However, this does not mean that Carter was entirely insensitive to the needs of the poor. In his 1979 State of the Union message, Carter asserted that:

Inflation is a burden for all Americans, but it is a disaster for the poor, the sick and the old. No American should be forced to choose among food, warmth, health care or decent housing because the cost of any of these basic necessities has climbed out of reach (Vital Speeches 2/1/79).

Carter attempted to address the needs of the poor by trying to restore some of the housing programs that had been eliminated by Nixon and Ford. He also signed the Community Reinvestment Act of 1977 (CRA) into law. It required

banks and savings institutions to take affirmative steps to help meet the needs of the communities they are chartered to serve, including low and moderate income areas (Fishbein 1991; 16).

This was a major accomplishment for Carter and the CRA continues to drive community investment on the part of banks and savings and loans. However, as Hays suggested, the disorganization and lack of leadership that characterized the Carter administration made it especially difficult for his domestic programs to make it through Congress.

The Housing and Community Development Act of 1977 was an attempt to provide federal funds for distressed urban areas and to increase the role of local governments in the planning and oversight of community development projects by requiring that housing assistance plans (HAP) be produced by local and state governments. HAPs were to report on the quality and quantity of a community's housing stock and specify "a realistic annual goal for the number of dwellings or low income persons to be assisted" (U.S. Statutes at Large 1977; PL 95-128). The legislation also required that low income housing be produced, to the extent possible, through rehabilitation, preservation, and reclamation of both neighborhoods and housing.

The Act also changed some of the CDBG funding rules and implemented the Urban Development Action Grant program (UDAG) in order to help fund efforts to improve distressed urban areas and assist their low and moderate income residents:

The secretary is authorized to make UDAG grants to severely distressed cities and urban counties to help alleviate physical and economic deterioration through reclamation of neighborhoods having excessive housing

abandonment or deterioration, and through community revitalization in areas with population outmigration or a stagnating or declining tax base (U.S. Statutes at Large 1977; PL 95-128).

The Housing and Community Development Amendments of 1978 dealt specifically with a variety of housing issues.¹² It provided rehabilitation loans and loan insurance for low and moderate income homeowners and owners of multi-family properties.¹³ It also provided for an urban homesteading program to stem the tide of urban outmigration by encouraging middle class homeownership in urban areas. It was under the provisions of the UDAG program that the limited housing activity that occurred during Carter's term was sponsored. The concept of private-public partnerships was brought to the fore in the UDAG program and was emphasized in the Housing and Community Development Amendments of 1978. This legislation created the Neighborhood Reinvestment Corporation based on the following assumptions:

The Congress finds that the Neighborhood Housing Services demonstration of the Urban Reinvestment Task Force has proven its worth as a successful program to revitalize older urban neighborhoods by mobilizing public, private, and community resources at the

¹² The Housing and Community Development Act of 1980 was the only legislation passed during the Nixon or Carter administrations that significantly addressed public housing. It provided for increased assistance to public housing authorities to be used to improve the physical condition of projects and to upgrade their management and operation (PL 96-399; 10/8/80). It did not authorize any new units.

¹³ This assistance was continued in the Housing and Community Development Act of 1980.

neighborhood level...The demand for neighborhood housing services programs throughout in cities... warrants the creation of a public corporation to institutionalize and expand the...program (U.S. Statutes at Large 1978; PL 95-557).

As Hays explained:

Although the projects envisioned for UDAG were similar in purpose to...[earlier] urban renewal projects...the new program reflected the caution of the 1970s in that it required prior commitment of investment funds by private firms in an amount 5 to 6 times that of the federal investment (1985; 216).

In addition to encouraging public-private partnerships, the Act also presaged the local responsibility rhetoric of Reagan and Bush as well as their emphasis on the role of non-profit organizations. It asserted that the federal government should provide grants, technical assistance, and other resources to:

...help qualified neighborhood organizations... undertake specific housing, economic, or community development, and other appropriate neighborhood conservation and revitalization projects in low and moderate income neighborhoods which are in need of preservation and revitalization...the purpose of ...such assistance is to increase the capacity of neighborhood organizations to utilize and coordinate resources available from the private and public sectors and from the residents and neighborhoods themselves (U.S. Statutes at Large 1978; PL 95-557).

The Housing and Community Development Act of 1980 expanded planning assistance and grants available to communities to facilitate conservative and fiscally-sound economic development plans. Such assistance was provided to meet the requirement that federal projects should, "to the extent practicable...be administered in compliance with state,

areawide, and local plans and strategies" (U.S. Statutes at Large 1980; PL 96-399).

Thus, while Reagan is most often identified with the shift to federal programs that emphasized management by local units of government, relied on local private capital to leverage local projects, and called on non-profit neighborhood organizations to play key roles in housing projects, these practices can be traced directly to the Carter administration. UDAG's survival under Reagan, and its use as a model for programs developed during his tenure, illustrates that Reagan's domestic policies were not as removed from his predecessors who were seen as more supportive of social welfare programs as is commonly assumed. It was continued inflation, along with increasing international problems, that led to Carter's defeat to Reagan in 1980 and not, I would argue, his fiscally-conservative and "federalist" domestic social agenda.

1980s-1990s: "New-New Federalism" Under Reagan and Bush

Ronald Reagan

Reagan entered office promising a smaller and more efficient federal government. The focus of his attack was domestic programming and he developed a strategy for reducing the breadth and level of funding for most social programs. His philosophy was shaped by what Nossiter (1990) has called "country club economics," similar to O'Connor's (1973) idea that the role of the government was to facilitate corporate

and personal accumulation of wealth. It was also underscored by the belief that the poor were poor as a result of their own sins of omission and/or commission and that welfare recipients were cheats. Reagan's "new-new federalism" focused on reduced domestic spending accompanied by deficit-enhancing defense spending which benefitted various sectors of the economy.

Nossiter suggested that Reagan's goal was to establish "lower taxes for the wealthiest, a cut in welfare rolls, high unemployment, less inflation, and a stock market boom" (1990; 187). Together, these factors would provide a good environment for business. Cuts in welfare and high unemployment would result in labor discipline and thus benefit corporations. He was not, however, necessarily guided by mean-spiritedness or a desire to increase the rate of poverty. The supply-side economics to which he adhered suggested that short-term sacrifices on the part of the less privileged would eventually improve the entire nation's standard of living and quality of life.

Reagan's rhetoric about the role of the federal government in domestic affairs stressed individual responsibility for creating problems, as well as for providing solutions. He frequently claimed that the government was responsible only for those who were in need due to circumstances beyond their own control; those he called the "truly needy" or the "truly deserving" poor.

Hays (1985), however, suggested that Reagan's terms were characterized by compelling evidence that, as during the Depression of the 1930s, the persistent economic stagnation of the nation led to a growing number of families below the poverty line (not by their own choice) that reversed the 1970s' trend toward declining rates of poverty.

Reagan's housing and community development policies were informed by the 1981 "President's Commission on Housing." Reagan appointed the Commission and charged it with recommending a national housing policy that was consistent with his belief that the private market could best meet the nation's housing needs. The Commission concluded that federal housing programs were too expensive and did not achieve their intended goals. It recommended that the government cut back on housing programs, relying instead on housing vouchers. In terms of the housing tenure debate, Reagan, like his predecessors, was firmly committed to expanding homeownership opportunities. Caves summed up Reagan's interest in housing in this way:

Housing does not appear to be a high priority on Reagan's domestic policy agenda. While reversing a number of past housing programmes, he has also advocated Federal withdrawal from housing matters. This is consistent with his privatisation philosophy - the private sector is better equipped to meet the housing needs of the American people (1989; 72).¹⁴

¹⁴ The focus on the private sector in housing provision and the de-emphasis of low and moderate housing in general is reflected in Vital Speeches during Reagan's tenure in office. Except for a speech by the National Urban League's, Vernon Jordan, the housing-related speeches

Reagan's interest in housing appeared only as it related to his concerns about the role of the federal government in domestic affairs and its relation to his rhetorical discourse about stimulating economic and industrial growth. His approach to housing was informed by a variety of assumptions based on the power of the private market to respond to the laws of supply and demand as well as intra-familial and community responsibility for members in need.¹⁵ In his 1986 State of the Union message, Reagan said that

As families take care of their own, government must provide shelter and nourishment for those who cannot provide for themselves. But we must revise or replace programs enacted in the name of compassion that degrade the moral worth of work, encourage family break-ups, and drive entire communities into a bleak and heartless dependency (Vital Speeches 3/1/86).

The belief that social problems are localized is key to understanding the Reagan rhetoric about both their causes and solutions. However, the emphasis on the local nature of domestic problems as described by Reagan is contradicted by

reprinted therein reflected various aspects of the housing and home finance industries and related home ownership issues. For example, there are three separate addresses by Marc Riedy of the Mortgage Bankers Association of America, all addressing housing finance and the mortgage market.

¹⁵ The re-emergence of a belief in the ability of the market to set wages and prices according to the laws of supply and demand set Reagan apart from his most recent Republican predecessor. As discussed above, one of the insights of Nixon and Kennedy was that these laws simply no longer held. Both Kennedy and Nixon urged oligopolistic corporations to be more responsible in setting both wages and prices.

his concomitant assertion that the economy was international and that the problems of business must be viewed within such a broad context. Reagan was essentially willing to intervene in order to protect American business, because the international economy had become an "unfair playing field." However, he was unwilling to examine how the nation's economic distress affected poverty and other social problems. Reagan's pro-business perspective contributed to high unemployment, an expansion of relatively low wage jobs that were insufficient to support a family, and the continued decline in the real value of wages.

All of this occurred against the backdrop of escalating costs for all forms of housing tenure. Reagan assumed that the market could provide decent and affordable housing and elements of the 1986 tax reforms were expected to generate housing starts at all income levels. But increased housing starts could not by themselves remedy the affordability crisis that David Maxwell of FNMA, for example, claimed was inching its way into the middle classes:

Not a week passes...without an article on the decline of the middle class...This may be just rhetoric...But what we can confirm...is the decline in housing opportunity, particularly for first time homebuyers (Vital Speeches 12/15/86).

With the problems of first time homebuyers and the inability of existing homeowners to "graduate" to better homes, the filtering process, relied on since the 1930s, became clogged and ineffective. That is, there was less movement of

families in all income brackets which meant that housing no longer "filtered" down to poorer groups as more privileged households bought bigger and newer units of housing.

Another factor that exacerbated the affordable housing crunch during the Reagan administration was increased competition for affordable rental housing as families who previously would have purchased housing, postponed or abandoned homeownership. The increased number of moderate and middle class households competing for rental housing meant that those with less secure incomes would be passed over by landlords looking for "ideal" tenants.

Reagan's first term was characterized by the high interest rates that troubled the Carter administration and the mortgage and housing industries. Representing a split in the ranks of the power elite in terms of assessing the benefits of Reagan policies to capital, Mark Riedy, executive vice president of the Mortgage Bankers Association of America, addressed the problems of the housing finance industry in 1982. He warned that the government was essentially sacrificing the housing and real estate financing industries in its attempt to control the deficit:

The fact is that the economy cannot digest the federal deficits...without major dislocations of an unacceptable scope and cost. Something has to give, and the housing and real estate financing markets, among others...have given more than their fair share. When it comes time for them to play their historical role of leading a national recovery of recession...they may have nothing left to give (Vital Speeches 7/1/82).

Riedy claimed that Reagan's deficit management program posed disaster for homebuyers and the industries that depended on them:

Consumers cannot afford to buy homes, traditional mortgage lending industries and institutions fight to survive - many without success - and homebuilders, realtors, and others involved in housing starve for business waiting for the significant housing recovery that is not yet in sight (Vital Speeches 7/1/82).

For the first time since Roosevelt, the federal government was not acting to make homeownership attractive and affordable. This shift made clear just how involved the federal government had been in the "private" housing industry and highlighted the industry's dependence on federal support and intervention.

Robert Rosenberg, senior vice president of Starrett Housing Corporation, spoke to the New York Rotary Club about the increased demand for urban housing on the part of middle class households in 1981. He suggested that the trend of conversion of apartments to both condominiums and cooperatives was a positive change that encouraged neighborhood stability. He traced the tendency of urban landlords to convert or abandon their properties to excessive government regulation, including rent control. He further claimed that:

We must not...abandon our commitment to poorer persons who cannot afford free-market rents. While the future for subsidized housing, which has been essential for high quality, low income and middle income housing developments, is cloudy, the extent that non-subsidized rental housing can be a viable alternative depends upon sophisticated professional management and the

availability of financing at acceptable interest rates
(Vital Speeches 6/15/81).

The professionalization of housing management and the elimination of government regulations proposed by Rosenberg resound throughout the housing developer and management literature. It, however, runs counter to the reality of rental housing in the U.S. in that the majority of rental housing is owned and managed by "mom and pop" operations. Small-scale ownership of rental units has also been recognized as more efficient, flexible, as well as better able to effectively respond to changing market conditions (including supply and demand) than are larger management and development corporations (Gilderbloom and Appelbaum 1987).

The contradictions often found in the rhetoric of this segment of the housing industry are illustrated in Rosenberg's discussion. While he suggested that government regulation made it difficult to provide affordable housing for low and moderate income people, he also asserted that

No industrialized nation has been able to provide housing for those at the lower income levels without government assistance and support. The federal and state governments must do more, not less... (Vital Speeches 6/15/81).

The resolution of this apparent contradiction is found in the advocacy, on the part of industry spokespeople, of cost-plus, new construction contracts and direct subsidy rental and construction programs that characterized the pre-Nixon periods. These have been shown to greatly benefit builders and developers, even if they provided only a fraction of the

units of affordable housing that could have been expected given the level of funding.

Low and Moderate Income Housing

Reagan's appointment of Samuel Pierce as director of HUD sent a message to those concerned about housing for the poor. As described by Hays:

Reagan appointed a [B]lack, Samuel Pierce, as secretary of HUD; however, in doing so, he chose one of the least aggressive advocates of housing for the poor that he could have found in the black community (1985; 242).¹⁶

While the appointment of Pierce sent a clear message that the Reagan administration did not view low and moderate housing as a high priority, Reagan was not entirely successful in reducing the federal government's support of housing programs. Hays suggested that this was at least in part due to the "strong support which federal housing and community development programs still enjoy in Congress and among state and local leaders" (1985; 254).

¹⁶ Samuel Pierce has been associated with a number of scandals that rocked HUD and continue to be investigated by Congress. Pierce allegedly endorsed policies that awarded generous (and illegal) contracts to friends and political acquaintances that produced great wealth for them, and little housing for low and moderate income households. The HUD scandals that occurred under Pierce are yet another chapter in the fraud and mismanagement that have characterized the administration of housing programs for the poor since its inception. The extent of the Pierce scandals, however, are expected to dwarf anything that occurred under the FHA special assistance programs discussed earlier. While the scarred HUD administration is an important aspect of federal housing policy, its analysis must be left to the future.

Congress, if not Reagan, recognized that the affordability crisis was having a major affect on low and moderate income households. Congress appeared to recognize the need for supply-side assistance to the housing industry in order to meet the high demand for affordable housing, while the Reagan administration in ironic contradiction to its overall economic strategy, focused on demand-side solutions. The voucher program appears to have been supported by the executive branch as a way to significantly reduce the line-item appropriations for HUD new construction programs.

The 1986 tax reform measures were viewed as a way to stimulate investor interest in low and moderate income housing projects. However, David Maxwell of the Federal National Mortgage Association (FNMA) expressed doubt that the tax reforms would aid rental housing:

I regret to say that the shortage of affordable rental housing is bound to get worse under the new tax laws... it cut backs on several provisions of the IRS code that spurred the construction of rental housing, while the favorable treatment afforded to homeownership has been fully preserved...This will lead to more condominium conversion (Vital Speeches 12/15/86).

Given the belief that the tax reform laws would generate increased affordable rental housing construction on the private market, the Reagan administration sought to replace Section 8 and other housing programs (including public housing) with housing vouchers.¹⁷ While the administration

touted vouchers¹⁸ as a significant new policy direction, the reality is that the administration sought to fund them by cutting existing housing programs, resulting in a net loss in housing assistance. Reagan believed that the Section 8 subsidy program was too expensive and that eligible households would be able to find less expensive housing through the less regulated voucher system.¹⁹

Countering Reagan's claims that the Section 8 program was too expensive, David Maxwell examined the costs of the program within the context of federal housing policies:

[Section 8] provided incentives for builders to build housing and subsidies for their rents. It was an expensive program, but cost less than the suspended interest-rate subsidy programs of the late 1960s and early 1970s... (Vital Speeches 12/15/86).

Moreover, he claimed that low income housing could not be provided by the market itself.

...the many private initiatives, abetted by local governments...are important and helpful...But these efforts alone won't solve the problem. Housing for the poor cannot be built and maintained without money...and the only real source of the kind of money needed is the federal government (Vital Speeches 12/15/86).

Despite the challenges of housing experts and others such as Maxwell, the Reagan administration continued to advocate

¹⁸ A housing voucher demonstration project was authorized in the Supplemental Appropriations Act of 1984. As of today, most housing providers and activists make little distinction between the housing vouchers and Section 8 certificate program.

¹⁹ In addition to proposing the replacement of Section 8 certificates with housing vouchers, the Omnibus Budget Reconciliation Act of 1981 raised the percentage of tenants' income to be paid as rent from 25% to 30%.

shrinking resources for federal low and moderate income housing programs and increased reliance on localized, private sector initiatives to house the poor.

Homelessness and Homelessness Prevention

An emergent problem in the 1980s was homelessness. While estimates of the extent and characteristics of the homeless population continue to be debated -- some argue they are part of the "deserving poor," while others suggest they are not -- increased public concern about their numbers and presence on the streets of most communities led Congress to address the issue. The Emergency Shelter Program was authorized as part of the Supplemental Appropriations Act of 1984. It provided \$60 million for

states, units of local government, Indian tribes, and non-profits to operate programs for provision of shelter and essential services for individuals who are subject to life threatening situations because of their lack of housing...Grants may be used to rehabilitate existing dwellings to provide basic shelter, to pay for utilities and the furnishing of shelters, to provide for any health and safety measures that are required to protect the individuals using such shelter, etc. (U.S. Statutes at Large 1983; PL 98-181).²⁰

The Emergency Shelter Program was expanded in the Stewart B. McKinney Homeless Assistance Act of 1987. Its purpose was to:

²⁰ In one of the few references to women and children in housing legislation and housing discourse since the New Deal, this legislation required that the special needs of families and single women be taken into consideration by the HUD secretary in awarding grants.

provide urgently needed assistance to protect and improve the lives and safety of the homeless, with special emphasis on elderly persons, handicapped persons, and families with children (U.S. Statutes at Large 1987; PL 100-77).

The Stewart B. McKinney Homeless Assistance Amendments Act of 1988 took a small step toward homelessness prevention by declaring prevention of homelessness an eligible activity under the legislation. The amendment enabled organizations to provide

financial assistance to families who have received eviction notices or notices to terminate utility services in special cases where it is clear that the household will be able to meet rent and utility payments in the future (U.S. Statutes at Large 1988; PL 100-628).

This assistance, however, was aimed at preventing the homelessness of individual families and no mechanisms were provided to deal with the major causes of homelessness: affordability and supply of housing and joblessness and under-employment.

The Housing and Community Development Act of 1987 also attempted to address and remedy some of the causes of homelessness. In its declaration, the act highlighted the disagreement between Congress and the executive branch about the role of the federal government in housing and other social programs:

For the past fifty years, the federal government has taken the leading role in enabling the people of the nation to be the best housed in the world, and recent reductions in federal assistance have contributed to a deepening housing crisis for low and moderate income families...The tragedy of homelessness in urban and suburban communities...involving a record number of

people, dramatically demonstrates the lack of affordable residential shelter, and people living on the economic margins of our society... (U.S. Statutes at Large 1988; PL 100-242).

The Housing and Community Development Act of 1987 reaffirmed the decent and affordable housing goal and called for federal efforts to reduce the national housing shortage. Its stated purposes included providing housing assistance to low and moderate income people and, harkening to a consistent criticism made by presidents about the inefficiency of government programs, to "reform existing programs to ensure that such assistance is delivered in the most efficient manner possible" (U.S. Statutes at Large 1988; PL 100-242).

Homeless legislation enacted during this period is consistent with the crisis management approach taken by the federal government as outlined by HUD undersecretary Hyde:

Possibly the ultimate result of sparing the public from real issues and bad news is that decisive action finally comes only at the point of crisis...we suddenly find ourselves acting with the kind of haste that precludes wisdom. In effect, we start doing the right thing for the wrong reasons -- doing it with remarkable inefficiency (Vital Speeches 2/21/74).

The McKinney Act provided resources for services for homeless individuals and families and it asserted that homelessness was a direct consequence of an inadequate national housing supply. However, it did little to establish permanent housing or to provide resources to address the economic and social causes of homelessness and the shortage of affordable housing.

Community and Urban Development

Consistent with the trend established by Nixon and continued under Carter, the Reagan administration rejected new construction projects under both the CDBG and UDAG programs. Reagan wanted to restrict CDBG and UDAG funds to the renovation, rehabilitation, and preservation of housing.

Reagan also sought to reduce the amount of community development funds spent on the more impoverished sections of cities because he believed them to be inconsistent with economic development. The Housing and Community Development Act of 1987 addressed concerns that this approach would lead to disproportionate negative affects on the poor by requiring that activities:

will be undertaken annually to minimize displacement and preserve or expand the availability of housing for persons of low and moderate income, such as the preservation of single room occupancy housing and the development by public and private non-profit organizations of vacant properties that become available under in rem proceedings... (U.S. Statutes at Large 1988; PL 100-242).

In addition, the Omnibus Budget Reconciliation Act of 1981 required that the Neighborhood Reinvestment Corporation

concentrate block grant funds in distressed geographic areas small enough so that viable improvements can be achieved in a reasonable time period to ensure that claimed benefits to low and moderate income persons are actually achieved (U.S. Statutes at Large 1981; PL 97-35).

However, these efforts to protect low income people were countered by the expansion of what were formerly low income housing programs to also include moderate income programs.

The consequences of this change in emphasis meant that housing and development programs that were identified as "low income" tended to ignore the most needy and those with the lowest incomes and instead focused on moderate income households. In conjunction with Reagan's "enterprise zone" strategy, the net effect was that urban redevelopment once again concentrated on rebuilding business and industrial sectors, at the expense of affordable housing programs.

The final Reagan housing and community development strategy was the emphasis on private/public partnerships, accompanied by a call for increased volunteerism on the part of Americans. In his 1982 State of the Union Address, Reagan proposed a "Grass Roots Trust Fund" that would provide money to states to fund development. Reagan called on neighborhood groups, local business, and local governments to pool their resources to meet the needs of their community's disadvantaged. In an obvious prelude to George Bush's "thousand points of light," in his 1988 State of the Union speech, Reagan said:

There are a thousand sparks of genius in 50 states and in a thousand communities around the nation. It's time to nurture them and see which ones can catch fire and become guiding lights (Vital Speeches 2/15/88).

Consistent with Reagan's emphasis on aiding the private sector while focusing on upgrading existing housing, Title III of the Supplemental Appropriations Act of 1984 authorized the rental housing rehabilitation and development program (under CDBG) whose purpose was described as:

rental rehabilitation grants to states and local government to help support the rehabilitation of privately owned real property to be used for primarily residential rental purposes... (U.S. Statutes at Large 1983; PL 98-181).

However, Congress recognized that there were some instances where rehabilitation efforts needed to be supplemented by new construction. Thus, the title also provides for "development grants for new construction or substantial rehabilitation..." (U.S. Statutes at Large 1983; PL 98-181).

Summary

The focus on economic development that characterized the Reagan administration led to a reduced emphasis on housing in general. Inflation was curbed in such ways that negatively affected the housing industry and construction projects shifted from federally-sponsored and other low and moderate income housing to luxury residential and commercial buildings. Moreover, the community development programs utilized during the Carter administration to assure that at least some affordable housing was built, preserved, or rehabilitated also shifted to economic development activities along the lines of CDBG during the Nixon administration.

Unfortunately, the expectations of supply-side economics were unfulfilled and the resultant increase in homelessness, joblessness, and insecurity of housing tenure for a large number of Americans led to a rejection of

Reagan's privatization approach to housing; that is, while the government remained committed to private/public partnerships organized primarily at the state and local levels, public housing, Section 8 subsidy programs, and voucher programs remained key elements of the federal low and moderate income housing strategy. Despite Reagan's lack of commitment to housing and neighborhoods, Congressional support served to mediate some of the ultimately devastating budget cuts experienced at HUD, as well as at other agencies providing housing and other assistance to low income households.

George Bush

Given the presidential campaign that proceeds as I write this, it would appear fairly obvious that Bush's interest in domestic affairs is subordinated to his foreign policy agenda. Although his "stump" speech expresses concern for the difficult economic times experienced by Americans in various parts of the country, he has continued to criticize social welfare spending and "excessive" taxation as important contributions to what he views as a bad environment for business. Bush has recommended "leaner and meaner" programs for the poor that emphasize self-help and individual responsibility. Addresses included in Vital Speeches reflect the increasingly strident debate over "deserving" versus non-deserving poor that began with Reagan and has intensified during Bush's first term. For example,

Roger Freeman, Senior Fellow Emeritus of the Hoover Institution indicted government welfare programs in his assertion that:

The problem that mankind [sic] does not seem to have solved adequately...is how to help poor people...become self-supporting. To give poor people money is not the whole answer and often not an answer at all (Vital Speeches; 6/15/90).

He concluded his remarks by suggesting that the welfare problem could be solved in this way:

If we want to keep welfare costs under control but more effectively help needy people who are in distress through no fault of their own, we must find out why they are poor. Many...are temporarily unable to support themselves and their families...and must be helped to get back on their feet. Anybody can have bad luck but no one has bad luck all of the time. That is why we must distinguish between what we used to call the deserving poor and what we now call the behaviorally poor - those who are poor because of their own actions or inaction (Vital Speeches 6/15/90; emphasis added).

These remarks sum up the underlying beliefs that have shaped social welfare initiatives undertaken by the federal government since Nixon which have intensified under Reagan and Bush.

However, the notion that some people deserve help while others do not has shaped the discourse about social programs, including housing, since at least the New Deal. For example, much of the discussion about the problems associated with public housing turn on the belief that it is the people who live in public housing who are responsible for its problems (not inadequate maintenance, shoddy construction, and/or bad management). Proposals for "fixing

the people," however, do not generally recognize the economic, social, and political factors that also affect the public housing milieu. Returning to a time-honored tradition, Reagan, Bush, and Jack Kemp have asserted that the problems associated with low income housing, especially public housing, can be solved if tenants are able to take on a greater role in management and eventually become owners of their apartments. But homeownership is more expensive than renting, if one does not earn sufficient income to avail herself of homeowner tax breaks. As a result, the sale of individual units of public housing to their tenants may thus be unworkable. Moreover, most low income families do not possess the economic resources to effectively maintain their properties or to afford the eventual replacement of costly features including furnace, water heaters, and appliances.

Nonetheless, the insistence on entitlement, that some people deserve assistance by virtue of their behaviors and/or attitudes, while others do not, has been a theme in the rhetoric about social welfare and housing policy in the U.S. The second focus is "new" federalism. The third focus is essentially an expansion of Eisenhower's notion of decentralization that seeks to incorporate the loosely-defined "private sector" into providing for those in need. In this context, the private sector includes corporations, philanthropic and charitable groups, such as churches and foundations, non-profit and for-profit developers and

housing organizations, and individuals, acting independently or in conjunction with any of the above groups.

While many conservatives and liberals alike have applauded the increased control given to local and state governments, they part company when it comes to the funding of social initiatives. While some conservatives, including Nixon, sought to increase federal funding while providing local and state governments greater flexibility in terms of deciding how such funds would be spent, others, like Reagan and Bush, have called for increased responsibility for the planning, oversight, implementation, and funding on the part of local governments. Linda Tarr-Whelan, of the Center for Policy Alternatives, emphasized one of the problems with such an approach:

Our weakening economy makes state policy developments more difficult...the buck is still being passed back and forth on some critical issues - particularly items with a high price tag... Where will the states get the resources for badly needed social programs? (Vital Speeches 11/5/90).

Michigan Governor John Engler addressed a related issue in his 1990 speech to the Heritage Foundation. Engler attacked the federal government for mandating programs without providing the revenue to pay for them and called for a requirement that Congress not be able to legislate programs without also legislating the funds to pay for them. While Engler's comments were guided by a desire to control federal social spending, especially for the poor, his remarks illustrated why Congress continues to legislate social

welfare programs, despite at least general rhetorical acceptance of the principles of local control. Tarr-Whelan explained it this way:

The states are not developing at an even pace - the pattern is one of being ahead on some programs, behind on others. And some problems are intractable from a state-by-state perspective. For these, almost no program is made until the national action is taken (Vital Speeches 11/15/90).

Such is the case with housing. The necessity of local and state governments to appeal to business in order to emphasize economic growth, makes the massive budgetary outlays required for housing and community development programs difficult to generate. Moreover, for reasons related to generating sufficient tax revenues to maintain urban areas, low and moderate income housing is usually subordinated to quality of life issues that serve to promote and encourage middle and upper class residence in local areas. Historically, low and moderate income housing has been orchestrated and funded at the federal level. For these reasons, and in spite of the generally hostile environment for social programs that has existed since the 1980s, the National Affordable Housing Act was passed in 1990.

Several other pieces of housing-related legislation were enacted during Bush's first term. They include the Departments of Veterans Administration and HUD and Independent Agencies Appropriations Acts of 1989 that required HUD issue existing Section 8 certificates for those

at risk of paying greater than 35% of net income as a result of increased rent due to rental rehabilitation. The Act also recaptured unspent housing funds that had previously been used for improvements of public and Section 8 housing. It gave 50% of the re-captured funds to state housing finance agencies to use in conjunction with McKinney Act programs, but retained the remaining 50% for non-housing and non-community development activities.

A second housing-related law, the Department of HUD Reform Act of 1989, sought to remedy some of the problems identified during the HUD hearings investigating the department's activities under former director Pierce. It implemented administrative reforms dealing with the allocation of housing assistance and accountability; provided penalties for abuse or fraud in loan insurance programs; and required the registration of consultants. The Act also commissioned the "National Commission on Severely Distressed Public Housing" to develop plans for the elimination of uninhabitable public housing projects by the year 2000.

The third related law, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA):

- (1) required S&Ls to develop an affordable housing program that provided funds to sponsors of affordable housing;
- (2) public disclosure by regulators of evaluations of financial institutions' compliance with requirements of the

Community Reinvestment Act; and (3) a first-purchase option for low and moderate income families and public agencies wanting to buy homes in the Resolution Trust Corporation's inventory of assets from failed thrifts (Thelen 1991; 12). Because of its significance, the focus here will be on the National Affordable Housing Act (NAHA).

National Affordable Housing Act

The National Affordable Housing Act was the first substantial piece of housing legislation passed in over 20 years. It sought to directly address the housing needs of low and moderate income households. NAHA did not signal a return to New Deal or Great Society Programs. It was more consistent with the revenue sharing initiatives of Nixon in that it set parameters within which local and state governments could provide housing and related services. It was premised on the private/public partnerships and local responsibility rhetoric that has been in ascendance since the late 1970s. These general assumptions are based on a claim first made by Truman; that is, that the government cannot do everything or what it does without help from the private sector. The problem with such an approach, however, arises due to economic difficulties which result in pressure on the private sector, both corporate and individual, to reduce spending in response to fewer resources and greater demands for what they allocate for philanthropic

activities.²¹ During the 1930s it became clear that the system of private philanthropy and charity that had provided what little safety net existed to that point was insufficient to the task of helping the nation's needy in equitable, sufficient, and non-stigmatized ways. Thus, the development of the social safety net through New Deal and subsequent government programs occurred in light of public acceptance that this task legitimately belonged to the federal government.

NAHA was a collection of housing initiatives to increase the supply of decent and affordable housing. The bill was the result of compromise and was described by Dreier as "a crazy-quilt of new and old approaches with little overall coherence" (1991; 14). The programs contained in this legislation reflected the variety of initiatives and philosophies described in this chapter that focus in the main on providing homeownership opportunities.

Title I of NAHA listed the main objectives and policies of the Act and the national housing goal is once again reaffirmed. The Act's objectives included:

²¹ Organizations such as the United Way and the Red Cross, for example, are feeling the pressure of competition from other charities for corporate and individual gifts, increased requests for funding from non-profit organizations, the overall reduction in charitable giving on the part of corporations and individuals as a response to economic uncertainty, and increased demand for services and support. The government and the people require more from philanthropic organizations at a time when the economic survival of these organizations is less secure.

(1) to ensure that every resident of the United States has access to decent shelter or assistance in avoiding homelessness;

(2) to increase the Nation's supply of decent housing that is affordable to low-income and moderate-income families and accessible to job opportunities;

(3) to improve housing opportunities for all residents of the United States, particularly members of disadvantaged minorities, on a nondiscriminatory basis;

(4) to help make neighborhoods safe and livable;

(5) to expand opportunities for home ownership;

(6) to provide every American community with a reliable, readily available supply of mortgage finance at the lowest possible interest rates; and

(7) to encourage tenant empowerment and reduce generational poverty in federally assisted and public housing by improving the means by which self-sufficiency may be achieved (PL 101-625; 4085).

All of NAHA's programs are based on the Comprehensive Housing Affordability Strategy (CHAS) which is the latest variation of local and state housing assistance plans (HAPs). In order to receive funds awarded through the competitive block grant process, states and communities must submit a CHAS to HUD for review.

The CHAS is a comprehensive report on the status of housing in a community that must include a complete inventory of existing housing, a strategy for providing affordable housing that assesses housing needs for very low, low, and moderate income families, elderly, handicappers, and the homeless, as well as a plan for meeting these needs. The CHAS must also assess the area's housing market and how public policies (such as zoning and property taxes) affect

the cost of housing. Among other important requirements of the CHAS are the identification of the area's network of housing providers and, since federal resources must be matched by local private and public funds, the sources of such funds must also be identified.

The legislation eliminated or cut a variety of programs including rental rehabilitation grants, urban homesteading, public housing construction, CDBG, public housing modernization, and single room occupancy assistance (Dreier 1991; 14). New programs introduced under this legislation include: the HOME²² Investment Partnership (HOME); Home Ownership and Opportunity for People Everywhere (HOPE); and Shelter Plus Care (Dreier 1991; U.S. Statutes at Large 1990; PL 101-625).

HOME was based on the recognition that the nation has not made sufficient progress towards the national housing goal and that, in fact, the supply of affordable housing has declined so that the living conditions of an increasing number of Americans have eroded over the past several years. In addition, NAHA recognized an increasing risk of homelessness unless "federal state, and local governments work together with the private sector to develop and rehabilitate the housing stock of the nation..." (U.S. Statutes at Large 1990; PL 101-625). Building on the emphasis on local private/public partnerships that began

²² This is not an acronym.

with Nixon, HOME was an attempt to "strengthen...a cost-effective, community-based housing partnership" that would expand and preserve the supply of rental and owned low and moderate income housing (U.S. Statutes at Large 1990; PL 101-625).

NAHA summarized the various ways that local governments have been successful at building partnerships that include local and state government, the private sector, community development corporations, community action programs (CAPs), neighborhood housing services corporations, trade unions, religious groups, limited equity cooperatives, and tenant organizations. It also identified ways such partnerships could be improved. NAHA recognized the need for increased technical and financial assistance for housing providers, as well as programs that help tenants become good project managers and counsel low income persons about the skills and strategies required for responsible homeownership.

HOME is intended to provide financial assistance for a variety of housing programs including rehabilitation for units to be rented or sold to low and moderate income households, neighborhood revitalization, weatherization, rehabilitation loans for owner-occupants of low income housing, and housing education, and included a set-aside of 15% for non-profit, community housing development

organizations. However, the Act prohibited the use of these funds for operating or administration expenses.²³

HOPE is a homeownership program geared to non-scattered-site public housing projects. The goal of the program is to turn public housing units into either ownership or cooperative housing for residents. Hartman describes the HOPE program as

in large part a thinly disguised attempt to undermine the concept of public housing - a program with obvious problems, but still the approach that has met the needs of low income Americans (Hartman 1991; 9).

According to its opponents, the major problem with HOPE is that it does not provide for the replacement of units that are sold and will eventually result in even longer waiting lists for subsidized and public housing, especially since the plan is to replace lost units of public housing with housing vouchers (Hartman 1991; 9).

Many observers agree that the National Affordable Housing Act is commendable in that it is the first attempt in a long time to deal with the housing needs of low and moderate income people (see, for example, Dreier 1991; Hartman 1991). While many support NAHA's emphasis on flexibility for state and local governments and the use of private resources in conjunction with public ones, these same observers are concerned that the programs are

²³ This limitation, along with similar proscriptions for most foundation funds, has proven a problem for many non-profit housing organizations. This issue will be explored in the next chapter.

insufficiently funded and thus will not provide a real solution to the current housing crisis (Dreier 1991; Hartman 1991). As of March 1992, funds had yet to be appropriated and the Bush administration's funding proposal for 1991 called for significant reductions in authorized amounts and also emphasized funding for existing subsidies, instead of the creation of new ones (Dreier 1991).

To some extent, this parallels the "no net increase" clause contained in the public housing enabling legislation (1937) and reflects the traditional reluctance to increase the amount of federal low and moderate income housing for fear of alienating private housing producers. In addition, the economic recession has pushed most local and state governments into deficit situations and their budgets are being cut, not expanded. It seems unlikely that major housing initiatives are likely to occur without clear direction (and major financial assistance) from the federal government. While the federal government, since Nixon, has focused on the benefits of local control in order to increase support for its decentralization efforts, more and more local and state governments are asserting that the practical implications of "new federalism" include unrealistic expectations that local units of government can take on the tasks sloughed off by the federal government when economic conditions and federal government policies decrease local revenues.

While it is clear that the inclusion of local non-profit organizations has helped to assist some of those in need of housing and other assistance, it seems clear that the demand for low and moderate income housing is too great, its cost is too high, and the issue is too controversial to be left in the hands of either local governments or the non-profit sector. The level of need and the complex processes involved in financing, producing, obtaining, and rehabilitating housing are beyond the capacities and will of these groups and require extensive federal direction and involvement. The National Affordable Housing Act is a necessary first step. It is unclear, however, whether even the federal government has the will or the interest in ensuring either that it is implemented as legislated or is viewed as the first in a series of initiatives required to truly meet the national housing goal.

Conclusion

The purpose of Chapter IV, V, and VI was to trace the history of federal housing policy in light of claims that Reagan's new-new federalist approach to domestic programs was a significant departure from previous administrations. The record indicates that federal housing policies have followed a pattern that is grounded in the belief that the government's responsibilities for the poor are mediated and, at times, superceded by the requirement to stimulate economic growth. While various presidents have developed

their own positions on both federalism and social programs, they all developed housing programs within a framework that sought to prop up private housing producers, real estate, and finance and banking by encouraging home ownership and providing subsidies to builders and landlords who supply low and moderate income housing.

These chapters' findings indicate that federalist philosophy appears to be less important than the condition of the economy during various administrations and the related economic principles that shaped their views in regard to housing policies. It appears that the real issue underlying the development of social programs, and housing programs in particular, is not local versus federal control. Instead, federalism has been used as a smokescreen in various administrations to either increase or decrease federal involvement in domestic affairs. Eisenhower, Reagan, and Bush (and, to a lesser extent, Truman during the later stages of his administration) used the decentralization argument as a way to obscure the net reduction of federal funding for such programs that occurred in tandem with increased military expenditures, as suggested by O'Connor and Bluestone and Harrison. In order to increase defense spending, attention was directed toward "excessive" federal involvement in "local" issues. At other times, for example, under Roosevelt, early Truman, and Johnson (and, to a lesser extent, Kennedy), greater emphasis

was placed on the crucial role of the federal government to ensure equity and justice and to intervene in response to disenfranchised groups when it appeared that beholden local governments could not.

All of the presidents since 1930 asserted that the role of the federal government was to set domestic policy and to coordinate, fund, and legislate programs under which domestic objectives could be achieved. Given the various economic crises that characterized their administrations (depression, recession, inflation, stagflation, and unemployment) the majority of these presidents were concerned about the economy and, with differing degrees of success, reduced support for domestic services using federalist rhetoric, a focus on familial and community responsibility and criticism of existing programs based on efficiency arguments to justify their actions. They also emphasized the relationship between the social programs they supported and economic recovery. While Roosevelt and Johnson used similar rhetoric that supported the relationship between housing programs and economic stability, they were more emphatic than others that the government had a dual responsibility to ensure economic stability and some measure of government responsibility for social justice.²⁴

²⁴ The issue of social justice also appears in the rhetorics of Carter and Kennedy. However, their policy initiatives are more closely aligned with the economic

While federal funding for low income housing has varied, the framework of housing programs that is premised on homeownership opportunities for the middle class through mortgage subsidies, mortgage insurance, income tax deductions for mortgage interest and property tax has remained immutable over time and reflects the government's commitment to preserving and enhancing private enterprise. The homeowners' deduction is such an accepted aspect of social relations in the U.S. that it is nearly as sacred as the Social Security program.²⁵

Housing programs for low and moderate income households receive the most critical attention from the media, politicians, and citizens. However, they constitute a relatively small portion of the federal budget. Support for housing programs has continued from housing activists and the building and finance industries for reasons described above. It has, however, ebbed and flowed depending on the nature of the programs, specifically in regard to their focus on construction or rehabilitation. Each of these strategies benefits different sectors of construction, real estate, and finance.

growth rhetoric than with that stressing social justice or government responsibility.

²⁵ For example, Jerry Brown, former governor of California and running for president in 1992, has proposed the adoption of a flat income tax, announced at a speech at Michigan State University, that the homeowners' deductions would be an exemption under his "no exemption" plan.

It is assumed that the general population tends to oppose social programs because of a belief that government programs facilitate dependency and limit the ability of the poor to take responsibility for their circumstances. The myth of meritocracy -- the idea that people should "earn" what they get -- remains strong in the U.S. Housing subsidies (and other social programs) are viewed as a hand-out -- getting something for nothing. Social programs that have met with greater public acceptance have thus focused on work and training. Support for social programs, including public housing and subsidy programs, also vary depending on the economic and political environment.

During the Depression, the economy's difficulties had broad national impact and, as a result, many Americans accepted Roosevelt's assertions that the problems were national in scope and could not be solved without a comprehensive national strategy. During the Kennedy administration, and extending into the early Johnson years, support was strong because the middle class believed the government could be generous without it affecting its standard of living. There was a sense then that possibilities for success and wealth were infinite.

However, beginning with Nixon and culminating with the Reagan/Bush years, many Americans increasingly opposed social spending because they believed that such programs contributed to declines in their standard of living. Reagan

and Bush's federalist rhetorics were linked to beliefs that the government was wasting people's money through inefficient programs that were not flexible enough to adjust to local variations in social and economic conditions. In addition, the poor were increasingly viewed as responsible for their situations; that their adversity was not the result of structural economic difficulties. The bifurcated economic experiences of the 1980s supported this perspective and fostered the belief among many in the middle class that there were opportunities that the poor had obviously failed to avail themselves.

The recession of the 1990s appears to have increased people's experience with economic difficulties and there is some nascent recognition that explanations for persistent poverty and homelessness must go beyond the individual level. However, people are equally fed-up with exposure to those who are persistently poor and homelessness and appear less willing to support private and public efforts to help. To that end, Representative David Boren (Oklahoma) and Senator Paul Simon (Illinois) have recently proposed a new "community works progress administration," modeled on the New Deal's Works Progress Administration as a way of combining the two often contradictory goals of the federal government -- to stimulate the economy and provide for the nation's needy. The Community Works Progress Administration would pay welfare recipients 10% more than their welfare

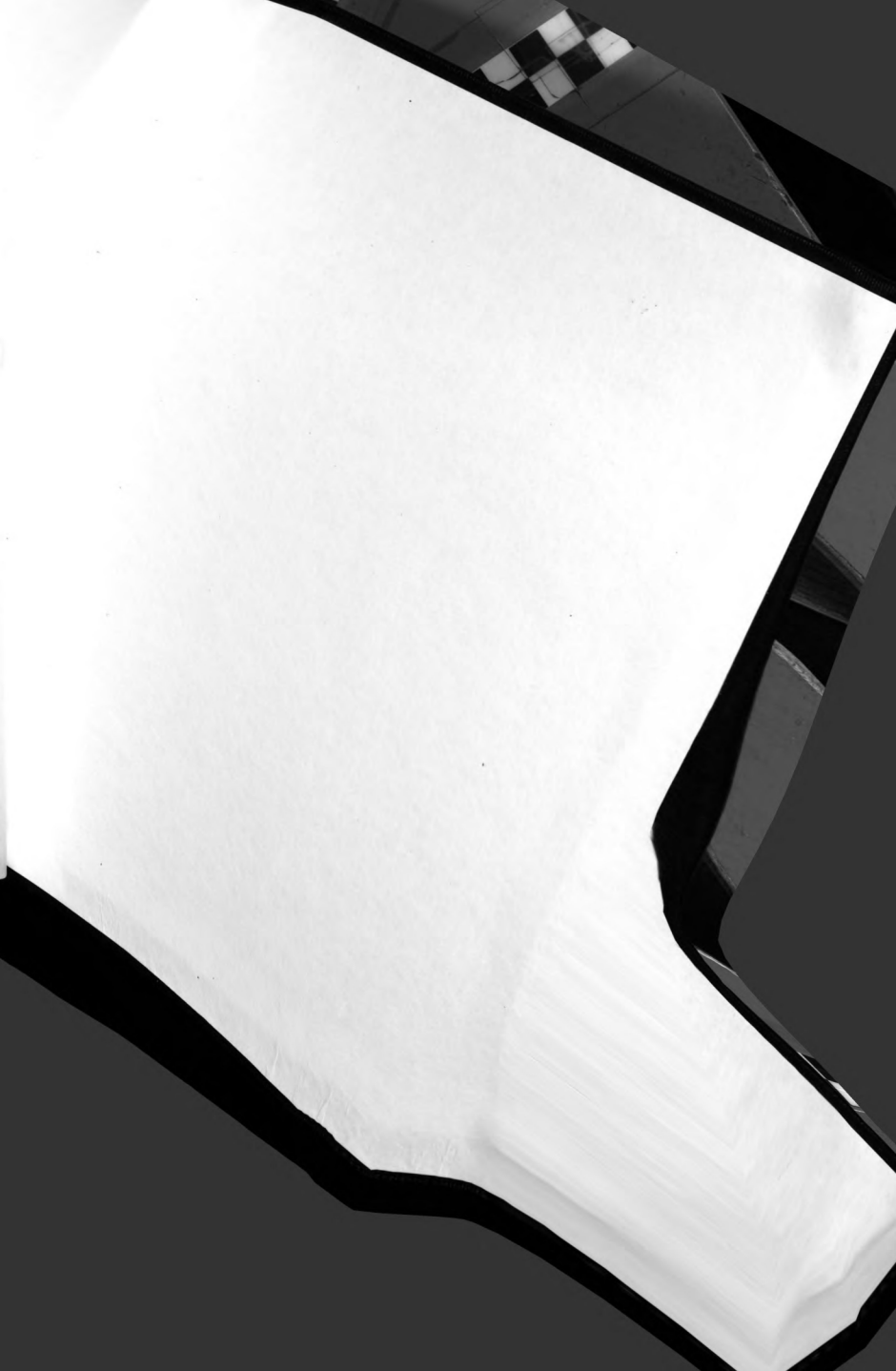
payments and engage them to work on infrastructure projects in their communities. Only women with small children would be exempt from participation (National Public Radio 3/13/92).

However, housing programs are nearly impossible to provide within a framework that avoids the label of "entitlement." Increasingly the focus has been on increased local responsibility for both the funding and provision of housing to those in need. Nonetheless, housing scholar and activist, Peter Dreier, described the marginal position of the housing crisis in U.S. politics and suggested that "the efforts of the past few years have made only a little dent in reality" (1991). Using the symbol of where a bill is signed into law as evidence that housing is not a priority in U.S. politics, Dreier asserted that:

...when Bush signed the Cranston-Gonzalez bill [NAHA], he did so with little fanfare and almost no media attention...When journalists write about domestic issues, the list always includes health care, child care, and schools, and usually crime and the environment. Housing is still a step-child (1991; 16).

The privatization of low and moderate housing provision through increased reliance on non-profit and other private housing and community development organizations signals a return to the philanthropic and charitable safety net that existed before the New Deal. While the National Affordable Housing Act did reaffirm the national housing goal, it did so in a way that emphasized this privatized approach to housing. Given the lack of funding for authorized programs

on the part of both the president and Congress, it is likely that "third stream" housing will continue to constitute the major impetus for programs for those who cannot access housing on the private market. The next chapter explores the ways that one mid-western community has responded to the combined affects of decentralization and reduced funding to meet its affordable housing needs.



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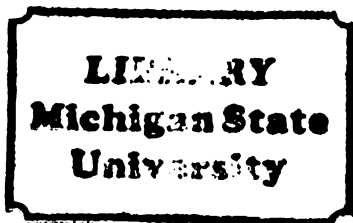
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**DROPS IN A BUCKET: COMMUNITY STRATEGIES FOR
PROVIDING LOW INCOME HOUSING**

Volume II

by

Susan Joel

A DISSERTATION

**Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of**

DOCTOR OF PHILOSOPHY

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1992

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Chapter VII

CASE STUDY: BIDDLE CITY

Chapters IV, V, and VI assessed federal low income housing legislation since the New Deal. Federalism, shaped by economic conditions, has consistently played a significant role in establishing the division of responsibility among federal, state, and local governments. Thus, when trying to understand the impetus for new perspectives on domestic policies and programs that emerged from the executive branch of the federal government during the 1980s, Reagan's (and Bush's) new-new federalist rhetoric is less important than the significant cuts in federal funding for domestic programs that occurred.

There has been much debate over both the legitimacy of these cuts and the decentralizing rhetoric that has been used to justify them. Some critics suggest that the federal government has failed to deliver appropriate services efficiently, thus justifying the decentralization of domestic programs. However, some of those who support decentralization have been critical of the budget cuts that have accompanied it. They point to Nixon's revenue sharing program as a possible model for decentralization without reductions in federal resources. Another group of critics

support both decentralization and reduced federal funding, arguing, as Eisenhower did, that both resources and power should be at the local level.

A third view suggests that decentralization and reduced resources are not, in and of themselves, problematic. Rather, the problem is that these policy changes occurred alongside a "no-new tax" movement and rapidly escalating defense spending that made local control and local funding of domestic programs untenable. A fourth perspective points to Eisenhower, Kennedy, and Johnson's insights that the federal government's responsibility for domestic programs rests in the limited ability of state and local governments to act independently of local elites.

This chapter presents findings from Phase Two of this project which relied on field research and interviews, to illustrate how those involved in local efforts to produce decent and affordable housing perceived the effects of federal policy shifts on communities. The chapter provides an example of how one urban community has attempted to cope with the real effects of significantly reduced federal housing assistance. The purpose of the case study is to explore how ideas about federalism and federal cuts in low and moderate income housing programs have been understood at the community level by talking to those closely involved in the process who have had to interpret, cope with, and respond to actions taken by the federal government. My

objective here is to focus on how ideas about the role and efficacy of the federal government vis a vis other levels of government and the private sector are enacted at the community level.

In interviews with city and state officials, leaders and members of neighborhood organizations, non-profit housing providers, bankers, technical assistance organizations, emergency assistance groups, recipients of housing services, and housing "experts," a variety of questions were asked in order to develop an understanding of the various ways that the nature of federal, state, and local government activities in housing were understood. Throughout the chapter I have opted to use pseudonyms for people and organizations with the exception of the local affiliate of one nationally-known organization, Habitat for Humanity.

Background on Biddle City

The circumstances of the founding of this medium-sized, midwestern city provide a starting point for this discussion of community efforts to preserve neighborhoods and provide decent and affordable housing:

Oddly enough the city...had its origin in a land fraud, perpetuated by two smooth timber cruisers who conceived the idea of platting a city on paper...They named their imaginary metropolis Biddle City...a 'city' of 65 square blocks with three public squares...and began selling lots in the East (Regional Chamber of Commerce 1986).

By 1835, those who had bought lots began to arrive. While they did not find the city they had been sold, many decided to stay. In the ensuing 150 years, the area has grown from predominantly agricultural to an urban metropolis characterized by a diversified economy consisting of government, education, and manufacturing activities.

Population and Income

Biddle City, located in an industrialized, mid-western state, has a population of 127,000. It is a city of neighborhoods with distinct identities and histories. Table 1 describes the racial and ethnic composition of the city. While the city's population has declined only slightly since the 1980 census (2.5%), there have been changes in terms of its racial and ethnic composition. The significant increase in the minority population was accompanied by the out-migration of whites over the same period. Table 1 also contains summary data reflecting the population of Biddle City.

Median annual income in Biddle City was \$26,389 in 1989, compared with \$31,020 in 1989 for the entire state. Both of these figures indicate a slight decrease over 10 years earlier. In Biddle City, approximately 43% of female-headed households were in poverty in 1989. Moreover, 66% of the city's female-headed households with children under five years of age were below the poverty level. This rate is

slightly above the statewide average (Biddle City News 5/22/92).

Economic Activity

Considering its location in an industrialized state, Biddle City has a fairly diversified economy. Its three main economic sectors include government, manufacturing, and education. Biddle City's industrial base is diversified through 222 production and manufacturing firms which include automobile manufacturing and related activities, forge operations, plastics manufacturing, and printing. The city

Table 1

Biddle City Population 1980-1990

<u>Category</u>	<u>1980 Census</u>	<u>1980 Percent</u>	<u>1990 Census or Current Estimate</u>	<u>1990 Percent</u>
Total Population	130,414	--	127,321	--
White (Non-Hispanic)	101,934	78	90,385	71
Black (Non-Hispanic)	17,934	14	23,157	14
Hispanic (all races)	8,237	*	10,112	*
Native American	1,088	<1	1,295	1
Asian and Pacific Islanders	802	<1	2,263	2

* The category "Hispanic" is loosely defined and may include those identified as Black or white. As a result, percentages are not available.

Source: Biddle City Comprehensive Affordability Housing Strategy 1991.

has also experienced considerable commercial development in recent years, including both new construction and renovation. Table 2 provides a list of the city's major companies and their state equalized valuations.¹ Table 3 presents employment statistics by economic sector, while Table 4 reflects employment by occupational category.

Table 2

State Equalized Valuation by Principal Product or Service

<u>Principal Product/Service</u>	<u>1987 SEV</u>	<u>% of Total SEV</u>
Automobiles	\$253,664,700	18.30%
Electricity & Natural Gas	14,651,150	1.06
Apartments	16,834,000	1.22*
Shopping Center	13,944,000	1.01
Office Buildings	12,658,300	.91*
Automobile Parts	7,719,400	.56
Hotel & Office Buildings	7,260,350	.52
Hotel	<u>5,713,700</u>	<u>.41</u>
Total	\$332,435,600	23.00%

* represents the combined SEV of 2 corporations.

Source: Biddle City Department of Planning and Development

¹ State Equalized Valuation is the value of all taxable property.

As these tables indicate, Biddle City's economy reflects national trends in that it includes both manufacturing and service industries. While its industrial sector continues to play an important role in the city's economic activities, this is beginning to slacken, despite the development department's attempt to retain and attract manufacturing enterprises. While the city's prospectus suggested that existing corporations are expanding, the automotive industries have laid off a significant number of workers

Table 3
Employment by Economic Sector

<u>Industry</u>	<u>Number of Workers</u>	<u>% of Total Workers</u>
Agriculture, Forestry Fishing & Mining	307	.5%
Construction	2,161	3.7
Manufacturing	11,588	19.8
Transportation, Com- munication, Utilities	3,061	5.3
Wholesale & Retail Trade	11,685	20.0
Finance, Insurance & Business Service	5,736	9.8
Professional Services	14,314	24.5
Public Administration	7,602	13.0
Other	<u>2,004</u>	<u>3.4</u>
Total	58,548	100.0

Source: U.S. Department of Commerce-Census; 1980.

over the past few years. One of the laid off workers I spoke with suggested that the company he worked for was building replacement plants in the south and would probably close its Biddle City operations completely within the next few years. Nevertheless, the city's unemployment rates tend to be lower than the national and state averages. For example, in February 1992, the regional rate was 6.4%, compared with 9.0% statewide and 7.3% nationally.

Table 4
Employment by Occupational Category

<u>Category</u>	<u>Number of Workers</u>	<u>% of Total Workers</u>
Executives, Adminis- trators & Managers	5,665	9.7%
Professionals	6,856	12.0
Technical Workers	2,114	3.5
Sales	5,266	9.0
Administrative	12,883	22.0
Service	8,882	15.1
Operatives	10,629	17.5
Other	<u>6,523</u>	<u>11.2</u>
Total	58,548	100.0

Source: U.S. Department of Commerce-Bureau of Census; 1980.

Political Structure

Biddle City is governed by a non-partisan mayor and 8-person city council. Four members of the council are elected-at-large, while the remaining four represent each of the city's wards.² There have been only two mayors of Biddle City since 1966. Steve Smith served as mayor from 1966-1981. The current mayor was elected from the council in 1981. City council members also tend to hold office for multiple terms; for example, one member has held her seat since 1956.

The current mayor's explicit religiosity (Christian) has sometimes affected the way city business is conducted. His office recently organized a "prayer breakfast" where 1200 tickets at \$15 each were sold. The invitation included comments by the mayor such as "[Biddle City] needs Jesus Christ" and "With your help our city can be won for Jesus Christ." The event was held at the city's new convention center despite the concerns of those who were offended by both the mayor's remarks and the event itself which was seen as in conflict with the principle of separation of church and state.

In his policy statements, the mayor emphasizes "core values," especially the family, and many of his initiatives reflect this perspective. He has also involved the city in costly legal action against businesses engaged in topless

² The mayor and council members all serve four year terms. City council elections are staggered.

dancing and pornography and has been known to join protests at the most successful of these businesses.

Despite the characteristics of the mayor and city council, Biddle City is fairly representative of medium-sized midwestern cities. It must deal with the same kind of problems facing most urban areas -- infrastructure decay, deindustrialization, crime, drugs, an eroding tax base, and middle income flight to the suburbs. The city has developed initiatives to deal with all of these problems. Of these, the "community policing program" is widely regarded as the most successful.

While many have commended the mayor's efforts to bring representatives from a cross-section of the city together to develop its Comprehensive Housing Affordability Strategy (CHAS) in 1991, the proposed Biddle City Housing Partnership that was to result from this forum has yet to materialize. Like many other cities, there has been concern that redevelopment efforts have consistently and disproportionately favored downtown development and are viewed by many as expensive and unsuccessful. Steve Collins, executive director of the Biddle City Housing Commission, expressed one of the criticisms lodged against the city's development policies when he said that the city has "a habit of demolishing its problems" (personal communication 1991). At various points over the last 30 years, entire city blocks have been demolished and left vacant (or used for parking)

until a suitable developer or government program came along to make redevelopment possible. According to Collins, such policies do not make allowances for the low income people who are usually displaced.

Housing in Biddle City

Historical Perspectives on Housing

From its rather dubious founding in 1835, the city has periodically faced serious housing shortages resulting from the inability of the local construction industry to keep pace with demand as the city's various employers expanded. Consistent with national trends, solutions to the housing shortage in Biddle City have generally focused on home ownership. For example, in the aftermath of World War I, one of the local newspapers and the real estate board together launched a homeownership campaign that led to the development of a number of single family residential subdivisions in the city.

The belief that housing fuels economic recovery shaped proposals for helping the needy during the Depression in Biddle City, along with the rest of the nation. For example, in 1932, a local industrialist proposed a "back-to-the-farm" law that would provide 10 acres of farmland and a "ready-cut" house to disadvantaged families. After five years of tax exemption, the farm (and the family) would hopefully be self-supporting. He went on to say that:

The lumber for the ready-cut houses could be made up by local mills, thus starting this industry as well as the lumber business. The ten acres would produce all the food that any one family could use and they could sell vegetables enough to get spending money (Chamber of Commerce 1986; 54).

While the plan was not enacted in part because of the city reliance on federal programs, it represented the agricultural utopianism popular³ at the time as well as the important place accorded residential construction in both national and local economic recovery plans.

Characteristics of Biddle City's Housing Stock

Biddle City is comprised primarily of single and two-family wood frame homes, dating to the 1920s and 1930s. The city is divided into several neighborhoods, generally following the points on the compass. Unlike many urban areas, Biddle City has not experienced extensive condominium conversion or regentrification, except for a nascent trend in the downtown area.

Biddle City has 54,000 total units of housing. The city's CHAS reported that the number of units of housing had increased only slightly over the past five years due to suburban residential development, removal of "slum properties" through aggressive code enforcement, removal of property as a result of infrastructural improvements such as street widening and highway projects and private business

³ For example, the Amana settlements in Indiana.

development, and the cessation of federally-funded new housing programs.

Rental Housing

About 45% (24,300) of the city's housing units are rental properties. Most apartments have one or two bedrooms and are located in the older sections of the city. The CHAS asserts that the rental housing stock is generally in good condition, with 90% of the stock rated as "standard."⁴ Six percent requires maintenance or is suitable for rehab, while the remaining 4% is unclassified. The vacancy rate averages at or below 5%. The CHAS provides the following information about average rents in Biddle City:

- o efficiencies or 1 bedroom \$300-400/month
- o 2 bedrooms \$400-500/month
- o 3 or more bedrooms \$500+/month
- o single family homes \$500-800/month

The city's CHAS indicated that there are few rental units available below \$300 per month in Biddle City (1991; 20). The U.S. Census Bureau reported that average rent in Biddle City during 1990 was \$399 per month (Biddle City News 5/22/92).

According to the city, rental housing is of good quality and is not expected to deteriorate. For example, many of the apartment complexes were built within the last

⁴ Standard means meeting the city's minimum building, safety, sanitary, and health codes.

25 years and are said to be well-managed and maintained. In addition, the city's public housing units have all been renovated over the past 10 years, and maintenance continues. Finally, the quality of the rental stock is said to be guaranteed through the city's rental inspection program that requires bi-annual certification in terms of basic code requirements.⁵

Housing affordability is said to be assured for a number of reasons. First, the city consistently ranks as one of the most affordable housing markets in the nation.⁶ Second, the city continues to increase its supply of housing vouchers and certificates for low and moderate income families. In addition, the city "encourages an assisted housing component when new private construction takes place" (CHAS 1991; 20), although there is no linkage program that requires developers to provide low income housing or set-aside funds for its provision.⁷ While the city has

⁵ The efficacy of this program is debated. My own experience leads me to question how efficient this program is since I have lived in a Biddle City rental unit for six years and it has been neither inspected nor registered.

⁶ Studies that report the Biddle City area as among the most affordable in the nation do not distinguish between urban housing and the relatively more expensive suburban housing that surrounds it. The large and growing suburban areas provide an escape route for many white Biddle City residents.

⁷ "Assisted housing" refers to developers setting aside a portion of a complex's units for housing for government-subsidized tenants. Set-asides are often used in larger cities. They are a kind of tax on developers that is put into a regional or city fund reserved for low income housing initiatives.

recognized its obligation to low and moderate income households in the past, through public housing and more recently through its weatherization and lease-to-purchase programs, such a commitment is increasingly moderated as officials claim that the city bears a disproportionate burden for low income housing in the region and as the recession limits housing construction to more upscale and suburban markets. It is also moderated by views shared by many and expressed, for example, by the city's development director who suggested that a regional approach to low income housing should be pursued.

Despite the rosy outlook presented in the city's CHAS, the mayor's remarks to the Biddle City Housing Forum in June 1991 highlighted some of the problems facing the city's neighborhoods. He suggested that the city had "a significant amount of older housing units in need of repair." He went on to claim that the reasons for this were rooted in high rates of rental-occupancy, poor management of such units, and problems with tenants engaged in prostitution and/or the sale of illegal drugs. Sounding a theme common to non-profit housing and neighborhood groups, he further suggested that poor housing stock posed problems for neighborhoods and the city as it spreads blight and owner-occupants get discouraged and move away. Since the quality of the neighborhood affects the value of single

units of housing, owners may simply walk away from houses that they are unable to sell in declining neighborhoods.

Owner-Occupied Housing

Approximately 55% (29,300) of the city's housing units are owner-occupied. The typical owner-occupied home in Biddle City has three bedrooms. Eighty percent of owner-occupied housing is in standard condition. It is important to note that these figures suggest that fewer owner-occupied units are in "standard" condition compared with rental units. This illustrates the problems often faced by low income homeowners, especially the elderly.

The average value of an existing home in Biddle City ranges between \$45,000 and \$50,000. The U.S. Census Bureau reported that the average 1990 mortgage payment in the city was \$584 per month, including taxes, insurance, and utilities (Biddle City News 5/22/92). The city's CHAS was less optimistic about the future of owner-occupied housing compared to rental properties. It suggested that there is an escalating trend toward conversion of owner-occupied dwellings to rental units because of deflated real estate prices. While the cost of housing in the city is low, relative to comparable housing in outlying areas, the problems associated with urban life (e.g., perceptions about crime, poor schools, and high taxes) make home ownership in the city less attractive to current and prospective moderate and middle income residents.

Public Housing

Since the state passed enabling legislation for the creation of local public housing administrations in response to federal legislation in 1933, Biddle City was a latecomer to public housing. The Biddle City Housing Commission was established in 1965 in response to massive relocation of households as a result of the construction of a highway bypass. The Biddle City Housing Commission is a government organization, run by an executive director who reports to a board of commissioners, appointed by the mayor.

In its early years, the Housing Commission purchased existing single family housing to lease to displaced families. It built its first public housing complex in 1966. The current director, Steve Collins, said that during the '60s and '70s the Housing Commission grew "like crazy," because money was "a-flowin'" (personal communication 1991). While the initial strategy was to build traditional public housing complexes, the Commission switched to scattered site development⁸ after 1972. Collins suggested that the shift occurred after a 1969 experience when the city told the commission to build 100 units of housing in one place. The problem, according to Collins, was that

you can't pump that much public housing into one area and expect it to survive because the tenants don't have

⁸ Scattered site development is an attempt to avoid the concentration of public housing tenants in a single area by integrating single or duplex units into existing, mixed income neighborhoods.

enough income to support it. Most of the tenants are on ADC, if they can afford a mower (and most can't), what happens when it breaks? The Housing Commission has to spend time and money maintaining properties and the neighborhood suffers (personal communication 1991).

Collins attributed the success of scattered site development in Biddle City to the Housing Commission's work with neighborhood groups and efforts to get around HUD's problematic cost-containment strategy which strictly limits the type of housing that can be produced. The usual "cookie-cutter" housing looks cheap, is poorly constructed, and is easily recognized as public housing. Building housing that blends into the neighborhood and is architecturally appealing appears to significantly reduce neighborhood resistance to public housing and increase residents' pride in tenure.

The Commission currently has 950 units of public housing and an annual budget of \$3 million. The last new public housing project in Biddle City was completed in 1986. The Commission is currently trying to respond to pressures from HUD to sell its housing stock, given its own belief that public housing is necessary and successful in Biddle City.

The Biddle City Housing Commission is resisting privatization of public housing units despite pressure from Jack Kemp and HUD for three reasons. First, Collins wondered if the people who buy their apartments can really afford the expenses involved in home ownership since it

places additional pressures on income including taxes, insurance, and maintenance that many low income households could not tolerate.

The second issue focuses on how the Commission would house those currently on waiting lists if public housing is privatized since HUD has made no plans for replacing sold units. Moreover, Collins asserted that since the private sector had proven unable to absorb the families, handicappers, and the elderly that need public housing, government housing programs are necessary. The final reason for Collins' skepticism is that privatization policies overlook the reasons why public housing exists in the first place. He suggested that public housing "is a band-aid that helps people when they have economic crashes. The question that needs to be explored is why so many people are crashing" (personal communication 1991). Despite these concerns, the Commission currently has 30 units in a homeownership program and has sold 12 of them. While HUD has promised Collins that it will provide subsidy vouchers to compensate for public housing units lost as a result of their sale, he remains skeptical.

Since the development of the Section 8 housing subsidy program during the Nixon administration, the Housing Commission has acquired 1146 certificates and vouchers it uses to subsidize eligible low income households' rents in private market housing. Collins suggested that Section 8 is

a useful program because it avoids the problems that housing commissions face when they attempt to build public housing units. He said that, in the current period, it would be impossible to build such units, even if the federal government appropriated the funds for them. The problem is that the city would not approve new public housing projects because of pressure from neighborhood groups and "taxpayers." According to Collins, the Housing Commission is "a reluctant relative of the city; no one wants to be associated with public housing because of people's beliefs about drugs, minorities, and poverty [associated with it]". Since Section 8 and vouchers rely on private housing, the Commission is thus able to avoid conflicts from "not in my backyard" (NIMBY) groups who pressure the city.

Defining the Housing Needs of Low Income Households

Much of the focus of the media is, for obvious reasons, on homelessness. While the focus of this study is on low income housing in general, Martha Burt, director of the Urban Institute's social services research program, suggests that "homelessness...is a long-term leading indicator of the inability of the Americans in the bottom 60 percent of the country to make ends meet" (Biddle City News 1/6/92).

Although the 1990 U.S. Census estimated the homeless population of Biddle City at fewer than 50, a December 10, 1991 survey of area shelters found 506 people utilizing

their services (Biddle City News 1/6/92).⁹ The state's non-profit housing advocacy group reported that statewide 90,000 men, women, and children are homeless in a given year and more than 12,000 of these homeless are turned away from overcrowded shelters. The area's Red Cross Emergency Shelter program reported a 40% increase in the number of people it served during July, August, and September 1991, compared with the same period in 1990. More than one-third of those assisted (38.6%) were women with children (Jones personal communication 1992).

The housing advocacy group reported that there were as many as 300,000 families in the state who were at risk of joining the ranks of the homeless because they earn less than \$10,000 per year and pay too large a portion of their income on housing costs. Survey data suggest that more than 30% of Biddle City residents were paying more than 30% of their income for housing costs. The group estimated that more than 4% of Biddle City residents spent more than 75% of their income on housing in 1989.

I asked each of the informants in this project whether there was a housing crisis in Biddle City. Except for the city's development director, who suggested that the majority of the city's homeless were mentally ill or "professional"

⁹ This reflects the number of people staying at shelters. It does not include those in motels, doubled up with family or friends, or sleeping in cars or on the street.

vagrants, there was general agreement that there was a housing problem which resulted from lack of affordability, unavailability, and economic restructuring. While there was general consensus that there was a shortage of affordable and decent housing for low income families, informants disagreed as to the extent and causes of the shortage.

Availability of Adequate Housing

While the city government and many neighborhood organizations were especially concerned about the increased conversion of residential properties from owner-occupancy to rental, one of the biggest barriers to low income housing identified by some informants was inadequate supply. An attorney at the state's housing authority and a housing specialist from the local university both suggested that the residential construction industry no longer built small, starter homes; focusing instead on more expensive, larger homes. This has "clogged" the filter that in the past shifted housing from the rich to the middle income to the poor. In the absence of filtering, the oldest and poorest quality housing that was not suitable for improvement is no longer retired, but continues to house the poor.¹⁰

Another factor contributing to the reduced availability of low income housing in Biddle City is directly connected

¹⁰ The Housing Coalition reports that over 200,000 units of occupied housing failed to meet the minimum health and safety problems in the state last year.

to city government action. Keith Robbins of the Neighborhood Housing Group summed up the effects of city policies when he said that the city was trying to tear down houses that violated city codes, instead of working with owners to improve them:

For the city, their bureaucratic controls are more important to them than the goal of developing housing. When there's any doubt, the benefit accrues to the bureaucracy, not to developing housing (personal communication 1991).

City development projects have reduced the supply of affordable housing. An article describing a new project that created a scenic loop around the city's downtown, reported that making the city more attractive and accessible to tourists resulted in the destruction of at least 100 houses, residences of mostly low income people (Community Times 1989).

Other planned development projects would also result in the destruction of low income housing. Vicki Gillette, former director of a statewide funding organization, described the city's plans this way:

They're tearing out the houses...so a church can have a bigger parking lot, and they're tearing down houses and buildings...so... businesses can have bigger parking lots. It's happening all over town - one by one, two by two - hundreds are being demolished (Community Times 1989; 1).

Another housing activist suggested that the demolition of low income housing would mean a tighter market and higher rents. A city spokesperson agreed that this was a problem

but suggested that the city could do little to replace lost housing because of the high costs involved.

An additional consequence of housing demolition is that it often results in frequent re-location on the part of poor households. Relocation is an expensive endeavor, requiring security and rent deposits, hook-up fees for utilities, and moving expenses that generally exceed the level of assistance proffered by government agencies.

An aide to the area's state representative pointed out that private market low income housing had been torn down to make room for federally-sponsored housing programs. She cited one example where 400 units of low income housing were demolished to make room for a 400-unit housing development, with a 20% low income set-aside. Such housing programs are supported by the majority of housing "experts" because they avoid creating pockets of poverty that have proven to be inadequate in meeting the poor's housing needs. However, federal regulations for such projects do not adequately provide for the housing needs of the dislocated poor.

Development projects and low income housing in many urban areas are often incompatible, and Biddle City is no exception. While housing activists claim that the city is acting irresponsibly by pursuing economic development strategies that do not preserve existing housing or provide for replacement housing, representatives of city government claimed that such development is useful because it provides

jobs that are desperately needed by area residents. However, activists pointed out that the jobs created tend to be low-paying service jobs that do not provide sufficient income to purchase housing.

Economic development efforts are closely tied to an issue widely identified by informants as key to understanding the city's approach to low income housing policy -- the tax base. While the city's development director acknowledged that the city had an obligation to house its poor, he also suggested that the city had a wider duty to attract middle class homeowners who would contribute to the tax base and ensure the city's long-term survival.

Consistent with the objectives of many neighborhood organizations, the city's housing policy is shaped by the desire to "recycle" neighborhoods by improving housing and services. For this reason, the city has chosen to emphasize home ownership for low income families and has worked with non-profit housing providers to accomplish it. However, home ownership programs often leave out the poorest who are more likely to live in housing at risk of condemnation, abandonment, or demolition by the city.

Sam Jones, director of Emergency Services of the Red Cross, summed up the dilemma of private-sector low income housing. He suggested that the problem

isn't with landlords; the problem is that there is no incentive to build or provide low income housing. The problem is with society/people who think they don't want multifamily housing (with a family of 3 living in

2 rooms) next door to them. Fire and building inspectors will always find something wrong with housing like this...The problem is that you invest in property then you have to charge more and then the people can't afford it. So instead you don't do anything and it deteriorates into something you wouldn't want people to live in, but they do anyway (personal communication 1992).

They live there at least until the unit is identified as affecting neighborhood values and condemned or demolished by the city in its effort to retain owner-occupants.

Affordability

Biddle City continues to be rated by housing economists as one of the most affordable housing markets in the U.S. For this reason, housing affordability is less serious when compared to similar sized cities, for example, on either coast. However, as is the case nationwide, incomes have failed to keep pace with housing costs since the 1970s. This is especially true for low income households. For example, a minimum wage worker grosses \$731 per month. A two-bedroom apartment, at the city's average monthly rent (\$399), would consume more than 50% of the worker's income, before utilities. Frances Patterson of Pastoral Ministries offered the example of a family staying in one of this agency's shelter-homes. The family of 7 is headed by a working father who earns \$191/week. There is no way this family can obtain housing on the private market, given their \$821 monthly income. The family has been on the subsidized housing list since they lost their last home. However,

those currently eligible for certificates or vouchers placed their names on the waiting list as far back as October 1990 (personal communication 1991). For this reason, shelters have been forced to lengthen the time a household can be housed in their facilities.

Housing affordability is even more problematic for households subsisting on Aid for Dependent Children (AFDC). A worker at the local Community Action Program (CAP) referred to a current list of available rental housing put out by a local company that rents to low income families. On this day, they had a 3-bedroom house for \$500/month. Roberts said that a single mother on AFDC with a daughter and a son over age 5 was required by the Department of Social Services to rent a 3-bedroom unit. The total shelter allowance for a family this size is \$295 month. The total monthly grant is \$550.

If she moves into this place and then after a couple of months is backed up in the rent or utilities, she approaches agencies for help. Agencies can only help if there's evidence she can afford it. If she can't, then they can't help. What happens? She gets evicted and goes to a shelter and then it starts again. Before it starts though, all of her debts with landlords and utility companies have to be paid. She also has to provide a deposit and rent, as well as an application fee that can range from \$10 to \$50. She also has to pass a credit check; and how many will pass, even working families? (personal communication 1992).

Recognizing the inadequacy of shelter allowances, the Department of Social Services (DSS) has recently created a standard of affordability that allows recipients to rent units costing up to 70% of their total monthly grant. While

this can be viewed as a sign that DSS understands the situation, it also results in increased demand on emergency assistance agencies as recipients rent places that are out of their budget range and quickly run into trouble paying their bills.

The university housing specialist made an important connection between housing affordability and availability. She concluded that housing affordability forces the availability problem because of the failure of filtering. Filtering does not work because of escalating housing costs that make affordability a problem for all income groups. People who could have bought homes in the past are bottlenecked in rental units and these units cannot filter down. The increased demand for rental units also exerts upward pressure on rents. This forces the "adequacy issue because units in the past that would have been retired or rehabilitated remain in use" (personal communication 1992). Other informants suggested that a key factor in the loss of affordable and adequate low income housing could be traced directly to the federal government's withdrawal from low and moderate income housing programs and economic restructuring.

Economic Restructuring

While affordability may result in a shortage of adequate housing, project informants generally suggested that the housing situation in Biddle City or the nation could not be understood without recognizing the impact of economic

restructuring on the city's economy. The erosion of traditionally well-paying, blue collar manufacturing jobs across the state has affected Biddle City residents. However, compared to other cities in the state, Biddle City is relatively better off. Rev. Paul Jackson, among others, suggested that the city has been hurt by the recession but that it shouldn't experience a depression: "The stool of [Biddle City] is supported by the legs of...government, university, and [manufacturing]" (personal communication 1991). Nevertheless, the shift from manufacturing to service as the major employer has affected the incomes of many Biddle City residents. The participants in non-profit housing programs that I met with experienced economic dislocation when they were laid off by a local manufacturer. Both of these men experienced long periods of unemployment since their lay-offs in 1986. While one subsequently found steady, but lower paid work, the other remains unemployed.

The loss of a significant number of relatively well-paid manufacturing jobs in the city has increased the demand for low income housing concomitant with the inability of state and local governments to come up with resources to fund programs to provide it. There is general consensus that the private sector has been and will remain unable to provide decent and affordable low income housing to those who need it. The director of Community Development at the state's housing authority suggested that

[There needs to be] a perfect mix for housing to be maintained and for rents to be reasonable. If the mix is off just a bit then landlords either take advantage or walk away (Malone, personal communication 1992).

For this reason, many of the project informants suggested that the federal government had an important role in meeting the housing needs of low and moderate income households. The next section summarizes their ideas about the nature of that role.

The Role of Government in Biddle City Low Income Housing Efforts

All of the informants welcomed and supported the federal government's decentralization rhetoric. They felt that government housing and development programs were wasteful and inefficient. They also agreed that the federal government was too far removed from communities to develop programs that reflected the specific needs of cities and towns. In addition, they all suggested that the nature of the federal bureaucracy led to inflexibility and delay that interfered with the ability to produce affordable housing at the local level.

A further criticism of federal housing programs was that the bureaucracy was oppressive and expensive; federal administrative costs reduced the resources available for housing production. The bureaucracy, with its built-in redundancies, also increased the cost of producing housing at the local level and slowed down the production process. A final point of agreement was that while they welcomed more

local control over housing programs, informants felt that it should not have been accompanied by reduced financial support for housing programs. Most of the respondents felt that the federal government retained too large a proportion of the nation's tax revenues and that it had an obligation to provide local and state governments the funds that had historically been used to produce housing as well as a part of the "peace dividend." Many suggested that "new-new federalism" was a ploy to force already-strapped local governments to pay for programs that neither could afford.

Except for Steve Collins, director of the Housing Commission, and Keith Robbins of the Neighborhood Housing Program, there was agreement that the federal government needed to increase its financial support of housing programs. Informants also agreed that the partnership approach laid out in the National Affordable Housing Act (NAHA) was a positive change that had great potential for creating innovations in housing provisions in Biddle City. Rev. Bert Kendall, active in a number of statewide housing organizations, spoke to these issues:

The federal government should provide some funds in the form of grants and low income loans. There needs to be a mix and blend of federal and local funds. Federal money needs to be mixed with local dollars (personal communication 1991).

In his view, the federal government should provide the money and the states should make the decisions.

Collins suggested that diminished federal funds made sense because "it reaches a point where [the federal] government says that it can't do all of this and cities have to do something" (personal communication 1991). Robbins addressed the underlying reason why some informants believe that the cities cannot do more when he said: "The problem is that they [the federal government] hog the money" (personal communication 1991). This view was reinforced by Guy Dillon, a private housing developer and member of a non-profit housing organization:

The federal government should cut taxes and let local governments run their own shows. There's no point in sending money to the federal government when they take their large overhead cut and send a small amount back (personal communication 1991).

Groups involved in the provision of housing, emergency assistance, and neighborhood groups were more likely to support increased federal aid than were the others.

Most of the people I talked with believed that the federal government had a role to play in establishing housing policy. Most supported a limited role for the federal government, along the lines of revenue sharing. This view was best expressed by housing specialist, Marj Stevens:

The federal government has to continue to provide the financial resources it can. It should and has begun to put responsibility at the local level. It carefully needs to monitor how money is spent at the local level to avoid fiascos like the section 235 program (personal communication 1992).

But the issue of the federal government's role in establishing policy posed problems for some informants. Doris Bauer, director of the area's only program for homeless families, suggested that the lack of policy direction at all levels of government could be traced to the fact that

we are not a planned society, what will probably happen is that we'll work on the housing issue before we decide what to do (personal communication 1992).

Thea Johnson, director of a statewide housing foundation, suggested that the federal government had a housing policy that was premised on the homeowner subsidy (mortgage interest and property tax deductions) and thus did not apply to most low and moderate income households. She suggested that while this policy was basically sound, the federal government needed to support other forms of housing tenure.

Several informants pointed to their experiences with federal programs to support their claims that the federal government should have only a limited role in setting policy or developing programs. Geri Malone, director of Community Development at the state housing authority, said:

...more federal involvement means...more regulation and agencies are more hamstrung. We obviously need the resources the federal government can provide. But they always start off with minimum regulations and then regulations get glommed on and this limits the effectiveness of programs... (personal communication 1992).

Tom Adams, Biddle City's director of development and planning, echoed Malone's point:

The feds can't make local programs work. Local elected officials can do it because the buck stops here and so the resources should be where the buck stops. We can more effectively solve problems. They can police the people who don't do the job right. This is one reason why CDBG [community development block grants] have become so popular. There needs to be more local emphasis (personal communication 1991).

Stevens pointed to another problem with federal programs and policy. She suggested that the federal government was premised on "quick-fixes," largely in response to the instant gratification orientation of society that requires immediate results from public policies. Her recommendation was that governments needed to give programs a chance to take root and get off the ground if they are to effect permanent and positive change (personal communication 1992).

The federal government's privatization strategy was seen as shaping the development of housing policy at all levels of government and within the private sector. Home ownership programs have been developed at the federal level (e.g. HOME and HOPE), while state and local governments are working with non-profit housing organizations that implement lease-to-purchase and other ownership programs. Ross Taylor, formerly on the Congressional legal staff and currently a lawyer with the state housing development authority, asserted that privatization in and of itself was not a problem. However, for it to work the federal government needed to provide local units of government and housing providers with the technical assistance required to produce affordable housing in an efficient manner. He also

suggested that the shift to non-profit providers was a direct response to the "pattern of developers ripping off the system" that had characterized HUD programs since the 1970s (personal communication 1992). Taylor also suggested that shifting to non-profit providers was not sufficient; the federal government must closely monitor the organizations and their practices in order to keep costs down and ensure that housing is being produced.

Reflecting the current disaffection of many Americans about the ability of government to perform its most basic duties, several informants suggested that the federal government was inadequate to the task of setting housing policy. The director of Emergency Services for the Red Cross said that while he once believed that the federal government was responsible for meeting people's basic needs (health care, food, and shelter), he now believed that the government no longer knew how to do it. For this reason, he suggested that

dealing with the problem needs to come closer to home, especially in terms of who is providing support...The people solving the problem should be those with the resources. Middle class churches and middle class people should be solving the shelter problem (personal communication 1992).

Nancy Rogers, from the Housing Crisis Program, lauded the National Affordable Housing Act because of the CHAS. She was hopeful that the CHAS could result in community-based planning from the bottom-up. She suggested that this process, if respected by the federal government, would

enable communities to plan based on their known needs and could implement such plans with the assistance of federal funds. She was, however, skeptical that federal policy makers would respect this process and suggested that the "government will do what they want anyway," rendering CHAS yet another in a long line of time-consuming planning that wasted limited resources and produced few positive results (personal communication 1992).

Summary

The people I spoke with about the housing situation in Biddle City were forceful in their claim that there was a serious low income housing problem in the city. They also agreed that the policies and programs of the past no longer applied. National and statewide economic problems exacerbated the demand for low income housing at the same time that it reduced government funds allocated for this purpose. To some degree, at least, the reliance on largely non-profit, privatization strategies was viewed as a defensive but necessary response to the reality of shrinking government programs.

Most informants ascribe to federalism and supported decentralized planning. However, most opposed the concomitant reduction in federal funding for domestic programs. Informants were excited by the prospects presented by decentralization, at the same time they were frustrated by the lack of resources. Most recommended

adoption of a Nixon-like revenue sharing approach that increased local control without reducing federal funds.

While it may appear that those who were active in the provision of affordable housing in Biddle City overlooked the needs of the very poor by their acceptance of the home ownership orientation that is supported at all levels of government, the next section will perhaps illustrate that this focus is at least in part a reflection of their attempt to cope with an overwhelming situation by adapting their programs to available resources. At least some informants suggested that providing ownership opportunities for more stable low income households held the potential of unclogging the filter and providing better housing opportunities for those with fewer resources than these new homeowners. It also offered relatively untested non-profit providers a chance to establish a track record that would allow them to pursue funding for forms of tenure other than homeownership when and if resources became available.

Private Sector Provision of Low Income Housing

Privatization has become one of the buzzwords of the 1990s. Governments all over the world are trying to sell off state-owned enterprises. Since there are very few nationalized enterprises in the U.S., privatization efforts have tended to focus on deregulation and bringing private groups into social welfare activities. This has been particularly true for housing. HUD has endorsed the widespread sale of public

housing units and Congressional housing legislation has focused on private provision of low and moderate income housing. While housing legislation does not single out non-profit efforts for support, other legislation (e.g., the 1986 Tax Reform Act) has made low and moderate income housing projects a less attractive investment option for prospective for-profit investors.¹¹ The loss of tax benefits and the recessionary economy have generally left private sector housing to non-profit organizations.

Biddle City is no exception to this trend. However, non-profit housing providers in Biddle City have been affected by two unique factors. The almost total absence of corporate support that many communities rely on to fund charitable activities has stunted the growth of these groups. One informant said that the area's United Way, which in most communities gets significant corporate support, receives most of its \$6 million annual budget from employee contributions (4/14/92). In addition, unlike most neighboring cities, there are no corporate foundations to which organizations can apply for help.¹² This lack of

¹¹ Keith Robbins of the Neighborhood Housing Program suggested that "the Act cost low income landlords about \$100/month because they could no longer depreciate their property and instead had to rely on rental income to provide the income to meet operating expenses" (personal communication 1991).

¹² While there are a number of large factories in the city, there are few major corporate headquarters which appear essential for active corporate support of non-profit organizations.

corporate support is important given the emphasis placed on community/corporate partnerships in "new-new" federalist rhetoric that has been incorporated into the NAHA.

The second unique characteristic affecting non-profit housing providers in Biddle City is the brief presence of a for-profit low income housing provider in the late 1980s. Although the company has folded, it continues to shape the community's ideas about low income housing in general, and housing providers in particular.

Friendly Management

"Friendly Management" is a management company that was founded in 1986. The company was investor-dependent -- it identified buildings to purchase (often housing about to be seized by the city and/or condemned) and sought investors to provide an equal portion of the funds needed to purchase and renovate the houses (Lewis, personal communication 1989).¹³ Investors included family members, friends, and acquaintances who eventually invested more than \$4 million dollars in the company.

The plan was for each property to be completely renovated and rehabilitated within 15 days. When completed, the unit would be rented to a low income household, usually

¹³ Investors took title of the property and were personally liable.

receiving Aid For Dependent Children.¹⁴ Rents ranged from \$300 to \$400 per month (Community Times 1989).

By November 1989, the company had bought and rehabilitated 310 buildings, with a total of 450 rental units (Biddle City News 11/11/89). The company was in the process of restoring 90 other buildings when their financial problems surfaced in 1989; work was abandoned and investors and creditors faced a \$15 million shortfall (Biddle City News 11/29/89).¹⁵

More than 2 years after Friendly Management's financial problems were made public, debate still rages in the community about the nature of this organization. One group traced Friendly Management's difficulties to the relative youth of its founders and their business inexperience. They viewed Friendly Management's objectives as laudable and their efforts were seen as having improved neighborhoods. One letter to the editor of the local newspaper put it this way:

¹⁴ AFDC recipients were preferred because DSS will send rent checks directly to the landlord (vendor). This assures that rents will be paid on time.

¹⁵ In December 1991, the first phase of the company's reorganization was completed. The receivership ended and banks agreed to erase negative personal credit reports resulting from involvement in Friendly's purchases of property. In addition, investors who could prove ownership of Friendly property were entitled to receive 60% of rental income and 60% of the proceeds from the sale of houses. Unsecured creditors received 10% of the sale proceeds and investors who took out mortgages will receive 5% each from rental and sale of properties.

Reading about the [Friendly Management] situation continues to puzzle me. Here's a company struggling to survive - a company that has done something about our housing problems...Where are the financial giants of our city? How cruel to stand by and watch a company that has given so much to our community go into bankruptcy (Biddle City News 2/19/90).

A second, less supportive group, suggested that the Friendly project was a pyramid scheme and pointed to the difficulty the bankruptcy court had in establishing ownership of a large number of properties to support their claim. The court was approached by several parties claiming full ownership of Friendly properties and banks discovered multiple titles for individual properties.

Whichever of these views is correct, Friendly Management's practices had disastrous results for many working class investors with limited resources. One investor, still making monthly mortgage payments on a house in order to protect his investment, told a local newspaper that he

quakes with anger every month around the 19th. That's the due date for the...mortgage payment on the house he already paid for once. 'Every time I make that payment again I kick myself...' It's at a very high interest rate - like 15%. Which is basically like putting your house on Visa. I know that sound ridiculous, but that's what they talked me into (Biddle City Times 12/6/90).

The collapse of the company was also problematic for a number of area banks that had issued mortgages and significant lines of credit to the company. One rural bank that was very involved in the company issued mortgages without reviewing applications. When the company collapsed,

the bank realized it had issued multiple mortgages for single properties. While banks initially tried to sell the Friendly Management properties they held mortgages on, the gap between the mortgage and the assessed value of the property meant significant losses. As a result, many Friendly homes sit abandoned and deteriorating; turning back into the eyesores they had once been. However, one project informant focused on the renovated housing: "Overall the impact has been more positive than negative. After all, a lot of houses got fixed up and [so what] if some people lost money?" (Lopez, personal communication 1991).

Despite varying views about Friendly's motivation, all of the informants agreed that Friendly's legacy was a skittish banking community, an overly-cautious city development department, and negative views on the part of the general community about low income housing projects. As one informant said:

anytime you talk about low income housing, people mention [Friendly Management] which has a bad name. People can't separate non-profits from profit and this has affected public perception of non-profits (Rogers, personal communication 1992).

Another informant commented about the affects of Friendly Management on neighborhoods:

Banks are not willing to sell properties; they'd rather have them sit empty than to sell below the value of investment. This is a problem for the neighborhood to have so many houses empty and off the market (Rogers, personal communication 1992).

A third opinion was that Friendly's widespread purchase of property posed problems for non-profits looking to buy homes:

The biggest problem that [Friendly Management] has created is that it took houses off the market that could be affordable for rehabilitation. They can't be bought now because they're too expensive. They can't be sold because they're way overpriced. The problem then is that there's less available for housing low income families (Gardner, personal communication 1991).

It is within this context of limited corporate support and a skeptical community that non-profits are being asked to meet the low income housing needs of Biddle City.

Biddle City's Non-Profit Housing Providers

There are five non-profit low and moderate income housing providers in Biddle City. Except for a focus on homeownership and their non-profit status, the organizations differ widely in terms of organizational structure, objectives, size, and productivity. The following sections profile each organization, highlighting their strengths, weaknesses, and accomplishments as described and assessed by area experts.

Habitat for Humanity

The Biddle City chapter of Habitat for Humanity is affiliated with an international, non-profit, ecumenical Christian group that

wants to make shelter a matter of conscience so that, one day, there will be no more shacks, no collapsing tenement houses, no homeless people sleeping on city

streets. Everybody will have, at least, a simple, decent place to live (Habitat for Humanity brochure).

To that end, the group builds or renovates houses¹⁶ using volunteer labor and donated materials. The houses are then sold through a lease-purchase agreement to families who have the resources required to make payments on interest-free loans based on the actual costs to Habitat for Humanity of providing the house.¹⁷ Eligible families must not be able to secure mortgages through conventional methods and must be willing to contribute 500 hours of "sweat equity" to the organization.

The informants said that they believed that their group served the lowest income groups (125% of poverty level), relative to the other housing organizations in Biddle City. Habitat for Humanity is especially interested in providing housing for households that are currently renting. While no attempt has been made to exclude single parents, all but two of the Habitat for Humanity homes are currently occupied by two-parent households. The Habitat for Humanity informants suggested that this statistic was slightly misleading

¹⁶ The split between new construction and renovation varies from one affiliate to another. While the Biddle City group has exclusively used a new construction approach, it has recently undertaken renovation projects in conjunction with another area housing non-profit group.

¹⁷ The local group began with a mortgage system but has recently switched to lease-purchase in order to prevent any problems that may arise with program participants who do not follow through either on payments or with meeting the sweat equity requirement for ownership.

because selected families often experienced changes in family composition during the period between selection and occupancy, and, as a result, ownership through Habitat for Humanity has been a stabilizing force for these households.

Habitat for Humanity approaches churches and asks them to commit themselves to building a single home in association with several other churches. These churches come together and create a division of labor for fundraising and building a home. The Biddle City group has used this process successfully to build 7 homes in about 5 years. Each group must raise between \$30,000-\$35,000 in cash and in-kind donations of materials and labor per house. Additional support comes from individuals, businesses, and local government.

Habitat for Humanity depends on volunteer labor but has a small, part-time staff for administrative tasks and the supervision of construction sites. As is the case for all of the city's non-profit housing providers, Habitat for Humanity is often frustrated by dependence on volunteers and their limited time schedules. Writing proposals, dealing with the city's bureaucracy (e.g., permits and code inspections), raising funds from local groups and individuals, getting publicity, and the other tasks involved in accomplishing the group's objectives are expensive, time consuming, but important tasks that may be neglected without paid staff. Securing funding for staff is perhaps the

greatest obstacle faced by all non-profit groups since no organization (private or public) appears willing to fund administrative activities.

A unique feature of Habitat for Humanity's approach to housing is its refusal to use government funds. This policy is grounded in the separation of church and state. However, the Biddle City group has recently been engaged in a debate over this no-government funds policy. The local group believes that if it is to be more than a "drop in a bucket" it needs to access all of the funding it can. For this reason, it has participated in the city's weatherization program that provides furnaces, storm windows, insulation, and other energy saving materials for low income houses. It has also explored participation in Federal Home Loan Bank and state housing development authority programs in order to increase housing production. While Habitat for Humanity-Biddle City is interested in accessing more government funds, the informants remain skeptical about "bureaucratic approaches to housing" (personal communication 1991). For that reason, it seeks out government funds that have few strings attached. It has also recently entered into an agreement with another housing provider to provide volunteer labor in a rehabilitation effort as a first-step toward doing more housing renovation.

While the Biddle City Habitat for Humanity group is generally recognized as one of the most successful providers

in the area, there are a number of problems or limitations that are often associated with its strategy. Habitat for Humanity informants themselves suggested that the group's output was strictly limited by its reliance on volunteer labor and financial donations to fund its projects. While these strategies result in low cost housing for program participants, the fact that the group recoups its investment over a 20-year period (and receives no interest) means that it has limited cash flow. As a result, it can produce only a few units each year.

The focus on ownership also means that the very poor cannot usually afford to participate in the program. This is perhaps one reason for the lack of participation by women with children who are on AFDC. Such households would not reach the 125% of poverty floor that Habitat for Humanity has established for participants. While the Habitat for Humanity people I spoke with remain committed to the homeownership philosophy, there was some concern that they were creating an illusion of possibility by, for example, selling a \$100,000 house to a family for \$35,000 (with the organization underwriting large subsidies to make this possible). Reflecting the discussion contained in the preceding chapters, the Habitat for Humanity informants suggested that homeownership was important as a symbol of stability, hope, and integration into mainstream American society.

Neighborhood Housing Program

The Neighborhood Housing Program (NHP) is an outgrowth of one of the city's oldest and more stable neighborhood organizations. The Fernwood Neighborhood Association (FNA) was founded in 1974 "by concerned...residents who wanted to help make this neighborhood a better place to live" (brochure). The organization emerged out of a "dynamic and heterogeneous leadership" during the 1960s and 1970s (Robbins, personal communication 1989) that included a retired drop forge worker, a homemaker, and a current member of the city council. Its public relations documents define the organization's primary function as advocacy.

FNA's agenda is shaped, not by homeownership, but instead by residents' commitment to the neighborhood. Lines of conflict within the organization, as well as within the neighborhood, are described as between those who view the area as a market (those extracting from it) and those who see it as a place to live and contribute to the quality of life (those making an investment). Members of either of these categories can be tenants or property owners. The historic participation of tenants is cited as one reason that FNA has not become a more traditional homeowners' organization, concerned exclusively about property values and other associated homeowner issues.

NHP's original board of directors were members of FNA's housing committee. The Biddle City Housing Code is one of

the more visible accomplishments of this committee. The objective of the code was to increase the enforcement of building standards in the city. However, the committee came to the realization that something more than advocacy was required to ensure this occurred, and NHP was formed in 1987 to help remedy some of the neighborhood-based problems that affected the supply of quality low income housing, primarily within the boundaries of the neighborhood represented by the FNA.

[NHP] is a non-profit...housing redevelopment organization. Anyone who lives [in the neighborhood] can become a member of [NHP] and help rebuild our neighborhood through direct action ([Fernwood]
Neighborhood News 1989).

NHP was created as an independent non-profit corporation out of a concern that advocacy would be circumscribed if the FNA became a housing developer and provider. FNA carefully watches the activities of its struggling offshoot and intends to ensure that the goals of neighborhood redevelopment in the interests of low income residents are adhered to. The problems that NHP have struggled with reflect the general issues facing most housing non-profits and were summarized by the president of FNA:

The biggest problem with [NHP] and other non-profits is that the motivation is to do good and when the reality of the need for accountability appears there may be problems. Non-profits are full of good-hearted, well-meaning people who aren't businesspeople (personal communication 1992).

NHP has more of a neighborhood revitalization focus than does Habitat for Humanity. The president of NHP

suggested that housing could be understood in terms of health, structure, or as the locus of services. NHP works from the latter assumption. He suggested that people get their needs met through networks they develop in their neighborhood. According to Robbins, neighbors help each other out by providing reciprocal babysitting and other services. Knowing neighbors and having familiar relationships with them is particularly helpful for the elderly who often require some assistance if they are to remain in their homes:

Of all seniors who have more than 3 ADL [activities of daily living] limitations, 3/4 receive 100% of services from family and neighbors (personal communication 1991).

For this reason, NHP believes that houses should be fixed up so people can stay in their neighborhoods and receive needed services. Robbins was the only informant affiliated with a non-profit housing group who spoke about the specific needs of women and children. He believed that the Fernwood neighborhood had both a history and a commitment to female headed households. His goal was to market housing in the neighborhood

to single women with or without kids. They can feel safe because the houses are close together. With [the local women's self-defense organization] and the large number of women who live here, the community has an elevated consciousness about the need for women's safety (personal communication 1991).

Robbins suggested that other groups in town were oriented toward more traditional families, while NHP was better able to meet the needs of non-traditional households.

Robbins described the organization's goals as a partial response to city policies that emphasized regulation and resulted in the destruction of housing. He suggested that the Biddle City government has not sufficiently responded to the problems of neighborhoods and their low income residents. In his opinion, while there was a rhetorical commitment from the city for neighborhood revitalization, there was no "serious" money available for neighborhoods from the city. In addition, the city has participated in government projects that have resulted in the destruction of a significant number of low income housing units and too often resorted to demolition to deal with problem properties. Robbins suggested that city government tended to ask too many questions and had too many requirements for low income projects that resulted in high transaction costs that the city would not fund. Robbins said that, in his experience, the best way to approach housing rehabilitation was to:

work around the city. They're pissed at me; they don't want me to badmouth them. [But] the system has to work if they want me to protect it. There has to be some benefit (personal communication 1991).

While there is much to credit Robbins' assessment of the city's limited approach to neighborhoods and low income housing, he is widely viewed as "uncooperative" in his

dealings with the city and other agencies. In recent months, he has come under fire from, for example, the city's development director, who said:

I'm not down on [NHP]. I want them to work. The city has helped them out with a low interest loan with no payback until 10 years from now. The problem is [their] attitude -- they want money, but don't want to work within existing programs and restrictions (personal communication 1992).

Informants from a technical assistance organization made similar comments about NHP:

We haven't been able to open up lines of communication with them like we have with other groups. [NHP] has a history of wanting to do its own thing and has run into problems. The perception is that they're dead in the water (personal communication 1991).

A different interpretation of NHP came from an executive at a bank involved with these groups through the Community Reinvestment Act.¹⁸ Bob Jansen suggested that people like Robbins were important for neighborhoods. While such people are seen by some as "holdover hippies who are committed to neighborhoods," they are important to neighborhood revitalization because

People are beginning to understand that when problems in a neighborhood arise the solution isn't to put up a for sale sign and leave, they can organize and affect change. But these groups need to have a support net provided by the city (personal communication 1992).

The problem groups like NHP pose to funding agencies, according to Jansen, is that they may not follow a

¹⁸ The Community Reinvestment Act is a federal law that requires banks to invest in projects based in their areas of operation.

traditional "corporate" organizational model and may be organized according to a set of values and objectives that may appear foreign to, for example, city government. This may be part of the source of the problems NHP has faced in gaining access to city-controlled resources and may in part explain the generally negative impressions informants had about it.

A former president of NHP viewed the organization's current problems from a different perspective. She suggested they were similar to those faced by all non-profit providers. NHP's major problems included insufficient community involvement, getting the job done, and the conflict between low income housing and re-development goals. Rogers suggested that neighborhood re-development and low income housing were ultimately incompatible. The source of the city's disaffection with NHP could thus be located in the city's re-development objectives since re-development results in escalating land and housing values which preclude affordable low income housing which is NHP's priority. Despite its many difficulties, NHP has completed the renovation of a 4-unit rental property and has acquired several additional properties that are in various stages of renovation. Recognizing the ways that non-profit providers can assist and support each other, NHP and Habitat for Humanity have recently entered into a cooperative agreement based on NHP's properties that need work and Habitat for

Humanity's access to a large number of volunteers. This agreement is viewed by many as a positive step toward cooperation between the organizations that will maximize their ability to produce housing.

Biddle City Redevelopment Group

If NHP is the least appealing non-profit organization from the city's perspective, the Biddle City Redevelopment Group (BCRG) is its favorite. This preference was acknowledged by all informants, including the city's development director who explained the close ties between BCRG and the city. The idea for BCRG came out of a conference city planner Adams and BCRG executive director Dillon attended in Chicago some years ago where they learned about the Chicago's South Shore Bank took CRA seriously and was active in the community.

BCRG perhaps more closely resembles Reagan and Bush's privatization philosophy in that it operates within the private mortgage market:

75% of BCRG's funding comes from private mortgage companies. These are like regular mortgages and are sold on the secondary market...City money is used to top off what can't be gotten from private sources (personal communication 1991).

The group's executive director, local developer Guy Dillon, also echoed Reagan/Bush rhetoric about the causes of poverty:

The welfare system has created generations of welfare people. People need to know they have to support themselves. If they are capable of working, they need help to get back on their feet (personal communication 1991).

Part of the city's support of BCRG is based on its difference compared to the other non-profits. Nancy Rogers described BCRG as a "different animal":

It's very successful at getting the job done - renovation of housing is their expertise. But it isn't a grassroots organization. People around the greater [Biddle City] area set it up. A developer wanted to get [state housing authority] money. They told him he needed a non-profit. The city helped him form one. It's not really community based. It doesn't even work in its neighborhood anymore... (personal communication 1992).

BCRG was incorporated as a non-profit in 1989. Dillon said that the organization's overall purpose is to provide houses and to upgrade neighborhoods. To that end, BCRG

...works with the city development division [which] channels federal funds to non-profits. Both BCRG and the development division are interested the long city trend toward rental property and to re-establishing homeownership (personal communication 1991).

Dillon was explicit that the organization sought to bring "new blood" into the neighborhoods in which it renovated housing. Shifting good tenants to homeowners within the neighborhood, in his view, is destabilizing because good tenants might be replaced with bad ones (personal communication 1991).

Unlike the other Biddle City non-profits, BCRG does not utilize volunteer labor or sweat equity. Reflecting his perspective as a for-profit developer, Dillon said that the BCRG board of directors

won't allow sweat equity because there's too much liability. This is good for me because I am a professional contractor and give each project 100%

until it's done. I don't want to have to train people (personal communication 1991).

The differences between BCRG and the city's other non-profit housing providers was also illustrated by Dillon's assertion that the organization works "at the city's discretion."

Unlike other groups that have their own agenda, organizing philosophies, and objectives, Dillon asserted that his group responded to the development department's suggestions. For example, the group's largest project was the renovation of a group of five houses and a three-unit apartment building in one of the city's historic districts. What was unique about this project, for a non-profit housing group, was its explicit moderate to middle income focus. The local newspaper described one of the houses this way:

The group...has already finished one house - complete with stained-oak woodwork, beveled glass and pocket doors between the living and dining rooms... (Biddle City Times 1991).

This house recently sold for in excess of \$70,000. It is an expensive house in Biddle City's real estate market and it highlights how the focus on neighborhood improvement can sometimes move housing providers away from low income housing. But Dillon made no claim that "his" organization is targeted at the poor: "Helping the poor is admirable but has to be a good business decision that is studied in detail beforehand" (personal communication 1991).

It is its very difference from the community-based non-profit organizations that its success and productivity vis a

vis housing production is concerned that underlies its privileged position with city officials. Representatives of a technical assistance group working in Lansing offered this summary of BCRG:

It's a stretch to call BCRG a community-based group. It's really [Guy] and the city. It has productive capacity without community support which isn't the model [we are] comfortable with. There needs to be corporate control, including members from the community...There's little control over [Guy]...[I'm] not concerned that he'll do anything illegal, it's just that I feel uncomfortable without controls. But this is the way the city likes it. It can go to [Guy] and know that things will get done. [Guy] doesn't want to deal with meetings and all the rest, so he likes it this way too. BCRG has no organizational capacity, it's nothing more than [Guy] and the city doing production (personal communication 1991).

Thus, while BCRG has the support of city officials, access to federal funds the city's controls, and has produced a number of units of housing efficiently, it is uncertain whether it can be defined as a non-profit low income housing provider.

Northside Housing Group

The Northside Housing Group (NHG) is a community-based group that, like BCRG, has the city's support. NHG was formed in 1987 and had moved, rehabilitated, and rented two homes as of June 1991. The group was started by neighborhood residents who had worked together on other projects, key among these was a successful effort to keep the local school open in 1984. Otto Pierce, of the technical assistance group, explained how NHG got started:

It evolved as a result of a political compromise... [The] credit union wanted to expand or build a new building and it bought property with some decent housing stock. There was an uprise about the destruction of good housing stock and so the city, [the credit union] and [Mary Lopez] sat down and worked out a compromise. [NHG] was formed, [the credit union] gave them the buildings, and the city paid to move them to lots they owned nearby and also paid for rehabilitation through the Rental Rehabilitation program and CDBG funds (personal communication 1991).

Pierce goes on to explain how the project proceeded:

The city held [NHG's] hand. The group took several years to accomplish this task. They ran into problems and the learning curve meant that they acquired new units that were overpriced and had some contract restrictions they missed. They got bogged down for about 12-18 months and now are working on about 5 units (personal communication 1991).

The group averages about one property per year in production. In order to increase this, they have been working with the state, city, and technical assistance organizations to develop a multi-year plan for housing development.

The neighborhood in which NHG is active is one of Biddle City's oldest residential neighborhoods. Homes are very large and home ownership is at a low level (30%). Many of the landlords have let properties deteriorate "in the old pattern of buying cheap and milking it until it's not worth anything" (Lopez, personal communication 1991). There are many large structures in the neighborhood that have been broken down into several units. Some can be converted back to single family ownership and made affordable using existing programs. Some cannot be converted and others were

built as duplexes. For this reason, NHG's plan is based on a 2:1 ratio of homeownership to rental.

While Lopez acknowledged the support NHG has received from the city, she also said that the city has historically ignored the neighborhood: "There's a lot of blame to go around, but the city never knew exactly what to do with us" (personal communication 1991). She was critical of housing and community development efforts at all levels of government:

It seems like the [city development] office is full of muck and mire that's chest deep. People are trying to get through it with every motion...The rules change every day at the city (personal communication 1991).

Because of confusion and bureaucracy at the city as well as the legacy of Reagan cutbacks for domestic programs, Lopez suggested that non-profits are key to making low income housing projects work:

non-profits are...little businesses who can do the budget, the work, and make applications, with the city playing a small part in helping non-profits to line up [state housing authority] funds...funding from banks. Non-profits can stretch city money even further (personal communication 1991).

Lopez also spoke about the importance of homeownership:

Ownership changes how people relate and invest in property. You don't paint something that isn't yours...We need to rebuild [Biddle City's] tax base which is in a shambles...We need to stabilize neighborhoods and have fewer landlords who bleed properties (personal communication 1991).

At the same time, Lopez recognized that not everyone could be a homeowner for a variety of reasons. She suggested that the goal of NHG is to maintain the class and race-ethnic

integration that characterizes this neighborhood, and to empower residents:

There are ways we as non-profits can be channeled to repair neighborhoods and housing so we can offer people much nicer housing for the same money and work with them so they can be more responsible and have more choices (personal communication 1991).

Biddle City Regional Housing Consortium

The Biddle City Regional Housing Consortium (BCRHC) is perhaps the area's oldest low income housing group. It traces its roots to a church-based, non-profit housing cooperative that began in 1970 to develop a 135-unit moderate and low income housing project. The development was built in partnership with a local developer and, with the contract about to run out, some form of tenant ownership is currently being explored.

In 1989 the group approached the church to change its by-laws to allow it to become a coalition in order to approach other groups in an effort to provide housing for single men. This concern was based on the lack of single room occupancy hotels (SROs) in the area as well as the fact that the other existing non-profits were attempting to meet the needs of families. As described by its executive director, Don Jones:

We spent a year looking for a warehouse or other space to rehab for this purpose. We submitted a \$150,000 proposal to Gannett which would be matched with funds from LISC. But the city obstructed our efforts and every facility we found was unavailable...because they were deemed inappropriate by the city (too close to schools, etc.)...We decided to establish a track record

as a housing provider through lease-to-purchase. If we were seen as a responsible agency, we could then get support [for single male housing programs] (personal communication 1992).

BCRHC works in a section of the city acknowledged by many to be the most impoverished and affected by drug abuse and prostitution. They have also adopted a staged development plan that they hope will organize their efforts and appeal to potential funders. Unlike Habitat for Humanity's lease-to-purchase program, BCRHC plans to take out mortgages that are assumable by clients or to get clients themselves to obtain mortgages so that BCRHC can obtain funds required to complete houses in the second phase of their plan. Citing the production limits imposed by the Habitat for Humanity philosophy, BCRHC plans to use the equity in completed and occupied homes to generate capital for additional work.

Like Habitat for Humanity, however, BCRHC is explicitly committed to providing homeownership and quality rental opportunities to low income households, as opposed to neighborhood improvement:

The...board is committed to preserving stock and serving low income families -- they feel they shouldn't help people who make \$26,000 per year -- they can buy their own homes. The by-laws of the organization say they'll help people who earn \$12,000-26,000/year, but they'd rather work with those at the lower end (personal communication 1992).

Otto Pierce evaluated BCRHC in these terms:

BCRHC has done a good job pulling together churches, concerned individuals. If they can keep alive during the formative stages and accomplish their production package to produce 14 units over the next 3 years (they've finished three and acquired 3 more), they

should be a force in [Biddle City]...If they get a better balance sheet and establish a track record with LIISC and [the bank] they'll be able to get more money and hire a full-time person (personal communication 1991).

Conclusion

This chapter documents the efforts of Biddle City non-profit housing providers in order to illustrate how one community has adapted to the rhetorical emphasis on privatization (e.g., public/private partnerships) and the material reduction of support for low income housing programs at the federal level. While Biddle City's experiences do not perfectly reflect the experiences of all communities, the successes and failures of its non-profit housing sector can illustrate the limitations of the federalist approach to low income housing on several levels.

While Biddle City has a local government that may be more concerned than others about neighborhood revitalization, it is constrained by a focus on regulation and development that aims to attract middle class taxpayers. As Rogers suggested, development and low income housing are often contradictory. Given the city's emphasis on middle class homeownership as key to its survival, it is unlikely to provide the support for a dynamic and productive low income housing industry.

Henrietta Parsons, active in neighborhood groups, described Biddle City's non-profits as "retarded." She suggested that one reason for this was the tight control the

city has kept on federal funds. This is beginning to change as neighborhood residents are becoming more sophisticated as they organized initially to respond to concerns about drugs in their neighborhoods. However, the lack of program development funds means that they remain structurally immature (personal communication 1991). Thus, Biddle City's five non-profits are probably not the most productive organizations of this type. The groups with an explicit community or neighborhood base struggle to meld the interests of homeowners with more altruistic goals of providing housing for the poor. Groups like BCRG essentially are not oriented toward low income housing and thus are, for all practical purposes, marginal in this respect. In general, all of the groups (except BCRG) suffer from insufficient funding, however, the lack of administrative support from all potential funding groups, strictly limits their productivity. Don Jones spoke to this issue:

Nobody thinks non-profits should cost anything to run...[Adams] always points to [Dillon] as a non-profit that doesn't need operating money. But [Guy] supports his non-profit with his for profit (personal communication 1991).

An additional problem faced by all low income providers is that most banks and funding agencies are ultimately concerned about the "bottom line." They are reluctant to fund projects where the funds required to rehabilitate the property are greater than the property's market value.

While this shapes the decisions made by "bean counters," it overlooks the fact that most renovations up to code require investments approximating \$50,000 per unit. In a housing market like Biddle City, it is almost inevitable that a unit will require more inputs than it is worth. Nevertheless, renovation remains in general less expensive than new construction. Biddle City's non-profit housing providers are also negatively affected by the lack of corporate headquarters and the financial support they usually provide as part of community relations efforts.

The organizations profiled in this chapter also highlight one of the serious problems posed by current housing policies. The homeownership focus of these groups essentially excludes the largest growing group in need of quality affordable housing -- women with dependent children. While a few of the informants acknowledged that this was a need that remained largely unmet, most did not seem to consider this group in the development of their programs. Since homeownership has been recognized as requiring a "male income," women who do not earn "male" wages are generally ineligible to participate in even Habitat for Humanity's program which serves the lowest income groups, compared to the other housing providers in Biddle City. Nancy Rogers and Geri Malone both commented on structural problems that limited the ability of women with children to acquire good housing. Rogers said that

things, even local codes, block anything except the traditional nuclear family...The best option for [some people] is to have a group buy a house together. But the city housing code says that only 3 unrelated people can live together, but there is no limit on the size of a single family (personal communication 1992).

Malone, commenting on the NAHA, said that there was a bias toward two-parent families in most housing programs. She said that rental assistance programs were bias-free.

However, she expressed concern that some of the regulations contained in the HOME program may have unintentionally been biased against one-parent households. While she recognized the limitations of these federal programs, she contended:

there was some attempt in the new regulations...for the first time [to] deal with displaced homemakers and single-parent households. This may indicate a gradual recognition of issues like this (personal communication 1991).

Nevertheless, the absence of any implicit or explicit recognition of the needs of women who head households (25% of all households, according to the 1990 census), along with the preference for homeownership on the part of government agencies leads non-profits to generally provide housing for traditional nuclear families. This is especially problematic in Biddle City where 43% of all female-headed households lived in poverty in 1989 (Biddle City News 5/22/92).

Another critical limitation of non-profit housing providers is their size, especially in Biddle City. None of the groups, including BCRG, produces more than 10 units per year. Lack of paid staff and limited human and material

resources severely limit their productivity. In fact, the combined efforts of these groups do not approach the units of housing lost to demolition by the city or private owners for development or through the condemnation process. The city's competing objectives of redevelopment and housing for the poor contribute to the loss of housing and the limited assistance it ultimately provides to these groups.

Finally, while most informants supported the notion of decentralization because of the flexibility and local autonomy it promises, Biddle City groups illustrate how the lack of resources ultimately limits the attainment of both of these objectives. While most groups were attempting to provide a form of market-based housing, informants generally agreed that the market could not in fact house the majority of the community's poor and near-poor. Cumulative experience had taught them that their efforts were largely insufficient to meeting the increasing gap between private and government housing. However, despite their limitations, such groups remain "the only game in town" in the current economic and political climate and efforts must be continued to increase their productivity and expand the range of housing tenure they provide so that single women and men, as well as female-headed households, can gain access to the only quality affordable housing that is currently being produced in Biddle City for low and moderate income households.

Chapter VIII

OBSERVATIONS, CONCLUSIONS, AND RECOMMENDATIONS

The Impact of New-New Federalism on Low Income Housing

One objective of this project was to trace the ideological and programmatic responses at both the federal and local levels to the shortage of decent and affordable low income housing. Federal low income housing policy was used as an example to illuminate the degree to which a political philosophy -- new-new federalism -- has shaped domestic policy and program initiatives since the 1980s. Much attention has been paid by researchers and others to federalism as a motive force behind the significant reductions in federal support for social programs since the 1980s. The examination of legislative documents and speeches about housing indicated that federalism can be more appropriately described as a justifying ideology for reducing domestic spending in order to divert those resources to activities that supported capital accumulation rather than the reason such reductions occurred, as suggested by O'Connor and Bluestone and Harrison.

Phase One of this project analyzed federal housing legislation and speeches reprinted in Vital Speeches. The analysis undertaken in this phase of the project focused on

determining how the government has viewed its role in the provision of low income housing and the legislative efforts that have been undertaken in this regard since the New Deal. Phase Two of the project relied on field interviews with key informants in order to explore how one medium-sized, midwestern city has mobilized resources to provide low income housing services in the face of federal cutbacks in budgetary allocations for these purposes. A third focus of the project relied on documents as well as informant interviews to conduct a preliminary investigation of the structure of low income housing programs that typically serve women and their dependent children and the extent to which they recognize or fail to recognize their needs.

The documents analyzed in Phase One of this project supported the notion that current low income housing programs, with their emphasis on facilitating homeownership and reliance on the private market to provide rental units for low and moderate income households, are consistent with federal activities since at least the New Deal. These programs are based on logic that assumes that the federal government's task is to facilitate private sector provision of purchased or leased housing, not to provide housing itself. While the federal government has, at various points in time, pursued more active administrative and budgetary support for low and moderate income housing programs, such assistance has generally been premised on facilitating local

units of government and private developers in meeting housing needs.

What is unique about low income housing policy since the 1980s is its location within the context of public debate and rhetorical claims about the role of the federal government. While other presidents, notably Eisenhower and Nixon, spoke about the need for a restrained federal government, Reagan's brand of federalism was used to legitimize dramatic decreases in government support for social programs, particularly housing. Reductions that would have occurred anyway, given the Reagan administration's desire to implement "country club economics," were embraced as a way to reduce the size of the federal government and its involvement in domestic affairs.

The success of Reagan's federalist rhetoric was that it was utilized in a way that resonated with existing ideas about how the world worked. While it probably did little to shape people's views, it endorsed and reinforced their beliefs that the federal government was corrupt, inefficient, and out of control. In a more subtle way, Reagan's rhetoric also exploited public perceptions that poor people were corrupt and out of control. The result was that support for social programs for the poor eroded within an environment that was less charitable in regard to those in need and people were more willing to blame victims for their poverty. In addition, there was much skepticism about

the ability of government to effectively meet the needs of various classes and interest groups whose competing demands on government resources intensified as economic recession came to characterize the nation.

Both New Deal and Great Society programs developed within a framework that recognized structural factors such as economic inequality and racism as contributing to persistent poverty in the 1960s and 1970s. By the late 1970s, these were increasingly viewed as unable to address persistent poverty, and cultural and individual explanations began to hold sway. Many Americans, including members of the Reagan and Bush administrations, believed that the government and the nation had little responsibility or obligation to provide a broad safety net to those at or near the bottom of the social and economic hierarchies. Explanations that focused on individual responsibility, cultural reproduction of poverty values, and "laziness" took root. Reagan exploited notions such as these that were consistent with the abdication of the government's responsibility for the inequality and suffering of some Americans.

Distrust and concern about the efficacy of government programs combined with increasing public resentment of the poor to transform discourse about the causes of the marginalization of the poor and the most effective ways of helping remedy social problems during the 1980s. The

persistence of poverty, the increasing number of impoverished, largely female single-parent families, and increasing housing affordability and availability problems, as well as homelessness led some analysts to suggest that these phenomena were recent versions of similar problems that New Deal and Great Society programs were developed to remedy. Other analysts claimed that the fact that such problems remained in the face of the New Deal and Great Society programs indicated that their causes were located in new structural contexts that required new programmatic solutions. Public perceptions that inordinate amounts of taxpayers' dollars had been spent on government programs with little result combined with more conservative social analyses and created a sympathetic climate for Reagan's federalist message and concomitant spending cuts.

The focus during the Reagan administration was explicitly on non-domestic issues and, as a result, legislation and speeches published in Vital Speeches reflected the lack of attention afforded to social programs in general and low income housing programs in particular. No significant low income housing legislation was passed during the Reagan administration. The Stewart B. McKinney Act provided resources for groups providing shelter to the homeless, but did not make any provisions for permanent housing. The National Affordable Housing Act of 1990 was an attempt to provide more permanent housing through the

private market and to enlist non-profit community and neighborhood groups in this effort. Both the McKinney Act and NAHA were firmly grounded in federalist and privatization principles through their reliance on private efforts to house low and moderate income Americans.

In interviews conducted in Biddle City, I found that project informants clearly endorsed placing responsibility for the development and implementation of low income housing efforts at the local level. They believed that the federal government was out of touch with community needs and had proven unable to oversee low and moderate housing provision. Thus informants supported the Reagan's brand of federalism, despite their own experiences that indicated that non-profits and local governments could not meet the low income housing needs of Biddle City. The intensity of the distrust of the federal government and the belief that local control was better were cited as reasons for supporting the government's decision to reduce its involvement in low income housing and other social welfare programs.

However, these same people recognized that this strategy limited their effectiveness as well as resources. Thus, federalism as utilized by Reagan and Bush, has been very successful in generating support for local control and local responsibility for social problems, even those that many recognize as rooted in national or international factors.

Privatization and Non-profit Housing Providers

The history of low income housing programs in the U.S. reflects steady reliance on private financial institutions, developers, builders, and management. The 1980s were characterized by efforts to deal with the many problems associated with public housing that focused on privatization strategies including tenant management and the sale of public housing units to tenants. The privatization strategy in housing is consistent with general executive policy since 1980. It is based in part on the belief that government regulation and ownership is inefficient, compared to the market.

Privatization is usually associated with reliance on profit-making organizations to provide a service or run a corporation formerly within the purview of government. However, the majority of low and moderate income housing is currently being produced by non-profit housing organizations. Non-profit housing providers have emerged in part because private developers are not interested in building, rehabilitating, or managing low income housing because it is not as profitable as it once was due to an 80% reduction in HUD new construction programs and tax reform that limits depreciation, profits, and return on investments, as well as the stagnant economy. Builders and developers, for example, are concentrating their

construction activities at the higher end of the housing market and building few low income or "starter" homes.

Non-profit housing providers are limited in terms of the types of housing they can produce by government programs, bank lending policies, and the interests of foundations and other grantmaking institutions. In addition, the veneration of home ownership on the part of the federal government has privileged non-profit housing groups that provide ownership opportunities and has disadvantaged those groups attempting to provide rental housing for single women and men or female-headed households.

The non-profit groups in Biddle City, for example, have developed programs that provide home ownership opportunities to families. Given the costs of production and financing of such housing, the lowest household income eligible for housing through any of the Biddle City organizations is 125% of the poverty level (approximately \$17,000 per year for a family of 4). This generally excludes women who are receiving AFDC as well as many working-poor households. Biddle City housing providers recognized this limitation but felt constrained by government and foundation pressures. For example, the members of BCRHC actually came together to provide housing for those below this level, as well as single men and women. However, they quickly discovered that there was no financial or infrastructural support to do

this. The president of the organization felt that the city government had obstructed each of their attempts to secure property that could be converted into an SRO hotel. They ultimately chose to develop a lease-to-purchase program focused on two-parent families in the hope that they could establish a track record that would make the city more amenable to support housing for those who lacked the resources required for participation in ownership programs.

The emergence of non-profit housing providers is to some extent evidence that low income housing cannot, in fact, be provided through the market. While non-profit providers are a reflection of the privatization strategy, I think it is also an indictment of it. Market approaches to low income housing provision must be viewed in the context of the housing market in general which has relied on heavy government subsidies in order to make ownership viable for middle income households since the early 1900s.

Homeownership in safe, secure, and habitable dwellings is too expensive to be provided to low income households and individuals through market mechanisms. The non-profit groups who offer homeownership recognize that they are doing so by greatly subsidizing the purchasing household. They also recognize that the market basis of residential housing raises the question of whether a program participant will eventually sell her home at great profit. Several informants were concerned about this possibility. They

worried that the groups had little control over the eventual disposition of their homes and expressed concern that the housing they produced could not be preserved as low income housing in perpetuity.¹

Non-Profit Housing Providers and Grassroots Efforts to Resolve the Housing and Neighborhood Crises

It is important to recognize that most non-profit housing organizations did not form just because the government wanted them to. However, certain legislative provisions made it likely that local governments would sponsor their creation to take advantage of certain kinds of federal block grant funds. These groups also emerged as a grassroots response to a perceived need and have made an impact in places like Biddle City.

All of the local groups, including Habitat for Humanity that theoretically does not accept government funds, do not set the housing agenda. They build and/or provide housing based on national policies and programs. Thus, they focus on single-family units that they sell to eligible families because that is what the government has endorsed and what it will fund. While many of the Biddle City groups are committed to homeownership because they believe it

¹ Several groups have written clauses into purchase agreements that require occupants to either refrain from selling their home for a period of years and/or to consult with the sponsoring organization about the sale price of the home when it is sold. The informants from Habitat for Humanity were uncertain about the legal standing of such clauses.

stabilizes both households and families, they also recognize that homeownership is not a tenable option for everyone. Some families lack the desire, the resources, or the skills to become homeowners. However, given the current housing climate, homeownership programs are the ones that get support from government and foundations and as a result many households who desperately need permanent housing cannot access it through these non-profit providers.

The Biddle City housing groups are truly local. They work in neighborhoods within communities. Since local, state or federal governments are unwilling to fund operational expenses, these groups lack the resources (labor power, administrative staff, funds), especially at the regional, statewide, or national levels to develop networks for exchanging information and pooling resources. While decentralization provides a degree of autonomy and local control as far as providing low income housing is concerned, it also means that housing providers are fragmented and are not well organized. As a result, non-profit housing groups are constantly "reinventing the wheel." While technical assistance organizations such as LISC were created to avoid this phenomenon, the reality is that newly-forming organizations often discover such groups far later than is practicable and groups such as LISC often step in to resolve problems or help non-profit groups recover from initial miscalculations. Moreover, federalism is premised on a

belief that local housing problems require local solutions and thus housing organizations may assume that their communities are unique and thus the experiences of other groups are not easily transferable. One exception to these trends is Habitat for Humanity's well-organized national and international network that is very successful at facilitating exchange of information between local Habitat affiliates.

Decentralization has also functioned to reduce the likelihood of concerted and well-organized opposition movements to state and federal government housing policies since non-profit housing organizations must compete with each other for limited funds (both within and between cities and regions). They also lack the time and resources to coordinate their efforts to secure funding and help develop policy that meets the needs of their clienteles. The lack of operational funds is truly a problem in this respect. The non-profit housing providers in Biddle City lack stability in staffing and have also experienced long periods where there were no directors to plan, coordinate, and oversee activities either among the groups' members or between Biddle City groups. The recent cooperative project between Habitat for Humanity and NHP is a good sign. However, this "one-shot" partnership emerged out of critical needs on the part of both groups. Whether it will extend into new projects and new partnerships remains to be seen.

One disappointing observation about the Biddle City non-profits was that they involve few who could potentially (or who have) secured housing from them. With perhaps the exception of NHP and NHG, the groups are not grassroots in the sense that they were created by those who needed affordable housing and organized to provide it to themselves and others. While many of the groups did emerge out of neighborhood needs, the groups currently appear to be providing a service to others. For some of the groups, housing efforts are seen as a mission, a Christian duty, or "good works." These groups most closely resemble the philanthropic efforts of the late 19th and early 20th century. There is some concern that housing provided in this way can stigmatize recipients and that access can be restricted to those who meet profiles that reflect the values of the sponsoring organization.

While neighborhood-based groups may empower neighborhood residents and improve neighborhood conditions through their efforts to upgrade housing, it seems that the groups do little to empower those who need housing. For example, purchasers of Habitat for Humanity homes do not generally remain involved in the organization's activities after they have met their sweat equity or other obligations. Moreover, only two of the households that have secured housing from any of the groups were willing to talk with me. One of those suggested that others may feel the stigma of

"poverty" because they have achieved the "American dream" in a non-traditional way that marks them, to some degree, as failures. Thus, they try to reduce their association with the provider so as not to be reminded of the origins of their homeownership opportunity.

For one provider, 2 of the 3 tenant-purchasers had become unemployed since they moved into their homes. These families were also unwilling to talk to me. The president of the organization recognized the potential unwillingness of householders and suggested that they were afraid of losing their homes if they were unable to keep up with payments. He was concerned that my discussions with them could be a stressful reminder of the tenuousness of their tenure.

The non-profit groups, forced to ensure payment from tenants in order to keep their own books balanced and present a financial statement to potential funders, may be faced with contradictory obligations in these fairly common cases. They need regular payments from their tenants, but they also want people to feel secure in their tenure. However, despite informants' claims that they try to be understanding and accessible, many of the tenant-purchasers do not appear to view the non-profit housing provider as any different from other landlords looking for the month's rent; they still do not feel they have much control over the process and that they risk loss of their homes during

periods of economic crisis. This illustrates one of the potentially erroneous assumptions made by those who endorse homeownership over rental housing. The assumption is that ownership is more secure; that with ownership comes permanence. However, the high rate of mortgage foreclosures among the working and middle classes over the past 15 years indicates that this may not in fact be the case. The Institute for Policy Studies reported that:

More than 200,000 homeowners lost their houses to mortgage foreclosure in the deep recession year of 1982. Between 1980 and 1985, the foreclosure rate nearly doubled. Despite several years of economic recovery, 6.2% of all mortgage loans in the U.S. were delinquent...This figure is the highest since the Mortgage Bankers Association began recording delinquency rates in 1953 (1989; 4).]

One of the key factors that may explain why there is only limited involvement on the part of prospective or actual tenant-purchasers is based in the contradictory aims of neighborhood revitalization and providing low income housing that shapes the missions of many of the Biddle City groups. While most neighborhoods in Biddle City do not want to become "yuppified," they do want to increase homeownership and improve the housing stock in their neighborhoods. Many neighborhood group members see tenants, especially low income ones, as a burden to neighborhoods and as a source of neighborhood decline. These groups are less likely to support the in-migration of low income people (tenants or otherwise). They may also subtly discourage low income people's participation in the groups by, for example,

making comments about neighborhood problems that one member of NHP traced directly to low income residents. Thus it is difficult to resolve the goal of neighborhood improvement and providing affordable housing. At present, attempts to resolve this contradiction are based on providing counseling to tenants and prospective homebuyers to acclimate them to the responsibilities, behaviors, and obligations associated with responsible homeownership.

Summary

The emergence of non-profit housing organizations as key providers of low and moderate income housing since the 1980s should be viewed as a response to changing political economic factors. Increased federal deficit and pressure on governments from the corporate sector and others to reduce welfare spending concomitant with erosion of the nation's manufacturing base, recession, and housing inflation shifted de facto responsibility for housing the nation's poor to the private sector. However, as O'Connor suggested in his comparison of the military-industrial and social-industrial complexes, without incentives, profit-making corporations will not participate in social welfare activities. Non-profit housing providers are the result of a retrenchment of government programs that in the past generously rewarded private builders and developers for their participation in low and moderate income housing programs. The shift from federal government/private-for-profit partnerships for

housing production to local government/private-not-for-profit partnerships has been justified through the use of federalist rhetoric that is critical of the federal government's track record. Federalism, however, is only the ideological justification for this shift, it is not the cause.

Non-profit housing organizations emerged out of a perceived need as federalist and privatization rhetorics legitimized the reduction of government support for low and moderate income housing programs. The growth of non-profit groups is often traced to Bush's "one thousand points of light" rhetoric that sought to encourage volunteerism and community responsibility for social problems and community needs. While this may in fact be part of the motivation, the unwillingness of for-profit housing providers cannot be underestimated as a factor in the increasing reliance of both federal and local governments on non-profit groups. The focus on non-profit low income housing providers is disproportionate in comparison to the amount of housing they produce. In addition, the attention paid to non-profit housing organizations may work as a barrier to what is really going on in terms of the net loss of habitable low income housing over the past 10 years.

Nonetheless, community-based non-profit housing providers are a valuable and important means through which a community can be mobilized to meet existing needs in ways

that are sensitive to the particularities of an individual community. They can also help galvanize neighbors around local problems in an effort to increase neighborhood solidarity as well as to develop and implement local efforts to improve the quality of life. The groups also provide housing for some of those who need it. However, these groups are clearly limited in terms of the amount of housing they can produce. They are also limited by the contradictions inherent in improving neighborhoods by increasing property values and opening a neighborhood to the poor.

Thus, non-profit housing groups are an important, but insufficient, mechanism through which the nation's low and moderate income housing crisis can be resolved. Without increased funding from the federal government, they will continue to barely keep pace with the number of affordable units destroyed through redevelopment or abandonment. The market will continue to be unwilling to produce this kind of housing as long as it is at best only marginally profitable and there are neither carrots nor sticks to encourage them.

Moreover, non-profit housing groups in Biddle City cannot produce housing that is affordable for those who are among the poorest -- households on AFDC, the homeless, the unemployed, the deinstitutionalized, substance abusers, and single men and women. Non-profit efforts to house these marginalized groups are oriented toward emergency shelter

because there is little support for developing more permanent housing for them. The filtering system, even at its most effective, rarely provided housing for these groups. Apartment buildings and single-family residences are inappropriate for these groups and thus the SRO hotels destroyed over the past two decades need to be replaced if we are to eliminate the most visible forms of homelessness in our communities.

The privileging of single-family residences also works against affordable housing for many groups. Government programs need to be developed that support the exploration and creation of housing programs that utilize more innovative types of housing. Examples from the Netherlands and Scandinavia include apartment complexes with communal kitchen, laundry, and child care facilities, as well as mixed-generation housing. Biddle City needs to re-examine residency laws that prevent unrelated people from living together. This would enable AFDC households, for example, to pool their resources to secure quality housing. It may also make ownership possible for these women. So long as this nation venerates single-family homeownership and traditional families, non-profit groups and others will continue to fall far short of meeting the 1949 housing goal of decent housing for all Americans.

Gender and Housing

One of the objectives of this project was to understand how the gendered distribution of resources as suggested by Acker (1988), Abramovitz (1988), Barrett (1980), and Brenner and Ramas (1984) affected low income housing policies and programs. Of the 127 speeches I analyzed none mentioned the fact that women with dependent children are the most in need of housing assistance. In 62 years of permanent housing legislation, the only references to women was in reference to displaced homemakers and women who left marriages because of abuse. The 1960s legislation that addressed these categories of women required lending institutions to recognize their homeownership status if they and their husbands owned their homes during their marriages when they applied for mortgages as single women. The McKinney Act also makes specific references to temporary shelter for homeless women with dependent children.

The field research and interview phases of this project resulted in similarly limited data about the ways that non-profit organizations and others viewed the housing needs of women with children. While all of the informants acknowledged that women with children, especially those on AFDC, were in particular need of access to affordable and decent housing, none made any effort to specifically target their programs to this group.

The limited evidence gathered in this project lends support to the thesis that because homeownership requires a "male income," most women are excluded from the housing produced by non-profit groups. The enduring integration of the 'family-household' system into both the selection processes of non-profit providers as well as their focus on ownership has functioned to limit women's access to all forms of housing, particularly limiting their ownership opportunities. Groups such as Habitat for Humanity are more likely to believe that households with two parents present are more stable and able to meet the economic and other obligations of homeownership. Moreover, the religious affiliations of many non-profit housing groups in Biddle City, may lead to acceptance of the view of the family as necessarily and appropriately patriarchal. This may subconsciously bias their selection processes in favor of those families conforming to this model.

An additional factor contributing to the preponderance of "intact" families participating in Biddle City non-profit housing programs is the economic reality that most women cannot afford to buy houses because of their limited incomes. This is compounded by the ownership bias in government program, for example, the property tax and mortgage interest deductions, that requires a level of income if a household is to make use of these incentives. The amount of lost revenue that results from the property

tax and interest deduction, as well as government support for programs that support ownership, leaves few resources left over for non-ownership programs that women are more likely to be able to utilize. The interests of those who would prefer or can only afford to rent may be insufficiently represented. Peter Dreier has suggested that we live in a society where enfranchisement is symbolically connected to ownership. In his view, tenants are second class citizens. Since women who head households are more likely to be tenants, they are also more likely to be disenfranchised and have little input into the development of housing programs or for their specific housing needs to be considered by those who make policy or design programs, architects, or housing developers.

Since women are viewed as belonging to families their housing needs are often invisible or viewed as a "family problem." One aspect of privatization has been to encourage families to help out needy members. This is particularly hard for poor people whose families are also likely to be poor. But the idea that husbands/fathers bear responsibility for daughters/wives remains strong and women are encouraged to stay in relationships in part through the threat of economic sanctions. The welfare system that inadequately supports female-headed households as well as the insufficient supply of decent and affordable housing penalize women who live outside patriarchal relations. Non-

profit housing providers and others in Biddle City have yet to determine whether their groups could or should intervene to provide women permanently affordable housing. I recognize that many of these observations about the relationship between gender and housing are not directly supported in my research. This is an important issue that requires more intensive investigation. However, I believe that the lack of awareness of and focus on the ways that their particular efforts include or exclude women is significant and support my tentative contentions in this regard. Future research should explore this issue further.

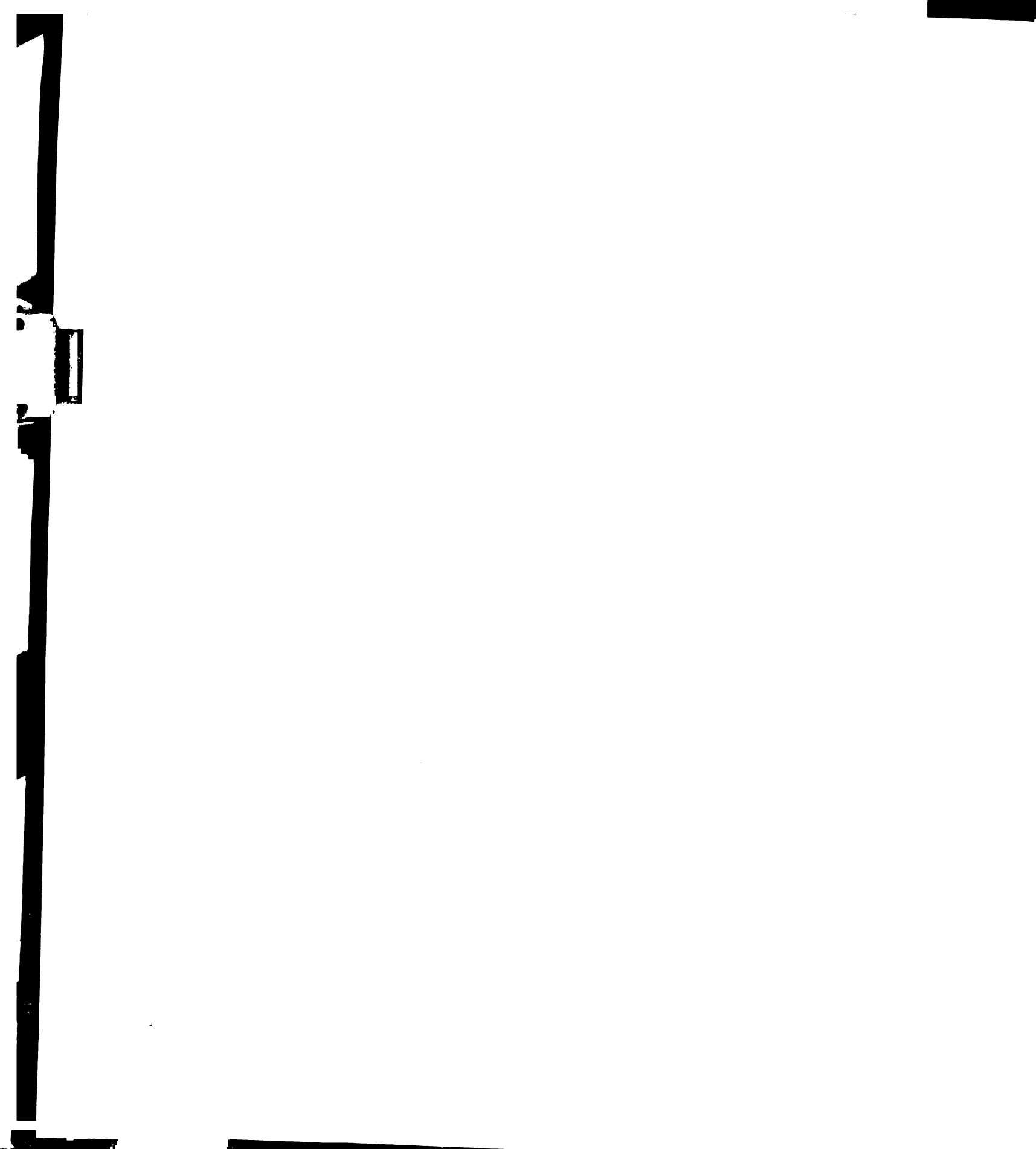
Recommendations

Local control over low income housing development and management offers the potential to meet the housing needs of communities. Eisenhower, to some degree, was right when he said that local people know their needs better than do federal bureaucrats. But he also recognized that it is difficult to detach local governments from local elites. As a result, even when people in the community know what to do, they often do not get access to the resources required to do it. Local control has to be encouraged and supported by federal oversight and financial support. Stricter limits on the ways that local governments distribute block grant funds need to be developed. In addition, Biddle City's policy of requiring a 20% set-aside from developers does not help those most in need of housing assistance because the net

result is a loss of a significant amount of formerly affordable housing. Better-off neighborhoods unfortunately often exclude the poor and near-poor, whether they are tenants or homeowners, through gentrification and rehabilitation efforts that raise the value of housing beyond what these groups can afford to pay.

Incentives and encouragement from the federal government are needed so that local governments can support the provision of other forms of tenure for non-family households. These tenures include single-room occupancy and would require a shift from funding temporary housing for homeless singles to providing more permanent housing. In addition, other forms of cooperative living arrangements need to be explored that will facilitate extended family living arrangements and more than one family sharing a home. The latter would require eliminating the Biddle City rule that prohibits more than 3 unrelated people living in one housing unit. Rental programs for those who cannot or do not want to become homeowners need to be pursued.

The data presented in this study indicate that the non-profits cannot do it alone and cannot do it all. Many of the project's informants talked about their efforts as being mere "drops in a bucket." The Biddle City groups lack the economies of scale, the resources, and the technologies to become the major and sufficient housing providers in most communities. The federal government has a major role to



play and it can perhaps fund non-profits so they can increase their housing production. However, the Section 8 new construction programs of the 1960s and 1970s indicate that there is a tendency toward profiteering on the part of developers when government does this, so similar efforts, even those utilizing non-profit housing organizations, must be implemented and overseen very carefully.

There also needs to be coordination and communication between the nation's non-profit providers. The current fragmentary way of providing housing keeps these groups so busy that they cannot even lobby for a more rational way of doing their work. To some extent, local control may become an unintentional but successful way of dividing and exhausting those who recognize the need for a more active and generous federal role in providing decent and affordable housing.

In a perfect world, housing would be de-commodified so that it could provide affordable shelter to everyone. This is unlikely to happen and so non-government ways of decommodifying housing need to be pursued. The experience of Habitat for Humanity-Biddle City, however, indicates how limited this effort can be. The rejection of government funds ultimately limits the group's operating capital which reduces the amount of housing that can be produced. The Habitat strategy is also premised on ownership, because ownership is viewed as a way of franchising the poor. I

would suggest that, instead of ownership, a focus on control over tenure is better -- cooperatives, tenant management, etc. Tenant management of public housing projects in Chicago, for example, have yielded some very promising results. It is clear that the majority of public housing tenants are willing to get involved in the selection of tenants, security, and organizing activities within the project that directly reflect on quality of life. However, they are generally unwilling to get involved in the financial aspects of running a project. Thus, tenant management needs to be carefully defined if it is to work and, more importantly, if it is to be a meaningful activity that improves tenants' quality of life and is not just a way of exploiting their labor.

The efforts to sell public housing to current low income tenants is misguided and poses some serious problems for the future if it should occur on a broad scale. Public housing should not be privatized unless there are plans to replace it so that those in need (e.g., on waiting lists) can be housed. Privatizing public housing presents the possibility of profiteering as new owners wait out the five-year limit on resale and sell their well-placed apartments to those who can afford to pay market prices for them. Moreover, while it may present ownership opportunities to the households that purchase them, it removes the unit from the affordable housing stock. With no concrete plans to

replace these units the nation could face a critical shortage of low income housing over the long term.

Summary

Non-profit housing providers must be incorporated within a comprehensive national housing strategy that is coordinated and adequately funded by the federal government. The federal government possesses both the resources and the potential will to develop a strategy that resolves the housing crisis. The current focus on homeownership obscures the many different kinds of households that require very different forms of tenure. Non-profits have made tremendous efforts to produce a respectable amount of affordable housing for certain kinds of families. Other kinds of efforts are required if we are to effectively deal with the chronic and increasing shortage of housing in the U.S.

Contributions of the Research

This research critically examined Reagan's new-new federalist rhetoric in historical and contextual ways and suggests that this rhetoric was less innovative than the use it was put to and the success that resulted. The research examined the ways that federalist and privatization rhetorics have had an affect on how domestic policies and social problems are viewed in the U.S. -- by politicians, citizens, non-profit providers, etc. While the rhetoric may not be new, the debate has been significantly transformed since the 1980s.

The critical examination of U.S. housing policies and housing ideologies in historical and contextual ways undertaken in this project indicated how the home ownership bias strictly limits the range of housing programs and the level of involvement of various levels of government to the detriment of a successful, inclusive, and rational national housing policy.

Phase Two of the project assessed the utility of non-profit housing programs as an alternative to government programs and concluded that they currently offer a band-aid. They offer no real alternative to low income housing because they cannot match either the level of resources or level of production that the government could devote to this expensive endeavor. However, they do offer models for imitation and can potentially (although in Biddle City they really have not) empower those in need so they can secure suitable housing that is controlled by them. In this respect, public housing tenant management efforts are a step in the right direction.

Finally, the research offered a preliminary assessment of two issues that are not usually related to each other -- housing policy and women -- and posed tentative explanations for why this is the case. The preliminary analysis presented of this interrelationship poses critical research questions for future exploration.

APPENDIX A

PRESIDENTIAL SPEECHES

NAME	SPEECH DATE	DATE PUBLISHED	BEFORE/AT	SUBJECT
FDR	9/28/34	10/8/34	conf mobilization hum needs	community/gov't responsi
FDR	1/4/35	1/14/35	congress	objectives of fed gov't
FDR	1/6/37	1/15/37	broadcast	slums
FDR		1/1/37	inaugural	measuring progress
FDR	10/12/37	11/1/37	fireside talk	role of gov't
FDR	11/29/37	12/15/37	congress	housing expansion
FDR	1/3/38	1/15/38	congress	state of union
FDR	4/14/38	5/1/38	radio	plans for recovery
FDR	6/24/38	7/1/38	fireside chat	progress/nat'l affairs
FDR	1/3/40	1/15/40	congress	state of union
FDR	1/20/41	2/1/41	inaugural	preserve democracy
FDR	1/6/42	1/15/42	congress	hard task/short time
FDR	1/7/43	1/15/43	congress	post-war goals
Truman	1/6/47	1/15/47	congress	state of union
Truman	1/7/48	1/15/48	congress	state of union
Truman	6/14/48	6/15/48	gtr LA press club	80th congress
Truman	9/20/48	10/1/48	campaign speech/Denver Dem/Repub	on housing
Truman	1/20/49	2/1/49	inaugural	
Truman	7/13/49	7/15/49	on radio	eco situation
Truman	9/5/49	9/15/49	Allegheny county fair	future/farmers & workers
Truman	1/5/50	1/15/50	congress	state of union
Truman	1/8/51	1/15/51	congress	state of union
Truman	7/28/51	8/15/51	Detroit's 250th anniv	world peace
Truman	1/9/52	2/1/52	congress	state of union
Truman	6/13/52	7/1/52	Howard U commencement	civil rights
Eisen.	1/20/53	2/1/53	inaugural	
Eisen.	2/2/53	2/15/53	congress	foreign/domestic policies
Eisen.	8/4/53	9/1/53	annual governors' conf	duties of state gov't
Eisen.	9/21/53	10/15/53	Repub party mtg	accomplishments of party
Eisen.		1/6/54	spec. mess. to cong	housing program (cong recrd)
Eisen.	1/4/54	1/15/54	nat'l broadcast	sustain. basic prosperity
Eisen.	1/7/54	2/1/54	congress	state of union
Eisen.	6/10/54	7/1/54	nat'l citizens for Eisenhower	legis program
Eisen.	9/23/54	10/15/54	dedication of McNary dam	nat'l/local responsibility
Eisen.	1/6/55	1/15/55	congress	state of union
Eisen.	1/5/56	2/1/56	congress	state of union
Eisen.	8/23/56	9/1/56	repub nat'l convention nomination	acceptance
Eisen.	10/1/56	10/15/56	rally; Lexington, Ky	job to be done
Eisen.	1/10/57	2/1/57	congress	state of union
Eisen.	5/14/57	6/1/57	nation/TV & radio	budget cuts
Eisen.	6/24/57	7/15/57	governors' conf	excessive power in gov't
Eisen.	1/9/58	2/1/58	congress	state of union
Eisen.	3/15/58	4/1/58	women's nat'l conf	timely gov't action
Eisen.	1/9/59	2/1/59	congress	state of union
Eisen.	9/1/60	8/8/60	congress	major issues
Eisen.	1/12/61	2/1/61	congress	state of union

<u>NAME</u>	<u>SPEECH DATE</u>	<u>DATE PUBLISHED</u>	<u>BEFORE/AT</u>	<u>SUBJECT</u>
JFK	1/20/61	2/1/61	inaugural	all work together
JFK	1/30/61	2/15/61	congress	state of union
JFK	3/9/61		spec mess to cong	housing prog (cong recrd)
JFK	1/11/62	2/1/62	congress	state of union
JFK	6/11/62	7/15/62	Yale commencement	myth of big gov't/debt
JFK	1/14/63	2/1/63	congress	state of union
LBJ	11/27/63	12/15/63	congress	
LBJ	1/8/64	1/15/64	congress	state of union
LBJ	1/4/65	1/15/65	congress	state of union
LBJ	1/20/65	2/15/65	inaugural	
LBJ	1/12/66	2/1/66	congress	state of union
LBJ	1/10/67	2/1/67	congress	state of union
LBJ	6/27/67	7/15/67	Baltimore Chamb of Comm	America today
LBJ	7/27/67	8/15/67	on TV	rioting in streets
LBJ	1/17/68	2/1/68	congress	state of union
LBJ	1/14/69	2/1/69	congress	state of union
Nixon	1/20/69	2/1/69	inaugural	search for peace
Nixon	8/8/69	9/1/69	over TV	welfare reform
Nixon	1/22/70	2/1/70	congress	state of union
Nixon	1/22/71	2/1/71	congress	state of union
Nixon	1/20/72	2/1/72	congress	state of union
Nixon	1/20/73	2/15/73	inaugural	
Nixon	3/4/73	4/1/73	on radio	community development
Nixon	1/30/74	2/15/74	congress	state of union
Ford	8/9/74	8/15/74	from the White House	
Ford	10/8/74	10/15/74	congress	anti-inflation plan
Ford	11/15/75	2/1/75	nation/TV & radio	state of union
Ford	1/19/76	2/1/76	nation/TV & radio	state of union
Ford	1/12/77	2/1/77	congress	state of union
Carter	1/20/77	2/15/77	inaugural	
Carter	2/2/77	2/15/77	fireside chat	unity on US goals
Carter	1/19/78	2/1/78	congress	state of union
Carter	4/11/78	5/1/78	Am Soc of Newspaper eds	inflation/sacrifice
Carter	10/24/78	11/15/78	over radio & TV	wage/price controls
Carter	1/23/79	2/1/79	congress	state of union
Carter	1/23/80	2/1/80	congress	state of union
Reagan	1/20/81	2/15/81	inaugural	putting America back/work
Reagan	2/5/81	3/1/81	American people	state of eco
Reagan	2/18/81	3/15/81	congress	state of union
Reagan	9/24/81	10/15/81	American people	more cuts in fed spending
Reagan	1/26/82	2/15/81	congress	state of union
Reagan	1/25/83	2/15/83	American people	state of union
Reagan	1/25/84	2/15/84	congress	state of union
Reagan	1/21/85	2/1/85	inaugural/people	less gov't
Reagan	2/6/85	2/15/85	to American people	state of union
Reagan	2/4/86	3/1/86	congress	state of union
Reagan	1/27/87	2/15/87	to American people	state of union
Reagan	1/25/88	2/15/88	to American people	state of union
Bush	1/30/89	2/15/89	inaugural	new solutions/old probs
Bush	2/9/89		congress	budget message
Bush	1/31/90	2/15/90	congress	state of union
Bush	1/29/91	2/15/91	people	state of union

APPENDIX B
LIST OF SPEECHES

<u>Name</u>	<u>Position</u>	<u>Date Published</u>	<u>Before/At</u>	<u>Subject</u>
R. Wagner	Senator/NY	8/15/37	NBC	slums/housing
M. Strauss	US Housing Auth.	1/1/38	U.S. Chamber of Commerce	slums
J. Fahey	Fed. Home Loan Bank	9/1/38	Mutual Savings Banks	home ownership
C. Taft	Attorney	11/1/38	NAHRO	slums/pvt enterprise
Schwellenbach	Senator/Wash.	3/4/40	NBC	FDR
M. Cooper	Former Gov/Ohio	12/1/42	PA Real Estate Assoc.	tax/real estate
A. Hauke	Senator/NJ	2/15/47	Bklyn Real Estate Bd	rent control
E. Carr	Assoc/Homebldrs	5/1/48	Eco Club of Detroit	pvt enterprise/ housing
A. Brockbank	Assoc/Homebldrs	8/1/52	Eco Club of Detroit	pub v. pvt/ communism
L. Pink	Fmr Chair/NY Housing Board	11/15/52	NAHRO	health/housing
G. Johnson	pres. Dime Savings Bank	5/15/55	Group V Savings Ass	FHA/VA regs
C. Taft	City Council/ mayor Cincinnati	11/1/59	NAHRO annual banquet	urb renewal
J. Conant	pres emer Harvard fmr Ambas Germany	7/1/61	conf on unemp youth	cities cities
D. Eisenhower	fmr president	7/1/61	Repub testimonial	gov't policy
C. Palmer	pres Palmer Inc	6/15/62	Harvard Grad School	slum clearance
E. Neilan	pres US Chamber of Commerce	2/1/64	Chamber of Commerce	progressive local gov't
W. Slayton	Urb Renewal Admin	2/15/65	Community Renew. Conf	urb renewal
G. Romney	Governor of MI	1/1/66	Repub Ass/San Diego	mkt pricing
E. Brooke	senator/MA	7/15/67	U.S. Senate	low inc hang
R. Weaver	sec'y HUD	9/15/67	proj open/Roxbury	FHA & LIH

<u>Name</u>	<u>Position</u>	<u>Date Published</u>	<u>Before/At</u>	<u>Subject</u>
R. Saulnier	econ prof/Bernard	11/1/67	taxpayers conf	fed taxes
G. Champion	chair/Chase Bank	12/1/67	Grinnell convocation	welfare state
J. Smith	pres/Equitable Life	2/1/68	Tax Fdnt nat'l conf	creative fed- lism & cap'lism
H. Finger	asst HUD sec'y	9/15/69	Portland Cement Ass	housing shortage
Guy Mabry	VP Owens-Corning	11/1/69	Nat'l Apartment Convn	mobile homes
Geo. Romney	HUD sec'y	3/1/70	Nat'l Ass homebldrs	nat'l housing policy
S. Lefrak	pres Lefrak Org	2/15/72	Pratt Institute	aerospace & housing ind
Fred Smith		11/1/72	urb aff sem/housed	probs in cities
Joseph Hall	VP GAF Corp	11/1/72	GAF const mktg sem	future challenges
P. Prentice	retired vp Time	3/1/73	Housing indus conf	can subsidies cure cities?
P. Prentice	pres Schlaperbach foundation	12/1/73	Housing indus conf gov't	subs/land inflation
Floyd Hyde	under sec'y HUD	4/1/74	Harvard school/design	opp for gov't reforms
V. Jordan, Jr	Urban League	1/1/76	Institute/Hum Relat.	disinvestment in cities
P. Brinkerhoff	Fed Home Loan Bank	3/1/80	2dry mortg mkt conf	2dry mortg mkt
Archibald Cox	Chair, Common Cause	11/15/80	Cleveland City Club	attacks on reform legis
V. Jordan, Jr	Urban League	5/1/81	counc on soc work ed	fed shift to states probs
R. Rosenberg	Sr VP Starret Housing	6/15/81	NYC Rotary Club	future of resi housing
C. Reichardt	Pres Wells Fargo	9/15/81	CO Cattle Feeders Mtg	changes in home ownership
Mark Riedy	Mortg Bankers	11/1/81	Nat'l Housing Conf	sources/money-mortg mkt
John Fery	CEO Boise Cascade	12/15/82	Commonwealth Club	future of housing
Mark Riedy	Mortg Bankers	7/1/82	N/A	housing and gov't
K. Thygeson	Fed Home Loan Mortgage Corp	5/1/83	Town Hall of CA, LA	2dry mortg mkt
M. Johnson	Pacific Inst	8/15/83	Town Hall of CA, LA	houasg crisis/ pvt prop rts
Mark Riedy	Mortg Bankers	11/15/83	Business Outlook Conf	housing and mortg finance
D. Maxwell	FINMA	12/15/86	Resrch Cntr Forum	housing/victory or no?

<u>Name</u>	<u>Position</u>	<u>Date Published</u>	<u>Before/At</u>	<u>Subject</u>
John Howard	Reckford Inst	2/1/87	Civic League/Reckford	mobilize people/change
Reynold Levy	AT&T foundation	4/1/90	Japanese symposium corp. citizenship	US corporate philanthropy
R. Freeman	HooverInst.	6/15/90	Stanford Alumni Assoc	Does Am neglect its peer?
Tarr-Mhelen	Ctr Policy Alter	11/15/90	Cleveland City Club	new order: states lead
John Engler	Governor of MI	6/15/91	Heritage Foundation	end unfunded fed mandates

APPENDIX C

APPENDIX C
LIST OF BIDDLE CITY INFORMANTS

<u>Name</u>	<u>Position</u>	<u>Organization</u>
Tom Adams	Development Director	Biddle City
Doris Bauer	Executive Director	Family Center
Hank Bennett	leasor/owner	Biddle City Regional Housing Consortium
Elly Cambela	staff	area state representative's aide
Steve Collins	Executive Director	Housing Commission
Guy Dillon	Executive Director	Biddle City Redevelopment Corp.
Betty Elkins	Councilor	Biddle City City Council
Pat Jackson	President	Habitat for Humanity -
Lloyd Gardner	Executive Director	Biddle City
Paul Jackson	member	Churches United for the Homeless
Thea Jameson	Executive Director	Socially Conscious Investments, Inc.
Bob Jansen	Sr. Vice President	Biddle City Savings Bank
Sam Jones	Emergency Services	American Red Cross
Bert Kendall	State Coordinator	Habitat for Humanity
Mary Lopez	President	Northside Housing Group
Geri Malone	Acting Director of Community Development	State Housing Development Authority

<u>Name</u>	<u>Position</u>	<u>Organization</u>
Ann Martin	leasor/owner	Habitat for Humanity
Joan Miller	President	Fernwood Neighborhood Association
Ken Nerat	Chief Deputy Treasurer	State Treasury Dept.
Henrietta Parsons	Executive Director	Nbhd Council
Frances Patterson	Executive Director	Pastoral Ministries
Otto Pierce Ed Tomkins	Director	Technical Assistance Agency
Keith Robbins	President	Neighborhood Housing Project
Sara Roberts	Director	Biddle City, Inc. Emergency Services
Harriet Sanchez	Director of Emergency Assistance	Northside Community Center
Jane Simmons	Director	Emergency Assistance Center
Marj Stevens	Housing Specialist	State University
Ross Taylor	legal staff	State Housing Authority

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