Myth #5: Public Housing’s Failures Led to a Natural Death

By Yonah Freemark


In early 1973 the Nixon Administration put in place a moratorium on most subsidized housing assistance, essentially eliminating funding for the construction of public housing and for other forms of subsidized housing. This sudden cutoff in aid, announced by Department of Housing and Urban Development (HUD) Secretary George Romney, marked an ostensible transition away from the use of federal funds to pay for new housing construction for low-income families. In defending the action, President Nixon argued that the government had become the “biggest slumlord in history.” With time, Nixon’s statement congealed into today’s widespread sense that liberal governmental policies were running out of steam by the early 1970s. According to this view, public housing died a natural death due to its inability to innovate in response to its failures—the projects’ institutional architecture, “ghettoized” residents, poor management, and physical isolation from surrounding neighborhoods.1

Yet, by the time the moratorium was announced, the subsidized housing program had already been transformed by a series of innovations that, while far from perfect, were nonetheless responsive to previous criticisms. Though “conventional” public housing—apartments that the federal government funded and that local authorities planned, built, and managed—accounted for a shrinking portion of the overall housing program, the failures of early complexes were being addressed by reforms to the public housing program and by an increased role for private actors in subsidized housing development. Moreover, despite Nixon’s rhetoric, support for public housing persisted (and, indeed, more units were funded during the Carter Administration) —even within the ranks of his own Administration.

By discussing the efforts to transform subsidized housing policies in the 1960s and by highlighting the Nixon Administration’s deep internal tensions on the issue, this chapter argues that Nixon’s moratorium was not the inevitable response to public housing failures. Rather, it represented an ideologically driven move in an ongoing struggle over federal government
involvement in subsidized housing development. The hold on funding resulted from the confluence of two conservative Nixon Administration policies: First, its effort to enact severe budget cuts on domestic programs, either by proposing and enacting reduced funding, or by refusing to spend congressionally appropriated funds; second, its effort to decentralize urban development funds to local and state governments through block grants while shifting federal social spending to an income-support, rather than government-program, model. Nixon’s second term provided him the opportunity to move forward on each of these fronts, and public housing was a casualty.

Public housing evolves in the 1960s

The “conventional” model of public housing construction—federal funds distributed to local housing authorities for the purposes of providing apartments to low-income families—was initiated in the 1930s and developed into a major program after passage of the 1949 Housing Act. Conservative opposition to the program was considerable. Even after funds began to flow—often to private contractors completing the actual construction—powerful real estate lobbies decried public housing as “communistic,” and the program was subject to resistance in cities across the country. In 1951, President Dwight Eisenhower reduced funding for new construction significantly. A mid-1950s presidential advisory committee argued that Washington should work to “steadily lessen the need for direct subsidies,” and optimistically predicted selling off public dwellings “when no longer needed for low-income families.”

During the 1950s and 1960s critics of the government’s approach to urban renewal, including public housing and highway construction, denounced big city projects as out of scale with their surroundings, featuring modernist architecture inspired by Le Corbusier’s “tower-in-the-park” planning. The projects, built on “megablocks” that required demolition and resident displacement, were isolated from the street grid and monofunctional (housing only), rejecting the mixed-used urbanity of the communities they had replaced. And tenants who earned more than low-income salaries were forced out of their apartments, keeping project households almost entirely impoverished. Moreover, the public was excluded from the planning process, citizen participation ignored in favor of expert opinion on the question of how to rehabilitate city centers. As the other chapters in this book describe, much of this condemnation was not reflective of overall conditions or the general state of the conventional program.
Public housing advocates resisted critics’ arguments and kept the program alive—though they accepted the need to incorporate many of these criticisms to propose innovations that nonetheless kept intact the program’s mission: To provide shelter for the least well off. Leonard Freedman suggests that their original conviction that the program fund only publicly owned and operated housing (to prevent abetting slumlords) moderated as they tired of defending the program and recognized that there were multiple ways to help the poor find housing. The utopian vision for public housing that underpinned the initial movement for government construction in the face of a market failure to provide the poor decent homes no longer seemed as realistic, as it had not resolved the social problems it was supposed to address. Simultaneously, private sector factions that had initially opposed the program began to recognize its financial benefits. They realized that the “projects” could produce considerable profits from contracted construction.  

These countervailing forces put the meaning of public housing into question. Was it the government’s role to fund, build, and manage apartments for people who could not find reasonable homes elsewhere? Could some of those steps be performed by state or even non-public entities? Indeed, the political discourse was changing. In 1959, Congress altered subsidized housing policy by creating the Section 202 program to offer priority loans for private developers constructing housing for the elderly. Subsequently, the federal government began subsidizing privately developed moderate-income housing through Section 221(d)(3).  

Once in office, President Lyndon Johnson called for the expansion of the public housing program, while continuing to search for new ways to involve the private sector in subsidized housing, much of it for moderate-income households. “We are striving… to get private business to take on some of this development,” Johnson argued. The 1965 Housing Act included the Rent Supplement program, which provided aid for low-income (public-housing level) households to help them rent moderate-income priced housing. The Act’s Section 23 allowed housing authorities to rent private dwellings for the use of low-income residents, the purpose being to quickly increase the “public housing” stock. In 1967, under the guidance of Secretary Robert C. Weaver, HUD developed an administrative procedure known as Turnkey, which allowed housing authorities to acquire privately built new or existing housing projects as public housing.  

Unsatisfied with the progress of new housing construction, the Johnson Administration convened three independent commissions to assess, among other issues, the nation’s need for affordable housing. Each recommended substantial investments in home construction for low-
and moderate-income Americans. The President’s Committee on Urban Housing recommended new loans, tax credits, and direct grants, with the end goal of producing six million affordable units; most would be new construction. This would be a huge increase over the one million low-income units subsidized in total by federal aid by 1968. The Committee recommended “attracting the fullest private participation” because “private enterprise has demonstrated that it can build subsidized housing with speed, efficiency and economies.” Other groups, particularly civil rights advocates, argued for similar increases in federal housing aid.\textsuperscript{10}

President Johnson was concerned that urban problems were inducing the civil disorders of the 1960s. He assumed these housing recommendations as his own and pushed Congress to pass the 1968 Housing Act. The law expanded and replaced Section 221(d)(3) with Section 236, which offered significantly reduced interest rates for the construction of moderate-income rental housing, and Section 235, which added benefits for moderate-income family homeownership. Both supplemented direct public construction of new affordable housing by promoting subsidies for private corporations to do the same. Alexander Von Hoffman describes the 1968 Act as an effort to “call upon the genius of private enterprise” in response to the perceived failures of the low-income program, particularly its inability to respond quickly enough to the need. This response was provoked in part by a willingness among liberals to support public-private partnerships to supply this program.\textsuperscript{11} But in terms of quantity produced, private involvement did not mean a move away from public housing, and in fact, proponents of

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the 1968 bill saw investments in programs like Sections 235 and 236 as a complement to, not replacement for, public housing; more public housing units were added in each year between 1969 and 1972 than in any previous year.

Other reforms were equally influential in altering the federal approach to urban redevelopment by reforming the way public housing was implemented. In terms of design, the government advocated that housing authorities build public housing on scattered sites, rather than in concentrated megablocks, and the 1968 act banned almost all high-rise construction. Retail was allowed in buildings beginning in 1961, and some families whose incomes increased above the low-income bar were allowed to stay in their apartments. Moreover, in certain cities, public housing was incorporated into neighborhood renewal plans that sought adjacent buildings with a mix of incomes as an important element of the design.12

By 1968, the traditional model of federal funding and local housing authority development had faded, but a revamped public housing program was running strong. Private-sector actors were increasingly encouraged to be involved in construction and management, and the design flaws that characterized early public housing complexes were addressed through a new, gentler planning and architectural approach. The 1968 Housing Act, implemented over the next five years, represented the most productive period of public housing construction in the nation’s history (and a major period of moderate-income unit production). Between 1968 and 1975, the number of federally subsidized public housing units almost doubled, increasing from 687,000 to 1.15 million. The character of this housing also changed. In the peak production years of 1969 and 1970, of public housing structures completed (151,000 units), only 36% of units were “conventionally” built; the rest were completed or acquired using the Turnkey program. An additional 58,000 low-income units were leased through Section 23.13
Urban renewal, and the subsidized housing program, had been redefined. We should not overstate the successes of these reforms. With the switch to an increasingly private mode of construction, profit seeking became a matter of concern and the results were often lower construction standards. Private and non-profit managers frequently had less experience than their public sector counterparts, and maintenance—both of building quality and tenant satisfaction—suffered. Nevertheless, most of the previous criticisms of public housing no longer applied to the reformed program.

The Nixon Administration’s support for devolution

When he assumed the presidency in early 1969, Richard Nixon did not articulate criticisms of public housing despite his conservative credentials. Rick Perlstein notes that on domestic issues, Nixon seemed ready to extend Johnson’s Great Society. Nixon had promised to end the Vietnam War—an opportunity for increasing spending elsewhere. Observers such as the head of the National Association of Real Estate Boards suggested that Nixon’s promotion of a balanced budget would not adversely affect housing programs.14 Nixon’s choice of George Romney as HUD Secretary supported the notion that Nixon would continue funding of public housing. As Governor of Michigan, Romney battled in favor of integrated housing and believed in the anti-
poverty initiatives promoted by the previous presidential Administration. He entered office at HUD with the understanding that there were significant ways in which the federal government could play a role in improving lives through housing. Even so, he espoused the more traditionally Republican rhetoric of states’ rights and the importance of the American work ethic.\textsuperscript{15}

From the start, Nixon Administration officials endorsed the conservative goal of decentralization. In particular, they initially identified Model Cities, a 1966 anti-poverty program that offered grants to neighborhood groups to encourage local control over the planning process, as exemplar in reducing the influence of Washington on local decision-making. Two weeks after Nixon’s inauguration, a White House staff paper proposed that the Administration “adopt the Model Cities program as its central strategy for dealing with the problems of the cities.” Model Cities, Romney hoped, would concentrate and coordinate funds from all levels of government; encourage local initiative; decentralize decision-making; develop local and state governmental capacity; and “increase the involvement of the private sector.” But some were skeptical. A memo from Floyd Hyde, HUD Assistant Secretary for Community Development, to Romney on February 8 suggested that the program might be effective, but it might also make sense to encourage more state involvement or reverse the charge towards Washington.\textsuperscript{16}

In early 1969 Secretary Romney assembled a task force of conservative academics, chaired by Edward Banfield, to reflect on the program’s viability. The group concluded that “most federal aid should go to the cities by way of revenue-sharing rather than by categorical grants-in-aid.” This meant general grants free for cities to use as they wished, rather than conditional funding, should be emphasized; this was a step further than Model Cities. The war’s end, they expected, would provide a sudden infusion of funds for local projects; the Nixon Administration could transfer those dollars through revenue sharing rather than federally specified expenditures.\textsuperscript{17} Public housing, along with other affordable housing programs and Urban Renewal, was affected by this ideological shift since they were dominated by funding from and decision making in Washington.

Transferring money and power down the line to state and local governments defined Nixon’s “New Federalism.” Romney endorsed Nixon’s vision for the transformation of the federal government’s role in American life. Unlike in the Johnson Administration, where it had been generally ignored, state action would be actively encouraged. Romney believed the
Banfield report recommendations would help in “making federalism work.” Revenue sharing had been explored—but never accepted—under Johnson. Nixon endorsed it during his campaign and planned to eventually provide states and localities $16 billion annually in flexible funds (of which $6 billion was to be “new” money). Money would be provided through both “general” and “special” funding. “General” sharing would allocate a portion of federal tax-derived revenues to states and localities according to a formula. These governments would then be able to use the money for whatever programs they desired. “Special” revenue sharing would require recipients to spend money in specific areas such as education, manpower, transportation, and community development. Nixon’s goal was to reduce federal authority on spending that affected local government directly. Richard Nathan, former assistant director at the Office of Management and Budget (OMB), noted that decentralized functions were those “where [local] government itself manages an activity… services for which conditions and needs vary among communities.”

Nixon’s efforts to encourage revenue sharing were controversial. Congressional Democrats reacted angrily to the idea that Washington would hand funds to state and local governments without requiring anything of them, and they questioned whether states would use the money effectively. Moreover, they were concerned that the change would reduce funding for cities. Nonetheless, HUD began devising a formula-based block grant program to replace Model Cities, Urban Renewal, and other categorical grants. Virtually as soon as plans were introduced, however, it became clear that they would, as critics feared, be funded at lower levels than predecessor programs. A HUD analysis showed that only thirteen cities would receive more funding under revenue sharing than under Model Cities. If HUD’s future spending was to follow the revenue sharing model it likely would involve more limited funding, and certainly less direction from the federal government.

In a March 1971 meeting with the Vice President and other top advisors, Nixon discussed the possibility of including public housing as one element of the revenue sharing program. Support for the concept was growing in the Congress, but progress was slow, in part because Democrats questioned whether to support a GOP initiative. But the nation’s states and cities found themselves in the midst of a growing fiscal crisis. This was enough to convince legislators of the need to advance a partial version of the bill. On October 20, 1972—more than three years after President Nixon announced the idea—a general revenue sharing bill was signed into law. While it did not include provisions on housing, the federal government had endorsed the idea of
devolution, and the case for direct Washington control of a program like subsidized housing had been forcefully questioned. But a “special” revenue bill had yet to be approved by Congress.23

During the first years of Nixon’s Administration spending on affordable housing programs grew; HUD outlays expanded from about $1.5 billion in fiscal 1969 to $3.3 billion in fiscal 1971.24 Even so, the White House—and especially the OMB (until 1970 it was the Bureau of the Budget)—worked to limit future spending. Two principal issues emerged. It became clear that the Vietnam War was not about to conclude, and that the expected “peace dividend” would not materialize. In addition, significant inflation marked the early 1970s. The combination of war and inflation restricted the amount deficit-minded conservatives were willing to commit to domestic affairs. Under Robert P. Mayo, OMB began lobbying for a reduction in HUD spending in March 1969. Despite HUD’s argument that its budget would require a minimum increase of $150 million to fund the new affordable housing proposed by the 1968 Act, the agency’s overall outlay ceiling was limited substantially. The Urban Renewal program was sacrificed particularly severely, with no increase in spending unless HUD could offset it “by other means—such as selling assets.” Later in the year, in planning the fiscal 1970 and 1971 budgets, Mayo argued that “the inflationary outlook” was so bad that it was “imperative that we adopt a very restricted fiscal policy.”25 The Nixon Administration wanted a balanced budget. One way it would produce it would be to sacrifice HUD.

Romney protested, instructing his department to defend the Urban Renewal program, which OMB had trimmed from its $1.25 billion request to $1 billion. The Secretary noted that, in the absence of revenue sharing, the Urban Renewal program was “the single most important tool for achieving the physical rehabilitation of our cities.” Responding to a tightened budget for public housing later in the Administration, Romney warned that “the need for such housing is a critical national issue.” He was so attached to the program that he was willing to endorse a tax increase to pay for his agency’s budget, but that was heresy in the Nixon Administration.26

As if hoping to frame his appeal in the terms of President Nixon’s political calculations, Romney said that funding Urban Renewal at a reasonable level “would avoid an intensification of the criticism… that the Administration is insensitive to the needs of the cities.”27 Romney’s pleas, however, fell on deaf ears. By fall 1970, OMB suggested a 40% cutback to Model Cities, which Floyd Hyde argued had “never been viewed objectively by this Administration,” despite the fact that it appeared to fulfill the Republican goal of supporting local initiative.28
Orlebeke, a Romney assistant, argued that the Administration had, by that point, determined that the “program is simply not working well enough to justify a continuing high level of budget support,” even as HUD publicly supported it. According to Orlebeke, Romney’s opinion was that “Model Cities is essentially a sound program” and that it should continue to be funded. But the U.S. Conference of Mayors complained that there was a “shocking lack of commitment by the Administration to meet even the very minimum requirements of our vital urban areas.”

Romney was losing control over his agency’s programs.

Despite his protests, Romney followed the government’s line. In early 1970 he announced to the cabinet that he was willing to “cut flesh and bone” to “curb inflation and avoid excessive unemployment.” In fact, when the Senate passed a bill to expand Urban Renewal’s take to $1.7 billion from Nixon’s $1 billion proposal, HUD Under Secretary Richard C. Van Dusen suggested that the President allow the bill to become law but then “refuse to spend the excess funds.” Officials at HUD had begun thinking not only about how to limit their own agency’s spending, but also about how to circumvent Congressional authority. The writing was on the wall: The conservatives in power saw public expenditure on federal housing and urban programs as something that needed to be cut.

Decreases in proposed HUD spending were not primarily a comment on the effectiveness of the department’s programs, including subsidized housing. In fact, despite some evidence that the reformed housing production programs were suffering from implementation problems, many of the agency’s administrators continued to endorse them in internal communications. Instead, these reductions reflected, for one, the Administration’s desire to reduce domestic spending in order to curb inflation and, two, a simultaneous effort to promote revenue sharing, which was supposed to replace locally oriented policies like public housing.

The conservative case for shifting spending from housing production to income support

Affordable housing programs were questioned more directly from a different, but related, front: The ideological issue of how the government should be aiding the poor. With revenue sharing, the Nixon Administration had indicated its interest in shifting control over government spending away from the federal capital, towards states and cities. Now it was planning a shift from government altogether, moving funding out of programs and towards direct income supports. In December 1969, President Nixon argued:
Our basic policies for improvement of the living conditions of the poor are based on this proposition: that the best judge of each family’s priorities is the family itself; that the best way to ameliorate the hardships of poverty is to provide the family with additional income—to be spent as that family sees fit… The task of Government is not to make decisions for you or for anyone. The task of Government is to enable you to make decisions for yourself.31

In 1969, the Nixon Administration proposed a new entitlement, the Family Assistance Plan (FAP) that would have replaced welfare (Aid to Families with Dependent Children) with a broader, sliding-scale income-support plan. The policy would provide supplemental income to working-class families and guaranteed minimum aid to families with children. The Administration argued that policies directed towards the poor should be less paternalistic, replacing Great Society programs, divided up by need (such as housing or food), with cash aid. But FAP would have imposed a work requirement.32

How did HUD’s programs conform to the ideological perspective that led to the FAP proposal? In 1969, OMB questioned the focus of the agency’s affordable housing policy. HUD had previously concentrated on a production-based approach. But funds were increasingly being directed into subsidizing operations of public housing complexes; in other words, HUD was aiding low-income households with their rents, a form of income support that potentially overlapped with FAP.33 At the heart of the problem was the fact that local housing authorities were no longer able to cover the cost of operations with rental revenues due to the increasing poverty of tenants and their inability to pay rents reasonable in comparison to their incomes. Housing authorities cut back on maintenance because of unpaid bills. In response, Massachusetts’ Republican Senator Edward Brooke’s 1969 housing act amendment guaranteed that public housing residents would only have to pay rent equivalent to 25% of family income. A second amendment provided authorities funds to subsidize operations.34

OMB officials argued that such subsidies for public housing residents, but not for all poor households, were irrational. On the one hand, federally sponsored construction might be acceptable, but only if local authorities agreed to cover the cost of any operating deficits, they said. On the other, there might not be a need for construction at all; cities could give “the same housing allowance for public housing welfare cases as for private housing… public housing can no longer afford the luxury of acting like a welfare program.”35 This argument indicated that the White House was either considering the development of a new entitlement that would guarantee
housing aid based on income, or sensed that FAP would offer enough aid to obviate the need for housing assistance.

Despite—or perhaps because of—Romney’s irritation over OMB’s willingness to slash HUD’s budget, the agency began formulating an alternative to the department’s existing programs. HUD official Eugene Gulledge, the former president of the National Association of Home Builders, suggested in August 1970 that public housing was “extravagant” and serving too few needy households. In its place, he proposed providing poor families allowances to buy or rent new or existing housing. By September, Romney had drafted a proposal that would radically redefine HUD’s role in the subsidized housing market, referring to his effort as a “drastic reorganization” that would represent the “first step toward the development of programs which fit in with the revenue sharing approach.”

The conservative intellectual discourse supported a federal re-think of housing aid. In 1970, HUD attorney Irving Welfeld argued that “the question of housing production must be divorced from the question of housing assistance to low income families.” Instead, the government should encourage homeownership for middle-income families and subsidize rental payments for low-income families. Proposals to redirect the federal housing’s emphasis away from construction and towards private stock dovetailed with HUD’s initial study of housing allowances, authorized in the 1970 Housing Act through the Federal Experimental Housing Allowance Program (EHAP). EHAP tested the reaction to such housing subsidies among 18,000 households in about a dozen cities at a cost of more than $150 million paid to families through vouchers. But experimentation was limited and did not begin until 1973. Furthermore, HUD never examined the vouchers’ effect in cities with no other housing subsidy programs in effect, putting into question any conclusions that might be made from the study.

In 1970, Romney did not accept the argument that public housing be entirely eliminated. He suggested that there remained a class of individuals for whom even the filtered-down existing housing stock would be too expensive or too poor quality. He thus proposed that HUD provide some new public housing, though 60% of those dwellings would be leased through Section 23. This approach had several benefits—allowing more units to be available more quickly and “achiev[ing] dispersion of minority groups throughout majority areas.” Missing from Romney’s proposal was the provision of direct aid to families to help them pay rent.
Towards a moratorium

Romney’s alternative vision for HUD was ignored by OMB, which cut the agency’s proposed budget. The Secretary appealed the OMB budget to the President, arguing it would result in “a dramatic slowdown in assisted housing production” and “a political debacle” if Model Cities was terminated and Urban Renewal were cut in half. The result would be “derailment of HUD’s carefully considered strategy to move from the old grab bag of categorical programs” to revenue sharing. Moreover, Romney claimed that OMB’s strategy amounted to eliminating proven housing policy models before identifying better alternatives. Referencing his previous work as head of American Motors, Romney said “no manufacturer would be foolish enough to discontinue production of existing models until his new model had been thoroughly engineered, designed, road-tested, and put into production.” The competition—the Democratic Party—would lash out and convince the public that their alternative was better. That year, Romney’s pleas were heard: The agency’s budget was in large part preserved.

The fight over public housing operating subsidies continued into late 1971, when the White House pushed a change in funding that would radically decrease the amount of funding available for facility maintenance. In July 1972, OMB again reduced HUD’s proposed budget and in October asked the agency to submit to additional reductions. In September, Romney pleaded to new OMB head Caspar Weinberger, suggesting that the President’s effort to “apply creative solutions to national problems” could not be “achieved through program cancellations or curtailments.” HUD remained committed to the public housing, 235, 236, and Rent Supplement programs for FY 1974 funding—but the Administration was not.

In a conversation recorded on White House audio tapes, Nixon told his advisors that “Romney and his guys have run the federal participation in housing right into the ground.” “It’s just cheaper,” he argued, “to hand people the money” to rent vacant housing. In October, as FAP was mired in a skeptical Congress, OMB questioned some of the premises of “special” revenue sharing, suggesting it was duplicative of the taxing capabilities of cities and states. Meanwhile, officials at the White House asked HUD staff “about the effect on total housing production of elimination of the subsidized programs” and raised the possibility of eliminating revenue support altogether.

The government had some evidence that the Johnson-era housing policies were not performing up to expectations. A 1971 HUD study showed that many of the new programs,
particularly those for moderate-income housing, were too expensive, poorly administered, and had produced buildings of inferior construction quality. Section 235—the homeownership program—had been used fraudulently by builders. Nonprofit sponsors of Section 236 rental projects were often inept, and the program suffered from high housing costs. Yet these problems were not influencing White House decision making; as late as July 1972, according to a conversation recorded at Camp David, Nixon had no knowledge about these implementation issues yet remained fully committed to the ideological goal of reducing the housing budget. And the projects sponsored by state housing finance agencies had few of those problems, and the public housing and Section 23 programs, most run by municipal agencies, were implemented with relatively few problems. So HUD, and its secretary, continued program implementation.

But Romney was increasingly isolated, suffering from the White House’s centralization of policy making in the West Wing. A series of planned meetings with the President to discuss OMB’s demands that HUD cut employees never occurred; Romney felt he was in the dark. On August 10th, he submitted a letter of resignation. He wrote, “I have concluded more can be accomplished in the future if the Department is headed by someone whose counsel and advice you want.” White House audio tapes document that in a meeting with Nixon the next day, Assistant to the President for Domestic Affairs John Ehrlichman said, “I think he’s [Romney] just playing a little game, serving us all up on the idea that we’re going to cave...” unless he received additional employees. Subsequently, Nixon met with Romney, who complained impassionedly, “I have no effective voice in the policy areas or the operational areas relating to my own department.” Nixon convinced him to remain, delaying his resignation to the end of the term in an effort to avoid campaign distractions.

Nixon’s Administration shifted to the right after the president received a massive mandate in November, taking more than 60% of the vote. Late that month, OMB privately determined that HUD would impose a moratorium on new investment in spending on housing—public housing, but also the programs meant to encourage private involvement, including rent supplements and Sections 235 and 236. This moratorium would begin on January 1, 1973 and was to last eighteen months, at which point Congress was supposed to have passed a new housing act conforming to the President’s desires. OMB rehearsed its criticism of the use of operating subsidies for public housing. Weinberger had previously stated that he was “quite disturbed” by the prospect of building public housing that would need operating subsidies. The
policy objective was to “discontinue Federal support for programs and activities which do not serve national (as opposed to local) interests.”

Romney, now a lame duck, reacted angrily. “My frustration is at the apparent message to me that all the good we have accomplished is to be undone,” he wrote Weinberger. He questioned how private industry would respond and contrasted the policy of providing assistance through “massive tax subsidies for the middle income and wealthy… while the poor are cut adrift.” Romney presented his thoughts at the White House in December, noting that the Administration was “discrimin[ating] against central cities” in a “hard headed, cold hearted indifference to the poor and racial prejudice.” Three days before New Year’s, Romney focused on the moratorium’s “abruptness, harshness and injustice.” He argued that HUD’s reduction in funding for housing subsidies could be offset by eliminating the mortgage interest and property tax deductions provided in the federal tax code.

In early January it fell on Romney to make the public announcement about the moratorium. Federal commitments to new public housing, as well as moderate-income subsidies and urban renewal grants, ceased immediately. Nixon stated in March that “fears of doom” about urban centers were “no longer justified,” and that housing policies should adjust correspondingly. Though he could not yet provide a clear answer as to how housing aid would evolve, he denounced the previous “old and wasteful” policy, noting that “no single, rigid scheme, imposed by the Federal Government from Washington, is capable of meeting the changing and varied needs” of states and localities. But he would be reintroducing housing legislation to Congress that would offer $2.3 billion in block grants to communities as additional revenue sharing. He wanted the federal government out of the game.

New approaches for the second term

Although there were rumors the government was considering suspending housing aid in December 1972, the announcement of the moratorium came as a major surprise, even at HUD. Opposition was instantaneous. Democratic congressmen, unable to assemble the adequate political support in the previous years to complete new housing legislation, nevertheless assailed the government. They were frustrated by the government’s new policy of impounding congressionally appropriated funding, which extended beyond urban housing, also affecting policies such as rural electrification; George McGovern accused Nixon of asserting “one-man
rule.” Even before the suspension of aid had been announced, a national coalition including the National Tenants’ Organization and the League of Women Voters suggested that the “human and economic results of such an action can only be described as catastrophic.” A lawyer representing several housing groups said that “the cities in the U.S. will resemble the cities in Vietnam: a very bombed-out look.”

Now under the leadership of James T. Lynn, HUD defended the moratorium. An internal report labeled *Housing in the Seventies* proposed a new strategy for the Administration. At the heart of the document was the claim that the existing subsidized government housing programs, particularly public housing, were too expensive, serving too few people, and producing a poor environment for residents. It also indicted Section 236 (though not public housing) as poorly managed and prone to foreclosure, a claim later refuted by scholar R. Allen Hays. These conclusions were made despite the fact that the document noted that while subsidized housing was costing Washington about $5 billion a year, twice as much was going to middle- and upper-income householders through deductions and other taxes foregone by homeowners. The latter, however, were not identified for elimination. HUD argued that a cash assistance program for poor families could serve more people at a lower cost than a construction-oriented program like public housing.

In September, Nixon announced his proposed new housing program. He condemned public housing complexes, arguing that “too many are monstrous, depressing places” and suggested that “the federal government has become the biggest slumlord in history.” The shock of the failure of St. Louis’ Pruitt-Igoe public housing complex, which had been demolished in 1972 after mass abandonment and vandalism, weighed heavily on his address. These criticisms, though, largely applied to the pre-1960s public housing program; Nixon, in effect, made no effort to recognize the reforms and transformations that had occurred in the intervening decade. To present his moratorium as the unavoidable response to the failures of public housing, Nixon elided the innovations in federal involvement implemented under President Johnson as well as Secretary Romney’s proposals to rethink subsidized housing.

Fully endorsing the conservative approach, Nixon suggested instead that the government’s involvement in the construction of new housing was “attacking the symptom” rather than the “cause:” The lack of adequate family incomes. Thus, he said, the future of American subsidized housing would be in direct cash assistance. He began campaigning for
Congress to pass a new housing act along these lines. In addition, Nixon lifted the moratorium on Section 23 (leasing of housing units) because it could be “administered in a way which carries out some of the principles of direct cash assistance.” In other words, subsidized housing construction remained unacceptable, but a housing program that paralleled the cash-based aid the Nixon Administration hoped to use as the basic form of social welfare provision was allowed.

Though Democrats had shown they were willing to rethink the federal government’s housing policy in the 1960s, many were opposed to the Administration’s proposed changes in policy. Former HUD Secretary Weaver, for example, argued in Congressional testimony that he had “long advocated a mix of production and better use of existing housing,” but he emphasized that vacancy rate should play an important role in determining whether new housing was necessary. He suggested that the Administration’s willingness to abandon any sort of production goal and simply allow money to be spent however localities wanted was against the national interest. Moreover, he noted that providing people direct housing aid rather than funding new construction could further the deterioration of neighborhoods by encouraging abandonment of existing housing.

Conclusion

Any argument that there was a consensus for eliminating the nation’s public housing program in 1974 based on a failure of previous projects can be refuted by examining the debate in the Congress over the passage of a new urban development bill. Increasingly empowered by the Watergate proceedings, the Senate ignored the President’s appeals to completely revise the nation’s housing subsidy system. In legislation passed overwhelmingly in March, Democrats offered a concession to Nixon—block grants to localities—but provided significant subsidy for new public housing units and maintaining funding for Section 236. Influential Alabama Democratic Senator John Sparkman argued that “only production of new housing… would help guarantee enough decent housing for all Americans,” according to Congressional Quarterly. The bill included a provision that would expand the powers of local housing authorities to build new units under Section 23 (not just lease existing ones), expanding the reach of public housing further. Clearly Nixon’s argument about the failures of public housing was not accepted by substantial segments of the political class.
The House, whose leaders wanted legislation that would steer clear of Nixon’s veto pen, passed a bill that cancelled the Section 236 program in June 1974. Nonetheless, it included some aid for new public housing and an expanded and revised Section 23. In an attempt to “salvage his presidency,” according to Hays, Nixon rescinded the moratorium and agreed to a House-Senate compromise on August 6, two days before the President’s resignation. This new bill provided massive funds for 400,000 newly constructed housing units under Section 8 (which reformed Section 23), in addition to a rent supplement program for existing, private housing, the latter which became the mainstay of HUD aid in the 1980s. Instead of construction subsidies, Section 8 offered low-interest long-term mortgage repayment, as Section 236 had. This was signed by President Gerald Ford on August 23.62

The new law provided only 30,000 new units of conventional public housing over the next six years, a major decline from past appropriations. But the Section 8 project-based assistance program provided for the construction of low-income housing complexes very similar to public housing projects of the past—just with a different financing approach. Therefore, while public housing construction slowed considerably in the 1970s, the federal government funded more than 800,000 new or substantially renovated low-income housing units through Section 8 between 1974 and 1983. Though the program offered aid to private and non-profit developers, many of these apartments were built by the same local housing authorities that had developed conventional public housing.63

Eugene Meehan has written that “the principal thrust of the [housing] program was redirected to support the profitmaking element in the private sector,” “condemning” publicly owned housing.64 Yet the 1974 Housing Act in fact extended many of the reforms begun during the Kennedy and Johnson years, continuing to involve the public sector, but with an increasingly private perspective. It did not eliminate the role of local housing authorities in the construction of homes for the least well off; it changed the financing device with which they completed such work. While the Nixon Administration attempted to stop the American low-income housing production program through budget cuts and the introduction of cash aid, legislators effectively sidestepped that effort by reframing much of the program under Section 8, while keeping public housing alive.65

This partial pushback enables us to reexamine the narrative according to which the moratorium on subsidized housing was the logical result of its perceived failures—a narrative
that the rhetoric of Nixon’s 1973 statement encouraged. I have argued that federal policy was innovating to address many of the program’s flaws in the 1960s. Moreover, political support for federal programs that supported new apartment construction for low-income families—even by local housing authorities—remained strong despite the Nixon Administration’s attempt to undermine them. Romney’s active efforts to prevent the elimination of funding for such programs show that federal programs had loud supporters even within the Administration. The evidence suggests that the Nixon Administration’s motivation for the moratorium was rooted in conservative ideology about the need to reduce federal expenditures; the need to return decision-making and funding to the states and cities; and the need to allocate funding to the poor through cash aid, not social programs.

Acronyms for Endnotes

GWR: George W. Romney.
HUD: U.S. Department of Housing and Urban Development.
LBJ: Lyndon B. Johnson.
RA: George Romney Archives at the University of Michigan at Ann Arbor.
RN: Richard Nixon.

1 See, for example, Alexander Von Hoffman, who writes that “When Richard Nixon placed a moratorium on federal funding for all housing programs in 1973, many felt that it seemed appropriate to end a bad program” (public housing) as symbolized by the demolition of Pruitt-Igoe. In “High Ambitions: The Past and Future of American Low-Income Housing Policy.” Housing Policy Debate 7(3). 1996. 436. David J. Erickson comments that “in subsidized housing programs, both liberals and conservatives were frustrated with the programs of the Great Society, and while they disagreed on emphasis, both looked to change the delivery of social services,” and “block grants and ‘federalism’ are associated with Nixon and conservative politics, but liberals who were disillusioned by earlier urban-renewal programs and perceived HUD inefficiencies were eager to move in this direction as well.” In “Community Capitalism: How Housing Advocates, the Private Sector, and Government Forged a New Low-Income Housing Policy, 1968-1996.” The Journal of Policy History 18(2). 2006. 170; 175. Louis Winnick argues that public housing had little to do with the moratorium, however, noting that the difficulties with the Sections 235 and 236 programs “prompted” the moratorium. In “The Triumph of Housing Allowance Programs: How a Fundamental Policy Conflict Was Resolved.” Cityscape 1(3). September, 1995. 98.

2 I refer to these policies as “conservative” in that both reducing federal government allocations and shifting power to lower levels of the federal system are hallmark policies of modern American conservatives. Richard P. Nathan, who was assistant director of the Office of Management and Budget between 1969 and 1972, argues that Nixon was a liberal on domestic affairs; Nixon’s programs, he argues, expanded federal programs and his moratorium followed four years of unprecedented investment in expanded housing programs under the 1968 Housing Act. Indeed, new entitlement programs such as
the FAP, had they been implemented, would likely have had a larger impact on reducing American inequality than programs like public housing, which were limited to those who were able to secure a unit. See Richard P. Nathan. “A Retrospective on Richard M. Nixon’s Domestic Policies.” Presidential Studies Quarterly 26(1). Winter, 1996. 155-164.

3 Others have argued that the moratorium’s primary cause was not the failure of public housing. Alexander Von Hoffman points out that “The real reason [for the moratorium]... was fiscal: the Office of Management and Budget... had imposed the freeze.” In “History lessons for today’s housing policy: the politics of low-income housing.” Housing Policy Debate 22(3). June, 2012. 361. Critics like Von Hoffman underplay the Nixon Administration’s ideological effort to refashion the federal government away from programs and towards income support and decentralization, which was at the heart of the motivations behind the moratorium. It should also be noted that the controversy over housing integration, which is not discussed in this paper, might have played a role in the decision to enforce a moratorium, as discussed in Chris Bonastia. “Why Did Affirmative Action in Housing Fail during the Nixon Era? Exploring the ‘Institutional Homes’ of Social Policies.” Social Problems 47(4). November, 2000. 523-542.


12 For example, in New York City, the John Lindsay Administration was pursuing a policy of scattered-site public housing and major renewal projects that included public housing, moderate-income Section 236 apartments, and middle-income state-subsidized units. Freedman, 122-123.


15 This is not to say the Romney would have found himself at home in the Johnson Administration. In a speech at Harvard in 1972, he suggested that “the moral basis of reward for contribution is not unsound or indefensible,” and that government subsidies should reflect “compassion and humanitarianism,” rather than be provided by right. Memo for GWR. “America’s Value Crisis: Egalitarianism or Reward for Contribution: Suggested Background Material for January 28th Harvard Business School Address.” January 17,1972. Folder Memoranda (miscellaneous), box 8-P, RA.


23 This bill did not include “special” revenue sharing (CDBG), which Nixon would continue to promote.


Romney’s initial recommendations, which were brought up to OMB in late 1970, were not immediately considered because of a lack of “enough information about the new approach to make decisions.” GWR. Draft memo to George P. Schultz. Folder “Budget Misc., 1970,” box 2-P, RA; Lester P. Condon [Assistant...
Secretary for Administration]. Memo to GWR. “Cabinet Meeting on the Budget.” November 4, 1970.
Folder “Budget Misc., 1970,” box 2-P, RA.

44 Conversation between RN, John Ehrlichman, and H.R. Haldeman. Camp David. November 16, 1972, 2:23 PM. Conversation No. 225-39, Nixon White House Tapes, Nixon Presidential Library. Available online at <http://www.nixonlibrary.gov/forresearchers/find/tapes/tape767/767-017.mp3>. Viewed November 12, 2013. It should be noted that, in describing the motivations for changing national housing policy, Orlebeke (2000) focuses on the anti-housing production findings of the 1971 President’s Third Annual Report on National Housing Goals extensively. Yet this report’s conclusions do not seem to have influenced the thinking of Nixon himself, whose statements recorded on tape revolve mostly around reducing HUD’s budget, not making programs more effective through policy reforms, as the report advocates.
46 Nathan (1975), vii, 6.
47 In 1970, President Nixon reportedly asked Romney to serve as ambassador to India, a position the Secretary declined. Record of HUD News Conference with GWR. November 25, 1970. Folder President 12/2/70, box 14-P, RA; GWR. Letter to RN. August 10, 1972. Folder Meeting with the President—8/12/72, box 13-P, RA.
51 The moratorium could be imposed by OMB because housing funds were “discretionary,” not “mandatory,” meaning that the executive branch was effectively ignoring Congress’ appropriations and would simply not spend them. It effectively terminated the Model Cities and Urban Renewal programs. Caspar Weinberger. Memo to GWR. May 15, 1972. Folder Office of Management and Budget, box 10-P, RA.
Notes from Meeting with OMB Staff Regarding 1974 Budget Decisions. Folder Office of Management and Budget, box 10-P, RA.


Certainly part of the explanation for the decision to reduce funding to affordable housing programs was racial tension, a matter that Nixon had exploited with his stand against policies such as “forced” busing or housing integration. Though it may be argued that Nixon’s criticisms of the housing programs reflected his view that they benefited urban minorities and therefore were unappealing to his white, suburban base, his public statements on housing did not refer to race explicitly. RN. “State of the Union Message to the Congress on Community Development. March 8, 1973; Christopher Bonastia. Knocking on the Door: The Federal Government’s Attempt to Desegregate the Suburbs. Princeton, NJ: Princeton University Press. 2008.


Meehan, 66.

Public housing production expanded again in the late 1970s and then was cut off during the 1980s under the Reagan Administration. See Lawrence J. Vale and Yonah Freemark. “From Public Housing to Public-Private Housing.” Journal of the American Planning Association 78(4). Autumn 2012. 379-402.