U.S. Housing Policy

The 1949 Housing Act versus 'urban renewal'

by Richard Freeman

In 1949, the United States adopted the first comprehensive housing act in its history, whose intention was to provide every American a decent home within a generation. Its thrust paralleled that of the Hill-Burton Act of 1946, which provided for building hospital infrastructure, and mandated a minimum beds-per-population ratio. The emphasis was on physical economy.

The 1949 Housing Act embodied the belief of a generation that had just fought World War II, in the General Welfare clause of the Constitution: that government must play a dirigistic role in fostering the general welfare, by promoting economic growth, including the education of its citizens and construction of necessary infrastructure. The 1949 act used the government to stimulate private sector housing, but, above all, made provision for low-income and poor families, by creating a class called "public housing," that would be constructed through government financing, and would have low rents.

Public housing by itself is not a solution. Only a real economic recovery, with full employment in decent-paying, productive jobs, will enable the population generally to produce and purchase adequate housing. But, lacking that recovery, public housing is vital. The 1949 act also viewed home construction as a means to create jobs. Passage of the act involved a Congressional brawl, in which the bankers and their representatives counterposed urban renewal to public housing. Within 15 years of passage of the 1949 act, the bankers' policy of urban renewal, or "Negro removal," as its victims bitterly called it, under the controlling hand of the Massachusetts Institute of Technology's Robert C. Wood, had triumphed as the nation's housing policy. Today, public housing is in a decrepit state and is being ripped down.

Earlier programs

During the late 19th and early 20th centuries, the United States had passed some housing acts, but their scope, in terms of construction, was minuscule.

During the 1930s, Congress created some housing financing agencies. This included the July 1932 creation of the Federal Home Loan Bank Board, with authority to make advances secured by first mortgages to member home-financing institutions; the June 1934 creation of the Federal Housing Administration (FHA), with authority to insure private lending institutions on their long-term mortgage loans made for home purchases and alterations; and the February 1938 creation of the Federal National Mortgage Association (Fannie Mae), to provide a secondary market for the purchase of home mortgages. These agencies were helpful, but they provided loans and/or insurance guarantees on loans to the private housing sector. They depended on market conditions, and public housing construction was not envisaged.

By the end of World War II, America's housing stock was in bad shape, and couples had put off family formation. Half of the nation's stock of 37 million houses, shown in the 1940 Census, was rated as deficient and/or deteriorating, lacking hot water, plumbing, or other facilities. Perhaps 15-20% of the nation's stock fell into the category of "dilapidated," a more serious condition. During the war, as part of the effort to conserve materials, new home construction was restricted. In 1944, the level of new home starts fell to only 141,800 units, a level far lower than in 1929.

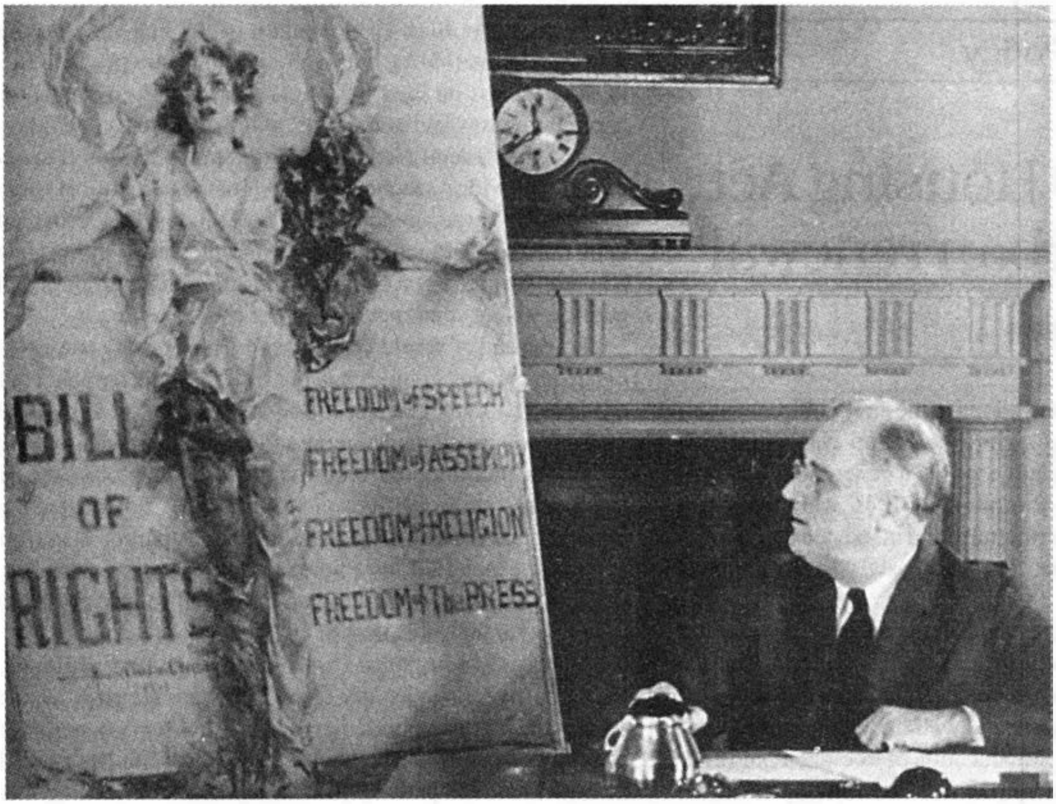
During 1944-46, some 15 million veterans returned home. Many GIs were single, and those who were married, for the most part, had postponed having children for 5-6 years, or had only one or two. The new or expanding families needed homes. Thus, the pent-up postwar demand for housing was great.

The 1949 Housing Act

In September 1945, President Truman introduced a housing bill which met the backlogged demand, but in such a way as to redefine U.S. housing policy to cohere with the General Welfare clause. The bill's thrust and motivation were shaped by the FDR wing within the Democratic Party. Truman stated:

"The largest single opportunity for the rapid postwar expansion of private investment and employment lies in the field of housing, both urban and rural. . . . There is wide agreement that, over the next ten years, there should be built in the United States an average of from a million to a million and a half homes a year. Such a program would prove an opportunity for private capital to invest from $6 to $7 billion annually . . . [and] could provide employment for several million workers each year. . . . Housing is high on the list of matters calling for decisive Congressional action."

The 1945 housing bill was defeated, but, with modifications, eventually became the 1949 act. The Housing Act of 1949 defined the national policy goal as to provide "a decent home and a suitable living environment for every American family." It had six titles, or main sections, the unique one being "Title III—Low-Rent Public Housing." It proposed that 810,000 units for low-income families be authorized over six years (or 10% of the total estimated American need for new houses during that period), at a maximum federal cost of $308



The 1949 Housing Act was designed in the spirit of President Franklin Roosevelt's "Four Freedoms." Its intention was to provide every American a decent home within a generation. President Roosevelt is pictured here on Nov. 8, 1943.

million annually, or $1.848 billion over six years. At between 4.5 to 5 persons per family, this construction program would house between 3.5 and 4.0 million persons.

Preference in the low-rent public housing was to go to World War I and II veterans and families displaced by urban redevelopment, but it was open to all who qualified and who were either considered to be poor or low-income. Local housing authorities were to keep rents at least 20% below the lowest rents charged in the community for comparable private housing. The act also expanded the financing and powers of U.S. government agencies, such as the Federal Housing Agency (FHA), which provided credit to the private sector to expand housing for middle- and upper-income layers. Housing was to be expanded across all income categories.

But the banker-controlled wing of the Republican Party opposed the act. Jesse P. Wolcott (Mich.), who chaired the Banking Committee in the Republican-controlled House, called the Housing Act "socialistic." The U.S. Chamber of Commerce labeled it "creeping socialism." In 1948, at a point when the bill was deadlocked, Sen. Joe McCarthy (Wisc.) introduced a proposed "compromise" that would have eliminated the public housing.

During the summer of 1949, the Senate approved the bill by a vote of 57-13; the House by a vote of 227-186. Truman signed it into law on July 15, 1949.

Eisenhower blocks public housing

Under the 1949 Housing Act's terms, America was to build 810,000 units over six years, or 135,000 units per year, starting in 1950. However, only under considerable pressure did President Dwight Eisenhower support the goal of building public housing. In 1953, he introduced a housing bill which called for construction of only 35,000 public housing units, and for only one year. The Republican-controlled Congress was even more fanatically against public housing than Eisenhower. Thus, each year during the 1950s, appropriations were approved for only between one-sixth and two-fifths of the targetted figure of 135,000 units per year; the public housing section of the Act was circumvented.

In September 1953, President Eisenhower established an Advisory Committee on Government Housing Policies and Programs, under Executive Order 10486. This advisory committee "signal[ed] the greater emphasis on urban redevelopment and rehabilitation," according to *Congress and the Nation,* a research source book on the history of the period. This is urban renewal; Eisenhower's 1954 Housing Act called for urban renewal by name. While couched in terms of eliminating urban blight—and, in part, intending to do that—the concept of urban renewal, which had been present in a more minor way in the 1949 Housing Act, was brought to the fore. This meant primarily driving poor people out of their homes, i.e., black and minority removal, and building on the vacated premises luxury housing, commercial projects, and so on, which are profitable to speculators, and have a higher per-square-foot tax revenue base.

This thrust became clear in the debate on the 1956 housing bill. Sen. Prescott Bush (R-Conn.), a Harriman banker and father of crack cocaine kingpin George Bush, introduced an amendment to the bill that would require cities to have a "workable program" for slum clearance before they could get subsidies for public housing. That meant that whatever meager amount of funding for public housing would be authorized, would be tied to urban renewal being carried out first. The Bush amendment was defeated.

The 'Model Cities' program

The thrust of U.S. housing policy was changing. President John Kennedy's 1961 Omnibus Housing Act, the most comprehensive since the 1949 Housing Act, had two aims. On the positive side, it expanded housing for low- and moderate-income families (it authorized construction of 100,000 public housing units per year), while cheapening the cost of housing credit. On the other hand, it pushed urban renewal into the big time, and gave the act a decidedly local control flavor.

However, during the mid-1960s, public housing construction was supplanted by the urban renewal policy of clearing out the poor, and fostering speculative boondoggles. A key role in effecting this policy shift was played by Robert C. Wood, a creature of the Lowells, the Cabots, the Coolidges, and other Boston Brahmin families that ran the Vault, the city's financial power. During 1969-70, Wood headed the Harvard-MIT Joint Center for Urban Studies, which directed urban renewal. In 1964, President Lyndon Johnson set up the Task Force on Urban Problems, and appointed Wood to head it. In late 1965, Wood and the task force issued a final report, whose conclusions were the substance of Johnson's 1966 housing act, which created the "Model Cities" program. In January 1966, Wood was appointed undersecretary of the newly created Department of Housing and Urban Development, to oversee implementation of what would become the "Model Cities" program. He became secretary of HUD in 1969.

Originally called "Demonstration Cities," that title, indicating to inner-city residents thatthey would become bankers' guinea pigs, was changed to "Model Cities." Johnson's 1965 and 1966 Housing Acts appropriated $2.9 billion, a huge sum for the day, to urban renewal to "relocate" blacks and minorities out of their quite collapsed housing. Under the acts, real estate developers could now move in and develop luxury housing, or create "beautification" or "open-land" zones, around which they wove all sorts of commercial real estate enterprises. Some land was simply taken to become part of "historic preservation" trusts, run by the Astors, the Biddle Dukes, and other blue-bloods, who used this to drive up the value of real estate in surrounding areas.

Throughout the 1960s and 1970s, private housing continued to be created, thanks largely to the lending of the savings and loan institutions which, with government help, had come into their own after World War II. But American housing policy, of providing decent housing to every person, as embodied in the 1949 Housing Act, was being eclipsed. During the 1970s, public housing expanded a limited amount, but under the Reagan-Bush administration (1981-89), and Bush's Presidency (1989-93), public housing was effectively smashed.

In 1990, the United States had 1.40 million functioning public housing units. By 1995, that was down to 1.25 million units. HUD has announced it will rip down at least another 70,000 units by the year 2000. Earlier this year, the Newt Gingrich-controlled House passed legislation repealing an existing provision that prevents public housing agencies from charging rents higher than 30% of a tenant's monthly income. It would also lower current set-asides of up to 85% of public housing units for very-low-income families, to 35%. The legislation did not pass the House-Senate conference committee, but it will be reintroduced in the new Congress. If it passes, public housing will be turned into a for-profit, gentrified operation. Policy in the spirit of the 1949 Housing Act, will cease to exist.