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HOUSING POLICY AND ECONOMIC RESTRUCTURING IN THE UNITED STATES

Gary Fields

Introduction

The Stock Market Crash of 1929 and the lean years of the Depression that followed in its wake, brought about a fundamental transformation in the structure of American free enterprise. The legislation enacted by the Roosevelt administration that put the economy on a new footing, also established the basis for the nation's first systematic housing policy, eventually legislated officially as *The Housing Act of 1949.*

When the economy collapsed, the mortgage system collapsed as well, adding to the depth of the plunge into the Depression. These conditions precipitated massive social protest movements, especially among industrial workers and the unemployed. The dilemma faced by the Roosevelt administration was how to preserve the basic features of the market system, while at the same time incorporate but circumscribe the social protest of millions of Americans. Out of this dilemma emerged a new type of free enterprise system in which the State, for the first time, began to play a decisive role in the operations of the country's financial markets. The other product of Roosevelt's actions was perhaps even more significant. This was the establishment of what has been termed "The Welfare State".

The housing sector of the economy played a major role in the creation of both the new form of free enterprise, and the Welfare State. New mechanisms for mortgage finance created by Roosevelt's New Deal functioned as the cornerstone for the restoration of the country's system of banking and finance. The creation of public housing in 1937 was also one of the major components of the newly-formed welfare system. In effect the creation of the nation's first housing policy was part of a broader process of economic restructuring. In this process, the government became a legitimate actor in the market place, and provided a system of welfare for those people unable to provide for themselves.

Since the 1970s the economy of the U.S. has undergone another enormous transformation termed by many, "The Deindustrialization of America". This process was initiated by private capital and consisted of plant closures and disinvestment from basic industry. It is with the Reagan presidency, however, that this process has become legitimated and reinforced by public policies (the latest example being the ruling by the NLRB essentially condoning plant closures, and the Supreme Court's decision allowing companies to abrogate their labor contracts in backruptcy cases).

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The core of the Reagan program consists of a concerted effort to reverse the process by which the State had become a primary actor in the operations of the market and a dispenser of social welfare. In effect this orientation represented an overt dismanteling of the Welfare State; a denial of the responsibility of government to provide for the welfare of its citizenry.

The Report of the President's Commission on Housing of 1982, chaired by Reagan-appointee William F. McKenna, represents a major component of the Reagan strategy to curtail governmental obligations for welfare programs. Recommendations on housing policy by the McKenna Commission include the return to private enterprise of certain mechanisms for the provision of mortgage credit, and the elimination of public housing.

This essay will examine the relationship between housing policy and economic restructuring during the Great Depression and during the last 15 years. From this focus two principal tasks will be pursued. In the first place I shall analyse how the housing programs legislated by Roosevelt—the basis of the 1949 Housing Act—developed from the conditions of restructuring during the Great Depression. Secondly I will look at how the policy recommendations contained in the McKenna Report represent a crucial break with the provisions codified in the 1949 Act and how the Reagan administration housing policy is related to the restructuring of the American economy in the current period.

Section I: The Great Depression and the Formation of Housing Policy in the U.S.

"Housing policy" in the American context, is difficult to define precisely. Generally the term is used to describe governmental actions intended to solve housing problems.[1] It is thus a form of government intervention into the housing market and can be distinguished, at least in a theoretical sense, from the mechanisms of a completely free housing market.[2] In the United States housing policy has evolved with changing historical circumstances.

The Great Depression, which saw the collapse of the mortgage system and the virtual shutdown of the construction industry, compelled the Federal Government to intervene into the operation of the housing market on a national scale for the first time. Five principal legislative Acts were passed during the 1930s in response to the housing crisis of the Depression. These pieces of legislation—The Federal Home Loan Bank Act (1932), The Home Owners Loan Act (1933), The National Housing Act (1934), The Wagner Act (1937), and The Federal National Mortgage Association Act (1938)—were basically preserved in the Housing Act of 1949. Consequently the key to understanding the 1949 Act lies in the relationship between the economic policies of the New Deal, and the concurrent housing legislation of the 1930s.

What was the situation faced by the Roosevelt administration in 1932? Rexford Tugwell, one of the original braintrusts behind

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FDR's economic policies, provides this picture:

> We were confronted with a choice between an orderly revolution—a peaceful and rapid departure from past concepts—and a violent and disorderly overthrow of the whole capitalist structure.[3]

Under these circumstances the crucial priorities facing the New Deal administration were to get the banks reopened on a sound basis, to stimulate employment, and to get industry and especially the construction industry back to full production. Manipulation of the housing market became a crucial instrument for accomplishing these objectives. In order to understand why this was true, it is necessary to examine the relationship between the housing market and the crisis of the Depression.

When the Depression struck, homeowners lost their sources of income while landlords could no longer command the same rents. Property owners therefore could not keep up their mortgage payments without drawing on their savings. However, when both property owners and landlords, faced with this cash shortage, went to the banks to withdraw their savings the banks did not have the cash. Bank assets were frozen in outstanding mortgage loans. Unable to meet their mortgage payments, homeowners and landlords had their properties foreclosed by the banks. These banks were then left with property that they could not sell. In the cases where banks did have some funds available to satisfy depositors, the withdrawal of these funds eliminated the possibility of new mortgage loans and thus brought the housing market to a complete standstill. This situation revealed the overwhelming necessity to restructure the free market mechanism for housing which is what brought the Federal Government into the picture.

In the housing sector this restructuring took place primarily through the creation of permanent supports for the institutions supplying mortgage credit. A series of four legislative acts that together constituted a unified strategy, were passed to aid mortgage lenders.

The first support was the Federal Home Loan Bank Act (1932) which was actually passed in the waning days of the Hoover Administration. This law created a central banking system for home loan banks. According to Michael Stone:

> This system was designed to create a national mortgage market by centralizing, stabilizing, and insuring mortgage-banking operations. Its purpose was to make mortgage banking more efficient, predictable and profitable and at the same time to free mortgage lenders from liability to their depositors, . . .[4]

The second piece of legislation was the Home Owners Loan Act of 1933. It was designed not only to aid lending institutions, but also to relieve the distress of homeowners faced with foreclosures

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which were taking place at a rate of over 1000 per day. Both objectives were accomplished by the Home Owners Loan Corporation (created by the Act) accepting poor risk mortgages held by private institutions in exchange for HOLC bonds. The delinquent mortgages were refinanced through the issuance to homeowners of new mortgages at a lower rate of interest with longer repayment periods. This allowed homeowners to keep their homes and allowed mortgage institutions to return to profitability.

The third major support for the mortgage institutions came from the National Housing Act of 1934 which created the Federal Housing Authority (FHA). The 1934 Act had as its central objective the creation of a sounder mortgage structure through the provision of a permanent system of governmental insurance for residential mortgages.[5] The FHA insured mortgage lenders against risk from financial loss occurring from default on approved mortgage loans. Such actions encouraged private lending institutions to lend money by insuring their loans. With more credit available presumably construction would increase. Thus the purpose of the act was one of "pump-priming" the entire economic engine at a time when the economy was stalled. "Once again, the federal government created a device to stimulate the housing sector by reducing risk and guaranteeing profits."[6]

The final device that bolstered the housing market was the creation in 1938 of the Federal National Mortgage Association which provided a national secondary mortgage market. Its purpose was to provide a means for making mortgages more liquid so that private institutions could sell them more easily if new investment opportunities emerged. FNMA was set up to purchase such mortgages. The housing sector was thus made more profitable in several ways.

> First it gave mortgage lenders the liquidity they desired and still enabled them to make some profits on their mortgages even after the mortgages had been sold off. Second, by creating a large-scale, national pool of insured mortgages, FNMA was able to offer shares in this pool on a short term basis in the securities markets, thereby making housing finance profitable for another whole group of investors.[7]

These four policies, later codified into the 1949 Housing Act, reflected governmental efforts to use housing programs as a counter cyclical measure to restructure the free market within the housing sector. But these policies also had an impact upon the free market as a whole because of the strategic position occupied by the housing sector in the overall economy.

During the Depression the mechanisms of free enterprise had severely malfunctioned. These malfunctions had caused the two primary motors of the system—profitability and capital accumulation—to grind to a halt. Under these conditions, a crisis

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of *reproduction* (an inability of the system to reproduce the basis for its own continued existence) was certainly a possibility. Roosevelt's prescription for this scenario was to alter some of the mechanisms of free enterprise that had malfunctioned, but at the same time preserve the most basic structural elements of the system. The structural logic of American free enterprise, defined as the requirements for the system's own reproduction, called for restoration of capitalism's driving forces, profit and accumulation. We have seen how the housing market and the legislation that had transformed the housing mortgage system, played a crucial role in this overall goal.

These economic objectives of the 1949 Act tell one story. There is another story, however, that needs to be told regarding the 1949 policy: the story of public housing. The construction of public housing has its origins in 1933 and was at first a jobs-creation measure. Four years later public housing became officially legislated with the passage of the Wagner Act (1937). Originally the program was intended to provide low-cost housing, not for the chronic poor, but for middle class people—innocent victims of economic calamity—to tide them over for a few years.[8] The Wagner Act established a U.S. Housing Authority with the power to assist local public agencies to construct and manage new housing for low income people. Federal Aid consisted of loans for planning and construction of projects as well as long-term contributions to subsidize debt service on local bonds. With these guarantees local housing authorities then issued long term bonds on the private market to repay the temporary government loans. Thus local housing authorities raised funds by selling tax-exempt, federally-secured bonds to private investors.

Because of the emphasis from the very beginning on the role of private enterprise[9] in the public housing program, writers such as Stone see a predetermined profit rationale underlying the program's enactment. For Stone "public housing has simply provide[d] an additional way for private investors to make profits in housing with the state assuming the risk."[10] While Stone is certainly correct, his analysis disregards the dynamics that compelled the Federal Government to incorporate *social* goals into housing policy.

Passage of the Wagner Act was actually one of the legislative outcomes that resulted from a broad social protest movement during the 1930s against the conditions of the Depression.[11] Three groups were primarily responsible for the pressure that led to passage of the 1937 legislation. The National Public Housing Conference, The National Association of Housing Officials, and the Labor Housing Conference led this campaign. The last group had the active support of the newly-organized labor movement and also included long-time housing activists, Catherine Bauer and Clarence Stein.

The legislative outcome of such protest activity has given the New Deal its contradictory character of being at once a logical

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outcome of capitalist restructuring, and at the same time a challenge to that very logic. It is important to realize that the restructuring process was more than simply a mechanical response by the Roosevelt administration to improve the economic position of society's dominant groups. The enactment of the public housing program was not a response by the administration to the interests of the banks and construction contractors. Public housing was *forced* upon the administration by the protest actions of public housing advocates together with labor that created a different pattern of restructuring alongside a more powerful pattern controlled by the world of high finance. There are thus two processes embedded within the 1949 Act—a social component and a financial—which explains why housing programs have been used as counter cyclical economic measures, and in pursuit of social goals. This social component of the Act is illustrated most clearly in the Preamble.

> The Congress hereby declares that the general welfare and the security of the nation and the health and living standards of its people require housing production . . . and the realization as soon as feasible of the goal of a decent home in a suitable living environment for every American family. . .

It is precisely this aspect of federal housing policy—modest as the implementation has been from 1949 to 1980—that is under attack in the policy recommendations of the McKenna Report. Before examining specific policies in the Report, it will be helpful to first briefly outline the economic and political context in which the Report was formulated. This is necessary in order to uncover the relationship between the current restructuring of the American economy, Ronald Reagan's policies for economic reform, and the recommendations of the Commission.

Section II: Current Economic Restructuring and the Housing Policies of the Reagan Administration

Perhaps the most salient structural characteristic of recent American economic history has been the precipitous fall in the rates of profit for the manufacturing sector beginning in the late 1960s. Capital's response to this phenomenon has been succinctly described by Bluestone and Harrison.

> In a desperate attempt to restore, or preserve the rates of profit to which they had become accustomed in the halcyon days of the 1950s and 1960s, American corporate managers in the 1970s went to extraordinary lengths to shift capital as rapidly as possible, from one activity, one region, one nation to another.[12]

Capital flight was thus one response of industry to find greater rates of return on invested capital. A highly lucrative financial sector coupled with the attractiveness of investing productive capital in

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cheap labor markets overseas compelled management to pull resources out of the productive sector of the American economy.

Another method for industry to recover its former rates of profit was to overturn the social contract negotiated between labor and management during the 1950s and 60s that had given relatively high wages and benefits to workers in exchange for labor peace. Again capital mobility in the form of plant closings or threatened closings was a key strategic weapon in management's highly successful campaign to extract labor cost concessions from its workers thereby destroying the basis of the New Deal social contract between industry management and the workforce. The defeat of the labor movement was thus at the heart of industry strategy to regain profitability—a process in which capital mobility, either real or threatened, has played a major role. Another ingredient, however, was necessary to ensure the defeat of labor. This is where the political program of the Reagan administration assumed a key role in this process of restructuring.

The economic program of the Reagan administration has been designed to deepen processes already undertaken by private capital to drive down labor costs of American production. Complementing this objective is the emphasis in "Reaganomics" on the dismanteling of the Welfare State.

Two central problems are addressed by the economic program of the Reagan administration. The first and most important in purely economic terms is the development of policies that would shrink the share of the social product appropriated by labor and transfer that increment to capital. The anti-inflationary bias of the program provided a key mechanism for the attainment of this objective. Tight monetary policy which led to high interest rates and restricted demand induced a massive recession in 1981. This recession created the highest rates of unemployment since the 1930s. This stimulated the ability of private capital to extract huge wage concessions from the workforce.

The effectiveness of this first component of the Reagan program was enhanced by the second aspect: the destruction of the social safety net and the dismanteling of the Welfare State. In this case the central motivation for the Reagan program was to alter the process by which the *state* had become a dominant center of social and economic activity in a system where the traditional historical and cultural bias had been on *individualism* and the *private sector.* The Reagan program seeks to erase this contradiction by restoring the integrity of the free market in both an economic and ideological sense.

The creation of the social safety net and the Welfare State had been the result of two related historical processes. First was the upheavals of the 1930s which established the foundations of the Welfare State in the form of programs for unemployment insurance and public housing. Second was the social movements of the

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1960s—the black rights, feminist, environmental, and job health and safety movements. In certain instances these movements achieved gains that directly affected industry operating expenses such as pollution regulations, OSHA regulations, affirmative action. The budget cutting in these areas and the disengagement of the government from active administration of these programs has certainly had an impact on the purely economic outlays of industry for compliance with the regulations. Reductions of income maintenance programs such as unemployment insurance also has affected industry operating expenses since the cuts increased the number of people in the labor market thereby creating additional unemployment and forcing wages down.

It should be emphasized, however, that the dismanteling of the social safety net has a significance more as a *social* policy than an economic one. It represents the establishment of a new citizen/state social contract which seeks to steer the collective psychology of the nation toward a lowered sense of expectation. This new citizen/state social contract is thus an attempt to transform the entire cultural history of the last fifty years during which the nation has been taught to view government as a benevolent provider for the needs of people that could not be met through the normal mechanisms of the market system.

The Report of the President's Commission on Housing (1982) is a crucial element of the administration's broader economic program. It represents a specific area in which the administration is making special efforts to reduce the role of government in both the functioning of the private housing market and in the provision of housing for low income people.

The Commission begins its analysis by noting that past involvement by the Government in the housing market—especially the home building and public housing generated after 1968—created an unstable, inflationary housing cycle that eventually collapsed. In addition, this situation in the housing market contributed to a ruinous inflationary spiral throughout the economy as a whole. Stop-gap measures to remedy instability in the housing market are expressly ruled out as solutions by the Commission. Consequently, instead of looking at ways to modify government involvement in the area of housing, the Commission states that the major premise of its findings "is based on an entirely different belief:"

> that the genius of the market economy, freed of the distortions forced by government housing policies and regulations . . . can provide for housing better than federal programs.[13]

In a later section of the *Report,* the Commission takes this premise a step further by emphasizing the direct connection between its housing policy recommendations and the Reagan program for economic recovery.

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> In recent years a series of problems have beset housing largely due to weakness in the overall economy. . . . The most important task is to correct the problems of the economy. The primary contribution government can make to housing is to bring down the rate of inflation and reduce mortgage and other interest rates.[14]

There are two significant themes in the Commission's overall approach. The first is the emphasis placed on a *reduced* role for government in housing issues. The second is the *systemic* orientation taken by the Commission toward housing problems. The latter are collapsed into the broader framework of economic recovery which is pegged on policies that reduce the rate of inflation. There is a third theme, however, more implicit than explicit, that emerges in conjunction with the other two. This theme concerns the destruction of the Welfare State and the social safety net.

These three themes provide the basis for what the Commission considers the seven fundamental principles of its national housing policy. These principles are outlined in the report as follows:

- Achieve fiscal responsibility and monetary stability in the economy;
- Encourage free and deregulated housing markets;
- Rely on the private sector;
- Promote an enlightened federalism with minimal government intervention;
- Recognize a continuing role of government to address housing needs of the poor;
- Direct programs toward people rather than toward structures;
- Assure maximum freedom of housing choice.

These principles, embodying the three themes mentioned above, guide the course of the Commission's findings in its five areas of inquiry. These five areas include 1) Housing for low income Americans; 2) Housing Finance; 3) Homeownership; 4) Rental Housing; and 5) Housing Regulation.

Undoubtedly the most sweeping changes in policy envisioned by the Commission concern the involvement of the Government in housing for low income people. Since passage of the Wagner Act in 1937, federal efforts to improve the housing of the needy have focused on the provision of new housing units at rents subsidized by the government. According to the Commission this was done because of a real shortage of housing units in adequate condition. Today, however, the housing problem for low-income people does not include housing supply or adequacy. Instead, the Commission asserts that the problem is housing "affordability."[15] With a populist rhetorical flair characteristic of the present administration, the *Report* concludes: "The purposes of federal housing programs should be to help people, not to build projects."[16] Therefore: "The Commission proposes a consumer-oriented Housing

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Payments Program as the preferred alternative to public housing programs.''[17]

What is the government to do with existing projects that now provide housing for 1.2 million households? The Commission proposes a sweeping transfer of obligations to local housing authorities as part of its program of ''enlightened federalism.'' ''Projects that are unsuccessful in the quality of life they offer their residents could be sold or demolished,''[18] write the Commissioners. The implications of such a policy orientation are extremely far-reaching. Such an approach seeks to effectively disengage the government from any role in the provision of public housing either in construction or administration. It is thus very clear how this aspect of the Reagan administration housing policy fits into the broader objective of the Reagan administration's plans for the Welfare State.

The proposed reforms of the Commission for the nation's housing finance system fall into three areas: 1) the traditional sources of mortgage credit or thrift institutions (savings and loan associations and mutual savings banks), 2) other private sources of mortgage credit, and 3) Government sources of mortgage credit.

In a direct rebuke of the policies of the New Deal, the Commission broadly defines the problem with the country's housing finance system as stemming from ''outdated laws and regulations connected to the statutory framework of the 1930s.''[19] The report then continues:

> Development of a more broadly based and resilient private housing finance system in an environment marked by fiscal responsibility and monetary stability, would reduce the need for government programs that involve intervention in the nation's credit markets.
> The commission foresees a future in which government should be a participant in housing finance only in those areas where the private sector cannot provide needed services at reasonable costs to borrowers.[20]

The emphasis is again unmistakable. Recommendations are made to increase the strength and resiliency of the thrift industry through policies of deregulation and ''mergers for weak institutions.''[21] Deregulation aimed at overturning the framework of the New Deal is also the prescription for the promotion of greater participation in mortgage investment by private financial institutions.

The program for Government sources of mortgage credit is also to be restructured. According to the Commission: ''the government should create the economic and market environment necessary for a shift of certain government housing credit programs to the private sector.''[22] Revisions are proposed for government involvement in both the primary and secondary mortgage markets. In the primary market a restructuring of the FHA is advocated. ''Further reliance upon the private sector for home mortgage

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insurance should be spurred by public policy designed to redirect FHA programs that serve the same market that could be served by private investors."[23] The theme is identical for the proposed changes in the secondary market. "The Government Mortgage Association MBS (Mortgage-backed securities) program should be phased down to encourage the growth of private mortgage-backed securities."[24]

The government is, therefore, encouraging private enterprise to assume many of the credit functions performed by government that allowed moderate income people to purchase homes after the 1949 Act. This in itself is not actually bad policy. With the increases in real income since the era of the New Deal, it can be argued that the government should retreat from some of these subsidies in order to redirect scarce resources to those most in need. What *is* questionable, however, is that Reagan administration policymakers have not redirected subsidies to low income households. On the contrary, subsidies to low income people have been cut most dramatically.

Many of the Commission's recommendations for reform of the housing finance system overlap with the section on homeownership. With a consistency that is striking, the Commission once again dissolves the most overwhelming problem faced by potential home buyers—the problem of cash flow—into policies related to the overall economy. "Success for the President's economic program," write the commissioners, "should be worth more to first time homebuyers than any imaginable mortgage instrument or any shallow subsidy to reduce interest rates for mortgages."[25]

One specific problem is worth noting in regard to the Commission's section on homeownership. This concerns the problem of homeownership by the elderly who no longer command the incomes necessary to maintain their mortgage payments. Two proposals are offered by the Commission. The first is the development of Reverse Annuity Mortgages. This would enable elderly homeowners to take cash from the equity of their homes to make payments. Presumably, however, they lose ownership of the home but are allowed to remain as renters of their former property! The other proposal is "home sharing" in which elderly homeowners could convert a section of their homes to rental property to acquire cash flow for mortgage payments.

Final mention should be made of the Commission's perspective on rental housing. The principal recommendation in this area is perhaps the most revealing of all the Commission's policy perspectives. The starting point in this section focuses on how to make rental housing a viable form of investment. From this context the Commission writes that the central problem of rental housing is that rents have been depressed, lagging behind rises in prices. The policy conclusion from such an argument flows automatically. The cornerstone of the Commission's recommendations for rental housing call for the elimination of "market distortions caused by rent control."

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> States are urged to act to remove local rent control and the Federal Government is urged to use its preemptive powers to remove from rent control rental housing financed by a lending institution whose deposits are insured by a Federal agency, and rental housing financed by the Federal government which has a mortgage insured or guaranteed by the Federal Government or its agencies.[26]

It should be emphasized, however, that rent control does not automatically produce benefits for low income people. The McKenna Commission quite rightly points out that rent control can inhibit production of new rental housing, thereby creating additional pressures on existing housing stock. Nevertheless, rent controls have been used effectively in certain markets. An appeal to eliminate rent controls based upon the assumptions of free-market orthodoxy, is more an *ideological* argument than a serious policy statement since historically the free market has never succeeded in creating decent housing conditions for all citizens.

Concluding Remarks

This essay has explored the relationship of housing policy and economic restructuring during the Depression and during the last 15 years. The first section analysed the character of Roosevelt's program to restructure the free enterprise system and showed how the housing sector played a key role in this process. Embodied within the housing policies of the Roosevelt years was the dual character of the New Deal economic program. Housing legislation of the 1930s consisted of a *financial* component that was crucial in reshaping the country's financial markets, and a *social* component in the form of public housing that became part of the Welfare State. The purpose of this first section was thus to situate the origins and dual nature of housing policy within the context of the economic restructuring process during the Great Depression.

Far from representing conflicting and often contradictory objectives as was often the case with policies and programs enacted since the Housing Act of 1949, the McKenna Commission Report represents a very clear and consistent approach to housing problems. The emphasis of the Report seeks to modify the process by which the State had become a major actor in the functioning of the housing market and in the provision of housing for low income people. The Report is thus intimately connected to broad objectives of the administration's economic program that envisions a dramatically reduced role for government in the provision of social services and income maintenance programs. The Report also reflects a radical free market ideological point of departure. It takes a *systemic* approach to the issue of housing problems since it situates the solutions to these problems in the context of a restored

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market system freed from the distorting interventions of government. Finally, and perhaps most importantly, the McKenna Commission Report, through its connection to the Reagan program for the economy, is part of a broader process of economic restructuring that actually began in the 1970s and is being completed by the public policies of the present administration.

NOTES

[1] This definition is used by Peter Marcuse, "Housing Policy and the Myth of the Benevolent State," *Social Policy* (Jan/Feb, 1978): p. 21. Michael E. Stone in "Housing, Mortgage Lending and the Contradictions of Capitalism," has outlined a concise definition of "the housing problem." Stone writes: "there are not enough dwelling units in decent conditions, at bearable prices, with required amenities and secure tenure, at accessible locations in safe and congenial communities with adequate services and facilities." *Marxism and the Metropolis,* William K. Tabb and Larry Sawers, eds. New York, 1978, p. 180.

[2] Friedrich Engels provides a description of how the free market functions with respect to housing: "In present day society," writes Engels in 1872, "the housing question, like any other social question, is settled by the gradual economic levelling of demand and supply, a settlement which reproduces the question itself again and again and is therefore no settlement." *The Housing Question* taken from *MESW* (Vol. II) Moscow, 1973, p. 317.

[3] Quoted in Nathanial S. Keith, *Politics and the Housing Crisis Since the 1930s,* New York (1973): pp. 22-23.

[4] Michael E. Stone, "Federal Housing Policy: A Political-Economic analysis," *Housing Urban America,* Jon Pynoos, Robert Schafer, Chester W. Hartmen, eds. Chicago, 1973, p. 430.

[5] Glenn H. Beyer, *Housing and Society,* New York (1968): p. 457.

[6] Michael E. Stone, "Federal Housing Policy: A Political-Economic Analysis," p. 430.

[7] *Ibid.,* p. 432.

[8] Bruce Heady, *Housing Policy in the Developed Economy,* New York (1978): p. 201.

[9] Glen H. Beyer, *Housing and Society,* p. 456.
This phenomenon became more pronounced after the public housing program was tied to "urban renewal" with passage of the 1954 Housing Act. Slum clearance and public housing construction were supposed to have been the twin objectives of the program. As noted by Castells, however, the component of housing in the renewal matrix steadily diminished in favor of more lucrative commercial ventures in the redevelopment zones. "Instead of being a great assault on the slums," writes the Housing Commission of 1965, "renewal was regarded as a possibility, financed by the government of obtaining cheap land by a whole group of companies and speculators seeking profit or prestige." Castells thus concludes: "not only is American urban renewal not a housing program; it has actually aggravated the shortage of cheap housing." *The Urban Question,* Cambridge, Ma.: MIT Press (1977): p. 296.

[10] Michael E. Stone, "Federal Housing Policy," p. 433.

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[11] Other legislative outcomes in this context included recognition by the Roosevelt administration of industrial trade unionism (CIO) and passage of measures for workers' compensation and a system of unemployment insurance.

[12] Barry Bluestone and Bennet Harrison, *The Deindustrialization of America,* New York, (1982): pp. 15-16.

[13] *The Report of the President's Commission on Housing,* William F. McKenna, Chair, Washington D.C. (1982): p. xvii. Hereafter cited as *McKenna Report.*

[14] *Ibid.*, p. 59.

[15] *Ibid.*, p. xxii.

[16] *Ibid.*

[17] *Ibid.*

[18] *Ibid.*, p. xxiv.

[19] *Ibid.*, p. 118.

[20] *Ibid.*, pp. 121, xxx.

[21] *Ibid.*, p. 135.

[22] *Ibid.*, p. 157.

[23] *Ibid.*, p. 163.

[24] *Ibid.*, p. 166.

[25] *Ibid.*, p. xxvi.

[26] *Ibid.*, p. 89.

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