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**Calling Upon the Genius:  
Housing Policy in the Great Society, Part Three**

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“We should call upon the genius of private industry...to help rebuild our great cities.”

Lyndon B. Johnson, Special Message to the Congress on Housing and Community Development, January 27th, 1964.

## **Introduction**

The final years of the Lyndon Johnson’s Great Society administration were anything but quiet. Punctuated by riots and assassinations, events seemed to bring America to the brink of chaos. In the midst of national anxieties over the Viet Nam war, civil rights, riots, and the rising cost of living, LBJ brought his housing and urban policy to a rousing crescendo.

In 1968, the year Johnson withdrew from the presidential race and seemingly rendered himself the lamest of lame ducks, this master of passing legislation nonetheless managed to achieve two mammoth housing laws. The first, a part of the Civil Rights Act of 1968, which Johnson signed in April of that year in the aftermath of the slaying of Dr. Martin Luther King, was the long-sought breakthrough against discrimination in housing. We will examine this landmark in the struggle for civil rights in the residential field in a separate section on race and housing in the United States.

The second, the Housing Act of 1968, profoundly altered the direction of American housing policy, by shifting production and management of low-income dwellings decisively away from government and toward the use of private companies. It firmly established the idea of “public-private partnerships” in social policy, pointing the way toward the public-private partnerships and “privatization” policies pursued by later presidents, such as Ronald Reagan and George W. Bush, who were far more conservative than Johnson.

It also changed the trajectory of policy debates in the United States. For decades liberal advocates of government-owned public housing had battled with conservative supporters of private (if government-supported) housing industry over the issue of public housing. Under the Democratic president John F. Kennedy, the government began to retreat from public housing and experiment with allowing private non-governmental groups to carry out housing projects. Going further than his predecessor, President Lyndon Johnson embraced the idea that private industry should collaborate with government in implementing low-income housing programs—an idea elaborated by the President’s Committee on Urban Housing, chaired by industrial magnate, Edgar Kaiser.

Together, Kaiser, Johnson officials—including Secretary of Housing and Urban Development Robert Weaver—and congressional leaders hammered out the 1968 law. In part, their work arose out of a sometimes frantic search to get ahead of the cataclysmic events of the late 1960s and find a viable housing policy. The product of that search was an omnibus law that absorbed many elements from the heated political atmosphere, but most importantly, for the first time it placed private industry at the center of the important new low-income housing programs. Calling for a mammoth surge in housing production, the Housing Act of 1968 established two major low-income housing programs—one in which the government subsidized private nonprofit or for-profit limited dividend companies to develop rental housing for low-income families, and the other in which the government subsidized the purchase of houses by low-income families—and created a for-profit national housing corporation, whose purpose was to channel investment capital into local low-income housing projects.<sup>1</sup>

Although a few scholars have noted the policy shift toward utilizing private industry for the social ends of low-income housing, none have examined closely the historical causes and agents that led to the shift.<sup>2</sup> Thus, this paper aims to explore the complex relationships between government and business interests, ideology and political environments, and personal leadership and state capacity that changed the approach to American housing policy and produced the 1968 act.

The approach taken here is similar in some ways to recent social science works on American social policy. Like those that stress the importance of institutions and state-building, this paper treats government institutions as the ultimate arena of national policy making. This account shares with the school of interest-group liberalism the notion that organized lobbying plays a major role in determining policy, but attempts to incorporate the notion that the opinions of political elites are also important. Finally, this paper shares the historian's assumption that

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<sup>1</sup> Several other important provisions—including new community land development, urban renewal, urban planning, and national flood insurance—will not be examined here.

<sup>2</sup> Rachel G. Bratt, *Rebuilding a Low-Income Housing Policy* (Philadelphia: Temple University Press, 1989); David J. Erickson, "Community Capitalism: How Housing Advocates, the Private Sector, and Government Forged New Low-Income Housing Policy, 1968-1996," *Journal of Policy History* 18:2 (2006) 167-204; Paul George Lewis, "Housing and American Privatism: The Origins and Evolution of Subsidized Home Ownership Policy," *Journal of Policy History* 5:1 (1993), 28-51.

circumstances and events are of fundamental importance: they provide the music to which all the players must dance.<sup>3</sup>

The following history reveals that several circumstances paved the way for the new public-private policy in housing. The increasing disillusionment of liberals with the public housing program, the riots in America's ghettos, and the prevalence of environmental determinism set the framework for the debate. The championing of homeownership by Republican Senator Charles Percy, the assertion of institutional prerogatives by HUD Secretary Weaver, and the divisions between the advocates of large and small businesses shaped the debate over the law. The actions of individuals played a crucial role in the making of the 1968 act. Among the most influential were Lyndon Johnson, a president who burned with ambition for transformative social programs and a political master who could get them enacted, and Leon Weiner, who seized a crucial opportunity to enlist the National Association of Home Builders—an industry lobby group and long-time opponent of government subsidies for social programs—in the cause of low-income housing.

### **The Emergence of Public-Private Partnerships**

Although Lyndon Johnson is justifiably famous for expanding the role of the federal government to provide social welfare to Americans, he nonetheless turned to American businesses not only for political support, but also for carrying out the programs. LBJ liked to build support for his domestic legislation by appointing a presidential committee made up of prominent businessmen and professionals who would endorse proposed laws. In this way, as Schulman points out, Johnson hoped to counter the conservative and business interests who had

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<sup>3</sup> Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States* (Cambridge: Belknap Press of Harvard Univ. Press, 1992); Stephen Skowronek, *Building a New American State: the Expansion of National Administrative Capacities, 1877-1920* (Cambridge [Cambridgeshire]; New York: Cambridge University Press, 1982); Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In*, (Cambridge, England: Cambridge Univ. Press, 1985); Margaret Weir, Ann Shola Orloff, and Theda Skocpol, eds. *The Politics of Social Policy in the United States* (Princeton, N.J.: Princeton University Press, 1988); Theodore J. Lowi, *The End of Liberalism: The Second Republic of the United States*. 2nd Edition. New York: W. W. Norton & Company, Inc, 1979); Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: Alfred A. Knopf : Distributed by Random House, 1995); Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton, N.J.: Princeton University Press, 1989); Edward D. Berkowitz, *America's Welfare State: From Roosevelt to Reagan* (Baltimore: Johns Hopkins University Press, 1991).

fought against social programs and government regulation.<sup>4</sup> Johnson truly broke new ground in the arena of housing and urban affairs, where he enlisted business leaders not just to approve programs but to help develop and carry them out.

History, however, did not favor such a shift in policy. The public housing program, started in 1937, was built on the principle of centralized government provision of services. For decades, a zealous group of social reformers who called themselves public housers had guarded and preserved the program. In the legislative battles in Congress, they could flex the lobbying muscle not only of their own groups—such as the National Housing Conference and the National Association of Housing and Redevelopment Officials (NAHRO)—but also of powerful allies in organizations for labor and mayors. The public housers disdained the housing industry, whose members they believed had built and profited from America’s slums.

On the other side, the lenders, builders, and brokers who made up the housing industry could not abide public housing. To begin with, in the United States small businesspersons were traditionally ardent advocates of “free enterprise,” a concept that combined economic opportunity with liberty. In addition, until sometime in the 1950s, it seemed possible that the United States would adopt a mass public housing program that would serve a major part of the American public, a step that would have removed a substantial amount of business from the housing industry. The housing industry trade associations led by the National Association of Home Builders (NAHB) and the National Association of Real Estate Boards (NAREB) led national campaigns against public housing, which they characterized as socialist and an unwarranted give-away. Throughout the postwar period the industry lobby spokesmen adamantly opposed any appropriations or extensions of the program, frequently expressing the desire to extinguish what they termed as a dangerous intrusion by government into the free market.

Yet the housing trade associations had actively worked for a variety of government interventions in their industry. Largely in response to this, Congress had created the Federal Home Loan Bank Boards in the 1920s, the Federal Housing Administration (FHA) and the Federal National Mortgage Association (FNMA) in the 1930s, and the Urban Renewal Administration in the 1950s to serve different sectors of the industry and grease the machinery of

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<sup>4</sup> W. Marvin Watson with Sherwin Markman, *Chief of Staff: Lyndon Johnson and his Presidency* (New York: Thomas Dunne Books, 2004) 112-113; Bruce J. Schulman, *Lyndon B. Johnson and American Liberalism* (Boston: Bedford Books of St. Martin's Press, 2007), 91-92.

private enterprise. Thus, America's housing policy had always owed a lot to industry and government collaboration.

In the 1960s government officials began to call such relationships "public-private partnerships." In a 1961 speech, for example, President John F. Kennedy praised the depression-era Federal Housing Administration mortgage insurance and the postwar veterans' loan guaranty programs as "a partnership between industry and government."<sup>5</sup> Just two months after taking office in November 1963, Lyndon Johnson echoed his predecessor in discussing the same programs and spoke of "the long-established partnership between private industry and Government in housing and community development." Signaling the direction of future policies, LBJ then called for "more effective cooperation between government and industry for the joint benefit of homeowners, tenants and the industry itself."<sup>6</sup>

To this end, Robert C. Weaver, chief of the Housing and Home Finance Agency (HHFA) from 1961 to 1965 and Secretary of the new Department of Housing and Urban Development (HUD) from 1965 to 1968, devised a number of programs aimed at expanding the supply of low- and moderate-income housing, but without recourse to public housing. In 1961 he initiated the Below-Market Interest Rate (BMIR) program, formally titled Section 221 (d) (3) of the National Housing Act, which allowed nonprofit and cooperative companies to develop rental apartment buildings for moderate-income families. Weaver encouraged experiments with private nonprofit and commercial developers of low-income housing. And in 1965 he got Congress to approve Rent Supplements, a program of subsidies to be used in rental properties built or renovated by nonprofits or cooperatives. Technically Weaver's private-oriented programs were restricted to non-commercial entities but in fact they opened the door to commercial builders who could create nonprofit subsidiaries of their enterprises. That and the fact that the programs were an alternative to public housing led the National Association of Home Builders (NAHB), after an initial hesitation, to drop its long-standing opposition to federal subsidies for low-income housing and ally with the administration.<sup>7</sup>

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<sup>5</sup> John F. Kennedy, Special Message to the Congress on Housing and Community Development, March 9, 1961.

<sup>6</sup> Lyndon B. Johnson, Special Message to the Congress on Housing and Community Development, January 27, 1964.

<sup>7</sup> Bratt, *Rebuilding a Low-Income Housing Policy*, 60-93; Alexander von Hoffman, "The Quest for a New Frontier," Working Paper, Joint Center for Housing Studies (JCHS), 2007; Alexander von Hoffman, "Let Us Continue: Housing Policy in the Great Society, Part One," Working Paper, JCHS, 2009. For federal experiments, see Office of the Administrator, United States Housing and Home Finance Agency (HHFA), *Low-income Housing Demonstration Program: Project Directory* (Washington, D.C.: 1961); Low-Income Housing Demonstration Staff,

## Growing Despair over Public Housing Program

Weaver and other housing officials opened the door to the private sector for pragmatic reasons, not because they no longer liked public housing. Invented in the 1930s, the public housing program had never been popular but by the 1960s it had become increasingly controversial. Its reputation declined as poverty and disorder increased in the projects, which led to further unpopularity, higher turnover, and eventually decline in the rents that paid for maintenance. At the same time, middle-class whites and their political representatives fought against situating projects in their districts.

As the plight of public housing worsened, local public housing officials seemed to surrender. “A spirit of lassitude and disillusionment,” a veteran public houser observed, “appears to affect the local housing authorities.” Long-time supporters, including Catherine Bauer, an author of the bill that created public housing, and liberal senator Paul H. Douglas, had come to despair of making public housing the vibrant and innovative program they had envisioned.<sup>8</sup>

They called for reform and innovation and—similar to the reforms in other realms of housing policy—attempted to revive public housing by involving the private sector. In 1961 Weaver appointed Marie McGuire, the former executive director of the San Antonio Housing Authority, to lead the federal Public Housing Administration and reform the system. From her first year in office, McGuire urged the local authorities to break with their past and lease existing homes for low-income families, hire private firms to manage their properties, help public housing tenants “graduate” to home ownership, and allow commercial facilities to operate in housing projects. But the local bureaucracies resisted change. By 1964, the top agency officials

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Office of Program Policy, HHFA, *Low-Income Housing Demonstration...a Search for Solutions* (Washington, U.S. Government Printing Office, 1964).

<sup>8</sup> Warren Jay Vinton, “Working Paper,” *Interim Report on Housing the Economically and Socially Disadvantaged Groups in the Population; Proceedings and Working Papers of Conference held February 26-27, 1960, in Highland Park, Ill.* (Chicago: Metropolitan Housing and Planning Council of Chicago, 1960), 33; Catherine Bauer, “The Dreary Deadlock of Public Housing,” *Architectural Forum* 106:5 (May 1957) 140-142, 219, 221; Paul H. Douglas to William J. Thebus, July 2, 1957, Box 723 (Legislative File Correspondence Urban Affairs and Housing 1957), Folder General Housing July-September 1957, Paul Douglas Papers, Chicago Historical Society, Chicago, Illinois. For the malaise of public housing, see Alexander von Hoffman, “The Quest for a New Frontier in Housing,” Working Paper, JCHS, 2009.



were forced to admit that their pleas for innovations had failed to arouse “enthusiasm and concrete activity” among public housing officials.<sup>9</sup>

Nonetheless, in March 1965 McGuire, who was known to preach the public-private partnership at every opportunity, announced a new policy of “greater participation” in the public housing program “of the private home-building, renting, and financing industry.” It allowed local authorities to lease existing homes for public housing and share ownership of projects with local nonprofit groups. In 1966, with much fanfare Weaver and McGuire added the Turnkey program, in which private developers built housing projects for local housing authorities, to the list of public-private housing initiatives.<sup>10</sup>

In the spring of 1967, at a large conference of public housing officials called to determine the future of the program, Vice-President Hubert Humphrey told the 900 participants that public housing forces must join with the private sector. In fact, general counsel to the federal public housing administration Joseph Burstein told the crowd, in the past two years “profit-motivated private enterprise of every kind engaged in the production, financing, marketing, ownership, or management of housing” had been given “the opportunity to develop, build, rehabilitate, or lease housing for low-income families.” Considering the new programs of leasing of existing units and turnkey construction or renovation, Burstein declared, “The potentials are infinite.”<sup>11</sup>

### **Calling on Business to Help the Cities**

It may seem odd today to realize that during the 1960s influential Americans believed that private enterprise could be an engine of social change. Historic images of civil rights and anti-war protestors, hippies, and angry middle-class whites have obscured the memory of that decade’s great bull market, the dazzling growth of technology companies such as IBM and Xerox, the conglomerate mergers, and the belief among traders of the day that the gold-plate

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<sup>9</sup> Wendell Pritchett, *Robert Clifton Weaver and the American City: the Life and Times of an Urban Reformer* (Chicago: University of Chicago, 2008), 235; Marie McGuire to commissioners and staffs of local housing authorities, October 30, 1961, Carl A. S. Coan, Collection in Housing and Urban Affairs, Box 8 Folder 344, Georgetown University Library, Special Collections Division, Washington, D.C.; Address, Joseph Burstein, General Counsel, Public Housing Administration, before the Second National Housing Workshop of the National Association of Housing and Redevelopment Officials, Sheraton-Cadillac Hotel, in Detroit, Michigan, October 28, 1964, 5 (“failed” quotation), *ibid.*

<sup>10</sup> Circular Memo, Marie McGuire to Central Office Division and Branch Heads Subject: New methods of housing low-income families, March 16, 1965, *ibid.*; Monroe W Karmin, “Housing the Poor,” *Wall Street Journal*, June 6, 1966.

<sup>11</sup> “The Quiet Revolution: Putting Profits into Public Housing,” *House and Home* 31:4 (April 1967), 12.

corporations known as the “nifty fifty” were sure-thing investments. Yet despite the anti-establishment idealism of the 1960s, the dramatic success of corporate business led America’s political leaders to turn to private enterprise to transform urban America.

Robert Kennedy, not known for his friendliness toward big business, was one liberal who turned to prominent corporate executives to save America’s cities. Motivated by a mixture of personal resentment, political ambition, and a newly found but fervent liberal idealism, Kennedy became deeply unhappy with Johnson’s efforts to rescue America’s ghettos. In a series of widely publicized congressional hearings held in 1966 and chaired by Abraham Ribicoff, he ripped into Robert Weaver and other administration spokesmen over their handling of the urban crisis. Although Kennedy and the men around him—including Richard Goodwin—shared “many hostilities to the business and conservative communities,” in early 1966 they began to wonder about ways to harness the power and wealth of corporate America for social betterment.<sup>12</sup>

In the following months, Bobby Kennedy and his aides propounded the idea of a “community development corporation” and set their sights on the Bedford-Stuyvesant neighborhood in Brooklyn for its debut. With the support of New York Republican leaders Senator Jacob Javits and Mayor John Lindsay, he persuaded the Congress and the administration in November 1966 to amend the Johnson’s War on Poverty law, the Economic Opportunity Act of 1964, by creating the Special Impact Program that gave money to community development ventures in urban poverty areas.<sup>13</sup>

In December 1966 Kennedy announced that two new nonprofit organizations—one made up of local leaders and another of top business executives—would lead the effort to revive Bedford-Stuyvesant. Kennedy had convinced a set of corporate heavyweights—including Thomas Watson, chairman of IBM, and George S. Moore, chairman of First National City Bank (later renamed Citibank)—to serve on the businessmen’s advisory committee. “For the first time,” the Kennedy team explained, “the leaders of the American business community have assumed the primary responsibility for dealing with problems of the ghetto.” Looking for an

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<sup>12</sup> Jeff Shesol, *Mutual Contempt: Lyndon Johnson, Robert Kennedy, and the Feud that Defined a Decade* (New York: W.W. Norton, 1997), 248

<sup>13</sup> Alice O'Connor, "Swimming Against the Tide: A Brief History of Federal Policy in Poor Communities" in Ronald Ferguson and William Dickens, *Urban Problems and Community Development* (Washington, D.C.: Brookings Institution Press, 1999), 105-108; see also Personal Papers of Thomas M.C. Johnston and Robert F. Kennedy Papers, John F. Kennedy Library, National Archives and Records Administration, Dorchester, Massachusetts.

alternative to the big government programs of the New Deal, Kennedy turned to big business. Or as Daniel Patrick Moynihan put it, the Bedford-Stuyvesant project would “get the market to do what the bureaucracy cannot.”<sup>14</sup>

While Kennedy attempted to lure corporations into Brooklyn, the Johnson administration sought ways at the national level to tap corporate power to solve the urgent problems of the cities. In May 1966, with LBJ’s explicit approval, John W. Macy assembled about one hundred business leaders—including the top executives of Texas Instruments, Ford Motor, Litton Industries, Time-Life, American Airlines, and RCA—at the State Department to hold a “Business-Government Conference on Urban Problems,” which Weaver and Detroit mayor Jerome Cavanaugh addressed. The following month presidential adviser Milton Semer reported to LBJ that an upcoming HUD seminar on science and urban development was a way to bring together “profit-motivated business leaders who are alert to what science and technology can contribute to their private gain” and public officials who can influence “private enterprise to serve public services.”<sup>15</sup>

Indeed, the private-public partnership so dominated the latter years of the Johnson presidency that the phrase could have replaced the “Great Society” as the administration’s domestic policy motto. By the time of his annual state of the union address in January 1967, the president was ready to announce his new business-oriented approach to urban policy to the nation. “We should call upon the genius of private industry,” LBJ declared in the address, “and the most advanced technology to help rebuild our great cities.”<sup>16</sup>

Five months later on June 2, 1967, Johnson emphasized his new policy theme by announcing the formation of a committee to map out specific ways that private industry could rebuild the slums “which shame the nation and its cities.” To ensure that private industry dominated the group, the president named Edgar Kaiser, president of the corporate conglomerate Kaiser Industries, Inc. to head the committee and, although he placed his favorite

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<sup>14</sup> William P. Ryan, “Bedford Stuyvesant and the Prototype Community Development Corporation,” in Mitchell Sviridoff, ed., *Inventing Community Renewal: The Trials and Errors that Shaped the Modern Community Development Corporation* (New York: Community Development Research Center, New School University, 2004), 67-96, 74 (“primary responsibility” quotation); Shesol, *Mutual Contempt*, 249 (Moynihan quotation).

<sup>15</sup> Macy was Chairman of the Civil Service Commission and director of the Personnel Appointments Office in the White House. Memo, John W. Macy to the President, May 5, 1966, Box 5 (Gen HS 2 7/1/67), Folder HS 3 1/1/66-12/31/66, Lyndon Baines Johnson Library, Austin, Texas (hereafter LBJ); Memo, Milton P. Semer to the President, June 8, 1966, Box 253, Folder 04/07/66-09/16/66, LBJ.

<sup>16</sup> President Lyndon B. Johnson's Annual Message to the Congress on the State of the Union, January 10, 1967.

labor and civil rights leaders on the panel, he loaded it heavily with businessmen: construction and building supply company executives, home builders and developers, and a prominent Chicago banker. Significantly, he did not invite a single public houser to join a group dedicated to urban housing policies.

Even this effort to create a new business-oriented urban policy did not satisfy Johnson. In the fall of 1967, LBJ ordered each of his cabinet secretaries to come up with yet more ways the private sector could solve the massive problems facing America's cities.<sup>17</sup>

### **The Urban Crisis Comes to a Climax**

An increasing sense of urgency about America's cities, propelled by a rising crescendo of violence, spurred the quest for a new social policy based on private enterprise. From the 1950s onwards, American journalists, politicians, and intellectuals had grown concerned about the nation's cities. Their concern first focused on planning issues—such as the decline of downtowns—but over time spread to encompass a variety of social and economic problems. Then the outbreak of riots in African American neighborhoods at the peak of the civil rights movement galvanized the multiplying worries into the belief in the “urban crisis,” a matter of utmost national importance.

The rioting, looting, and arson that erupted in cities large and small every summer stirred shock and fear that today is difficult to recapture. From the first large outbreak of violence in New York's Harlem and Bedford-Stuyvesant neighborhoods in 1964, the riots seemed to multiply and grow larger every year. The riots in the Los Angeles Watts district in 1965 and the West Side of Chicago and the Hough section of Cleveland the following year were bad, but still did not prepare the public or officials for the brutal violence of the summer of 1967. By far the most severe disturbances broke out in two cities. The violence in Newark raged from July 14 to 17, killing 26 people and causing \$10 million in damage to property from fires and looting.

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<sup>17</sup> Lyndon B. Johnson, Statement by the President on the Formation of a Committee to Rebuild America's Slums, June 2, 1967, reprinted in President's Committee on Urban Housing, *A Decent Home: The Report of the President's Committee on Urban Housing* (Washington, DC: Government Printing Office, 1969), 222-223; For example of cabinet meetings on the private sector involvement in solving urban problems, see presidential cabinet meeting of September 20, 1967, LBJ, in which the Postmaster General and the secretaries of the departments of Commerce, HUD, Health, Education, and Welfare, Interior, Defense, Agriculture, the Treasury, and Transportation produced reports. The Department of Commerce's response to the presidential directive is recorded in Memo, Frederick Simpich, assistant to Secretary of the Department of Commerce to Charles Maguire, October 25, 1967, EX HS 3 1/1/1967 Box 6, Folder 10/25/67-1/31/68, LBJ.

Then on July 23, the city of Detroit erupted for four days, leaving 43 people dead, almost 1,200 injured, 2,500 stores looted or burned, and more than 7,000 people arrested. While the fires were still smoldering, President Johnson named the National Advisory Commission on Civil Disorders—known as the Kerner Commission after its chairman, Illinois governor Otto Kerner—to determine what was causing the violence and how it could be stopped.

As inner-city neighborhoods exploded with violence during the long hot summers of the 1960s, the nation’s leaders cast about in all directions for explanations and solutions. Although some called for a crack-down on lawlessness, many observers—including some who favored a “law and order approach”—felt that deep-rooted problems were partially or mainly to blame for the violence.

A long tradition of environmental determinism inclined Americans to see the nation’s slums and ghettos as a great source of the violence. Since the nineteenth century, the belief that one’s living environment can shape one’s character and behavior had motivated numerous reform efforts—for public schools, recreational areas, and especially housing. Heirs to this tradition, liberals in general and Democratic leaders in particular interpreted violence of the slums as a revolt against physical conditions. In 1966, Vice-President Hubert Humphrey predicted worse violence as long as people were forced to live like animals. HUD Secretary Weaver called for action to counter “the deprivations of the environment.” “We must diagnose the ills of our ghettos and move to heal their sickness before they explode.” Two years later, the Kerner Commission would affirm the interpretation that the slums and ghettos bred violence.<sup>18</sup>

From the idea that the ghetto environments were the source of many ills it was but a small step to the solution of new and better homes for the lower classes. In the summer of 1967, as Newark, Detroit, and countless other cities burned, many American officials took that step. On August 7 Edward Brooke, Republican of Massachusetts, declared on the floor of the United States Senate that “the plainest and most pressing urban need today is housing. We do not need a study to tell us that much of the housing occupied by the poor is dilapidated, deteriorating, and dismal...”<sup>19</sup> Across the aisle the feeling was, if anything, even stronger. “Everyone agrees,”

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<sup>18</sup> James L. Sundquist, *Politics and Policy: the Eisenhower, Kennedy, and Johnson Years* (Washington, D.C.: Brookings Institution, 1968), 284-286; *Report of the National Advisory Commission on Civil Disorders* (New York: Bantam Books, 1968), see esp. 467-482.

<sup>19</sup> United States Senate, Committee on Banking and Currency, Subcommittee on Housing and Urban Affairs, *Housing Legislation of 1967 Hearings, Ninetieth Congress, first session* (Washington: U.S. Government Printing Office, 1967) (hereafter *Housing Legislation of 1967*), 1157.

Democratic congressman Wright Patman wrote to Johnson in August 1967, “that bad housing is one of the major causes of the social unrest and discontent. This is a time when we should be accelerating our housing programs to serve lower income families.”<sup>20</sup>

### **Congress Tries to Cure the Cities**

Coincidentally, the Senate Subcommittee on Housing and Urban Affairs had scheduled to hold its 1967 housing legislation hearings in late July—during the Newark and Detroit riots, as it turned out. As the violence raged, lawmakers and government leaders seized on two main ideas. The first was that the ghetto environments—particularly their substandard dwellings—caused much of the anger and resentment of the rioters. The second idea was that in order to cure the city and to address these housing problems, the private sector should play a central role.

But when the hearings began, the activist Johnson administration had little to offer in the face of the deepening sense of emergency—except a bill for eliminating rats from the slums. In the fall of 1966—the time to draw up the following year’s legislative agenda—Weaver had decided for a number of reasons to pause before requesting any more major pieces of urban legislation. One was that despite Democratic majorities in both houses, Congress had been somewhat recalcitrant about approving Weaver’s bills. The White House in 1965 had to rescue the Rent Supplements bill at the last minute, and ever since had struggled mightily to get full appropriations for the program. Again, in 1966 Congress almost rejected the innovative Model Cities program before Johnson led another all-out effort to get the necessary votes for passage.

Another reason for legislative quiescence in 1967 was Weaver’s feeling that he had his hands full just running his agency. Since his new cabinet-level agency had been approved in late 1965, Weaver had tried to organize the Department of Housing and Urban Development, and at first it had not gone particularly well. Furthermore, the administration had passed major housing laws in 1964, 1965, and 1966, and Weaver wanted to get the most recent and ambitious Model Cities program off to a good start.

The powerful chairman of the Senate Committee on Banking and Currency concurred that 1967 was not the year to run new initiatives through the Congress. “After the heavy legislative years of 1964, 1965 and 1966, I welcome the opportunity of spending less time on new programs and more time on the progress of existing programs,” John Sparkman told the

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<sup>20</sup> Wright Patman to the President, August 23, 1967, WHCF: FA Box 16, Folder FA4 11/2/65, LBJ.

National Housing Conference in April 1967. Sending Weaver a little dig, he wondered aloud “who is ‘tending the store’ on the administration of existing programs when I see so much energy being expended on new programs...”<sup>21</sup>

Finally, Weaver did not have a clear sense of what new federal actions could improve the inner-city. He believed that local governments, especially in the suburbs, created great obstacles to developing low-income housing through zoning and building codes. The Congress had recently established a National Commission on Urban Problems charged with coming up with ways to remove the roadblocks of local regulations; it seemed to make sense to wait and see what its recommendations would be.<sup>22</sup>

All things considered, Weaver thought, it was best to concentrate on implementing programs rather than acquiring more. After a break, he figured, the administration could return in 1968 with more proposals. Weaver did not anticipate the unprecedented urban violence in the summer of 1967 and its tremendous political impact, so the administration had no large legislative program as America’s cities burned. Congressman Widnall (R-New Jersey) could not resist tweaking the lion’s tail. “Even as our cities went up in flames,” he commented, the Administration had offered “only housekeeping amendments.”<sup>23</sup>

Meanwhile, members of Congress leapt into the legislative vacuum left by the White House by proposing dozens of bills—too many for Senate Housing and Urban Affairs Subcommittee Chairman John Sparkman to read at the hearings. These included several bills submitted by Abraham Ribicoff, some of which were the products of his seemingly endless hearings on urban policy that he had begun the previous year. In his most ambitious offering, Ribicoff called for a ten-year \$50-billion program to eliminate substandard housing in all urban areas throughout the country. Since his plan relied on existing programs, Ribicoff explained that

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<sup>21</sup> Address By Hon. John Sparkman, U.S. Senator from Alabama, Before the 36th Annual Convention of the National Housing Conference, Hotel Statler Hilton, Washington, D.C.

<sup>22</sup> Frank Lalli, “Weaver’s Frustrating Year—Errors, Politics Mar HUD Start,” *House and Home* 29:10 (October 1966), 12, 14; Carl A.S. Coan, Jr., “The Housing and Urban Development Act of 1968: Landmark Legislation for the Urban Crisis,” *The Urban Lawyer* 1: 1 (Spring 1969), 6; National Commission on Urban Problems, *Building the American City: Report of the National Commission on Urban Problems to the Congress and to the President of the United States* (Washington D.C.: U.S. Government Printing Office, 1968); Howard Moskof, interview with author, Chevy Chase, Maryland, June 18, 2008.

<sup>23</sup> On the last day of the major upheaval in Detroit, however, Johnson had established the National Advisory Commission on Civil Disorders to analyze the causes and perhaps buy time until he could come up with a better response. Pritchett, *Robert Weaver and the American City*, 301-302; *Congressional Quarterly Almanac* 23 (1967) (Washington, D.C.: Congressional Quarterly News Features, 1967), 501.

a three-year period of planning, experimentation, and trials,” taken from the Model Cities budget should precede his great rebuilding effort.<sup>24</sup>

Of the many proposals, the two leading and most original happened to be submitted by junior senators—Robert F. Kennedy (D-New York) and Charles H. Percy (R-Illinois)—two men considered LBJ’s political rivals and potential contenders for the presidency. Reflecting the prevailing thought on policy, both bills purported to employ private enterprise to solve the problems of the urban slums.

Kennedy’s plan for encouraging “private enterprise to provide adequate housing in urban poverty areas” chose the corporate route to urban salvation. As part of his campaign to lure large businesses to economically deprived areas such as Bedford-Stuyvesant, he proposed a combination of tax credits and accelerated depreciation methods as the profit incentives for large-scale housing developers (beneficiaries had to agree to provide at least one hundred dwelling units). Kennedy introduced the bill on July 13, the day after he submitted a companion bill with similar mechanisms for inducing companies to locate factories in poverty areas. Reflecting the appeal of his approach, Kennedy was able to persuade a number of other Senators—including Republicans—to co-sponsor his urban poverty bills.

At hearings held by the Senate Finance Committee in September 1967, the bills received an enthusiastic response, except from the White House and its allies. While privately the Johnson administration deemed Kennedy’s housing proposal worthy of serious consideration, publicly Weaver criticized the bill as inadequate as and more expensive than expanding current low-income housing programs. The treasury department also weighed in, dismissing the proposal because its tax incentives would aid too few people. The White House’s opposition outweighed support where it counted: the finance committee, chaired by long-time Johnson ally Russell Long, never reported the bill to the full Senate. The following year, Kennedy continued to push his approach until Howard Moskof, the Kaiser commission’s chief of staff—sent by the White House on a personal mission—visited Kennedy at his home and, while tolerating the drooling affection of the Senator’s pet springer spaniel, Freckles, persuaded him to support the administration’s 1968 housing act.<sup>25</sup>

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<sup>24</sup> *Housing Legislation of 1967*, 2-3.

<sup>25</sup> Moskof’s most convincing points were that the Kennedy proposal did not lower rents for tenants but did increase developers’ profits, which the Kaiser Commission staff had found were already sufficient to attract development. Committee on Finance, United States Senate, *Tax Incentives to Encourage Housing in Urban Poverty Areas*—



## Charles Percy's National Home Ownership Foundation Act

Percy's proposal, which he named the National Home Ownership Foundation Act, was even more popular and had a more immediate impact on urban policy than Kennedy's. Percy called for a system to enable low-income families to purchase houses, which would have been one the most innovative low-income housing programs since the public housing was enacted in 1937. Yet unlike the rental approach of public housing, Percy's scheme appealed to a traditional American belief—fostered by a long line of American reformers and even officials, including Herbert Hoover—the “cherished ideal of homeownership.” Invoking Jefferson, Lincoln, Whitman, and Hoover, the senator explained that, “Ever since the Pilgrims set foot on Plymouth Rock, it has been an integral part of our way of life.”<sup>26</sup>

Percy introduced his act on April 20, 1967, but he and his staff had been working on the idea for some time. A year earlier when he began his run for the senate seat held by Paul Douglas, Percy had instructed his new campaign research director, John McClaughry, to come up with a housing program. McClaughry came across a letter from a conservative Connecticut judge, John Henry Norton, who passionately believed that the sale of war-workers housing to tenants had transformed both the housing and its occupants. Seeing great potential in a platform of “Homeownership for the Poor,” McClaughry persuaded Percy to adopt the issue. Although it never became central to the campaign, after the election Senator-elect Percy, anxious to fulfill his campaign promise, hired McClaughry to work up a bill.<sup>27</sup>

Percy claimed that his National Home Ownership Foundation Act was based on the private sector and created public-private partnerships, but, in fact, few of the scheme's ingenious mechanisms relied on for-profit enterprise. The centerpiece was the National Home Ownership Foundation, a quasi-public nonprofit entity that would lend or guarantee loans made by local

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*Hearing Before the Committee on Finance United States Senate, Ninetieth Congress, First Session on S. 2100...September 14, 15, and 16, 1967* (Washington, D.C.: U.S. Government Printing Office, 1967); “Major Housing Legislation, S 2100 – Kennedy Plan,” *Congressional Quarterly Almanac 1967*, 501; Memo, Robert C. Wood to Joseph Califano, June 28, 1967, Box 3 (EX HS 2 11/22/63), Folder 11/1/67-8/31/67, LBJ; Moskof, interview. For a note on Kennedy's invention of the concept underlying enterprise zones, see Frank Mankiewicz, “The Origins of Enterprise Zones,” Letters to the Editor, *Washington Post*, October 30, 1992.

<sup>26</sup> Explanatory Statement Submitted by Senator Percy on the National Home Ownership Foundation Act, S. 1592,” in *Housing Legislation of 1967*, 1517 (quotations)-1520.

<sup>27</sup> Christa Lew Carnegie, “Homeownership for the Poor: Running the Washington Gauntlet,” *Journal of the American Planning Association* 36:3 (May 1970), 160-161.

lending institutions to housing developers. A loan fund backed by federal government bonds and capitalized at up to \$2 billion would support the foundation's lending activities.<sup>28</sup>

Significantly, the housing developers who would carry out the act's purpose were not private home builders but the same sorts of groups—minus the municipal governments—that early public housers had looked to forty years earlier. Percy called for nonprofit associations, cooperative societies, limited-dividend corporations, and neighborhood organizations of all types to construct or rehabilitate “safe, decent, low-cost housing,” words that echoed the 1937 act's goal of “decent, safe, and sanitary dwellings.” The National Home Ownership Foundation would have provided financial support to these same neighborhood nonprofit groups to provide training and counseling for low-income borrowers to ensure they would be able to manage both the financial and physical maintenance demands of home ownership.<sup>29</sup>

To enable low- and moderate-income people to take out home mortgages, the act called for direct subsidies to the home purchasers from the treasury department (which would pay the difference between the below-market interest rates and the higher interest paid on the bonds). The home ownership act also contained two other striking innovations: homeowners' insurance against foreclosure for such reasons as illness or unemployment; and the potential for buyers to use their own labor to defray costs—what later became known as “sweat equity.” In the home ownership act's major provisions, Percy relegated private business to the limited role of hired contractor, not entrepreneur—much like the original public housing program (before Weaver's Turnkey program invited in the homebuilders).

There was a good reason that the National Home Ownership Foundation Act reflected the tenets of the early public housing movement. In writing the bill, Percy and McClaghry drew on the work of Charles Abrams, a veteran housing reformer who had helped lead the drive to pass the 1937 housing act and the crusade against racial discrimination in housing that began in the 1940s. Abrams, like his former comrade-in-arms, the late Catherine Bauer, had long since

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<sup>28</sup> For the act and the reasoning behind it, see S. 1592, A Bill To Charter a National Home Ownership Foundation, and for other purposes, 90<sup>th</sup> Congress, First Session, reprinted in *Housing Legislation of 1967*, 1414-1446; Explanatory Statement Submitted by Senator Percy” in *Housing Legislation of 1967*, 1517-1542; Warren H. Butler, “An Approach to Low and Moderate Income Home Ownership,” *Rutgers Law Review* 22:1 (Fall 1967), 67-101; John McClaghry, “The Troubled Dream: The Life and Times of Section 235 of the National Housing Act,” *Loyola University Law Journal* 6:1 (Winter 1975), 1-45; Carnegie, “Homeownership for the Poor.”

<sup>29</sup> Reflecting the effort to shift urban renewal decision-making to the local level, the home developers also included the new Community Action agencies created by the Office of Economic Opportunity. Butler, “An Approach to Low and Moderate Income Home Ownership,” 76; Alexander von Hoffman, “The End of the Dream: The Political Struggle of America's Public Housers.” *Journal of Planning History* 4:3 (August 2005), 3-5, 13-14, 20-21.

grown disenchanted with the implemented version of the program they had helped create. From the 1940s on, he had been working on ideas for low-income home ownership, a heresy of the public housing movement but a way he hoped to achieve the movement's original goals. Yet he continued to distrust business interests and government supports for them, especially in the fields of housing and urban planning. In particular, Abrams had long felt a deep repugnance for the FHA, which he thought abused the role of government in a democratic society. In his days as a public houser, he condemned the agency for enriching an industry that produced slums and foisted homes on the unwary and unready. In his civil rights work, Abrams fought the FHA as a primary engine of racial discrimination in the housing field. Hence, Percy's home ownership scheme avoided the FHA entirely.<sup>30</sup>

A moderate Republican's proposal of a program situated to the left of most other bills confused the usual lines of political support for low-income housing bills. Republicans, focused on the home owning and self-help aspects of the scheme and glad to have a Republican entry into the domestic policy agenda, jumped on the bandwagon: all 36 of the Republican senators and 106 of 187 Republicans in the House signed on as co-sponsors. Percy persuaded four Democratic senators, including Warren Magnuson of Washington, to join, and several others would have signed on but partisan interest prevented them from endorsing an act authored by a likely Republican candidate for the presidency.

But the bill quickly ran into opposition. In an ironic turn of events, HUD Secretary Weaver, an old friend and colleague of Abrams at the National Committee Against Discrimination in Housing, blasted Percy's program, calling it a "gimmick" that would end up making people lose their houses and thereby instigate more violence in the ghetto! At the Senate hearings, Weaver toned down the rhetoric but not the critique of the bill, which he labeled "simply inadequate." From his days as one of the original public housing officials in the Roosevelt administration, Weaver inherited the public housers' suspicion of home ownership for the poor and of the building industry generally, and even had resisted attempts within the Johnson administration to push home buying. Furthermore, the program would circumvent HUD

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<sup>30</sup> A. Scott Henderson, *Housing and the Democratic Ideal: The Life and Thought of Charles Abrams* (New York: Columbia University Press, 2000), 108-117, 148-151, 206-210; Charles Abrams, *The Future of Housing*, (New York: Harper & Brothers, 1946), 372-373.

and the FHA, whose prerogatives Weaver, as secretary of HUD, naturally wished to protect. Finally, loyalty to LBJ required Weaver to combat any efforts by a potential political rival.<sup>31</sup>

Deeply dependent on existing government programs and wary of offending the president and powerful congressional Democrats, both reformer and industry lobbies steered clear of Percy's plan. The liberal AFL-CIO condemned it as a "cruel hoax." Members of a special committee of the National Housing Conference, the original public housing lobby group, listened to their old companion Abrams plead for the home ownership bill but rejected his arguments. They concluded that the proposal would not reach the lowest income group and, significantly, that the secretary of HUD should control any new home ownership initiatives "to utilize the personnel and experience of existing agencies." NAHRO took a similar line, while the Conference of Mayors endorsed the principles of home ownership but refused to discuss the particulars of Percy's bill.

On the industry side, the National Association of Real Estate Boards worried that it was not limited to low-income families and defended the FHA as the best agency to oversee any home buying among the poor. The National Association of Home Builders were troubled by the idea that nonprofit organizations, instead of the group's members, would develop low-income homes, although under Percy's questioning, their president, Leon Weiner, admired the direct interest subsidy mechanism for the homeowner. Among the major lobby groups, only the U. S. Chamber of Commerce smiled upon Percy's bill.<sup>32</sup>

More ominously for Percy, Democrats in the Senate pushed alternative home ownership programs to be carried out by for-profit businesses rather than nonprofit organizations. Soon after Percy announced his plan, Democratic senators Walter F. Mondale (Minn.), Joseph Clark (Pa.), and Ribicoff (Conn.) introduced alternate schemes that relied on the FHA mortgage insurance system and private mortgage financing, which worked through existing mortgage lenders and brokers. In preparation for a final piece of housing legislation that fall, Banking and

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<sup>31</sup> Statement of Robert C. Weaver, *Housing Legislation of 1967*, 8-9; Robert C. Weaver to John Sparkman, July 14, 1967, Subject: S. 1592, 90<sup>th</sup> Congress (Senator Percy et al) reprinted in *Housing Legislation of 1967*, 1447-1449; Carnegie, "Homeownership for the Poor," 161-163, note 16 (167); Pritchett, *Robert Weaver and the American City*, 307; Horace Busby to Charles L. Schultze, July 30, 1965, Box 288 (Papers of LBJ, EX FG 240-1 6/1/68), Folder FG 245 Housing and Home Finance Agency 6/11/65 - 9/23/65, LBJ; Rachel G. Bratt, *Rebuilding a Low-Income Housing Policy* (Philadelphia: Temple University Press, 1989), 131-132.

<sup>32</sup> Carnegie, "Homeownership for the Poor," 164; National Housing Conference, "Report of the Committee on Providing Homeownership for Lower Income Families," reprinted in *Housing Legislation of 1967*, 327-333, 329 (quotation); *Housing Legislation of 1967*, 255, 272-273, 395-396, 1152-1157, 1194, 1200.

Currency chairman Sparkman instructed Mondale, whose plan had gained the most traction, and Percy to come up with a compromise between their two bills. Long and difficult negotiations eventually produced a bill that replaced most of Percy's bill, leaving only the goal of low-income home ownership. Percy's National Homeownership Foundation survived in name, stripped of all its functions except the provision of technical assistance to organizations working on home ownership opportunities for low-income families.<sup>33</sup>

Mondale's negotiator, John Maguire, succeeded in part because he pushed for features that reflected the chairman's biases toward business and gradualism. The chairman wanted bills that appealed to the housing lobbies, so Maguire pushed for more production than Percy's bill had. He knew that Sparkman liked housing programs that built on existing policy and therefore wrote into Mondale's bill the same amount of subsidy (3 percent) that the 1961 housing program 221 (d) (3) had used. Protecting his political base, Alabama Senator Sparkman liked to ask of legislative proposals, "How will it work in Huntsville?" The answer in this case translated to lower income limits for the target group than the original limits set for the 221 (d) (3) program, geared toward the relatively high income levels of New York City residents. Faced with the choice of going along or challenging Sparkman and alienating the Senate establishment, Percy acquiesced to the Democratic program.<sup>34</sup>

Yet the White House slammed the door on home ownership for the poor. In August 1967 Weaver explicitly informed Sparkman that the President was not ready to move on home ownership at the present time. In the fall Mondale gathered support from the other Democratic senators on the housing subcommittee, and he and Percy pushed to get the bill out of committee and onto the floor. But the fix was in. Sparkman stalled on reporting the bill until late in the session, the Republicans who had cheered Percy on in April fell silent, and, finally, the delaying tactics allowed the Senate leadership to declare it was too late to consider the bill during this session.<sup>35</sup>

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<sup>33</sup> Even the homeownership assistance of the foundation was watered down, as the foundation was to encourage *all* low-income housing opportunities, not limited to homeownership. McClaughry, "Troubled Dream," 11-14; United States Senate Committee on Banking and Currency, *Housing and Urban Development Act of 1967: Report to Accompany S. 2700 Together with Individual and Additional Views* (Washington, D. C.: U.S. Government Printing Office, November 28, 1967), 1-24; Robert Ellickson to Presidents committee, November 15, 1967, PCUH, Box 56, Folder Originals for November 16, 17 Meeting, LBJ.

<sup>34</sup> Carnegie, "Homeownership for the Poor," 165.

<sup>35</sup> Carnegie, "Homeownership for the Poor," 164-166; Robert C. Weaver to John Sparkman, August 10, 1967, WHCF, Box 3 (EX HS 2 11/22/63), Folder 11/1/67-8/31/67, LBJ; John Sparkman to Honorable Russell B. Long,

## **A Crash Program to Buy Time**

Even the powerful Johnson administration knew that quashing Percy's bill would not suffice and that the urgency of the moment required positive action. With America's cities burning, Congress threatening to take the initiative on urban and housing issues, and the president growing anxious that his administration would be caught flat-footed, HUD Secretary Weaver now turned to his library of housing programs to influence events. Weaver, a masterful bureaucrat, was happy to have a wide array of programs, big and small, from which he could pull one to match any circumstances.

Two days after Sparkman's hearings on housing legislation ended in August, Weaver sent the White House a proposal to fill the need for bold action to produce impressive numbers of low-income dwellings. He put forward what he labeled a "Crash Program for Low Income Housing," building 250,000 units of new public housing. Following the president's desire to involve private enterprise, Weaver would let private companies develop the public housing via the Turnkey method and, extending the Turnkey idea even further, would hire private management firms to run the new projects. Weaver argued that this plan would meet the administration's goal of employing private industry right away while the Kaiser Commission worked up a large, long-term public-private program for low-income housing.<sup>36</sup>

Working quickly, Joseph Califano, Johnson's chief deputy for domestic affairs, called Sparkman to set up a talk between the chairman and the president sometime the following week. As Califano explained to LBJ, the interval would allow the White House time to vet Weaver's proposal with the Kaiser Commission—which LBJ had begun treating like a government agency—and the Budget Bureau. Califano scribbled a note to White House aide Marvin Watson that he should get Kaiser "in high gear" and report back. That evening, Vice-President Hubert Humphrey reported to Johnson that the special group of cabinet secretaries formed to study urban problems had listened to Weaver present his program and heard that the Kaiser commission was accelerating its work. Between the two they felt the immediate needs for low-income housing were covered.<sup>37</sup>

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January 16, 1968, Sparkman Accession 70A4063, Box 6, Folder 11 Housing General, John J. Sparkman Papers, W.S. Hoole Special Collections Library, University of Alabama, Tuscaloosa, Alabama.

<sup>36</sup> Memo and attachment, Weaver to Califano, August 10, 1967, 11/1/67-8/31/67, EX HS 2 11/22/63, Box 3, LBJ Library.

<sup>37</sup> Memo, Joseph Califano to President, [August 11, 1967] with attached Memo, Joseph Califano to Marvin Watson, 1:00 p.m., Wednesday, August 11, 1967, Committee to Rebuild America's Slums (11/22/63 – 12/31/67), Papers of

Kaiser and apparently federal budget director Charles L. Schultze approved of the idea of using and extending Turnkey, but as a pilot project. The authorization for 250,000 units would require getting Congress to pass a new bill—which would take time. Thus, Kaiser agreed with Weaver that the administration immediately begin a smaller pilot program by using an existing authorization for about 50,000 units.

In a well-orchestrated maneuver, White House aides on August 17 released Johnson's order to Weaver to carry out the pilot program recommended by the Kaiser Commission, which public officials and leading housing interest groups greeted with a cascade of endorsements. Interestingly, both NAHRO, which stood to lose some of its business to private housing managers, and NAREB, a stridently anti-public housing lobby, proclaimed their support. Leon Weiner, the liberal head of NAHB, immediately welcomed the extension of private industry into the management of public housing and privately assured the White House that he would swing his organization's support within a couple of days, which would give the Turnkey pilot program further momentum. Sure enough, on August 19 the NAHB board approved a resolution endorsing "the President's Pilot Program as a step to broaden the role of private enterprise in housing low-income families." The Kabuki drama of presidential directive and subsequent endorsements obscured Weaver's original authorship of the idea.<sup>38</sup>

The following week Weaver came up with another idea for taking quick action and showing that the administration was pushing ahead. He would move up the start date of an authorization of \$47 million for public housing by six months and boost the current authorization

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Lyndon Baines Johnson, President, 1963-1969 [hereafter Papers of LBJ] EX FG 647 Box 379, LBJ; Memo, the Vice President to the President, 7 p.m., August 11, 1967, 09/17/66-11/30/66, Box 253, LBJ.

<sup>38</sup> The National League of Cities, U.S. Conference of Mayors, National Association of County Officials, and Urban America also endorsed the idea. Memorandum, Edgar F. Kaiser to Joseph A. Califano, August 16, 1967, 11/1/67-8/31/67, EX HS 2 11/22/63 Box 3, LBJ; Office of the White House Press Secretary, Press Release Memorandum, Lyndon B. Johnson for Robert C. Weaver, August 17, 1967 and Memorandum, Edgar F. Kaiser for the President, August 17, 1967, *ibid*; Memo, Fred Panzer to the President, August 17, 1967, *ibid*; Memo, Joseph Califano to the President, 5:15 p.m., August 17, 1967, and attached Leon Weiner, press release, August 17, 1967, *ibid*; Memo, Joseph Califano to the President, 5:45 p.m., August 17, 1967, and attached press release, "Statement by Former Senator Paul H. Douglas, Chairman, National Commission on Urban Problems," *ibid*; Federal Home Loan Bank Board, press release, August 17, 1967, *ibid*; "Kaiser Group Offers Private Turnkey Plan," *Journal of Housing* 24:7 (August 1967), 363-364; National Association of Home Builders of the United States (hereafter NAHB), "President Johnson's Pilot Program for the Provision of Low-Income Housing," Resolution D, NAHB Committee Reports, Board of Directors Summer Meeting, August 1967, Box 03-006, F-5 Committee Reports (1967) August, NAHB Archives, Washington, D.C.

by \$50 million, thereby creating an additional 50,000 low-income dwellings. Soon thereafter the president sent Sparkman a request to move on this as well as on the rat extermination bill.<sup>39</sup>

### **On the Menu: a Grand Plan**

As Weaver undoubtedly knew, his proposals were only stopgap measures to buy time until the president got what he wanted: a truly large housing plan—one of unprecedented magnitude. Johnson had charged the Kaiser Committee with finding ways to rebuild all of America’s slums. In the fall, Califano tried to help Kaiser light a fire under the federal bureaucracy and directed Weaver and Bureau of the Budget chief Charles Schultze “to put together a ten-year housing program that would eliminate all the substandard housing in this country.” Califano admitted such an enormous job might be impossible to achieve, but he and Kaiser felt it necessary to set high goals in order to make serious progress in the next few years.<sup>40</sup>

The responsibility for cooking up the big plan in next year’s legislation—what would become the Housing Act of 1968—was divided, with several chefs working on it simultaneously. While Sparkman hoped to keep some control of the outcome from his influential post in Congress, the administration had two agencies developing policy: the Kaiser Committee and HUD. The three centers of power pushed ahead simultaneously, consulting and jousting with one another while they advanced their own particular agendas.<sup>41</sup>

A novel piece of the 1968 legislation entitled “Housing Goals and Annual Housing Report” would lay out the ambitious scale of the government’s new housing program. The United States already had a national housing goal, inscribed in the Housing Act of 1949, of “a decent home and suitable living environment for every American family,” but many involved in producing legislation believed that the nation needed a more specific target. The clamor for better housing to stop the rioting and save the ghettos produced proposals for a sizeable increase in the production of new homes: for example, three Democratic members of the House Housing

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<sup>39</sup> Joseph Califano to the President, August 24, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America’s Slums (11/22/63 – 12/31/67); John Sparkman to the President, August 26, 1967, Papers of LBJ, GEN FA 3 8/1/68 Box 16 Folder 8/20/67-5/8/68.

In the end, to LBJ’s disappointment, Congress gave him much less than he asked for not only in public housing, but also in the new Rent Supplements and Model Cities programs. Lyndon B. Johnson, Statement by the President upon Signing the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968. November 3, 1967.

<sup>40</sup> Joseph Califano to the President, November 10, 1967, FG 170 Box 254, Folder 10/13/67-01/03/68, LBJ.

<sup>41</sup> Lyn Shepard, “Housing-bill Chefs Toil over Recipe,” *Christian Science Monitor*, January 18, 1968.



Subcommittee in 1967 introduced a measure to expand the supply of low- and moderate-income housing in the United States by 1000 percent.<sup>42</sup> The president clearly had some great production goal in mind for his legislative package.

Thus, the Kaiser Committee early on adopted the idea of setting national goals for housing production. Kaiser and Howard Moskof, the committee's chief of staff, organized one of the group's several sub-committees to work specifically on the task. Perhaps more importantly, Moskof hired two different technical consultants and also called on the expertise of economists from HUD, the Council of Economic Advisors, and NAHB to calculate precisely the complex figures for current supply and volume of rehabilitation, the rate of building and demolitions of homes, the future demand for housing based on demographic information such as immigration and household formation, "national housing needs" for particular income groups, and the ability of the private market system to supply the homes for all groups. In the end, the committee accepted a goal in the next ten years to build or rehabilitate 26 million dwelling units, of which 6 million would go to low- and moderate-income families.<sup>43</sup>

The NAHB, however, pushed the idea of goals even further, only one of several instances in which the homebuilders' association shaped national housing policy for 1968. It was a NAHB president, Larry Blackmon, who first conceived of the idea that the trade association lobbies and reform groups interested in housing could help develop a goal of a specific number of dwelling units to be reviewed annually. In 1967, Leon Weiner, Blackmon's successor as NAHB president, directed NAHB to organize two housing goals conferences. A wide range of industry and reform interest groups attending the conferences came to agree on the need for national housing goals, numerical objectives, and a method to assess government progress each year. Using their influence outside as a lobby group and from inside the Kaiser Committee where Weiner was taking a leading role, the leaders of NAHB successfully led the drive to include in the 1968 legislation the annual review of progress toward specific goals.<sup>44</sup>

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<sup>42</sup> *Congressional Quarterly Almanac*, 90<sup>th</sup> Congress 1<sup>st</sup> Session 1967 Vol. 23 (Washington D.C.: Congressional Quarterly Service, 1967), 501.

<sup>43</sup> Howard Moskof, Staff Report: The President's Committee on Urban Housing, September 28, 1967, President's Committee on Urban Housing (hereafter PCUH), Box 55, Binder "Staff Report," LBJ; Memo, unsigned [probably Howard Moskof] to The President's Committee on Urban Housing, Subject: "The Elusive Search for the All-Purpose Housing Solution – The Need to Analyze Each of the Several Components of the Problem," September 15, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America's Slums (11/22/63 – 12/31/67), LBJ; Moskof, interview.

<sup>44</sup> Attending groups included the lending trade associations interested in mortgage credit, the National League of Cities with the U.S. Conference of Mayors, NAHRO, National Association of County Officials, the U. S. Chamber

The White House was delighted with the big target for housing. In his January 1968 State of the Union address, the president put the Kaiser Committee figures forward as a national goal. Johnson called for 300,000 new housing units for low- and middle-income families next year—more than half of the production of the previous ten years—and 26 million all together in the following decade.

Not everyone was pleased by the gargantuan target. The previous year John Sparkman had hammered many of the housing proposals into the legislation that was never put to the full Senate in 1967 but formed a useful draft of a 1968 housing bill. As he listened to the president deliver the State of the Union message, the senator had a sinking feeling that the president had “smothered what I considered a fine, but modest, housing bill.” Sparkman had good instincts—the housing goals had an immediate impact, ratcheting up the volume of the housing programs under discussion for housing legislation for 1968.<sup>45</sup>

### **The Attack on Weaver and HUD**

The ambitious housing goals also contributed to a struggle over control of housing policy. The relationship between the presidential task force on urban housing and Weaver’s newly created department dedicated to housing and urban affairs was uncomfortably ambiguous to begin with. Johnson wanted Weaver to cooperate and help Kaiser’s group, including its feisty staff, and, to Weaver’s credit, he freely provided staff and support. Yet the very existence of the Kaiser committee indicated that LBJ did not feel that HUD could handle his ambitions for an urban policy agenda.

Then as Kaiser contemplated how the government might actually reach the sky-high goals his committee—and the president—had adopted, he confronted the slow production rate of the federal government’s low-income programs. The government-controlled public housing, the public-private effort at moderate-income housing called BMIR or Section 221 (d) (3), and the

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of Commerce, and the AFL-CIO. William Lilley III, “The Homebuilders' Lobby,” in Jon Pynoos, Robert Schafer, and Chester W. Hartman, eds. *Housing Urban America* (New York: Aldine Publishing Company, second ed., 1980), 39, (first published as “Washington Pressures/Home Builders’ Lobbying Skills Result in Successes, ‘Good-guy Image,” *National Journal*, February 27, 1971, 431-445); Proceedings of the Twenty-Third Annual Convention of the National Association of Home Builders, Meeting of the 1966 Board of Directors, morning session, December 7, 1966, Chicago, Illinois, NAHB archives, 10-12; Presidents Committee on Urban Housing, Minutes, November 16-17, 1967, PCUH, Box 41, Folder Minutes, LBJ.

<sup>45</sup> Lyndon B. Johnson, Annual Message to the Congress on the State of the Union, January 17, 1968; John Sparkman to Robert De Kruif, January 23, 1968, Sparkman Papers.

newly enacted rent supplements program all were painfully slow in producing actual units. (The social-purpose FHA programs—aimed at producing homes in urban renewal areas or for displaced citizens—did no better.)

Kaiser's chief of staff, Moskof, spent most of his time in the fall of 1967 probing HUD's programs—deeply enough to rankle both Weaver and his deputy secretary Robert Wood, according to a White House aide. He concluded that if HUD would forcefully shake up its project pipeline, it could triple its production of assisted housing. Not only HUD officials but also budget bureau officials doubted that any action could produce anything close to the results Moskof predicted.<sup>46</sup>

Indeed, when Kaiser asked Weaver how HUD could pump up its pipeline, the secretary told him to be realistic and consider the obstacles posed by local politics and land use regulations. "Bob," a dismayed Kaiser responded, "I know from my experience that you're not going to do anything unless you set some targets for your troops." In late 1967, Kaiser criticized both HUD and Weaver's leadership to top White House officials, declaring in one letter to Califano that HUD had not yet melded the component agencies it had inherited and that its rate of processing project applications was "definitely inadequate." Kaiser, Moskof, and Lloyd Cutler, Kaiser's well-connected corporate attorney who had signed on to consult with the committee on tax issues, had begun to think that with Weaver at the helm, HUD could never produce a dramatic public-private housing program. They proposed hemming Weaver in with two new under-secretaries and increasing pressure from the White House to increase the production of assisted housing. To make matters worse, some liberal members of Congress also criticized HUD's operations, with Massachusetts Republican Edward Brooke calling for a new sub-department dedicated to low-income housing.<sup>47</sup>

Kaiser's criticisms might have seriously damaged Weaver's standing with Lyndon Johnson—perhaps even forcing him out as head of HUD—but for two reasons. However bland his public persona, Weaver was a tough and resilient organizational infighter. He placed spies on Johnson's task forces to get information and kill ideas that he disliked and, as we have seen in

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<sup>46</sup> Moskof thought that withdrawing funds from tardy projects and injecting them in more promising ventures would increase production and motivate the laggards. Fred Bohlen to Joe Califano, November 25, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America's Slums (11/22/63 – 12/31/67), 2.

<sup>47</sup> Joseph Califano to the President, November 10, 1967. FG 170 Box 254, Folder 10/13/67-01/03/68, LBJ; Moskof, interview ("targets for your troops" quotation); Edgar Kaiser to Joe [Califano], December 27, 1967, FG 170 Box 254, Folder 10/13/67-01/03/68, LBJ; Bohlen to Joseph Califano and Charles L. Schultze, December 12, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America's Slums (11/22/63 – 12/31/67).

regard to the congressional initiatives of 1967, was quick to develop a counter-strategy to match his opponents. A man who liked playing poker for relaxation, Weaver also knew when to fight and when to fold and go along.

The actions of a somewhat unexpected ally, Leon Weiner, NAHB's head, had also helped Weaver survive the onslaught from Kaiser. Weiner, whose business was headquartered in Wilmington, Delaware, belonged to a group, little known to most academic historians and social scientists, of liberal home builders. Their ranks included Jewish easterners such as Weiner and his business partner from Delaware, Marvin Gilman, and Protestants from the Plains, such as Larry Blackmon of Texas and Lloyd Clarke of Iowa.

These small businessmen could be described as practical-minded pro-growth liberals. They believed that an expanding economy benefited citizens, who enjoyed abundant goods and services, as well as the bottom lines of their own enterprises. In their ardent belief in their own version of entrepreneurial capitalism—small businesses supported by government policies—such liberal home builders had pushed for private-enterprise housing programs with a public purpose, such as those aimed at encouraging development in urban renewal areas. They were among the first to participate in Weaver's moderate-income housing program, the Section 221 (d) (3) program. But these businessmen-liberals also believed in civil rights. One of Lloyd Clarke's proudest—and most suspenseful moments—as a NAHB leader was when he asked hundreds of home builders for *unanimous* approval of a resolution to comply with the intent as well the letter of the civil rights act.<sup>48</sup>

Leon Weiner was perhaps the most prominent of the liberal home builders. A barrel-chested man with a booming voice and a brilliant mind, Weiner overcame rampant anti-Semitism and conservatism to rise to the presidency of the NAHB. A fierce opponent of public housing, he was strongly committed to civil rights—Clarke testified that Weiner had provided the driving force behind the NAHB civil rights resolution. To be sure, his support for Weaver was politically advantageous, as the home builders had a strong interest in preserving HUD agencies, especially FHA and FNMA, that supported their business. But Weiner's own liberalism, including his ardent belief in equal treatment for members of all races, likely influenced him as

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<sup>48</sup> National Association Of Home Builders, Oral History Interview – Past Presidents, Lloyd E. Clarke, September 27, 2005, National Housing Center, Washington, D.C.

well. Whatever his motive, he clearly got along well with Weaver, who years later would deliver a testimonial speech for Weiner.<sup>49</sup>

Weiner carried political weight in Washington, and in 1967 and 1968 he used it on behalf of Weaver. Earlier in the Johnson term, he had been one of the NAHB leaders most present at the White House and on Capitol Hill, and he had used his influence to throw NAHB's support to the Rent Supplements and Model Cities programs, a shrewd political move that won LBJ's gratitude. In the subcommittees and general meetings of the urban housing task force, Weiner, forceful both in factual argument and personality, defended HUD and fought against proposals to change it. Outside, he helped arrange for NAHB to adopt a legislative agenda for 1968 that matched HUD's program so precisely it surprised some HUD officials.<sup>50</sup>

### **Private Enterprise in Social Housing: Small or Large?**

The struggle over HUD revealed a fundamental division in outlook and approach within the Kaiser Committee. The adoption of ambitious housing goals by the committee and the president set off a quest to find an effective private-public method to produce massive numbers of new dwellings, a quest which Moskof labeled "The Elusive Search for the All-Purpose Housing Solution." White House officials hoped that such a solution would be found by breaking down labor barriers in the housing industry and discovering revolutionary new building technologies. But much of the battle in the committee over the proper method to achieve the mass production of housing boiled down to a fight between small and big business.

In the postwar heyday of great corporations, the concept of a large business enjoyed a natural advantage in a discussion over the correct approach to a national problem. LBJ had named Edgar Kaiser to head the committee because he admired Kaiser both personally and as the head of a large and successful corporation that had first gained national prominence for its ship building during World War II. Kaiser's chairmanship perfectly expressed the notion—current at

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<sup>49</sup> For an example of their cordial and honest relationship, see Leon Weiner to Robert C. Weaver, December 12, 1967, Box 254, Folder 10/13/67-01/03/68, LBJ; Robert C. Weaver, "Federal Housing Policy in 1973, A speech delivered on December 6, 1973 at Hotel DuPont, Wilmington, Delaware on the Occasion of the Award Dinner for Leon N. Weiner as the Housing Man of the Year sponsored by the National Housing Conference," Box 4, Folder Board of Directors December 1973, National Housing Conference records, Social Welfare History Archives, University of Minnesota, Minneapolis, Minn.

<sup>50</sup> Lyndon B. Johnson to Leon Weiner, November 13, 1967, Papers of LBJ GEN FA 3 8/1/68, Box 16 Folder 8/20/67-5/8/68, LBJ; Bohlen to Califano, November 25, 1967; Subcommittee on Existing Programs, Minutes of Meeting, November 16-17, 1967, PCUH, Box 41, Folder Minutes, LBJ; Robert C. Wood to William Ross, Subject: Comments on the NAHB Policy Statement, January 19, 1968, Papers of Robert C. Wood, Box 66, folder NAHB, LBJ.

the time—that the problem of homes could be solved by simply rolling them off assembly lines like battle ships and airplanes back in the war. After all, this is what he and his father had done during the war.

Reflecting on the small-scale and fragmented nature of the home building industry, it was easy to view the model of a large national corporation as a solution. The developers of America’s homes, according to a Kaiser Committee memo of November 1967, were too small in scale, dispersed and varied in function to bring the energy, skill, and money to plan and produce housing at the unprecedented level that the times required. As such, the small builders were vulnerable to economic and financial market forces, unable to invest large sums in long-term research and development, and unable to plan and control their future environment. “The industry,” the memo’s author lamented, “has no GM, GE, IBM, Esso, AT&T or similar unit with the size and market power adequate for the tasks now before it.” Some of the committee now began to dream of an entirely new institution—perhaps a public-private profit-making corporation that combined the Corporation for Public Broadcasting and Comsat (the commercial communications satellite system the government started in 1963) that could stimulate and support public and private housing entities.<sup>51</sup>

The leading proponent of the idea of “a public-private corporation, independent of HUD, to raise money and develop housing on a national scale” was Lloyd Cutler, the corporate lawyer who somehow managed to make himself a force on the Kaiser Committee even though he was not a member. He promoted a national housing corporation that would be large and powerful enough to break administrative logjams, negotiate favorable union contracts, help local communities, stimulate research and technology, and function as a private yardstick by which to measure government housing programs. In early December the staff and some members of the committee were still skeptical and called for further study. Kaiser himself doubted whether his company’s wartime experience applied at all to the complexities of the present housing dilemma.<sup>52</sup>

Within the Kaiser Committee, Leon Weiner, the head of the home builders’ association, vigorously opposed the proposal for a national housing corporation. Weiner, an experienced

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<sup>51</sup> Internal Memo of the Presidents Committee on Urban Housing, November 24, 1967, Subject: Better Urban Dwellings Corporation, PCUH, Box 57, Folder Original December Package, LBJ.

<sup>52</sup> Bohem to Califano, November 25, 1967 (quotation); Memo from Committee on Urban Housing Staff to Lloyd Cutler, December 1, 1967, PCUH, Box 57, Folder Original December Package, LBJ; Edgar Kaiser to Joseph Califano, December 11, 1967, Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America’s Slums (11/22/63 – 12/31/67); Kaiser to Joe [Califano], December 27, 1967.

home builder in Delaware and Pennsylvania, understood that their small scale of operations allowed builders to adapt to local conditions and regulations. “Proposals for vast joint Government-industry corporations are more dramatic than realistic,” began the blunt statement Weiner placed in the NAHB policy statement for 1968. “Such mechanisms would be cumbersome and unworkable in an industry where flexibility is the first consideration. Experience has proven conclusively that large organizations do not necessarily build less costly or better homes or apartments.” The final sentence lowered the boom: “A new, huge corporation—whether purely private or quasi-Governmental, whether profit or non-profit – will succeed only in concentrating a myriad of small problems into one massive impossibility.”<sup>53</sup>

As the discussion proceeded, the national housing corporation began to look more like an investment bank than a government agency or builder. The proposed agency would amass investments from its corporate members who would provide the working capital for local development projects. Making returns high enough to attract investors posed the most serious worry, so Kaiser proposed tax benefits that would allow investors to deduct losses and depreciation from the venture from their incomes. Moreover, he and Moskof believed that they could imitate the practice of nonprofit developers of subsidized housing projects by selling tax write-offs to their investors.<sup>54</sup>

“The idea was that private enterprise would invest [and] get the tax benefits,” Moskof explained, “and now you would have a well-funded organization which would assist local...nonprofits to build housing all over the country.” Idealistic staff members objected that it was boondoggle for Cutler and his corporate clients, but Moskof asked, “What the hell's wrong with having a Cabot talking to the other muck-a-mucks [to be] a resource for the administration and also...really bolster the nonprofits who are not capable of doing this?”<sup>55</sup>

Still, it was not clear whether a for-profit consortium of large companies to develop low- and moderate-income housing was viable. To test the concept, Kaiser inquired of the members of the Business Council, a group of the heads of America’s largest corporations, whether their companies would be willing to participate. Several members, including the heads of IBM, General Motors, Hewlett-Packard, and Allied Chemical responded positively. With that

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<sup>53</sup>Bohen to Califano, November 25, 1967; *NAHB Policy Statement for 1968*, Approved by NAHB Board of Directors, December 6, 1967, Chicago Illinois, Section V. Housing Our Urban Poor, 2.

<sup>54</sup>Larry Levinson to Joseph Califano, December 26, 1967, EX HS 2 11/22/63 Box 3, Folder 9/1/67-12/31/67, LBJ; Moskof, interview; Carl A.S. Coan, Jr., interview by author, June 9, 2006, Washington, D.C.

<sup>55</sup>Moskof, interview; Robert Ellickson, interview by author, Cambridge, Massachusetts, June 2, 2008.

endorsement, Kaiser was able to win approval from the other committee members, including Weiner and labor leaders Meany and Reuther. Johnson included the proposal in his “Crisis of the Cities” speech on February 22, 1968, and the following month HUD and John Sparkman incorporated a National Corporation for Housing Partnerships in the 1968 housing bill.<sup>56</sup>

### **Builder Programs for Low-income Housing**

Weiner and the home builders could afford to tolerate the National Corporation for Housing Partnerships perhaps partly because they doubted the big-business approach would succeed but certainly because they knew that the law would include two new large low-income housing programs—one for homebuyers and the other for renters—designed to be carried out by the home building industry. In fact, NAHB representatives shaped both programs, working closely with the Senate and House banking committees.

“That’s why they are builder programs,” a staff member for the House committee explained. “They are oriented toward housing production—units, starts, and property—with people being secondary considerations.”<sup>57</sup>

A case in point is the home ownership provision of the law, titled Section 235 of the National Housing Act.

During the spring of 1968, Washington’s political machinery completed the transformation of Percy’s home ownership bill from a carefully controlled program for nonprofit organizations to a plan for large-scale for-profit housing production. Although Johnson administration officials had succeeded in stopping Percy the year before, they recognized the appeal of low-income home ownership and moved to appropriate the issue in their legislative agenda for 1968.

Reworking the 1967 Sparkman committee bill, Weaver’s legislative team placed the home ownership program squarely within the FHA-private industry system. A pleasing feature to the NAHB representatives who vetted the legislation, the bill subsidized the sale of new or substantially rehabilitated houses, although to get started, it allowed a percentage of contracts for existing housing. The new bill gave the authority to the HUD secretary to pay to private lenders

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<sup>56</sup> Joe Califano to the President, February 10, 1968, 8:30 p.m., Papers of LBJ, EX FG 647 Box 379 Folder Committee to Rebuild America’s Slums (1/1/68 – 9/30/68), LBJ; Lyndon B. Johnson, Special Message to the Congress on Urban Problems: “The Crisis of the Cities,” February 22, 1968; “Hearings Begin on Urban Development Proposals”, *Congressional Quarterly Weekly Report* 26: 11 (March 15, 1968), 526-527.

<sup>57</sup> Lilley, “The Homebuilders’ Lobby,” 39.



who made FHA-insured loans the difference between 20 percent of the home buyer's monthly income and the monthly mortgage payment, a subsidy mechanism taken from Percy's bill.

The vaulting housing goals introduced by the Kaiser Committee necessitated volume, however, so the 3 percent mortgage interest rate of 1967 was lowered to 1 percent, which extended the reach into the low-income group, and the limits on income were raised to match the BMIR Section 221 (d) (3) program, which added moderate-income customers. To ensure the FHA would insure the new loans, the bill's authors specifically loosened credit requirements of borrowers and the viability criteria for neighborhoods, and added a new special risk insurance fund that, they stated, was "not intended to be actuarially sound." Oriented totally toward production, the bill ignored community development, which Weaver championed in programs such as Model Cities and criticized Percy's plan for omitting.<sup>58</sup>

Little remained of the National Home Ownership Foundation Act from the previous year. The role of nonprofits, central to Percy's program, was reduced almost to an afterthought in the new home ownership scheme. Unlike the careful buyer education built into Percy's bill, the counseling provision in the 1968 bill was vague and mentioned no agencies that might protect inexperienced buyers. Hence, the bill was aimed at poorer home buyers than Percy's, but provided no protections for them. The HUD legislative team stripped even the name of Percy's National Homeownership Foundation from the bill, but Sparkman, who had come to respect and like Percy, restored it to the legislation.<sup>59</sup>

The story of the rental program Section 236, the other major industry provision in the 1968 housing bill, was similar to that of Section 235. HUD officials, including Weaver, Kaiser Committee members and staff, and major groups interested in promoting low-income housing—including Weiner's homebuilders—all wanted to boost production in the Section 221 (d) (3) program, and many of them participated in revising the program. The Kaiser Committee hired Cornell University economist and HUD consultant George von Furstenberg to work on the problem.

The essential solution, which both HUD and the Urban Housing Committee adopted, was to set the interest rate that rental developers would pay on their mortgages at one percent. The Section 236 subsidy exceeded that of the Section 221 (d) (3) program it was designed to

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<sup>58</sup> Housing and Urban Development Act of 1968 (Public Law 90-448); McClaughry, "Troubled Dream," 17.

<sup>59</sup> McClaughry, "Troubled Dream," 17-21; Leverett Saltonstall to John Sparkman, August 12, 1967 and John Sparkman to Leverett Saltonstall, August 22, 1967, Box 8 Folder Housing General '67, Sparkman papers.

replace and provided a greater incentive for developers. Carl Coan Jr., then counsel at HUD, refined the idea by adapting Percy's method of subsidizing interest payments for multifamily properties. It too met with the approval of the home builders, who had been working to "intensify" the old program.<sup>60</sup>

### **Clear Sailing**

In March 1968, John Sparkman and his counterpart in the House, William Barrett, introduced and held hearings on the administration's great housing bill for 1968. Of course, HUD Secretary Weaver led off with a ringing endorsement of the legislation that would advance private enterprise further into housing policy and go far toward meeting the goals set by the Kaiser Committee. At the hearings, the subsidized housing programs received broad support, which seemed noteworthy given the administration's request for \$7.5 billion to pay for the bill (of which \$300 million was targeted for the Section 235 homeownership program).<sup>61</sup>

Even more noteworthy was the line up of interest groups, many of whom had been on opposite sides of housing policy since World War II. The organizations that had long thrown their weight behind liberal housing reform—the AFL-CIO, the U.S. Conference of Mayors and National League of Cities, the National Housing Conference, NAHRO, the Settlement Houses and Catholic Charities, the planners and the architects—all came out in favor of the massive social program. But so too did the NAHB, the Mortgage Bankers Association of America, American Bankers Association, and the U.S. Chamber of Commerce. Even the ever intractable National Association of Real Estate Boards gave partial support, although the officers could not resist opposing the rental program because it resembled its predecessor, the moderate-income

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<sup>60</sup> Coan proposed that a subsidy could be determined by providing the difference between the fair market interest rate—what a for-profit developer would need to operate a project—and the basic or subsidized interest rate of 1 percent. In addition, the administration wanted to find a way to reduce its impact on the annual budget, as a change in accounting rules required regular appropriations for the cost of the program. PCUH, *A Decent Home*, 65; Coan, interview; Moskof, interview; Minutes, Subcommittee New and Existing Programs, Meeting of December 14, 1967, Box 47 unmarked folder, 10, LBJ.

<sup>61</sup> To help pay for the social housing programs without unduly raising the federal budget, the bill's authors set off FNMA (Fannie Mae) as a private corporation and established the Government National Mortgage Association (GNMA or Ginnie Mae) as a government-owned corporation within the Department of Housing and Urban Development to purchase and sell special assistance (including social housing) mortgages.

housing program Section 221 (d) (3). For the first time in the postwar era, the two sides of the housing lobbying war had come together.<sup>62</sup>

The reason for the change, of course, was a program that was palatable across the political spectrum. In turning to the private market “to supply the money and skills needed to meet a great public need,” a *Los Angeles Times* reporter noted, “the Johnson administration has softened much of the old opposition to massive public housing programs.” On the other side, leaders of the old pro-public housing coalition, such as NAHRO president William L. Rafsky, began to consider the housing business leaders as allies rather than foes.<sup>63</sup>

With such a phalanx of support—and the memory of the riots that followed the assassination of the Reverend Martin Luther King Jr. still fresh—members of Congress were not disposed to alter the legislation greatly. They fussed with the formulae for eligibility for the housing programs—trying with mixed success to restrict the programs to families on the lower rungs of the income ladder—and reduced somewhat the administration’s large authorizations. But for the most part, the bill enjoyed clear sailing. In May it passed the Senate by a roll call vote of 67-4; in July the House approved it by almost a two-to-one margin. The chambers adopted the conference report by similar margins, and on August 1, 1968, Lyndon Johnson signed the Housing and Urban Development Act of 1968 into law.<sup>64</sup>

## Conclusion

“It may be,” contemplated a Washington housing lobbyist in the fall of 1967, “that we’re nearing the end of the New Deal.” Federal policy had been shifting, he observed, “away from big grant programs and toward involving private resources.”<sup>65</sup>

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<sup>62</sup> United States House of Representatives, Subcommittee on Housing of the Committee on Banking and Currency, *Housing and Urban Development Legislation and Urban Insurance: Hearings...Ninetieth Congress: Second Session on H.R. 15624, H.R. 15626 and related bills* (Washington: United States Government Printing Office, 1968).

<sup>63</sup> Murray Seeger, “Senate-Passed Housing Bill Brightens Mortgage Picture,” *Los Angeles Times*, June 3, 1968, “Is It a False Hope or Bright Promise that Private Enterprise Can Avert Urban Crisis?” *Journal of Housing* 25:7 (August 1968), 337, ff.

<sup>64</sup> “Massive Omnibus Housing Bill Passed By Senate,” *Congressional Quarterly Weekly Report* 26: 28, June 7, 1968, 1429-1432; “Housing Bill Amendments,” *idem*, June 21, 1968, 1506-1567; “House Passes Housing Bill,” *idem*, July 12, 1968; 1708-1777; “Major Housing Bill Cleared,” August 2, 1968, 2016-2093; Milton Semer, Julian H. Zimmerman, Ashley Foard, and John M. Frantz, “A Review of Federal Subsidized Housing Programs, in HUD *Housing in the Seventies Working Papers, National Housing Policy Review* (Washington, D.C.: U.S. Government Printing Office, 1973), 124-127.

<sup>65</sup> Bruce Agnew, “Housing the Poor: Gen. Grantsmanship Bows to Pvt. Enterprise,” *House and Home* 32:5 (November 1967), 5.

The lobbyist may have overstated the matter; after all, many New Deal programs—public housing, for example—survive even today. Yet he correctly perceived a turning point in American social policy. In the realm of housing and urban affairs, the events that culminated with the passage of the Housing and Urban Development Act of 1968 changed both politics and policy. The long-standing enmity between the industry and reformers faded, and new political alignments began to emerge.

Nothing symbolized the change better than the election in 1974 of Leon Weiner as the president of the National Housing Conference, a group founded in the 1930s to promote public housing. That same year, Congress passed a new omnibus housing and community development law, further entrenching the notion that government would channel profits to businesspersons who developed and managed low-income housing.

The shift in housing policy showed the way for other government policies as well. Long before conservative politicians such as Ronald Reagan and Margaret Thatcher embraced privatization in education, social welfare, and other arenas, one of the most liberal presidents of modern times championed and embedded the policy of public-private collaborations. This history suggests that, however inefficient it may be, the practice of rewarding private interests financially for carrying out policies creates strong political constituencies.

But as Charles Percy and Edgar Kaiser discovered, there was nothing inevitable about whether or how private entities should carry out social programs.

It took a convergence of ideological, historical, institutional, political, and ultimately individual factors to create the federal housing policies and programs that emerged in 1967 and 1968. The press of events—especially the urban riots—gave policy makers a sense of urgency about America’s cities. Ideological assumptions, especially the strong bias toward environmental determinism, led many influential and powerful Americans to conclude that the slums were a major the cause of the urban crisis, and that therefore a solution lay in a massive housing program. Meanwhile, political circumstances, especially the fatigue with the centralized government public housing program, led Johnson and Weaver to search for public-private partnerships as a way to break out of political stalemate and move housing policies forward.

As always, there were institutional prerogatives. As the first secretary of HUD and the man who helped organized the new department, Robert Weaver had a greater than usual motivation to protect the prerogatives of his office and departments. But the constituent groups,

from the home builders to the local housing officials, also had a strong interest in maintaining the programs and departments that they relied upon.

And through the march of events, individual character played a crucial role in determining the new direction in policy. No one looms larger than LBJ, a man almost obsessed with enormous transformative programs and possessed of the force of personality to compel his aides and allies to the cause. Yet one should not underestimate Robert Weaver's intelligent resourcefulness or the considerable political skills of Leon Weiner.

Perhaps it was inevitable that America one day would fix upon public-private partnerships to carry out federal policies. Yet, had the course of events, ideas, politics, and personalities run in another direction, so too would the nature of these collaborations.

## **Epilogue**

The United States did not meet the ambitious housing goals declared in the 1968 housing act for the following decade, but it ramped up production as never before. The act set off the largest volume of housing construction for any decade in American history, almost 19.5 million housing starts between 1969 and 1979. There were several factors, of course, but the programs discussed here played their part in the great building boom.

The large-scale structure of the National Corporation for Housing Partnerships worked well enough for the investors who received tax breaks but created fewer homes than the builder programs, Sections 235 and 236. The primary reason is that small builders also found ways to tap investment money from tax incentives and accelerated depreciation, and thus were able to work in local markets. In short, they found a solution to the problem that the corporation was supposed to fix.

Before they were ended in 1974, both the 235 and 236 programs were highly productive. In the early 1970s the home ownership program, lacking the restraints of the Percy program, soon immersed the FHA in a major scandal in which FHA field officers schemed with appraisers to defraud naïve home buyers. Ironically, Robert Weaver never liked Section 235, and he continued to believe the idea of low-income home ownership was too risky for the buyers.<sup>66</sup>

The Section 236 program was prolific and relatively scandal-free, at least compared to its sibling. Nonetheless, the program had its critics, such as housing advocate Cushing Dolbeare,

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<sup>66</sup> Coan interview.

who disdained the tax subsidies that benefited wealthy investors and the lending institutions. Moreover, problems in property management, inflated construction costs (to increase immediate returns and receive higher government subsidies), and high foreclosure rates among nonprofit sponsors afflicted many 236 projects. In 1974, Section 236 was terminated, and its main features were absorbed into the successor program, Section 8 project-based development. When the subsidized mortgages began to expire twenty years after they were issued, housing advocates fought to have them reinstated so as to preserve “affordable housing.”<sup>67</sup>

Robert Kennedy’s concept of using tax incentives to lure businesses to the inner city lived on, most noticeably in enterprise zone programs adopted by state and federal governments during the 1980s and 1990s.

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<sup>67</sup> Cushing N. Dolbeare, *Federal Tax Rip-Offs: Housing Subsidies for the Rich* (Washington, D.C.: Rural Housing Alliance, 1972); R. Allen Hays, *The Federal Government and Urban Housing: Ideology and Change in Public Policy*, 2<sup>nd</sup> Ed. (Albany: State University of New York Press, 1995), 122-129.