

The Triumph of Housing Allowance Programs: How a Fundamental Policy Conflict Was Resolved

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Surely the most polarizing and enduring policy controversy in the annals of government-assisted housing concerns the direction of True North. Where is it most beneficial to point the enacted housing subsidy streams? Are the underhoused's needs most sensibly addressed by steering resources to the household—the demand side of the market—confering sufficient purchasing power to compensate for lack of affordable housing in the marketplace? Or is True North in precisely the opposite direction, on the supply side? In that view, a concerned government best overcomes the housing deficit—with greater certainty and, in the long term, more cost effectively—by producing or inducing a supply of new housing, affordability assured by subcost rents. HUD's 30th anniversary is a good time for a meditative retrospect on the nature, origins, and settlement of that controversy.

Settlement there has been. It is beyond doubt, and has been for some years, that the battle has gone substantially and seemingly permanently in favor of a household-targeted strategy. A paradigmatic shift has occurred. Supply-siders, who reigned supreme during the life of government-assisted housing, are now relegated to the sidelines. They make do with diminishing Federal production programs, eking out reinforcements from State and local governments, which have taken up part of the slack. A predominant and rising share of current housing outlays and budget authority is embodied in housing allowances, increasingly as portable, consumer-disposed rent vouchers and decreasingly as rent certificates attached to buildings. Several remnants of subsidized production programs have managed to survive, in part as solace to the losers, in larger part because new construction fills gaps and niches in local housing markets: underserved populations and underhoused neighborhoods beyond practical reach of the voucher. Even those remainders, one notes, are partly offset by planned disinvestment that shrinks the big-city inventory of once-heralded but now irretrievable public housing. It says something about the depths of the supply-side fall that the divestiture of public housing is effected not by fashionable privatization but by the desperate expedient of pulverization.

Contrary to the aspirations of pioneering reformers and their stalwart followers, it was plain to every realist years before HUD's birth that public housing was not destined to be the wave of the future. Indeed, by European norms conventional public housing was never the wave of the past, at no time accounting for more than a minute share of America's

housing stock. The pro-production coalition's response to public housing's fate was full-throated protest, followed by strained defensiveness and, as the game drew to a close, adaptive resignation, albeit some of it grim jawed. The voucher has even found unexpected adherents in the camp of supply-siders, rising to a two-cheer accolade as practitioners come to understand versatile applications.

The epic demand-supply struggle, with policy briefs and advocacy forces massed on opposing sides forms, in a brief reprise, the theme of this essay but not its thesis. The essay's true purpose is to advance a proposition: The triumph of the housing allowance owes more to an unfolding sequence of sobering, sometimes jolting, events than to the celebrations of policy intellectuals and think tanks. The intent is not to slight their many contributions to the knowledge base and to intellectual forensics, many of which are herein acknowledged, but those were not decisive.

To make a sharper point, the rollout of the housing allowance is not overwhelmingly in debt to the monumental, multifaceted Experimental Housing Allowance Program (EHAP), so heavily lauded as the key to unlocking stalemated protagonists. EHAP succeeded mainly in providing a rich feeding ground for the policy elite. That elite has evolved into a virtual branch of government, a fifth estate, although a far distance below the fourth, a media self-inflating into parity with the Constitution's three. More will be said of the expanded research capabilities that laid the groundwork for EHAP and its aftereffects.

It would be folly not to credit EHAP's numerous insights. Some were contrary to common expectations and others disagreeable to partisans on either side. However, these are hallmarks of objectively conducted research, which is all too scarce. With lamentable frequency, policy research at partisan think tanks seldom rises above veiled advocacy, its presuppositions being, by the optical laws of facing mirrors, faithfully reflected in the conclusions. Yet, for all EHAP's laudable ambitions and research quality, limitations in structural design and depth of probe left it vulnerable to reasoned challenge. In language transparent solely to the politically elite, skeptics reevaluated the evaluations and defenders reevaluated the reevaluations, leaving a deposit of ambiguities and bringing to mind similar experiences with the earlier wave of welfare reform experiments centered on variants of a guaranteed income. Not only were certain key results disappointing to cheerleaders of a guarantee (it seemed to weaken rather than strengthen both marital stability and work incentives), but the findings as a whole yielded few firm directions for legislative reform. EHAP, a more ambitious, more sophisticated undertaking, unquestionably illuminated obscure corners of the housing market, but its candlepower was simply not strong enough to light the scene fully. For most lay onlookers and, more importantly, for Congress, it was no blinding epiphany. Rather, it was a source of interesting but incidental commentary for the committee hearing rooms and advisory commissions. The fact is, Congress enacted the housing allowance's basic legislation before EHAP was launched and was still supplementing that legislation even as EHAP's first raw data trickled in.

Apparently the march of the housing allowance owes its drive to the playout of partisan politics, to the spin of the electoral wheel. The pro-production forces usually identify themselves as liberal or progressive and are almost always Democrats. The voucherists are predominantly conservative, free-market devotees, who are usually Republican. A noteworthy exception: in respect to the merits of housing allowances, leading economists of traditionally Democratic think tanks were in comfortable alliance with the leading lights of traditionally Republican think tanks, both respecters of market solutions.

Policy and politics are, of course, as inextricable in action as in their root word. The politics of principle is bonded to the politics of interest—the calculus of voting blocs, the protocols of the campaign contribution, and the favor bank—and to naked self-interest as well—the multitudes in government agencies, trade unions and construction firms, and law offices and municipal-bond firms that depend on production programs for livelihood or fortune. To assert the influence of Washington’s political colors on legislative policy is to say the grass is green and the sky is blue. Thus the conservative ascendancy commencing with President Nixon obliged its opposition to bow the neck to force majeure. President Carter tried to undo the suppression of production programs that Nixon had set in motion. He reversed production’s precipitous fall and might have gone farther had he not been toppled by iconic Reagan. But in the face of an unfriendly Congress, increasingly wary of low-income housing’s high costs and public housing’s limited appeal on the hustings, Carter failed to arrest the housing allowance’s momentum.

Bitter indictments of the pro-production coalition notwithstanding, Republican majorities and conservative ideology are neither the whole nor the ultimate explanation of the voucher’s success. If politics acts to shape events, it reacts to shaping events in a continuous reciprocity. It is convenient to borrow the Aristotelian distinction between the efficient (outer) cause and the formal (inner) cause. Political solutions, however split and compromised in final enactment, are typically a response to observed early manifestations of a new trend, to the “sobering, unfolding events” encased in this thesis. One has but to observe the course of recent crime legislation.

Unfolding Events

What tipped the balance decisively toward the housing allowance was that the world turned, revealing social and economic transformations of immense import to the contemporary housing problem. Nearly all of the emergents were antagonistic to a production strategy.

What were these emergents? The more critical ones were:

1. Recognition of the fact, cumulatively revealed in census reports, that in a progressively better housed America, the core housing problem stemmed, predominantly, not from deficits in supply but from deficits in income. Concretely, the primary affliction of the housing disadvantaged was no longer substandard shelter but the disproportionate cost of housing relative to income.
2. The scourge of a hard-core underclass whose deficits in income were dwarfed by appalling deficits in behavior. Their failings and predations were neither caused by bad housing nor cured by good housing. For those of that ilk, the gift of expensive new housing was manifestly and insupportably wasteful. The dynamiting of Pruitt-Igoe and the killing fields of Cabrini Green graphically conveyed to the ordinary citizen that public housing was not merely wasteful of resources but resource destructive. Public housing was the first of the production programs to fall into disfavor. To the current generation, it is an oddity of history that once upon a time cutting the ribbon for a new public housing project was an occasion to celebrate, that big-city mayors and aldermen trolled for votes by pledging a towering public housing project for the ward. Now they might be pilloried for suggesting even a scatter of subsidized low-rise homes, other than on the sites of the rubble. In the contemporary electoral discourse, public housing construction is a “no-no.”

3. Dismaying failures in the assisted private stock. The billions in losses in new subsidized housing built to serve those above the public housing level, which prompted the Nixon moratorium of 1973, further undermined the pro-production cause. The failures, expanding by multiples, have continued into the present. By 1994, \$12 billion of multifamily mortgages were in default, in addition to \$8 billion in mortgages and properties already returned to HUD. The total is an awesome millstone tied around HUD's neck. The pending losses will be a claim against new appropriations for years to come. If low-income occupancy is to be preserved, new money must be sent to rescue the old. Here the inflictions of the underclass, although abundantly visible, were not primarily responsible. The defaults and foreclosures, the boarding up of hulks, costly to retain and costly to tear down, were predominantly the result of an unsavory stew of poor management by the innocent—inexperienced nonprofit sponsors whose compassion overshadowed prudent business judgment—and exploitative management by the greedy. Waves of corruption further fouled the stew. The first was the Section 608 overmortgaging scandal of the 1950s, its centerpiece the infamous 110-percent-plus loans that conferred affluence on haberdashers-turned-builders and real wealth on real builders. Similar episodes regularly recurred. In candor one must speak, too, of poison in the wellspring, with apologies that HUD's 30th anniversary is no occasion for such reminders. Production programs suffered from malfeasance and misfeasance within HUD's own house, from a few bad apples and chronic lapses in oversight.
4. A persistent rise in the real costs of developing and operating multifamily dwellings—the supply-side's predominant housing type, which drastically increased per-unit subsidy outlays and thus increased the competitive position of existing housing—the housing allowance's domain par excellence. Cost inflation is inherent, to a degree, in the economics of multifamily development in densely populated, highly regulated big cities, and it affects unassisted as well as assisted undertakings, but the toll is heavier in assisted developments. Added to the surcharge for complying with the Davis-Bacon Act is a steep toll for the crawl through a tortuous slog: the endless consensus gatherings and multitiered approvals are a challenge to the current theory of complexity. The predevelopment stage can easily span 4 years or more while the meter for interest and administrative charges ticks away. Housing historians nostalgically recall the bygone era of model tenements when, in the 1880s, philanthropist Alfred T. White erected an attractive apartment block in Brooklyn Heights in just 11 months from site acquisition to move-in. Nowadays, 11 months would barely suffice for the first round of public approvals, the inescapable zoning amendment, and the mandated environmental-impact statement.
5. A changing cast of stakeholders. Time's passage alters the order of battle. A new group of pragmatists, unconsumed by the antivoucher indictments of their predecessors and unbewitched by the spell of housing production's promise, have filed into housing's arena, even into die-hard public housing agencies. Grappling with hands-on rehousing problems, they uncover fresh uses for the voucher each year and are converted into grateful users. Added to this mix are harried elected officials who seek a quick placement for the homeless under pressure from organized advocacy, the judiciary, or media cameras. The new generation of administrators is appreciative of one or another facet of the voucher's multiple capacities, and they hungrily plead for more. One adaptive use—highly valued and roundly applauded—is Chicago's bold Gautreaux program, which disperses several thousand occupants from densely packed public housing to achieve a fulfilling life for the dispersed and a modicum of racial diversity in the suburbs. The Gautreaux experience is looked upon as a mainstay in

HUD's future direction. But the voucher is not just an exit pass; it is also an entrance pass—and an anchor, to boot. The dispersalists are dwarfed by far greater numbers of inner-city revivalists, community development corporations (CDCs), and neighborhood preservation organizations. They appreciate the voucher's inherent virtues—as lure and safety net—in upgrading the housing of their territorial constituents with minimal or no displacement. They, too, plead for more.

To sum up, the crown bestowed on the housing allowance stems from a confluence of discrete trends: a relocation of housing deficit's source; disillusionment with production's unfulfilled and, at times, perverse outcomes; and mounting testimony to the voucher's utility that melted part of pro-production's solidarity. Ironically, the crown may prove fool's gold, devalued by housing's ebbing political popularity. In this age of constrictive government, housing's star no longer shines bright. Generally speaking, housing issues left but a small mark on recent presidential campaigns. On both parties' lists of the top 10 national issues, it apparently ranked number 11 or worse. The housing allowance may have conquered everything save the final battle of the budget.

Other Major Policy Controversies

The demand-supply divide was scarcely the sole theme for my thesis. There is no lack of other candidates. A full century and more has passed since reformers first sanctified housing as a merit good and improved housing as the key to improving people. During that century the sector has been wracked by unending conflicts over competing goals, derivative means, and the place of government. The acrimony was fanned as housing's star rose in the policy constellation and the stakes in an expanding Federal Government mounted and spilled over into expanding State and local programs. As with the voucher, the Democratic or Republican imprint is stamped on each of these cleavages. At least that is how the political alignment traditionally begins, though not always. Thanks to the self-interest of those who depend on large housing production programs for livelihood or fortune, some crossing of sides and even, on occasion, close fraternization occurs. It was not unknown for big-government trade unions to ally with antistatist conservatives and deep-dyed Republican realtors in favor of, say, massive clearance combined with redevelopment. The National Housing Conference—perhaps the leading pro-production advocacy group—has as full members a splendid representation of homebuilders and mortgage bankers. And leftist activists join the starchy right in promoting grassroots community development. The doctrine of consumer empowerment, so ardently embraced by the right, was presaged by the shibboleth of more radical activists in the Sixties.

A 30th anniversary is a remembering of things past, a salute to achievements and also to quarrels past—some denatured or quiescent, others still stirring. HUD and its predecessor, the Housing and Home Finance Agency (HHFA), are steeped in that heritage, often as a contender but nearly always as a punching bag. Each seasoned houser no doubt can assemble an anthology of favored controversies. My list includes:

- Acceptable levels of minimal shelter standards and building and housing codes. Except for occasional flareups about lead paint or chemically tainted sites, the ancient disputes about air and light, room size, and overcrowding have largely given way to issues concerning land controls, such as zoning standards and mapping, site densities, and constraints on area development.
- The specification and count of housing-disadvantaged populations. These issues are fairly well settled, except for the count of the homeless and grumbles that a 30-percent rent-to-income threshold is too cruel a burden.

- The quantum of resources allocated to the identified and measured underhoused population from a demanding, open-ended entitlement or, that quest failing (as it has perpetually), to the size and order of priorities in a set of discretionary programs. That issue is endemic and eternal but, for reasons earlier alluded to, now subdued.
- Slum clearance versus slum salvage. The very concept of *slum* was itself a matter of no little dispute and is now superseded by *inner city* and *ghetto*. The conflict was short-lived. The clearance programs were attacked from the academic left and right.¹ For the media, it was a field day. Countless community organizations—for whom the wrecking ball was the mobilization banner nonpareil—trace their origins to the controversy. The preservationists have won hands down—an ending more than incidentally favorable to the cause of the housing allowance.
- The dispersal or rebuilding of inner-city habitats of the poor and the African American. That cleavage, which interacts with others above, reappears in cycles. Reproaches 20 years ago by Anthony Downs, John Kain, and other dispersionists over the futility of “gilding the ghetto” (recently revived by writers like Nicholas Lemann and legal activists à la the Mt. Laurel and Gautreaux cases) were overwhelmed by an unrelatable underclass and by the explosive growth in numbers and political standing of salvational organizations, CDCs, Neighborhood Housing Services (NHS) and its financial backers, the Local Initiatives Support Corporation (LISC), the Enterprise Foundation, the Neighborhood Reinvestment Corporation, and major philanthropic foundations. At any rate, in the foreseeable future resources in pursuit of either agenda will be quite scarce and—expressed intentions notwithstanding—next to vanishing for dispersalists.
- Choice of tenure: the individual and societal benefits and costs of owning compared with renting. That once center-stage contest, which dominated the media and the publishing houses, seems now a kind of museum piece, with the ownership rate forever bobbing around an apparent near-two-thirds equilibrium. Ownership is the unequivocal—and lauded—winner, while renters constitute a sundry mix of involuntaries—those who are short of income, downpayment, or good credit—and voluntaries—the mobile careerists, the rootless, and those not enamored of the lawnmower. At any rate, the tenure debate no longer arouses much fervor. (There is, after all, such a thing as policy fatigue.) The surviving issues concern that hardy perennial, the barriers to ownership by the young and the fervor of those who espy in homeownership the salvation of unpropertied aspirants in the inner city.
- Rent control: well within memory are the flaming battles over this issue, which left scarring wounds and broken friendships. Only a scatter of flickering embers survive in such aberrant (to conservatives, freakish) locales as New York City and Santa Monica. The war was fought in legislatures and courthouses, in the media and around the dinner table, and not least of all in academia. Early on, the controversy engaged the pinnacle of the economics profession, including a duo of future Nobel laureates, Milton Friedman and the late George Stigler, co-authors of “Roofs or Ceilings?”² Outside protected turf, the issue is now so much discard in history’s dustbin, resurfacing in policy journals about as infrequently as sightings of the condor. In the national media, only the *Wall Street Journal* periodically flags the anomaly in its exhibit of horrors begot when evil politics ravish pure markets.

Although any of the above might have served as a plausible candidate for my thesis, two impulses caused the election of the demand-supply divide as the right candidate. For one, the cleavage is perched on the very summit of housing policy, the grandest of grand

strategies. For another, it is the sole major policy debate to undergo disciplined field trials, unsurpassed in scale and cost whose end was to lay to rest the stickier debating points. No other housing issue had so powerful an attraction for the policy elite, the intellectual hinge that swings between the realm of scholarship and that of legislative enactments.

A Quarrel with Antecedents

The tenant-based/building-based subsidy conflict has long ancestral lines. It descends from the era of philanthropy's model tenements at the turn of the century. Cynics mocked the benefactors for "over-gifting," for bestowing on the factory laborer housing superior to the factory foreman's. Some murmured that two or three worker families could be lodged in decent older housing for each one in the new. But not until the mid-Thirties was the first loud clamor of misdirected benevolence heard as New Dealers, urged on by housing reformers, began to frame public housing's basal legislation, the Wagner-Ellender-Taft Act. Pitted against the reformers was the politics of principle: congressional conservatives averse to creating a new class of government dependents. This was the same objection that nearly sank other social-welfare measures, notably Aid to Families with Dependent Children (AFDC). Joining the principled were the self-interested: the U.S. Chamber of Commerce and associations of fearful landlords and realtors. To them, a large supply of new, high-standard housing at cut-rate rents loomed as a competitive threat to a visibly crumbling rental market. They pleaded the case for using rent certificates as added housing purchasing power. Certificates would make affordable, at a fraction of the subsidy for public housing, the huge reservoir of vacancies in every local market and forestall the evictions or moveouts of hard-pressed tenants, all without bureaucratic regulation and administrative override. Why build more when there was already an oversupply? Their coarser, more aggressive representatives leveled the "coal-in-the-bathtub" charge; to wit, culturally deprived occupants would debase costly housing and its amenities, use the bathtub for storage and dump "who knows what" into the toilet.

Reformers countered the rent certificate proposal in part by demonizing the landlord. Exploitative owners, they said, would capture the certificate's value by raising rents. Worse yet, the higher rents would spill over into the market as a whole, creating a rental inflation harmful to every tenant, even those without certificates. Worst of all, the racially discriminatory landlord—virtually the entire fraternity—would bar their doors to Negroes and other minorities, as well as to very large families. Certificates were either futile hunting licenses or bailouts for the degraded dwellings of the ghetto. The reformers' objections went beyond devil theories. Public housing built to high standards would long outlast the types of existing housing available to the certificated seeker and would, each year of the building's life, produce a higher level of housing services. In other words, under proper reckoning public housing was more cost effective (though that term was not yet in use) than the nominally lower subsidy embodied in a certificate. One more argument: No matter the volume of certificates, their scatter could not possibly yield the external economies (another term not yet in use) of community building. The last argument evoked a whole new set of considerations.

In the hearts of reformers lurked goals more vaunted than mere improvements in shelter. These goals included importing European models as the architecture of choice in the bigger cities, a grouping of towers in the park. Public housing was not just a decent dwelling but a neighborhood; families were connected vertically by elevators and horizontally by greenswards dotted with friendship playgrounds and sitting areas. Reposing

in the secret bosom of the avant-garde was the vision that public housing was merely an opening wedge for a reconstruction of the outworn 19th-century industrial city. In that vision, slums and obsolete buildings were eradicated; outmoded street patterns were reconfigured; dank clutter was replaced by sun and light; and the strangled circulation of people and goods was unchoked. Within that vanguard, housing as housing was subordinate to the excitement of a reformatted environment. As downpayment for the latter, reformers pressed to include an “equivalent elimination” clause, a mandate to raze one slum dwelling for each new public housing unit and, not so coincidentally, to disarm the landlord’s fear of a flooded rental market.

The pro-production forces gained the day with the landmark 1937 Taft-Wagner-Ellender Act, and the rent certificate concept was consigned to the policy basement to linger there for another 30 years. But the vote was close and might easily have gone the other way had not the politics of principle been reinforced by the politics of self-interest. The crusty leaders of the building trades, with nary an ideological bone, joined a New Deal coalition eager for counter-cyclical programs to subdue the Great Depression. It was public housing, not as shelter or community but as a gigantic public work, that marshalled the margin of victory. In the final balloting, there was principle, too, in the form of support from an unexpected source, Senator Robert A. Taft. That flinty leader of Republican conservatism—point man of the banker and big business, arch-foe of trade unions, consummate isolationist in foreign policy—strode forth as both champion of public housing and implacable enemy of rent certificates. He shared the reformers’ belief that certificates would do more to enhance landlord profits than housing standards, thus perpetuating the slum. The Senator was the *deus ex machina* of a suspenseful legislative denouement. Somewhere in the pantheon of organized housing reforms, the movement’s temple to venerated divines, there is reserved a lonely niche for Senator Taft.

Appeased by the equivalent elimination provision (frequently ignored or hedged in subsequent practice) the pro-production vanguard placed on hold any city-rebuilding goals. Those were not revived until after World War II, in Title I of the 1949 Redevelopment Act, which appended a *suitable living environment* to the *decent home* for all, although both as quests rather than entitlement. The city-rebuilding legislation had been anticipated in 1940 by New York State’s Redevelopment Companies Act, which legitimized land condemnation and massive clearance at the behest of private redevelopers. In 1947 Stuyvesant Town was the earliest and largest product of that law. New York City—then and now the spearhead of the pro-production coalition—is famous for its firsts: the 1901 New Tenement law, the first zoning ordinance in 1916, the first public housing (fittingly named First Houses) in 1935, comprehensive and tightly constrained State rent control in 1946, and Mitchell-Lama, the prototype of subsidized apartments for the middle class, in 1955. This record is significant because New York City was also among the first to oppose the Housing and Urban Development Act of 1970 and was a reluctant—and incomplete—dispenser of the rent certificates eventually allotted. That program administrators in New York City now clamor for more, as will be seen, is proof positive that the voucher is here to stay.

Positive proof came slowly. Save for a brief reconsideration and quick rejection by a Presidential commission in 1953, the rent certificate lay dormant until the 1965 enactment of a pair of pale and limited imitations of a genuine tenant-assistance instrument: Section 23 and rent supplements. During the elapsed years, not much of essence was added to the pro-housing allowance’s theoretical case (as distinguished from the empirical/contextual experience, improved statistics, and the idiom of discourse). The pro-allowance case comprised the same two clusters of argument: lower public cost and greater consumer choice.

Above all were the allowance's economies when compared with the project-based subsidy—an apparent two-to-one advantage as computed by various (not uncontested) studies. Bundled into the cost calculation were several strands. One was the gain from sharper targeting: subsidies tailored in amount and duration to fit individual needs, as opposed to the blanket subsidies of the typical project. A second factor was a more sophisticated version of the previously encountered “overgift,” expanded and analytically clarified by Henry Aaron as “deadweight loss,” the excess of public costs over the recipient's perceived or realized benefit. Put differently, tenants would not buy such costly housing were they disbursing their own money.³ A variant measure of deadweight loss would be government's write down if a vacant and unencumbered project were marked-to-market for sale to private investors. A third strand in the calculation consists of higher management costs: the exactions of generally higher public wage scales, multi-tiered administration, and the rent delinquencies of tenants who are indifferent to due dates and construe eviction notices as paper threats.

The high cost of production subsidies also leads directly to the knotty issue of clashing equities: deep subsidies for the fortunate few, or shallower subsidies for the deserving many? Since housing for the poor is no entitlement and is never likely to be, production programs are no model of distributive justice.

The second critical advantage of a portable housing allowance is enhanced consumer choice: the freedom to pick a dwelling from a wider market, more fully in accord with preferred type and location and (in certain variants) monthly rent. Project-tied subsidy represents a take-it-or-leave-it Hobson's choice—this apartment at this address or perhaps nothing. And once moved in, the occupant is more or less frozen in place, whatever change in job, family circumstance, or compatibility with management or neighbors may ensue.

Nor, during the allowance's dormancy, was there much change in the bundled counterarguments of the pro-productionist. The core strand remained the gross imperfections in local housing markets that deny the tidy abstractions of economics. However easy accommodation may be for the nonpoor, tight markets are the norm for the poor, pervasive shortages of affordable housing being the general case. And in markets tight or loose, racial discrimination exacerbates the shortage. Under those conditions, a rental stream swollen by allowances would do far more to feed exploitative landlords and market inflation than to buoy up the stock of decent housing. Subsidized construction and supervised maintenance would be the only sure path to the housing deficit's end.

Time altered minds. So much pertaining to housing, both in experience and in the knowledge base, was changing that the interaction of the two recast the contextual background of debate. Filtering through mindsets not impermeable to evidence was a spreading disquiet over the sorry performance of the low-income and assisted-production programs. Public housing was sinking into gloom that would deepen to darkness; in increasing numbers, assisted/private projects were a limping distance behind. The reformers' visions were continually mugged by reality. Also seeping into mindsets was an unprecedented growth in the housing sector's knowledge base.

A Deepening Knowledge Base

A striking expansion in housing's factual underpinnings and scholarly resources enriched the policy discourse. That is an evolution to which some space is devoted, since it was the sine qua non of EHAP, the centerpiece of this thesis.

Harking back to the framing years of Taft-Wagner-Ellender, it is hard now to imagine how thin the database was on the characteristics of housing and its occupying households, poor and nonpoor alike. Aside from the selected inventory of urban real-property stock by the Works Progress Administration, woefully inadequate in detail and coverage, evidentiary presentations at legislative hearings amounted to little more than the poignant tale, the case study, and a scattering of local, often one-sided, surveys. It was not until the late Thirties that the Federal Government chanced a considerable investment in the collection of finely detailed housing data, commencing with the 1940 census and enriched in each subsequent census. In the years between, the master files were supplemented by the Census Bureau's and HUD's special-purpose surveys. The dimensions of the housing deficit, its shifting nature and composition, the shrinkage over time, and the persistence of stubborn residuals were illuminated as never before.

Running parallel to the purposeful housing censuses were the Bureau of Labor Statistics's (BLS's) comprehensive surveys of consumer expenditures, collected for periodic updatings of the Consumer Price Index. Although not pinpointed on housing, BLS files furnished unduplicated data by income group, tenure class, and household type on the way housing services (shelter and ancillary) competed with other goods and services for a share of the household budget. Paired with census files, the BLS trove yielded invaluable insights about housing market behavior not obtainable singly from either source. Two findings were particularly salient to a proper understanding of household behavior. First, the variability of housing expenditures within given income classes is considerable. That dispersion confirms common observations of the extent to which not resources alone, but also family tastes and circumstances, determine the housing outcome.⁴ BLS data also suggest an overstated incidence of families with extremely high rent/income ratios, as reported by the census. One source of the disparity is the public's increasing disinclination to disclose true income to enumerators who are strangers and government representatives as well. This attitude exists for every manner of reason—a burgeoning underground economy, a mass of illegal immigrants, a pervasive hostility to intrusive government. The Census Bureau's internal studies tell of a persistent increase in nonreported income that is only partly compensated by technical adjustments.

BLS housing-consumption data give support to still another analytic insight not readily derived from the decennial census: the permanent income hypothesis. According to that hypothesis, the snapshot, single-year income data gathered by census-takers is badly distorted by transitory increases or decreases (an episode of unemployment or a bonus for the salaried, a banner year or a bust for the self-employed), thereby overstating or understating the habitual rent/income ratio. For accurate analysis, the transitory component that renders single-year income suspect must be removed, ideally by multiyear averaging. But that is rarely possible. Consumption data are, therefore, frequently taken as a proxy for permanent income data, since aggregate consumption—unlike income—does not fluctuate inordinately from year to year. Economists regard the measure, although it is also self-reported, as a more reliable indicator of a family's actual economic status. The permanent-income hypothesis was germane to the interpretive debate that followed EHAP's findings.

From the cumulating databases on housing and households, scrubbed, squeezed, and scrutinized from every angle, dawned a widening understanding that inadequate income, not substandard housing, was fast becoming the core problem of the housing-disadvantaged. The same years also witnessed an impressive advance in levels of scholarship. A circle of accomplished academic analysts formed around housing and its correlate

research domains, many of them the leading lights of prestigious universities and think tanks. The prowess of that circle stood in marked contrast to the prewar period when housing research was largely the province of schools of social work and architecture, not generally well endowed with theoretical models and modern statistical tools. During the Fifties HHFA undertook to promote housing market analysis as a respected branch of the economics discipline, then and now conceded the monarch of the social sciences, the discipline nearest to the physical sciences. But success was mixed. The economics departments of elite universities, apt to regard applied urban research as intellectually “messy and soft” and a subject better left to the demimonde of scholarship, resisted the bait. “To suggest the word urban before economist,” said one disdainful economist, “is to suggest the word horse before doctor.”

Major philanthropy had better luck. In the mid-Fifties the Ford Foundation assembled a team of renowned scholars, spearheaded by a Harvard star in international finance, for a comprehensive study of the New York City regional economy. The team produced a magisterial multivolume work of high theory blended with atomistic empirical research—down to the microindustry and the neighborhood—that reached appreciative academic reading lists. That success spurred Ford to a bolder outreach into academia, creating or nourishing an array of urban think tanks to raise the standards and aspirations of urban studies. Harvard-MIT’s Joint Center for Urban Studies was Ford’s first-wave flagship. A succession of the professoriat’s eminences—Martin Meyerson, James Q. Wilson, and Daniel Patrick Moynihan among them—directed the Joint Center, sending a signal that urban studies had arrived. Subsequent waves touched the RAND Corporation, the Brookings Institution, The Urban Institute, several major land-grant universities, and the Committee on Urban Economics (CUE). CUE, a loose affiliation of academic economists without corporate charter (one member dubbed it the professoriat’s floating crap game), was a practical means for drawing respected economists into the urban sphere without endless institution building, too expensive even for Ford. From these fountains flowed a rich stream of research about the economic travails of public housing: the first national study of the filtering process (the chain of events triggered by the move of the more affluent into new housing, leaving a succession of dwellings behind for the less affluent); price and income elasticities; and, significantly, the application of cost-benefit analysis to test the efficacy of alternative forms of housing subsidy. Cost-benefit analysis proved more productive in ascertaining comparative costs than maddeningly elusive benefits. Valuable byproducts were the able researchers who would figure importantly in EHAP’s dramatis personae. The full cast is too numerous to credit, except for such principals as Jack Lowry, Frank de Leeuw, John Heinberg, Raymond Struyk, Margaret Drury and, in the background, Henry Aaron, Anthony Downs, John Weicher, and Charles Orlebeke.

There are two additional markers on scholarship’s road to EHAP: One is the onsite experiment and demonstration; the other is its twin, the evaluation. Social experimentation was sired by a predisposition—on occasion, an insistence—by policymakers and funders to field-test new ideas in miniature before chancing them full scale. Field testing is a means for learning in “real space and time” things that elude monographic research or alternative methodologies such as simulation models. Initial exemplars that gave size and weight to field testing were the various income-maintenance experiments of the Sixties. Such legislative prudence was at times simply a foil in the budgetary duel, a deft stroke on the cheap to ward off ambitious enactments. But to open-minded policymakers, the site demonstration was welcomed as an informing guide to policy direction and a blueprint for statutory constructions. Accompanying the social experiment was its necessary correlate, the evaluation. The evaluative arts also came into their own during this period, a

seven-league advance in both intellectual grounding and empirical applications. An evaluation protocol was built into the design of each sophisticated field test, the pay-off of experimentation's never trivial costs. And so, on to EHAP.

The Experimental Housing Allowance Program

EHAP was mandated by a provision in the 1970 Housing and Urban Development Act that authorized funds for a series of trials and named HUD—EHAP's progenitor and advocate—as sponsor. EHAP was not devised to test the superiority of an allowance strategy over a production strategy. Its guiding purpose was to observe how the instrument would function in representative places and under representative conditions. Key questions to be answered:

- How readily would the poor participate in the program, and how would participants actually use the allowance?
- How many users would improve their housing, and of those, how many would do so in dwellings they already occupied and how many by moving?
- To what extent would allowances induce landlords to improve their properties—not just the dwelling's interior, but the common spaces as well?
- Would saturated allowances generate market inflation?
- How is an allowance program best administered?
- What would an allowance program cost on a national scale?

Although EHAP is commonly denoted an *experiment*, the designation is, strictly speaking, a misnomer. According to the protocols of disciplined social inquiry, the term *experiment* is reserved for structured tests in which observations are drawn from matched experimental and control groups, randomly assigned to minimize bias, even unintended bias. The test variables (treatment) are applied solely to the experimental group. The differential performance between the treated and untreated (control) is taken as the measure of outcome. Absent controls and random assignment, a field trial—however meticulously structured—is denoted a demonstration. Sound demonstrations stand one notch lower than experiments in the hierarchy of research, whose long middle stretch encompasses an unclassifiable variety of before-and-after or side-by-side comparisons with posited referents. At the hierarchy's foot are the resident observer and the case study, and after these a long trail of anecdotes, parables, and *Just So Stories*.

Only the lesser part of EHAP (lesser in cost and scale), the demand component, qualified for the honorific “experiment.” The greater part, the inquiry, was a series of demonstrations subject to more or less adaptive specifications. EHAP was extensively publicized in numerous venues: nearly to surfeit in the professional literature and liberally in other forums. Only a brief reprise is needed here to refresh hazy recollections and to summarize for the unacquainted.

The elaborately designed field tests were launched in 1973 at 12 sites embracing 30,000 households, with a treatment term of 3 to 5 years and a full runout term of 11 years. By the norms of social research, EHAP's budget was breathtaking—some \$175 million overall—with housing allowances absorbing a bit more than half and the balance allocated to design, administration, and evaluation. It was the most expensive field test of its kind, more than double the combined costs of the earlier income-maintenance demonstrations, themselves a record for their time.

EHAP consisted of three principal components. One, the demand experiment, was designed to measure household response to an allowance; the second, the supply demonstration, sought to assess market responses, to wit, landlord response and market-price effects; the third was a package of inquiries into the way local agencies might organize themselves to administer the allowance.

The demand experiment, called the Housing Allowance Demand Experiment (HADE), was conducted in a pair of cities selected as representative of the Nation's renter population, Pittsburgh and Phoenix. In those cities, random samples of treated and untreated households were monitored to observe the disposal of allowances paid over a 3-year period, including the amount of housing fixup and the number of moves to other places. Two other cities, also deemed representative of the Nation's rental-housing inventory—Green Bay, Wisconsin, and South Bend, Indiana—were picked for EHAP's most costly test, the supply response, called the Housing Allowance Supply Experiment (HASE). In those cities, allowances were freely offered to eligibles as an entitlement for a 5-year term, and data were collected for an additional 6 years. For the administrative component, the Administrative Agency Experiment (AAE), EHAP's managers chose a cross-section of eight cities, extending from Jacksonville, Florida, to Salem, Oregon. AAE was EHAP's least exciting, but by no means least instructive, undertaking. Certain of AAE's demand and supply data were incorporated in HADE and HASE results.

Omitted here is a mountainous body of details concerning the conduct of the experiments—outreach, sample selection, participation and enrollment, the protocols governing housing quality, and much more. Those details are superbly covered in Struyk and Bendick's magisterial volume.⁵

Briefly, EHAP's five principal findings are as follows:

1. Participation rates proved to be lower than expected. HASE, the test of market effect, produced the highest rate, approximating 50 percent of the eligibles. Since vouchers were proffered to any and all low-income families verified as eligible—in effect a citywide entitlement—the 50-percent figure might be reasonably taken as an upper limit of an allowance's potential coverage. A multitude of questions have been raised and several explanations offered about why so many presumptively needy households resisted a presumptively attractive subsidy. Notwithstanding extensive outreach and publicity efforts, the full base of eligibles may not have been aware of the proffered opportunity. Others may have been discouraged by the “hassle factor,” the paperwork and inspections obligated by enrollment. The hassle factor was particularly acute among households living in substandard housing, whose occupants would have had to move or perform a goodly amount of fixup to meet the eligibility standard. Some may have been temperamentally averse to government or, more likely, to what smacked of a stigmatizing welfare payment. Studies of participation rates in many welfare programs show that large numbers of poor have unreported income and are unwilling to expose themselves to verification. A determination of the eligibility base is almost always derived from self-reported, unauthenticated decennial census income data, which, as noted earlier, suffer from notoriously high rates of nonreporting and underreporting in the low-income tabulations that are imperfectly rectified by census adjustment procedures. In support of that point, the one class of “overrepresented” participants was welfare households that had already passed through income-verification screens. Procedures for verification and reverification proved problematic in the AAE component.

2. In the aggregate, the upgrades in housing quality were relatively modest. One reason is that a substantial proportion of eligible participants lived in housing already up to program standards and merited an allowance by virtue of an excessive rent-to-income burden. In those cases the voucher program's sole "quality effect" was to assure, through periodic reinspections, the maintenance of standards. Households initially below the quality threshold could retain their allowances in two ways: by repairing their current unit or by moving to one that met the standard. For the stay-in-placers, upgrade to required standards was not inordinately difficult. Thus the in-place repair option is among the voucher's most efficacious, if least appreciated, qualities, cushioning against market inflation and sparing the travail of search, no mean advantage in circumscribed markets. This feature appears again in the discussion of the voucher's appeal to a current generation of stakeholders. A requirement for major repairs induced many participants to drop out of the program owing, apparently, to the weakness of the lure. Families that moved advanced most in housing quality, but the proportion of movers was quite low. Neighborhood attachments, racial discrimination, or self-segregation curbed mobility even if it meant dropping out of the program.
3. Little or no racial integration resulted from the program. Minority families that did move chose accommodations nearby or in another minority neighborhood. Whether by preference (the comfort blanket of living with one's own) or by necessity (the paucity of "available" units in mainstream neighborhoods), the voucher had virtually no "de-ghettoing" effect. That was a keen disappointment to voucher advocates, who had hoped for better.
4. Negligible rent inflation occurred. The HASE sites, purposefully programmed to saturate the market with housing purchasing power, resulted in no detectable marketwide rise in rents. Average rent levels increased no more than general inflation or the rents in nonexperimental sites.
5. Participants experienced lowered rent burdens. EHAP's most pronounced outcome was a reduction in the recipients' outlay for rents, from an average proportion of 40 percent when they entered the program to an average of 25 percent when it ended. That solid finding was affirmed both in HADE, where outcome measures were derived from randomly assigned controls, and in other components where recipients were matched against comparison groups. A corollary finding was equally significant: Few recipients chose to spend the subsidy on added housing, beyond what was required to meet EHAP's relatively modest minimal standards. Absent those mandated standards, it is a fair inference that ex-post-facto rent/income ratios would have been lower than 25 percent. Not surprisingly, housing competes with other priorities in the household budget, especially—but not only—in lower income households. The inevitable policy conclusion is that unconstrained income supplements such as a negative income tax (of which the current Earned Income Tax Credit is a variant), not constrained to housing, would prove an inefficient incentive to raise housing quality. These findings are consistent with the aforementioned concepts of "overgifting" and "deadweight loss," the excessive subsidies embodied in new public housing that force housing consumption to levels greater than that which beneficiaries would freely buy if provided with cash or that which is required for accepted standards of health and

decency. For one eminent policy analyst, that was, perhaps, EHAP's most revelatory discovery. It severely challenged long-held presumptions regarding housing's place in the lifestyles of the poor. Said Bernard Frieden:

The poor do not give housing quality the high priority that program administrators do. In the long history of housing reform in the United States, [EHAP was] the first time that the beneficiaries of a program have been able to make their views known on how the money should be spent. The views of the reformers have always dominated; in fact, we know almost nothing about whether earlier generations of slum-dwellers would rather have had the cash than either model tenements or public housing projects. But the poor of this generation have spoken clearly through the housing allowance experiment. Their main problem, as they see it, is cost, not quality.⁶

Attack and Counterattack

Notwithstanding EHAP's careful planning and sophisticated design, its scrupulous documentation and objective evaluations, critical crosswinds swirled about the enterprise from its launching to long afterward. Although EHAP's input/output data were evaluated by teams of prestigious analysts, the findings ignited a wide range of reactions, from technical quibbles to scornful disbelief. Owing to EHAP's dependence on current-year income, conservatives favoring the permanent-income hypothesis dismissed findings of a low coefficient of income inelasticity (the surprisingly modest increase in housing consumption in response to allowance-raised income). The housing movement's "left" gleefully drew from EHAP conclusions that confirmed the fallibility of the markets' assertion that allowances "were least successful in aiding minority, very poor and large households" and that "renovation was minor patchup." Markets, they said, were "a world of fantasy."⁷

Still others criticized EHAP's standard of program-acceptable housing as absurdly minimal. A higher standard would have resulted in a higher level of housing expenditures (seemingly a dubious proposition, considering the number of dropouts induced by even modest requirements). Some were displeased that household behavior was monitored for too short a time, since housing decisions are sensitive to life-cycle events: births and deaths, marriage and divorce, the career ladder, and plans to shift from renting to homeownership (a tenure omitted from HADE). Longer observations would have disclosed a different pattern of outcomes.⁸

Advocates of open housing condemned the disappointing integration as a failure of treatment. Hard experience shows the small prospect of success from moving poor blacks into majority neighborhoods without a careful selection of movers and landlords, combined with an array of tangible supports. (The successful Gautreaux initiative fulfilled these specifications.) Objections to niggardly allowance payments came from many sources. A more generous incentive payment, they said, would have yielded higher consumption and served as a more compelling test of inflationary potential.

The experimenters replied that a substantially higher payment would have exploded EHAP's already substantial budget or forced crippling compromises in enrollments. Moreover, even assuming HASE's 50-percent participation and moderate allowances, a substantial increase would have multiplied the cost of a national program, already calculated to be \$4.4 billion in 1976 dollars, a budget far in excess of any realistic

expectations. Alice Rivlin, then at the Brookings Institution, although sympathetic to social experimentation, had anticipated that dilemma in a gently chiding article addressed specifically to HASE, then just underway. She stated:

These experiments are [very] difficult to carry out mainly because it is impossible to use a thin sample. It is necessary to saturate an area, giving the treatment to everyone who would be eligible under a national policy and seeing how the market responds. Saturation experiments are costly, unless the communities being saturated are so small as to be of little national interest. Moreover, they raise political difficulties [since] community consent must be obtained.... Saturation experiments are so expensive it is normally impossible to try multiple varieties of the policy instrument and observe how market responses differ. It is necessary to choose one or two varieties. Then the question is, ... a large shock to the market (e.g., a high-level housing allowance likely to cause a big increase in demand for housing and strong upward pressures on rents) or one likely to cause less disruption.⁹

From the pro-production side came a severe attack preceding EHAP and a more savage one after EHAP. Big-city housing advocates decried what was to them a fatal flaw in HASE's structural design: the choice of demonstration sites to gauge landlord responses and market inflation. Never mind that EHAP's begetters had elected sites that were representative of the contours of urban housing markets. South Bend and Green Bay have no probative value, the disbelievers proclaimed. They are not merely different in size from New York City and Chicago but irreparably different in kind. Green Bay contains no masses of desperate underhoused renters pitted against commercial landlords possessed of superior bargaining power. Disbelievers found it risible that substandard housing could be raised to par by an outlay of a few hundred dollars for items such as—in cases reported by EHAP's monitors—a \$10 handrail for the outside stairway. No doubt HASE would have made a more convincing trial if, as a planned variation, one or more large cities had been included. The reason for exclusion was, of course, lack of resources. Notwithstanding EHAP's generous funding, HASE-type ventures are, as Alice Rivlin forewarned, simply too costly to touch all the bases. When all the dust had settled, EHAP had not stilled the main lines of the policy argument.

EHAP's Subordinate Role

Time now to advance from theme to thesis, namely that it was inexorable societal trends, not EHAP, that reset the housing policy compass. Other writers, notably G. Thomas Kingsley, anticipated many of these points, although not necessarily these perspectives, in his admirable "Housing Vouchers and America's Changing Housing Problems."¹⁰

Neither EHAP's findings nor the ensuing criticisms had much to do with the radical turn of policy. In the first half of the Seventies, the White House and Congress moved at almost white-hot speed to demolish the production programs and replace them with a system of direct cash assistance for the housing needy. The goad to action was a near collapse of whole sections of the subsidized structure. The deep, long-visible fault lines in public housing that sharply curbed its expansion began to show elsewhere—in Section 235 (a homeownership program) and Section 236 (private multifamily rental projects), both for the near poor. In January 1973 President Nixon's moratorium froze nearly all unobligated subsidies. Propelled by the same wind at its back, Congress, with scarcely a fleeting glance at EHAP, enacted the Section 8 Housing Assistance Payments program, a variant of the housing allowance. The Carter administration's efforts to reverse the swift

course of events managed to resuscitate several traditional bricks and mortar programs. One means used was to tie major chunks of Section 8 to new buildings by long-term contract (up to 40 years) as a lifeline for the rent roll and hence the mortgage. But that effort was short lived. With the advent of the Reagan administration, production programs were again diminished and shorter term Section 8 expanded. In 1982 the President's Commission on Housing recommended that tenant-based, portable allowances become the predominant form of assistance for the housing needy. The Commission preferred the term *vouchers*. Like the production programs, the housing-allowance innovation spawned its own nomenclature. (See Appendix for various formulas and applications of Section 8 and its predecessors.) By 1986, 140,000 Section 8 vouchers had been issued. Moreover, then and since, Section 8 has been progressively retargeted from thinly disguised production subsidies to a true tenant-based allowance by drastically truncating its term (with exceptions) to 5 years, adding portability, and focusing more subsidy on the very-low-income family, generally defined as one with an income at least 50 percent below the area median. Indeed, by 1983 most HUD assistance and admission priorities refocused on the "truly needy;" i.e., those with substandard housing or rent burdens greater than 50 percent of income. HUD's coverage picked up. By 1991, 37 percent of households below 25 percent of the median were receiving direct housing assistance, apart from the shelter allowance in AFDC and other welfare grants.

What motivated Presidents, the Congress, and the national commission were not just philosophical predilections but rational considerations none could ignore. The redirection of aid from building to tenant was forcefully dictated by old, failing programs and by a realization that the root problem of the housing disadvantaged was the unacceptably high rent burden, not the substandard or overcrowded dwellings posing hazards to health and decency that had been the mainspring of historical housing reform. Increasingly, it was the tenant who was disabled, not the dwelling. The nature of the housing problem having shifted, so too must its solution. A century of broadly shared economic growth, the opening of vast new supplies of residential land, and radical improvements in housing finance resulted in well-housed people living in surroundings well above more rigorous (and more vigilantly enforced) standards. A rising housing tide increasingly lifted the physical conditions not just of the mainstream but of the near poor and poor as well. It was mainly the very large families, racial minorities (whose housing improved more than did patterns of segregation), an emergent underclass, and an even more recent class of homeless—the latter two groups sorely pathology-ridden—that were left in the shrunken residuals.

For the shelter needy, the insurmountable hurdle had become inadequate housing purchasing power. Seemingly, no amount of progress or number of safety nets can cure this mismatch. Substantial segments of the poorer population (and some above them) are forced to seek accommodations from a more costly inventory, rendered more costly in part by stiffer standards. In 1975, as a system of allowances went center stage, 7 out of 10 of the very lowest income renter households (earning 50 percent or less of their area's median) were living in acceptable and uncrowded units, but a clear majority of them (49 percent) suffered unreasonable rent burdens that consumed 30 percent or more of household income. Cheap housing had become more scarce than poor people.

To the conservative policymaker, and even to many liberals and activists on the Presidential commission, the rational answer—assuming a single answer, to which few would agree—was not to inject new units into the housing stock but to put more housing purchasing power into the spending stream. Section 8 was the answer. Fresh data from the 1983 Annual Housing Survey reinforced the drift of legislation toward the demand-side voucher. Only 24 percent of very poor renters were found in the substandard categories,

but a rising proportion—56 percent—endured rent overburdens. Similar trends persist to the present. The logic of allowances commanded an ever-firmer base. As compelling as logic and evidentiary statistics were the crippled assisted-production programs. By 1994 the stake through the heart was delinquencies in one-half of the 2,400 projects with HUD mortgages, which contained 219,000 units.

The Rise of the Underclass, the Descent of Public Housing

Those failures were presaged by the fall of public housing, whose wounds showed deeper and came earlier. The advent of an underclass immeasurably compounds the perplexities of rehousing the truly needy. Contemporary poverty has two faces, and only one is a deficit of income. The other is a pernicious deficit of behavior. The permeation of the poor by an underclass has badly shaken liberal credos. Against the ancient anti-public housing canard that the unwashed poor would convert new bathtubs into coal storage stands the brute possibility that the bathtub itself is apt to be stolen along with the copper wire and plumbing fixtures. New Democrat centrists, so frequently accused of having deserted the poor, might counter that it is the poor who have deserted the liberals—or at least the less deeply entrenched liberals. However, the underclass has not left conservative voucherists unscathed. The Milton Friedmans, whose dictum that the poor differ from the nonpoor only by possessing less income and that to think otherwise is to be guilty of condescension, have, like the liberals, been mugged by harsh realities. So too has the antistatist's belief that the poor can be independently lifted to normalcy solely through unconstrained income supplements and without the attentions of a meddling welfare bureaucracy or intrusive vigil. To inner-city drug merchants, the arrival of the welfare check—an unconstrained allowance—is called “Mother's Day.” Constrained, in-kind income supplements, such as food stamps, the Medicaid card, and educational grants are systemically employed in corrupt transactions. The jeered, run-on sound bite *wastefraudandabuse* in the fiscal nexus with poverty is too large to be dismissed. If, for the underclass, new housing is inarguably the answer to a problem that seems to have none, allowances seem only the least-bad answer. That is something for thoughtful conservatives to ponder: It will take more, not less, government to match underclass ingenuity in discerning the voucher's fungibility, its potential for conversion to cash.

Many factors conspired to bring public housing to near ruin. (Gratifying exceptions exist, but they are not the perceived norm.) The Brooke Amendment slashed revenues and gave occupancy to more welfare cases. Judicial decrees defeated good management by staying evictions, mandating lower hurdles to admission, and staying drug sweeps by police. Statutes and regulations that induced the moveout of the over-income tenant further strained finances and the social mix. The esteemed “tower in the park” was doubtless also at fault, though high and crowded projects seem to thrive elsewhere in the world, from Hong Kong to Eastern Europe, without forfeit of popularity or a buildup of vacancies. Nor have lowrise neighborhoods in cities such as Camden and New Haven been spared the predations of the underclass. The problem seems to be lodged less in architecture than in the nature of tenancy.

Nothing dramatized underclass contributions to the sinking fortunes of public housing better than the endlessly recounted saga of St. Louis's Pruitt-Igoe, a once-proud, prize-winning development brought down to rubble. To echo the final lines from the movie classic *King Kong*, “It was Beauty, not the fighter planes, that killed the Beast” (a pop

adaptation of Aristotelian causation), and it was the underclass, not the dynamite, that proved public housing's death blow: Pruitt-Igoe reduced to ashes. From those ashes arose the much publicized experiment in tenant management, a feat of resurrection celebrated on *60 Minutes* but much too long a tale for now.

The Allowance's New Users and Uses

Fortified by all that went wrong in the production programs, the housing allowance was further strengthened by its potential for doing right. Consider, for example, just two potentials: racial dispersion, as exemplified by the Gautreaux program (labeled by optimistic observers as "the new geography of opportunity") and the preservation of old-city stocks and inner-city neighborhoods.

The Gautreaux program stands in sharp contradiction to EHAP's disheartening finding that vouchers are without consequence for spreading blacks into white neighborhoods. The Gautreaux program, mandated by a 1976 Supreme Court consent decree, ordered HUD to allocate 5,000 Section 8 certificates (since increased) to public housing's occupants and waiting lists. The certificates were to be reserved for relocating occupants desiring such locations to white-majority housing markets, either suburban or central city. The Court designated Chicago's Metropolitan Leadership Council, a prominent open-housing organization, to direct the relocation program, with HUD to defray all program costs.

Gautreaux proved to be, by most indicators, a rousing success. In fact, it was spectacular enough to attract laudatory public notice from national broadcasting's summit, *60 Minutes*. The Leadership Council cast the program in the format of a structured demonstration—near to, but not quite, a true experiment. Approximately half the participants were randomly relocated in small clusters to a wide scattering of white, middle-class suburbs, the other half to good but racially mixed central-city neighborhoods. Over the next several years, the two sets of low-income black relocatees were compared with respect to changes principally in employment, education, and social interaction with host communities.

The demonstration yielded positive outcomes, according to several key indicators. In nearly every respect, the suburban group scored higher than their central-city counterparts and, by extension, higher still than those left behind in public housing who did not otherwise figure in the experiment.¹¹ Of the respondents who had been employed before the move, 14 percent were more likely than their city match to report a post-move job. Of those in both groups who had been jobless, 42 percent of the suburbanized found post-move jobs, compared with 30 percent of the within-city movers. The suburban children scored higher in the schools—acknowledging that Chicago schools, even those in better neighborhoods, are predominantly minority enrolled. The respective scores for city and suburb were as follows: school dropouts, 20 and 5 percent; college track, 24 and 40 percent; college attendance, 21 and 54 percent; 4-year college attendance, 4 and 27 percent; and full-time employment (if not in college), 41 and 75 percent.

There are plentiful reasons why vouchers appear to work so well in the Gautreaux dispersal, in striking contradiction to EHAP. The much higher value and longer term of the voucher helped to allay even an unbiased landlord's concern about a dependable rental income, but the more important explanation is the transaction-facilitating role of determined and qualified intermediators. Racial mixing can be a traumatizing event, for mover and host alike. Ordinary market processes may rarely be left unattended. Impressed with the Gautreaux experience, HUD has vowed to employ the voucher on a much larger scale to diffuse concentrations of public housing.

If the voucher displays prowess as a way out of the inner city, it is proving, in greater magnitude and versatility, an anchor for the inner city as well. It is evolving as a valued instrument in neighborhood preservation programs. Preservation programs are faring tolerably well, not alone because of their political popularity and because there are so few alternatives, but also because vouchers lend themselves quite well to the purposes and capabilities of community-based organizations. Abetted by changes in policy and subsidy flows and by wellsprings of upstream capital and technical support, preservation efforts now aggregate to respectable dimensions. Certainly they are well past the isolated “feel-good” stage that warmed the hearts of congressional committees and big foundations but provoked disbelievers to such dismissive characterizations as “gilding the ghetto” and “the city as sandbox.”

Community-based entities come in remarkably diverse sizes and shapes. Most are affiliated with one another in more-or-less organized networks. Two types of networks of proven accomplishment, supported by strong backup intermediaries, are CDCs and NHS. NHS is a network of more than 170 local nonprofit organizations that manage 375 sites in 150 cities across the Nation and strive to reverse the decline of older neighborhoods by promoting institutional reinvestment. By forging alliances between lenders, code-enforcement officials, and community leaders, NHS has restored capital formation to once-disinvested urban areas and has erected machinery to safeguard what has been restored. NHS is undergirded by Community Development Block Grants, by an innovative apparatus that taps into the secondary mortgage market, and by organic links to the congressionally chartered Neighborhood Reinvestment Corporation. Although primarily a promoter of homeownership, the organization has progressively embraced multifamily apartments. Its pioneering predecessor, the mutual housing association, is a productive approximation to tenant ownership. NHS has attracted upwards of \$2 billion to old, capital-deprived neighborhoods, almost all of it (97 percent) for housing. Of that housing, 96 percent were rehabilitated dwelling units and only 4 percent newly built. Commented a HUD evaluator:

To the extent that partnership interventions such as NHS can create neighborhood confidence, counteract neighborhood externalities, and help maintain social control with minimum direct subsidies, they are an efficient approach to preservation ... and a key component of an existing house strategy.¹²

CDCs concentrate on inner-city families that are generally poorer than those in NHS and more widely and deeply engaged with rental housing. Estimates of their number vary. By a recent count, there are 1,500 at the lower limit and 2,500 at the upper, although perhaps no more than 1,000 admit to consequential size and significant output. The typical CDC ministers to dependent populations as well as the working poor and pits itself against all the pernicious manifestations of crime and drugs. States Avis Vidal, a leading analyst and chronicler of the CDC:

CDCs are very effective in targeting benefits.... [Their] *raison d’être* is to strengthen and improve the livability of poor communities.... They concentrate their activities in neighborhoods that have household incomes well below the areawide median, concentrations of households dependent on public assistance, and significant communities of color. Within mixed-income neighborhoods, CDCs target their activities ... [so that] the vast majority of the beneficiaries of their work (at least 75 percent and commonly as high as 90 percent ...) are low- and moderate-income people.¹³

A visit to any prominent CDC readily confirms Vidal's claim. Examples include Newark's Central Ward, at one time given up for lost, and CDC-managed terrain in the South Bronx, once everyone's nominee as urban America's sinkhole, vying with Calcutta for the global title. The Central Ward's regeneration is nothing short of wondrous, and the South Bronx's, although hardly a marvel, is an acknowledged reversal of manifest destiny. Achieving and maintaining an affordable stock for its poorer residents is the CDC's primary preoccupation, although varying numbers are adding retailing, small businesses, social services, and community banking to their program agendas. In a majority of CDCs, recycling of old housing, rather than new construction, is the principal source of improved accommodation.

Regrettably, none of the community networks compiles statistics on the role of Section 8 vouchers in their programs, although all acclaim their merits and would gladly have more. A canvass of prominent practitioners yields pertinent comment. Speaking from a national perspective, Greg Tyson, a senior executive of LISC (principal backer of local CDCs), considers Section 8 essential to the CDC's primary agenda of recycling old housing for the poor. The voucher transcends its economic role—purchasing power for the tenant and assured rents for the landlord (in CDC programs, usually a nonprofit owner). By preventing the displacement of families unable to pay the increased rents that accompany rehabilitation, the CDC credibly honors the “social contract” it has covenanted with its constituents, the sine qua non so essential to effective function.

Michael Lappin, head of New York City's Community Preservation Corporation, an extraordinarily effective nonprofit rehabilitator of the city's old rental stock, confirms Tyson's appreciation.

Although Section 8 Existing (portable vouchers) has been allotted to only 15 percent of the 15,000 households benefited by our improved apartments, it was the critical 15 percent. We perform all our work while leaving present tenants in place. Had that 15 percent been forced to move, we would be unable to close any of our ventures. The political heat would simply be too intense. We would never obtain the needed permits and concessions, and our mortgage backing would have evaporated.¹⁴

A third statement comes from Home Ownership for People Everywhere (HOPE), a housing organization long active in East Harlem and more recently engaged in providing accommodations for the homeless. Mark Alexander, its executive director, reports on the voucher's pinpointed uses for homeless lodged in shelters or waiting to be sent there:

By agreement with the City, which arranges for our financing, 30 percent of the housing we produce is set aside for homeless families provided with Section 8 Existing. Since the vouchers are portable, some of those families relocate over time to other quarters. HOPE staff literally “shops” shelters and other makeshift accommodations for families with portable Section 8s. We try to “sell” our apartments and locations to those who might find them inviting. Our buildings' operating budgets are based on the continuity of a Section 8 flow from newly empowered poor people with a measure of ability to choose. In a sense our housing programs which were born and nurtured as a social service have become, to a degree, part of a competitive market.¹⁵

As the song goes, if you can make it in New York, you can make it anywhere. The New York City experiences cited above are fair illustrations of the way pragmatic solutions beat theoretic preconceptions. Since before the dawn of public housing, New York City has been in the vanguard of pro-production forces, mainstay of the National Association

of Housing and Redevelopment Officials (NAHRO), the National Housing Conference, and similarly organized advocacy groups. In the hearings that preceded the 1973 Section 8 legislation, no voice spoke more vehemently in opposition nor continued more staunchly opposed for years afterward. Indeed, the initial allotments of Section 8 Existing (portable vouchers) issued to New York City were pronounced unusable by the New York City Housing Authority (NYCHA) for want of available vacancies at established fair market rents. NYCHA's search for suitable existing units seemed desultory, some thought grudging. New York City was among the rare jurisdictions that shelved an inventory of unused allowances.

With the passage of time, the voucher's self-evident versatility, flexible and multipurpose, softened hardened minds and ingrained hostility. One telling revelation was the voucher's utility for stay-in-place fixup, as reported by the Community Preservation Corporation. In effect, demand equates with supply. Housing-deficient tenants "find" their standard units right at home, eliminating a need for market search and the claim of "no affordable availabilities." By 1993 nearly 90,000 households were the beneficiaries of certificates and vouchers for upgraded housing. The bulk of these Section 8s—nearly 70,000—continue to be managed by NYCHA. Of these, a little more than half (37,700) went to the disadvantaged who improved their lot by moving. The rest (31,000) went to those who upgraded without moving. Also reaching out for Section 8 Existing was New York's Department of Housing Preservation and Development (HPD), the sponsor and administrator of an awesome variety of private, subsidized housing, including the rehab projects of community-based organizations. HPD, the housing arm of the mayor's office, is also at the vortex of such politically fraught issues of sheltering the homeless and those who might become so. In discharge of its obligations, HPD has mobilized more than 18,000 certificates and vouchers, in part by independent allotment and in part by competing with NYCHA for shares. It is no small irony in the evolution of the housing voucher that the onetime disbelievers are converted into ardent petitioners. Though in some circles the voucher remains unbeloved, the main complaint is its insufficiency. It is reminiscent of the boot camp sailor's letter home, relating the two things wrong with Navy food: it was poisonous and there wasn't enough of it.

The Future of Coexistence

The dominance of tenant-based subsidies is compatible with government's drift to a broad regime of subsidy by voucher, an aspect of a still broader thrust toward privatization. Included in one version or another are Medicaid; Medicare; food stamps; the Women, Infants, and Children program; even (under mandate of the 1990 Child Development Act) a portion of day care. Public school vouchers on a large scale may never come to be, but postsecondary education's grants and loans, such as the majestic G.I. Bill, are consumer-bonded subsidies. All share, de facto if not de jure, the defining properties of a product-constrained voucher—consumer self-activation plus portability—the right to choose among competing vendors.

Conservatives rejoice at this course of events but must heed the aforementioned caveat: Voucher systems require very extensive monitoring. Food stamps, Medicaid, and trade-school enrollments are each besmirched, each rampant with rip-offs and consumer-vendor collusion. The rubbing of public funds against private markets—whether a contract for highways or scrip for food—generates a quantum of fraud and corruption as surely as steel rubbed against flint generates sparks. If public accountability is to be respected and illicit diversion of public funds kept in bounds, the divestiture of government function

will necessitate more, rather than less, oversight. The intrusive presence of government, so repugnant to conservatives, cannot be wished away.

Nor will the housing allowance bring a terminus to the production subsidy. Nor should it. Urban America—its thousands of cities, its scores of thousands of neighborhoods and communities—is too diverse to rely on any single instrument of subsidy. The production coalition has far from exhausted its political chits. Neither has reinventing government’s motif of consumer empowerment yet banished the National Housing Conference to the Flat Earth Society. But it is not only the give and take of the political process that will maintain for supply-siders a second lane to pursue substantial rehab and new construction with cut-price offerings. It is also that the second lane makes sensible policy. There are simply too many circumstances where production rather than vouchers is key, and many others where both are efficaciously employed in tandem. Among such circumstances are the following:

- Areas of rapid population growth or demonstrably tight markets in which households of modest means could not by any credible calculation be sheltered within the existing inventory of both affordable and available units. And unaided private construction, no matter how minimal the standards and how relaxed the regulations (the doctrinaire unrealistically exaggerate the economics of such waivers) would, without capital subsidy, fail the criterion of affordability. That construction might, however, be tied to the building-based subsidy of the erstwhile Section 8 long-term voucher or the innovative tax credit for low-income housing.
- Matching particular employment sites with housing availabilities. Long before there were government housing programs, mining and industrial companies branching into new terrain often provided their labor force with partly subsidized dwellings. The industrial town’s modern counterpart is assisted new housing for doctors, nurses, faculty, and emergency workers in housing markets where vouchers would not assure accommodations in the requisite proximity.
- Special-needs housing types. From single-room occupancies for the single homeless to specially fitted housing for the elderly and disabled, it is a rare housing market that meets the needs without new or heavily reconstructed buildings.
- Inner-city reconstruction. Although we are long past the full-sweep redevelopment schemes of the Sixties, the same grassroots and community-based organizations that find the voucher indispensable also support construction and substantial reconstruction. Every local housing preservation organization (e.g., the CDC network, NHS, LISC) reports that portions of its inventory are beyond upgrade to current standards by any economic reckoning and incorporates demolition and replacement into its community plans. Still other emergents—the Nehemiah-like hunger for homeownership inside devastated communities—cannot be satisfied by transactions within the existing inventory, public or private. Even the high priest of consumer empowerment, Jack Kemp, would surely endorse the multi-tier producer subsidies (on top of a substantial grant to the buyer) conferred on Nehemiah—the gift of land, concessional mortgages, and property-tax exemptions.

In HUD’s 30th year, the value of the housing allowance’s victory trophy has diminished. Low-income housing began to fade from the national radar screen even before the conservative ascendancy or the crush of domestic budgets. To pessimists it appears all but certain that future appropriations for allowances and production alike will take a free-fall

after charges for the salvation of past investments have been deducted. But whatever housing's future dimensions, the allowance is certain to be in the wider lane, and rightly so, if it does not block the other.

Appendix: Formulas and Applications of Section 8

Each long-lasting government program inevitably accumulates an idiom of the trade, a lexicon of shorthand for statutory and regulatory provisions easily mastered by legislators, administrators, and practitioners but so much bureaucratic babble to everyone else. Housing policy has a formulary all its own. The production programs are credited with a litany of sound bites: *Equivalent Elimination*, *Adjusted Gross Income*, *Performance Funding System*, *Brooke Amendment*, *Below-Market Interest Rates*, *Fair Market Rents (FMRs)*, *Capital, Operating and Community Development Block Grants*, and a procession of statutory headings—Title I (two of these); Title II, with its Sections 202, 203, 213, 220, 221d3, 235, 236, and 608; and many more.

As with the production assistance programs, so with the rental assistance programs. What follows is a briefly annotated run-through, starting with the most narrowly constrained and ending with the least.

Section 8 (New Construction/substantial rehabilitation): Initiated in 1973, these are actually supply-side subsidies bound by contract to the new building—in effect—a capital subsidy by annual installments. The main advantage of a conventional production subsidy, such as 236 or 221d3, is somewhat better targeting. The subsidy amounts to the difference between the sum of capital and operating costs and what the means-tested tenant is deemed able to pay (in most current programs, 30 percent of income). The subsidy is not portable; a departing tenant must forfeit it. To secure the long-term mortgage, the subsidy contract may run as long as 40 years. Because of excessive costs, this type of subsidy was abandoned in 1983, except for elderly projects. By most accounts, the per-unit cost of Section 8 New Construction was twice that of Section 8 Existing, with which it was paired in its 1974 legislative origin. Indeed, if many inside and outside the Congress, liberals as well as conservatives, were unhappy with the average unit costs of Section 8 New Construction, they were outraged by the extravagant—at times monstrous—costs of exceptional undertakings well above the most expensive, roundly condemned public housing. In New York City's notorious Manhattan Plaza, a quasi-luxury development for the benefit largely of penurious theater people, the full-term subsidy accumulates to several hundred thousand dollars per unit, an extraordinary gift to a lucky few. Worse yet, under Congress's budgeting protocol, the future runout costs of contracted subsidies are brought forward to be included in the initiating current year as budget authority, thereby crowding out competing expenditures. Because of that protocol, any cutback in Section 8 New Construction yields reductions in budget authority quite disproportionate to any cutback in the current levels of families aided. Thus throughout the conservative regimes of the Seventies and Eighties, when housing progressives denounced the "demolition" of the housing budgets, their gaze was on the budget totals, not additions to current outlays. In fact, in every year during that regime, the number of families increased quite substantially in the earlier part of the period.

Section 8 (Moderate rehabilitation): This closely resembles Section 8 New Construction in its tie to the building or lack of portability, except that it runs for a maximum of 7 years for means-tested occupants. Intended to stimulate additional supply at lower cost, a considerable proportion has been set aside for loan management/property disposition, longhand for the succor of failed or troubled existing HUD projects.

Section 8 (Existing, vouchers/certificates): This variety represents the housing allowance in near-optimal form. It is the runaway favorite of voucher advocates, since it embodies the voucher's most desirable features—moderate costs, portability, and wider market choice. One version—the freestanding voucher—provides an incentive to shop for the best bargain among the offerings of program-acceptable housing. Typically the value of the voucher is set at an amount sufficient to enable the eligible tenant to lease a unit at actual rent or at no more than the formula-determined ceiling, the fair market rent (FMR). FMRs are computed as the median (currently a bit under) of the distribution of rents paid by recent movers for adequate housing within a given market area. If the actual rent is below the FMR, the subsidy amount is lowered. In the freestanding voucher, the subsidy remains capped by the FMR, but the beneficiaries are advantaged by considerably more freedom of choice, enabled to lease at a rental above the FMR by paying the difference. Conversely if beneficiaries are lucky enough to find a qualified unit below the FMR, they may keep the savings as reward for their diligent search. In both versions the subsidy is obtainable if one is either moving or staying in place, as long as the leased unit meets quality specifications. The stay-in-place option is of inestimable value, as noted earlier, in community preservation undertakings where displacement is politically jarring and would compromise the program. The budgetary consequences are also favorable, since the subsidy contract is limited to 5 years.

In most locales Section 8 is administered by a local public housing authority (PHA). PHAs verify tenant income, rent, and the quality of a dwelling unit and remit the subsidy to the landlord. They also conduct periodic checkups during the life of the contract to ascertain justification for any revisions. Tenants, however, conduct their own market search, although PHAs might maintain a file of suitable and available units (not all PHAs, since Section 8 was unbeloved by some). PHAs had already acquired a measure of experience in placing low-income families in the private rental market, the so-called Section 23 Leasing program. Because it connected poor people with private landlords, Section 23 was often regarded as the ancestor of the housing allowance—quite a distant one since, with rare exceptions, PHAs acted as legal lessee and the questing family tenant was limited to the Hobson's choice of those preleased units. Section 23 was not universally popular with public housing officials. Retail, unit-by-unit transactions and management of a dispersed inventory imposed administrative costs and complications that were not always fully reimbursed. The main value of Section 23, never more than a limited program, was to appease congressional cost cutters and to accommodate needy or special-case families when waiting lists were overbooked.

Other rental-assistance predecessors to certificates and vouchers should also be mentioned. One is the rent supplement, enacted, like Section 23, in 1965 and just as limited. The supplement was granted to necessitous families living in private, HUD-sponsored developments to avert eviction or to preserve an economic rent roll. A variant of immensely greater quantitative significance is the shelter component for the Aid to Families with Dependent Children (AFDC)-assisted supplement. The shelter component was embodied in most jurisdictions in regular welfare payments but in others, notably New York State, made explicit by a separate check. Ann Schnare, among others, pointed out that the Federal/State welfare system injects far more money into the low-income housing economy than do HUD and subnational housing agencies administering purposeful housing programs. The AFDC housing experience also discloses a failing common to all consumer vouchers—fraud and abuse that are a good deal more than token occurrences.

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6. Frieden, Bernard.
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9. Rivlin, Alice, pp. 348–351.
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