

Reforming Federal Housing

When George Romney delivered what may be his swan song before the Mortgage Bankers Association last month in San Francisco, it was widely reported that he recommended an end to a direct federal role in housing. He really didn't. The Secretary of Housing and Urban Development merely listed that option as one of several alternative paths out of the appalling chaos in federal housing programs. What's more, considering how quickly he passed over the idea, it's obvious he didn't think much of it.

Too bad. It's a swell idea. So good, in fact, that neither Mr. Romney's successor at HUD nor the 93rd Congress should make a move on housing legislation without first exploring the benefits that would accrue to the commonweal by curtailing many of HUD's activities.

The idea might sound drastic at first. But just beneath the surface of official Washington there is developing a consensus that many of the housing subsidy efforts should be scrapped, if only a sensible alternative could be found. The most encouraging sign we see is the recent recruitment of Sen. William Proxmire to the ranks of the aghast. Mr. Proxmire in recent years trained his wrath on the waste and inefficiency of the Pentagon. Now, he is training it on HUD and promises "to pursue the issue of housing programs and housing reform until we get some order out of the present chaos."

Which isn't to say he's prepared to buy the no-federal-role route. But like so many of his colleagues who helped spawn the subsidy programs—rent supplements and home ownership for the poor in particular—Mr. Proxmire now realizes that the legislation was "enacted piece by piece, with political considerations dominating economic and managerial aspects of the problem."

The result has been a system of subsidies excessive in cost as well as inequitable. Small numbers of poor and lower-income families are aided on a random, irregular basis, their shelter thereby superior not only to their unassisted income peers but also to those ineligible who are immediately above them on the income scale. Geared to construction of new units, rather than use of existing housing stock, the system has been a bonanza for high-income investors and developers.

Reports released earlier this month by the Joint Economic Committee, which Mr. Proxmire chairs, make it plain that there is no comprehensive federal housing strategy. Over the

years, the various income classes have simply squeezed Congress for benefits of one kind or another, either mortgage interest writeoffs against federal taxes, direct housing grants, or an array of subsidy schemes.

In one of the most illuminating of the reports, economists Rudolph Penner and William Silber come to the startling conclusion that when the government helps everybody, it helps nobody: "The explosive expansion of credit assistance means that soon government will be working against itself by subsidizing practically all borrowers . . . the large scale bureaucratic effort is not worth whatever social benefits follow from the modest reallocation of resources which results."

The great majority of low-income families rely on the private market for housing. Their shelter is upgraded by occupancy of housing vacated by upwardly mobile families. And when the government drains credit from the private housing sector through its subsidy programs, there's less private housing for the upwardly mobile to move into. A scattering of low-income families get direct help, but ultimately at the expense of their less fortunate peers, not to mention everyone else.

For all this, HUD through 1973 has run up credit obligations against the federal government of \$100 billion over the next 40 years; nobody argues with Mr. Romney when he says the nation can't afford another \$100 billion mistake.

Sen. Proxmire agrees, but says it's "irresponsible" to charge that "the entire system has been a failure" and call for its abandonment. But by this he seems to mean that HUD can't spend money by the bushel without benefiting somebody, and that somewhere in the mess there may be programs worth salvaging.

But if there is going to be housing reform in the 93rd Congress, it won't do much good to begin the process by looking for the bits and pieces of HUD's activities that might be salvageable. The process should start from the assumption that the private market is a better, more sensitive, more efficient supplier of housing for everyone than the government can ever hope to be. If Mr. Proxmire is serious about putting aside political considerations and looking at the economic and management aspects of the problem, he would have to conclude that no direct federal role in housing would be far superior to what now exists.