Federal Subsidy and the Suburban Dream: The First Quarter-Century of Government Intervention in the Housing Market
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Federal Subsidy and the Suburban Dream: The First Quarter-Century of Government Intervention in the Housing Market

KENNETH T. JACKSON

> If a healthy race is to be reared, it can be reared only in healthy homes; if infant mortality is to be reduced and tuberculosis to be stamped out, the first essential is the improvement of housing conditions; if drink and crime are to be successfully combated, decent sanitary houses must be provided. If 'unrest' is to be converted into contentment, the provision of good houses may prove one of the most potent agents in that conversion.
>
> Remarks of King George V
> Buckingham Palace, London
> April 11, 1919

Prior to the 1930's, or for the first three centuries of urban settlement in North America, the provision of shelter was not regarded as a responsibility of government—whether that body was a colonial assembly or a state legislature, a town meeting or a city council, a Parliament in London or a Congress in Washington. Although local governments had outlawed wooden dwellings and thatched roofs in city centers as early as the Seventeenth Century, and although New

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York City had passed restrictive housing laws as early as 1867, the selection, construction, and purchase of a place to live was everywhere regarded as an essentially individual problem. Similarly, federal involvement was limited to a survey of slum conditions in large cities in 1892, the creation of the Federal Land Bank System in 1916, and the construction of arms workers' housing during World War I.[1]

This last shift was potentially the most important. It came in June, 1918, when Congress appropriated $100 million to form the United States Housing Corporation. The purpose was to provide residences for heads of households migrating to industrial areas in order to produce munitions and ships for the European conflict. But because this war emergency effort began only five months before the Armistice, it resulted in only a few developments—in Bridgeport, Connecticut; Portsmouth, New Hampshire; Camden, New Jersey; Wilmington, Delaware; and Chester, Pennsylvania. At the cessation of hostilities there were suggestions that the national government maintain the structures for the benefit of low-income workers, but the constitutionality of such a venture was considered questionable, and the units were eventually sold to private developers.[2]

At the same time that Washington was withdrawing from the housing field, European governments were charting a new course. Both Great Britain and Germany built more than one million publicly-assisted dwelling units between 1920 and 1930. In the Netherlands, one-fifth of the total population was rehoused in the same fashion, while in the Soviet Union the transition to public responsibility was almost total. As American housing reformer Edith Elmer Wood noted sadly in 1931: "Nearly all other European countries have developed some form of housing loan at low interest rate and some form of municipal housing or a slightly disguised substitute for it." Great Britain, according to her estimate, was a half century ahead of the United States in the field of shelter.[3]

With the advent of the Great Depression in 1929, however, the American posture toward housing began to change in a fundamental

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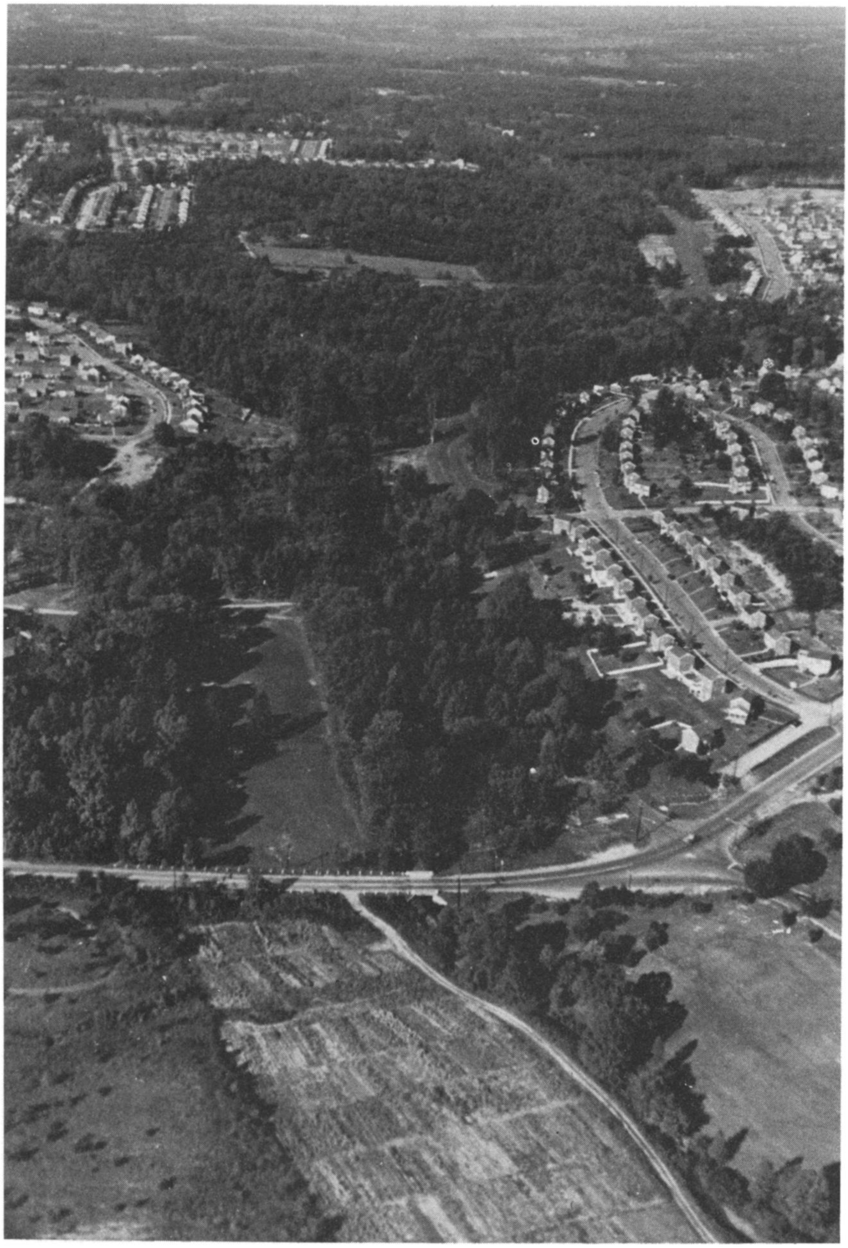
[1] The best full-scale studies of federal housing programs, none of which focus on suburbanization are: Mark I. Gelfand, *A Nation of Cities: The Federal Government and Urban America, 1933–1965* (New York: Oxford University Press, 1975); Henry Aaron, *Shelter and Subsidies: Who Benefits From Federal Housing Policies* (Washington: Brookings Institution, 1972); and William L. C. Wheaton, "The Evolution of Federal Housing Programs" (Ph.D. dissertation, University of Chicago, 1953).

[2] In February, 1919, the Department of Labor set up an "Own Your Own Home" section with its Division of Public Works and Construction Development in order to publicize the housing campaign of the National Association of Real Estate Boards.

[3] Edith Elmer Wood, *Recent Trends in American Housing* (New York: Macmillan, 1931), pp. 12–20. See also, Wallace F. Smith, *Housing: The Social and Economic Elements* (Berkeley: University of California Press, 1971).



Photographic Archives,
United States Department of Housing and Urban Development

Kensington Road, Wheaton, Maryland.

way. The sharp economic downturn inflicted crippling blows on both the housing industry and the homeowner. Between 1928 and 1933, the construction of residential property fell by 95 per cent, and expenditures on home repairs fell by 90 per cent. In 1930, about 150,000 non-farm homeowners lost their property through foreclosure; in 1931, this increased to nearly 200,000; in 1932, to 250,000. According to federal estimates in 1933, fully half of all home mortgages in the United States were technically in default. Housing prices predictably declined, virtually wiping out vast holdings in second and third mortgages as values fell below even the primary claim. Moreover, the victims were usually middle-class families that were experiencing impoverishment for the first time.[4]

Theorizing that the predicament of the real estate and construction industries was acting as a drag on the rest of the economy, Herbert Hoover convened the President's Conference on Home Building and Home Ownership in 1931. In an address at the opening meeting, President Hoover gave expression to the national sentiment for the private house:

> I am confident that the sentiment for home ownership is so embedded in the American heart that millions of people who dwell in tenements, apartments, and rented rooms of solid brick have the aspiration for wider opportunity in ownership of their own homes.[5]

The conference made four recommendations that pointed to a new direction in federal housing policy:

(1) The creation of long-term, amortized mortgages.

(2) The encouragement of low interest rates.

(3) The institution of government aid to private efforts to house low-income families.

(4) The reduction of home construction costs.

The conference, which was firmly committed to capitalist solutions, closed with a warning:

> This committee is firmly of the opinion that private initiative taken by private capital is essential, at the present time, for the successful planning and operation of large scale projects. Still, if we do not accept this challenge, the alternative may have to be government housing.[6]

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[4] Semer and Zimmerman, *Evolution of Federal Legislative Policy in Housing: A Report to HUD* (Consultant's Report dated june 30, 1973), pp. III-7 through III-15.

[5] Lyle Woodyatt, "The Origins and Evolution of the New Deal Housing Program" (Ph.D. dissertation, Washington University, 1968).

[6] *Final Report of the Committee on Large Scale Operations, The President's Conference on Home Building and Home Ownership* (Washington, 1932), p. 24.

The Hoover Administration tried to encourage home ownership in two ways.[7] It established the Federal Home Loan Bank Board (FHLBB) in 1932 to serve as a credit reserve for mortgage lenders and thus to increase the supply of capital in the housing market. But the limited funding of the program made it ineffective. A second measure was the Emergency Relief and Construction Act of 1932, which empowered the Reconstruction Finance Commission to:

> make loans to corporations formed wholly for the purpose of providing housing for families of low income, or for the reconstruction of slum areas, which are regulated by state or municipal law as to rents, capital structure, rate of return, and areas and methods of operation, to aid in financing such projects undertaken by such corporations which are self-liquidating in character[8]

Unfortunately, the Act required the states to exempt such limited-dividend corporations from all taxes, and at the time only New York had such authority. As a result, Knickerbocker Village in New York City was the only project initiated under the legislation.

It remained for Franklin D. Roosevelt and his Democratic majority to develop new initiatives in housing. One of the first measures passed by the new 73rd Congress was the Home Owners Loan Act of 1933, which was designed to refinance mortgages in danger of default or foreclosure, and even to make loans to permit owners to recover homes lost through forced sale. Between 1933 and 1936 alone, the Home Owners Loan Corporation (HOLC) supplied more than $3 billion for more than one million mortgages, or loans for one-tenth of all owner-occupied, non-farm residences in the United States. Moreover, as Table 1 indicates, the largest percentage of this assistance went to neighborhoods officially labeled as "definitely declining" or "hazardous."[9]

Another fresh effort of the New Deal in housing was the Greenbelt Town Program. Inspired by Rexford G. Tugwell and administered through his Resettlement Administration, the purpose of the program

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[7] During the 1920's, under the leadership of Governor Alfred E. Smith, New York State pioneered in the housing field by inducing private corporations to construct cooperative apartments and projects on the promise of exemption from state and local taxes. About six thousand units were built under this program.

[8] *Emergency Relief and Construction Act,* (1932), Public Law No. 302, Title II, Section 201.

[9] The HOLC, which was an agency of the Federal Home Loan Bank Board, apparently initiated both the long-term, amortized mortgage and the notion of "redlining." The Federal Housing Adn.: istration later picked up both ideas and in the 1930's began to share information, tactics, and "residential security maps" with the HOLC. Amortization refers to the repayment of the loan in full by the expiration date of the mortgage. C. Lowell Harriss, *History and Policies of the Home Owner's Loan Corporation* (New York: National Bureau of Economic Research, 1951).

TABLE 1

Distribution of HOLC Loans in Essex County (Newark), New Jersey and Shelby County (Memphis), Tennessee According to Neighborhood Classifications, 1935–1936

Classification	Essex County		Shelby County	
	Number	Percentage	Number	Percentage
A—Best	685	10.2	129	4.7
B—Still Desirable	1,975	29.3	752	27.6
C—Definitely Declining	2,156	32.0	1,003	36.8
D—Hazardous	1,917	28.5	843	30.9

Source: Compilations made from HOLC and FHA Reports in Record Group 195, National Archives.

was explicitly to foster deconcentration. The idea was for the federal government to construct ideal "greenbelt" communities based upon the planning theories of Ebenezer Howard and then to sell the projects to private enterprise. Although the notion was intriguing, the three garden communities that were completed—Greenbelt in Maryland, Greenhills in Ohio and Greendale in Wisconsin—were hurt by excessive construction costs and never served as models for future metropolitan development.[10]

THE FEDERAL HOUSING ADMINISTRATION

Direct, large-scale, Washington intervention in the American housing market dates from June 27, 1934, with the passage of the National Housing Act. Its Congressional popularity was due to the hope that it would alleviate unemployment in the construction industry. Its official purpose was "to encourage improvement in housing standards and conditions, to facilitate sound home financing on reasonable terms, and to exert a stabilizing influence on the mortgage market." The effort was later expanded by the Servicemen's Readjustment Act of 1944 which created a Veterans Administration (VA) program to help the fifteen million GIs of World War II return to civilian life with a home of their own.[11]

Since the prevailing wisdom is that most governmental agencies fail to achieve the tasks set by their legislative sponsors, it is noteworthy that both the Federal Housing Administration (FHA) and the VA housing efforts have had a remarkable record of accomplishment. Essentially, they function as insurance companies which collect pre-

[10] The best study of this subject is Joseph L. Arnold, *The New Deal in the Suburbs: A History of the Greenbelt Town Program* (Columbus: Ohio State University Press, 1971).

[11] Because the VA very largely followed FHA procedures and attitudes, I shall discuss their accomplishments as a single effort. For the economic significance of these agencies and of later public housing efforts, see Lawrence N. Bloomberg, "The Housing Problem: Long-Run Effects of Government Housing Programs," *American Economic Review*, XLI (May, 1951), 589-590.

miums, set up reserves for losses and, in the event of a default on a mortgage, indemnify the lender. Neither the FHA nor the VA extend credit or build houses. What they have done is to revolutionize the home finance industry in the following ways:[12]

(1) Before FHA and VA began operation, first mortgages typically were limited to one-half or two-thirds of the appraised value of the property. During the 1920's, for example, savings and loan associations held one-half of America's outstanding mortgage debt. Those mortgages averaged 58 per cent of estimated property value.[13] Thus, prospective home-buyers needed a down payment of at least 30 per cent to close a deal. By contrast, the fraction of the collateral that the lender was willing to lend for a FHA secured loan was about 93 per cent and for a VA loan about 98 per cent. Thus large down-payments were unnecessary.

(2) Prior to the 1930's, the typical length of a mortgage was between five and ten years, and the loan itself was not fully amortized.[14] Thus the homeowner was periodically at the mercy of arbitrary and unpredictable forces in the money market. When money was easy, renewal every five or seven years was no problem. But if a mortgage expired at a time when money was tight, it might be impossible for the homeowner to secure a renewal and foreclosure would ensue. Under the New Deal and wartime inspired FHA and VA programs, continuing a trend begun by the HOLC, the loans were fully amortized and the repayment period was extended to twenty-five or thirty years. The effect was to reduce both the average monthly payment and the national rate of mortgage foreclosure. The latter declined from the previously mentioned 250,000 non-farm units in 1932 to only 18,000 in 1951.

(3) In the 1920's, the interest rate for first mortgages averaged between six and eight per cent. If a second mortgage were necessary, as it usually was for families of moderate incomes, the purchaser could obtain one by paying a discount to the lender, a higher interest rate on the loan, and perhaps a commission to a broker. Together, these wrinkles added about 15 per cent to the purchase price. Under the FHA and VA programs, by contrast, there was very little risk to the banker if a loan turned sour. Reflecting this government guarantee, interest rates fell by two or three percentage points.

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12 Marion Clawson, *Suburban Land Conversion in the United States: An Economic and Governmental Process* (Baltimore: Resources for the Future and The Johns Hopkins University Press, 1971), pp. 80–91.

13 Aaron, *Shelter and Subsidies*, p. 76.

14 One reason that long-term mortgage arrangements were not typical prior to the 1930's was that an 1864 amendment to the 1863 National Bank Act prohibited nationally chartered banks from making direct loans for real estate transactions.

Together, these three changes substantially increased the number of American families that could reasonably expect to purchase homes. By the end of its first twenty-five years of operation in 1958, FHA had helped nearly five million families to own houses, had helped provide housing for nearly 800,000 families in multi-unit projects, and had helped more than twenty-two million families improve their properties.[15] In those years, the percentage of American families living in owner-occupied dwellings rose from 45 per cent to 62 per cent. The main beneficiary was suburbia, where approximately one-half of all housing could claim FHA or VA financing in 1962. In the process, the American suburb was transformed from a rich man's paradise into the normal expectation of the middle class.[16]

The corollary to this achievement was the fact that FHA and VA programs hastened the decay of inner-city neighborhoods by stripping them of much of their middle-aged and middle-class constituency. This occured for two reasons. First, although the legislation nowhere mentioned an anti-urban bias, it favored the construction of single-family and discouraged construction of multi-family projects through unpopular terms.[17] Similarly, loans for the repair of existing structures were small and for short duration, which meant that families of modest circumstances could more easily finance the purchase of a new home than the modernization of an old one.[18]

The second and more important variety of suburban, middle-class favoritism had to do with the "unbiased professional estimate" that was a prerequisite of any loan guarantee. This mandatory appraisal included a rating of the property itself, a rating of the mortgagor or

[15] *Twenty-fifth Annual Report of the Federal Housing Administration for the Year Ending December, 31, 1958* (Washington: FHA, 1959), Section 1.

[16] "Kennedy's Housing Order: Where It Applies, What It Means," *U.S. News and World Report*, LIII (December 3, 1962), 68.

[17] The notorious 608 program of the late 1940's, which one builder called "the most collosal fraud of all time," offered multi-family inducements that were in many instances even more lucrative than the single-family opportunities that FHA and VA presented. The government often lent builders as much as 30 per cent more than the cost of construction, which meant that crafty operators could become large developers without risking any of their own money. The method is recounted in Charles Abrams, *The city is the Frontier* (New York: Harper and Row, 1965), pp. 87-92.

[18] Title I of the 1934 National Housing Act was for "Housing Renovation and Modernization." It insured financial institutions against losses sustained from loans for alterations, repairs, and improvements on real property and the building of new nonresidential structures. Its ineffectiveness was admitted in 1954 by Albert M. Cole, the Administrator of the Housing and Home Finance Agency (of which FHA was one part), when he noted that Title I "is of limited assistance to families of modest income who need to finance major home improvements." Committee on Banking and Currency, *Housing Act of 1954, Hearings*, 2 vols. (Washington, 1954), p. 52. See also, President's Advisory Committee on Government Housing Policies and Programs, *Recommendations on Government Housing Policies and Programs* (Washington, 1953), p. 73; and Federal Housing Administration, *Remodel—Repair—Repay with FHA* (Washington, 1955), pp. 1 and 6.

TABLE 2
Private Dwelling Units Insured Under Federal Programs, 1935–1957
(In Thousands)

Year	New Units		All Units		
	FHA	VA	FHA Homes	FHA Rentals	VA Homes
1935	14.0	0	25	1	0
1936	49.4	0	84	1	0
1937	60.0	0	111	3	0
1938	118.7	0	122	12	0
1939	158.1	0	171	13	0
1940	180.1	0	183	4	0
1941	220.4	0	216	4	0
1942	165.7	0	236	6	0
1943	146.2	0	190	20	0
1944	93.3	NA	157	12	0
1945	41.2	NA	103	4	43
1946	69.0	NA	86	2	412
1947	229.0	NA	150	47	541
1948	294.1	NA	321	79	350
1949	363.8	NA	320	133	277
1950	486.7	NA	352	155	498
1951	263.5	148.7	261	74	447
1952	279.9	141.3	246	40	306
1953	252.0	156.6	272	31	322
1954	276.3	307.0	223	28	411
1955	276.7	392.9	318	9	649
1956	191.9	270.7	253	11	508
1957	168.4	128.3	202	44	306
			4,602	733	5,070

Source: Compilations Derived from *The Statistical History of the United States from Colonial Times to the Present* (Stanford, Conn.: Fairfield Publishers, 1966), Series N 116–121.

borrower, and a rating of the neighborhood. The purpose of the neighborhood evaluation was "to determine the degree of mortgage risk introduced in a mortgage insurance transaction because of the location of a property at a specific site."[19] This particular procedure enabled personal and agency bias in favor of all-white subdivisions in the suburbs to affect the kinds of loans FHA guaranteed—or equally important, refused to guarantee. In this way the bureaucracy influenced the character of housing at least as much as the 1934 enabling legislation did.

[19] *FHA Underwriting Manual* (Washington: Federal Housing Administration, 1947), Section 1301.

The Federal Housing Administration was very precise in teaching its underwriters how to measure the quality of a residential area. Eight criteria were established (the numbers in parentheses reflect the percentage weight given to each):[20]

a. relative economic stability (40)
b. protection from adverse influences)20)
c. freedom from special hazards (5)
d. adequacy of civic, social, and commercial centers (5)
e. adequacy of transportation (10)
f. sufficiency of utilities and conveniences (5)
g. level of taxes and special assesments (5)
h. appeal (10)

Although FHA directives insisted that no project should be insured that involved a high degree of risk with regard to any of the eight categories, "economic stability" and "protection from adverse influences" together counted for more than the other six combined. Both were interpreted in ways that were prejudicial against heterogeneous and urbane environments.[21] The *Underwriting Manual* taught that "crowded neighborhoods lessen desirability," and that "older properties in a neighborhood have a tendency to accelerate the rate of transition to lower class occupancy."[22] Smoke and odor were considered "adverse influences," and appraisers were told to look carefully for any "inferior and non-productive characteristics of the areas surrounding the site." Obviously, prospective buyers could avoid many of these so-called undesirable features by locating in peripheral sections. Even apartment owners were encouraged to look to suburbia: "Under the best of conditions a rental development under the FHA program is a project set in what amounts to a privately owned and privately controlled park area."[23]

The greatest fears of the Federal Housing Administration were reserved for "inharmonious racial or nationality groups." The alleged danger was that an entire area could lose its investment value if rigid

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[20] The number of categories differed slightly between 1934 and 1968, but the principles upon which a location was judged remained relatively constant. When George Romney became Secretary of Housing and Urban Development in 1969, he completely reversed the previously discriminatory policies.

[21] By 1958, the titles of the first two categories had been changed to "Physical and Social Attractiveness" and "Protection Against Inharmonious Land Uses."

[22] Interestingly enough, considering the inflationary cycle of housing prices since 1940, the 1938 underwriting manual took the view that "neighborhoods tend to decline in investment quality." Federal Housing Administration, *Underwriting Manual* (Washington: Federal Housing Administration, 1938), Section 909 and Sections 1303 through 1316.

[23] Federal Housing Administration, *Rental Housing as Investment* (Washington: FHA, 1938), p. 30.

white-black segregation was not maintained. To protect itself against such eventualities, the *Underwriting Manual* openly recommended "enforced zoning, subdivision regulations, and suitable restrictive covenants."[24] All were to be "superior to any mortgage." In addition, the FHA's Division of Economics and Statistics compiled detailed reports and maps charting the present and most likely future residential locations of black families.[25] In a March, 1939 map of Brooklyn, for example, the presence of a single non-white family on any block was sufficient to result in that entire block being marked black. Similarly, very extensive maps of the District of Columbia depicted the spread of the black population and the percentage of dwelling units occupied by persons other than white.[26]

Armed with such strictures and beliefs, FHA appraisers designed a system which undervalued neighborhoods that were dense, mixed, or aging. Four categories of quality—imaginatively titled First, Second, Third, and Fourth with corresponding code letters of A, B, C, and D and colors of green, blue, yellow, and red—were established.[27] The First and best grade, i.e. green, areas were described as new, homogenous, and "in demand as residential locations in good times or bad." Homogeneous meant "Americans of the better class," and not Jewish, black, or immigrant sections.[28] The Second security grade (blue) went to "still desirable" areas that had "reached their peak," but were expected to remain stable for many years. The Third grade (yellow) or "C" neighborhoods were "definitely declining" because of age, obsolescence, or change of style. "Having seen their better days," such yellow-colored sections were "within such a low price or rent range as to attract an undesirable element." Finally, the Fourth grade (red) or "hazardous" areas were those "in which the things taking place in C areas have already happened." Black neighborhoods were invariably

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[24] Such covenants were a common method of prohibiting black occupancy until the United States Supreme Court ruled in 1948 (*Shelley* v. *Kraemer*) that they were "unenforceable as law and contrary to public policy." Neither the 1938 nor the 1947 FHA *Underwriting Manual* specifically endorsed *racial* covenants, but in the context of other directives and comments, there can be no doubt but that racially restrictive covenants were deemed desirable by FHA appraisers.

[25] FHA and HOLC records for the period between 1934 and 1942 are available in the National Archives. The maps are housed in the Cartographic Division; other records are filed in Record Group 195.

[26] The District of Columbia is one of many areas for which Residential Security Maps and detailed neighborhood analyses are missing.

[27] Presumably, this is the origin of the term "red-lining."

[28] These comments are taken from the neighborhood analyses which ordinarily accompanied the Residential Security Maps. In almost every instance, they are from the New York or St. Louis metropolitan areas. Individual citations are not included because they were selected at random.

rated "D" as were any areas characterized by poor maintenance, poverty, or vandalism.[29]

With the assistance of the Federal Home Loan Bank Board and of local realtors and banks, the FHA assigned one of these four ratings to every block in every city. The resulting information was then translated into the appropriate color and duly recorded on secret "Residential Security Maps" in local HOLC and FHA offices. Although the map folders usually added that "there is no implication that good mortgages do not exist or cannot be made in Third and Fourth grade areas," the meaning indeed was that such blocks were unsafe. Typical Fourth grade evalutions included comments such as "this particular spot is a blight to the surrounding area" or "the only hope is for demolition of these buildings and transition of the area into a business district."[30]

This investigation is the first to make systematic use of these Residential Security Maps and the detailed reports which supported them. Unfortunately, no maps seem to exist for the period after 1942. Moreover, although the government has always collected and published great reams of data regarding the price, size, and buyer characteristics of the single family houses it has insured, it has been secretive about the spatial distribution of those select homes. The most detailed material available in current FHA files breaks down mortgage activity only to the county level; according the senior FHA officials, even they do not know where homes are being insured within counties.

With this problem in mind, I selected St. Louis as the ideal case study because the city and county were legally separated there in 1876. As a result, FHA data on St. Louis necessarily distinguishes between the city and the suburbs. In addition, I have added information about the New York and Washington metropolitan areas because both are made up of many separate and distinct counties.

The early residential security maps for the St. Louis area, as Figure 1 indicates, give the highest ratings to the newer, affluent neighborhoods that were strung out along curvilinear streets well away from the problems of the city. Suburbs like Clayton, University City, and Webster Groves were accordingly marked with green and blue on these early maps, indicating that they were characterized by attractive homes on well-maintained plots, and that the appraisers felt confident

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[29] Even the possibility of change was sufficient to lower a rating. In Westchester County, New York, the city of Mount Vernon's best neighborhoods were described as "well maintained and evidence pride of ownership." Nevertheless, the security grade was only "B" because of "the possible influx of less desirable elements from the Bronx."

[30] These comments are from the detailed reports describing areas D-8, D-9, and D-16 in the St. Louis area.

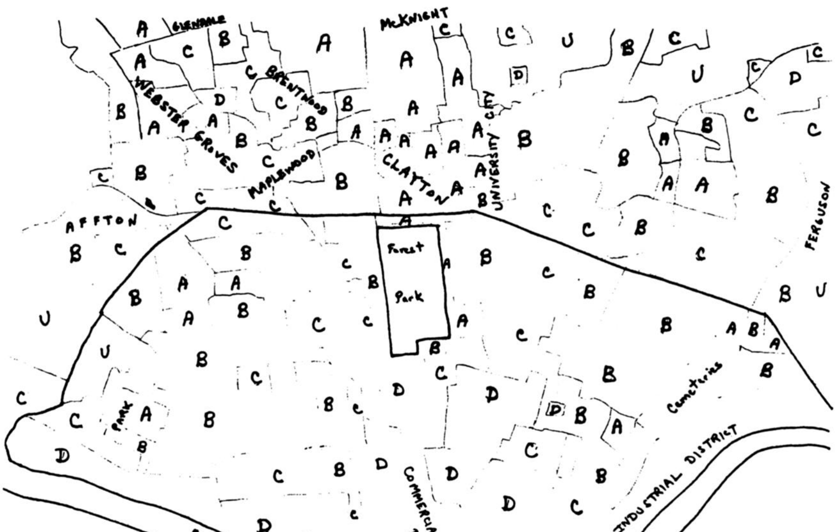

Fig. 1. St. Louis Area Residential Security Map, 1937

Source: Record Group 31, National

about mortgages insured there. The rare Fourth grade areas in the St. Louis suburbs were predominantly black. One such place in 1937 was Lincoln Terrace, a small enclave of four and five room bungalows built in 1927. Originally intended for middle-class white families, the venture was unsuccessful, and the district developed into a black neighborhood. But even though the homes were relatively new and of good quality, the appraisers gave the section (D-12) the lowest possible grade, asserting that the houses had "little or no value today, having suffered a tremendous decline in values due to the colored element now controlling the district."

In contrast to St. Louis County, St. Louis City had proportionately many more Third and Fourth grade neighborhoods. As Figure 1 indicates, virtually all the residential sections along the Mississippi River or adjacent to the Central Business District (CBD) received the lowest two ratings. Those few neighborhoods which were rated First or Second grade tended to be located near attractive open spaces like Forest Park, Francis Park, or Carondolet Park.

As noted previously, the purpose of these ratings was to enable Federal officials to determine "where it would be reasonably safe to insure mortgages." Indeed, the Preliminary Examiner was specifically instructed to refer to the Residential Security Maps in order "to segregate for rejection many of the applications involving locations

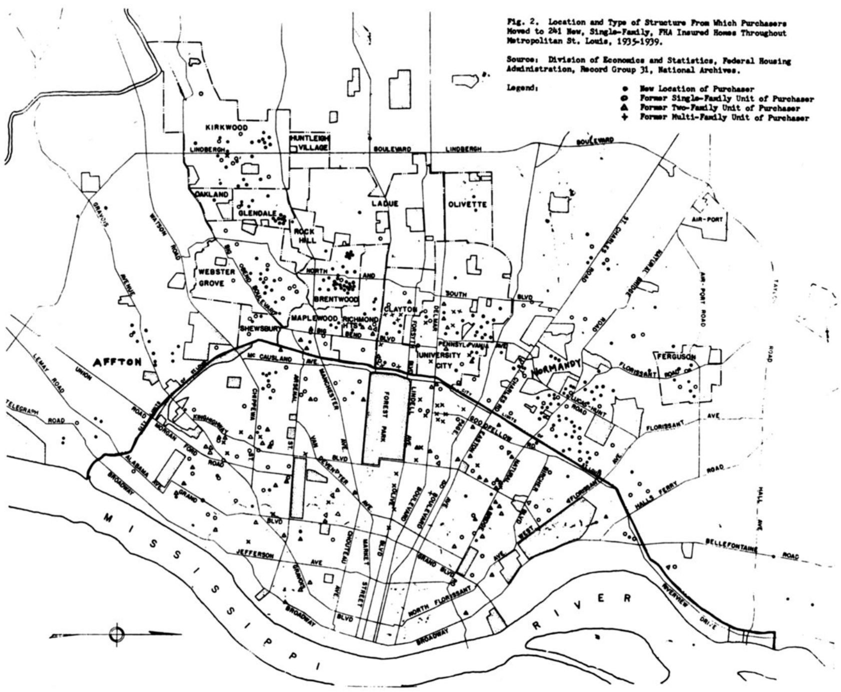

Fig. 2. Location and Type of Structure From Which Purchasers Moved to 241 New, Single-Family, FHA Insured Homes Throughout Metropolitan St. Louis, 1935-1939.

Source: Division of Economics and Statistics, Federal Housing Administration, Record Group 31, National Archives.

Legend: ● New Location of Purchaser
● Former Single-Family Unit of Purchaser
▲ Former Two-Family Unit of Purchaser
✚ Former Multi-Family Unit of Purchaser

not suitable for amortized mortgages." Such data as are available indicate that in actual practice the extent of FHA favoritism for the St. Louis suburbs was even greater than the neighborhood ratings would have predicted. Of a sample of 241 new homes insured by FHA throughout metropolitan St. Louis between 1935 and 1939 (see Figure 2), a full 220 or 91 per cent were located in the suburbs. Moreover, as Figure 2 indicates, more than half (135 our ot 241) of these home buyers had lived in the city immediately prior to the purchase. That the FHA was helping to denude St. Louis of its middle class residents is illustrated by a comparison of Figure 1 with Figure 2. Clearly, the new suburbanites were being drawn from the better ("A" and "B") areas of the central city.[31]

[31] That FHA-aided homeowners usually came from the city is confirmed by an analysis of two individual developments in St. Louis County—Normandy and Affton. Located just northwest of the city limits, Normandy (Section B-36 on the Residential Security Map) was made up in 1937 of five and six room houses costing between $4,000 and $7,500. In 1937 and 1938, exactly 127 of these houses were sold under FHA guaranteed mortgages. One hundred of the purchasers (78 per cent) moved out from the city, mostly from the solid, well-established blocks between West Florrissant and Easton Streets.

Affton was on the opposite, or southwest, edge of St. Louis, but here also there was considerable residential construction in 1938 and 1939. Out of 62 families purchasing FHA-insured homes in Affton during those years, fifty-five were from the city. Most of them simply came out the four lane Gravois Road from the southern part of St. Louis.

Detailed analyses of FHA spatial patterns are impossible for St. Louis after 1942, as indeed for any city, but a reconstruction of FHA unpublished statistics for various years does reveal the broad patterns of city-suburban activity. As Table 3 indicates, in the first sixteen years of FHA operation (through December 31, 1949), the county of St. Louis was the beneficiary of more than three times as much mortgage insurance activity as the city of St. Louis. During the 1950's, when tens of thousands of tract homes were built in the central portions of the county, the disparity between city and suburb assistance became startling. As of December 31, 1960,almost 63,000 insurance guarantees had been made in St. Louis County in contrast to about 12,000 in the city. In terms of dollars, the county received exactly $558,913,633 or $794 *per capita*, while they city received $94,173,442 or $126 *per capita* (both figures based upon 1960 population).[32] In other words, in both absolute and per capita terms, the suburbs of St. Louis received about six times as much assistance from FHA as did the city. Even in terms of home improvement loans, a category in which the aging city was much more needy, only $43,844,500 went to the city, while about three times that much, or $112,315,798, went to the county.[33] In the late 1960's and early 1970's, the federal government attempted to redirect monies to the central cities but the previous wrongs were not corrected. The latest figures available, which take us through 1976, show a total of $1,113,191,653 for the county and $311,180,947 for the city. Thus, the suburbs have continued their dominance.

St. Louis was not an isolated or atypical example of a city whose tax base was being eroded by government housing programs. In the New York metropolitan area, Newark, New Jersey has long symbolized the most extreme features of the urban crisis. In that troubled city, Federal appraisers took note in the 1930's of the high tax rate, the heavy relief load, and the per capita bonded debt, as well as the "strong tendency for years for people of larger incomes to move their homes outside the city."[34] As early as the late 1930's, *not a single*

[32] The figures for St. Louis City and County are both high when compared to the rest of the country. Through 1960, for example, Los Angeles County had received $360 per capita and Nassau County on Long Island $601 per capita. My estimate is that more than 75 per cent of new homes in St. Louis County between 1945 and 1960 were financed with either FHA or VA assistance.

[33] Federal policies toward transportation have also had a decidedly deconcentrating impact upon metropolitan spatial patterns. But, as I have noted in several other articles, the process of suburbanization antedates federal involvement. See, for example, Kenneth T. Jackson, "Urban Deconcentration in the Nineteenth Century: A Statistical Inquiry," in Leo F. Schnore, ed., *The New Urban History: Quantitative Explorations by American Historians* (Princeton: Princeton University Press, 1975), pp. 110–142.

[34] In this instance, as in many others, the FHA appraisers were more aware of suburbanizing trends than were many other pre-World War II observers.

TABLE 3

Cumulative FHA Home Mortgage Activities for Ten Selected Counties, 1934–1949

Jurisdiction	Cumulative Number of Home Mortgages, 1934–1949	Cumulative Amount of Home Mortgages, 1934–1949	Per Capita Amount[a] of Home Mortgages as of January 1950
St. Louis County	22,795	$133,795,533	$329
Nassau County, New York	31,165	191,510,973	285
Montgomery County, Maryland	5,735	39,454,100	240
Fairfax County, Virginia	2,697	18,289,099	186
Prince Georges County, Md	5,616	31,473,217	162
District of Columbia	5,875	40,649,862	51
St. Louis City	6,695	38,883,972	45
Kings County (Brooklyn)	8,944	52,131,887	19
Hudson County, New Jersey	847	4,905,520	8
Bronx County, New York	1,054	6,361,293	4

[a] The per capita amount was derived by dividing the cumulative amount of home mortgages through December 31, 1949 by the total population as of the 1950 census.

Source: These calculations are based upon unpublished statistics available in loose-leaf binders in the Single Family Insured Branch of the Management Information Systems Division of the Federal Housing Administration.

TABLE 4

Cumulative Total of FHA Home Mortgage Activities and Per Capita Figures for Ten Selected United States Counties, 1934–1960

Jurisdiction	Cumulative Number of Home Mortgages, 1934–1960	Cumulative Amount of Home Mortgages, 1934–1960	Per Capita Amount[a] of Home Mortgages as of January 1961
St. Louis County, Missouri	62,772	$558,913,633	$794
Fairfax County, Virginia	14,687	190,718,799	730
Nassau County, New York	87,183	781,378,559	601
Montgomery County, Maryland	14,702	159,246,550	467
Prince Georges County, Maryland	15,043	144,481,817	404
St. Louis City	12,166	94,173,422	126
District of Columbia	8,038	66,144,612	87
Kings County (Brooklyn), New York	15,438	140,330,137	53
Hudson County, New Jersey	1,056	7,263,320	12
Bronx County, New York	1,641	14,279,243	10

[a] The per capita amount was derived by dividing the cumulative amount of home mortgages by the 1960 population.

Source: These calculations are based upon unpublished statistics available in the Single Family Insured Branch of the Management Information Systems Division of the Federal Housing Administration.

neighborhood in this city of more than 400,000 people was given a "A" rating. "High class Jewish" sections like Weequahic and Clinton Hill, as well as anti-Semitic areas like Vailsburg and Forest Hill all received "B" or the Second grade. Most of Newark was rated even lower. The well-maintained and attractive working class sections of Roseville, Woodside, and East Vailsburg were given Third grade or

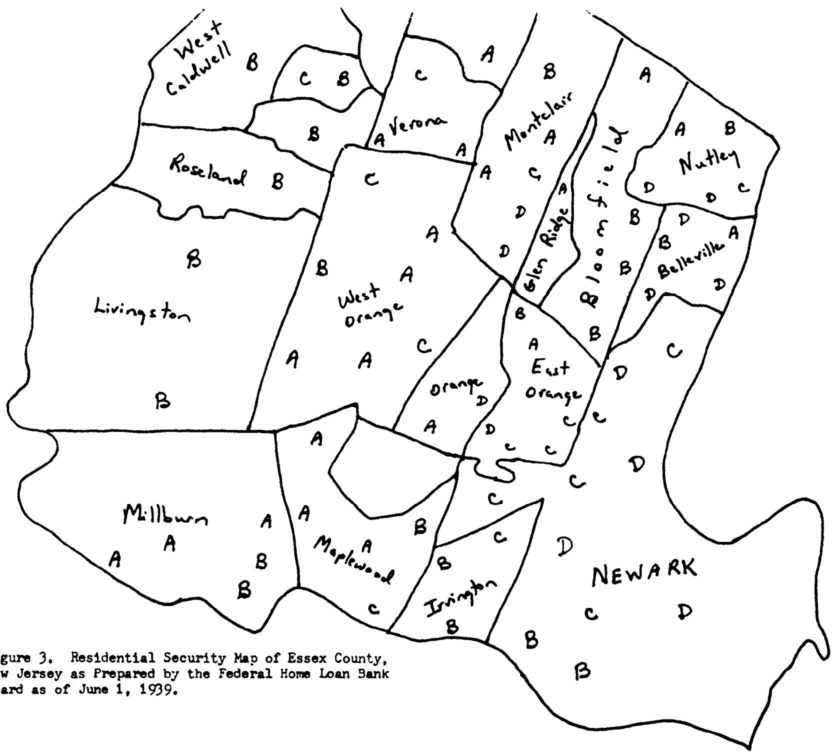

Figure 3. Residential Security Map of Essex County, New Jersey as Prepared by the Federal Home Loan Bank Board as of June 1, 1939.

"C" ratings; most of the rest of the city was written off as "hazardous." Not surprisingly, as Figure 4 indicates, FHA committments went in overwhelming proportion to Newark's suburbs.[35]

Squeezed between New York City and Newark is New Jersey's Hudson County, which is among the half dozen most densely settled and most ethnically diverse political jurisdictions in the United States. Predictably, FHA appraisers had decided by 1940 that Hudson County was a lost cause. In the communities of Bayonne, Hoboken, Secaucus, Kearny, Union City, Weehawken, Harison, and Jersey City, taken together, they designated only two very small "B" areas and no "A" sections. After more than twenty-five years of existence, (through December 31, 1960) Hudson County residents had received only twelve dollars of mortgage insurance per capita, the second lowest total in the nation after the Bronx.[36] (See Table 4.)

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[35] Essex County data were not singled out for analysis because the county contains several affluent suburbs as well as Newark and there is no way to disagregate the information.

[36] FHA mortgage operations in Hudson County increased by twenty times between 1960 and 1976, but even at the later date, the county was receiving less than its share of assistance.

Figure 4. New Home Mortgages Accepted for Insurance by the Federal Housing Administration in Essex County, New Jersey in 1936. Each dot represents one mortgage accepted for insurance.

Source: Record Group 31, National Archives.

Even in the nation's capital, the outlying areas were considered more appropriate for federal assistance than older neighborhoods. As Figure 5 illustrates, FHA commitments in the District of Columbia were heavily concentrated in two periperal areas: (1) between the United States Soldiers Home and Walter Reed Hospital in white and prosperous northwest Washington, and (2) between Rock Creek Park and Connecticut Avenue, also in northwest Washington. Pitifully few mortgages were issued in the predominantly black areas in central and southeastern parts of the District. More importantly, at least two-thirds of the FHA commitments in the metropolitan area were located in the suburbs—especially in Arlington and Alexandria in Virginia and in Silver Spring, Takoma Park, Bethesda, Chevy Chase, University Park, Westmoreland Hills, and West Haven in Maryland.[37] Perhaps this pattern was a reflection of the 1939 FHA prediction that:[38]

> It should be noted in this connection that the "filtering-up" process, and the tendency of Negroes to congregate in the District, taken together, logically point to a situation where eventually the District will be populated by Negroes and the suburban areas in Maryland and Virginia by while families.

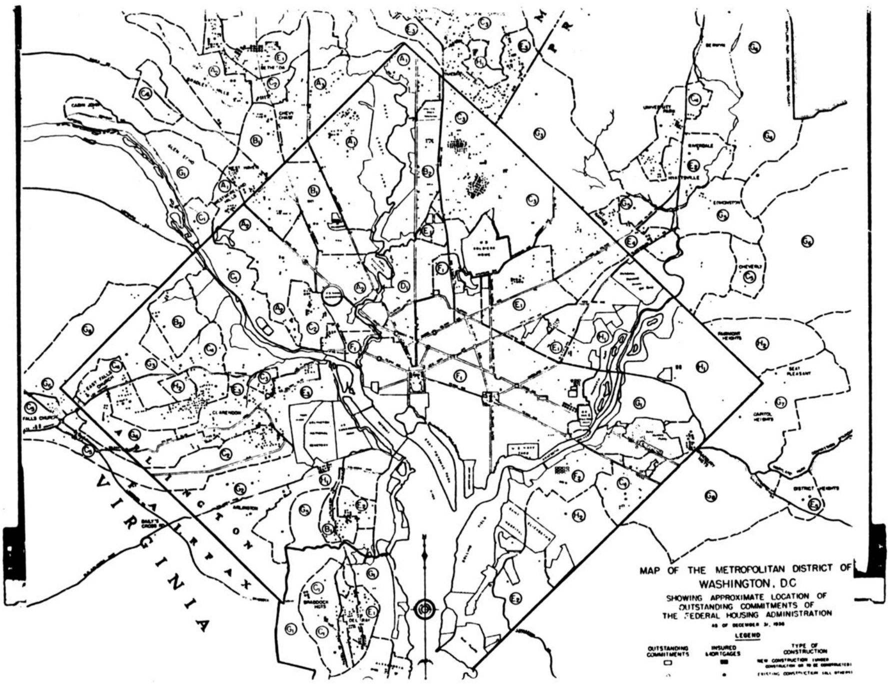
The Federal Housing Administration did its part to see that the prophecy came true; by the end of 1960, the three suburban counties of Fairfax, Prince Georges, and Montgomery had received a total of $494,448,000 in mortgage insurance assistance, or more than seven times as much as the $66,145,000 allotted to the District of Columbia.[39]

Aside from the obvious fact that Federal policies favored the suburbs over the cities, the data available on St. Louis, Washington, and New Jersey permit one to make two important generalizations. The first is that the favored sections for FHA insurance were not the "A" areas, but those which received the Second grade. In 1936, only 17 per cent of new housing units in Newark, New Jersey were accepted for insurance; in contrast, the figures for suburban Livingston, West Caldwell, and Irvington, New Jersey, all solidly middle-class, were 65, 59, and 42 per cent respectively. In elite areas like South Orange, Glen Ridge, Milburn, and Maplewood, however, the FHA assistance rates were about as low as they were for Newark. Similarly, the St. Louis

[37] The latest available information on the precise spatial patterns of FHA insurance operations in the Washington area is dated December 31, 1936.

[38] Federal Housing Administration, *Washington, D.C. Housing Market Analysis* (Washington: FHA Division of Economics and Statistics, July, 1939), p. 49.

[39] In per capita terms, D.C. residents averaged $87; Prince Georges $404; Montgomery $467 and Fairfax $730. All are based on 1960 totals. Had I used earlier figures the imbalance would of course have been much greater.



information also suggests a marked concentration of enthusiasm for Second grade or "B" areas. Presumably this occurred because the housing available in the so-called "Best" sections was beyond the allowable price limits for FHA mortgage insurance, and also because persons who could afford to live in such posh neighborhoods did not require government financing.

The second important conclusion relates to the impact of the FHA neighborhood appraisals upon the actions of the private money market. During the late 1930's, the FHLBB circulated questionnaires to major lending institutions asking about their mortgage practices. Those returned by savings and loan associations and banks in Essex County (Newark), New Jersey indicate a clear relationship between public and private "red-lining" practices. One specific question asked: "What are the most desirable lending areas?" The answers were often "A and B," or "Blue," or "FHA only." Similarly, to the inquiry: "Are there any areas in which loans will not be made?"—the responses included, "Red and most yellow," "C and D," "Newark," "Not in red," and "D areas." Obviously, private institutions were privy to and influenced by the Residential Security Maps.

Photographic Archives,
United States Department of Housing and Urban Development

Belair, Maryland, near Bowie.

For its part, the FHA usually responded that it was not created to help the cities, but to revive homebuilding and to stimulate home-ownership, and it concentrated on convincing both Congress and the public that it was, as its first administrator, James Moffett,[40] remarked, "a conservative business operation." The agency emphasized its concern over sould loans, no higher than the value of the assets and the repayment ability of the borrower would support. It even made a small profit for the federal government.

But FHA also helped to turn the building industry against the minority and inner city housing market, and its policies supported the income and racial segregation of most suburbs. Whole areas of cities were declared ineligible for loan guarantees; as late as 1966, for example, FHA did not have a mortgage on a single home in Camden,

[40] Moffett was a former vice-president of Standard Oil.

New Jersey, a declining industrial city.[41] A special commission, chaired by Senator Paul Douglas of Illinois, summed up the indictment in 1968:

> The poor and those on the fringes of poverty have been almost completely excluded. These and the lower middle class, together constituting the 40 per cent of the population whose housing needs are greatest, received only 11 per cent of FHA mortgages.... Even middle-class residential districts in the central cities were suspect, since there was always the prospect that they, too, might turn as Negores and poor whites continued to pour into the cities, and as middle and upper-middle-income whites continued to move out.[42]

Moreover, as Jane Jacobs has said, "Credit blacklisting maps are accurate prophecies because they are self-sulfilling prophecies."[43]

THE PUBLIC HOUSING PROGRAM

The long-term, low-interest mortgage was not the only federal housing program to benefit the suburbs at the expense of the cities. More controversial was the attempt to meet the housing needs of the poor. Prior to the 1920's housing reform in the United States meant the improvement of slum conditions through the establishment of minimum standards of ventilation, density, and sanitation. New York City's pioneering codes of 1867, 1879, and 1901, each of which established progressively higher legal requirements for dwelling units, were illustrative of this trend, as were the ideas of the nation's pre-eminent Nineteenth Century housing reformer, Lawrence Veiller, who opposed government action beyond the enforcement of the law.[44]

Soon after World War I, however, the widely traveled wife of a naval officer became the first person effectively to support "positive" rather than "negative" housing reform. Edith Elmer Wood witnessed

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[41] Among the studies of FHA discrimination which focus on recent years are: *New York Times*, December 20, 1970; Martin Nolan, "A Belated Effort to Save Our Cities," *The Reporter*, XXXVII (December 28, 1967), 17-20; "Ins and Outs of Home Loans," *Changing Times*, XIII (August, 1959), 26-28; Joseph P. Fried, *Housing Crisis U.S.A.* (New York: Praeger Publishers, 1971), especially chapters three and four; and Jonathan Lang, "Problems Facing Urban Renewal in the Fringe City: A Study of Redevelopment Programs in Camden, New Jersey," unpublished paper, 1972.

[42] Paul Douglas, et al., *Building the American City: Report of the National Commission on Urban Problems to the Congress and to the President of the United States* (Washington: Government Printing Office, 1968), pp. 100-101.

[43] Jane Jacobs, *The Death and Life of Great American Cities* (New York: Alfred A. Knopf, 1961), p. 301.

[44] The standard work on Veiller and his supporters is Roy Lubove, *The Progressives and the Slums: Tenement House Reform in New York City, 1890-1917* (Pittsburgh: University of Pittsburgh Press, 1963). See also, James Ford, et. al., *Slums and Housing*, I (Cambridge: Harvard University Press, 1936); Robert W. DeForest and Lawrence Veiller, eds., *The Tenement House Problem*, 2 vols. (New York: Macmillan, 1903); and Lawrence M. Friedman, *Government and Slum Housing: A Century of Frustration* (Chicago: Rand McNally, 1968).

the initiatives European nations were taking to shelter their inhabitants, and subsequently devoted herself in the 1920's to the campaign for actual government construction of dwelling units. In books such as *The Housing of the Unsilled Wage Earner* (New York: Macmillan, 1919), she argued that private philanthropy was not the solution to the housing problem and that building codes simply raised the rent levels of tenements while doing nothing at all to increase the supply.[45] Prior to the New Deal, however, only the states of New York and North Dakota accepted the provision of housing as even a limited responsibility.[46]

In an important reversal of traditional federal policy, the administration of Franklin D. Roosevelt initiated its own construction program. The direct involvement of the government began with the passage of the National Industrial Recovery Act during the famous Hundred Days. The legislation had four purposes: to increase employment, to improve housing for the poor, to demonstrate to private industry the feasibility of large-scale community planning efforts, and to eradicate and rehabilitate slum areas in to "to check the exodus to the outer limits of cities with consequent costly utility extensions and leaving the centrally located areas unable to pay their way."[47] The law authorized the Public Works Administration's Housing Division to accomplish these purposes through three mechanisms. First, the Housing Division could lend money to private, limited-dividend corporations interested in slum clearance. Second, grants and loans could be made available to public authorities for the same purpose. Third, and most significant, the Housing Division was empowered to buy, condemn, sell, or lease property for developing new projects itself.[48]

Although Administrator Harold Ickes bluntly complained that "American cities cannot produce a single instance in which slums have been cleared and new dwellings built to rehouse the dispossessed occupants by private enterprise operating on a commercial basis,"[49]

[45] The best study of this pre-eminent reformer is Eugenie Ladner Birch, "Edith Elmer Wood and the Genesis of Liberal Housing Thought" (Ph.D. dissertation, Columbia University, 1976).

[46] The New York State Housing Law of 1926 was discussed in footnote 7. The North Dakota program lasted between 1919 and 1923 and was designed to provide urban and rural homes for state residents. Very few houses were built, however, and the attempt was soon abandoned. Friedman, *Government and Slum Housing,* pp. 97–98.

[47] Statute 195 (1933), *National Industrial Recovery Act,* Title II, Section 202, See also, Federal Emergency Administration of Public Works, *Urban Housing: The Story of the PWA Housing Division, 1933–1946,* Bulletin No. 2 (Washington: Government Printing Office, 1937), pp. 14–16.

[48] An excellent discussion of the political trade-offs in federal housing policies can be found in Harold Wolman, *Politics of Federal Housing* (New York: Dodd, Mead, and Co., 1971). See also, Timothy L. McDonnell, *The Wagner Housing Act* (Chicago: Loyola University Press, 1957).

[49] Actually, American cities could have provided many such instances in the Nineteenth Century, as front and rear houses were torn down to make room for even more atrocious dumbbell tenements and similar structures. Such housing was obviously not what Ickes had in mind, however.

the PWA attempted to place the emphasis of the program on private development encouraged by federal loans. Predictably, however, only seven of five hundred limited-dividend corporations which applied had sufficient equity to qualify for the program, and those seven seemed primarily anxious to sell land to the government at inflated prices. Unable to rebuild the slums through this provision of the law, the Housing Division turned to its other alternatives.[50]

The ability of the PWA to work with local authorities proved of limited usefulness. In 1933, no state or locality had the legal authority to engage in slum clearance projects; as late as 1937 only New York, Ohio, Michigan, and South Carolina had passed the required enabling legislation. Thus, the Housing Division was forced to construct its own low-income housing projects on land acquired by condemnation or purchase. Between 1934 and 1937, when the Housing Division of the PWA was replaced by the United States Housing Authority, (USHA), forty-nine developments comprising more than twenty-one thousand units and costing $129 million were begun.

Here also the PWA encountered obstacles. In a landmark decision handed down in January, 1935, Federal Judge Charles I. Dawson of Kentucky ruled that acquiring land for public housing in Louisville by condemnation (eminent domain) was not constitutional and that the Public Works Administration could not therefore exercise this power. In the words of Judge Dawson:[51]

> [Low cost housing] is certainly not a public use, in the sense that the property is proposed to be used by the federal government for performing any of the legitimate functions of the Government itself. Surely it is not a governmental function to construct buildings in a state for the purpose of selling or leasing them to private citizens for occupancy as houses.

Although lawyers for the PWA appealed this ruling all the way to the United States Supreme Court, they withdrew the appeal a few hours before oral arguments were to be heard.[52] Thereafter the Housing Division complied with the decision by purchasing land through

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[50] The first public housing project in the United States was First Houses, a group of row tenements on the Lower East Side of Manhattan. The project did not involve federal funds, which were just becoming available. The nation's first federally-funded housing development was a seven building complex on the Harlem River Drive at 151st Street, also in Manhattan. Work began on Harlem River Houses in the summer of 1936, and the project was dedicated by Mayor Fiorello LaGuardia on June 16, 1937.

[51] It was the federal use of eminent domain for housing, not the construction of housing, that was found unconstitutional. *United States v. Certain Lands in the City of Louisville,* 9 F. Supp. 137 (W. D., 1935), as quoted in William Ebenstein, *The Law of Public Housing* (Madison: Universtiy of Wisconsin Press, 1940), p. 39.

[52] Judge Dawson's decision had earlier been upheld by the Court of Appeals for the Sixth Circuit.

Photographic Archives,
United States Department of Housing and Urban Development

Southwest Washington, D. C.

negotiated sales at higher prices than condemnation would have incurred. Costs also rose because this first New Deal housing effort was a hastily designed program primarily intended to put men back to work. Construction was a means of employment as well as an end in itself. Thus, by the time the PWA erected apartments or houses the minimum rents that had to be charged precluded occupancy by the urban poor. Elements within the Roosevelt Administration suggested that the projects be operated at a loss, but the proposal was shelved when the Comptroller General ruled that there was no law to authorize such a subsidy.[53]

Well aware that adverse judicial decisions and escalating costs would effectively cripple the PWA housing program, Senator Robert F. Wagner of New York and Representative Henry Ellenbogen of

[53] "Federal Activities in the Housing Field," *Congressional Digest,* April, 1936, p. 104. See also, Robert K. Brown, *The Development of the Public Housing Program in the United States* (Atlanta: Bureau of Business and Economic Research, 1960); and Leonard Freedman, *Public Housing: The Politics of Poverty* (New York: Holt, Rinehart, and Winston, 1969).

Pennsylvania introduced new legislation later in 1935 to create a permanent public housing agency. Initially, President Roosevelt gave the Wagner-Ellenbogen measure only lukewarm support, and it died in the House Banking and Currency Committee.[54] The platform of the Democratic Party in 1936 contained only a weak plank endorsing federal involvement in housing and the issue was of minor significance in the general election. The unprecedented magnitude of the Roosevelt majority, however, made the President feel safe in his advocacy of public housing. In his second inaugural address, he came out forthrightly on the issue:

> But here is the challenge to our democracy. In this nation I see tens of millions of its citizens—a substantial part of its whole population—who at this very moment are denied the greater part of what the very lowest standards of today call the necessities of life.... I see one-third of a nation ill-housed, ill-clad, ill-nourished.[55]

This public statement of support by a President who had just won re-election by a landslide provided the extra impetus that public housing legislation needed. Within seven months, the United States Housing Act had passed the Senate by 64–16 and the House by 275–86. It was signed on September 1, 1937. Long-time reformer Catherine Bauer called it "a radical piece of legislation," and the *New York Times* added that: "With the President's signature the Wagner-Steagall bill becomes law and at last America makes a real start toward wiping out its city slums."[56]

The legislation empowered the United States Housing Authority (USHA) to develop public projects by funding duly constituted local housing agencies. The USHA was to funnel this money to municipalities through two mechanisms: first, by loaning up to 90 per cent of the capital costs of a project to local officials, and second, by subsidizing construction and maintenance costs. So enthusiastic was President Roosevelt that when work began on the first five projects under the new procedures on March 17, 1938, he wrote to Nathan Strauss, his chief housing official: "Today marks the beginning of a new era in the

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[54] The bill died because FDR did not pressure the conservative chairman of the committee, Representative Steagall of Alabama, who would have supported it had the President so requested. The most likely reason for this is that Roosevelt preferred to avoid the political risk of endorsing the bill in the 1936 election year. He was reasonably sure that the portion of the electorate committed to the New Deal would not vote against him on this issue and he did not wish to alienate powerful business interests by openly favoring the growth of the public sector at the expense of the private. McDonnell, *The Wagner Housing Act*, p. 210.

[55] Franklin D. Roosevelt, "A Changed Moral Climate in America," *Vital Speeches*, III, February 1, 1937.

[56] *New York Times*, September 3, 1937.

economic and social life of America. Today, we are launching an attack on the slums of this country which must go forward until every American family has a decent home."[57]

On one level, public housing was a resounding success. By the end of 1938, 221 local authorities had been established in the thirty-three states that had passed enabling legislation. By the end of 1962, after a quarter century of operation, more than two million people lived in the half million units built under various public housing programs. If the quality and design of the projects frequently invited derision, they were nevertheless superior to the delapidated structures they replaced. And if fewer than 2 per cent of Americans lived in such housing, as compared with a quarter of the British population, it was because of a shortage of funding, not a shortage of need.[58]

On another level, however, public housing did not fulfill the expectations of its supporters.[59] Of particular importance to the spatial distribution of poor families was the decentralized nature of the program. In view of Judge Dawson's ruling that federal use of the power of eminent domain for housing construction was unconstitutional, Senator Wagner's bill created the USHA as "a low-rent housing and slum clearance measure . . . drawing its strength from *local initiative and responsibility*" (italics mine). It required that any city desiring public housing had to provide tax exemptions for the project and to create a local housing agency. Thus, every community had to make its own decision as to whether or not a need existed; the resulting application for federally subsidized housing had to be a *voluntary* action. That distinction was critical. A suburb that did not wish to tarnish its exclusive image by having public housing within its precincts could simply refuse to create a housing agency, and no local housing authority from another jurisdiction and no national official could force it to do otherwise. Needless to say, thousands of suburbs throughout the United States have yet to apply.[60] Meanwhile, Newark, New Jersey, that most troubled of American cities, has more units of public housing per capita than any other community in the nation.

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[57] Housing Files, Franklin D. Roosevelt Library, Hyde Park, New York.

[58] *Annual Report of the United States Housing Authority for the Fiscal Year 1938* (Washington: USHA, 1939), pp. vii and 38.

[59] Of the three announced goals of the 1937 legislation—to relieve unemployment, to provide adequate housing, and to clear slums—only that of alleviating "present and recurring unemployment," particularly in the construction industry, was attained. Such a measure was important in 1937 because the unemployment rate among construction workers averaged about 55 per cent. Moreover, housing construction is a key factor in all economic recoveries because it uses large amounts of capital, labor, and materials. Robert M. Fisher, *Twenty Years of Public Housing: Economic Aspects of the Federal Program* (New York: Harper and Row, 1959), p. 229.

[60] Secretary Patricia Robert Harris of the Department of Housing and Urban Development has recently been using financial incentives to encourage suburbs to accept some public housing.

A second feature of the legislation which tended to concentrate public housing in the center rather than on the periphery was the requirement that one slum unit be eliminated for every unit of public housing erected. Thus, only localities with significant numbers of inadequate dwellings could receive assistance. The following exchange between Representative John C. Kundel of Pennsylvania and Commissioner Egan of the Housing Authority underscores the point:

> Mr. Kunkel: "Under this program, no area in which there is no substandard housing would be eligible for any public housing. Is that correct?"
>
> Commissioner Egan: "That is correct. If there were no slums in that locality, regardless of how acute the housing shortage was, and if we knew we could not get the equivalent elimination required by the act, we could not go in there."[61]

Because the program was confined to existing slums, public housing projects intensified the problems of the ghetto and reinforced the image of suburbia as a place of refuge from the social pathologies of the poor.[62] There was even a concentration within particular parts of cities. In Chicago, for example, 150,000 persons lived in low-income public housing in 1976. A few scattered projects were in marginal white neighborhoods, such as Mayor Richard Daley's own Bridgeport. The occupants were predominantly white. The other 95 per cent of Chicago's public housing, however, was carefully dumped into the most poverty-impacted, black ghettoes in the city. When a civil-rights minded mayor, such as New York's John Lindsay, attempted to force a project on a middle-class area, as in the Forest Hills section of Queens, the result was simply an accelerated white flight to the suburbs.[63]

CONCLUSION

In summary, the federal government was not an impartial referee in the contest between American cities and their suburbs between 1933 and 1960. Instead, the net effect of the FHA-VA mortgage insurance efforts was to facilitate the movement of white, middle-class

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[61] Quoted in Fisher, *Twenty Years of Public Housing,* p. 96.

[62] In 1971, the United States Supreme Court, voting 5 to 3, upheld the constitutionality of state laws which required approval in a public referendum before low-income, subsidized housing could be built in a community. In addition, between 1969 and 1974 President Richard M. Nixon frequently affirmed that he would resist efforts, such as those undertaken in 1977 by HUD Secretary Harris, to use the legal and financial leverage of the federal government to compel suburbs to accept low-income housing against their wishes.

[63] Thomas M. Gray, "Daley News: Chicago's Public Housing Fiasco," *The New Republic,* CLXIV (April 3, 1971), 17. See also, *New York Times,* October 1, 1973; and *New York Times,* April 16, 1976.

families out of the core at the same time that public housing projects were institutionalizing the high-rise slum in the center of the city.

But the entire blame for this state of affairs should not be placed squarely on the shoulders of Uncle Sam. The Federal Housing Administration was not the *sine qua non* inthe mushrooming of the suburbs; neither did the ghetto or the slum originate in the public housing effort. Rather, any assessment of the federal role in the process of suburbanization must take cognizance of the following points:

First, to the extent that Washington adopted a pro-suburban housing policy, it simply followed in the well-worn footsteps of state and local governments. The method of opening streets in urban America is instructive in this regard. Before the Cival War, streets were improved when owners of a certain percentage (usually three-fourths) of the property facing the right-of-way petitioned the city government to do so. To finance such improvements, property owners typically paid special assessments to meet the costs of paving. Because the owners would presumably benefit from the increased value of their land after the street was opened, the system had a certain logic and justification. After mid-century, however, a second method of financing became more common, one that passed the cost of peripheral street improvements on to the municipality as a whole.[64] Tenement house laws are another example. The 1867, 1879, and 1901, New York City ordinances did not so much alleviate conditions in immigrant neighborhoods as insure that the worst abuses would not be reproduced in the newly developing sections of Brooklyn and the Bronx. Similarly, methods of constructing schools and sewers exhibited the same pattern of creating the best environment on the edges, and if necessary, paying for it by taxing the entire city.[65]

Second, the Federal Housing Administration established minimum standards for home construction that have become almost universal in the industry. In recent years, the largest private contractors have built all their new homes to meet FHA standards, even though financing has often been arranged without FHA aid. This has occurred because many potential purchasers will not consider a home that cannot get FHA approval.[66]

Third, most of the red-lining practices currently being used are

[64] For example, of the total cost of acquiring the site for Central Park in Manhattan, only about 30 per cent was assessed to abutting property owners; the rest was paid from the general treasury. This method naturally appealed to real estate speculators and builders who favored suburban development. In 1869, the New York State Assembly enacted a law permitting the city to pay half the cost of street openings.

[65] Although the 1901 law was technically retroactive, as a matter of practical fact it did not apply to "old law" tenements.

[66] Clawson, *Suburban Land Conversion in the United States*, p. 41.

Photographic Archives,
United States Department of Housing and Urban Development

Rockville, Maryland.

those of private rather than public interests. It is now the banks and savings and loan institutions that are most guilty of denying mortgages "solely because of the geographical location of the property." It was, for example, elleged in 1977 that lenders had red-lined practically the entire borough of Brooklyn.[67] Meanwhile, beginning in 1969, HUD Secretary George Romney injected some social thinking into the staid FHA bureaucracy. The policy reversal was so abrupt that by the early 1970's the presence of a majority of federally-insured properties in a neighborhood could be taken as an indication that the community was in deep trouble.

Fourth, and most importantly, it is hazardous to condemn a government for adopting a housing policy in accord with the preferences of its citizens. Obviously, some popular measures, such as health insurance and gun control, are not adopted because of powerful special-interest lobbies. But suburbanization was an ideal government policy because it met the needs of both citizens and business interests and because it got the politicians votes. It is a simple fact that home ownership introduced equity into the estates of over 35 million families between 1933 and 1978. The tract houses they often bought may have

[67] *New York Times,* March 16, 1977.

been regarded as hopeless by architectural historians, but they were a lot less dreary to the people who raised families there and then sold to new families at a profit. Indeed, it is fair to say that both mortgage insurance and public housing policies were as much the product as the cause of the suburban trend. As novelist Anthony Trollope put it in 1867: "It is a very comfortable thing to stand on your own ground. Land is about the only thing that can't fly away."