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BOB DOLE ON 'SOCIALISM'

By PETER DREIER. *Commonweal*. Jun 1, 1996. Vol.123, Iss. 11; pg. 14

Speaking before the National Association of Realtors on April 29, Senator Bob Dole (R-Kans.) labeled public housing "one of the last bastions of socialism in the world." He called for dismantling the U.S. Department of Housing and Urban Development and recommended replacing government-assisted housing projects with housing vouchers to help poor Americans pay for rent in private housing.

Dole's comments ignored some basic facts. First, public housing represents a tiny share of the nation's housing stock and even a relatively small part of HUD's budget. Second, we already have a housing voucher program, but the Republicans thwarted the Clinton administration's efforts to expand it. Third, HUD's budget is dwarfed by the federal government's most expensive housing subsidy program, the mortgage interest deduction for homeowners, most of which goes to affluent households.

Subsidized housing for the poor is essentially a lottery, not an entitlement. The HUD budget, now \$26 billion, provides housing subsidies to 4.1 million low-income households, that is, 28 percent of the 13.8 million poor renter households who are eligible for federal housing assistance. Of those who receive housing aid, only 1.36 million families live in public housing units; another 1.65 million live in private, government-subsidized developments; and another 1.06 million receive the kind of housing vouchers Dole lauded. But that still leaves almost 10 million poor households to fend for themselves in the private housing marketplace, most of whom pay more than half of their incomes to keep a roof over their heads.

Two years ago, President Bill Clinton asked Congress to approve an extremely modest pilot program, called Moving to Opportunity (MTO), to help low-income inner-city families move to private apartments in better neighborhoods. Clinton asked for \$164 million to provide vouchers for 1,305 families in five cities. The then-Democratic majority in Congress enacted the plan, but only over the objections of Dole's Republicans who called it "social engineering."

Is Dole now calling for a dramatic expansion of this approach? Based on the cost of the current Section 8-voucher program, it would cost about \$30 billion a year to provide these 10 million poor families with vouchers to cover the difference between 30 percent of their income (the federal standard) and rents in private apartments. Where would we get the money for such a universal housing voucher program for the poor?

One solution might be to put a ceiling on the mortgage interest deduction for homeowners, a "tax expenditure" that last year cost the federal government \$58.3 billion—more than double the HUD budget. Wealthy homeowners don't think of themselves as living in subsidized housing, but they get the bulk of the nation's federal housing help. Last year taxpayers with incomes over \$100,000 (5.65 percent of all returns) received \$29 billion in mortgage interest deductions—half of the total amount. (In other words, the \$29 billion in tax subsidies for those with incomes over \$100,000 alone surpasses the entire HUD budget). The 1.6 million taxpayers with incomes over \$200,000 received \$12.6 billion in mortgage interest deductions. Thus, the wealthiest 1.2 percent of all taxpayers received 21.6 percent of the homeowner tax subsidies. So while only 28 percent of America's poor receive any federal housing assistance, 82.5 percent of households with incomes above \$200,000 receive a mortgage tax break. The average subsidy for this latter group last year was \$9,763. This is almost three times the cost of a typical Section-8 housing voucher.

Last year, when Senator Bob Packwood was chair of the Senate Finance Committee, he suggested limiting the interest deduction to \$250,000 in mortgage debt. (The current ceiling is \$1 million.) The Congressional Budget Office estimated that this would save the government more than \$35 billion over five years, and affect only about 1.2 million of the wealthiest taxpayers. The savings could be used to expand the housing voucher program that Dole suddenly discovered. But Dole failed to endorse Packwood's proposal.

In other words, Dole opposes "socialism" for the poor but is all in favor of welfare for the rich. This may be linked to the fact that the real estate industry (including the National Association of Realtors, the National Association of Homebuilders, and the American Bankers Association) is one of Dole's most generous campaign contributors. They've made preserving the mortgage

interest deduction the litmus test for their support.

Dole told the Realtors that public housing had "failed" and that local housing authorities have become "landlords of misery." He's partly right, but mostly wrong. Many older projects in the big cities are physically isolated, high-rise ghettos, underfunded and poorly maintained (see previous article). That's why HUD Secretary Henry Cisneros has approved plans to tear down the most severely distressed public housing projects. But the biggest secret about public housing is that most of it is well-managed. The majority of units are in small and mid-size developments. Almost a million families are now on waiting lists to get into public housing, a testament to the failure of private landlords to serve the poor. During the Depression, public housing advocates, like their European counterparts, initially envisioned it for the middle class as well as the poor. Ironically, the National Association of Realtors and other housing industry groups sought to sabotage the program before it got started. Warning about the specter of "socialism," they successfully lobbied to limit public housing to the poor so it wouldn't compete with privately owned housing.

Republicans now frequently use public housing as a metaphor for the failure of activist government. But it represents only a small fraction of the nation's housing for the poor. It certainly isn't primarily responsible for persistent poverty, racial segregation, and urban crime. Moreover, during the past decade, there's been almost no new public housing built. Almost all new federally funded housing developments have been sponsored by nonprofit community groups like churches and neighborhood associations.

For Republicans, HUD has been an easy target. But the major HUD scandal-where high government officials used agency funds to reward political friends and campaign contributors-took place during the Reagan administration. If HUD is now identified in the public's mind with mismanagement and corruption, it's the GOP that should get much of the blame.

Dole could have demonstrated real leadership by telling the Realtors that the way we now distribute federal housing subsidy funds is wasteful and unfair. We subsidize the rich to purchase huge homes without helping hardworking families buy a small bungalow or most poor families to rent an apartment. Instead, he went for the cheap shot, scapegoating public housing for the poor as "socialism," while telling the powerful Realtors what they wanted to hear.

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