

# Overall Housing Policy Is Needed

BY D. J. R. BRUCKNER

George Romney, secretary of housing and urban development, said again last week that the nation is suffering **its worst housing shortage**, even though the government has subsidized more new housing starts than ever before. This year the government hopes to subsidize something more than 300,000 new units. That would help, but 10 times that many are needed. Everyone, including at times the Administration, tends to treat Romney like some computer-age Cassandra; this is a pity, because, in this business of housing, he should be heard.

The picture is very mixed. New private housing starts have dropped to 1.3 million a year; Congress has said 2.6 million are needed every year to satisfy current needs. But there have been some moves towards innovative building on a large scale, which, if they could be expanded, might ease the squeeze a little.

Just before the New Year, Romney "reluctantly" announced a rise from 7.5% to 8.5% in mortgage rates backed by the Federal Housing Administration and the Veterans Administration. That move might attract a little more mortgage money into the market for a time, but not much and not for long. With money tight and the prime lending rate set by the Federal Reserve at 8.5%, there is simply too much money to be made quickly elsewhere, such as in industrial bonds.

★

Paul McCracken, chairman of the Council of Economic Advisers, said not long ago that the government had hoped to create a sizeable budget surplus next year and had hoped some of the money it would free by retiring debts would go into the mortgage market. But the 1969 tax bill has now erased the dream of a surplus.

Even where there is money, prices keep going up, in spite of all the talk about "low-income housing." Given the pressures of increasing urbanization, it is hard to see how prices can come down at any time in the future. HUD's most hopeful planners think the best they can do, even with mass-produced housing, is to hold the line on costs, since all other market forces tend upwards even if labor costs can be brought down. The big mortgage bankers will tell you now they can see no way to lower housing costs except through programs in which the government will pour huge funds into housing.

Government is trying a few innovations. The National Housing Partnership, established by Congress in 1968, intends to begin selling stock by Feb. 1, to raise \$50 million, to be used in a system of local partnerships to build \$2 billion worth of houses. But that is still only 120,000 homes and the scheme is not designed to affect market forces at all.

Operation Breakthrough, started by Romney, should begin setting up trial projects of mass-produced housing in a few cities this year; and there are still those who have some hopes for its ultimate success, especially since three of the biggest building trades unions have agreed to special national contracts for building the homes.

★

Almost 1,000 companies have indicated some interest in the initial small (\$15 million worth) Breakthrough demonstration projects, and some have submitted very innovative plans. The governors of a few states, and some cities, have agreed to help mobilize the housing markets.

Such mobilization might help ease some of the money strains. But HUD still has the tough problem of negotiating its way through mazes of zoning and building code laws in thousands of cities—laws often written by or for speculators, builders and building trades unions, and which have a tendency to frustrate innovation entirely.

The President is supposed to be preparing a set of goals for the cities for the 1970s. Inevitably, housing will have to be a major part of any such program. There is an intramural battle now within the Administration over means of approaching the problem. But in the end, most of those working on it agree that any solution will require a clear national policy affecting all aspects of housing—markets, money and methods; a greater government commitment than has been made yet, and enormous amounts of cash. The alternative is to go on having what we already have—bad housing, scarce housing and runaway prices.