

BOOK REVIEW**The Housing Policy Revolution****By David J. Erickson****Urban Institute Press, Washington DC, 2009. 264 pages.**

Reviewed by Jake Wegmann

There is a familiar story about the history of government-subsidized housing in the United States, and it goes something like this: during the Great Depression, amidst widespread public concern about degraded dwelling conditions amongst the poor, federal housing programs of unprecedented scope and ambition are approved and implemented. An enormous burst of public housing construction ensues, and continues through most of the 1960s as part of President Lyndon B. Johnson's Great Society. Unfortunately, much of the housing is ill-conceived: it is architecturally out of scale with its surroundings, and designed in such a way that it eventually becomes unsafe. Furthermore, its management is ensnared in a tangle of hopelessly incompetent and unresponsive public housing authorities and federal bureaucracies. By the late 1960s, public housing has become a nightmarish trap for its impoverished denizens, worse than the original slum neighborhoods that it often replaced, which at least offered a modicum of safety and social connections to their inhabitants. This ill-conceived overreach of the American welfare state, along with a sharp rightward lurch amongst the U.S. electorate with the election of Richard Nixon in 1968, eventually leads to an almost total retreat of the federal government from financing below-market housing. Ever since, the message from the American public sector to the poor has been that they are essentially on their own for finding adequate, safe, affordable housing.

David J. Erickson, a policy researcher at the San Francisco branch of the Federal Reserve Bank, and a recent doctoral graduate of Berkeley's Goldman School of Public Policy, would generally agree with *most* of this preceding narrative. In his recent book *The Housing Policy Revolution: Networks and Neighborhoods*, however, he takes great exception to the last sentence—the portion of the story in which subsidized housing permanently disappears from the American scene in the 70s and 80s. Subsidized rental housing production in the United States was about 130,000 units in 2005. While this amount is admittedly much lower than the peak of almost 500,000 per year at the height of the Great Society era, it is also much higher than the maximum yearly construction of public

housing of 71,000 units in 1954. While few who are sympathetic to the plight of the poor in finding adequate housing in the U.S., including Erickson, would contend that the current situation is acceptable, nevertheless Erickson argues “to say that the federal government has been out of the affordable housing business since the Reagan administration is simply wrong.”

What can account for this gap between perception and reality? Erickson argues convincingly that the primary U.S. mechanism for subsidizing housing, the Low Income Housing Tax Credit (LIHTC), instituted in the Tax Reform Act of 1986, has given rise to a “flexible, decentralized, and well-integrated system” that provides housing to low-income households. However, it has done so amidst an institutional framework that is radically different from the old top-down public housing model. One might take this further and argue that much modern affordable housing is so successful at fitting into its host communities that, in the starkest contrast to Corbusian “towers in the park”, its neighbors are often not even aware that it is reserved and priced for low-income people.

Erickson rejects the argument that this state of affairs is a simple case of neoliberal-style outsourcing of social policy. Rather, it is a genuine partnership between government, lending institutions, equity providers, and developers, both for- and nonprofit, all of which function as crucial nodes in an intricate web-like network. Nimble community-based developers demonstrate responsiveness to widely-varying local conditions that assure that affordable housing developments serve their locales in ways that public housing never did, whether via the inclusion of retail space, health clinics, or other resident services. Architectural design often tends to be muted and well-integrated with the local community. Affordable housing developers have been noted for their widespread embrace of green building techniques well before their market-rate counterparts did so in large numbers.

Meanwhile, governments at all levels have an essential role to play. Federal government provides the LIHTC, which is derided by some as a neoliberal-style tax credit rather than a direct expenditure. However, its bipartisan appeal, along with the growth of a specialized financial services industry around it, has given the affordable housing industry and its political supporters the strength to fend off numerous attempted attacks from the political right, most recently during the Bush administration. Moreover, the federal government pumps in billions in direct subsidies per year via the HOME and other programs. Add in various local and state programs, and suddenly the existence of a surprisingly widespread and robust—though resolutely decentralized—American affordable housing system becomes apparent.

Erickson ends by arguing that this “housing policy revolution” portends a promising evolution towards a 21st century-style networked welfare state, with promising applicability to other sectors. He sees parallels, for instance, with the evolution of community-based economic development towards the use of the New Markets Tax Credit, or the rise of charter schools as a challenge to traditional centralized public school bureaucracies.

There are certainly some concerns that must be raised with the model that Erickson is championing, some he briefly addresses and some he leaves unexplored. For instance: what happens when the overall economy crashes, and the demand for the purchase of LIHTC by investors falls along with it? We have seen this very scenario unfold in the last three years. There has been a lamentable crash in affordable housing production at the very moment when the sector could be offering a counter-cyclical lifeline to the building industry, not to mention taking advantage of depressed construction costs to churn out large numbers of units. In addition, the level of complexity inherent in the system demands a great deal of staff capacity from poorly-capitalized, often overwhelmed nonprofit organizations. While this may be workable in a region such as Boston or the San Francisco Bay Area, is a system dependent upon legions of idealistic, well-educated people willing to accept a lower salary really viable in an underserved location like California’s Central Valley?

While Erickson’s analysis certainly raises these and other questions, his book is nevertheless a provocative and refreshingly novel perspective on the current state of affordable housing in the United States. It is bound to be a contributor to the ongoing housing policy debate that cannot be ignored.