HUD's Broken Promises: The Entrenchment of Private Interests and Financialization of Low-Income Housing Policy in Nixon's Housing Regime

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This paper examines how the promise of greater federal authority to address America's housing needs and enforce fair housing standards, following the establishment of the US Department of Housing and Urban Development (HUD) in the late 1960s, was quickly undermined. This shift began during Richard Nixon's administration, particularly under the leadership of HUD Secretary George Romney. Drawing on archival records of George Romney from the University of Michigan, this paper analyzes the role of the HUD in changes to American housing policy during the early 1970s. The contemporary housing crisis is characterized by rising costs, homelessness, and inadequate affordable housing for low-income families, particularly those from historically marginalized communities. These circumstances can be traced back to the early 1970s, when policy decisions undermined HUD's original promises while the agency was still in its infancy.

Despite his public reputation as a conservative champion of racial equality, Romney oversaw policies that deepened inequities and initiated the financialization of America's low-income housing policies (Taylor 2019). The financialization of housing increasingly compels individuals to bear the risks of housing as a commodity, driven by the dominance of private industry actors and practices (Aalbers 2016; Dukelow 2021). By reducing the supply of public housing and relying more heavily on subsidies for solutions to low-income housing, Romney began a long-term shift toward financialized housing policies. In addition, the Nixon administration promoted a conservative ideology that included reducing federal authority over social welfare policies and resisting racial progress (Quadagno 1990; Spitzer 2012). Motivated by the exchange-value of housing, this agenda incentivized organized interest action to support the liberalization of low-income housing policy (Soederberg 2018).

This paper focuses on two interrelated dynamics found in the archive. First, it explores the entrenchment of private interests within HUD through the analysis of speeches and correspondences with private industry. Rather than support robust public investment in housing, Romney promoted subsidized housing and decentralized decision-making structures to the benefit of the private housing industry. Second, it examines how the history of racial discrimination in housing interacted with these preferences, especially dismantling an innovative integrated public housing development that had the potential to alter public perceptions and provide a new model for federal investment in rental housing.

By focusing on this archival record this paper contributes to our understanding how the American political economy allows for institutionalization of power imbalances that entrench organized interest preferences into policy regimes. Often, due to the maligned status of American public housing and the continuation of racial and ethnic housing inequalities over time, research shows little federal commitment to housing policy. However, the Johnson administration created HUD to provide greater centralized authority to redress decades of discrimination, exclusion, and inadequacy in American low-income housing policy. This paper shows that in the archival record Romney and his subordinates pursued a strategy to decentralize federal authority and abdicate federal responsibility for American housing to private industry, purposefully undermining this prior agenda.

During his tenure, Secretary Romney made speeches before the National Association of Home Builders and the Mortgage Bankers Association of America, touting these changes and employing racialized rhetoric that stigmatized public housing tenants and urban residents. In these speeches he celebrated the promise of private-sector solutions while denying the structural conditions compromising quality public housing. Correspondences with these organized interests further explicates the entrenchment of their preferences. In addition, internal memos detail strategies that further undermined HUD's mission, such as exploring housing allowances fully reliant on the private housing market and refusing to contract additional public housing.

This paper demonstrates how decisions made during this period laid the foundation for ongoing challenges in American housing policy, including the acute shortage of affordable rental units for low-income households, the marginalization of public housing, and the increasingly financialized nature of American rental housing. These structural inequalities deepened disadvantages in racial and ethnic majority communities, undermining HUD's institutional promises.

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