

□ 1445

I look forward to working with the chairman as we get to a conference.

Mr. LAZIO of New York. Mr. Chairman, I yield myself the balance of my time.

I want to return the compliment to the gentleman from Massachusetts and thank him certainly for the working relationship that we have had through the committee process and through markup and finally on the floor of this House.

In the 3 long weeks we have been debating this bill and almost 60 amendments that have been heard, we have been able to dispose of those amendments, not all, I am sure, to the satisfaction of the gentleman from Massachusetts, but at any rate in a way that I think preserves the dignity of this body and this House.

We do have differences. We have differences in perspective. We have differences as to how much we trust local authorities, how much flexibility we ought to give them, how we ought to treat low income people.

My friend from Massachusetts has offered an amendment that I believe would shut out working-class families, would shut out a husband and wife who happen to have low, minimum wage jobs from the possibility of receiving a rental voucher.

We believe in local flexibility. We believe in empowerment. We sweep away the work disincentives that are in current law. I believe under the gentleman's proposition, those work disincentives continue to exist as long as we tie rent to income and do not permit, which we do under H.R. 2, we permit tenants to make that choice, to go to a flat rent so that they work longer, work harder, get a better job. They can keep the fruits of that labor.

We want to empower people to do that. We want to reward work. We want to transform communities. And we know in the end that we cannot legislate an end to poverty. That will only happen if we create the right set of incentives, the right rules so that local individuals and local communities, once empowered, can begin to transform themselves.

That is where the change will take place, because make no mistake about it, H.R. 2 is not just about shelter. It is about creating environments where poverty can be successfully addressed, and it will be only successfully addressed by the people of those same communities.

Mr. BONIOR. Mr. Chairman, I rise in support of the Democratic substitute offered by my friend, JOE KENNEDY from Massachusetts.

He's been a tenacious advocate for real housing reform, so tenacious that he's beginning to set a record for the number of times a bill has been on and off the floor.

Actually, this is a good debate for us to have.

It's a debate about setting priorities, about adopting reform while protecting people, and about giving hard-pressed working families a break.

The Kennedy substitute is a reasonable, balanced approach to housing reform that protects the vulnerable, while giving local housing authorities the flexibility they need to do their jobs.

By contrast, the Republican bill eliminates most Federal regulations affecting low-income housing assistance—including provisions that ensure Federal housing is targeted to those most in need.

H.R. 2 repeals the Housing Act of 1937, and it will push the poorest tenants into homelessness.

The Democratic substitute streamlines our Nation's housing laws, but does not repeal them.

It protects seniors and the vulnerable by retaining current law, limiting rent to 30 percent of your income.

And it encourages local housing authorities to provide mixed income housing, while preserving assistance to those most in need.

The substitute provides the reforms and flexibility that local housing authorities need, but it does not contain the unfunded mandates that are included in the Republican bill.

That's why local housing authorities support the substitute, why the administration supports it, and why I support it.

I urge my colleagues: Oppose H.R. 2; support the Democratic substitute.

Mr. PAUL. Mr. Chairman, we, the Congress, are once again asked to reenact Federal housing legislation that is unconstitutionally, philosophically, economically, and practically unsound.

Prior to the Constitution-circumventing New Deal policies of the Fed-induced Depression era, such redistributionist policies whereby Government takes money from one citizen to pay the housing costs—or some other cost—of another was forbidden. Supreme Court Justice Samuel Chase, in *Calder versus Bull*, opined that “a law that takes property from A and gives it to B: It is against all reason and justice, for a people to intrust a legislature with such powers.” Yet, this redistributionist scheme, rather than the exception, has become the rule as well as the rule of law in this 20th century, special interest state.

But even setting aside the unconstitutionality of Government's 20th century housing policy for the moment, such redistributionist schemes are philosophically bankrupt as well. A right to housing, as espoused by proponents of this legislation, or a right to more than the fruits of one's own labor, by definition must deprive some other the right to keep the fruit of his or her own labor. Moreover, such a right cannot be a right as it is not enjoyable by all simultaneously. For if each is entitled by right to more than the fruit of one's own labor, one must then ask from where this additional production will come. It is this fallacy that prompted Frederic Bastiat, the brilliant 18th century political-economist to remark: “The State is the great fictitious entity by which everyone seeks to live at the expense of everyone else.” Bastiat understood that Government was an agreement entered into for the purpose of protecting one's own property rather than the tool by which individuals could collectively band together to deprive others of theirs.

The problems with Government housing extends even beyond these not-so-insignificant barriers. The economic and practical aspects of such a policy warrant serious scrutiny as well. One must not forget that individuals re-

spond to incentives and incremental measures moving this country further in the wrong policy direction must be actively opposed.

There are those in this Congress who concede that there are serious problems with our Federal housing policy but argue that we must reform it to correct these problems. By incrementally moving in the right direction we can look out for those affected—not just the tenants but the others dependent upon the Government miscreant as well.

This incrementalist approach has not worked in the past and will not work in the future. This bill will not move us incrementally in the right direction. The direction in which this legislation will lead us could be referred to as a continuation of mission creep. An idea for a small program or expenditure, no matter how deserving or well meaning, will only feed an ever-growing appetite for more Government money.

This bill will demonstrate yet again the innate nature of a Government subsidy to grow exponentially. Despite the confident assurances of flatlining the HUD budget for a few years, Government subsidized housing will continue to grow. A GAO report points out that there are an additional \$18 billion in FHA insured mortgages at risk. While not a part of H.R. 2 directly, the liabilities associated with the subsidized mortgages on the housing projects and other factors virtually assure it, even if it were not the nature of Government's quest to sate its ravenous consumption of our money.

The social reformers of the New Deal era persuaded a pliant Government to address the issue of unemployment and the needs of the slum dwellers. Presumably, no one bothered to address the responsibility issue. John Weicher of the Hudson Institute explains well the logic that brought us the current situation.

The social reformers of that era chose to ignore market forces, human nature, and the nature of Government. If Government spends enough of other people's money, Government can change lives. “We know better for them than they do—and just how to do it,” was the condescending implication.

They claimed that poor tenement housing largely caused the social ills of the urban dwellers. These so-identified breeding grounds of crime, delinquency, disease, mental illness, and worse were regarded as the result of the poor living conditions, not the cause. If Government could give them decent housing, Government could eliminate these problems, they dreamed. That dream has become a nightmare for all too many people—both for the people trapped by the constraints of the public dole and those forced through taxation to pay for it.

The erstwhile social reformers thought Government could eliminate the slums, create jobs in a depression and even encourage home ownership. Through Government, they could realize their dreams. They were wrong.

The United States Housing Act of 1937 established public housing, our oldest subsidy program, in order to create affordable, Depression-era housing for those temporarily unemployed or underemployed, eliminate slums, and increase employment through make-work construction jobs. The Great Depression has long been over, but its misguided largesse and Constitution-circumventing redistribution schemes continue. Of course, we are still paying the deficit—with compound interest—for

those jobs despite having institutionalized slum life.

The War on Poverty demonstrated the mission creep. In 1965 government created the Housing and Urban Development [HUD] Agency following the beginning in 1961 of federally subsidized construction of privately owned housing projects. Subsidized housing has now mutated into three forms: public housing, privately owned projects and, section 8 certificates and vouchers for use in privately owned housing. Each of these three forms of Government-subsidized housing makes up roughly one-third of the subsidized housing stock.

Of the public housing projects, over 850,000 of the 1.4 million units were built between 1950 and 1975. Only about 100,000 new units were added to the public housing stock in the last 10 years. These units are built entirely with public funds, and the Federal Government pays part of the cost of operation. Over time, the Federal Government has to pay to modernize these developments too.

However, the local Public Housing Authorities [PHA's] run the projects with such ineptitude in so many cases they are literally run into the ground. Costs to operate the public housing projects are comparable to private housing, according to HUD numbers, only if one does not consider the cost of building the units in the first place—as if the cost of the mortgage on a private housing building should not be a factor in setting the rent.

The Federal Government then picks up the tab for the so-called modernization, or rehabilitation, of the projects as they deteriorate. With this setup, there is no incentive for the local PHA officials to reinvest the rental income back into the units. As a consequence, the local PHA does not maintain them sufficiently, and the tenants suffer a life in substandard housing. Standards that are deemed unacceptable in private housing are somehow good enough in the Government's eyes for those on the lower rungs of the socioeconomic ladder.

The privately owned projects also bilk taxpayers on a grand scale, according to HUD Secretary Andrew Cuomo. He lambastes the fact that the Government is overpaying rents compared to what his department considers Fair Market Rent. HUD is subsidizing rents of \$849 a month in Chicago neighborhoods where the market rate is only \$435 a month; paying \$972 a month in Oakland, CA, against a market rate of \$607 a month; and in Boston, Government is paying \$1,023 a month vis-à-vis \$667 monthly in the private market, he says.

Mr. Cuomo attacks these abuses and decries the State of subsidized housing, but he does not recognize that these abuses are symptomatic of the system he is trying to preserve. "For years we have been trying to grapple with this issue," he tells us and dangles promises of huge future savings if Government tinkers around the edges of an ill-conceived system that tries to cheat the market, tries to circumvent human nature, and ignores the nature of Government subsidies.

His current promises are as false as the promises of his predecessors. One of his successors will 1 day lament the horrible State of subsidized housing he inherited and will promise grandiose reforms that will save billions if Government only passes a future subsidized housing bill.

One of the worst complications of this approach is the builtin disincentives to proper

management. Under a convoluted setup, these privately owned projects rely on FHA insurance and a Federal subsidy paycheck to pay for it. Too often, these ill-managed projects deteriorate so quickly that the units are torn down before they pay for their own construction. Under Mr. Cuomo's directives, HUD will decide the market rate concerning its subsidies. The market distortions of the tax code and FHA insurance make the situation worse.

Vouchers and certificates are the best of the inherently flawed approaches. About 80 percent of people with vouchers find suitable housing of their choice—very often at only 40–60 percent of the cost of less desirable public housing. After enacting certificates in 1974 and vouchers in 1983, about 1.5 million households have been served by this approach—1.1 million through certificates and 400,000 through vouchers.

The benefits of the tenant-based approach include the reliance of a quasi-free market competition with the attendant bonuses of lower costs, great efficiency, rewards for personal initiative, and individual choice. Under tenant-based rental assistance, recipients are less likely to live in concentrated poor urban communities that often lack basic necessities: safety, good schools, employment opportunities, access to financial services, and so forth. They have a way out of the trap of project-based public housing units that have become a way of life.

Market incentives through tenant choice put the renters in charge of their housing decisions. They may find the housing of their choice and even keep the difference between the rent and the voucher if they find housing for less than their voucher enabled them. This is not the case with the certificates. Unfortunately, the household remains tied to the State with the contingent constraints and perverse incentives that this arrangement implies.

Unfortunately, H.R. 2 does not address these concerns. It leaves uncertain the "proper" approach to subsidizing housing despite the fanfare of a "new" approach. While formally repealing the 1937 housing act, the mentality remains along with the compendium of problems inherently associated with it.

The bill leaves uncertain whether a "tenant-based approach" or a "project-based approach" will be instituted. In the Washington tradition, a compromise is offered. Again, in the Washington tradition, this bill embraces the worst aspects of both approaches and fuses them together.

This bill tries to "target" their social reforms now. By this Government's attempts to force social reforms through osmosis by luring better role models into the modern slums. Perhaps the Ellen Wilson housing project in Washington, DC, just blocks away from the Capitol, would reassure us as to the benefits of incrementalism. In a city with a waiting list of 16,000 people, Government is spending about \$186,000 per unit to build subsidized housing instead of spending less per unit and housing more people.

One would hope that at least such incredible sums are going to the most needy of the 16,000 people waiting for subsidized housing. Yet even those earning up to \$78,000 a year could qualify. Incremental social reform is not cost efficient.

The Washington Post wrote on April 24, 1997, that Valley Green, a Washington, DC,

housing project built in early 1960's, was launched "to house people displaced by 'slum clearance,' [and] soon became a slum itself, poisoned over the decades by a toxic brew of poverty, rampant vandalism, violent drug dealing, and government neglect \* \* \*. The resulting wasteland, which stretches across 20 acres of silent concrete courtyards and rutted city streets, has come to serve in recent years as a convenient backdrop of politicians looking to cast blame for decades of despair."

This story is very indicative. It is one that has been retold far too many times in too many places. This expenditure has not even provided decent housing to those Government was trying to help. According to HUD inspection general reports, up to 80 percent of the units fail inspections.

It is a story that will be retold again and again if this bill passes. It is a testimony of the effects of Government-engineered social reform of housing. One must not forget the lofty goal of slum elimination of the 1930's that spawned this misadventure. That lofty goal of the 1960's spawned the dreamily named Valley Green. One can only wonder what name Government shall bestow upon the next housing project born under H.R. 2's new legislative regime.

Aside from the simple accounting costs associated with Government subsidized housing, there are other real costs. Unfortunately even this simplicity eludes HUD which routinely demonstrates that it is incapable of understanding basic accounting and accountability. Just this month, a congressionally instigated investigation of section 8 contract reserve accounts discovered \$5 billion in addition to the \$1.6 billion in excess reserve funds recaptured late last year. I sincerely doubt that the residents of Valley Green, other housing projects and taxpayers think this is a well-run program.

Just since HUD was created, Government has appropriated over \$572 billion to the agency. Of course, this figure does not include rents and fees collected by the agency, so that it could be argued that total funding for public housing has been much higher. HUD is budgeted annually around \$21.7 billion for each of the next 5 years, but the figure for last year was only \$19.4 billion. More money will be wasted.

For fiscal years, 1965–75, the agency's budget authority totaled less than \$40 billion. In other words, Government has spent over half a trillion dollars of taxpayers' hard-earned money on subsidized housing in the last 20 years.

Nor has this half a trillion dollars increased the home ownership rates of Americans. The fourth quarter averages of home ownership between 1965–74 averaged 64 percent. Despite such Governmental largesse, fourth quarter rates of home ownership averaged 64 percent between 1965–96. Certainly HUD has not made a significantly positive contribution to the goal of home ownership. They will be able to point to the easily identified few who have been helped at the expense of the less easily identified many who were negatively affected.

One must not forget that the increased Government expenditures derived through taxation have stifled the ability of many would-be homeowners to save for the down payment and purchase the home of their dreams. Instead, they pay the taxes to bankroll the dreams of the social reformers, past and present.

They are paying not only the bills of today but the taxes necessary to pay for the deficit spending dreamed up by previous social reforms. There is a real economic cost to these deficits. The distortions to the free market whereby the most efficient allocations of resources are made. HUD shows us the alternative—and considered enlightened—path to allocating resources better. The HUD bureaucracy consumes valuable resources that are best spent elsewhere. Even the new HUD Secretary concedes very readily that HUD is inefficient and wasteful. Government just needs to give it more time and more money, the Secretary pleads. Of course more time and more money have already cost us too much.

This irresponsible pipe dreaming has contributed to unsound fiscal and monetary policies and introduced new iterations in the business cycle. As the market tries to factor in these Government-spending-induced booms and busts, security against its ravages of higher unemployment and higher interest rates takes their toll. This added cost fuels the cycle which exacerbates the problem.

Not only the taxpayers suffer under this approach. The civil rights of the tenants of subsidized housing are discarded as housing sweeps violative of the fourth amendment are conducted in the name of a misdirected war on poverty and lack of affordable housing.

Of course, it is the middle class and working poor who pay the cost most directly. The rich shelter their money from many income taxes and have their FICA taxes for Social Security capped. This regressive Social Security tax takes an unfair toll on the working poor and middle class. Many more people could afford better housing absent paying for the inefficiencies of the Government's approach to housing.

H.R. 2 is not the solution to our problems. Rather, it is an illustration of the creeping mission of more Government for a longer period of time not fulfilling the dreams of its engineers. This bill is more of the same incrementalism that began in the 1930's. Despite proof that it was not working, we are asked to vote again to throw more money at the problem, give government more control of our lives and reap the rewards.

In the 1960's, Government acknowledged again the failure of the mission and expanded the reach of Government exponentially. With those promises demonstrably unfulfilled, Government find itself again at a crossroads. Continue creeping incrementally towards more Government spending and a loss of civil and economic liberties or the path of freedom. I urge Government to offer liberty.

I do not doubt the compassion and intentions of many of the social reformers, then or now. They are, indeed, well-meaning folks. The problem is that the effects of their good intentions run counter to the aims of their endeavors.

Instead of a safety net that merely prevents a newly unemployed single mother from falling, the public housing project traps her and her family in its net and holds them hostage to the whims of the local Public Housing Authorities. These PHA's are not accountable to her. She has sacrificed her liberty to PHA's that are too often sinecures provided by political cronyism. Tales of their abuse are legendary.

This corrupt scenario produces crime statistics proportionately twice as high in and

around subsidized housing projects as in the communities as wholes, according to HUD's Office of Public and Indian Housing. Without the accountability inherent in a market situation, abuses are almost predictable. The public housing projects are but one of the worst examples of flouting the free market and the loss of accountability.

H.R. 2 attempts to improve the lot of those benefiting from subsidized housing and make the bureaucracy less burdensome. Unfortunately, by the time this proposal goes to the floor, so many changes will have been made, compromises accepted and political deals consummated that we end up with a bill in some ways worse than the status quo, as bad as that is.

The end result of this well-meaning attempt to care for those less fortunate is higher taxes, especially on the working poor, slower economic growth, fewer job offers and a reaffirmation of Government's determination to keep tenants trapped in substandard housing whose managers are not accountable to them.

At the same time, those politically astute suppliers of Government housing encourage the continuation of such programs at the expense of the more productive suppliers whose political polish does not place them in the ambit of those doling out the grants.

We should end this misguided approach to such legislation. It punishes all taxpayers with the future additional expense of increased eligibility requirements while limiting further the availability of subsidized housing for those who currently qualify. It rewards special interest favors for the politically connected—both unaccountable subsidized housing managers, department bureaucrats, politically contributing public construction businesses and the landlords cashing above market Government rent checks for substandard housing.

The opportunity that H.R. 2 provides is squandered in an extension of more of the same. While consolidating programs could make oversight easier and bureaucrats and local PHA's more accountable, it is unlikely that this bill will go far enough to address the problems with our subsidized housing programs. New problems resulting from targeting are almost certain. Many of the critics of the left are correct to point out this mean misallocation of funds from the working poor and middle class to tenants with higher incomes than current tenants despite the waiting list.

Only by rewarding individual initiative, choice, responsibility and the resultant accountability can Government reforms better serve the recipients. Of course, only less Government and lower taxes will truly meet those aims.

The CHAIRMAN pro tempore (Mr. LAHOOD). The question is on the amendment in the nature of a substitute offered by the gentleman from Massachusetts [Mr. KENNEDY].

The question was taken; and the Chairman pro tempore announced that the noes appeared to have it.

## RECORDED VOTE

Mr. KENNEDY of Massachusetts. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 163, noes 261, not voting 9, as follows:

[RoII No. 126]

AYES—163

Abercrombie	Gephardt	Moakley
Ackerman	Gonzalez	Mollohan
Allen	Green	Nadler
Baldacci	Gutierrez	Neal
Barcia	Hall (OH)	Oberstar
Barrett (WI)	Hamilton	Obey
Becerra	Harman	Olver
Bentsen	Hastings (FL)	Owens
Berman	Hilliard	Pallone
Berry	Hinchev	Pascrell
Bishop	Hinojosa	Pastor
Blagojevich	Hooley	Payne
Blumenauer	Hoyer	Pelosi
Bonior	Jackson (IL)	Pomeroy
Borski	Jackson-Lee	Poshard
Boswell	(TX)	Price (NC)
Boucher	Jefferson	Rahall
Brown (CA)	Johnson (WI)	Rangel
Brown (FL)	Johnson, E. B.	Rivers
Brown (OH)	Kanjorski	Rodriguez
Capps	Kennedy (MA)	Roemer
Cardin	Kennedy (RI)	Rothman
Carson	Kennelly	Roybal-Allard
Clay	Kildee	Rush
Clayton	Kilpatrick	Sabo
Clement	Kind (WI)	Sanders
Clyburn	Kleczka	Sawyer
Conyers	Kucinich	Schumer
Costello	LaFalce	Scott
Coyne	Lampson	Serrano
Cummings	Lantos	Skaggs
Davis (FL)	Levin	Slaughter
Davis (IL)	Lewis (GA)	Snyder
DeFazio	Lowey	Spratt
DeGette	Maloney (CT)	Stark
Delahunt	Maloney (NY)	Stokes
DeLauro	Markey	Strickland
Dellums	Martinez	Stupak
Deutsch	Matsui	Thompson
Dicks	McCarthy (MO)	Thurman
Dingell	McCarthy (NY)	Tierney
Dixon	McDermott	Torres
Engel	McGovern	Towns
Eshoo	McHale	Velazquez
Etheridge	McIntyre	Vento
Evans	McKinney	Visclosky
Farr	McNulty	Waters
Fazio	Meehan	Watt (NC)
Filner	Meek	Waxman
Foglietta	Menendez	Wexler
Ford	Millender	Weygand
Frank (MA)	McDonald	Wise
Frost	Miller (CA)	Woolsey
Furse	Minge	Wynn
Gejdenson	Mink	Yates

NOES—261

Aderholt	Christensen	Franks (NJ)
Archer	Coble	Frelinghuysen
Armey	Coburn	Gallely
Bachus	Collins	Ganske
Baessler	Combest	Gekas
Baker	Condit	Gibbons
Ballenger	Cook	Gilchrest
Barr	Cooksey	Gillmor
Barrett (NE)	Cox	Gilman
Bartlett	Cramer	Goode
Barton	Crane	Goodlatte
Bass	Cubin	Goodling
Bateman	Cunningham	Gordon
Bereuter	Danner	Goss
Bilbray	Davis (VA)	Graham
Bilirakis	Deal	Granger
Bliley	DeLay	Greenwood
Blunt	Diaz-Balart	Gutknecht
Boehlert	Dickey	Hall (TX)
Boehner	Doggett	Hansen
Bonilla	Dooley	Hastert
Bono	Doolittle	Hastings (WA)
Boyd	Doyle	Hayworth
Brady	Dreier	Hefley
Bryant	Duncan	Herger
Bunning	Dunn	Hill
Burr	Edwards	Hilleary
Burton	Ehlers	Hobson
Buyer	Ehrlich	Hoeksstra
Callahan	Emerson	Holden
Calvert	English	Horn
Camp	Ensign	Hostettler
Campbell	Everett	Houghton
Canady	Ewing	Hulshof
Cannon	Fawell	Hunter
Castle	Foley	Hutchinson
Chabot	Forbes	Hyde
Chambliss	Fowler	Inglis
Chenoweth	Fox	Istook