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Newsweek

October 9, 1989 : \$2.00

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KIRK

HUD Without Politics?

Kemp tries to undo the errors of Pierce's reign



MATT MENDELSON—UPI

Even with reform, is corruption inevitable? Pierce at hearings with his attorneys

Jack Kemp couldn't have asked for a better drum roll for his bold announcement. Last week Samuel Pierce, his predecessor as Housing and Urban Development secretary, became the first former cabinet official since 1924 (during the Teapot Dome scandal hearings) to invoke the Fifth Amendment before Congress. This week Kemp releases his plan to clean up the mess Pierce left. In contrast to Pierce's sullen appearance, Kemp is bubbling over with can-do enthusiasm. "Can we take the politics out of HUD?" he asked. "You bet!"

His plan is vintage goo-goo, as the good-government reformers used to be called: replace subjective, political decisions with objective, numerical criteria. Congress has applauded this effort as a good response to the Pierce years, when loans were often awarded on the basis of political connections. But Kemp faces problems that have plagued reformers in the past. Eliminating favoritism without paralyzing programs is no easy task. Historically every effort to reform programs by taking the politics out has been followed by another wave of "reform" to put "flexibility" back in.

Kemp's plan would set up more rigid controls over how the money could be dispensed. "Just take out the discretion," he says. "Take out the subjectivity." Kemp told NEWSWEEK he will propose awarding

money through a competition based on which potential project best serves the needy. Kemp wants to give the agency's inspector general more staff and authority to subpoena testimony during investigations. He will propose giving the secretary power to impose penalties against people who defraud the agency. And he will announce new financial controls on the Federal Housing Administration, which at latest count is suffering \$4.2 billion in losses.

Reform in Washington seems to follow a regular cycle. (1) Reformer improves efficiency by loosening rules. (2) Scandals break out. (3) Reformer fixes programs by tightening rules. The 1980s showed clearly the perils of too much flexibility. HUD programs ended up funding luxury housing and golf courses because regulations were either too lax or ignored by officials. But Congress relaxed the regulations because it feared that strict numerical formulas would waste scarce funds. The Pentagon, meanwhile, has seen the pendulum swing often in the last two decades. Presidents Kennedy and Johnson required tight controls over defense contractors, but a major scandal led to criticism that restrictions encouraged cheating. Richard Nixon eased rules, Jimmy Carter tightened them and Ronald Reagan relaxed controls, leading to another rash of scandals. The Defense Department is now clamping down again.

"First we have a scandal, then we make the regulations more picayune, create five more layers of oversight and think we've solved the problem," says Harvard public-policy professor Robert Reich. "All we've done is made it almost impossible for government to get anything done."

One problem with making reform work is that one man's "program to prevent abuse" is another man's "burdensome red tape." Defense contractors often point out that the mounds of detailed rules they must follow slow down the process and breed government inefficiency. "But a lot of the regulatory apparatus is designed to keep the system clean and eliminate political favoritism," says Gordon Adams of the Defense Budget Project. Some firms seeking loans from HUD fear that too many rules will mean worthy projects will be thrown out on technicalities. "If every decision has to go through an official competition, then you are in effect saying that no one on the staff is able to make common-sense decisions," says one former HUD official.

Political influence finds ways of creeping into even the most mathematical formulas. Carter tried to kill several pork-barrel water projects he claimed were wasteful. But the projects' congressional sponsors produced piles of technical reports showing that they passed rigorous cost-benefit tests because of the significant psychic value provided by recreational boating.

Winning favors: Is there a happy compromise between political sleaze and bureaucratic sloth? The best combination allows some flexibility but puts power in the hands of people knowledgeable about and committed to the programs. The Reagan administration had some trouble with that. Three former HUD officials besides Pierce have taken the Fifth amid charges that they gave or won favors based on friendship or political influence. (Some legislators have called for a special prosecutor to investigate Pierce.) Kemp, though, has gotten high marks for his appointments. "The hacks have been cleared out," says one HUD career official. "Kemp came into work on a Monday, and by Friday, he had fired 126 political appointees."

In the past Kemp has argued that even with reform, corruption is inevitable when government gives money to developers instead of the poor. He supports funding for nonprofit groups and "housing vouchers" that low-income tenants could use to rent existing apartments. Democrats say this would do little to spur construction of new housing. They also say Kemp's reforms still won't address housing problems unless the government spends more money. And for Kemp, persuading the president to endorse major housing budget increases may make cleaning up HUD look easy.

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