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History Shows Andrew Cuomo Has Always Been A Trainwreck

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March 2, 2021

New York Governor Andrew Cuomo is in hot water. His handling of nursing homes during the pandemic was tragically flawed and his attempted coverup of the blunders has heightened the scandal. The governor has also been accused of sexual harassment by a former aide.

I reported on the governor's policies in Cato's fiscal report card. Cuomo received the worst grade of "F" in the 2020 report for his large tax and spending increases.

Interestingly, the essence of Cuomo's political approach was captured in a 2009 essay by former Cato analyst Tad DeHaven. He presciently described character flaws that recent scandals have drawn attention to. DeHaven's comments reprinted below were in an essay about failures at the federal Department of Housing and Urban Development (HUD). Cuomo joined HUD in 1993, became secretary in 1997, and left office in 2001.

DeHaven portrays Cuomo as acutely interested in self-publicity, a bit of a back-stabber, and very hostile to criticism. It is true that many politicians exhibit those tendencies, and it also true that other HUD secretaries have been awful, such as Reagan's secretary Sam Pierce. But the general pattern of Cuomo's recent behaviors as governor were strikingly apparent back in the 1990s, as DeHaven discussed:

Andrew Cuomo joined the Clinton administration as an assistant secretary of HUD in 1993. He replaced [Henry] Cisneros as secretary in 1997, where he remained until the end of Clinton's second term. Cuomo followed the same approach as his predecessor—seeking personal publicity while pandering to special interest groups by encouraging those who were not suited for home ownership to nonetheless move into homes.

Cuomo began cultivating his self-promotion at HUD as assistant secretary. In 1993, he organized a lavish conference costing taxpayers \$235,360 to announce a new anti-poverty program, and he flooded attendees with sloganeered shopping bags, HUD buttons, and glossy brochures. One observer called it a "rah-rah rally for Andrew Cuomo." Cuomo doubled the number of top-level staff members under him, and in one of his years as assistant secretary, he spent almost a \$1 million on travel. According to the *Wall Street Journal*, the lavish spending on "image-making ... strained HUD budgets so much that officials have devised plans to pay some bills by diverting money from projects intended to help people."

Being assistant secretary was a good job, but Andrew Cuomo wanted the top spot. He got his chance when Cisneros announced his intention to resign shortly after Clinton was reelected in 1996. Seattle Mayor Norm Rice was thought to be Clinton's first choice to replace Cisneros, but he was knocked out when HUD launched an investigation into his possible misuse of a federal

loan. The investigation, which was launched a week after the 1996 election, had been approved by Cuomo's office. The result was that Clinton went with Cuomo as secretary. Rice was later cleared, but the timing of the investigation and a leak to the press suggested involvement by Cuomo.

A HUD employee characterized Cuomo's tenure "as all show and very self-promoting. He always was a politician." In 2000, Cuomo's HUD administration issued 302 press releases in 331 working days. Most of these releases contained headlines touting Cuomo, not the president. In a move reminiscent of Samuel Pierce, Cuomo spent \$900,000 in taxpayer money on a brochure detailing his own accomplishments.

When it became apparent Cuomo would run for governor of New York, he made 25 official HUD visits to the state—21 more than any other state. In his final year as HUD secretary, he also announced \$170 million in HUD money for economic development along the Erie Canal. Another former HUD employee noted, "It was about me, me, me, me. If he didn't get a headline out of it, he didn't want to hear about it."

One thing Cuomo didn't like to see were criticisms of HUD by the department's inspector general, Susan Gaffney. Gaffney, who had a very good reputation, was subject to a smear campaign by Cuomo's staff that aimed to undermine her and force her out. Cuomo was reported to be angry with Gaffney over some of her audit reports that reflected poorly on him. One audit suggested that HUD's determination of which cities were designated "empowerment zones" under a billion-dollar program were subject to political manipulation. An aide to Cuomo told a reporter, "That was his baby—when the audit report came out, he went crazy." Another report by Gaffney's office found widespread mismanagement in billions of dollars of HUD contracts.

Like Cisneros, Cuomo's main policy legacy was to promote federal subsidies and regulations that distorted housing markets, particularly in the direction of weakening safeguards against excessive risk. For example, Andrew Cuomo successfully advocated that Congress raise the ceiling on Federal Housing Administration-insured mortgages while lowering down-payment requirements. Those moves help set the stage for higher FHA-insured mortgage default rates in later years.

Cuomo also supported efforts to have home sellers funnel money to nonprofit groups to help pay for buyers' down payments and closing costs. These "down payment assistance" loans ended up having default rates twice that of standard FHA-insured mortgages. Cuomo portrayed his efforts as helping to increase homeownership rates for minorities, but he also had an interest in not upsetting mortgage industry officials who would later help finance his gubernatorial campaign. He also worked hard to receive support from leftist housing advocate groups, such as ACORN.

During the Cuomo years, mortgage industry officials and housing advocates wanted Fannie Mae and Freddie Mac to purchase higher volumes of riskier loans that were offered to less credit-worthy borrowers. Cuomo's HUD continued to pressure Fannie and Freddie to increase the portion of their portfolios consisting of loans to moderate-income borrowers. Cuomo applied pressure by having HUD publicly "investigate" whether Fannie and Freddie were sufficiently in compliance with government fair-lending standards designed to prevent discrimination.

We know now that Fannie and Freddie's expansion into low-quality mortgages was a huge mistake. A decade ago, numerous financial analysts saw the problems coming, but policymakers

ignored their concerns and did not change their policy course. Here is a prescient observation by a *New York Times* reporter in 1999: “In moving, even tentatively, into this new area of lending, Fannie Mae is taking on significantly more risk, which may not pose any difficulties during flush economic times. But the government-subsidized corporation may run into trouble in an economic downturn, prompting a government rescue similar to that of the savings and loan industry in the 1980s.”

Unfortunately, the housing and financial debacles of 2008 and 2009 were far larger than the savings and loan mess. But with Cuomo, fiscally prudent policies took a backseat to his political aspirations.

The essay at DownsizingGovernment.org has the full cites for DeHaven’s facts and quotes.

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