

Robert Lasch

**BREAKING
THE
BUILDING
BLOCKADE**

**How To Build Homes for
15,000,000 Americans!**

AMERICA will have better housing, says Robert Lasch, only when the people demand it—and that means only when *you* and *I* face the facts of the building blockade and understand how to break it.

Here are the facts and here is a definite plan for providing adequate housing throughout this country. The author, an editorial writer for the *Chicago Sun*, has for several years been investigating the housing problem from every angle, and in clear, forceful style he now suggests a course of action that flows logically from the indisputable needs of our time.

▶ He measures the deficiencies of our present living conditions—they will shock most of the readers of this book.

▶ He describes the barriers that stand between us and decent living quarters at a price the ordinary American can afford—this is a book that minces no words.

▶ He tells how these barriers can be broken down—how costs can

(Continued on back flap)

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ROBERT LASCH



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INTRODUCTION

THE ALTERNATIVES IN HOUSING

THE lesson of the war is the interdependence of nations. The lesson of the twentieth century is the interdependence of people. Nowhere has that lesson been more consistently ignored than in our thinking about the places in which we live.

A house is considered to be a private affair, not only in the uses to which it is put, but in the getting of it and in its relationship to other houses. We expect each individual to provide his own, just as he provides his food and clothing, according to his means and desires. It is assumed that the kind of house you live in has nothing to do with mine; that we can pursue our chosen ways with results satisfactory to us both; that, while society may be concerned with the environment of the house and the services which make it a going concern, the dwelling itself is a personal matter between the occupant, his Maker, and his landlord.

Whatever philosophical justification may be adduced for this attitude, there is no denying that it has given us a low standard of shelter in relation to what modern technology can provide. Housing is the stepchild of industrial civilization. We produce glittering automobiles, washing machines, refrigerators, radios, and the weapons of total war in profusion. But the people who produce them live in houses which are little more than refurbished relics of another century.

The end of the war found America confronted by the greatest housing shortage of its history—a shortage that will not be overcome for several years. No bombs have leveled great blocks of our cities, but the disease known as urban blight has been eating at the heart of them. Millions of families, having lived out the war in cramped and steadily deteriorating quarters, deeply want something better; and many still have the war bonds laid by, as they hope, to pay for it. Men who fought overseas have come back imbued with the stern conviction that a nation which can evoke undreamed-of energies for destruction can also produce the good things of life, including a good house, for the ordinary citizen. These aspirations, coupled with the accumulated deficiencies of a long period of underbuilding, have created an almost explosive demand for new housing.

So we can have a housing boom—if we want it. We can turn the subdividers loose to cut up more tracts of land into thirty-foot lots; give promoters the green light for a new era of fancy promises and hectic trading; tempt the builders with all the delights of a bull market; lead millions down the primrose path of “a home of your own.” We can have this kind of boom, as we had after the last war. Indeed, we are well on our way to such a boom. But it will not give us a nation well housed.

What will happen if we simply repeat the old pattern is fairly predictable. For a few years a good many houses will be built. They will spring up like mushrooms on the outer edges of our cities, street on street of them, cast from a single mold with variations in the frosting. Building labor will have its hands full—for a time. New taxes will flow into municipal and county treasuries—temporarily. There will be a brisk market in lots, mortgages will pour off the printing presses, building costs will steadily mount, and communities will plunge into debt for new streets, superhighways, and sewer systems.

But the people will not be well housed. For the main bulk of the homes will be built for a small segment of the population in the upper-income brackets. As costs rise, the market for these houses will shrink. At length the upward curve of building activity will hesitate, then flatten out, and finally plunge downward. Home "owners" will take their losses and go back to renting. Investors will lose the millions sunk in oversupplying the high-rent market. Foreclosures will start, and the government will undoubtedly man the pumps.

Meanwhile the great and spreading areas of blight in the older sections of the cities will have grown older and more desolate. The heavy cost of supporting these parasitical growths will have continued to rise. The major portion of the working population will enjoy no better housing, relatively, than before, their participation in the boom being limited to the chance of moving into homes vacated by those who could afford new ones.

Finally, after the complete boom-and-bust cycle has passed into history, the national housing stock as a whole will be not much better than it is today. The building depression, child of the boom, will once more pile up a cumulative deficit in the national housing inventory, while the quality of that stock continuously declines. At the end of the slump it will be discovered that we have done no more than build barely enough new houses to accommodate the new families that have been established. The replacement of old and inadequate housing will have been postponed once more.

All this we can reasonably deduce from past experience. The deduction has a direct bearing on every family that has been storing up its war bonds and on every serviceman who has been privately making his plans to acquire a modern, comfortable, convenient postwar house. A great many of these

dreams are sure to be shattered if we follow the old ways. Many of the people who most earnestly want and most seriously need better housing will not get it. Some who do get it, by heroic feats of the family budget, will lose it at the first wind of adversity. And the rest will face new social problems and civic complications which must take the edge off whatever satisfaction their good fortune yields.

Fundamentally, the boom-and-slump cycle which we followed after the last war arises from failure to recognize that a man's house is more than his individual problem—that it is a problem for society as well. We have been slow to learn that as society has an inescapable interest in the effects of bad housing, so it must take an equal interest in creating the conditions that lead to good housing. "No man is an Island." If everybody is to have the kind of housing he wants and needs—and at our stage of civilization is entitled to have—we must all seek good housing together. When we seek it individually, only a few reach the goal, and the social effects of that failure eventually react unfavorably even upon the successful.

Why, indeed, should social concern for the individual's environment stop at his front door? The house itself, as the habitat of the family, does not exist in the isolation which this attitude implies. Society concerns itself with the family's education, recreation, and health. The streets and sidewalks which give access to the family home are the public's business. Safety, law and order, fire protection, streetcars and busses, waste disposal, the supply of water, gas and electricity—all these essential services of urban living have been recognized as legitimate objects of social concern. Yet they are no more and sometimes less important to family life than the place where the family lives.

Shall the community spend millions on superhighways, which enable the city-dweller to move swiftly about, but shun

any responsibility for the kind of home he moves from and to? Shall the community take no interest in the immediate family environment of a child, when the effects of a bad environment must perforce be dealt with by the community?

The old ways of thinking have ceased to fit the facts of modern life. We used to draw a distinction between facilities used in common and those devoted to private use. The first, we said, were proper subjects of community concern, but for the second the individual must assume full responsibility. Under examination the distinction proves to be purely arbitrary. One might say, and indeed people once did say, that, since nothing is more personal to a man than the welfare of his children, the responsibility for and control of their education must rest with him. Yet men found it convenient and mutually beneficial, first, to organize into small groups for the building of a school and the hiring of a teacher and then, as society grew more complex and educational needs more diverse, to transfer the educational function to the district, the township, and the city.

Housing presents an exact parallel. As men have improved the quality of education by co-operating in local groups and through the instrumentalities of government at all levels, so they can improve the quality and reduce the cost of their houses by working together in similar ways.

When concentrated bad housing creates a slum, the effects are felt by everybody. The crime, disease, and delinquency accompanying slum conditions are a tax upon the community as a whole. Bad housing begets bad housing, and sets up a train of consequences which are felt in the remotest corner of the city, even in the suburbs to which the fortunate flee.

Society has a secondary, but by no means unimportant, interest in the employment opportunities which a vigorous housing program would open up. While houses must not be thought

of mainly as means to make jobs, it is pointless to ignore the fact that if we really set out to bring good housing within the reach of everybody, a large volume of construction employment will be one result.

Let no one think we shall not need it. There has been a great deal of whistling through the graveyard with respect to full employment. Few responsible economists are willing to say that we can attain it without a strenuous social effort to find some equivalent for the economic stimulus of war. The accumulated savings and deferred demands resulting from wartime conditions will not alone provide that equivalent. They may give us, for a period of two, three, or four years, reasonably high employment in certain manufacturing industries, which will communicate itself to other areas—though not, probably, providing jobs for all who want them. Once we have caught up with ourselves in buying cars, refrigerators, radios, and the like, however, we shall badly need some other underpinnings for full employment.

If we follow precedent, that will be the time when housing construction begins to slack off. But it is at that moment that we shall most urgently need a sustained volume of housebuilding. A national housing program, begun now and courageously developed through the early years of peace, could become a major factor in averting a future depression.

The choice is ours. We can take the traditional housing boom, with its ensuing depression, and still wind up with a badly housed nation; or we can resolve to become a well-housed nation and, in the process, avoid both boom and slump.

We can treat housing as an interest of a bygone individualism or as the common interest of men living together in an ever more tightly knit community.

We can intrust the physical environment of our children

to the conflicting, scattered energies of promoters and speculators, or we can plan it intelligently for the public welfare.

We can reserve the fruits of modern technology in housing for a few families at the top of the heap, or we can distribute those benefits justly to all ranks of the people.

The choice will depend, in the end, upon the attitudes of ordinary citizens and upon their understanding of the problem. That problem has too long remained an esoteric preserve of the expert and the official. Everybody understands houses, but most of us leave housing to the experts. It is time we recognized the identity of the two.

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I

WHAT'S WRONG WITH OUR HOUSING?

CHAPTER 1

NOT ENOUGH HOUSES

AMERICA has not, on the whole, built enough houses in the past to provide a reasonable standard of shelter for the bulk of its people.

New housing has always been built predominantly for the very small group of the population enjoying the highest incomes. That left the old housing to filter down to the middle- and lower-income groups. Not only was this process slow, and subject to a variety of frictional influences, but it rested on an inadequate base. The number of upper-income families who got the new houses was so small, relative to the whole population, that the volume of new housing fed into the total supply was seldom enough to offset the increase in population and the deterioration of old houses. Consequently, the general standard of housing quality tended to decline whenever the volume of new construction fell below a certain level—which was most of the time.

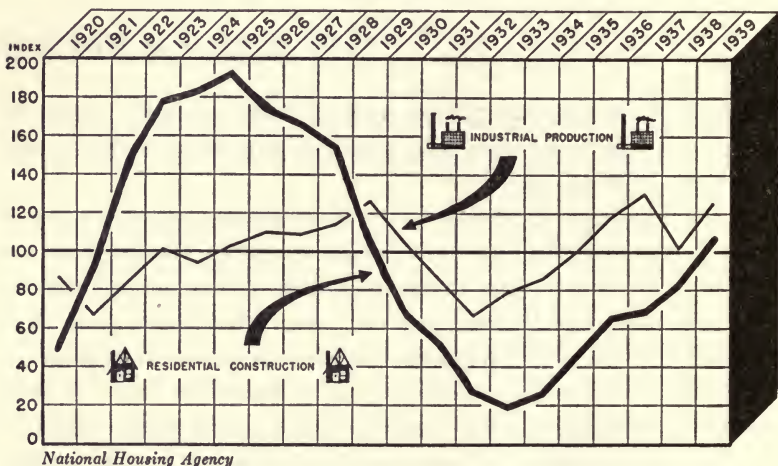
The Boom-Bust Cycle

During the twenty years following the last war, housebuilding went through a six-year boom, an eight-year slump, and six years of slow and partial recovery, much of which depended on government stimulation. Average yearly construction for the depression decade, including those houses built by

public enterprise or with public aid, was little more than one-third the average of the twenties.

One can hardly call this an inspiring precedent. When building corporations and real estate speculators loudly demand that the decks be cleared for another postwar boom, they are asking also for another long slump and another period

CHART I



RESIDENTIAL CONSTRUCTION AND INDUSTRIAL PRODUCTION, 1920-39. INDEX OF THE NUMBER OF NONFARM-DWELLING UNITS STARTED AND INDEX OF PHYSICAL VOLUME OF INDUSTRIAL PRODUCTION

of stagnation. Looking at the whole picture and not just at the alluring foreground, we find that another boom-and-bust cycle will add up to more bust than boom.

A repetition of the cycle will give us extremely violent fluctuations in housebuilding. During the last one, construction fell from a high of 937,000 houses to a low of 93,000—a shrinkage of 90 per cent within eight years. We cannot expect sustained progress from an industry subject to such wild expansion and contraction.

A new cycle will also have extremely bad effects on the national economy. In the twenties the depression in housebuilding began while business in general was still expanding and did much to bring on the slump in other fields. In the thirties, by contrast, construction consistently lagged behind general recovery. Thus we permitted housebuilding to act as a brake on prosperity in the good years and to act as a brake on recovery in the bad.

But the blackest of black marks against the traditional building cycle is the fact that it does not actually increase the national stock of good housing. The frenzied activity of the few boom years creates the illusion of vast construction progress. But what we are doing in those years is overcoming the accumulated shortages of the previous slump. During the slump which ensues, the shortages build up again. In the end we have made as much real progress as the squirrel in a revolving cage.

This can easily be understood by looking at the history of the interwar period. In 1920 the people of this nation, outside of farms, were housed in 20.6 million units. (I use that unsatisfactory term not because I like to think of living in a "unit" but because it is the only way of describing cottages, row-houses, duplexes, and apartments in one word.) During the twenty years from 1920 to 1939 we built 9.7 million units and demolished about 800,000. Thus altogether some 8.9 million units were added to our total supply.

During the same period, however, the number of new families added in nonfarm areas totaled more than 9.5 million. We did not build enough houses during those twenty years even to take care of the normal increase in urban families—not to speak of replacing the thousands of wretched hovels that had outlived their usefulness.

As this experience shows, the full explanation for fluctua-

tions in the building of houses cannot be found in the fluctuations of business in general. To do something about the building cycle so that enough houses can be built to raise the general standard of housing, we shall have to do more than secure general prosperity. It is only evading the issue to assume that housing needs will be automatically filled by a great postwar boom just around the corner.

The need for housing does not translate itself automatically into effective demand. The principal factors in demand are: (1) the number of families, which will be affected by population growth, the marriage rate, migrations due to shifts in industrial location and employment opportunities, and the doubling-up of families in hard times; (2) family incomes, which depend upon the amount of national income and the way in which it is distributed; and (3) the impact of competing claims for expenditure, as when rising costs of food deplete the share of income available for housing, or as when excessive cost of housing cannot be met without pinching other essential expenditures.

On the supply side, new construction is affected chiefly by building costs, interest rates, the price of land, investment risk, taxes, and other competing channels for the investment of capital.

The interaction of these two sets of factors determines the volume of construction. When families have been increasing without an equivalent increase in houses, as during the war, demand mounts steeply. But construction takes place only if other factors are also favorable. In similar circumstances after the last war, a precipitate rise in building costs helped to choke off construction shortly after it got started, even though families continued to increase and before family incomes had begun to slump. After 1925 the rate of construction declined, although family incomes continued to rise. The number of

families increased sharply after 1932, but building failed to recover in proportion, largely because incomes remained low and construction costs did not come down to match the new level of income.

The Hand-Me-Down System

Why is it that these "natural" forces of supply and demand do not, in the long run, bring about the construction of houses as long as, and in the extent to which, the nation needs them? The key to the answer lies in the fact that most new houses are built *for sale* to the relatively few families in the higher-income brackets. Such construction serves only a narrow sector of the total market. The boom quickly ends, not because the real need for housing has been filled, but because the capacity of the upper-income groups to absorb housing at a given price level has been exhausted.

This is why the bulk of our housing supply consists of used dwellings, to which a relatively small number of new ones is added each year. Between 1900 and 1940 we built annually, on the average, only 2.3 per cent of our housing supply: just about enough to take care of the increasing population. In order to raise annual construction sufficiently to replace the substandard, worn-out part of the stock, we shall have to influence the "natural" demand-and-supply factors in one way or another: broadly, by reducing costs, by raising or altering the distribution of family incomes, or by providing housing at less than cost. There is no other choice.

To satisfy the demand for low-priced houses—in other words, to meet the purchasing power of the great majority of our people—houses built in one period now must be handed down, in the next period, to the lower-income families. This might not be so bad for those families able to afford a first-degree or second-degree hand-me-down. They get a standard

of shelter perhaps only ten years behind the times. Where the shoe pinches is among families in the lowest-income ranges, making up roughly *one-third of this country's population*. Because the rate of new construction is inadequate, and the rate of hand-me-down slow, these families have access only to the very oldest housing, which grows worse with the years.

In the typical city a family that can pay sixty dollars a month in rent or its equivalent has a fair chance to live in a relatively new house or in an older one in good condition. In the larger cities the chance is perhaps less than fair; there more income and more rent are required to obtain the better part of the housing supply. If the family's rental budget runs between thirty and sixty dollars, it is almost sure to occupy a secondhand house at least ten years old. At rentals between twenty and thirty dollars, the family is restricted almost exclusively to shelter that is twenty or thirty years old and has previously been used by more prosperous families. Finally, the family which can pay no more than twenty dollars rent must be content with shacks and the seedy remains of once middle-class dwellings, often cut up into multiple-family houses.

This is, of course, a generalization. Many persons will recognize variations from the rule in their own experience. Especially in the largest cities and tightest renting areas, there are houses—I have lived in them—which rent at more than fifty dollars despite a venerability running up to fifty years. Their rental value is fixed by special circumstances, such as neighborhood location. A forty-five-year-old house, with ancient plumbing, sagging floors, a prehistoric kitchen, and a dank, foul basement may rent at ninety dollars in a high-rent suburb and fetch no more than thirty-five dollars if located in the midst of a declining neighborhood downtown. This is only

one way of saying that the price of shelter is rarely determined solely by the value of shelter.

Age, admittedly, is not the only factor governing the quality of a house. Remodeling and consistent maintenance can make an old house better than some new ones. But, in general, as every renter knows, the older the house, the worse the housing. Once a dwelling has started bumping down from one income class to another, the upkeep it gets usually depends not on what it needs but on the combined effects of the vociferousness of the tenant, the flintiness of the landlord, the enforcement of municipal regulations, and the state of the real estate market.

Defining good shelter as that which bears a reasonable relation to the present levels of technological advance and modern conceptions of cleanliness, space, light, air, and convenience, it is quite apparent that good housing, being confined almost entirely to rental values of fifty dollars or more, is the prerogative of the family with earnings of more than three thousand dollars a year.

Shockingly few families earn that much. In 1941, a year of relatively high national income, 82 per cent of the nonfarm families in the United States earned *less* than three thousand dollars a year, according to the Department of Labor. In 1935-36, when all incomes were lower, the proportion earning less than three thousand dollars was *92 per cent*. Four out of five American families living in towns and cities have the cards stacked against them in their quest for good shelter, even in good times.

Part of the difficulty, as we shall see from a closer investigation of housing costs later on, lies in the peculiar nature of the housebuilding industry. When good times increase the demand for refrigerators or automobiles, the higher volume of production permits a reduction of costs to the consumer. But,

as the construction industry now operates, the cost of building rises as more houses are being built, so that the consumer never quite wins the race between income and costs. Nor does the industry readily adjust its costs to declining demand. When the market for higher-priced houses has been saturated, the industry does not produce a lower-priced house; it just builds fewer and fewer houses.

It has frequently been pointed out, with justice, that we really do not have a housebuilding industry in the true sense at all. What we have is a collection of small-scale builders who come into the market when conditions permit a high-priced house to be built with profit and who disappear when those conditions change. The 90 per cent shrinkage in housebuilding between 1925 and 1933 can be interpreted roughly as meaning that, of every 100 housebuilders in business in 1925, 90 were unemployed or in some other business eight years later—not because they could not build houses but because they could not build them at prices which people could afford.

Size of the Shortage

How many houses are we short? Thanks to fifteen years of underbuilding, first because of the depression and then because of the war, America has fifteen million houses to build in the next ten years.

Within that period, six million new families will be established in our cities and towns. That estimate, based on a National Housing Agency interpretation of Census Bureau figures, takes into account the normal growth of population, the expected migration from farms, the anticipated marriage rate of returning servicemen, and a fair guess on the amount of "undoubling" to be expected after the war. Assuming that all our existing houses will stand up for ten years longer, and that any housing goal must contemplate a separate dwelling

of some sort for each family, whether it be a three-room apartment, a slice of a row-house, a free-standing cottage, or a mansion, six million new houses will be needed for these people in the next ten years.

But we went into the war with a glaringly inadequate housing supply. To the number of homes which should be built for the accommodation of new families must be added x number of homes to replace those which are no longer fit to be lived in. What value shall be given to x depends on the degree of indignation one feels over the kind of housing available at the bottom of the scale.

According to the housing census of 1940, there were at least seven million nonfarm homes which must be classified as substandard.¹ Judged by the experience of the past, at least 2.6 million more will become substandard by 1955. Thus a housing program which contemplated the replacement of all substandard units within ten years would have to aim at 9.6 million homes—which, added to the number required for new families, comes to a grand total of between 15 and 16 million houses.

Such a program would bring about the construction within the next ten years of new living quarters for approximately one out of every three American families.

It would represent an average yearly construction of more than 1,500,000 houses, compared with an average actually built in the last postwar boom of 703,000 a year, and a depression average of 273,000.

To sustain a construction program of this size—double the volume of the twenties, and more than five times that of the thirties—would be a national achievement excelling anything we have approached or dreamed of in the past.

¹ For a definition of "substandard" see p. 25.

Lest this program be dismissed as visionary, let us remark that it does not by any means envision modern, high-quality housing for everyone. Even if the program were faithfully maintained throughout the first ten postwar years, there would still be, at the end of the period, millions of people living in old, deteriorated, inconvenient quarters.

This program contemplates displacing only the very worst of our present supply. It involves such extremely modest objectives as a private bathroom and toilet for the millions of urban families who do not have them and a reasonable standard of repair in contrast to the leaky roofs, broken-down porches, hazardous stairways, and crumbling chimneys which so many people now have to endure. Building fifteen million houses in the first ten postwar years would by no means bring every family up to the standard enjoyed by those in the middle of the income range; it would only free those at the bottom from the substandard conditions which are now their lot.

An adventure in construction of this magnitude would also be an unprecedented exercise in demolition. With most definitely substandard houses, the only thing to do is to tear them down. Most of them violate local regulations anyway. Some can be saved, but generally the expense of rescue is not worth the candle. If we really attacked seriously the replacement of substandard housing within ten years, we would find ourselves wrecking nearly a million old eyesores and disease breeders a year. We have never in the past exceeded an annual rate of demolition of fifty thousand.

Partly because of such implications, some experts shy off from so large a construction program as that here suggested. The National Housing Agency, for example—not wishing to shock Congress too deeply, and fearful of being branded with the dread title of visionary—compromised in its estimate of housing need by suggesting that twenty years would be a short

enough period in which to replace substandard housing. At this rate, the total need for the first ten years comes down to a more comfortable (though still substantial) 12.6 million units.

Compromise may be necessary for public administrators under a compulsion to impress upon the public their "practicality" and "realism." But that approach, however useful it may be politically, does not help us reach an objective estimate of the actual housing deficit which confronts the nation. If it is desirable to provide for every family a house with a private bath and toilet, then we do not solve the problem by concluding that some families might well wait fifteen or eighteen years before such facilities become available to them. The plain fact is that we shall not eliminate substandard housing unless we build more than one and one-half million houses a year for at least ten years, for a total of no less than fifteen million. If we are to lay out a program that will overcome the housing deficit actually facing us today, the goal cannot be lower.

There is a limiting factor, unquestionably, in the physical capacity of the construction industry. An overconcentration of manpower and materials in this industry might impair the efficient functioning of the economy as a whole by creating shortages in other sectors. For a nation which has just surprised itself and staggered the world by reaching almost incredible heights of war production, however, it is evident that, whatever the effective limits on home building may be, an annual rate of one and one-half million is well below it.

In pouring forth a flood of weapons for war, and simultaneously maintaining a civilian economy at pre-war levels, this country discovered that it could produce almost \$200 billion worth of goods with more than ten million of its best young men engaged in military operations. An economy of

this capacity can certainly produce something on the order of \$7.5 billion worth of houses and never feel the strain.

Or look at it this way. In 1939, still in many respects a depression year, about 3 per cent of our national production went into houses. To build one and one-half million a year, we should have to engage no more than 5 per cent of the total production generally agreed to be necessary for full employment. Considering the great gap left in the economy by the disappearance of mountainous demands for war output, there can be no question that this 2 per cent rise in home construction could be easily achieved.

But the job cannot be done without an integrated national program or without a reorganization of the construction industry. The average pre-war housebuilder worked only thirty-three hours a week and thirty-five weeks a year. Ways must be found to provide more nearly year-round employment. Ways must be found to adapt the principles of mass production to housing, in imitation not so much of automobiles as of merchant ships. And ways must be found to improve the marketing of houses, their financing, their location, and their adaptability to the needs of today.

These may seem like technical, industrial, and governmental problems. But they are, first, problems for the ordinary citizen. They have not been solved in the past because too many people considered housing *somebody else's business*. Only when we realize that it is everybody's business will we attain the social effort necessary to provide good shelter for all.

RUN-DOWN HOUSES

THE most spectacular result of the chronic shortage of housing is the slum. In every city you will find the worst housing—that which is reserved for families at the bottom of the income scale—concentrated in a decaying section, usually near the central business district.

Chicago's slums, for example, surround a small central business district, the Loop, in a broad belt, north, west, and south. Here are the ancient mansions of the rich, cut up into wretched tenements; here, the leaning wooden shacks along the railroad tracks, some dating from the Chicago fire in 1871; here the flats over bleak store buildings, and the apartment blocks which house three or four times as many families as they were meant to shelter. Here grimy kids play tag in the filthy streets, rats roam garbage-strewn alleys, juvenile delinquents become incipient gangsters, and disease, vice, crime, and poverty reach their dismal nadir.

It is a favorite popular myth that slum-dwellers make slums. We like to tell ourselves that people do not have to live that way if they do not want to. Yet it is a well-verified fact that nine out of ten slum families, when moved from their wretched hovels into clean and modern public housing projects, adjust immediately to their new environment. They do not burn the furniture for firewood, or store coal in the bathtub, any more than people who have lived in decent houses all their lives.

Nathan Straus, formerly United States Housing Authority administrator, has aptly described the mental and emotional processes which persuade so many of us to cling to the belief that slums are made by people:

I know that the people who live in the slums are human beings like my own mother, father, brother, sisters, like my own children. Since this is the case, it is unbearable to me that they should be forced to live in unhealthful and disease-breeding surroundings. The idea is revolting, and doubly so because I am a part of the society which tolerates these conditions. The sense of guilt which I would feel were I to admit that the misery of these human beings is a responsibility of mine would be more than I could endure. Therefore it must not be my responsibility. It must not even be my indirect responsibility as a member of the community and a voter. Rather it must be the responsibility of the families who live in those bad surroundings. Yes, that is the solution of my own inner conflict. The reason that the rate of infant mortality in that district of shacks across the tracks is twice the rate among the families of my friends, who live in healthful homes, is, of course, that the mothers and fathers of those babies have created slum conditions. The reason that the boys become inmates of institutions of correction and the girls become delinquents is not that they live in housing which lacks provision for the common decencies of life. The explanation is to be found in the fact that the parents would not know how to make the kind of living conditions that would keep their children at home, even if they had the opportunity. Those families in the slums would not make any real use of bettered conditions.¹

Let us not try to talk away the realities. The hard fact is that slums are made not by people but by economic circumstances. They are made by the high speculative value of close-in land; by the overcrowding that is necessary to render decrepit housing profitable; by the failure of city officials, under pressure from owning interests, to enforce sanitary and welfare ordinances; by the greed of owners to whom tenements are merely an investment; and by the economic helplessness of low-income groups, especially the racial minorities at the bottom of the ladder.

¹ Reprinted from Nathan Straus, *The Seven Myths of Housing* (New York, 1941), p. 146, by permission of Alfred A. Knopf, Inc.

The old dream of endless expansion impels every owner of a thirty-foot lot within shouting distance of downtown to expect that some day he will see a skyscraper built on his property. Consequently, he hangs on as long as he can. But, since actual value falls far short of speculative value, he has no incentive to improve the property. Often he lets the taxes become delinquent, escaping penalty by a fix with the politicians. The house grows worse and worse; nobody will rent it who can escape, and those who do can pay only the barest minimum.

So a one-family house comes to shelter two families, the combined rentals making up what is legally denoted a "fair return." When the pressure for living space increases, the two-family unit becomes a three-family unit. What used to be a living-room is remodeled into a so-called kitchenette, meaning a bed in one corner and a gas plate in another. In time, six, eight, or twelve families find themselves crowded into these warrens, all using one filthy toilet hidden in a dark closet beneath a staircase, all throwing their garbage down an area-way, all living out their wretched days in squalor and misery. A collector makes the weekly rounds to gather the rents, and the owner never sees the property.

In smaller cities respectable citizens like to think that the blight of slums has passed them by. They might be shocked by the mile on mile of slums characteristic of Chicago, New York, or Boston, but their own modest shantytowns, being familiar, go unnoticed. One tends to identify the shanty with the occupant; to assume that these shacks down by the gasworks are just the natural habitat of Negroes, Mexicans, Italians, or other minority groups. The respectable citizen is therefore disturbed to learn, when he does learn, that the poor live in hovels because hovels are the only thing society makes available to the poor.

Where large minority groups are involved, as in the case of Negroes in the great northern cities, a complicating factor arises in the effort of the dominant group to confine the minority within a legal ghetto. Because Negroes have lacked the economic and educational opportunities open to white men, they belong predominantly to the low-income groups (especially in a depression) and so tend to concentrate in the slums. It then becomes the purpose of "good citizens" to keep them there, a purpose variously achieved by restrictive covenants, intimidation, or, if necessary, violence. Those Negroes who manage somehow to improve their income status naturally struggle to escape. They exert a constant and mounting pressure against adjacent neighborhoods of white respectability. Despite legal obstacles and social barriers, the pressure usually succeeds somewhere, for when a middle-class Negro can afford to live in a middle-class neighborhood, it is painful for some landlords not to take his money.

Once the dam is broken, white families who consider themselves unable to live in the same block with a Negro family, even though the latter enjoys the same economic status and the same middle-class respectability as they, tend to flee to other neighborhoods in fear of a "black tide." Property values are temporarily depressed; the old owners give way to new ones who see a golden opportunity of profit in converting their houses to the teeming congestion which marks the original slum. The neighborhood deteriorates, the houses fall into disrepair, and a new slum is made.

So the evil spreads. At bottom the trouble lies in our failure to build enough houses for the right people. Houses do wear out, yet the real estate business operates on the theory that they do not.

Subsidized Slums

The blighted areas of our cities embody a hidden subsidy which is assessed in some form upon everybody but which we do not recognize in the everyday course of life. In those areas tax delinquency runs highest, property deteriorates fastest, disease takes the heaviest toll, crime and delinquency are at their worst. Quite apart from the social consequences, these burdens involve a dollars-and-cents cost to the community which is no less heavy for being concealed.

Wherever detailed studies have been made, the story is the same. In Boston it was found that the city collected for each resident in a slum area \$34 in taxes and expended on his behalf \$82. In Cleveland, a similar analysis showed that the city was spending on the 2.47 per cent of its population inhabiting one slum area 6.47 per cent of its police expenditures, 7.3 per cent of those for health, 12 per cent for social services, and 14.4 per cent for fire protection. In Philadelphia the per capita cost of crime was found to be \$5.36 for the city as a whole and \$14.56 for a typical slum area. In Atlanta slum sections contributed 5.5 per cent of the real property tax revenues and cost the city 53 per cent of its police, fire, health, and other service outlays.

Statistics like these are old stuff. They have been known to settlement workers and housing experts for years. But, for some reason, property owners find it difficult to comprehend the significance of such facts to themselves. Groaning under the burden of high taxes, they refuse to see the reason for high taxes. It is easier to blame the politicians—who, indeed, are not blameless, but who cannot compensate, even with good intentions, for the underlying forces at work.

The root of the trouble is that the modern city no longer performs efficiently the function for which it exists. It has

ceased to provide a decent and well-ordered living place for the bulk of its citizens and has suffered a progressive deterioration of its economic base.

All American cities grew up on the assumption of indefinite expansion. The original residential districts surrounding the central business district were to be replaced by commercial property expanding outward from the center; as business increased, the living area was to push on outward. The vision of a constantly growing population and a constantly rising value of real estate from core to rim encouraged the vision of a constantly expanding community.

It did not work out that way. To begin with, the development of rapid transit, and later of the automobile, radically altered the urban pattern. People could live farther and farther from their places of work—and did. Commercial frontage and apartment houses grew up along the main arteries of travel, pressing always farther out. Speculators did a thriving business, carving up one subdivision after another, selling lots, developing a fraction of them, and then moving on. (In the outer reaches of Chicago three-story apartment houses rise in lonely splendor from the prairie, one to each block of tax-delinquent paving, all gloomily awaiting the boom that never came.)

While this was taking place on the outer fringes, the central business section reached the effective limits of its expansion. Urban populations leveled off, and cities tended to settle into a less dynamic mold. Now the oldest residential districts were left without a future. They no longer housed the upper-income groups, and yet they had failed to inherit the expanding commercial values as expected. So they became the habitat of the very poor. As they sank deeper and deeper into slum conditions, they became more and more costly to the community.

Accelerated flight to the suburbs also meant that, with a

great share of the community's wealth in refuge outside the corporate limits, the mounting tax burden had to be carried by those families who could not escape. In time, industry too began to cast about for relief from the tax burden. Decentralization, both nationally and locally, was thrown into high relief when the munitions plants of World War II were located almost universally on the outer edge of the cities or beyond, sucking population into the suburbs and multiplying the city's future problems.

The meaning of this process can be readily grasped by glancing at the situation of Chicago, which is typical of most cities. Between 1930 and 1940 the city's population remained virtually stationary, while the suburban areas of the surrounding county increased 10 per cent. Inside the city the assessed valuation—the real estate tax base—declined more than 50 per cent between 1930 and 1944, while the tax *rate* went up 53 per cent. Part of the decline in taxable values can be accounted for, of course, by the deflation in values accompanying the great depression. On the other hand, the rise in the tax rate would undoubtedly have been larger had not the federal government stepped in to assume much of the city's relief and employment burden. Clearly the experience of the last fifteen years demonstrates a fundamental failure of urban organization to keep pace with changing needs, changing times. The city is not performing well or justly supporting the functions which it is meant to serve.

Caught in the Middle

The impoverished living which the modern city offers so many of its citizens is not by any means confined to the slums. Consider the dismal dwellings of most of those who live in the typical five-room apartment renting at thirty to fifty dollars a month. The structure itself may be more or less sound, and

occasional redecoration may relieve its tedium; the place may even offer comfort of a dull and stodgy sort. Still the standard of shelter, measured by present-day possibilities of design, structure, and land use, is depressingly low. Long, murky halls, inadequate light and air, crowded corners and skimpy closets, the insufferable kitchenette, the bleak outlook on brick walls across a courtyard, fluctuating heat and cold in winter, unventilated misery in summer—such conditions the apartment dweller may get used to, because he knows nothing else, but he can hardly be expected to admire them. The speculative greed which built row on row of identical flats up and down the block, each separated by a three-foot passageway, condemns millions of city people to live in wretched batteries of cells.

If one habituates himself to this kind of existence, he must put up with a paucity of those living functions which originate outside the home itself. His children have no place to play; they must walk a mile to a park or clutter up the sidewalk. Paving crowds out greenery and grass. Often there is no garage for his car; he uses the streets for the purpose, to the bad luck of through traffic. He has no space to plant a row of radishes (which victory gardening may have taught him is pleasant exercise). His wife shares a gloomy laundry with half-a-dozen other women and puts up with countless minor annoyances in the running of her household.

A major factor in the poverty of average apartment living is overcrowding. There are simply too many people in the block, and they get in each other's way. But overcrowding itself arises in large measure from the planless character of our cities. We have laid out streets in a gridiron pattern on the theory that every one of them was a potential commercial area or main traffic artery. We have failed to separate residential areas from other land uses and have failed to build neighbor-

hoods as such. Then we have allowed speculative builders to wring the last dollar of return out of every front foot, without regard to the effects on the neighborhood as a whole. It would be possible to obtain the relatively high population densities needed in an apartment-house area and yet give the inhabitants some open space and air, if blocks and neighborhoods were planned as units. The low quality of shelter provided by the typical apartment house traces back to the unrestrained profit motive and the absence of sound city planning.

The occupant of a free-standing house is often not much better off. He gets a little elbow room and a patch of yard. He gets a closer approach to privacy. But his dwelling is seldom well maintained. It is usually aged, and so ill fitted to the needs of contemporary families. In all the close-in areas and some of those on the edge of the city, the rows of narrow lots, back to back, impose a deadening uniformity. When these strips of earth are covered by rows of identical houses, whose sameness is only emphasized by the artful variation of porch or roof line, the effect is doubly depressing. The occupant of such houses pays heavy hidden costs of shelter, and receives no adequate return in the form of community facilities and spaciousness.

40 Per Cent Defective

During the last twenty years there have been improvements in housing quality, but it cannot be said that the standard has risen very far, save in the custom-built house costing more than eight thousand dollars. Neither building regulations nor the builder's conscience has proved a safe bulwark against the shoddy construction and corner-cutting which go by the name of jerry-building. Not only has the structure itself been poor. Equally so are the planning and engineering. The real estate promoters have given us a succession of low-grade styles—

California bungalow, Spanish, comfy-cottage, fake colonial, and spurious Cape Cod—but seldom a house intelligently planned for those who are going to live in it.

The automobile industry and almost every other producer of durable goods has commanded the best engineering available, but in housing any ex-carpenter or jack-of-all-trades passes as an architect; and too many of the bona fide architects have been content to plod along in well-beaten paths. Penetrating analysis of the physical problems of modern shelter—the kind of engineering that goes into an airplane or a merchant ship—is almost totally absent in housebuilding.

One way in which low quality shows up is in the shrinkage of the average new house. As conscientious builders attempt to obtain good construction at reasonable prices, they build smaller and smaller houses. Federal Housing Administration² experience indicates that between 1937 and 1940 the size of the average new house shrank from 5.5 to 5.1 rooms. People's needs had not declined by a proportionate amount. The modern house has come a long way from the barnlike dwellings of fifty years ago, but when the attempt to maintain quality at reasonable prices takes the form of whittling floor space even below the needs of today's small family, then the people are suffering a depreciation of their standard of shelter.

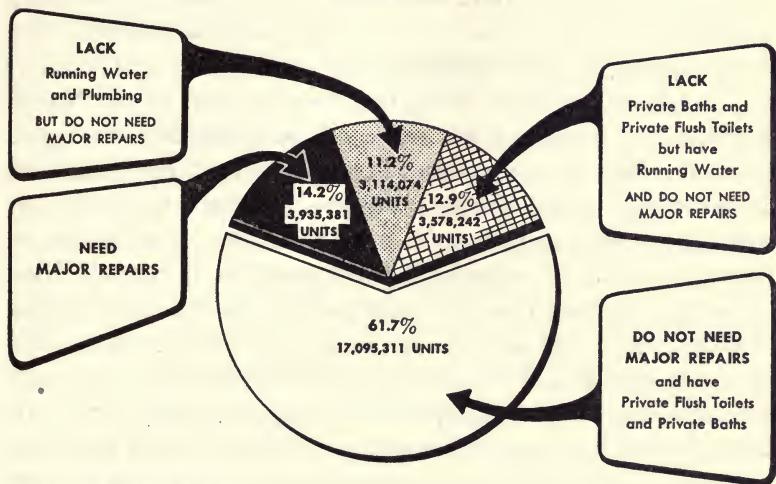
The 1940 housing census gave Americans for the first time a comprehensive picture of just how low our standard of shelter has fallen. With approximately thirty-million nonfarm dwelling units standing at that time, the median or typical unit was found to be twenty-five years old. Out of every 100 houses, only 15 were less than ten years old; and, at the other end of the scale, 40 were more than thirty years old. Considering the low rate of construction during the war years, it is obvious

² For definitions of government housing agencies see Appendix II.

that the postwar era has found us with a considerably older housing supply than even these shocking figures indicate.

Nearly 40 per cent of the housing in cities and towns was found to be seriously defective in some respect—and “defective” does not mean merely “unpleasant”: 14 per cent needed

CHART II



National Housing Agency

THE QUALITY OF EXISTING HOUSING, 1940

major repairs, in the sense that if they did not soon get them they might fall down; 11 per cent more lacked running water and plumbing; and 13 per cent more lacked private baths and private flush toilets (sanitary facilities, or the lack of them, being a fair test of a house’s general condition).

A family of four, by any reasonable standard, ought to have at least four rooms to live in, counting two bedrooms, a living-dining room, and a kitchen. Yet only 18 per cent of the American people in 1940 enjoyed that minimum standard or

better. Four out of five families were crowded into quarters which represented less than one room per person.

When President Roosevelt, in the mid-thirties, spoke of one-third of a nation ill housed, he was not exaggerating; could he speak today, he would have to increase the proportion. Those who boast of "the American way" and our high standard of living should be asked to comment on the alley sheds in Chicago in which some of our people have been living during the war. Alley dwellings are an old story to Washington and some southern cities, but they are new in the North. The shed is a lean-to of rotting wood, built against a backyard fence and facing a filthy alley. It is about eight feet by six and six feet high—smaller than a box stall. Usually it is windowless. One has to stoop to go through the door. In winter, when the door is closed, no daylight penetrates the shed at all. Heat comes from a tiny Franklin stove, which holds a few handfuls of coal. A kerosene lamp or candle, in rare instances an electric bulb dangling from a cord, provides the light. The walls are papered with old newspapers or rags. To take a bath, the tenant must use Lake Michigan or a friend's tub. Drinking water must be carried from the neighbor's house, which also provides the only toilet facilities.

In the year 1944 such dwellings were being occupied by American citizens who paid seventeen to twenty-five dollars a month for the privilege.

BLIGHTED NEIGHBORHOODS

AN OBVIOUS characteristic of urban blight is its infectiousness. It is not only the houses themselves that are run down and dilapidated but whole blocks, whole neighborhoods, whole sections. No house can be divorced from its environment. A ten-thousand-dollar house in a five-thousand-dollar neighborhood soon becomes a five-thousand-dollar house, and conversely a decaying dwelling in the block, like a bad apple at the bottom of the barrel, infects its neighbors with its own disease. The slum area extends its contagion beyond its own confines, and the adjacent "blighted" and "near-blighted" areas—exhibiting various stages of the same disease—constantly encroach on others. The modern city is a shifting battleground between conservation and decay, with the latter winning most of the battles.

Both the cost and the quality of housing therefore are determined to a large extent by the neighborhood surroundings. The instability of residential patterns places every house in double jeopardy: its value is threatened not only by the physical deterioration accompanying age and use but by the depressing influences of near-by decline. A commercial structure—tavern, drug store, or grocery—suddenly erected in a residential block can change the character of the whole neighborhood. The unforeseen mushrooming of a speculative apart-

ment building may swiftly drive homeowners out and bring in renters and roomers. The maintenance and upkeep of a given area tend to be governed by the lowest common denominator. The incentives to paint and repair one's own house inevitably weaken when the place next door goes unpainted and unrepaired year after year.

Hidden costs, taking the form of impaired quality or actual monetary loss, lurk in these environmental influences. There are others in the lack of adequate community facilities which characterizes the typical city neighborhood. A residential pattern based upon endless rows of dwellings lining parallel strips of pavement takes no account of the people's collective need for park and play space, greenery and openness, conveniently located schools and shopping centers. Each family is on its own in devising substitutes for what the neighborhood or community should provide. A great deal of frantic and aimless motion arises from the attempt to satisfy these neglected needs: bumper-to-bumper excursions of the Sunday driver and mass migrations to packed beaches and amusement parks. When the home lacks an environment which satisfies family needs, the home itself is failing in its function.

Neither in utility nor in beauty can the typical city neighborhood qualify as a well-organized, efficient environment for the city house. The typical neighborhood in fact is not organized as such at all. It is the result of a series of accidents. In the beginning it was an outlying extension of the built-up section. First one street, then another, sent out feelers of pavement into the vacant area. Somebody built a house on a corner lot. Real estate developers moved in, promoting, selling, promising. Half the lots in half the blocks might be built up with new houses for sale; then construction would stop and years would pass. At length the remaining lots might be filled with houses, different in style and mood from the first. Along

the streetcar lines and auto lanes, grocery stores and other shops appeared, some to stay, others to close. When enough people had moved in, and usually long after the need had become acute, a school might be built—not as the core of the neighborhood, surrounded by trees and grass and recreation space, but as a casual afterthought, built wherever half a block of ground happened to be left over.

Neighborhoods have seldom been built for people. The people have had to shape their lives to fit the neighborhood. The effect upon their houses is curtailed usefulness and declining value. Houses have been built on the unspoken assumption that each was a thing in itself and that the life of the family was circumscribed by the lot lines—when, in fact, no house is unrelated to its neighbors and every family is bound by ties of association and common need to other families and to community facilities. In so far as a neighborhood fails to provide what a neighborhood exists to provide, by so much the house falls short of serving the essential functions it is meant to serve.

How a Community Grows

In a nation which has traditionally mistrusted the delegation of power, the incalculable power of determining the nature of our physical environment has long been delegated to private individuals and corporations interested only in their own profit. Zoning, planning, and social control are young and in most cities still weak. The assertion of these powers—which is in reality only the recapture of powers that should never have been given away—meets bitter resistance wherever tried. Our intellectual and political climate conditions us to believe that the right to fix the character of our houses and neighborhoods somehow rests naturally in those private individuals who happen to deal in land and construction for a livelihood.

Yet there is no right which the community can more properly claim than the right to plan, in the people's name, what kind of city the people shall have. If in anything the people share a common stake, it is in the facilities for living which the city offers them. If anything is so bound up with the commonweal that it cannot be safely intrusted to private decision, it is the conditions in which people live, rest, play, learn, associate, and rear their children.

To appreciate the enormity of the power which has been delegated to speculators and subdividers, it is unnecessary to assume evil motives on their part. Let us say that their motives are good. The fact remains that their principal motive is not to build the best possible environment for five hundred or five thousand people but to make a profit on one transaction affecting one family at one moment in time.

The results would be bad enough if a single private interest possessed this power to dictate the form and substance of our cities and used it wisely. They are worse when the power is diffused among hordes of dealers and developers, each competing against the other, each necessarily bent on his own profit to the exclusion of larger considerations, each driving to close the immediate deal without regard to the effects on city or neighborhood as a whole.

That houses should deteriorate with the passage of time cannot be helped. But the *rate* of deterioration is higher than it should be, and the reasons lie in the many sources of neighborhood instability. Neighborhoods run down because they have been allowed to grow helter-skelter without long-term planning; because zoning laws are weak, inadequate, or unenforced; because building codes fail to protect the community against shoddy construction and inappropriate structures. Thus in a sense public policy may be blamed for the environmental causes of poor housing.

But one must ask how public policy happened to follow these lines; and the answer is that it expresses the predominant philosophy of the American business community, which has always regarded land as a legitimate toy of speculation and residential construction as the rightful province of the subdivider and promoter. If the power to decide what kind of houses the people shall enjoy is delegated to private interests, and if no real restraints are placed upon the exercise of that power except the speculative inhibitions of potential loss, then we can hardly expect to have communities organized on the central principle of good living. They will be organized on the principle of profit; and profit, moreover, which is evanescent and often illusory. One dealer's opportunity to clear five hundred dollars on a certain deal becomes the determining factor in fixing the character of a block. The incidence of many dealers' pursuit of many small profits becomes the determining factor in fixing the character of a neighborhood.

The neighborhood, which goes so far toward controlling the kind of housing in it, is thus not a premeditated result of social considerations but the quite accidental outcome of many unrelated influences, none of which is fundamentally directed toward the simple objective of making a lastingly good place for living.

In its rawest form the speculators' domination of the housing market appears in the premature subdivisions which are a familiar sight in most cities. These bleak acres of misguided promotion stand as a living monument to our failure to recognize a proper relationship between the needs of rational community growth and the supply of land for building. In boom periods the subdividers run wild. They cut up acre after acre on the urban fringe into thirty-foot and forty-foot lots. They lay down gravel roads or sometimes, on the prospect of specially assessed taxes, get the city to build paved streets and side-

walks. Sewers are installed or promised; saplings which the buyer is urged to imagine as towering trees line the incipient parkways; fire hydrants and sometimes even lampposts lend an atmosphere of just-around-the-corner prosperity to the new neighborhood.

Unfortunately, a great many subdividers are doing the same thing at the same time. After a certain number of lots are sold, people begin to discover that they cannot build houses as they had expected. One man loses his job; another finds that building costs have risen beyond reach of his pocketbook; the commercial builder notes that the market for home purchase has begun to shrink. So the weeds spring up in the cracks of the pavement, mortgages are foreclosed, instalment payments stop, and the subdivision goes on the tax-delinquency list. Out of all the activity the community has gained nothing. Some money has changed hands, perhaps some profits have been earned, but the community as a whole pays the cost.

As long ago as 1935, Chicago had enough platted lots around its borders to house eighteen million people, more than five times its present population. If there ever was a time when the myth of perpetual growth supported such an oversupply of divided land, that time has passed. Nor can this kind of excess, so typical of many cities, be shrugged off as merely a promoter's mistake. Misused land resources mean extra housing costs to be borne by the community. The burden of paying for improvements no longer supported by special assessments is thrown back on the general body of taxpayers.

To these community costs must be added those incurred privately: the withdrawal of useful farm land which had been paying its own way, the expense of high-pressure salesmanship, the cost of any improvements installed by the developer, and the loss of value to those who build in the arrested development. All these expenses, visibly or not, add up to an

involuntary premium exacted of every householder for the privilege of having his city planned and built according to the whims of an unrestrained profit motive.

It is not as if these premature subdivisions represented latent beauty languishing in disuse. Most of them, indeed, repeat the execrable errors of the past: gridiron-pattern streets, narrow lots, a fine disregard of terrain, inadequate or wholly absent community facilities, excessive allocation of land to apartments and commercial use. Though most subdividers regard themselves as experts in their line, analysis shows how badly, in general, they have done their job. It is estimated that between 15 to 40 per cent of the money spent for street improvements in the typical subdivision could be saved by thoughtfully laying out neighborhoods as a unit instead of simply stringing parallel streets together.

The land area thus saved could be devoted, if not to larger lots, then to parks and play space, something often conspicuously lacking. There would be important economies in both installation and maintenance of water mains and gas and electric lines. Not only would the people get a better neighborhood but the developer would lose nothing for his expenditure of a little wisdom and forethought.

In recent years a few progressive subdividers have been learning this lesson. But as long as private builders are left virtually free to plat new neighborhoods in their own way, the needs of the community will run a poor second to the profit potential as the underlying purpose.

The alternative is the assertion of firm community control, either through the exercise of planning and zoning authority or through the assumption of land ownership and preparation directly by public agencies.

One way or another, the community that would eliminate

the evil results of land speculation as they bear on housing must control the relationship of one subdivision to another and to a master-plan for the urban region as a whole; must insist upon adequate provision for schools, parks, and green belts; and must require conformance of the plan to topography, prohibit overcrowding, and forestall future traffic congestion.

Unless all these factors are controlled in advance, they will all contribute to future blight and so doom the value of housing from the start.

Too Many People per Foot

Upon the neighborhoods in which most of us live, the disease of urban blight has a double effect. Even though the area of present and visible deterioration may be several miles away, the "good" neighborhood experiences a subtle and unrelenting pressure from below. People in the "good" neighborhood, noting the gradual approach of blight from afar, stir restlessly and begin to move outward toward the suburbs. Their going depresses property values and encourages those changes in neighborhood character which precede the appearance of blight, which changes in turn induce more people to move—and so on.

The community costs of neighborhood instability likewise go double. On one side is the increasing cost of supporting the parasite of a widening blighted area; on the other, the cost of providing new neighborhoods on the city's rim, with all their utilities, schools, transportation, commercial deliveries, garbage collection, policing, etc.

How much of the high cost of city living can be attributed to these conditions it is impossible to estimate. Whatever the monetary load may be, it is obviously considerable, and just as obviously borne by everybody, rich or poor, banker, butch-

er, and thief, who lives in and around the city. Remoteness from the area of actual blight at any given moment is no insulator against the incidence of these costs.

In Chicago, whose problem differs from that of other cities in degree but not in kind, the City Plan Commission has carefully delineated two primary areas of decay: a blighted area and a near-blighted. Both are considered hopeless. Both must be rebuilt entirely, the chief difference being that the first demands reconstruction at once, whereas the second might be safely rebuilt at a slower pace, say, within fifteen or twenty years.

The blighted area, which conforms in general to the usual description of a slum, spreads over more than nine square miles immediately surrounding the central business district on three sides. It is especially pronounced on the teeming South Side, where Negroes are packed in a ghetto-like region large enough to house with decency less than half their number.

Altogether there are 120,000 houses in the blighted area, and 375,000 people, half of them Negroes. One-third of all the houses are either unfit for use or need major repairs; only 10 per cent can be described as in good condition. Smoke, fumes, noise, traffic hazards, refuse, dirt, garbage in the alleys, characterize the district. Schools are old, parks few and inadequate, social facilities and amenities practically nonexistent.

The near-blighted area, geographically an extension of the blighted area in all directions, is not markedly different. It covers more than thirteen square miles, and, though not quite so crowded, goes by the name of home to 465,000 citizens. At least 10 per cent of the houses are in such a state of dilapidation as to call for immediate demolition; throughout the area the poor structures outnumber the good ones. As in the slums

proper, most of the people are renters, paying twenty-five dollars a month or less as compared with the general rule of twenty dollars or less in the slums. Here, too, there is a great deal of industry mixed with residential districts to make living unpleasant. Here, too, the schools are old and generally poor; children grow up in the streets.

Taking the two areas together, as they should be taken (for there is not much to choose between them, after all), Chicago offers indecent neighborhood conditions to 840,000 of its people—28 per cent of the total. The same could be said of the average American city.

A human organism of which 28 per cent was wasted and dead would be recognized at once as sick. When we consider that the average city fails to fulfil its function even in large sections of the nonblighted area, the existence of so large a cancer of blight at the core makes it evident how close we are to an utter breakdown of urban life.

One of the greatest evils of the blighted areas is overcrowding. Housing experts generally agree that a density of twelve to fifteen families per acre is the optimum for good living and good health in a city. At this rate, density runs between 25,000 and 30,000 persons per square mile. In Chicago's primary slum districts, 40,000 people are jammed into each square mile *on the average*—which means that in the most congested districts, such as the black belt, actual densities amount to as much as 70,000 per square mile. Moreover, poor organization of living space in unplanned neighborhoods produces the effects of an even heavier density: a warehouse, a parking lot, or a row of vacant store buildings may take up space which people badly need for living.

The effects are bad not only on the people but on the houses. The more people crowded into a block, the harder usage the dwellings get and the faster they run down.

The present overcrowding of slum areas can be traced primarily to economic causes. These areas consist of high-value land, because of their proximity to the downtown district, yet house the families with lowest income, because of their undesirable condition. The rents which low-income families can afford to pay will not support ownership in the style to which it is accustomed unless families are doubled up and the last dollar extracted from each parcel of property. Not only the area in general, therefore, but each individual dwelling is overcrowded.

This condition can be attributed in part to bad neighborhood planning in the first place. In the worst blighted areas, if half the space now excessively devoted to streets and alleys were used for residential purposes, the same population could be housed in the same area at a density of 34,500 instead of 40,000 per square mile. Admitting the high value of close-in land and the consequent incentive for dense coverage to make it pay, nevertheless good planning as contrasted with the unpremeditated sprawl of our cities could find more elbow room for the people who must live there.

Overcrowding, however, is by no means confined to the blighted areas. Altogether, 80 per cent of Chicago's people live in districts with a density above 30,000 per square mile—well above the maximum for decency and comfort. Even in many of the "better" districts the typical lot is often only thirty feet wide. Here half the houses show a need for minor repairs—the small beginning of decay which will some day, perhaps twenty years from now, turn those neighborhoods into blighted areas. Most of the structures are at least thirty years old. Generally they are so close together as to cut off most of the rooms from sunlight except for a brief hour daily.

Not only slum living, then, but typical urban living takes place in a sardine can. And there is nothing in the laws of most

cities to stop it. A survey in 1936 showed that in New York and other cities it was perfectly legal under the zoning laws to build apartment houses of such volume as to shelter 100,000 persons in one-tenth of a square mile.

All this adds up to a dismal failure of society, primarily a failure of local government, to protect the welfare of city-dwellers as respects the places where they live. Quite apart from the evil consequences to the city-dwellers, the effects on the city itself have been disastrous. They have laid upon a broad belt surrounding the central business district the curse of spreading decay and put other and larger districts under the shadow of imminent deterioration. They have created vast areas of dependent property whose support must be borne by the general body of taxpayers and which thus becomes an added charge on the cost of housing throughout the city. They have presented the city with a problem which must be solved before the roots of healthy and economically sound urban life can be replenished.

Obstructive Housing Taxes

Not only in its negative failures but in the exercise of such positive functions as taxation has the modern city laid a heavy hand upon the kind and amount of housing available to its citizens.

Some of the outcries against real estate taxation must be discounted as complaints against any taxation at all. This is particularly true of the large property owners. They are not interested so much in new forms of taxation, or in redistributing the burden, as they are in merely escaping the taxes which the present system compels them to pay. Nevertheless, there can be no doubt that in most cities real estate taxation has become a definite handicap to the development of good housing.

The principle of property taxation in general goes back to

the days when ownership of property was the best index of ability to pay, since wealth took the form chiefly of real estate—days when money incomes were small, when much exchange took place in kind, when society was simply organized, and when governments were called upon to provide only the bare minimum of services. The conditions which called the tax into being have passed away, but we still have the tax. Its basic logical weakness is demonstrated by the gradual disappearance or nonenforcement of the tax on personal property. But where jewelry, stocks, and bonds have a tendency to disappear on assessment day, land and houses cannot be concealed. Consequently, land and houses continue to be taxed—heavily.

In 1939 it was estimated that 30 per cent of all government revenues came from the real property tax, and only 10 per cent from the graduated individual income tax, which is generally considered the fairest method of taxation under modern circumstances. The real property tax is the mainstay of local government: it provides between 75 and 90 per cent of local revenues, and in some cases it still contributes to state revenues as well.

Many cities have been driven to a steady rise in real property tax rates. Detroit's levy has tripled during this century. Between 1930 and 1944 in Chicago, the effective rate rose 53 per cent. The rise in rates has been offset in part by a decline in valuations during the last twelve years, but, while this decline may have unevenly benefited the owners of existing property, it carries small comfort for the person who wants to build a new house. And declining values, together with tax delinquency, exert constant upward pressure on rates.

For the country as a whole the real property tax on a typical house and lot has been estimated as costing one-third of the monthly loan payments or cost of owning the house. What-

ever the exact proportion in each community, every householder knows that taxes represent simply another item added to the cost of housing. While he recognizes the need for revenues to support schools and other functions of local government, he cannot understand why taxes for these purposes, unlike other taxes, should be extracted solely from the home he lives in.

Renters, of course, pay these taxes, too, even when they do not know it. While the general level of rents is determined by the relationship of housing supply and demand in each community, the taxes which must be paid undoubtedly exert one influence in determining how many houses shall be built. The renter pays the tax, though it may be disguised as part of his rent.

Local governments have to be supported, but the present method of supporting them bears unfairly on housing in three respects. First, the multiplicity of taxing agencies with its attendant waste of public funds makes the total burden too heavy. Second, prevailing methods of assessment distribute the burden unjustly. And, third, our practice of taxing improvements more heavily than land discourages improvement and penalizes the structures while permitting the land values created by the community to escape.

The political "fix" on assessments is familiar to most city residents. If you know the right person at the city hall or county courthouse, you may find that the taxable value of your property can be "adjusted" in ways not open to a stranger. Or you can let the taxes lapse and later settle them at a fraction of the amount due. The "fix" derives from political corruption, but at bottom it is an expression of the inefficiency and inequity of assessment techniques. Tax assessment usually is political rather than scientific. The assessor is generally chosen, not for his technical competence, but for his popular

appeal and standing with the ruling political machine. Even where the assessor is honest, he bases his findings upon such a complex and intangible set of measurements that there are abundant opportunities for error and injustice.

Taxable values always lag behind movements in real values and, because of the local government's vested interest in the revenues, can be adjusted only at the cost of great civic anguish. One survey in Boston between 1941 and 1943 showed that some six thousand parcels of land had been sold for a total of \$64 million. They had been paying taxes on a value of \$104 million. In Illinois it was found that city properties worth less than \$10,000 were being taxed at 44 per cent of their actual value, those worth more than \$20,000 at 25 per cent of actual value.

For many reasons the taxable value tends to decline proportionately as real value goes up. The owners of large properties, being few and locally important, are best able to make their political influence felt. They have the means to fight tax levies in hearings and court actions and so to gain concessions denied to the small householder.

If assessments could be removed from politics and fixed scientifically according to actual values, we would still face other problems arising from the traditional separation of assessments on land and improvements. Real property taxes are generally levied from 30 to 50 per cent on land and the rest on improvements (houses and buildings). Inevitably, such a method of taxation tends to encourage the holding of idle land for speculative purposes and to discourage building except when the prospective returns are high enough to support the new taxes which improvements will add. Our tax system thus contributes directly to those influences which weight the scales on the side of high-cost housing accessible only to high-income families.

Most economists seem to be agreed that a tax on land cannot be shifted and must be paid by the owner, whereas a tax on improvements tends to be shifted to the user—in the case of housing, to the renter or homeowner.

It may be said that this tax system flows naturally from the idea of private property in land. But the point here is that it works against good housing at low cost. Because vacant land can be held without tax penalty, subdividers are encouraged, in boom times, to create an oversupply of building lots. As the land stands idle year after year, the taxes become delinquent. High prices and back taxes together dissuade builders from occupying the long-idle land; when activity picks up, they tend to push on beyond it into new subdivisions freshly created for their purpose. Here the land may be cheaper; but the invisible costs, such as transportation, tend to offset the saving. In any case the result is a patchwork of development instead of orderly growth.

The defects of our real estate tax structure as they apply to housing may be summed up by saying that the system places too heavy a burden on places where people live, fails to follow the ability-to-pay principle, and encourages land speculation at the expense of sound land use.

Unplanned Environment

The environmental causes of bad housing—those which in the end must be attributed to community influences and which can be removed only by community policy—include a multitude of intangible yet obviously important factors.

How much could housing be improved if the spark of neighborhood pride kindled both owners and tenants with the desire to take better care of their dwellings? There is no way of measuring. All we know is that the existing state of affairs all too often extinguishes any pride the owner or tenant may

possess and speeds the deterioration of whole neighborhoods. Cost of maintenance is seldom taken into account when houses are built, and the futility of keeping a house in good repair while its immediate neighbors go to pot soon discourages any but the most urgent expenditures for this purpose, particularly on rental property.

How much could housing be improved by wholesale modernization of transportation? Here again the effects are immeasurable but certain. Anybody who lives on a streetcar line can imagine what it would be like not to hear the clanking grind of antique trolleys outside his window. Redesigning the street system and traffic arteries would not only reduce the heavy costs of traffic congestion (estimated at \$500,000 a day in New York) and check the ghastly loss of life from accidents but contribute heavily to better living. The nature of the contribution can be grasped by the city-dweller who will take the trouble to think what his house and neighborhood would be like if superhighways carried the main stream of express traffic around the neighborhood instead of through it; if the local traffic were scientifically sorted out so that residential streets carried essential services to his door but rerouted the miscellaneous traffic which now goes endlessly past; if houses were turned away from the street toward garden stretches and playgrounds in the interior of the blocks.

How much could housing be improved by the provision of adequate community facilities? Good schools, conveniently located, safely accessible; well-planned shopping centers; parks and recreation facilities for both adults and children; community meeting halls and health clinics—such amenities would exert an incalculable effect upon each individual dwelling whose occupants enjoyed them.

The failure of the city to fulfil its function is primarily a failure to regulate the use of the land on which it stands. Cities

are meant to be lived in, but this cardinal function has been left to shift for itself while public policy, in so far as it exists at all, is devoted to smoothing the path for commercial and industrial pursuits.

The average American city devotes 40 per cent of its land to residential uses, 30 per cent to streets and alleys, 10 per cent to commercial and industrial facilities, and 12 per cent to parks and other public purposes. Yet zoning laws and planning practices, if any, seldom recognize these ratios of actual use. Cities zone and plan for two to five times as much commercial use as actually exists. This means that neighborhoods are not planned as neighborhoods or communities as communities but grow up in chaos on the assumption of a perpetual business expansion which never comes off.

Similarly, railroads may occupy only 5 per cent of a city's space, but they are allowed to use that portion in complete disregard of the needs and rights of the other 95 per cent of land users, cutting the residential pattern into ribbons and befouling the air with smoke and noise. Manufacturing may use only 6 per cent but is permitted to scatter this acreage in unplanned disarray to the detriment of whole sections as residential areas.

The physical problems of the modern city, all of which react on the cost and quality of housing, have been well stated by Henry S. Churchill, architect and city planner:

Physical problems are an inheritance of unregulated, over-optimistic and speculative growth. The older residential portions suffer from overcrowding of the land and lack of organized open spaces for common or private use. In many instances this is not the result of too high densities of population so much as just plain bad use of land—too many streets, too many alleys, too much building coverage, not enough playground. The gridiron pattern contributes to this, with its lack of differentiation between traffic needs of various intensity and speed and its failure to provide satisfactory variation in sites and locations for different uses of land. . . . At the same time, vast areas of the business portion of most cities are empty—devoted to parking

lots, or to a solitary "dining car," or to junk yards. Stores are empty, loft buildings deserted.

The industrial plants of many cities are obsolete; so are a great part of the business and commercial structures. There is, everywhere, too much business area. . . . Integration of work and living rarely exists. In general, the present zoning laws, designed to "protect" high-class residential neighborhoods, prevent any adequate attempts at solving the problem. Such zoning is designed to keep land uses in separate categories by progressive exclusion. . . . Zoning must be devised to encourage integrated relationships of land uses, which is a very different thing from the indiscriminate scrambling of them. . . .

Lack of integration is responsible for a good part of the traffic difficulties which beset city and nation—difficulties in the movement of people and of goods. . . . The coming of the cheap car made the accommodation of traffic a naturally primary concern of cities and towns. Streets were widened, bypasses provided, municipal parking lots established. All to no avail, because the problem was only partially thought through. . . . The design of streets and highways does not make sense unless the land use along them, and at their terminations, is strictly regulated to suit the type and kind of traffic for which they are designed.¹

Our failure to plan the environment of the house (and the urban environment of the neighborhood) to serve most efficiently the basic purposes of living and working in an urban community is obviously a major cause of our poor housing. The fault lies ultimately with the average citizen, whose political apathy and unconsciousness of his own power enable the politicians and businessmen to build a city for their short-range benefit rather than his long-term welfare.

We have unplanned cities not entirely because somebody forgot to plan but to a large extent because powerful selfish interests within the city are against any planning except their own. The community causes of bad housing will not be removed until the people demand public planning in the general interest and the subordination of profiteering in land and buildings thereto.

¹ *The City Is the People* (New York: Reynal & Hitchcock, 1945), pp. 89-94.

II

BARRIERS TO LOW-COST HOUSING

HIGH COSTS VERSUS LOW INCOMES

EXPENDITURES for housing constitute the second largest item in the American family budget, exceeded only by food. If this outlay secures an inadequate standard of shelter, both quantitatively and qualitatively, then clearly something is wrong with the relationship between family incomes and the cost of housing. Shelter costs too much, or incomes are too low, or we spend an inadequate share of our incomes for housing.

The last explanation is easily disposed of. All the evidence shows that the average family spends for housing all that it can afford. Some people, undoubtedly, will stint themselves on the rental budget in order to enjoy a flashy car. But, by and large, the typical family expects to pay a substantial share of its income for dwelling facilities. A study in 1941 by the United States Bureau of Labor Statistics showed that average non-farm family expenditures for housing (including fuel, light, and refrigeration) ranged from 13.8 per cent to 42.5 per cent of income.

More than half of all nonfarm families in that year earned less than \$2,000. This *majority* spent for housing between 22.8 per cent of their incomes, in the case of those at the top of the bracket, to 42.5 per cent, in the case of those earning less than \$500 a year.

That was a good year. In bad years the share of income

spent for shelter goes up, because incomes shrink and the housing supply does not adjust swiftly to the changed conditions. During the depression it was discovered that some families in Chicago were devoting as much as 72 per cent of their income to rent.

In general, experience shows that the average family, given the other demands on its income, can afford to pay no more than about one-fourth for rent. Thus a family with \$2,000 income should pay no more than \$40 a month for shelter (not including utilities and fuel), if other basic wants are to be satisfied. The same family, according to standard F.H.A. practice based upon experience, cannot afford to buy a house costing more than twice its annual income, or \$4,000. These averages may be regarded as a rough working rule of what a family can afford to pay for housing:

Yearly Income	Monthly Rent	Cost of House if Bought or Built
\$1,000	\$20	\$2,000
1,500	30	3,000
2,000	40	4,000
2,500	50	5,000

Agreeing that the share of income normally devoted to housing is fair, we must seek an explanation of our low standard of shelter in the relationship between housing costs and incomes.

Persistence of Low Incomes

It is a simple matter to say that the best solution for the housing problem is a general rise in family incomes. But a rise in money incomes accompanied by a general advance of

wages and prices, in which the cost of housebuilding goes up along with everything else, obviously would not change the situation. Not only the money value of income but what it would buy in terms of housing would have to rise.

Moreover, a change in distribution would be required. A 10 per cent rise in real incomes would still leave millions of families at the bottom of the scale unable to afford good housing. Some would have to gain 20 per cent, others 50 per cent, in purchasing power before they enjoyed access to better shelter.

We are deceiving ourselves, then, if we expect to solve the housing problem by resort to a generalized hope of full employment and higher incomes in a rosy future. The objective of expanded national income and more peacetime jobs cannot be attained without specific solutions of specific problems, one of which is housing. Instead of expecting future prosperity to yield good housing as an incidental result, we must count on the provision of good housing to help bring about that much desired prosperity. This becomes clear from a study of what family incomes have actually been and are likely to be.

Incomes vary, of course, with the state of the nation. In 1935, when we were still in the throes of our worst depression, and more than twelve million men lacked jobs, more people received the lower incomes than in 1939, when we had climbed some distance from the pit but still had a considerable body of unemployed and part of our productive capacity standing idle. By 1941 the war boom had brought most of the national productive capacity into operation, and that capacity was being increased to turn out the munitions needed by our allies and for our own preparedness. This meant not only that the unemployed went back to work but also that those previously employed now earned more money.

At these three stages of depression and recovery, nonfarm families received income from all sources in the following proportions:

	PER CENT OF TOTAL		
	1935	1939	1941
Families receiving incomes under \$1,000..	42	30	25
Families receiving between \$1,000 and \$2,000.....	37	32	32
Families receiving more than \$2,000.....	21	37	43

Observe that, even in prosperous times, more than half the nation's nonfarm families earn less than \$2,000 a year (i.e., \$166 a month or \$38 a week). In a depression year like 1935 the proportion of families earning less than this amount rises to 67 per cent. As times get better, as in 1939, those earning less than \$2,000 drop to 62 per cent. In a boom year like 1941 they still number 57 per cent. Between 1939 and 1941 the national income went up from \$71 billion to \$92 billion, but the proportion of low incomes did not fall by the same ratio. Only in the exceptional circumstances of wartime—in 1942 and 1943—did more than half of our urban families climb above the \$2,000 level. It may be concluded that in ordinary times at least half of the housing problem is a problem of housing people with incomes under \$2,000.

The table also shows that in good and bad times alike there is a relatively stable "middle" group earning between \$1,000 and \$2,000 a year. The people in this bracket change with the years, but the bracket itself contains about the same proportion of all families all the time—roughly, one-third. In prosperous years the middle group recruits from below, and in depression years it recruits from above. The group as a whole offers a sustained market for housing, rental quarters in the

main. Yet this is the market which private enterprise has been unable to supply with any marked volume of good housing, whether for rent or sale.

Lest anyone suppose that I am subjecting the American people to rigid class stratification, I hasten to point out that no member of a given income group in a given year is assumed to be frozen there for life. The more fluidity we have, the more progress of one family from a low bracket to a high bracket, the better off we shall all be. Yet those who tell themselves that, owing to free opportunity, the American way, etc., every "good" low-income family becomes a high-income family, are shutting their eyes to the facts. A great many people *do not* move from one group to another. Some do not move very far. And, no matter how many do move, the fact remains that at any given time large sections of the population occupy an income status under which good housing lies beyond their financial reach.

What of the future? What might incomes be like, and what kind of housing would these incomes buy, if we did get an advance over the pre-war economy or even full employment? No precise forecasts can be made. But the N.H.A. has formulated the following reasonable estimate of income distribution if the national income can be sustained at about one-third more than it was in 1939:

- 25 per cent of nonfarm families will have incomes under \$1,000, and most of them will require housing to rent at less than \$20;
- 18 per cent will have incomes between \$1,000 and \$1,500, and most of them will need housing at a rental value below \$30;
- 57 per cent will have incomes over \$1,500, and most of them will be able to afford rents or the equivalent over \$30.

Thus an increase in national income of one-third over the 1939 level will bring about a substantial upgrading of families in the income scale but will by no means eliminate the groups for whom low rents are necessary. Whereas 47 per cent needed housing at \$30 or less in 1939, roughly 43 per cent need it now.

A greater increase in national income would result in further upgrading. But in 1944, certainly a year of full employment, the War Labor Board reported that 31.1 per cent of the nation's industrial workers earned less than \$24 a week (\$1,200 a year) on the basis of a forty-hour week. We may be sure, therefore, that quite revolutionary changes in the amount and distribution of national income would be required to reduce below one-third, say, the proportion of families who earn \$1,500 a year or less and can afford no more than \$30 rent.

Such income statistics are not entirely satisfactory, but they leave no doubt that, for a real change in the relationship between housing costs and incomes in the reasonably foreseeable future, we must look to a change in costs rather than in incomes.

The \$5,000 House

What does housing cost? A categorical answer is obviously impossible. "Cost" may mean the initial outlay, or it may mean the monthly cost of ownership. To the 55 per cent of urban residents who do not own their homes, cost is expressed in rent. To the others, it is expressed in mortgage payments, taxes, insurance, upkeep. Both as rent and as purchase payments, costs vary from city to city and from region to region.

To the dispute over whether it "costs more" to rent or own there is no end. A survey by the Bureau of Labor Statistics in 1941 found that among urban families of two or more per-

sons the average housing expenditure (including fuel, light, and refrigeration) amounted to \$406 a year for owners and \$433 for renters. But the statistics are not conclusive. Pro-renters cite the hidden costs of ownership to prove its folly, and pro-owners cite the generally low quality of rental housing (a consequence of the lack of construction for rental occupancy) and the resulting concentration of renters in hand-me-downs.

Whether a person gains or loses by owning his home over a period of years depends upon what he paid for it. If he builds or buys in a slump, the capital cost may be low enough that his total payments over fifteen or twenty years would be less than rent for a comparable house over the same period. But sound comparisons are difficult. All that can be said is that, rightly or wrongly, a great many Americans harbor a compelling urge to own their houses.

This urge undoubtedly represents more than sentiment or the effect of enticing real estate advertisements. It expresses the renter's profound dissatisfaction with the kind of housing available to him. It emphasizes that the desire for better housing in the past has been susceptible of satisfaction only through ownership.

Whether they live in new housing or not, both renters and owners are affected by the capital cost of new housing. Capital costs, in terms of family income, determine the extent of the market for new housing. It is the narrowness of this market that accounts for the slow rate of hand-me-down affecting the older supply, and it is this slowness of turnover that condemns so many to live in substandard or inadequate quarters. If new housing could be made available to a larger section of the population, then the larger supply fed in at the top would permit a more substantial filtration of old housing from one income class to another and stimulate more rapid demolition of

the worst structures. Thus the standard of housing all along the line is directly affected by the capital cost of new housing.

Data on capital costs are neither adequate nor exhaustive. The house is not a standardized product. Its production is dispersed among many enterprisers in many localities. The statistics of the industry are incomplete. Wide variations in costs occur among various regions of the country. Federal Housing Administration experience in insuring loans on 800,000 small homes between 1935 and 1941, however, gives us a reasonably accurate guide to costs.

During that period only 3.3 per cent of F.H.A. single-family homes were valued at less than \$3,000. Another 16.7 per cent had a valuation (i.e., the F.H.A. appraisal of land value plus construction cost) between \$3,000 and \$4,000. The largest number (48.3 per cent of the total) cost between \$4,000 and \$6,000; and the remainder (31.7 per cent) more than \$6,000. In 1940, before wartime conditions had affected costs to a great extent, the average F.H.A. valuation was \$5,199 as compared with \$5,978 in 1938.

We may say, then, on the basis of pre-war experience, that only one family in five of those building or buying a new house could expect to get it for less than \$4,000. These lucky families were located predominantly in small towns or in the South and West, where low labor costs and a climate permitting light construction established special conditions not applicable to most of the larger cities in the North and East. In the average city \$5,000 for a very small house on a small piece of cheap outlying land was the pre-war minimum.

In some cities and under some circumstances, houses have been built for less than \$5,000 without F.H.A. financing. But these cheaper houses generally have involved jerry-building practices which do not meet F.H.A. quality standards. For a

small house that will meet reasonable tests as to quality, \$5,000 may be considered the effective pre-war minimum.

One would like to think that this minimum had been gradually lowered over the years, but there is no reliable evidence to support the assumption. While the average F.H.A. valuation dropped from \$5,978 to \$5,199 in the three years ending in 1940, the reduction was almost entirely accounted for by factors other than lower unit costs. Cheaper land, reflecting the concentration of construction in undeveloped sections on the urban fringe, brought about much of the reduction. Houses got smaller and floor areas were trimmed. More wood frame and less masonry, fewer garages and other trimmings, went into the average dwelling. People paid a little less for new houses in 1940 than in 1938, but they got less house.

"There is considerable evidence to indicate," says the National Housing Administration, "that, in relation to the general price level, building costs for comparable houses have actually risen in the last twenty years instead of going down." Other industries have achieved lower costs with greater output, but the building industry restricts its own market by imposing inflexible costs in slack times and rising costs in good times.

During the war, construction costs have risen at least 30 per cent and in some sections more. The F.H.A. limitation of \$6,000, designed to prevent construction of all but the most essential dwellings, soon became a minimum in every community, with builders complaining bitterly of its inadequacy. When the restrictions were eased in 1945, the ceiling went up to \$8,000, and that also rapidly became a floor. In wartime, of course, both materials and labor naturally flowed into the most essential forms of production, associated with war industry. Yet even after this extra demand has disappeared, building costs will not rapidly return to the pre-war level. The

\$5,000-minimum house may cost \$7,000 or more for some time to come.

Who can afford a \$5,000 house? The rule of thumb cited above (a family can usually afford a house costing about twice its annual income) tells us that the \$5,000 house, for all practical purposes, is a preserve of those families earning more than \$2,000 a year. In the relatively prosperous year of 1941, 57 per cent of the nation's nonfarm families did not earn that much.

Not everybody, admittedly, wants or needs a new house of his own. But what one can get, either as renter or as owner, is determined in large part by the relative cost of producing new housing. To rent at \$40 a month, yielding a reasonable return to the owner and supporting the cost of taxes and maintenance, a house would certainly have to be produced for no more than \$4,000, including land. When the actual cost of a minimum new house is \$5,000, then clearly few families earning \$2,000 would be able to rent one, even if such houses were ordinarily built for rent—which they are not. Secondhand housing is the lot of most such families.

It is often urged that only foolish idealists would expect new housing to be made available to the lower-income groups. After all, we are told, these groups get along with secondhand cars; why should they object to secondhand houses? To which it must be said, first, that good automobiles are made available to a far greater proportion of the population than good houses; and, second, that in any case a comparison of housing costs with incomes expresses no moral judgment as to what kind of houses people should or should not have.

We are here setting up a standard by which to measure what kind of housing people *can* have under present conditions. When we say that 60 per cent of the people living in cities cannot afford a new house of minimum quality, we are

saying that only 40 per cent can enjoy that housing which combines modern design and arrangement, recently developed materials, insulation, up-to-date kitchens and bathrooms, contemporary standards of light and airiness, and other advances which modern technology has made possible. We are saying also that if good housing is to be made available to more people, some way must be found of bridging the gap between what they can pay and what the construction industry can produce.

The size of the gap is indicated by comparing the record of F.H.A.-financed construction during the five years preceding 1940 and estimates of income distribution in 1939:

30 per cent of the nation's nonfarm families earned less than \$1,000 a year, but less than 1 per cent of F.H.A. houses were built for such families;

17 per cent earned between \$1,000 and \$1,500, but only 4 per cent of F.H.A. houses were built for this income bracket;

53 per cent earned more than \$1,500, but 95 per cent of F.H.A. houses were built for such families.

National averages like these allow considerable statistical sidesway, but a study of housing and incomes in one city corroborates their general drift. In St. Louis in 1939, only 9 per cent of the families earned wages and salaries sufficient to afford a \$6,000 house, and 14 per cent earned enough to afford a house costing between \$4,000 and \$6,000. But, of the new homes built in that year in St. Louis, 87 per cent cost \$4,000 and over.

One hears much confident talk about the low-cost houses to be produced in the future. But the testimony of private enterprise itself holds out little hope of marked progress in this direction until the high-cost market has been mopped up first, as usual. What the real estate business calls "low cost"

is not "low cost" at all in terms of need. The Urban Land Institute, representing private housing interests, surveyed real estate men and builders in ten key cities during 1945. These very practical men disclosed that during the first two postwar years the houses they planned to build would average:

- 23 per cent "low cost" (defined as \$3,000–\$4,500 in South and West, \$4,000–\$6,000 elsewhere);
- 67 per cent "medium cost" (i.e., \$5,000–\$9,000 in South and West, \$7,500–\$10,000 elsewhere);
- 10 per cent "high cost" (i.e., over \$9,000).

When these figures are compared with N.H.A. estimates of actual postwar needs, we get another measure of the gap between costs and incomes.

According to N.H.A., between 22 and 28 per cent of our postwar houses (depending on the general price level) should be built annually to serve the market represented by rental values of less than \$20 a month, or by capital cost of \$2,000. The Urban Land Institute survey shows *no* private enterprise plans whatever for serving this market.

Between 14 and 18 per cent, according to N.H.A., should be built to rent at \$20–\$30, or sell at \$2,000–\$3,000. Private enterprise plans only to shave the upper fringes of this market with its "low-cost" houses.

Between 54 and 64 per cent, says N.H.A., should be built to rent at more than \$30 or sell at more than \$3,000. Private enterprise concentrates virtually 100 per cent of its contemplated production in this bracket.

Granting the imprecision of all these figures, granting the uncertainty of future incomes and other variables, the relationship between housing costs and incomes is plain enough to suggest some general conclusions and the main direction of housing policy.

First, lower costs are a categorical imperative. A reasonable target would be large-scale construction of a \$3,000 house of good quality, which can rent or sell at \$30 a month and so tap the great market furnished by incomes of around \$1,500. That is the job which private enterprise should cut out for itself.

But private enterprise cannot reach the objective overnight. Even if costs should be substantially reduced, there would remain a borderline zone in which special inducements are needed to obtain construction—especially of rental apartments in the large cities—for the \$25–\$35 market. Here is a fertile field for new forms of mixed enterprise, enlisting private capital in partnership with public initiative.

Finally, special public measures are called for to house the lowest-income families, especially those under \$1,000, who cannot hope to share the benefits of whatever economies private enterprise or mixed enterprise may achieve.

The three conclusions together point to the need for an integrated national housing policy which undertakes, for the first time, to see to it that enough houses of the right kind are built at costs which all the people can afford.

THE ELEMENTS OF COST

HOUSING costs, as we have seen, can be expressed in terms of the year-to-year charges against the property (interest, amortization, taxes, insurance, maintenance, repairs) or in terms of the total capital cost of getting the house built.

While important savings can be realized in some of the yearly charges, there is no question that the greatest opportunity for economies lies in reducing capital cost. It is this first cost which determines, in large measure, the annual charges that must be met. A \$500 saving in the first cost will multiply itself through resultant savings in interest, taxes, insurance, etc.

A theoretical example, based upon N.H.A. cost analyses, will illustrate the point. Assume that a house has been built for \$5,000, including land, and that the owner has made a \$500 down payment, financing the balance with a 5 per cent loan over twenty-five years. The monthly cost of owning the house—amortization of principal, interest, taxes, etc.—will break down as shown in the accompanying tabulation on page 63.

What would happen if we made a one-fifth reduction in each of the monthly cost components? Such a reduction in the interest rate would translate itself into a saving of 5.4 per cent of the monthly costs. An extension of the mortgage period suf-

ficient to realize a one-fifth reduction in amortization charges would bring about a monthly saving of only 4.5 per cent. An equivalent cut in tax rates would save 4.4 per cent, in maintenance charges 3.5 per cent.

But a reduction of the capital cost of house and land from \$5,000 to \$4,000 would realize a saving of *16.4 per cent* in the monthly cost of owning the house.

	Amount	Per Cent of Total
Amortization of principal	\$15.00	32
Interest	11.31	24
Taxes (average)	10.42	22
Maintenance	8.33	17
Other	2.33	5
Total	47.39	100

To put it another way, every dollar of economy achieved in the capital cost exerts at least three times as much effect on the monthly cost as a dollar saved in the other components.

Where can capital costs be cut? They comprise principally four items: land, materials, labor, and contractors' profit. The N.H.A., in its detailed study of where the housing dollar goes, estimates the relative importance of each item as follows:

	Per Cent
Land (including improvements)	12.5
Materials	45.7
Labor (at the site)	29.5
Contractors' profit and overhead	12.3

Construction costs, aggregating 87.5 per cent of the total, thus offer the broadest field for economies. But before exploring that field we ought to consider the question of land. It is more important than the figures suggest.

Federal Housing Authority experience in insuring home

mortgages shows that the cost of land has been running between 11 and 16 per cent of the total, which may be considered a rough justification for the allocation set forth above. What these figures do not tell us, however, is that almost all construction has been taking place on cheap land around the outer edges of the urban areas. A 12.5 per cent factor thus represents not what land actually costs in our cities but what land costs when the home-builder goes out far enough from the center. It expresses the average cost of land *provided* one does not build his house on vacant city land or in a redeveloped slum area close to his place of work. It states the cost of land based upon the assumption of continuing urban disintegration, with new growth concentrated in the suburbs while the central areas continue to decay.

LAND COST AND DISINTEGRATION

ACTUALLY there is no shortage of urban land on which to build houses. The automobile has made available large areas in suburban territory which once would have been considered unsuitable for residential development without a railroad or streetcar line. The flight to the suburbs has left vacant tracts within the city which could be developed if conditions were right. Even in the blighted areas adjacent to the downtown district, the long-term trend is toward plenty rather than shortage. The central business district has ceased to grow at the old rates as outlying community shopping centers expanded in response to the general decentralization movement. While slum land in use has been subjected to indefensible overcrowding, the amount of slum land *not* in use has tended to show a gradual increase. The congested tenement house next to a vacant lot, littered with junk and debris, is a familiar sight.

The Frozen Subdivision

The peculiarity of this urban land surplus is that a large part of it is indigestible. Neither the central sections which have once been built up nor the outlying areas of arrested development are practical as building sites. High costs and the presence of blight discourage building close in; legal and fi-

nancial obstacles impose similar if less absolute restraints farther out.

Once a subdivision has been laid out, and has failed to attract development, the cards are stacked against it. When the next housing revival comes, builders tend to bypass the old subdivision and flow into new ones.

At the end of the housing boom of the 1920's, Chicago and Cook County had more vacant lots on hand than the subdividers had cut up during the entire fourteen years preceding 1928. From the standpoint of needs in the urban area as a whole, all the subdividing which took place during the boom years was superfluous. The boom ended with 30 per cent of the city lots and 69 per cent of those in the county still vacant. Yet, despite this staggering surplus, when construction slowly picked up during the 1930's, it did not take place predominantly on the surplus land; subdividing revived along with construction, and so new lots were brought into being to accommodate the new houses.

The effects of bad planning—overnarrow lots, inadequate utilities, poor landscaping, and the like—discourage thawing out of the frozen subdivision. Invariably a high proportion of the lots owe several years' delinquent taxes which must be cleaned up before they can be used. Ownerships are scattered and titles clouded; defaulted mortgages, absent owners, and tangled liens interpose mountainous legal and financial obstacles to the reassembly and development of the land.

Even if all these obstacles could be surmounted, there would remain the substantial one of public taste. A subdivision that has failed suffers a permanent decline in marketability. Builders stay away from it just because other builders have stayed away from it. No home site is less attractive than the relic of a subdivider's bad judgment.

For all these reasons, opening up new land is simpler and

cheaper, in terms of immediate and visible costs, for everybody concerned. That the community suffers is an incidental result to which, under the prevailing attitude toward land use, nobody gives a second thought.

Today's trends in subdividing promise no improvement but rather an aggravation of the frozen land problem. Once the province of the independent real estate speculator, subdividing has gradually become a close companion of construction. Federal Housing Authority requirements as to land cost and improvements, coupled with the growing municipal policy of obliging subdividers to instal streets and utilities at their own expense, have taken the profits out of wildcat real estate speculation. In the future, as in the immediate past, most subdivisions will probably be laid out by builders, either individually or in co-operative groups, and the lot will be sold in a package with the house that has been built upon it.

What will happen to the frozen subdivisions is easily foreseen. They will stay frozen. Only the creation of new methods of reassembly, redesign, and redevelopment could offset the disadvantages a builder would face in attempting to utilize old vacant land as compared with the ease and economy of opening up new raw land farther out.

Chicago, to take an example, now has one-fifth of its corporate territory lying vacant. Some of that land will be built on; some is not suited for building; but the bulk of it, according to all the evidence, is doomed to remain idle until some way is found of recapturing it for the community and putting it into use on terms that will enable it to compete with the new land constantly being opened up beyond the city limits.

Costs Govern Location

Since low-cost houses can be built only on low-cost land, the problem of land costs becomes a problem in house loca-

tion. What must be paid for land will determine where the houses shall be built. Under the F.H.A. rule of allowing 11 to 16 per cent of total dwelling cost for improved land, urban houses built under F.H.A. mortgage insurance in 1940 showed these average land costs:

Value of House	Cost of Land and Improvements
\$3,000—\$3,999.....	\$402
\$4,000—\$4,999.....	553
\$5,000—\$5,999.....	654
\$6,000—\$6,999.....	848

The question is: Where can land be obtained at these figures? And the answer is: Almost exclusively in new developments on the outskirts of the city or beyond. Federal Housing Authority loans in new areas have undergone a marked and steady rise. In some cities, 95 per cent of them are concentrated in new areas; in Detroit and Chicago, where huge surpluses of subdivided land exist, more than half of the new F.H.A. construction has leaped beyond the old subdivisions to freshly carved-out tracts.

The movement to new land is stimulated not only by the search for low-cost raw acreage but by the economies to be derived from large-scale development. Builders have found that the way to reduce land costs per house is to build a great many houses at once. Neither in slum areas ripe for redevelopment nor in the frozen subdivisions inside the city limits could a private developer assemble land under one ownership in a large enough block to achieve the necessary economies.

During the war, although the price of houses shot upward in nearly every city, the price of vacant land remained stationary. Land prices may well advance when construction is booming again. Even if land price inflation is avoided altogether, however, the current price of improved land remains

far above levels which would permit genuinely low-cost housing.

As remarked earlier, when real estate men and builders talk about "low-cost" housing, they are thinking in terms of \$4,000-\$6,000 in the North and East and slightly lower in the South and West. But analysis of income patterns shows that if "low cost" means a house which the majority of the people can afford, then we must think in terms of \$3,000-\$4,000 as a definition of the phrase. According to F.H.A. practice, a house of this standard should be built on land costing around \$400. Of such land the shortage is real. When it can be had at all, it will seldom offer the improvements and community facilities to be expected of a modern neighborhood.

Our "surplus" of residential land, then, has strings attached. It is a surplus conditioned upon the continued disintegration of the cities. It is a surplus large portions of which are blocked off from effective use—a surplus which tends to multiply itself as home construction proceeds. Instead of using the land already laid out for housing or that which demands redevelopment for residential use, we shall, if we follow precedent, lay out new land and allow the old to stand idle. Instead of channeling development into those areas where great capital outlays have already been made, we shall encourage new outlays in other areas. The net result will be a virtual mandate for the location of new houses—particularly low-cost houses—at the greatest possible distance from the center of the city.

What the social wastes of this process amount to can only be guessed at. There is the waste of duplicated street systems, utility services, and other improvements. There is the waste involved in dispersal of governmental services over a larger and larger area. There is the waste of extra transportation, of energy spent in getting to and from work, of added costs of distribution. Some of these hidden expenses have already be-

gun to catch up with the cities. In the Chicago area, for example, the growing suburbs, finding their own water supplies inadequate, now clamor to be linked up with the metropolitan system, which can take them in only at increased expense to the people of the city proper.

Viewed in the perspective of urban development as a whole, the principal problem of land cost is not one of opening up new residential areas—that will take care of itself under the economics of the profit system—but one of unlocking the vacant areas which now stand idle inside the city and of redeveloping congested slum districts as decent places in which to live. Land costs are low only in the outlying districts, yet the dominant social interest lies in encouraging sensible and balanced growth in sections where land costs are high.

Blight at High Prices

It is a familiar paradox of urban life that the land on which stands the worst housing often carries the highest value. Slum land may disgrace the community, may be delinquent in taxes, may impose upon the city disproportionate costs for policing, fire protection, and health service, may breed crime, delinquency, and disease—yet this land is high-priced stuff, as anybody who tries to buy a piece will find out.

We need not inquire too closely into why this is so. Slum land supports a high price because, when used, it is intensively used, and, when not used, it holds out hope of eventually being taken up for some commercial or industrial purpose for which a high price will be paid.

To compete with outlying land as a site for low-cost housing, close-in property would have to sell for a price at which the land cost per house would run \$400 or less (assuming \$4,000, for purposes of illustration, as the standard of low-cost shelter). What does slum land actually sell for? A public hous-

ing project in Boston paid \$1,120 per dwelling unit for the land it reclaimed. A Chicago project paid \$1,230. Another in San Francisco paid \$1,520; still another in New York, \$1,300. These prices check with the conclusion of the Federal Public Housing Authority, based on pre-war experience, that to build housing projects on slum land in the larger cities increases costs on the average between \$903 and \$969 per house as compared with the cost of building on vacant outlying land.

Slum land will probably prove more expensive in the future than it has been in the past, when slum clearance was in its infancy. Local authorities participating in the federal housing program before the war sought out the lowest-priced land available; in the future, the more expensive land will have to be acquired. Former Mayor LaGuardia estimated the land cost of slum clearance projects in New York, whether financed by public or private funds, at \$6,000-\$7,000 a unit.

A notable weakness of the public housing program as so far developed is its failure to reduce population densities. In order to keep the land cost per family within bounds, the housing authorities located a great many families on each acre when building in slum areas. Some of the projects mentioned above were planned for densities as high as ninety families to the acre, as compared with an optimum of between fifteen and twenty-five. Compromise was no doubt necessary in the light of existing conditions, but in the long run nothing is gained by building our cities over as crowded as they were before. If densities are to be held to a reasonable level, land costs will be higher than those indicated above.

Summing up federal experience with two hundred pre-war projects, and making allowance for various qualifying factors, the National Housing Agency estimates that the cost of slum sites should be figured at an average of \$1,960 per family.

The estimate can be accepted only as a conservative mini-

mum, for it is based on dubious assumptions—for one, the assumption that densities in the redeveloped sections would average twenty families to the acre. At this rate, row-houses could be built, each family having direct access to open ground. That would be a vast improvement over the slum conditions in which people now live and would be appropriate for individual small projects. But this density rate extended over any sizable area would mean more than 38,000 persons to the square mile, which is the same degree of overcrowding now prevailing in many slum districts. Sound public policy calls for more open space—but the price of open space is a higher initial land cost.

From these data a generalization can be drawn: Even when the number of families located on an acre is quadrupled over that which would prevail in outlying areas, the land cost per family in central blighted sections will run at least *five times* the \$400 standard set up for low-cost housing.

The Real Estate Board of Baltimore in August, 1943, sponsored appraisals of land in the blighted areas of that city. The appraisals, covering eleven sample blocks, revealed an average valuation per square foot of \$2.19. If this property thus appraised were to form part of a large area rebuilt with modern houses costing from \$4,000 to \$6,000, the land price would have to be brought down to 30 cents per square foot. For reconstruction with houses costing \$6,000–\$10,000, the price would have to be 75 cents per square foot.

The difference between 30 cents and \$2.19 per square foot is the measure of the problem to be solved if Baltimore's blighted sections are to be redeveloped for families of moderate income. Land in those sections now costs *seven times* as much as it should cost if it is to support low-cost housing¹.

¹ Example cited by Dorothy Rosenman, *A Million Homes a Year* (New York: Harcourt, Brace & Co., 1945), p. 102.

Looking at the social evils spawned in slums, one may justifiably denounce a system which permits landowners to inflict these evils on the community and at the same time charge such a high price for being bought off. But moral indignation will not solve the problem. Whether we like it or not, high land values do exist in the blighted areas, and they do restrain redevelopment at a profit for families of low or moderate income.

Talk of confiscatory increment taxes or outright land seizure is amiable nonsense. Short of revolution, there is no way of beating the game except by buying slum land at going prices. So long as we have a system of private property and a judiciary dedicated to the protection of the individual against confiscation of wealth without "due process," anybody who wants slum land—including the community—will have to pay what the real estate market, however erroneously from a social point of view, says it is worth.

Courts, indeed, tend to display special tenderness for property owners whose land is being taken for public purposes. In four of six recent slum clearance projects, land costs based upon condemnation values fixed by the courts have run far in excess of the tax-assessment value. As a general rule, it can be set down that slum land can never be bought in large amounts for less than its tax valuation (whether taxes have been paid or not) and that frequently a premium beyond the tax valuation must be paid.

The community can take certain steps to squeeze out excess valuation from blighted land. It can, for example, rigorously enforce well-conceived zoning laws. By definitely establishing certain areas as residential, and taking a realistic view of the possibilities for commercial expansion, it can help puncture the dream that every square foot around the business district is destined some day to carry a skyscraper. Likewise the com-

munity can rigorously enforce health and safety laws applying to dwelling structures; it can require the demolition of the thousands of houses that in every city defy the letter of the law, and it can prohibit overcrowding in those that remain. Again, the community can get tough on tax collections, promptly repossessing any slum land which falls delinquent.

All these practices would lessen the pleasures of slum ownership and tend to reduce the value of slum land. But it should be clearly understood that our city governments function in a political framework and that the political obstacles to any policy designed to reduce the value of private property are tremendous. The cities *ought* to take the steps here suggested, but mayors, aldermen, and commissioners must rise to rather giddy heights of selfless social service before they will do so on the scale and with the vigor demanded.

Consequences of Land Cost

Given the fact that a wide gap exists and will continue to exist between the cost of close-in land and the cost factor permissible in residential development, how can the cities be rebuilt?

The first consequence of the gap is that no redevelopment can take place in small units, a house here and an apartment building there. Nobody would be fool enough to build on high-value land a residential structure appropriate to that value to be surrounded by the shacks and hovels characteristic of a blighted area. Redevelopment demands assembly of large blocks of land in single ownership and the laying-out of whole new neighborhoods large enough to overcome the blighting influence of slum conditions. Redevelopment therefore requires large aggregations of capital, so large that they can usually be supplied only by huge corporations, such as insurance companies, and by the government.

The second consequence is that a private corporation cannot expect to redevelop a blighted area for profit except at very high densities and at relatively high rents. This principle has been demonstrated by every private redevelopment project so far undertaken. Land costing nine dollars per square foot can be made to pay only by piling people on top of each other and collecting substantial rents. That is why the Metropolitan Life Insurance Company's projected Stuyvesant Town development on New York's lower East Side, which is paying nine dollars a square foot for land, will be a series of skyscraper apartments with the scandalous density of almost a hundred families to the acre. That is also why rents in Stuyvesant Town will average fourteen and fifteen dollars per room and so can be afforded only by families with above-average incomes.

Waiving the question of the social desirability of such overcrowding, it should be recognized that private redevelopment of this sort is restricted by the limitations on the market for the kind of housing it offers. There is too much slum land, and there are too few people who can afford to live in high-class skyscraper apartments, to hope that, by turning insurance companies loose to build the latter, we can get rid of the former.

The Chicago Plan Commission, which has always treated private enterprise with profound admiration, says in its master-plan of residential land use: "The demand for such intensive developments at rentals within reach of only the small upper income groups would probably be satisfied by buildings in an area not exceeding one square mile of the blighted area." Chicago has more than nine square miles in its primary blighted area and thirteen more square miles in "near-blighted" condition.

From this need for a type of redevelopment which will serve

families of low and moderate income at reasonable densities can be derived a third consequence of the high cost of close-in land: no private corporation can meet this need without extensive concessions and special privileges from the community. This principle, too, has been repeatedly demonstrated by the whole history of slum clearance. Stuyvesant Town, referred to above, will be the beneficiary of a tax-freezing concession under New York law. In return for clearing eleven blocks of slums, the Metropolitan Life Insurance Company will be granted the special privilege of paying taxes on a \$35 million property as if it were still a \$14 million slum. The company will thus save taxes amounting to a million dollars a year. Over the twenty-five-year period of the tax freeze, the community will have contributed to Stuyvesant Town \$25 million.

Yet even with this tremendous subsidy, and even with limited dividends, Metropolitan Life cannot get the rents down within the reach of average incomes. It is quite clear that private developments which follow sound principles of neighborhood planning, which observe reasonable densities, and which serve the low-income groups are an economic impossibility unless aided by such vast subsidies as to become in effect public projects.

Which brings us to consequence No. 4 of high land costs: If the slums are to be cleared, if blight is to be excised from the urban organism, public enterprise in some form must initiate and finance assembly of the land. Any doubts on this score can be resolved by asking why it is that private enterprise has not done the job itself. The job has not been done because there was no profit in it. Profits, indeed, impel private enterprise in the opposite direction. Since they are to be had only where land is cheap, the pursuit of them leads to steady disintegration of the city. When private capital for special reasons (for example, an insurance company's search for outlets

of stable investment) does endeavor to cope with slum clearance, it is soon found that public aid of some kind cannot be avoided. The public must lend the private corporation its power of eminent domain, or grant tax concessions, or assemble some of the land itself.

Thus publicly aided, private capital can do no more than skim the cream, as we have seen in the case of Stuyvesant Town. It can clear slums so long as a market exists for the kind of housing it provides, but that market is not broad enough to account for all the slums.

Since public land assembly alone can do the bulk of the job, we shall probably agree, as experience accumulates, that the entire field of land acquisition for slum clearance is a public responsibility. If a municipality must dangle sundry lures before the nose of private capital in order to get redevelopment started, and if it must eventually take up the land assembly task itself in any case, lost motion will be avoided by energetic and large-scale public action at the outset.

Public agencies, however, possess no special magic by which high land costs can be transformed into low land costs. What a public agency can do is to spread the costs over a long period of years, through the use of public credit, or wash out part of them through subsidy, overt or concealed. In the case of Stuyvesant Town, the city of New York grants a subsidy of one million dollars a year to the Metropolitan Life Insurance Company to help support the acquisition of high-value land and make possible its use at a rental level lower than that which would prevail without the subsidy. Variations of method will suggest themselves, but the principle will remain the same: public agencies can squeeze the excess value out of slum land only by the use of credit or subsidy.

The Cost of Using Land

Reserving detailed discussion of land assembly for a later chapter, we can take a quick look here at the general outlines of the problem. The true cost of land for housing can best be formulated by calculating the annual cost of using it. If you buy a lot for \$600 and build a house financed by a twenty-five-year mortgage, then the cost of using the land during those twenty-five years is the cost of interest and amortization on \$600 for that period. At 4 per cent interest, this "use cost" works out to \$38 a year. This may be considered a fair average use cost for a suburban lot supporting a \$5,000 house.

Now let us compare this cost of suburban land with that of a typical slum clearance project. Boston has a project in the planning stage which would house 854 families on land costing \$1.87 a square foot. The use cost of the land, calculated on the same basis as above, comes to \$76 a year for each family.

The difference between \$76 and \$38 a year—\$38—represents the amount of annual land cost which must be washed out by subsidy or the use of public credit if the redeveloped slum is to house families able to afford a \$5,000 house. In other words, \$38 a year must be paid by somebody, in some fashion, if the slum land in question is to compete with suburban land as a site for middle-class dwellings of the \$5,000 standard. A greater subsidy must be paid if the land is to be used for those who cannot afford a \$5,000 house. The higher the rents, the lower the subsidy will be. And the lower the interest rate at which capital can be obtained for land acquisition, the lower the subsidy will be.

What land assembly will truly cost, in the end, depends not only on the selling price of the land but on the state of public credit and the uses to which the redeveloped land is put.

Land acquisition quickly becomes enmeshed in a technical complexity which is the proper realm of the statistician and the expert. For the layman who asks only a decent house on an adequate plot of ground at a price which he can afford to pay, the point to remember is that our present land system, the incentives of speculative profit in land, and the trends of urban development as they have been established to date all work *against* low-cost land for low-cost houses in good neighborhoods conveniently accessible to work, play, business, and shopping facilities.

A white-collar worker who wished to have a pleasant home within walking distance of his downtown office would find that the land concerned is devoted to slums in which he would not live if he could and that, in any case, he could not afford to occupy such land if the slum dwellings were torn down. So he would look farther afield. He might consider a vacant lot in a built-up neighborhood twenty minutes from work; but this would have distinct drawbacks, and the price would be too high for the kind of house he could afford. Farther out toward the city limits, land prices would be somewhat lower, but there would be other objections: delinquent tax and lien complications and the unattractiveness of a down-at-heel frozen subdivision.

Ultimately our white-collar worker winds up far out on the urban fringe, fifty minutes or an hour from his job. Even here he finds that the amenities of a good neighborhood are not for him. To get a conveniently located modern school, nearby shopping facilities, a well-planned community with paved streets, landscaping, open space, and plenty of trees, he would have to build a house costing twice or three times the \$4,000 or \$5,000 he can afford. Land for this kind of house is available only at the expense of compromise. Its low price carries with it the graveled road, the rows of rectilinear lots carved

out of bleak, raw prairie, the remote country school, the individual well and septic tank, the utter lack of community facilities.

The city-dweller can get a low-cost house only by ceasing to be a city-dweller and by adopting a hybrid form of existence which has neither the dignity of country living nor the convenience of city life.

Now comes the construction of the house—the costs of which usually account for 87 per cent of the total investment. Here, too, imposing barriers stand in the way of bringing good housing within the reach of families of moderate income.

THE DISAPPEARING CONSTRUCTION DOLLAR

AS NOTED in an earlier chapter, the cost of building a house has exhibited no tendency to decline over the years with improvement of technical knowledge and the presumed progress of the human race. In so far as inadequate data permit any conclusion, they point to an actual increase of construction costs during the last twenty years.

The increase cannot be laid to the restricted production of the depression period. For, unlike other producers of durable goods, the housebuilding industry has a peculiar habit of raising costs as its output rises.

During the twenties the steepest rise in costs took place between 1922 and 1925, which was precisely the period of the sharpest increase in the volume of residential construction. After the peak of home-building had been passed in 1925, costs remained virtually stationary, while home-building steadily declined, until the stock-market crash late in 1929.

Then building costs went down into the valley, along with all other elements of the national economy. But they did not go down so far as others, and they climbed out faster. At the first sign of building recovery in 1935 and 1936, they shot up again, well in advance of the economy as a whole. The precipitous rise undoubtedly played a part in choking off recovery and contributing to the general "recession" of 1937-38. After

some retreat, costs once more began a slow rise, which gained pace as the war boom took hold. From 1939 to mid-1945 it was estimated that the cost of building a standard six-room house had risen at least 30 per cent.

When total construction costs are analyzed (always with the reservation that national averages conceal numerous variations from city to city and region to region), they break down like this:

	Per Cent
Materials	52
Labor at site	33
Contractors' overhead and profit	15

These figures are based on the 1940-41 cost of building a typical house selected by F.H.A. in each of ten regions to reflect current local practice and costs. They are supported by other estimates which indicate that, when profits of the general contractor and the numerous subcontractors are eliminated, materials account for 60-66 per cent, and labor for 34-40 per cent, of the remaining cost. The division may vary with economic conditions and with different localities. In general, it is safe to assume that materials constitute the largest single factor; that they may be expected to run about one and one-half times the cost of labor on the site; and that profits and overhead of the contractors will account for the remainder.

If the cost of housebuilding is to be reduced, it will be accomplished not by any startling revolution in one of the three factors—materials, labor, profit—or in their interrelationships, but by economies gradually realized in each field through a better organization of the process of housebuilding. The automobile industry offers an obvious prototype. Between 1929 and 1935, automobile manufacturers found out how to eliminate the assembly of thirty separate parts and to save fifty hours of labor per car by stamping the underbody in

one piece. They eliminated fifty more parts and saved fifty more hours of labor by stamping the body top as a single unit. The labor cost of putting together a sedan door was reduced from \$4.00 to 15 cents; the cost of certain other operations on the body from \$19.00 to \$4.00. Labor did not suffer from these savings. Wages and employment were maintained—in fact, expanded—because higher productivity and lower unit costs broadened the market for automobiles.

Nothing could be more unlike the automobile industry than housebuilding as it is now organized. Not only does a house contain thirty thousand parts, as compared with five thousand for an automobile, but the process by which it is put together, the methods of marketing, and the initiation and control of production stand at the opposite pole from mass-production techniques of industrial organization. An examination of the amazingly archaic, complicated, and diffuse operations that combine to produce a house will go far toward explaining why it is that the consumer gets less for his housing dollar than for any other product of industry.

When an Industry Is Not an Industry

Housebuilding is a small-scale business, a local business, an unspecialized business, an inefficient business. The typical general contractor builds only two or three houses a year; many build less. Usually he operates in his own community or adjacent regions exclusively. He and his colleagues often get laws passed for the specific purpose of excluding outsiders from their own field, thus imposing severe handicaps upon the development of operations on a regional or national scale.

Until the war brought forth a few large-scale specialists, in response to the urgent necessity for rapid accommodation of migratory workers, there were almost no builders who made building houses their lifework. The contractor built anything

—stores, filling stations, garages, bridges, schools, highways—and considered himself lucky if he could stay clear of the bothersome complexities of housebuilding. If he did build houses, he much preferred to build them for upper-income families who could afford a large enough and splendid enough home to make it worth his while. The natural result was that the inefficient shoestring operators who never hoped for more than one or two jobs a year tended to concentrate in the very field where efficiency and competent organization were most needed—the field of the low-cost house.

The characteristics of small-scale operations and localism apply equally to the horde of subcontractors who conduct the various specialized operations of housebuilding, each piling his own profit and overhead on top of the other's. The same is true of the materials dealers who supply the stuff of which the house is made.

One does not realize, until they are all listed together, how many cooks have a thumb in the broth. First there are the manufacturers of materials—the lumber mills, the brickyards, the cement plants. They distribute their products through wholesalers, who pass them on to retailers. The lumber dealer sells the lumber. The brick dealer sells the brick. The hardware store sells the paint, nails, and tools. The building-supply house sells the cement, plaster, insulation. The furnace dealer sells the heating equipment; the master-plumber, the sinks and faucets; the glass dealer, the windows; the electrical supply store, the wiring and switches and insulators; the appliance dealer, the lamps and fixtures.

Filtered through all these hands, the various materials still do not make a house; they must be put together by workers, who are employed by subcontractors, who are employed by the builder. There is a subcontractor for excavating, another for concrete foundation work; one for masonry, one for car-

penry, one for plumbing, for heating, for electrical work, plastering, sheet metal, tile, painting, floor-finishing, landscaping.

None of these participants in the housebuilding process, as a rule, gains excessive profits. They have no plant, often no office, little working capital. There are many failures, many comings and goings into and out of business. Yet, with so many operators trying to make a profit on the same house, aggregate costs are bound to be high. No other producer buys his raw materials from a retailer; the producer of houses gets his materials in small lots from the end of a tortuous pipeline of supply, in which distribution costs double the price of the manufactured product.

It is difficult to measure efficiency, but such studies as have been attempted show that housebuilding is probably twice as wasteful as production of other durable goods. The marked seasonal character of the work is a large factor. Partly because of weather, partly because of habit, the great majority of contracts are let in the spring, and construction proceeds until frost and then virtually shuts down. Weather will always figure largely where so much of the productive process takes place in the open. But so much does take place in the open because a backward industry has clung to conventional methods of concentrating assembly at the site. Greater reliance upon sub-assemblies completed under cover would diminish this dependence upon the elements. It would also eliminate other wastes arising from the frequent idleness of site workers: the plasterers waiting on the electricians, the electricians waiting on the carpenters, the carpenters waiting on the concrete men, and so on. And it would make possible still other economies in the shift away from predominantly hand operations at the site.

When an industry is inefficient, one naturally blames first its management. The complicating factor in housebuilding

is that there is no management in the sense of a single responsible authority overseeing the process from start to finish. Unlike other products, few houses are built before demand has made itself fully effective and money has been laid on the line. Builder or buyer has the status of a man ordering a tailor-made suit, or a navy ordering a battleship, rather than that of a customer walking into the salesroom to order a ready-made car or refrigerator.

Thus in one sense the builder, or in the case of an individual building his own home the architect, exercises some managerial functions: he decides how big the house shall be, its style, detail, location. But at that point the initiator of production loses all or most of his control over the process. Construction methods are largely the province of the subcontractors, working in close collaboration with unions representing the men they employ. Decisions as to the kind and cost of materials available are made separately in another quite distinct branch of the business. Where a loan must be obtained to finance construction, the banker or lending agency exerts some influence upon general characteristics of the finished product. Finally, government, through its zoning ordinances, building codes, and mortgage insurance, establishes its own framework of regulations within which the process of housebuilding takes place.

This acute disorganization, instead of translating itself under the impact of economic necessity into a more rational form of enterprise, has given birth to extreme efforts of self-perpetuation. The free play of competition, which in our system is supposed to shake out the inefficient and adjust costs to the market, has been throttled by combination and coercion. Subcontractors ally themselves with each other, with materials dealers, and with the unions representing their employees; unions join hands with dealers and dealers with manufactur-

ers—all for the purpose of curtailing competition, keeping prices up, parceling out among them a co-operative monopoly on various aspects of the building process.

The restrictive practices which thus arise express the monopolistic urge inherent in all business enterprise under the profit system. They express the effort of producer groups to obtain for themselves the stability and security which an industry lacking strong and integrated management, and lacking a stable, expanding market, has failed to provide. They express the bitterness of a struggle for survival among numerous inchoate groups, subject always to the threatened influx of new producers, all trying to preserve their share of an essentially local and restricted market.

It cannot be said that any single group seeks by these tactics to gain monopolistic control of housebuilding as a whole. Each seeks rather the preservation of its own position. But the combined impact upon housing costs remains heavy. As the Twentieth Century Fund report, *American Housing*, says, the effect of restrictive practices has been “to freeze the pattern of the housebuilding industry in its local mold and to deprive it of the flexibility and growing space that an aggressively expanding industry must have.”¹

Tremendous barriers have thus been erected to the development of new types of producer organization, to the ready adoption of new materials and methods, to cheaper forms of distribution, to the integration of the industry on a national or even a regional basis, and to economies in the use of labor which would increase productivity and reduce unit costs. They represent the desperate effort of an inefficient industry to remain inefficient.

¹ *American Housing: Problems and Prospects* (New York: Twentieth Century Fund, 1944), p. 105.

52 Per Cent for Materials

Since the largest share of the construction dollar goes into materials, here plainly is a most fruitful field for economies. A given reduction in the materials cost will produce a greater net effect than the same reduction in labor cost. That is no reason, of course, for not demanding the utmost economies in labor cost. But one must avoid the facile assumption, too often adopted, that high wages in the building trades explain all there is to be explained about the high cost of housebuilding.

Inflexible prices, restricted production, and extraordinarily expensive distribution characterize the building materials business.

A price spread of at least 100 per cent between the manufacturer and the builder appears to be the rule in the case of most materials. The manufacturer usually marks up his product 16 per cent over cost of production. The wholesaler adds a 23 per cent markup, or 27 per cent of production cost. The retailer adds his own markup of 40 per cent, or 57 per cent of cost.

A study of lumber prices in New York City showed that Douglas fir which cost \$18.80 at the mill was priced at \$43.24 by the time it reached the consumer via cheap water transportation, and much more when it was shipped by rail. The lumber going into a typical house in 1940-41 represented one-fourth of the total materials cost and was therefore the largest single item. But the actual cost of manufacturing lumber accounted for only 9 per cent of the total. The balance was made up by 9 per cent for costs of distribution, 3 per cent for transportation, and 4 per cent for combined profits.

As the rate of profit suggests, the high markups along the line of distribution do not produce excessive earnings for those

who handle materials. In 1939, lumber and materials dealers averaged only 3 per cent net profit, and only 32 of 793 concerns reporting showed any profit at all.

Essentially, distribution costs are high because housebuilding provides only a small share of the total market for materials, because that share is uncertain and unpredictable, and because what does go into housebuilding is sold by the dealer in relatively small lots. The lumber trade's biggest single customer is industry, and only a part of what goes through its wholesaler-retailer distribution system is ultimately marketed to housebuilders. Thus the builder occupies an inherently weak position. As one among many customers for materials, and a relatively small customer at that, he cannot present to the industry a firm demand for a certain quantity of materials, and he therefore pays a higher price.

How sharply materials costs can be reduced by quantity purchasing was shown by the experience of an architect who took bids for the materials going into a house and simultaneously bids for the same materials to go into ten identical houses. He found that, by purchasing in tenfold lots, he would save 13 per cent. Large-scale builders of war housing and government purchases for public housing projects confirm the experience. If we would squeeze out the high costs of distributing materials, we must find some way to bring about purchase in mass lots large enough to constitute a steady and predictable demand.

National Housing Agency studies show how the high cost of distribution clips the value of the housebuilding dollar. Assume that a builder has bought his land and is ready to start construction. Out of each dollar that he has to spend, he must, according to data derived from typical homebuilding activities in 1940-41, lay aside these sums:

- 15 cents for contractor's and subcontractors' overhead and profit;
- 33 cents for labor costs at site;
- 24 cents for manufacturing of materials;
- 17 cents for distribution of materials;
- 4 cents for transporting materials;
- 7 cents for combined profits on materials.

Prices of building materials have long betrayed signs of "stickiness." They do not decline in the same ratio as other prices in times of slump, and they go up faster than others in times of recovery. Between 1929 and 1933 the price index for building materials dropped 25.3 points, while that for all prices was dropping 36.7 points. After the low of 1933, materials outpaced other prices on the rise. For a time in 1934 and 1935 the gap narrowed as general prices recovered under the impact of New Deal "reflation." But then, quite suddenly—between the latter part of 1936 and midsummer 1937—materials prices shot upward again, this time rising to a point where they actually exceeded 1926 levels (in relative terms) by 10 per cent and surpassed 1913 levels by 30 per cent. By June, 1937, the most important kinds of lumber were priced 15–25 per cent above 1929 levels; plaster prices were twice those of 1929; iron pipe was 49 per cent higher, and sand and face brick 10 per cent higher.

This price behavior has been conclusively demonstrated as the major factor in the 1936–37 rise of building costs which did so much to stifle recovery not only in building but in the economy as a whole. The cost of building a six-room frame house in Chicago stood at \$5,790 in the summer of 1936. One year later the cost of building the same house was \$6,336. Federal Home Loan Bank Board figures reveal that the difference was accounted for to the extent of \$141 in higher labor

costs and \$405 in higher materials cost. The rise in prices of materials contributed to the higher total costs nearly three times as much as the rise in labor costs.

Nor was this an isolated phenomenon. Of thirty-two cities for which data were collected, only eight showed a sharper increase in labor than in materials cost. In six of the cities all the total increase was accounted for by materials, and, in the other eighteen, materials rose much more than labor.

The wide variation of materials cost among cities calls attention to another peculiarity of the business. One would expect the variations to be confined to those resulting from differences in transportation cost or differences in local usage due to climate, etc. Not so. The materials in a six-room frame house in 1936 cost \$2,900 in Newark, New Jersey, but \$3,500 in Houston, Texas, where a milder climate might be expected to require less expensive construction. In 1937 the materials cost of a standard house was \$3,658 in Chicago, but \$4,246 in Milwaukee, only a hundred miles away. Such variations strongly suggest that local combinations of dealers exercised a powerful influence upon prices and that the industry tends to hike prices whenever and wherever building activity temporarily increases.

More than two-thirds of the materials expense on an average house may be accounted for by the cost of four items: lumber, masonry, cement, and plumbing. It is precisely in these fields that controlled prices and restrictive practices have been most glaring.

The cement industry charges the consumer the same price wherever he may be, regardless of transportation costs. I once heard of a middle westerner who lived within ten miles of a large cement plant. When he learned that he had to pay the same price for cement from that plant as for cement from a plant in Florida, he took the grim satisfaction of ordering a

shipment from Florida, "just to make them ship the stuff." But that did not reduce the price of his cement.

During its drive against restrictive practices in 1939-41, the United States Department of Justice charged that plumbing manufacturers representing 80 per cent of the business sell their products only to "approved" jobbers, who distribute them only through "approved" master-plumbers—all at fixed prices and under arrangements which make it difficult if not impossible for a builder to get a plumbing fixture installed unless it comes through the "right" channels at the "right" prices. The government charged that these practices raised plumbing costs 20-25 per cent.

In the lumber industry the government indicted members of various trade associations on the charge that they had abused their system of grade-marking for the purposes of driving independents out of business and enforcing a conspiracy to sell lumber only through agreed channels of distribution, with obvious effects on costs. The defendants accepted a consent decree reorganizing the grade-marking system to prevent its being used as a competitive weapon, and it was hoped that other branches of the industry would behave accordingly. But this remains to be seen.

In the masonry field several consent decrees were obtained which may or may not bring about improvement, depending upon how well the spirit of reform stands up under the test of a major building boom and how vigilantly the government maintains watch. In these cases it was charged that manufacturers, contractors, and the bricklayers' union repeatedly conducted boycotts in an attempt to monopolize the sale and installation of masonry tile.

Among other manufacturers and dealers caught in the anti-trust prosecution were those handling wallboard, gypsum, and electrical supplies. In the electrical case the union and

a group of manufacturers were accused of conspiring to curtail competition in the sale of electrical fixtures. The union, according to the government, refused to instal fixtures not bearing the local union label, which, of course, could not be used by out-of-town firms even though they employed union workers. The resulting monopoly for the favored local manufacturers, the government charged, raised costs 20 per cent.

It is unnecessary to labor the point that such practices, which may fairly be considered typical of the materials industry as a whole, deplete the value of the construction dollar just as does the high cost of distribution. The housebuilder finds the disadvantage of his bargaining position magnified by the combination of dealers and manufacturers against him. And once he has submitted, as perforce he must, he finds similar combinations among labor unions and subcontractors erecting more barriers to the reduction of housing costs.

33 Per Cent for Labor

In exploring that portion of housing construction costs represented by the cost of labor at the site, there is little profit in trying to decide whether the hourly wages of carpenters, bricklayers, plasterers, and other trades are "too high." Usually these hourly rates are indeed higher than those for other skilled workers—printers, boilermakers, steel workers, etc. They are invariably much higher than rates for semiskilled and unskilled workers in the great manufacturing plants, a differential which can be justified on the ground of the difference in skill required to tend an automatic machine and that demanded of a craftsman using hand tools.

Nevertheless, the real question involved in wage rates is not whether they are "too high" but whether they yield a product, in terms of efficiency and quality, which justifies them. A housebuilder will not hesitate to pay high hourly

rates if he obtains for the premium payment a degree of productivity which reduces the total labor cost on the house.

It is a familiar fact that high hourly wages in the building trades do not of themselves produce a large annual income for the individual craftsman. During the thirties average yearly earnings of building workers ran much below those of workers in the automobile, steel, and other heavy industries. According to the 1940 census, the median annual wage for common labor in the construction industry was \$450 a year, compared with \$717 for common labor in manufacturing. For skilled labor, the median wage in construction was well below \$1,000 and in some crafts \$500–\$750. More complete data might require an upward revision of these figures, but there is no doubt that during the thirties annual earnings in the building trades fell below those in the factories.

When we compare the 1930's with the 1920's, however, it is clear that low annual earnings during the depression decade merely reflected the chronic low volume of construction. When building booms, building labor does all right. The 1929 census showed both hourly rates and annual incomes comparing favorably with those in other industries.

Even in the good years building workers suffer more unemployment than the average worker. The seasonal character of construction and poor organization of the work, particularly in housebuilding, leave their marks in the form of idle and payless days. Some studies indicate that as much as one-third of the time which could have been worked was lost by construction workers through project delays of one kind or another, exclusive of weather. Managers of the Farm Security Administration housing projects undertook by strenuous efforts of co-ordination and supervision to bring about year-round employment, including winter operations; but, even so,

the workers got only 86 per cent of full time, owing to "unavoidable" delays.

High hourly wage rates reflect the working conditions of an industry which has traditionally offered intermittent and discontinuous jobs. The surest way to bring rates down is to work out methods of assuring labor reasonably continuous work and adequate annual incomes.

Much more serious factors in labor cost than wage rates, however, are the restrictive practices of the unions, which parallel those imposed by materials manufacturers and dealers. In an attempt to share a limited volume of work among their members, or to stretch out a given job over as long a time as possible, or to gain monopolistic privileges, the unions have adopted methods which unquestionably inflate the labor cost of housebuilding and thereby reduce the market for housing.

It has been argued that, since many detached houses are built by nonunion labor, these restrictive rules have a limited effect upon housing construction costs. This may be true in some smaller cities and towns, but the fact remains that the A.F. of L. building trades unions dominate the labor market in most of the great metropolitan centers, where the problem of housing costs assumes its most acute form. No cost reduction program will be complete, therefore, unless it grapples with the restrictive practices of the unions along with those of other elements of the industry.

Attempts to establish a closed shop for union labor—that is, to require that every building project in the community be supplied with labor from the ranks of the appropriate unions—may be considered a legitimate object of collective bargaining. But closing the union at the other end is quite a different matter. Some building trades unions are notorious for this kind of exclusion. Racial barriers have in some cases been imposed

against the admission of Negroes or other minority groups. Apprenticeship regulations have been set up which discourage the flow of new blood into the craft and make extremely difficult the retraining of adult workers who wish to shift from some other industry into construction. High initiation fees and trade examinations have been established for purposes of exclusion. Sometimes a union will "close its books," refusing to admit new members under any conditions. Sometimes a local union will refuse to grant work permits for migrant workers from other communities. Or, if an acute labor shortage breaks down this rule, temporary permits will be issued—at a fee—under which the "foreigner" can work for a limited period without being admitted to permanent union membership.

All these rules may be explained as defenses against the insecurity of an unstable industry. They have been rationalized by union officials as a necessary expedient to prevent the use of the building trades as a dumping ground for unwanted workers crowded out of other industry. But no explanations and no rationalizations can justify, in the end, practices which not only impose unreasonable conditions upon the individual's right to follow his chosen trade but can and often do increase the labor cost of housebuilding by creating artificial scarcity of labor.

Restrictions upon output have likewise been rationalized by union officials as necessary to guard against ruthless exploitation by the employer. The unions are well within their rights in combating such exploitation; but, if this were their only purpose, they could accomplish it by negotiation with and discipline of the particular offender better than by laying down arbitrary rules limiting the output of every man working for every employer. These rules have the effect, and must be presumed to have the purpose, of raising the gross wage for a given amount of work beyond the standard fixed by high hour-

ly rates. They have the effect, and must be presumed to have the purpose, of freezing individual skills and productivity at the level of the least efficient members of the group.

Output restrictions take numerous forms. Painters may be forbidden to use a brush of more than standard width, usually four inches. Or pressure may be brought against a lather who nails up more than a hundred yards of lath per day. On large bricklaying projects the men may decline to raise the bricklaying line until the slowest man has laid his bricks up to the line and on small projects may limit the number of bricks laid by each man per day. Overt restrictions of this type are defended by union officials as an attempt to standardize a "fair day's work." But if their purpose ever was to establish a minimum amount of labor as a norm, it can easily get lost in the quite different purpose of fixing a minimum beyond which all workers are forbidden to go.

Restrictive rules frequently take the form of opposition to technological improvements. The painters explain their refusal to tolerate the use of spray guns in some cities on grounds of health, but a more plausible explanation, particularly in the case of water paints which could not harm anybody, lies in the superior efficiency of spraying over brushing. The hod-carriers once refused to have any truck with cement-mixers; now, in some cities, they successfully prevent the use of ready-mixed concrete. Mixed on the job, concrete costs \$8.50 a cubic yard; mixed at a central plant and delivered ready to pour, it costs \$6.50. On a small house the saving might be \$75 to \$100—a saving well worth making in any effort to cut costs where cost-cutting would produce the greatest results.

On the strength of these facts, the Department of Justice obtained an indictment against the Chicago union which banned ready-mix, but a lower court dismissed the case on the ground of inadequate evidence of intent to restrain trade, and

the Supreme Court later declined to hear it in view of its decision in the *Hutcheson* case, of which more hereafter. When taxed with their policy, union officials now declare that the law supports their position and argue that they are only protecting the builder against shoddy construction due to improper concrete mixes—an objective which could be, should be, and, in some cities, is attained by more defensible methods than the unilateral fiat of a prejudiced party.

In attempts to restrict the use of power tools and laborsaving devices we have the age-old struggle between man and machine, the desperate effort of labor to protect itself against technological displacement. Recognizing that society in general and the employer in particular have a responsibility to help the displaced worker find a useful role in the community, one cannot condone any efforts, whether by corporations or unions, to deny society the immediate benefit of economies made possible by machines. Too many union practices put the whole burden of technological change on the innocent bystander, the consumer, by forcing him to pay for labor which he does not need.

Union opposition to new building methods often appears in the demand for assembly on the job of units which could be more cheaply assembled in mill or factory, with no sacrifice of quality. Glazers in some cities refuse to work on windows in which the glass has been installed at the mill; they insist that sash and glass be delivered separately to the site and each pane slowly inserted in each sash by hand methods. Factory-fitted doors and factory-cut bridgework for floors are banned for the same reason. The plumbers in one city insisted on the right to cut off the threads of prefabricated pipe sections and cut new threads at the site. The lathers in New York were indicted for refusing to instal metal lath and metal rods which were not cut and bent on the job or in small union shops within the city.

Electricians in many cities imposed similar requirements with respect to all piping, wiring, and other materials of their craft.

No technological excuse can be advanced for some of the restrictions imposed; these are plainly and frankly make-work devices. Former Mayor La Guardia of New York, who has done as much as any man to secure legal recognition of the legitimate rights of collective bargaining, has told how electricians successfully demanded the right to "instal" electric refrigerators in New York housing projects at union scales for skilled labor—"installation" consisting of plugging in the cord. On the same projects built with concrete floors the plasterers objected to the economical practice of leaving the ceilings unplastered. In Chicago contractors complain that the plasterers demand three coats over rock lath where two are quite adequate. Bricklayers often insist on the right to handle concrete foundation work which could more economically be installed by workers of lower skill.

Finally, jurisdictional disputes between unions are a continuing source of inflated building costs, particularly on large projects, either through costly delays in construction caused by strikes or through the requirement of unnecessary labor to satisfy the contending unions. Some of these disputes arise from a change in materials, tools, or processes and revolve around the attempt of displaced trades to continue doing the work they have been accustomed to do. In other cases the disputes emerge simply from the collision of two strong-willed groups in pursuit of power and jobs.

Thus an electrician and an engineer may be required to tend the same electric motor because unions representing both have overlapping claims. A bricklayer, a carpenter, and a plasterer may be required to instal new kinds of cork and acoustical tile, because the three trades have never been able to decide to whom the work properly "belongs." Mayor La

Guardia is authority for the statement that untold sums have been added to the costs of New York housing projects by jurisdictional disputes. Two trades held up one project for weeks while they quarreled over who should instal baseboards.

"We must get some understanding with the building trades," Mayor La Guardia told a Senate subcommittee on housing in 1945, "so that they will look after their own family quarrels without interrupting construction and adding to the cost; and also we must get the full benefit of all improvements in the art."

The A.F. of L. has established machinery for arbitrating disputes, but how well it works appears to depend upon the level of labor statesmanship in each locality. Unfortunately, too many "settlements" leave the consumer and the public welfare out of account. They are reached in ways that increase rather than diminish building costs.

No union official has so far come forward to the mourners' bench to admit error and pledge reform. On the contrary, the unions feel that they were successful in throttling Assistant Attorney-General Thurman Arnold's antitrust crusade against restraints in the construction industry, and they believe the United States Supreme Court has upheld their right to impose conditions they regard as desirable.

When a newspaper asked Paddy Sullivan, president of the Building Trades Council in Chicago, for an explanation of certain union rules, he said: "For every so-called restrictive practice we have a legitimate reason. We are trying to protect the builder's interests as well as our own. We have nothing to gain by retarding construction, but we do insist that the prospective builder get value received for every dollar invested."

No such elevated motives are professed by another spokesman, M. H. Hedges, director of research for the International Brotherhood of Electrical Workers. He says bluntly: "Every

restrictive practice stems from a need for control, and until the needs for control are removed, removal of controls would probably plunge the industry into deplorable confusion."

It is unlikely, then, that cost economies through the elimination of restrictive practices will come about by the benevolence of the unions. They can be achieved only by public policy continuously and courageously applied. That is a problem for the civic leadership of every community and for the political leadership of the nation.

15 Per Cent for the Contractors

The fifteen cents out of every construction dollar that goes to pay for the overhead and profit of the general contractor and all the subcontractors can best be reduced, obviously, by changing the system of subcontracting.

Under traditional methods the house is made by a loose confederation of labor crafts working through specialized subcontractors. Each group, each subcontractor, has an interest in only one aspect of the house. None has a strong interest in integrating all the operations as a unit. What the general contractor buys from the subcontractor is not part of a house but a certain quantity of materials plus a certain quantity of electrical work, plastering, carpentry, painting, etc. The builder's skill in organizing these operations will determine how much money he makes, but he has nothing like the authority or the responsibility of a factory manager upon whom the whole productive process is focused.

Diffusion of responsibility has a direct influence upon costs. Because each group sees only its own aspect of the job, and because none controls altogether the price of the finished product, it is easy for each to inch its own costs upward in the belief that the effect on the total will be small. Here, again, the trouble is that the subcontractor has for sale, not housing,

but a certain set of skills which are needed to produce housing. His long-range interest, like that of the labor which he employs, certainly calls for reduction of the final cost of housing, in order to permit more houses to be built. But he finds it difficult to keep the long run in view when confronted by immediate opportunity to make a little more money without producing immediately perceptible disadvantages.

The same influences which led to the growth of restrictive practices among materials dealers and labor unions have encouraged them among subcontractors. Intense competition and a limited local market inspire attempts at mutual self-protection at the expense of the consumer.

Until the Department of Justice prosecutions put a halt to the practice—how permanently remains to be seen—the typical form of restraint among subcontractors was the bid depository. Originally this was a defense against bid peddling by general contractors—the practice of beating down prices by playing off one subcontractor against another. But it quickly led to controlled bids and price-fixing. When each subcontractor was required to deposit his bid on a given job, and all others were permitted to inspect the bid after contracts had been awarded, the opportunity to discipline those who bid too low was excellent. The Department of Justice found the device widely used among marble, metal, electrical, excavation, and painting contractors. Twenty-four court actions were filed, some consent decrees obtained, and it was claimed that the practice had been broken up, at least in its cruder forms.

The usual way of enforcing prices fixed through bid depositories was by the withdrawal of union labor from those who violated the agreements. Similarly tile contractors combined with manufacturers and unions to prevent the sale of tile through certain jobbers, and the plumbing industry, as

already noted, combined to combat sales through mail-order houses direct to the consumer. Stone contractors and unions have prohibited the use of precut stone from outside the state, insisting that the cutting be done on home grounds. That gave a competitive advantage to the local contractors and a work monopoly to the local union; but it also increased the cost of cut stone and so reduced the potential market for it. In electrical equipment, piping, air conditioning, plastering, and masonry similar deals between subcontractors, unions, and manufacturers have been reported.

The opposition which fought Thurman Arnold's attempt to break up such practices demonstrated how strong is the motivating impulse behind them. Where one form of restraint is outlawed, another springs up. Where one group may be legally bound to establish its prices by open competitive methods, another may have escaped attention of the anti-trust law enforcers and will not hesitate to use its advantage to the utmost.

Added costs due to restrictive practices and the inefficiency of the subcontracting system hurt most, of course, in the building of a low-cost house. Contractors and labor alike prefer to avoid housebuilding operations if they can, because of the small scale and uncertainty of the work. This leaves housebuilding to the less efficient and tends to raise the cost of each operation, for the same reason that materials bought in small lots cost more than in large.

The remedy for waste and high costs lies in a reorganization of the industry under which large and integrated housebuilding corporations or associations can realize the maximum economies of multiple operations, mass purchase of materials, and centralized management. Yet the institutional resistances to reorganization are extreme. The war provided a priceless opportunity to break the mold of the industry. Some pre-

fabricators and mass producers did get a start and will doubtless prove sources of healthy innovation in the future; but inertia won the day in most cases. In the interest of speed, efficiency, and economy, an attempt was made to dispense with subcontractors on some of the large war-housing projects—to give the housebuilding industry, on these projects at least, the centralized management it so badly needs. The attempt failed. The unions, exhibiting a paternal interest in the subcontractors, would not permit a deviation from established procedure.

This solidarity of various groups within the industry in opposition to technological changes which affect them jointly appears also in their common hostility to prefabricated housing. Many contractors are no more receptive to prefabrication than the unions, and materials dealers sometimes join in resistance to a method of construction which threatens the old habits and forms. In 1941 a prefabricator tried to get local contractors and A.F. of L. unions to erect an experimental house in Belleville, Illinois. When they declined, he imported a C.I.O. construction crew to do the work. Daily riots broke out, and calls for police protection went unheeded. The house could be completed only after the Department of Justice intervened and obtained indictments charging a conspiracy by materials dealers, contractors, unions, and the local police.

The typical attitude of builders toward prefabrication was expressed by Paddy Sullivan when he called upon the industry to “recognize improvements in the conventional method of construction and also have the courage to condemn innovations toward ‘miracle housing’ that will produce the slums of the future.” Amplifying upon the latter point, Sullivan reiterated the unions’ opposition to prefabrication and said that opposition will continue “until we are satisfied the prefabricated home is really a home and not merely a shelter.”

It is true that prefabrication has not yet reached the stage of perfection, but the established industry's coolness toward its possibilities suggests a fear, not that prefabricated houses will not be good enough for the American people, but that they will prove so good that the American people may want them.

Blockade of the Building Codes

Because unions, contractors, and materials dealers normally exert more political influence than the unorganized public, building codes in many cities have become instruments of preserving the status quo of the construction industry. Originally these codes were intended to enforce minimum standards of safety, health, and public welfare in construction. They have become, in many cases, means of preventing innovation and keeping costs high.

Chicago—again it is a conspicuous example—set out to revise its building code in 1927, during the administration of the late Mayor Thompson, who liked to be known as “Big Bill the Builder.” For eleven years, through the upswing of a boom and the downswing of a depression, pressure from the entrenched interests forestalled any action at all. When the City Council took up the ordinance at last, it quietly strangled nearly all the recommendations submitted by an expert committee. Clause by clause, progressive measures encouraging the use of new materials and methods in home-building were deleted. The new code finally enacted into law required in general the same type of construction that had prevailed for thirty years.

When it was proposed to permit use of metal or fiber board for exterior sheathing, as alternatives to lumber, aldermen raised a horrified cry of “tin-and-paper” houses. Memories of the Great Fire were invoked on behalf of traditional masonry construction. At the same time, however, fabricated steel

dwellings were prohibited, one alderman solemnly declaring that in case of fire such a house would fry the occupants as in a skillet.

Cellular steel and concrete floors, used safely for years on railroad bridges, were ruled out for home construction. When the matter of perforated brick arose, the council decided to specify the exact location of the perforations. This had the incidental effect of compelling outside manufacturers either to make a special brick for Chicago or to yield the field to local interests which made only solid brick.

The experts, acknowledging that wallboard and other dry-wall materials had been developed as satisfactory alternatives to wet plaster, proposed to permit use of these materials. In committee, at the instance of the plasterers' union, aldermen changed the provision by requiring that any substitute have the same total thickness as a traditional wall. Later they added a further qualification, requiring that any substitute possess the "sanitation value" of a "seamless plaster wall."

So a formula was worked out which, under pretense of permitting plaster or its substitutes, in practice banned the substitutes. An incidental but by no means insignificant result was that it erected a barrier against all experiments in the building of prefabricated houses. Prefabrication requires dry-wall construction of some kind, and the simplest way to make it illegal, or to rob it of an economic advantage, is to require that interior walls be plastered.

One need not assume the superiority of dry-wall over plaster, perforated over solid brick, fiber over lumber sheathing, to perceive the evil effects of a code which sets up discriminations of this sort. The discriminations are there, not because any material is better than its competitor, or serves the public welfare better, but because some have political pressure behind them and some do not. The consequence is to increase

building costs without a compensating increase in safety, sanitation, or any other proper purpose of building regulations.

The root of the evil lies in the legislative method of establishing regulations. There is something ridiculous about city fathers holding long and tedious debates on eight-inch versus twelve-inch walls, brick veneer versus full masonry, metal lath versus wood, and similar subjects of engineering technique. The intelligent way to establish home-construction standards is to specify certain requirements as to strength, fire resistance, and sanitation and to permit an administrative agency, properly safeguarded from political interference, to authorize the use of materials which meet those tests.

When Chicago's expert committee proposed such an arrangement, the aldermen rejected it as a usurpation of their powers. Whereupon they wrote into law a code which an official of the Antitrust Division of the United States Department of Justice denounced as "arbitrary, unreasonable, capricious," and productive of excessive costs and barriers to interstate commerce. Uncertainty as to the federal government's powers over local ordinances unfortunately prevented antitrust action against the code.

Many cities entered the postwar era unprepared to take full advantage of modern methods of home construction. Legal requirements originating in ignorance of stresses and strains, and based upon the principle of requiring plenty of material just to be on the safe side, have hung on despite the advance of technical knowledge. One study in a hundred cities showed all of them specifying masonry walls eight to seventeen inches thick. Many new wall materials have been developed which do not depend upon thickness for strength.

Variations among the two thousand codes now in force pose special problems for manufacturers, shutting them out of some markets and discouraging standardization. Where

different types of construction compete, the provisions of the code may determine which one gets the advantage in a given city.

No city need have an outdated and restrictive code if its citizens really want another kind. Since 1935 a committee of the American Standards Association, working with the National Bureau of Standards, the F.H.A., and various industry groups, has been amassing technical information for the use of cities in revising codes. Communities which lack facilities for elaborate testing of their own can legalize standard tests generally recognized in the industry.

The great need is for flexibility, maximum receptivity to new materials and methods, and basic uniformity. Recently the idea of state and national codes has been taking hold. State codes, allowing latitude for local variations, would apply minimum standards for suburban and village areas now without any standards at all and might encourage uniformity among the existing codes.

Whatever form code revision may take, public opinion in each community will be responsible for demanding efficient administration. City building departments which now act as a kind of embassy for the building trades must be made to serve the public. The purposes of better codes will be defeated if nonpolitical, strictly technical administration is not assured.

The Future of Restrictive Practices

A model building code in every city would not reduce housing costs unless the underlying practices, for which the code serves as one enforcing instrument, are changed. It should be frankly recognized that the federal government's first attempt to change them failed.

In his 1939-41 prosecutions, Assistant Attorney-General Thurman Arnold filed a hundred criminal and civil proceed-

ings charging violation of the antitrust laws at every level of the construction industry. Grand juries sitting in eleven key cities brought in ninety indictments against 1,569 defendants. In Pittsburgh a series of indictments broke up collusive bidding and showed dramatic results in the form of a 17 per cent reduction in the cost of a public housing project. Consent decrees were obtained in eighteen civil cases, and some building groups announced their intention to abandon certain restrictive practices. Nevertheless, the hope of forcing conclusive, industry-wide reform vanished when the criminal phase of the investigation dashed itself to pieces on the rocks of a Supreme Court decision.

This was the "carpenters' case" (*United States v. Hutcheson*), invoking the antitrust laws against a jurisdictional dispute between A.F. of L. carpenters and machinists, which had stopped the building of an Anheuser-Busch plant in St. Louis. The company, in accordance with an A.F. of L. decision, had employed machinists to instal machinery in the new plant. Repudiating the A.F. of L. ruling and claiming the right to do this work themselves, the carpenters went on strike, picketed the plant, and conducted a boycott against the company's product—beer. Arnold obtained criminal indictments against the union officials, charging them with a conspiracy to restrain trade for the purpose of winning a contest, not with the employer, but with another union.

The Supreme Court, in a decision written by Justice Frankfurter, declined to support Arnold's argument that a union which restrains trade is in violation of the antitrust laws. It was pointed out that the Clayton Act, and later the Norris-La Guardia Act, established the national policy that the worker must have, in the words of the latter, "full freedom of association, self-organization, and designation of representatives of his own choosing . . . free from interference, restraint or

coercion of employers . . . or their agents." The Norris-La Guardia Act also guaranteed the freedom of labor "in other concerted activities for the purpose of collective bargaining or other mutual aid or protection"—for example, the calling of a strike or boycott.

A union, the court held, could be found guilty of restraint of trade only if it conspired with groups outside its own ranks: "So long as a union acts in its self-interest, and does not combine with non-labor groups, the licit and the illicit . . . are not to be distinguished by any judgment regarding the wisdom or unwisdom, the rightness or wrongness, the selfishness or unselfishness of the end of which the particular union activities are the means."

Shortly after handing down this decision, the Court indicated its intention to construe the rule broadly by refusing to hear three appeals of cases arising from the construction industry investigation, one of them the case involving the hod-carrier union's ban on ready-mixed concrete. Concluding that evasion of the antitrust laws had been simplified, since a union might with impunity enforce restrictive practices so long as it acted, or pretended to act, independently of others, Arnold abandoned the investigation and not long afterward left the Department of Justice to become a circuit judge.

There were historical grounds for avoiding broad application of the antitrust laws to unions. The Sherman Act had been used as a weapon to fight unions in the pursuit of their legitimate activities of collective bargaining. The Clayton and Norris-La Guardia acts had been passed specifically to outlaw those abuses. But did Congress, in upholding the right of unions to "restrain trade" for the purpose of gaining better wages and working conditions, intend that they should also have the right to "restrain trade" for the purpose of fixing prices and restricting competition? Did Congress intend that

a union might achieve for an employer monopolistic privileges which the employer himself was debarred from achieving? Was restraint of competition illegal when carried out by contractors and manufacturers but legal when carried out by the union on their behalf?

A later decision, written by Justice Black in June, 1945, has done little to clarify the situation. In this case, New York Local No. 3 of the International Brotherhood of Electrical Workers (A.F. of L.) had obtained closed-shop contracts with all manufacturers and installers of electrical equipment in New York City. Under the agreements the installation contractors agreed to buy equipment only from New York manufacturers who employed members of the union, and the manufacturers agreed to sell their products in New York only to union contractors. The result was a local monopoly for the local manufacturers, the benefits of which the union shared in the form of higher wages and wider employment opportunities. Prices of electrical equipment shot up. Some manufacturers sold their product at one price in New York and at a lower price elsewhere. A wall had been erected around the New York market, and competition of outsiders was stifled.

The Court upheld an injunction against the union, but on narrow grounds. While it declared at one point that "a business monopoly is no less such because a union participates, and such participation is a violation of the [Sherman] act," the Court carefully pointed out that the union's activities were illegal only because carried on in association with nonlabor groups. Had the union achieved the same result acting alone, the Court said, its activities would have been exempted from the coverage of the antitrust laws.

This could be construed, and Justice Roberts in dissenting did construe it, as granting immunity to the electrical workers' union provided it obtained all its contracts one by one with

individual employers and could show that the employers themselves engaged in no conspiracy. Answering the objection that such a rule gives unions freedom to engage in conduct which restrains trade, the Court said: "The desirability of such an exemption of labor unions is a question for the determination of Congress."

In other words, if unions are to have the right to restrain trade for the purpose of bettering their own position but not for the purpose of creating business monopolies and controlling the marketing of goods and services, Congress must pass new legislation expressly drawing the distinction.

As the law now stands: (1) contractors, manufacturers, and dealers may be prosecuted for conspiracy to fix prices and control markets; (2) unions may be prosecuted if they conspire with groups of employers; (3) it is uncertain but doubtful whether unions can be prosecuted if they make restrictive arrangements with individual employers; and (4) unions definitely may not be prosecuted if they bring about price-fixing and curtailment of competition by their own action without overt consultation with nonlabor groups.

It can scarcely be disputed that the last-named principle alone leaves a hole in the antitrust laws through which almost any restrictive practice can be driven. If a union were resolved to enforce a certain restraint, and if the beneficiary contractors, dealers, or manufacturers were amenable, it would be extremely difficult to obtain evidence of conspiracy. The union could always maintain that it acted on its own initiative and for its own interests. And if this case could be proved, then its action presumably would be immune from antitrust prosecution. As one of Arnold's assistants has put it, whether the antitrust laws have been violated appears to depend, under existing legislation and court decisions, not upon what was done in the market but upon who did it.

What kind of action can be taken to protect the public against unreasonable restrictive practices which raise the cost of housebuilding will be discussed later. For the present it is sufficient to note that the organization of the construction industry raises high barriers to the achievement of truly low-cost housing, that vested interests have been built up in that organization which vigorously resist change, and that the instruments and purposes of public policy to induce change have as yet been inadequately developed.

Until the problems presented by a wasteful and costly housebuilding process are solved, the effort to bring good housing within the reach of families of average income will fail.

CAPITAL FOR BUILDING

BEFORE the home-builder can buy his land and sign contracts for construction, he must have in sight a source of capital with which to finance his investment. He may be in the fortunate position of possessing the capital himself, in which case he need only lay it on the line. But the great majority of home-builders, whether they contemplate a detached house for themselves, a house to be sold, or a multifamily structure to be rented, count on using, at least in part, other people's money. The cost of that money and the conditions under which it can be obtained represent one element in the cost of housing and help to determine its kind, quality, and location.

In so far as gross supply is concerned, no dearth of capital for housing exists. The characteristic of a modern industrial economy is its generation, along with chronic unemployment and maldistribution of income, of a large volume of savings. The higher the degree of industrialization, the greater the excess of savings over profitable outlets of investment. Our economic history during the period between two world wars has emphasized the fact that this country has left behind it the age when capital expenditures were limited by inadequate supplies of funds and passed into the age of a capital surplus so

large as to provide not only plenty for the purposes of our own plant (including housing) but an exportable balance.

During the 1920's Americans invested, on the average, \$3 billion a year in residential construction. During the 1930's housing investment fell to \$1 billion and \$2 billion a year. But the cause was not a lack of capital. Despite the washing-out of millions in savings during the depression, our society continued to produce new savings available for investment. The general decline in interest rates expressed not only government intervention in the money market but a chronic capital surplus seeking outlets. It was a low national income, coupled with inflexible costs, that accounted for the decline in housing construction. Once the war boom raised the national income, anybody who possessed the initial equity capital and the prospective security to justify a new house had no difficulty obtaining the additional capital to build or buy.

The war has multiplied our capital surplus many times over. Not only have the war years witnessed unprecedented levels of national income and consequently unprecedented levels of saving. During this period we have done without new houses, new cars, refrigerators, radios, washing machines, and the other trappings of industrial civilization. The deferred demand for these products may not bring us permanent prosperity—indeed, we can be profoundly certain that it will not—but at least it holds forth the prospect of a period of restocking in which new savings will be produced.

If we approach the levels of national income that will support full employment or a reasonable facsimile thereof, we shall have a minimum of \$25 billion in savings every year. If full employment is not achieved, still the new savings produced at a more moderate rate of economic activity, plus those already in hand, will be more than adequate to finance all the new industrial plant we can use and all the houses we

can build. The construction of a million and a half houses a year, which has been shown to represent a fair measure of the nation's actual needs, would provide investment outlets for upward of \$7 billion a year. Not only will the capital for such investment be available but measures to channel it into housing will be necessary if we are to avoid the evil consequences of too much surplus capital lying idle for want of useful work.

Quite apart from the potential savings to be produced in the future, private financial interests are on record with the estimate that the great insurance companies alone now have available for investment in real estate mortgages \$9.5 billion. Other lending institutions have resources which raise the total to between \$19 billion and \$24 billion. If not another dollar of national savings flows into housing investment, then, the savings already earmarked for this purpose in the vaults of our financial agencies would support a full-steam housing program for three years.

Besides these huge sums on tap for mortgage lending, other billions—held by insurance companies, savings banks, individuals, corporations—are seeking an outlet in equity investment, the outright ownership of housing. Paced by the Metropolitan Life Insurance Company, many savings banks and insurance companies are exploring the possibilities, in addition to lending their funds to other builders, of investing directly in large apartment-house developments of their own. The days of the gigantic corporate landlord, for better or for worse, may be just around the corner.

The financial problem in housing thus is not to find the money—we are dripping with the stuff—but to make it available on terms which will give us the right kind of housing in the right places for the right people. Unless the actual needs of the people are served, unless financial mechanisms are adapted to the specific tasks ahead, we could bumble through the

postwar period with an abundance of money lying idle while construction failed either in total volume or in distribution to reach the goals set for it.

Housing capital has two main functions: to finance construction for people who want to own their own homes and to finance it for people who rent. There is no use trying to weigh the two responsibilities in terms of relative importance. They are both important.

Home ownership in nonfarm areas showed a progressive increase from 1890 to 1930, at which time 46 per cent of the people living in towns, cities, and adjacent residential areas occupied their own homes. The wave of foreclosures and depletion of family incomes during the depression brought the ownership ratio down to 41 per cent, the decline being especially marked in the large cities. In 1940 home ownership in six large cities stood at only 25 per cent.

The "new" cities like Detroit, Chicago, and Los Angeles—those which have attained much of their growth in this century—show a higher proportion of ownership than "old" cities like New York, Philadelphia, and Boston. Wartime housing shortages of rental housing have no doubt markedly increased ownership nearly everywhere, but whether this trend will continue is anybody's guess.

It is as unnecessary to make a guess as it is unnecessary to enter the controversy as to whether people "should" or "should not" own their homes. The fact is that a great many people aspire to ownership. The labor unions report that an overwhelming majority of their membership expresses this ambition. A scientific poll of public opinion, conducted by the Princeton University Bureau of Urban Research in 1942, showed that 86 per cent of those who own are glad they do and that 60 per cent of those who rent would like to own.

But the fact also is that a great many people do not want

ownership, or cannot afford it, especially in the larger cities. Adequate financing is a necessity of equal significance for both groups. The discussion which follows will show that what progress has been made in developing suitable financial mechanisms has taken place almost entirely in the field of owner-occupied homes.

Mysteries of the Mortgage

In considering the monthly cost of owning a house, we discovered that the second largest component of the monthly payment is the interest charge—24 per cent of the payment on a \$5,000 house with a 5 per cent mortgage. The largest item—amortization of the principal—is also affected by the mortgage terms. A fifteen-year mortgage requires heavier principal payments each month than one written for twenty years, and spreading the principal over twenty-five years decreases the monthly payment that much more. While reductions in the terms of financing do not exert as great an effect on the monthly cost as reductions in the original capital outlay, still no savings in a field covering one-fourth of the monthly cost can be ignored.

It is a pleasure to record that in one phase of housebuilding a genuine and significant reduction of cost has taken place during the last fifteen years. Where construction costs have risen, if anything, and where land costs have been cut only by urban disintegration, the cost of borrowing money has declined 25–30 per cent.

Many factors combined to bring about this happy result: the general decline in interest rates, the spirit of financial reform which arose from the ashes of the boom in the twenties, the pressure and example of the Federal Housing Administration, and the low volume of construction compared with a surplus of capital funds and a dearth of other investment op-

portunities. As a result of all these influences, lending institutions which twenty years ago victimized the homeowner in a merciless gouge are now peacefully financing him at $4\frac{1}{2}$ or 5 per cent on straight-line mortgages without tricks—and calling attention to their virtue with the sanctimonious smugness of a reformed pickpocket.

We may safely presume that the old days are gone forever—the days when the homeowner borrowed half his capital or less, paid 7 or 8 per cent interest if not more, took a second mortgage at even higher rates to finance part of the balance, made small and irregular retirements of the principal, and had to refinance every five or ten years at ruinous fees for alleged “service.” In those days the building and loan association could collect \$20,000 over fifteen years on a \$9,000 house and still get the house by foreclosure in the end, doing it all, of course, in the name of sound business and the interests of the widows and orphans who had trustingly placed their savings on deposit.

In view of the acknowledged improvement that has taken place, it is not surprising to find lending interests willing to declare that perfection has just about been reached. A shady past becomes in their eyes the evidence of a spotless present and an impeccable future. But the home-builder will be perhaps somewhat less convinced that he is in the hands of guardian angels when he signs a present-day mortgage. Hard to please he may be, but he can scarcely be blamed for demanding an even lower interest rate and even more favorable terms of borrowing than those now open to him. The appetite for housing cost reductions grows by what it feeds on.

At hearings in 1945, Senator Taft’s subcommittee on housing heard a procession of witnesses representing mortgage bankers and insurance companies declare with feeling that the interest rate on home mortgages is now almost as low as

it can go. They protested that any substantial reduction would plunge them into disaster and even a slight reduction would cause them intense pain. Yet the Federal Home Loan Bank Board has boldly proposed an interest rate of 3 per cent.

The case against reduction rests on the view that the present margin between yields on government bonds and yields on mortgages leaves little leeway. If mortgage yields come down, we are told, investors will find it simpler and more profitable to put their money into government bonds, and so the poor home-builder will find himself without a source of funds. The logical answer is that in such a case the home-builder would have the right to demand that the government lend him the money it has borrowed from former investors in mortgages. This is an interesting way to make the bankers' hair stand on end, but it takes us somewhat afield. We can more profitably examine the reasoning on which the bankers' case is based.

One insurance company executive outlined for the Taft subcommittee the experience of his firm in making home mortgages over fifteen years. The costs of doing business, he said, worked out as follows:

	Per Cent
Cost of making the loan	0.28
Cost of servicing and other administrative expenses54
Risk factor as determined by losses through foreclosure, etc.	0.65
Total	<u>1.47</u>

When this total is deducted from the current rate on new mortgages of $4\frac{1}{2}$ per cent, the net yield to the insurance company is 3.03 per cent. But the insurance company can get a yield of $2\frac{1}{2}$ per cent on long-term government bonds without turning a hand. A cut in the mortgage rate, even by so much

as one-half of 1 per cent, would create a strong inducement, so the insurance executives say, for the companies to wash their hands of the mortgage business and put their money into governments, which already represent more than half of their investments.

Maybe it would and maybe it would not. One can with good reason suspect that insurance companies are in the mortgage business because they make money at it. The real source of their embarrassment may lie in the fact that they have led their policyholders to believe that money put into insurance would always earn at least 3 per cent interest. A reduction of the mortgage rate would increase the company's difficulty in earning that much and making good on the promise.

From the insurance company's point of view, objections to a lower mortgage rate are understandable. But the home-builder is entitled to ask whether the cost of his money should be regulated by the commitments which insurance companies have made in selling their goods. One might with equal logic argue that the government should maintain the interest rate on its bonds at a sufficient level to enable the insurance companies to earn 3 per cent. But the rate on government bonds depends upon the state of the market. When the government finds that it can sell a long-term bond at 1.5 or 2 per cent, it will no doubt do so. The mortgage rate should similarly be determined by the price at which money can be had and not by the interests of any one group in the economy.

If the mortgage rate is governed by (1) the rate on long-term government bonds and (2) the costs of handling a home loan business, then the rate can be reduced either through a cut in the government rate or a cut in the costs of doing business. Given the long-term influences at work on interest rates generally, we have reason to suppose that government rates may eventually come down still further. That would make

possible one cut in the mortgage rate. Another would be made possible by reducing the costs of handling a home-loan business.

Everybody in that business naturally contends that he is working on the narrowest of all possible margins. It makes no difference whether the margin is 1.5 or 3 per cent, the executive clutches it to his bosom like a dear thing and avows that it cannot possibly be otherwise. Yet it will be noted that the largest single factor of cost shown above is 0.65 per cent for losses.

Why should losses account for 44 per cent of the cost of doing business? The large-scale foreclosures during the depression explain part of this, but by the testimony of insurance executives themselves the larger part is due to obsolescence and depreciation of both house and neighborhood, *especially the neighborhood*.

Strangely enough, this does not seem to suggest anything to those in the moneylending trade. To others it will suggest that mortgage costs are high because those who make them have never troubled to examine the assumptions as to urban growth and urban living on which they act. It will suggest that this is one price now being paid for the failure to plan our cities as places to live. It will suggest that moneylenders who want to reduce the cost of their operations and the scope of their losses should go down into the arena and fight for a new philosophy of urbanism under which houses, neighborhoods, and communities will be planned and built as enduring repositories of value, human and financial alike.

Nor can it be assumed that the administrative expenses of lending are as low as they might be. The lenders' plea of threadbare poverty does not quite jibe with the Corinthian palaces in which they reside, or with the fancy salaries, generous fees, and lavish expenditures for promotion and sales-

manship which characterize the business. Unquestionably administrative expenses have been reduced since the lush days of the twenties; yet if a building and loan association had been asked in those days whether its costs might be cut, its executives would have thrown up their hands and sworn that they were skating on the very thinnest ice in the pond.

The experience of the British building societies suggests that lower expenses, while they might not support our lenders in the style to which they have grown accustomed, still might induce the job of lending to be done—which, from the home-builder's angle, is the one thing that matters.

By constant attention to the problem, the British societies have so narrowed their operating margin that they succeed in paying higher dividends to their investors and charging lower mortgage rates to their home-builders than American institutions. At a time (1937) when our mortgage rate, even under F.H.A. pressure, still stood at 5.5 or 6 per cent, the British societies had got theirs down to 4.25 and 4.5. Our rate is now comparable to the British. But as against the cost spread of 1.47 per cent cited as the minimum in this country, the British spread ranges from 0.87 to 1.12 per cent—a saving of around half.

If one asks why the British can do what our businessmen cannot do—or rather have not done—part of the answer lies in the fact that Britain has developed efficient institutions specializing in the financing of home construction and dominating the field. Our building and loan associations have an unsavory history behind them, and they do not begin to set the pace for all lending on homes. They held 31 per cent of the home mortgage debt at the end of the twenties, but ten years later held only 21 per cent. The largest single holders are individuals and miscellaneous investors; next come the building and loans; and then mutual savings banks, commercial banks,

the Home Owners Loan Corporation, and insurance companies, in that order.

Dispersal of home financing functions and the lodging of them in many cases with institutions whose main line of business is something else creates a situation in the financial field analogous to that in construction. We have intense competition among lenders, but a diffusion of energies and a struggle for survival which brings about in finance the same conditions as in construction—high costs, poor adaptation of technique to function, and emphasis on preservation of the status quo rather than progressive advance.

There is no denying that reduction of mortgage interest rates has definite limitations. Money cannot be borrowed for building except at a price which will induce investors to part with it and entrepreneurs to handle it. But let us not assume that, because we have come part of the way toward lower financing costs, the pot of gold at the end of the rainbow has already been reached. The British experience gives us reason to believe that there is still at least 1 per cent leeway in our mortgage rates; that they could come down that much without impairing the source of investment funds.

Screams of pain will go up from the moneylenders when rates come down from $4\frac{1}{2}$ to $3\frac{1}{2}$ or 3 per cent, just as howls rent the air when F.H.A. forced rates down from $6\frac{1}{2}$ and 7 to $4\frac{1}{2}$ and 5. But in the end the adjustment will be made, and it will be found, to nobody's surprise, that none of the anticipated disasters has materialized.

A saving of this extent in interest rates would represent a reduction of 5.4 per cent in the monthly cost of owning a house. That is not as sensational a result as would ensue from an equivalent reduction in construction costs, but nevertheless it would be well worth making. The \$711 which would not have to be paid in interest on a \$5,000 house would be that

much more which could be spent on the house; or, looking at it from another point of view, the \$28 in yearly interest saved by the homeowner would bring the good low-cost house within reach of more family incomes than would otherwise be possible.

Other Aids to Ownership

The accessibility of capital to the small homeowner can also be facilitated by other measures than lower interest rates. Extension of the mortgage period, lower down payments, and better adaptation of the mortgage to conditions of modern life would all help. The desirability of each step must be tested by striking a balance between benefits and drawbacks.

Further extension of the amortization period on small detached houses is open to serious question on numerous grounds. The average F.H.A.-insured mortgage is now written for twenty-five years as against somewhat less than twenty at the beginning ten years ago—which itself was a long advance from the ten- and fifteen-year limits that once prevailed. On a \$3,500 house, supposing we ever get one constructed at that low cost, the monthly payments can be reduced by about \$5.00 if the amortization period is lengthened to thirty-five years. But ten years' extra interest payments increase the total cost of the house. In the unlikely event that a single owner lived in the house throughout the thirty-five-year term, he would pay for his house at least twice over by stringing out the loan to that extent. Actually, few families would stay in one house so long, if only because few families stick together for thirty-five years. And for the present at least few houses built for \$3,500 can be expected to have a useful life of that span without considerable expenditures for maintenance which are usually not made.

Lengthy amortization periods should probably be reserved

for dwellings of more durable character, such as the apartments and row-houses for rental occupancy now being built by public housing authorities with sixty years to pay out. In such housing, whether publicly or privately owned, proper expenditures for maintenance, in order to prolong the useful life of the property, can be assured, and the benefits of low monthly payments passed on to a succession of tenants in the form of low rents.

Low down payments offer a more promising field for the owner-occupied home. The F.H.A. has ably pioneered in this direction. The 1938 amendments to the F.H.A. legislation permitted loans on new small homes up to 90 per cent of total value, and just before the war the average loan ratio had risen to 88 per cent as compared with 76 per cent at the start of F.H.A.'s career. It is quite possible and probably desirable to reach ultimately a 5 per cent down payment, properly safeguarded to prevent speculators from fobbing off jerry-built houses on the innocent and unwary. The British building societies are successfully financing small homes on these terms, and Sweden has had experience along the same line. At 5 per cent, a man could acquire a house and lot valued at \$4,000 for an initial outlay of \$200.

It is sometimes objected that such favorable terms might lure into home ownership those who cannot afford it and so lead to future foreclosures and headaches. Certainly we have to avoid the zany behavior of the private lenders during the twenties. In those frenetic times neither lender nor borrower saw anything wrong in saddling a workingman with a house costing twice what he could actually afford. In Pittsburgh salaried workers earning from \$1,000 to \$2,600 a year were trapped (willingly, no doubt) into the purchase of homes costing between \$4,150 and \$7,000—three to four times what they should have paid. The A.F. of L. estimates that at least two

out of every five homes bought by its members during the boom were either lost in foreclosure or rescued by the Home Owners Loan Corporation.

Those were the days when everything seemed to be going onward and upward. If a chicken in every pot and two cars in every garage could be envisioned in high places, how could a workingman, beset by the glossy appeals of a building and loan association, be expected to turn his back on a house which might presently strain him but would eventually come within his means if it was true what Mr. Hoover said about permanent prosperity?

The cure for insane lending practices is sane lending practices and not the denial of access to capital. A homeowner can go in over his head with a down payment of \$2,000 just as easily as with a payment of \$500. The decision in each case must be made by the application of good sense, accurate appraisals, and sound judgment to the circumstances in question. It cannot be made by passing a rule that a man must save up a flat sum before he can become a homeowner.

Some of the reluctance to improve the terms of mortgage credit stems, I think, from a vague feeling on the part of some bankers and theorists that the poor "ought" to rent rather than buy. Perhaps many of them "ought." But it is indefensible discrimination to set up economic status as the sole test of a person's access to homeownership capital. It might be wiser, in the long run, for a certain individual to remain a renter all his life; but if he wants the satisfactions which rightly or wrongly he expects from ownership, who has the almighty right to decide for him that wisdom dictates tenancy?

We are told that a person who invests only \$200 in a home has so little equity that he might just as well rent and be done with it. But, however small the equity, it is his. Moreover, the equity builds up over the years, no matter how slowly, so that

a part of the money spent for shelter becomes the equivalent of savings instead of lining some landlord's pocket.

If a person wants home ownership, and if his job and income hold out reasonable prospect that he will be able to swing it, then he should have access to credit on the most favorable and least discriminatory terms it is possible to devise.

Far more important than attempting to keep the down payment up would be a truly constructive effort to work out methods by which equity will go with the person and not with the house. We are a much more migratory people than we used to be, and we shall in future undoubtedly become more so. A man ought to be free to move from one city to another as economic opportunity beckons without having to sell out his home ownership at whatever terms the accidents of the market require. There is no reason why, with proper management on a national scale, the homeowner should not be enabled to transfer his equity from a house in one city to another house in another city. Just as he now carries with him wherever he goes the equity he has built up in the old age retirement fund of the Social Security system, so he should be able, if he has acquired ownership of \$1,000 worth of house in one locality, to take along \$1,000 worth of house to his new place of residence.

Another much-needed reform in the mortgage is a degree of flexibility that will permit suspension or reduction of payments in times of lost or reduced income. Henry Kaiser has proposed some form of insurance fund to tide worker-owners over bad times with their payments. Some of the building and loan associations are offering a new mortgage which reduces the interest rate as the debt is cut, permits the owner to make extra payments in advance, against which he can later take credit by omitting payments, and allows lapse of payments for six months without penalty in case of unemployment or illness.

These are partial approaches to a desirable objective: some scheme by which the mortgage terms can be adjusted to meet changing circumstances without forcing the owner to lose his home or refinance at added expense. The lending agencies may proceed cautiously and haltingly toward this goal; some daring pioneers may strike toward it in their own limited spheres. But if we want to get it done decisively and with dispatch, experience teaches that we shall also need an aggressive campaign from public and governmental sources.

All these improvements in lending procedure—reduction of the interest rate, smaller down payments, transferrable equities and flexibility of terms—would serve the housing needs, as things now stand, of less than half the urban population. Perhaps as a result of them, home ownership would go up beyond the 50 per cent mark. But we may be sure that, however attractive home ownership is made, there will always be renters. There will be the thoroughly urbanized creatures who abhor the thought of lifting a shovel or wielding a hoe, who demand services without responsibility. There will be transient families whose circumstances advise against permanent ties. There will be bachelors and bachelor girls, newly married couples, old couples, widows, widowers, and families so situated economically that tenancy, out of preference or necessity, is the desirable way of life.

It is in serving the housing needs of such people that finance has most conspicuously failed to do its job. Both equity capital and loans for rental housing have in recent years been notable chiefly for their absence. The questions, "Why?" and "What can be done about it?" go to the heart of one of the most pressing problems concerning capital for housing.

Financing Rental Housing

In so far as cities are concerned, the term "rental housing" refers chiefly to apartments and duplexes. During the twenties this type of construction accounted for about one-third of the total. During the thirties, although more than half the people were renters, the construction of housing to serve them averaged less than 19 per cent of the total, and nearly a third of that consisted of public housing designed to serve the special group of slum-dwellers who cannot pay an economic rent. Taking everything together, it is fair to say that for the last fifteen years only a handful of apartments and duplexes have been built specifically for rent by typical city families.

Partly responsible is the extremely sour taste left in the mouths of investors by the excesses of the boom of the twenties. Speculative developers and brokers had a lovely time after World War I selling real estate mortgage bonds to the public, the proceeds of which were used to build apartment houses. The bonds looked like one of the most fascinating ways of getting rich quick. They seemed to have the security of a conservative first mortgage with the earning power of a booming stock. The illusion persisted for a while, but only for a while.

The high cost of this type of financing, often running up to 15 per cent of the loan, plus high rates of interest, made it impossible for the builder to pay out unless he obtained a loan for 90-100 per cent of the cost. It was easy come, easy go, and he often got the loan if he was not begged to take it. Freed from the restraint of having to risk their own money, speculative builders bid up the price of land to unconscionable heights, laid out extravagant sums for construction, and built many apartments for which no basic demand existed in the rental range at which they might have been profitable ventures. The bubble burst, and lots of people got hurt.

Interestingly enough, mortgage bankers are now proposing that the glad days of the real estate bond be revived. Of course, they earnestly swear that they will stay away from the stuff that gave them (and the public) such an awful hangover before, but they would like to step up to the bar for just a small snifter. The Securities and Exchange Commission has jurisdiction over such bond issues. The proposal is to exempt from S.E.C. supervision mortgage bond issues up to \$500,000. This, it is alleged, would encourage small investors to put their money into bonds for the construction of apartment buildings in their own communities, thus tapping a source of venture capital for rental housing that is now closed off by the high expenses of S.E.C. registration (and perhaps, be it added, by the stern eye of S.E.C. supervision).

Little evidence supports the view that the necessity of going through S.E.C. is the real barrier to sound investment in rental housing. This barrier may keep down the wildcat ventures; but that, after all, is the object. The real deterrents to investment go deeper. Real estate is nonliquid; its market is strictly local. To safeguard his money, the investor or his agent has to concern himself with management, maintenance, and repairs. The real estate tax falls with special weight on this kind of investment but not on others. Finally, the great uncertainties of obsolescence and depreciation, the risk of having one's investment ruined within a few years by the unfavorable neighborhood developments that are possible under a system of un-planned chaos, discourage any but large-scale ventures.

The declining popularity of the small apartment building, coupled with multiplying troubles of small landlords by way of taxes and expenses, are drying up another source of rental housing capital—the individual with a few thousand dollars' savings who built a three-flat, moved into one, and rented the rest.

In an effort to fill the gap, the F.H.A. legislation provided for insurance of mortgages on apartment buildings as on houses. But only 303 projects in the whole country have taken advantage of the law, providing an insignificant total of 36,000 dwelling units. Necessarily the F.H.A. had to limit the earnings and insist upon sound, farsighted management. The builder was permitted to earn 6 per cent on his investment after fixed charges and, after setting up a reserve to take care of his amortization payments two years in advance, could earn 2 per cent more.

In comparison with actual returns on rental housing, these seem like generous terms. But they were not generous enough to attract the kind of capital which went into the field in the twenties. They did not permit "bleeding" of the property for the first five years or so, the usual way of making a killing on an apartment building. On the other hand, the hazards of real estate operation and particularly the uncertainties posed by neighborhood decay kept out of the field that kind of capital held by insurance companies and savings banks. Six or 8 per cent accompanied by normal risks did not appeal to the speculative builder, but the risks were too much for capital which might have been willing to take a much lower return.

In recent years insurance companies and savings banks have been seriously exploring the possibilities of turning landlord as a means of finding secure outlets for the huge funds they have in their treasuries. But the path is not strewn with roses, for them or for anybody else who wants to go into the landlord business. They face the fundamental difficulty of getting rents down to the level where the big market exists. The market for high-rental apartments is distinctly limited, as the mortgage-bond wildcatters found out. Yet the costs of land assembly, construction, taxes, and operation exert constant upward pressure upon the rent schedule.

The chief problem is to build rental housing for families able to pay, roughly, between \$25 and \$40 a month—the great borderline group that is too well off to live in subsidized public housing but not well enough off to live in privately financed housing as we have known it.

This is a proper field for private enterprise, but the failure of builders to enter it makes clear the need for public aid and stimulants, if not ultimately public enterprise itself. Some public housing authorities are eyeing the middle groups with mounting interest. They estimate that by using the device of local tax exemption—paying service charges based on a percentage of rents instead of full ad valorem taxes¹—they might be able to provide simple but adequate shelter in these rental brackets without an outright cash subsidy from the federal government. This would mean, of course, a substantial extension of the public program, which would thus start serving not only those families whose rent-paying ability will not bring them decent housing under any circumstances but also those one notch higher who might conceivably be served by private builders if the latter buckle down to the job.

Public housers themselves are divided on the issue, some contending that they have their hands full trying to fill needs in the lower-income brackets and should not—at least not yet—invade a new field. I think these more cautious officials are right. Although the needs of the middle group cannot be denied, the national housing task is a tremendous one that cannot be accomplished overnight. Public housing's part of the job should be confined for the present to that area where its activity is indubitably needed, while private builders are given both the opportunity and the incentive to lower the rental minimums at which they can operate. If after a fair trial experience proves that, even with reduced construction

¹ See below, chap. 11.

costs and new financing aids, private builders cannot get into the \$25-\$40 market, then it will be time enough to consider expansion of the public housing movement in this direction.

One promising but yet untested method of luring private investment into the middle brackets is yield insurance, which would apply to rental housing a principle similar to that which F.H.A. mortgage insurance applies to owner-occupied housing. In order to encourage insurance companies, savings banks, and other holders of trustee funds to invest directly in the ownership of housing, without mortgage, the F.H.A. or some other federal agency would guarantee a minimum rate of return on investments in approved projects. The project would have to be judged economically sound, and the dwellings acceptable to F.H.A. as to quality, design, size, and type. Rents would follow a schedule fixed by F.H.A., high enough to pay expenses, but low enough to meet the demonstrated need for moderate-rent accommodations.

The Federal Housing Administration would insure the annual amortization charge and an annual return of not more than, say, $2\frac{3}{4}$ per cent. Premium payments collected from each project would create a fund for the payment of insurance claims. The investor would be permitted to take a minimum return of something like $3\frac{1}{4}$ per cent and a maximum return of less than 4 per cent.

In essence, the plan contemplates a partnership between government and private investors for the supply of rental housing to families of moderate income.

While this partnership might achieve significant savings as compared with past attempts to finance limited-dividend housing, it must be admitted that the differential between yield-insured projects and those now contemplated by some holders of trustee capital would not be large. On the other hand, a guaranteed return might lure into the field much

capital which now hesitates to go it alone, and the resulting enterprise might turn up economies and rent reductions not now foreseeable, particularly if public land assembly provided auxiliary support.

Only experience can tell how successfully the plan might work. As an alternative to no plan, it is obviously well worth trying. With large aggregations of capital seeking investment on one side, and a large unfilled need for medium-rental apartment housing on the other, it makes sense to bring them together.

Similarly all other feasible methods of building homes for the long-neglected middle rental groups deserve encouragement and aid. Co-operative and mutually owned housing offer unexplored opportunities. In some cities, unfortunately, co-operatives have fallen prey to ruthless promoters and acquired a bad name; but they have been successful in Europe and could be here. Mutual ownership, under which the tenants own shares in a trust rather than in the dwelling itself, appeals to some as a way of avoiding the abuses and heavy costs of speculative building. In this form, tenants contribute cash (say, \$2,000 or \$2,500) as initial equity and pay monthly rent which reduces the mortgage and increases the equity. Owing to the fact that the trust pays no return on the equity capital, just as an owner-built house pays none, monthly charges are less than they would be if the project were built as an investment.

The rental housing problem, as these considerations suggest, is one of the toughest we face. Perhaps it cannot be solved at all save by some form of public initiative. But private builders should be given a chance to show what they can do before new public responsibilities are assumed.

III

BREAKING THROUGH THE BARRIERS

THE ESSENTIALS OF A PROGRAM

WHAT can be done about the housing problem? In mapping general strategy for a program, it is quite clear that we are dealing with a many-sided question. No single solution will suffice.

Broadly, we must, first of all, devise ways to reduce the cost of housing, so that more people will be able to afford good, new shelter. At the same time, recognizing that cost reduction alone cannot bring such housing within the reach of the lowest-income families, we must develop extraordinary forms of enterprise, involving public subsidy and public initiative, which will serve that particular market. And, finally, in order to avoid the pitfalls of the past, we must see to it that new housing, both private and public, comes into being in well-planned, modern communities, able to eradicate for all time the slums that now exist and to resist the encroachment of future blight.

In short, we must broaden the range of family incomes which can afford good housing, supplement those incomes which cannot, and rebuild our cities by plan instead of by chance.

The lines of action to be taken in pursuit of these objectives are as various as the aspects of the problem itself. They must be held together by a pervading public interest, so strong that

it cannot be put down by the forces of inertia and special privilege. America will have good housing only when the people demand it, when the people understand it, and when the people undertake through all the instrumentalities of government and collective will to create the conditions under which it can be secured.

At the Taft subcommittee hearings in 1945 the dominant note of testimony by home-builders, real estate men, and materials dealers was "Give private enterprise its head." Witness after witness boasted of the prowess of the construction industry and pleaded for the "green light" that would permit this great industry to build the millions of fine homes the American people stood ready to buy. It was not explained what had been holding the industry back. Apart from vague references to heavy taxes and irrelevant remarks about wartime restrictions, representatives of the industry exhibited little understanding of the causes of their failure to supply the nation's housing needs. They wanted only to be let alone to reap the harvest of another boom; and they were willing, quite evidently, to let the people pay the price of another bust.

Spokesmen for the National Association of Real Estate Boards and the Urban Land Institute drenched with cold water even the conservative goals set up by the National Housing Agency. They had been canvassing the sane, practical, hardheaded real estate dealers and builders of the country, and they were quite confident that shooting at anything like the production of 1,250,000 houses a year was absurd. (Remember that an uncompromising and realistic estimate of actual housing *need* places the figure at a minimum of 1,500,000 annually!) Such figures, it was suggested, are for dreamers and theorists; the practical gentlemen who build the nation's houses intended to produce between 300,000 and

400,000 houses in the first postwar year and perhaps to increase the total slowly thereafter.

As noted earlier, the same survey revealed that private builders expect to build 67 per cent of their houses to sell at prices between \$5,000 and \$10,000. Experience shows that the saturation point for that market is quickly reached and that the nation will never be well housed until ways can be found of building for families in the lower-income brackets.

One intelligent western builder remarked, in commenting on this survey, that the "determination of builders to concentrate their efforts on higher-cost housing" seemed to be a "tragic truth."

It is exceedingly unfortunate that so many of the builders of the nation, seeking to escape from the war-required restriction and limitation orders, wish to employ their talent in other than the basic responsibilities of the industry they have so capably represented in the war job they are now completing. . . . Surely no program to rehouse America should be promulgated other than one providing for all the people in proportion to their ability to purchase. Only by such a program can the re-employment of our returning veterans and displaced war workers be attained. Decent housing should be made available to every segment of our population, every income bracket; and homes for Negro occupancy should rank high in every postwar plan to house America.¹

This builder was the exception, the dissenter. Most of his colleagues took more interest in mopping up the cream of the high-cost housing market than in grappling with the complexities of opening a new market hitherto unserved. The president of the National Association of Home Builders told the Taft committee that "we and our predecessors in the home building industry have provided . . . a better job of housing than has been done in any other country of the world" —a statement which may be doubted, and for which those

¹ F. E. McCambridge, in *Tomorrow's Town* (New York: National Committee on Housing, Inc., June, 1945).

who make it never offer proof. He went on to devote most of his testimony to an attack on public housing:

Obviously, it is ridiculous to construct new housing for the very lowest income group. There are great quantities of structurally sound but blighted housing which can be rehabilitated for those of our people who cannot earn sufficient income to acquire new shelter. There are other large quantities of existing housing that will be made available to the lower rental groups by the removal of their present tenants to the thousands of new housing units being supplied by our industry.²

This may be considered a fair sample of attitudes in the industry. The industry wants the National Housing Agency folded up; it wants federal activities held to the minimum of a conservative F.H.A.; it wants local governments to confine their activities to revision of building codes and the support of real estate values; it wants the public housing program washed out; it wants to continue in the old ways to produce the old kinds of housing; it wants to shove the low- and medium-income groups into slum housing and secondhand castoffs, instead of building homes for them.

That is why the initiative for a broad housing program must come from the people. Left to its own devices, private enterprise would repeat all the errors of the past. We must therefore depend on aggressive action by city, state, and federal governments to level the barriers to good low-cost housing wherever they exist, and make possible the construction of homes for people of every income group, in every city and town.

The germ of such a crusade will be a profound sense of dissatisfaction with the kind of housing and urban living heretofore made available by private industry—a dissatisfaction which the industry, plainly, does not share. Out of this dis-

² Testimony of Joseph P. Merrion, in *Hearings before the Subcommittee on Housing and Urban Redevelopment of the Senate Special Committee on Postwar Policy and Planning* (79th Cong., 1st sess. [Washington, 1945]), Part 15, p. 2084.

content, and out of the awareness that a nation which can mobilize its resources for total war can mobilize them to provide a decent home environment for its children, will spring a determination to build within this generation cities and towns worthy of this age. The futility of a piecemeal approach will be recognized. The crusade must enlist neighborhood groups, citizens' committees, city councils and planning boards, state legislatures, the Congress, and the federal administration in a co-ordinated drive to stamp out bad housing as we would stamp out disease.

The four fronts of the campaign can be clearly distinguished.

First, numerous measures—local, state, and national—are called for to bring the cost of good housing within the reach of more people. The \$6,000 house must become, without sacrifice of quality, a \$5,000 house; and the \$5,000 house must be redesigned and rebuilt at a cost of \$4,000, and ultimately \$3,000, so that good shelter can be afforded by the majority of our people who in normal times have incomes of less than \$2,000 a year and to whom good housing has so far been an unattainable ideal. Both for those who want to own and for those who want to rent, the housing value received for a dollar of outlay must be drastically increased.

That alone would be a triumphant achievement. But still a partial one. Whatever progress may be made in reducing the cost of privately built homes, there will remain thousands of families with income so low that they cannot pay an economic rent. These families now live in the slums which it is our purpose to eradicate. To avoid crowding them into old houses which would rapidly become new slums—to avoid creating new social evils as fast as the old ones are excised—a program of construction must be undertaken for this group as well as for those who can pay their own way. That is the second front of the offensive—frankly subsidized public hous-

ing, to provide decent low-rent shelter for those who cannot get it any other way.

The third front expresses the public interest in the location of new homes, whether privately or publicly built. In the quest for low costs, new construction naturally gravitates to the outer fringes of the cities. While some decentralization is desirable for the purpose of relieving overcrowding at the center, the pell-mell rush to the outskirts compels the community to incur hidden costs and support appalling wastes. Public land assembly and bold new procedures for redeveloping blighted sections as residential areas with both public and private housing are essential to the rebuilding of the cities.

A program which envisaged the acquisition of land and the construction of new houses and apartments would be incomplete without a determination that the rebuilt cities shall be better than the old. The fourth front is planning. We must elevate the general welfare above the concept of private profit at the expense of the public good. We must conceive the city as a place to live, not as a commodity of speculation. We must substitute social control for the unrestrained excesses of selfishness and greed that have made the city so ill adapted to its present-day function. Democratic planning, through which the people can rule the environment in which they live, is indispensable, not only to true democracy, but to good housing.

BRINGING DOWN COSTS

WE HAVE seen a beginning, but only a small beginning, of changes in the housebuilding process that point toward lower unit costs. As yet the economies of improved materials and methods have not been passed on to the consumer. He pays as much for housing, when size, quality, and location are taken into consideration, as he ever did, and there is every likelihood that for a time, at least, the cost of housebuilding will be higher in relation to the general price level than it was before the war.

The problem is to demolish the barriers and accelerate progress toward a new kind of housebuilding operation, in which the principles that have so sensationally expanded productivity in other industries are adapted to the production of modern shelter. This does not necessarily mean turning ready-made houses off an assembly line like automobiles. It does mean the standardization of parts, the substitution wherever possible of machine for hand power, the mass purchase of materials, and the detailed organization of the whole productive process and its integration by new types of producer organization.

It is frequently said that the backwardness and restrictive practices of housebuilding would disappear if the industry were assured steady employment at high levels of production.

One may doubt whether the industry would ever voluntarily give up practices which it considers advantageous, no matter where the production indices stood. That did not happen in the twenties, when many of today's restrictive practices were being developed. A high volume of residential construction, instead of stimulating competitive cost reductions, brought into the industry new producers who competed with those formerly established for a slice of the larger volume of business, thus sustaining the underlying motivation for trade restraints. In any boom period there are strong incentives to make hay while the sun shines: to compensate for past low levels of activity, and take out insurance against those that may loom in the future, by keeping prices up when the buying power to absorb them exists.

While high volume brings no assurance of automatic relaxation of restrictions, it is possible that the one may be used as *quid pro quo* for the other. Government will be in a stronger position to take positive action against restraints if it can lay before those engaged in the industry a specific program for underwriting a given volume of building. Having made wholly clear its intention to realize this volume, the government can then in all fairness demand that the industry, on its side, abandon practices which keep prices at artificial levels. Stabilization of the construction industry at an agreed high volume therefore becomes the first goal of a program to bring about reorganization of the industry and reduction of its costs.

Continuous Operation

Beardsley Ruml and other students of the business cycle have made a strong case for stabilization of the construction industry from the point of view of maintaining a healthy national economy. They are interested not so much in the costs of housing as in the assurance of steady employment and sus-

tained purchasing power within one of the nation's most important and most violently fluctuating industries. But, in achieving the latter objective, one of the bases for high costs of housebuilding would disappear. The incidental result has so much meaning for the nation that it adds a powerful second reason for adopting such a policy.

Over the long term it is estimated that construction ought to contribute 8 per cent of the national product. With a national product sufficient to yield reasonably full employment, this would mean \$13 billion worth of construction every year, and employment for about six and a half million persons on and off the site.

At the peak of the boom of the twenties, the industry produced \$11 billion worth of new construction. Volume sank to less than \$3 billion in 1933 and, even with the emergency injections of work relief and federal public works, recovered only to \$8 billion in 1940. Obviously, a program promising sustained volume of around \$13 billion a year would give the industry something it has never had before.

To accomplish this objective, the industry would have to go into partnership with the federal government in planning for continuous activity within agreed limits throughout the year and over the years. Repair and maintenance work, for example, might be planned by contractors, so far as possible, to take up the seasonal slack in new construction. The federal government, for its part, would establish as a national policy its intention to maintain a definite high level of activity. The policy would be executed through various measures: by the advance planning of federal public works, with construction timed to offset the fluctuations in private building; by federal co-ordination of similar policies among state and local governments; and by the provision of credit for sound construction

projects, public and private, in times when normal sources of credit are dried up.

Had such a policy been in effect during the last twenty years, according to a National Planning Association study, the total volume of construction including maintenance and repair would have fluctuated between \$8 and \$12 billion a year, instead of between \$4 and \$14 billion—and this with no more public works than were actually initiated during that period. Assuming, as we have every right to assume, that public building, especially at the federal level, will amount to more in the future than in the past, it is clear that intelligent management could sustain the industry at much higher and more stable levels.

It is often forgotten, in the hullabaloo over alleged “boondoggling,” that the volume of federal construction during the thirties did not equal the amount of public works undertaken by state and local governments during the twenties. Public agencies did most of their building precisely at the time when private builders were doing most of theirs. If they would confine their activity during boom times to the most essential projects, and place the rest in a reserve which could be tapped at any time private construction fell off, the deep swings of the building cycle could be moderated, and a long step thereby taken toward moderating the business cycle as a whole.

Should this policy be adopted, the first danger it would face is that of little plans. Congressmen and business interests whose unflinching prescription for every problem is “economy” would discourage the planning of public works in sufficient volume to fill the potential gap between private work and the agreed minimum. Here is where an aggressive national housing policy fits in.

Housing should not be regarded as a form of public works. Its primary purpose is not to give employment but to provide

needed shelter. Nevertheless, the building of houses means employment for the construction industry, and a national housing policy would play a significant role in stabilizing that industry at the full employment level. In fact, housebuilding might be made a largely self-liquidating substitute for non-revenue-producing public works. An aggressive national policy to underwrite the building of one and a half million houses a year would narrow the gap to be filled by direct public outlay.

As housing would contribute to stabilization, so stabilization would contribute to housing. Guaranteed a minimum volume of work every year, materials manufacturers could operate on more definite schedules and at lower costs; contractors could plan intelligently instead of groping their way from one project to another; and labor would be assured of steady opportunities for work. At every stage of the housebuilding process, efficiency could advance with stability of employment, to yield a larger product for the consumer's dollar. New producer organizations could develop, to integrate the process and reduce its costs. Freed of the need for restrictive practices, the industry could well afford to let reorganization proceed without hindrance.

Mr. Ruml has suggested that a beginning be made with a congressional investigation, possessing the stature and dignity of that which resulted in establishment of the Federal Reserve System, for the purpose of recommending measures for the reorganization of the industry. If some anticompetitive practices were found to be desirable, and productive of socially beneficial results, then those practices should be sanctioned by law and brought under public regulation. Others would be definitely barred by unequivocal legislation, and the way cleared for the growth of building organizations able to overcome the cost-eating habits of the industry as presently managed.

Materials in Carload Lots

One form which the federal government's underwriting of a housebuilding program might well take is the purchase of basic materials in large amounts.

We have seen that materials account for 52 per cent of housing construction costs and that the greatest source of their costliness is not production but distribution. If all the costs of distribution could be eliminated, leaving only those of manufacture, transportation, and profits, the materials going into a typical small house would take 36 cents instead of 52 cents of the construction dollar—a saving of 30 per cent.

Of course, all the costs of distribution cannot be eliminated, no matter who acts as middleman between manufacturer and consumer. But one large element of these costs arises from the fact that manufacturers and dealers must stock up on a wide variety of materials which are sold off in small lots from time to time as an erratic and unpredictable demand from many small builders dictates. It is as if the textile manufacturer bought his thread a half-dozen spools at a time from the dry goods merchant.

Without altering the distribution system at all, a builder of twenty or fifty houses can make substantial savings by ordering his materials in large lots from dealers. When a large builder deals directly with the manufacturer, as some insurance company project managers have done, it is possible to schedule the delivery of materials over a period of months or even several years, thereby cutting distribution costs still further.

Given the federal government's responsibility to underwrite a minimum volume of housing construction yearly, and given the public interest in broadening the market for that housing by reducing costs, why should not the government undertake

to purchase directly from the manufacturers an agreed amount of lumber, cement, bricks, concrete blocks, roofing, and insulation every year?

Why should not the government act as middleman between manufacturer and the small consumer, passing on the savings thus made possible to the builder with adequate guaranties that he in turn shall pass them on to the home owner?

One can imagine government depots, located in the major cities of the country, to which the manufacturers send regularly scheduled deliveries the year round, and from which bona fide builders of small houses obtain their basic raw materials at rock-bottom prices. Or the government might enfranchise existing dealers at a fixed fee to handle the materials for it, in the same manner that surplus war property is distributed. Those dealers would continue to supply other components of the house on the old basis, and continue to supply materials for other forms of construction as usual. But the basic ingredients common to all houses would, in recognition of the national interest, be placed on a special footing. The manufacturer's markup of 16 per cent on a carload of these materials might be reduced to 10 per cent, in view of the government's large purchases. The wholesaler's markup of 23 per cent and retailer's markup of 40 per cent—which together add 87 per cent of the cost of production to the delivered price—would be stripped down to a figure that would cover the actual costs of shipping, warehousing, and selling.

It does not take much imagination to hear the cries of anguish which such a proposal would elicit if it ever came to the floor of Congress. A blizzard of telegrams from dealers and jobbers would inform Congress that some infamous schemer was trying to snatch the crust from their very mouths. Government competition with the small businessman would be pictured in a thousand bitter cartoons and passionately

denounced in editorials. The distributors of building materials have a vested interest in keeping the system intact, and any attempt to short-circuit the established channels would raise a storm of angry protest.

But the issue cannot be dodged. Which is more important—to make good housing available to a greater proportion of our citizens or to maintain a distribution system that helps put housing beyond the reach of millions? Which carries the greater public interest—to lower the cost of housing by eliminating wasteful materials expenses or to keep the cost of housing where it is for the sake of supporting the relatively insignificant profits of a few jobbers and dealers whose principal market lies in other fields?

As a matter of fact, government purchase could accomplish important savings even if, for reasons of political expediency, the materials had to be distributed through regular channels. The huge orders would make possible a lower manufacturer's price, and in some corners of the distribution jungle, at least, markups could be shaved in consideration of the volume and regularity of the transactions.

Thus the government's activity would be principally one of bookkeeping. It would buy certain materials to be delivered to the regular jobbers and dealers for its account. It would then sell those materials through the agency of the dealers. The builder would get basic materials at lower cost, everybody would get his profit, and housing would be brought within the means of more families. As for the government, the worst that could happen to it would be the possible expansion of its inventory in case the market failed to absorb all its purchases. But this need only mean a reduction of orders in the ensuing year; the materials could always be stored for use in some other season, and diverted from housebuilding to other public projects if finally necessary.

Britain's government, directing the great task of rebuilding bombed cities, expects to hold materials prices in line by mass purchasing. Sweden has used the same principle in working out an extraordinarily enterprising program for the construction of workers' cottages.

In Sweden a workingman with very low income can build a house by his own labor with the aid of his municipal government. The municipality grants him a leasehold on a plot of publicly owned land, supervises the construction of his house, and sells him low-cost materials at a city depot. Standardized materials, factory-made subassemblies of wall sections, doors, windows and kitchen equipment, and a limited number of standard designs all help to keep costs at a minimum. Working with the aid of a construction handbook and under the eye of a municipal instructor, the householder starts work in the spring and gets the house closed in by winter, finishing the interior at his leisure during cold weather. A 90 per cent loan carrying thirty-year amortization reduces his payments to the minimum. It is possible to begin construction with a down payment as low as \$80. Despite the amateur touch, the cottages are well enough built to conform to stringent municipal building regulations.

A materials plan for America would have to be adapted to our own circumstances and needs; it should not blindly follow any foreign example. But here, at any rate, is one form which energetic and imaginative public enterprise might take in pursuit of lower housing costs. Perhaps the power of established interests might block, for a time, this particular method of economy. In that case the people must find other ways of accomplishing the same end. The vital thing is that public initiative be unleashed and that it act with energy and skill.

The Packaged Community

Ever since 1933, when for a few brief months many people believed that a bright new prefabricated house industry would play Moses in leading us out of the depression, the idea of a new method of home construction has been gaining ground. Net progress, it must be confessed, has been disappointingly slow. The volume of housing produced by nontraditional methods is still only a fraction of the total, and widespread resistance to change may be expected when the conditions which induced labor and other established interests to go along in wartime no longer exist. Yet wartime experience in building vast new communities for migrant workers and throwing up overnight incredibly huge cantonments for the armed services has accelerated the quest for an improved housebuilding technique. Since one road to lower costs clearly lies in this direction, it is the responsibility of public policy and public opinion to create an environment in which these new influences may flourish.

The development has taken two main lines: prefabrication and site fabrication. The first undertakes to produce in a central factory all or most of the parts of a house, which are then transported to the site for rapid assembly. The second applies the methods of the shipyard rather than the factory. Temporary shop facilities are set up on the site of a large-scale project, materials are cut in mass lots, and crews of workmen move from house to house, repeating on each and in carefully organized sequence the operations of traditional housebuilding as modified by the use of power tools and crews instead of individual craftsmen.

Each method has its proponents, each makes its claims of superiority. One site fabricator on the West Coast, where this movement has made greatest strides, contends that his experi-

ence in war housing "conclusively proves" that fewer man-hours are required to build a house by his method than by prefabrication. Maybe so. But the two techniques apply differently in different circumstances, and comparisons are difficult. Site fabrication depends upon volume production in one place, whereas prefabrication produces something that can be assembled anywhere, on scattered sites or in new communities, within a certain radius of the factory. Both procedures may find a place in the building of the future, prefabrication serving principally small cities and towns, site fabrication constructing new communities in the larger urban areas. Both promise substantial economies if volume marketing can be attained.

Site fabrication is the lineal descendant of those blocks of standard houses which have done so much to scar the face of American cities—the machine-stamped row-houses of Baltimore and Philadelphia, the identical ranks of three-story walkups to be seen in Chicago and St. Louis, the endless rows of bungalows which went up in many cities during and after World War I. But it has been found that dead monotony and cheerless architecture are not essential to the method. The West Coast developments have stressed intelligent land planning, variety of exterior treatment imposed upon a few standard floor plans, and attention to community facilities such as parks, shopping centers, and well-planned schools.

The average family's resistance to living in a completely standardized house is recognized by avoiding identical blocks and identical homes within the block. One developer includes in his service the sale of shrubs and trees to be selected by the purchaser and planted according to his own fancy. There is no special virtue to curved streets—except a tendency to slow down auto traffic—but at least the new developers have shaken free of the gridiron system, and the best of them adapt

street layouts to land contours instead of cutting ruthlessly up and down hills. Real attempts are made to separate through traffic from local, to provide safe crossings for children on the main arteries. The developer, in short, builds a neighborhood rather than a row of houses. What he has to sell is not only a house but a community.

This kind of enterprise demands a special type of producer organization, bringing together a variety of specialized skills. There must be a real estate expert to handle land acquisition and related problems; a land planner and staff to lay out the general scheme of the subdivision; an architectural staff to design the houses; a construction engineer to organize production; financial experts to manage the loans, etc. The size of the organization, and the degree of specialization which can be called upon, depends upon the scope of operations.

Whether big or small, the operative builder technique grew rapidly before the war and may be expected to pick up where it left off. In 1940 more than half of all F.H.A. applications came from this type of enterpriser, owning and developing his own land, following his own designs, and building houses for sale, ready to move in. Often the subdivision is laid out, a model house built, and orders taken for others, construction of all proceeding once a market for most has been assured. During the war, when nobody had to worry about a market, many of the new subdivisions in war production centers were simply put together as fast as possible, and the influx of migrant workers combined with the stoppage of normal building assured a customer for every house. After the war, the big builders count on lower comparative costs and the neighborhood amenities they can offer to provide a market; but they will be unable to proceed quite so boldly as they did when communities had to grow for the sake of turning out vast quantities of weapons and supplies.

Production in the large developments is built around tight and exhaustive planning of every detail in advance. A mill yard goes up on the site, equipped with jig tables which permit the cutting of thousands of parts without individual measurements. One man can cut a hundred rafters in an hour. When all the framing members have been completed, the mill yard turns its attention to assembling window and door frames, that, too, proceeding on a mass-production basis. Meanwhile tractors have been clearing sites, and crews of concrete workers laying the foundations. A metal template is laid on the ground and wooden forms swiftly set up around it. Three-wheeled buggies move from site to site, pouring concrete into the forms. Then come the building crews, accompanied by a portable generator to produce the electricity for their power tools. Trucks bring the framing members from the mill yard, and the crews erect frames of two houses at a time. Electricians, plumbers, roofers, and other crews follow in order, the flow of materials and labor being strictly controlled from start to finish.

David D. Bohannon of San Francisco, whose organization built the new town of San Lorenzo in the Bay area by this mass-production technique, declares that it made possible the construction of 700 three-bedroom houses in 693 working hours—one working hour per house. Four weeks after ground had been broken on one project, a completed home started coming off the "assembly line" every thirty minutes.

In normal times not speed but economy and quality are the foremost considerations. The opportunities for economy are self-evident. Site fabrication obtains high production per man-hour, permits the use of unskilled labor in repetitive operations, stimulates the increase of productivity all along the line as the project gains momentum, and cuts out waste of lumber and other materials and permits their purchase in large quantities.

Henry Kaiser, the Ford of this generation, to whom so many look for production miracles, plans to adapt the site fabrication method to housing enterprise on a national scale. If he succeeds, he may surmount the localism of housebuilding which has added invisible costs in the past. It is difficult at this stage to separate shrewd advertising from firm intentions, but it can be said that what Kaiser wants to do is to market houses in the major cities of the country through local contractor licensees, much as an automobile manufacturer reaches the public through local dealers.

The house would not be produced in a factory, but parts of it would be—for example, a standard, mass-produced mechanical core, containing the heating unit, bathroom fixtures and a kitchen, complete down to a hydraulic dishwasher. Kaiser would supply the contractor-licensee with the house designs, the financing, materials, land, mechanical equipment, and certain subassemblies. The contractor would hire the labor and, probably with the advice and supervision of the parent-organization, organize production. It is planned to build no less than two hundred houses at a time, in integrated neighborhoods offering plenty of space for public use, and to sell the finished home for about \$5,000. Kaiser's goal is a financing arrangement that will permit the owner to acquire a house for \$150 down payment and \$30 a month, including health insurance.

With all its manifest advantages, site fabrication reveals its own limitations. The first is the inescapable necessity of building many units at one time in one place. Bohannon has declared that the method can be successfully applied to developments comprising as few as fifty houses. But the largest economies will be reserved for the largest developments. Essentially, site fabrication is a new and admittedly better way of building subdivisions. It works best on raw land far out on

the urban rim. It will be confined to the vicinity of large urban centers, particularly those which are growing. And it will undoubtedly aim, if present trends are any guide, not so much at opening up a new market as at supplying with a better product a market which already exists.

The site fabricators, at least for the present, do not offer the equivalent of a Ford car but that of a medium-priced Buick with more gadgets. Mr. Kaiser's hydraulic dishwasher and air-conditioning unit may be splendid, but they are not essential to reducing the basic cost of good shelter. The site fabricators threaten to be so entranced with such extras that they neglect the primary task of broadening the market for new housing as a whole. In time we may see "standard" models produced as a more modest counterpart to the "de luxe." For the immediate future, however, the mass producers, in common with handcraft producers, seem bent on capturing the medium-priced market first.

If men like Kaiser and Bohannon can produce a better \$5,000 house than is now available, they will perform a valuable service and contribute to higher housing standards in general. But the limitations of their enterprise should be clearly understood. We cannot delegate the national housing task to subdivision developers, no matter how advanced they may be.

The Packaged House

It is to the prefabricators that one turns for a building process that can be adapted to any site in any numbers. Prefabrication goes back to the Sears-Roebuck type of "ready-cut" house: shipment of prefitted parts which the farmer or small-town dweller could put together himself. In its modern phase the attempt to develop a real housing industry on the basis of the factory is scarcely more than ten years old. Very much an infant industry, it still faces problems so serious that no sudden

displacement of orthodox building methods on a broad scale can be expected.

The need for simplification and standardization of the house and its parts has long been apparent, and some rather feeble efforts have been made in that direction. Since 1921 the Bureau of Standards, in co-operation with the construction industry, has been trying to bring about standardization of certain materials and components. Recommendations have been issued reducing the varieties of brick from 75 to 2, of metal lath from 125 to 29, of sink traps from 114 to 76. Sometimes the recommendations have been adopted, sometimes not. There are still 1,200 stock patterns of lock hardware, 19,000 kinds of valves and fittings, 139 types of paint brush, and 150 strengths of window glass. And such simplification as has taken place by agreement among manufacturers and contractors has produced few perceptible savings for the public.

Recently the American Standards Association has been conducting with somewhat more success a campaign to establish modular units in the manufacture of many housing components. Here the idea is to obtain universal agreement on the size of windows, doors, studs, rafters, etc., in terms of a unit—usually four inches—multiples of which would govern the size and location of every part of the house. By this means it is hoped to encourage easier assembly of the house and so “make available the economies of standardization without standardizing the building itself.”

But movements of this kind move exceedingly slow. So long as the house remains a custom-built product, and so long as it is produced by great numbers of individual builders in every city, variety rather than uniformity will have the upper hand. It is only when a single producer sets out to systematize the process that long strides can be taken.

The first prefabrication experiments were based upon new

materials for the structural shell—steel or concrete. Thomas A. Edison took out a patent on a complicated rig for pouring the roof and all the walls in concrete at one operation. Neither steel nor concrete proved wholly satisfactory. Often the operations demanded heavy machinery or shipments of heavy materials. Difficulties of insulation and moisture proofing cropped up.

Oddly enough, it was not until the prefabricators turned back to a traditional material—lumber—that the art began to move forward. The Forest Products Laboratory of the United States Department of Agriculture laid the foundation for much prefabrication of today with its development of a structural panel built on the stressed-skin principle—wooden studs faced on either side with plywood. The John B. Pierce Foundation, financed chiefly by American Radiator Company, worked out a parallel technique of framed panels, in which girders bear the weight of the house, and panels of fiber board or plywood provide insulation and protection from weather.

Not all prefabricators use the panel system—some simply build the entire wall in the factory and ship it by truck to the site for erection—but here lie the best opportunities for economy. A standard panel can be used as part of a wall, floor, ceiling, or roof. Hundreds of them can be turned out by factory methods and assembled in many designs and sizes. The panel is easily handled without hoisting machinery. It can be conveniently warehoused for future use and economically shipped.

Many more prefabricated houses have been built during the war than were produced in the five years before the war. In 1942 federal authorities listed eighty firms in the business, as against little more than a dozen in 1940. Both costs and quality are subjects of intense dispute. Some of the wartime

developments offer no inspiration whatever for the houses of the future. They are poorly constructed, dreary chicken coops. These unfortunate concessions to emergency conditions were shantytowns from the beginning, and the best thing that can be done is to tear them down. Yet it would be a serious mistake to condemn all prefabrication for the sins of its wartime over-expansion. The larger, more solidly grounded firms have some excellent houses to their credit, and it is foolish to assume that quality construction and prefabrication are mutually exclusive.

As to costs, the slow growth of an industry still in the experimental stage and the absence of a mass market make decisive comparisons impossible. One manufacturer sold houses in the \$3,000–\$5,000 range in a middle western town just before the war at reputed savings of from \$40 to \$500 below the prices for a comparable structure built by traditional methods. Admittedly the record is not sensational. But that prefabrication at this early stage can at least meet the competition of other methods is manifest from the fact that a number of strong and growing firms expect to stay in business. Just what cost reductions they can accomplish remains to be seen.

One difficulty is that the typical prefabricator has not yet become a merchandiser of housing but occupies the status of a materials superdealer. Assembly of the house remains in the hands of local contractors, and much of the labor is subcontracted as usual. Purchase of the land, production of some materials, and assembly of the final product has to be done by somebody else. Thus some of the savings effected in manufacture are eaten up by distribution costs and other expenses of getting the house ready for the purchaser.

Most prefabrication still consists of duplicating in a factory the same general type of operations traditionally carried out on the site. For example, the plywood panel, though a real

advance toward new construction methods, remains essentially a wall unit composed of various layers of different material. As the National Housing Agency has pointed out, the industry's foremost requirement at this point is a new material which can be cheaply fashioned into monolithic structural panels. Says the N.H.A.: "If through the development of such a material the cost of the elements comprising the structure of the house could be reduced by 50 per cent, the effect would be to cut the total capital cost of the house and land by approximately 30 per cent."¹

Savings in plumbing, heating, kitchen equipment, and finishing items are desirable, of course, but the cost of the structural shell is estimated at 60 per cent of the total cost of house and land, or nearly 70 per cent of the cost of house alone. Economies of truly drastic scope in this field would produce the revolutionary cost reductions for which the country waits.

The practical approach to this problem is suggested by the California builder who uses a patented variety of light-weight concrete, with a density equivalent to that of hard wood, for wall and roof panels in site-assembled houses. The theoretical approach is expressed by the British physicist who has set out, in the spirit of pure research, to discover what atomic and molecular structure would perform the functions we demand of a wall: light weight, tensile strength, insulation value, etc. It may be possible to produce in the laboratory a material weighing as little as one pound per square foot, as compared with ten pounds for wood frame construction and a hundred and fifty pounds or more for masonry. The director of the Pierce Foundation declares that the development of such a material should reduce wall costs by not less than 50 per cent

¹ *Housing Costs* (National Housing Agency Bulletin, No. 2 [Washington, December, 1944]), p. 22.

and at the same time improve the quality of the building. A wall which would admit the radiant heat of the sun in winter, but retain the heat produced inside, is not beyond the bounds of probability.

Such prospects are for the future. We should press toward them with all speed, but we should also encourage in every possible way whatever immediate economies can be made by evolutionary adaptations of the building process. It took 1,800 man-hours to construct the average five-room house before the war. Federal Housing Administration war housing, stripped down to the essentials, required 1,400 man-hours. Many of the war houses showed their minimum character all too plainly; but others, especially those produced in some of the new communities of the West, could hardly be distinguished from peacetime dwellings. The immediate national goal should be the production of pre-war quality at wartime standards of labor time. If no more than that were accomplished, a reduction of 20 per cent in construction costs would be within reach.

Government can, and in view of the emergency certainly should, speed up prefabrication in three ways: by taking the lead in research, by helping to break down local barriers, and by underwriting a market for the industry's output. The last point deserves special attention. In order to realize maximum economies, prefabrication needs the assurance of a sustained market which will permit volume production. Sweeping fluctuations in the housing market work against such assurance. In the interest both of large production now and of an improved building process in future, the government would be thoroughly justified in buying or guaranteeing the purchase of a fixed output for several years (setting quality standards to be met, of course), after which the prefabricators could be left to compete on an even footing with traditional methods. Tariffs

have done much more than this for many another "infant industry."

The goal must be total freedom for ordinary builders, site fabricators, and prefabricators alike, to accomplish the economies of a more rational building process: the extension of mechanized operations, the simplification of parts, and the wider use of preassembled components. Yet it is precisely in this field that barriers have been raised by those who have a vested interest in orthodox materials and methods.

Clearing the Way

Not all the barriers are positive and premeditated. Some represent the encrustation of habit, the tendency of many interests to cling to the known, the widespread distrust of the unfamiliar. Some arise from the present organization of the construction industry.

The industry definitely is not so organized as to provide strong leadership for change from its own ranks. The materials manufacturer cannot provide leadership: housing represents only one of many markets, and often a subsidiary one, for his product. The manufacturer has an interest in broadening the market for his own product, improving its competitive position in relation to others, but he cannot afford to devote his energies to the improvement of the house as such. The dealer occupies a similar position. He is so busy trying to make a living out of houses as they are that he cannot spare time for houses as they should be.

The contractor and operative builder, for their part, figure too slightly in the whole picture to exert a dominant influence even if equipped to do so. The builder is a customer, not a true organizer of production. He shops for materials much as a housewife shops for food. He faces a bewildering variety of

them, some representing the results of the most advanced research, but his task is to put them together in pretty much the old way. The builder cannot analyze his job, discover that a certain material is needed, and set about getting it manufactured, for he does not present a market for enough of the product to become a major factor in influencing its character. He still carries on his work by the project, not by the year—perhaps one house, perhaps ten, perhaps a hundred. Never do he and all his fellows offer a sustained and predictable schedule of production on the basis of which the industry as a whole can drive toward a common objective.

Nor do the lending agencies and, for that matter, the public itself offer much help in the way of positive leadership. Every innovation has to fight an uphill battle against the inertia and conservatism of those who lend and those who buy. The lenders say they must be cautious because every house built today must be marketable to some buyer in the future, and buyers are conservative. The latter, in turn, lay their own caution to that of the bankers, since in the last analysis the man who puts up the money has the final word on what it shall be spent for.

I am inclined to place most of the blame here on the bankers. Deep down in their subconscious must always lurk a fear that any radical departure in housebuilding may render present houses obsolete and therefore impair their past investments. They must also feel, though they would not openly say so, that a radical reduction in the costs of new housing would bring down the values of all existing houses, in which values every holder of real estate has a stake. So by common consent everybody settles on good old Cape Cod.

Actually the greatest threat to real estate values is not the obsolescence of the house itself but the deterioration of the neighborhood. We could stand a good deal of innovation both

in style and in building methods if the new houses were built as parts of an integrated neighborhood, well planned, strictly zoned, and amply served with public facilities. It is the lack of planning, the lack of social control, that permits a \$10,000 house to become a \$5,000 house in ten years. And it is to escape the consequences of their own failure to demand long-term urban stability that the lenders fall back upon the device of insisting that each new house be as much as possible like the old. The investment security they have failed to obtain by building sound communities they strive to obtain by building traditional houses in the traditional way.

There is, true enough, a degree of conservatism among home buyers which reinforces that of the lenders. People do not like to get stuck with "freak" houses. Their tendency to string along with the familiar has led to the quizzical suggestion of a prefabrication researcher that functional houses be designed for sale in two models: plain modern or with a façade of "real-estate Tudor" bolted on. But this conservatism, when analyzed, is found to be no insurmountable barrier to structural innovation. In the matter of style alone, an increasing number of people, especially young ones, are decidedly receptive to a break with the past. Departures in style, moreover, are not essential to departures in building methods. Receptivity to the latter would prove to be astonishingly high, and to the former progressively higher, if the underlying insecurity of real investment could be dealt with.

The individual home buyer approaches the act of purchase in a cautious frame of mind because this may be the biggest investment he will ever make. He cannot afford failure of an experimental house, and he wants an easily marketable one in case he has to move. The second factor can be taken care of by giving him a planned and stable neighborhood; the first, by placing the burden of experimentation somewhere else.

Leadership for housing innovations, then, must come from outside the industry and outside the ranks of individual builders, lenders, and buyers. The logical source is government, federal, state, and local. Only a concerted movement by public agencies, backed up by an informed and aggressive public opinion, can accomplish what needs to be done in research, in the elimination of restrictive practices, and in the establishment of building standards that encourage change instead of enshrining the status quo.

The need for publicly supported research has been clearly demonstrated by the lack of it in any significant volume under other auspices. We have witnessed a great deal of *ex parte* experimentation in new materials. Developments in insulation, wallboard, glass, plastics, paints, glues, and roofing testify to its value. But study of the house itself—research in the integration of parts and reform of assembly techniques—has been confined to a few institutions studying prefabrication and a few universities like Purdue. The federal government conducts research in civil aeronautics; it conducts research in many fields relating to agriculture; it supported the prefabrication studies of the Forest Products Laboratory. Surely the same principle would prove valuable in opening the way for progress in housing.

One form which research ought to take is the collection of more adequate data on markets and consumer preferences, a field in which hunch has long prevailed over accurate knowledge, to the detriment of the ready adaptation of housing construction to its various markets. Another and perhaps more important form is the objective study of new materials and methods, not from the viewpoint of devising something to sell (necessarily the viewpoint of manufacturers), but for the purpose of discovering better and less expensive ways to build

houses. The quest for a new wall material offers an obvious starting-place.

One could wish that some of the same spirit of urgency and dedication which went into the perfection of the atomic bomb could be evoked for housing research. A nation which can afford \$2 billion for destruction can afford, say, \$50 million for an all-out effort of scientists and industrial engineers to improve the fashion in which we live. We are so far behind in achieving basic modernization of shelter, and the rebuilding of our cities has become such an urgent responsibility, that a humdrum research program, tooling along at leisurely pace in a fog of bureaucratic procedure, will not serve the purpose. What we need is a scientific-industrial offensive, conducted with the zeal and single purpose of a search for a new weapon, in which the best brains of the country are mobilized to solve the problem of the modern house.

Action against Restraints

The launching of a significant research program would call for assurance that its results be made immediately available to the public. Failure to undertake the program would reinforce the necessity of seeking economies by revision and adaptation of building methods as they now exist. Either way, then, government at both federal and local levels faces another task—the removal of the restrictive practices which impose positive and specific barriers to housebuilding progress.

A consideration of the situation in which existing law and Supreme Court decisions leave us points straight, as we have seen, to the need for new federal legislation. What Thurman Arnold accomplished by his antitrust campaign in the construction industry may be presumed to have been lost. Anti-trust law enforcement, to be effective, must be continuous, and it must rest on the solid rock of judicial support. The Supreme

Court's decision in the *Hutcheson* case forced Arnold to abandon his campaign. It is not likely to be renewed so long as doubt beclouds the applicability of existing legislation to restrictive practices engaged in by unions. New restraints may be expected to spring up and old ones to be revived unless the Department of Justice is given a legal lever for a renewed enforcement drive.

Senator Taft's housing subcommittee, following recommendations of the Twentieth Century Fund and others, in 1945 proposed a comprehensive review by Congress of the antitrust, antiracketeering, and Clayton acts, "for the purpose of creating effective means for eliminating monopolistic practices, combinations, and restraints, designed to maintain prices or restrict productivity, whether the source of these restraints be material manufacturers, contractors, labor, or any of the three in combination with others."

The difficulty in writing such legislation has always been the danger that antilabor forces would seize upon it in an effort to fashion another weapon against legitimate collective bargaining. Unfortunately, we still have some employers who harbor the secret hope of smashing organized labor yet. There are also plenty of employers who, while fiercely criticizing "monopolistic" practices of unions, have every intention of following the same practices themselves so far as the law and public opinion will allow. Business turned the Sherman Act against labor, and certain businessmen will no doubt try to turn any new legislation against labor if they can.

Nevertheless, skilled practical statesmanship should not be considered incapable of writing a law that would avoid the pitfalls and recognize the difficulties. The first step is to acknowledge the essential difference between combinations of businessmen and combinations of workers. The association of workers for the advancement of their common interests has

been sanctioned by law and approved by public opinion because in our society the individual worker needs, and it is in the public interest that he possess, collective protection against the exploitation of powerful employers. We have established the right of collective bargaining not only because free men ought to have that right but because the advancement of labor's welfare and the progressive increase in labor's share of the national product serves the best interest of us all.

The combination of workers in a strike or boycott may be considered, in the strict sense, a "restraint of trade." A union does indeed undertake to attain monopoly of a certain sort. It does seek to maintain the "price" of labor by other means than the free interplay of supply and demand. But this kind of monopoly, this brand of restraint, this "interference" with commerce, has been properly and wisely exempted from the antitrust laws. For, while the public interest calls for protection of consumers against monopoly prices, it also calls for protection of labor against low wages and oppressive working conditions.

The Clayton Act declared:

The labor of a human being is not a commodity or article of commerce. Nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agricultural or horticultural organizations, instituted for the purpose of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade under the antitrust laws.

The Norris-La Guardia Act and the Wagner Labor Act buttressed this position and firmly established labor's right of collective bargaining.

Having recognized these principles and asserted the public interest in them, however, it is equally necessary to draw a

distinction between union activities intended to secure better wages and working conditions and those intended to control prices paid by the consumer, establish monopolistic practices in a given industry, restrict productivity, or hamper the introduction of new methods and processes. As Corwin D. Edwards, formerly a member of Arnold's staff, has said:

In accepting collective bargaining as a means toward higher wages, shorter hours, and improvement of labor's working status, the nation has not desired to grant any private veto over industrial progress, any right to settle internal quarrels among labor groups by stopping trade, or any special right to destroy competition in the sale of industrial products. Activities directed to such ends can be specifically prohibited without any impairment of labor's freedom of action within its legitimate field.²

How to incorporate the distinction in law is a problem for the legislative draftsman. The labor policy followed by the Department of Justice in its 1939-41 prosecutions offers a guide. The department explicitly declared that "the anti-trust laws are not properly used as a substitute for local police activity" and promised that they would not be used for the purpose of injecting the federal authority into every strike or union dispute. It was plainly set forth that not even secondary boycotts, which then had a doubtful legal status, would be prosecuted where the object was to gain recognition of the union or establishment of satisfactory wages, hours, and conditions of employment.

Five types of labor restraint were defined as subject to prosecution: (1) participation by unions in business plans to fix prices; (2) restraints of trade designed to enforce systems of graft and extortion; (3) efforts to compel the hiring of useless and unnecessary labor; (4) efforts to prevent the use of improved materials, equipment, and methods; and (5) the use of unreasonable restraints to destroy legitimate and established

² "Thurman Arnold and the Anti-trust Laws," *Political Science Quarterly*, September, 1943.

systems of collective bargaining—that is, the stoppage of construction or interference with the flow of building materials for the purpose of substituting one legitimate union for another, as happens in the jurisdictional disputes which so often raise building costs.

A law which spelled out these principles, expanding the first to make it clear that union price-fixing is illegal whether carried on in combination with business groups or by the union alone, would go far toward clearing up the present legal confusion without injuring labor's legitimate rights.

The big stick is not the only way to gain desired ends of public policy. While useful and necessary, it should be supplemented by education, persuasion, and discussion. In this field local agencies might prove the most effective; and they might not have to be formal, official agencies. In most cities the right kind of political leadership could secure the establishment of a voluntary council, representing labor, contractors, dealers, and the public, to hear and thresh out complaints of restrictive practices.

An aggressive council of this sort could do much to prevent jurisdictional disputes from interfering with housing production and could ventilate trade restraints in an atmosphere of frank and free discussion. There are cases on record of business firms abstaining from restrictive practices when the effects were vigorously pointed out to them, and other cases of building trades unions voluntarily cleaning house when it was known that Department of Justice investigators were on the job.

If the industry wants to maintain practices which are widely held to be against the public interest, its members should be willing to defend those practices before a local board on which the public as well as themselves have representation. In the course of defense and discussion, all concerned might find a

common meeting ground where everybody's interest could be served without "going to law."

Another local responsibility, earlier pointed out, is the revision of building codes. This may be a tough nut to crack. A city council which undertakes to re-write the basic law regarding construction must be prepared to run the gantlet of criticism and pressure from scores of clashing interests. But the responsibility is not to be shirked. Attempts by one branch of government to open up home construction to the utmost freedom of innovation will come to nothing if the local government permits barriers against change to stand in the guise of regulations whose only defensible purpose is to protect the public interest in standards of safety and quality.

Those standards can be fully safeguarded without fixing rigid patterns which favor certain materials or methods. A good building code will be short, laying down basic principles of municipal policy and general standards to be enforced. It will delegate administration of the policy to an expert, non-political agency. It will make fullest use of testing facilities so that new materials can be authorized without special legislative action. In some cities the complete separation of regulations affecting home construction and those applying to other buildings may prove advisable. If the political obstacles to a general overhaul of the entire code seem too formidable, it may be possible, in view of the public interest in residential development, to detach houses and apartments from the over-all regulations and give them a code of their own.

The attack on costs, as these considerations suggest, must be a broad offensive, waged unremittingly on many fronts. It must be inspired by single-minded devotion to the goal of reducing costs by every means as rapidly as possible, in order that good housing may become available to more people.

Yet the attack on costs, even if successful on every front, would surmount only one barrier to good housing and the reconstruction of our cities. Private enterprise, even if helped to become efficient by public aid, cannot solve all its problems alone. While everything possible is being done to reduce the cost of the privately built house, other steps will be required if all income groups are to gain access to decent shelter.

THE PEOPLE AS LANDLORD

NO ASPECT of housing induces so many apoplectic rages and so many flights of passionate oratory as the public ownership and operation of places to live. Following the example of European experiments and the inner logic of housing economics, the idea of government subsidy has developed rapidly during the last fifteen years as a method of providing decent living quarters for families unable to pay more than twenty or twenty-five dollars a month in rent.

“Unable to pay an economic rent” is the phrase usually employed to describe these people. In general, they are the families who have income of less than twelve hundred dollars a year. “Economic rent” is the amount of monthly outlay that will buy safe, clean, uncrowded, sanitary, reasonably livable dwelling facilities. Private capital has seldom in recent years—never in the large cities—provided that kind of housing to rent at twenty to twenty-five dollars or less. It has not done so because the return from such low rents was “uneconomic”—that is, did not cover the costs of land, construction, maintenance and management, and capital.

What private capital could and did provide at these rent levels was the squalor and misery of the slums. It provided the teeming tenements of New York’s Lower East Side and Chicago’s black belt; the alley dwellings of Washington; Cincin-

nati's "basin"; the Irish channel of New Orleans; the Mexican shanties, "nigger shacks," and "wop settlements" which in every city, in one form or another, symbolize the community's worst housing, reserved for the lowest economic group.

That government should concern itself with the housing of these people surprised many worthy citizens, inspired others, confused some, and infuriated the rest. Reactions tended to be correlated with economic status and interest in real estate ownership.

The banker or trust company official with a bundle of slum-property mortgages in his vaults pounded the table and accused the government of competition with free enterprise—which it was, in the sense that good housing competes with bad. The real estate dealer and builder, finding a new entrepreneur in the field which they had always considered a private fief of their own, roared against the "social and political menace" of unfair competition—which it was not, since public housing supplied a market they had never touched. The comfortable suburbanite, having escaped from the disagreeableness of city life himself, looked down a long cynical nose at what seemed to him pampering of loafers and no-goods. Small homeowners and three-flat landlords complained about their taxes and burned with indignation to think that the tenants of public projects paid no ad valorem taxes at all. In most cities the leading businessmen, unable as always to separate their true interests from ideological preconceptions, denounced public housing as a dangerous propagator of "alien" ideas and failed completely to understand that access to decent housing did more than advertising could to inspire the people's desire for, and enhance their ability to buy, the very goods the businessmen had to sell.

In view of the antagonistic furore that was raised in virtually every city, it is rather remarkable to find popular opinion in

general supporting public housing. The Princeton Survey on Urban Planning in 1942 included this question: "Do you think the city government should replace the poorest housing with better homes, even if it means higher taxes for everybody?" For the nation as a whole the answers totaled 51 per cent "Yes," 26 per cent "No," and 11 per cent "No opinion."¹

Widespread confusion as to the meaning of public housing was reflected in the fact that 77 per cent of those who did have opinions answered "Yes." In other words, when people understand public housing, they overwhelmingly support it. The survey showed also that support is strongest (65 per cent of all those interviewed) in the cities with more than 500,000 population, in which the housing problem is most acute and public efforts to solve it more familiar.

Public opinion is not, of course, any more conclusive than private opinion. The majority can be wrong as well as an individual. The Princeton survey, however, exploded the myth that public housing is a "foreign" plan which would never grow in the fine free soil of American individualism. On this subject, as on numerous others of economic reform, the American people appear to take the alarmed outcries of propertied interests and businessmen with more than one grain of salt.

How It Grew

America's public housing program is the outcome of a long series of experiments, in this country and abroad, looking toward some solution of the slum problem. After the last war several states sought to relieve the acute housing shortage by rent-control measures or legislation intended to encourage private construction. New York, leader in the field, granted a ten-year tax exemption to people who would build in a hurry.

¹ Princeton Bureau of Urban Research, *Urban Planning and Public Opinion: National Survey* (Princeton, N.J., 1942).

This secured a sizable volume of building, but it did not get better houses, and it did not get houses built for low rents.

Then New York enacted a law to encourage limited dividend corporations for housing. In return for a grant of tax exemption, corporations were to accept a ceiling on rents and a 6 per cent ceiling on dividends. But only a few corporations were formed, and only seven thousand dwelling units built. Private capital was leery. The rents it could achieve—\$12.50 per room maximum—were still far above the level of what could be afforded by people who lived in the slums.

Various philanthropic ventures ran afoul of the same hard facts. Built with high hopes as havens of the poor, they rapidly became ordinary apartment houses serving the same middle- and upper-class market which private enterprise already served.

When the federal government began pulling strings to fight the depression, it sought to stimulate large-scale housing construction by offering cheap credit to limited dividend corporations. First the Reconstruction Finance Corporation, and then the Public Works Administration, dangled federal money before private enterprise as a special inducement. Only eight projects rose to the lure, and they all turned out to be high-rent affairs.

In 1934 the P.W.A. took a sudden new tack. If private capital would not build housing, the people could. The P.W.A. set out to build and operate, through the medium of local housing authorities, forty-nine projects throughout the country, comprising twenty-one thousand housing units. In common with other public works under the emergency recovery program, the P.W.A. housing projects got the benefit of a 45 per cent capital grant, the balance being considered a federal loan for sixty years at 3 per cent.

The government was now in the housing business for sure,

and the welkin began to ring. As the depression clouds passed away, private enterprise came out of its storm cellar and, its courage mounting with the business indices, raised a wrathful protest against public housing. It was true that the P.W.A. developments were expensive. They had been built in haste, on high-cost slum land, with what has been called "a mania for durability." Nevertheless, they had been built. People could live in them, which was more than could be said of the plans, the blueprints, and the talk, talk, talk of earlier days.

In 1937 Congress passed the United States Housing Act, which established a specialized agency to work out the problems in which P.W.A. had pioneered. Public housing was divorced from public works.

Thanks to federal initiative, thirty-nine states, representing 91 per cent of the country's population, now have low-rent housing laws on their statute books, and housing authorities have been established in most of the large cities, many of the small ones. Logically, perhaps, the movement should have come from the bottom up. Local dissatisfaction with the housing conditions of local people should have beaten like a wave on the steps of the Capitol until Congress offered federal aid. What actually happened was that a federal program, grounded partly on the need for public intervention in a stagnant economy and partly on a sharpened awareness of social shortcomings, stirred up the local communities to take stock and to act. In the reckless twenties few persons had bothered to look around them at the kind of life led by millions of their fellow-citizens. The thirties brought common disillusionment, common hardships, and a great awakening.

As the local housing authorities gained experience, they ceased to be the utterly dependent puppets of the federal government which most of them had been at the beginning. They took on a life and character of their own, and began to assert

themselves. Today the end of the Federal Public Housing Authority would not mean the end of the public housing movement. Thousands of families have obtained good housing who would not have obtained it otherwise, and thousands of persons have been drawn into the movement for good housing who would otherwise have remained ignorant of their own local problems.

The Housing Act gave the United States Housing Authority (now the F.P.H.A.) power to lend up to \$800 million to local authorities for the construction of low-rent housing. For each unit of new housing erected, the local authority was required to eliminate one equivalent unit of slum housing and was to raise at least 10 per cent of the capital funds itself. In addition, both federal and local governments committed themselves to subsidize operations of the projects once they had been erected. The federal government agreed to pay to the local authority every year for sixty years, the presumed life of the project, cash contributions sufficient to offset part of the deficit between low rents collected from the tenants and operating expenses plus debt service. The local government agreed to make a similar cash contribution or, in lieu thereof, to exempt the project from full real estate taxes.

Every local government has taken the latter course. In one state—Ohio—the Supreme Court has denied the local government's power to do so, and since no other form of contribution could be wrung from hard-pressed city treasuries, the federal government has taken over direct ownership and operation of projects in that state. In the courts of twenty-nine states and in the United States Supreme Court, the principle of tax exemption for public housing has been upheld.

What makes public housing tick, then, is three kinds of public initiative. One might call them three kinds of public

subsidy, except that in practice only one represents any real cost to the government concerned.

First, the initial capital cost is financed with low interest-bearing loans not available to private enterprise. While this gives a tremendous advantage to public housing, it does not cost anybody anything. The money comes from private investors, precisely like the money used for conducting a war or building post offices, and earns the going rate for money lent on long term to a public agency.

Second, in recognition of the fact that cheap money alone does not guarantee rents low enough to serve the lowest-income groups, the federal government pays annual cash contributions to help keep rents down and sees that they stay down. This costs money. The contributions come out of the federal treasury each year, like other current expenses of the government.

Third, the local government helps keep running expenses down by refraining from collecting taxes at the usual rate. Instead, the project pays a service charge—10 per cent of shelter rents—which almost invariably exceeds the total of taxes formerly collected from the property it occupies. Tax exemption thus seldom costs anybody anything either, though you might not believe it if you listened to the yowls of real estate men and homeowners when they are trying to kill off public housing.

Funds for Brick and Mortar

When the Housing Act was passed, the financing of this form of enterprise was new, and the United States had to undertake most of it. Therefore F.P.H.A. (then U.S.H.A.) was authorized to lend up to 90 per cent of the capital cost of a project. By issuing its own bonds at a low rate of interest, F.P.H.A. raised the money. Then it relented the money, at a

slightly higher rate, to the local housing authority. The "profit" derived from the interest differential goes to pay the running expenses of F.P.H.A. The local authority, on its side, raised the other 10 per cent by issuing its own bonds to private investors. The private investors bought them for one reason only—because they represented good security. And they were a good security because, as experience increasingly showed, the projects were conservatively capitalized, well managed, and assured of sufficient revenues to pay off the debt.

It is estimated by a critic of the housing program that cheap credit saves the local authority \$12.15 per month on every dwelling unit. If the project had to borrow money at $4\frac{1}{2}$ per cent and amortize the loan over twenty-five years, as private enterprise would do, the debt service charge would come to \$25.23 per month. But the actual charge for projects now in operation averages \$13.08. Thus cheap credit, at no real cost to anybody, permits a \$12.00 reduction in rents before outright subsidies come into play.

A remarkable thing has been happening. As the housing program got its sea legs, and investment interests came to understand it, the amount of private capital available for financing has steadily risen. By 1940 the local authorities were obtaining 15 per cent of their capital outlay from insurance companies, savings banks, and other investors. In 1943 and 1944 the ratio of private investment had risen to 70 per cent. The private lenders had steadily increased the length of term for which they were willing to lend and steadily reduced the interest rate they demanded. Since 1940 the average interest rate on local authority bonds has dropped from 2.61 per cent to the astonishing figure of 1.78 per cent.

This flow of private capital into public housing has come about as the result of inducements deliberately set forth by the government. The local authority bonds are tax exempt; but if

tax exemption were abolished for all securities of public bodies, these would still find a ready market because of other desirable features. The Federal Public Housing Authority has subordinated its own loans to those of the private bankers—has agreed that revenues shall pay off the principal of the latter before starting to pay off the former—and, above all, has guaranteed, within reasonable limits, sufficient income for the projects to assure payment of their debts.

It is now perfectly feasible to move rapidly toward 100 per cent private financing of the local housing authorities. Commissioner Klutznick of F.P.H.A. has informed Congress that a few minor changes in the law, to strengthen still further the security behind the investment, will assure that result. In view of the fact that some authorities have already achieved 85 per cent private financing, his statement cannot be doubted.

Thus the way lies open for expansion of the public housing program without any new capital outlay by the federal government, which means without any large increase in the national debt. The funds for brick and mortar can be obtained from the regular capital market rather than from the federal treasury. Low-rent housing can be built, not by federal loans based upon the national interest in a desirable social objective, but by tapping the vast fund of individual savings which is seeking secure outlets of investment.

The small engine which drives this large wheel is, of course, the federal and local contributions to current revenues of the housing projects. It is because investors know that real estate tax exemption and annual cash payments will help make ends meet that they stand ready to finance the projects. Yet it would be a mistake to exaggerate the extent of federal contributions or to assume that they represent an unlimited commitment of the Treasury. The striking thing is that such an essentially modest commitment can produce so large a result.

The 1937 Housing Act permitted F.P.H.A. to contract for annual contributions up to a maximum of \$28 million a year. Most of the commitment has been used up, but actual payments have by no means reached that figure. In 1943 they totaled \$11.2 million; in 1944, only \$8.8 million. Payments were reduced during the war years because high family incomes increased the rents collected, and because some projects built for war-worker occupancy will not require federal contributions until they revert to low-rent status. After the war, the total contributions will increase—and indeed should increase, in order to assure low rents—but under present legislation they cannot exceed \$28 million a year. They will no doubt take some years to reach that maximum, if they ever do.

Reducing these figures to the scale of the single project, the average low-rent development made ends meet in 1942-43 as follows:

EXPENSES

For each dwelling unit the project paid out each month:

1. For operating expenses	\$15.15
2. For debt service	13.08
3. For service charges in lieu of taxes	0.88*

Total	\$29.11
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* Now increased to \$1.55.

INCOME

For each dwelling unit the project received each month:

1. From rent paid by tenant, including utilities	\$20.38
2. From miscellaneous sources	0.35
3. From F.P.H.A. in contributions	8.38

Total	\$29.11
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The balance sheet shows that the tenant paid for all of the project's operating expenses—which include heat, gas or electricity, water, and a heavy allowance for maintenance and repair—and also for about one-third of its debt service. The

F.P.H.A. paid for somewhat less than two-thirds of the debt service. In normal times it is possible for the federal contribution to go up to \$12.13 a month, at which level it would almost, though not quite, cover the debt service. Thus in general terms it may be said that public housing depends upon rental collections to pay its running expenses and upon federal aid to pay the interest on and retire the principal of its debt.

The matter of retiring the debt should not be overlooked. Federal contributions do not run on forever. As the debt is reduced, the contributions can be reduced, and when the debt is fully paid off, contributions stop. The pilot program of F.P.H.A. has been based on sixty-year loans and a commitment to pay contributions for the same period. Just as road tests suggest improvements in the new model of an automobile, so experience in public housing during the initial trial period has indicated that loans can now safely be written for forty-five years, and the contribution commitment thus reduced by one-fourth.

Such a change has been proposed to Congress by F.P.H.A. When it has been adopted, along with others referred to above, public housing will be in position to raise all its capital from private sources, to receive diminishing federal contributions for forty-five years or less, and then to have a debt-free project which can still be operated at low rents without subsidy throughout the useful life of the building. Since the projects have followed a policy of rigorous attention to maintenance and repair, with ample funds set aside to replace every piece of equipment when it wears out, there is no reason why they cannot be operated for sixty years or more if style, location, and general usefulness recommend this course.

Flexibility is another valuable characteristic of the contributions program. The war has shown us that. As family incomes rose, the public housing projects raised the rents (eviction

being impossible in most cities due to acute housing shortage), and so required smaller federal contributions. Similarly it can be assumed that if economic conditions go into reverse, and family incomes decline, rents will be reduced and contributions increased within statutory limits. What can and should be done will in each case depend upon the general housing situation of the community and the general economic condition of the times.

Subsidy at No Cost

Local tax exemption has provided the rallying point for enemies of public housing all over the country. It is estimated that full real estate taxes on the average project would amount to \$7.56 per dwelling unit per month: that is, if the project were assessed at its full value and taxes fully collected accordingly. Yet the project actually pays to local government, for its share of municipal services, 10 per cent of shelter rents, which now amounts to \$1.55 per unit per month. The difference of \$6.01 per month is the theoretical "subsidy" put up by the local government.

The local government, however, *does not actually contribute this much or suffer a corresponding monetary loss*. When a housing project goes into operation, it is something which the community would not have had in the ordinary course of events—something to which orthodox standards of taxation apply no more appropriately than they do to a new school or park. The true measure of the local contribution must be: (1) the difference between what it now receives in service charges and what it formerly received in taxes on the property occupied by the housing project and (2) the difference between what it now spends for community services and what it formerly spent in the same area.

Nobody has ever been able to show that the construction of

a housing project has resulted in higher taxes for the rest of the community. The Twentieth Century Fund concludes:

So far, the removal of public properties from the tax rolls has not been sufficient to affect the rates on the remainder. Moreover, the total tax exemption by no means represents an equivalent loss of revenue. The exemption is based on the taxes that the fully developed property might be expected to yield, and is thus income that has never been fully realized in fact. Often the area taken by the government has either had a very low tax yield or has actually been delinquent.²

Supporting evidence comes from the experience of the Chicago Housing Authority and could be supplied by almost every local authority if need be. In 1944 the eight projects in Chicago paid or offered to pay (some local officials refusing for technical reasons to accept) service charges in lieu of taxes totaling \$145,000. During the last year of private ownership, taxes were levied on the sites of these projects to the amount of \$111,000.

In some cities the service charges may not equal the taxes formerly levied; but it is the exception to the rule when they do not at least equal the taxes formerly *collected*. Slum areas have a high ratio of tax delinquency, even though they also have high nominal land values.

Though most projects do pay more to the local government than their predecessors, it would be unfair to make that the sole test of the tax question. The city must consider also the effect of public housing on the cost of its services. Here, although exact figures are hard to come by, there can be no doubt that public housing drastically reduces that cost, and, if carried out on an adequate scale, would reduce it to the point where municipal budgets could actually be trimmed.

Slum areas, as previously pointed out, usually cost the community more for schools, police, fire, health, paving, lighting,

² *American Housing: Problems and Prospects* (New York: Twentieth Century Fund, 1944), p. 282.

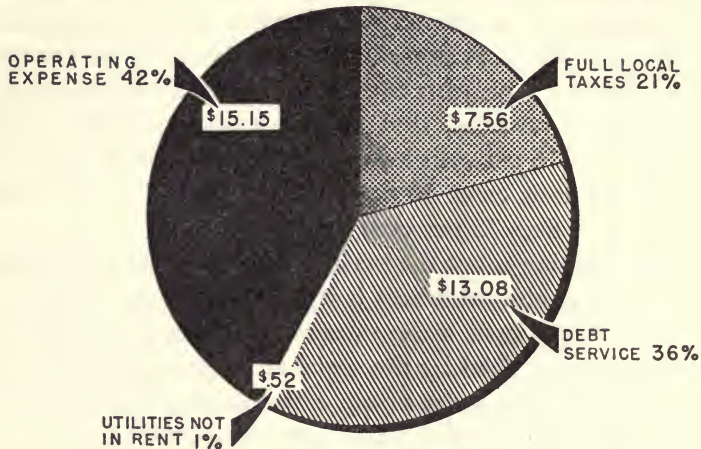
and other services than they yield in taxes. When decent housing is provided, the cost of nearly all services, especially those arising out of fire, crime, disease, and juvenile delinquency, goes down. A study in Newark, New Jersey, comparing three housing projects with three wards of similar population makeup, revealed that in the housing projects infant mortality was 16 per cent lower and children's diseases 28 per cent, tuberculosis cases 50 per cent, fatal home accidents 100 per cent, and fires 73 per cent fewer.

Tax exemption is not the perfect form of local contribution, but in existing circumstances it is the only feasible form, and one which either costs the community nothing or so little that the cost is outweighed by the social benefits. Conceivably the dedication of large areas of our cities to tax-exempt housing could at some time in the future pose a financial problem. But that bridge can be crossed when we come to it, if we ever do.

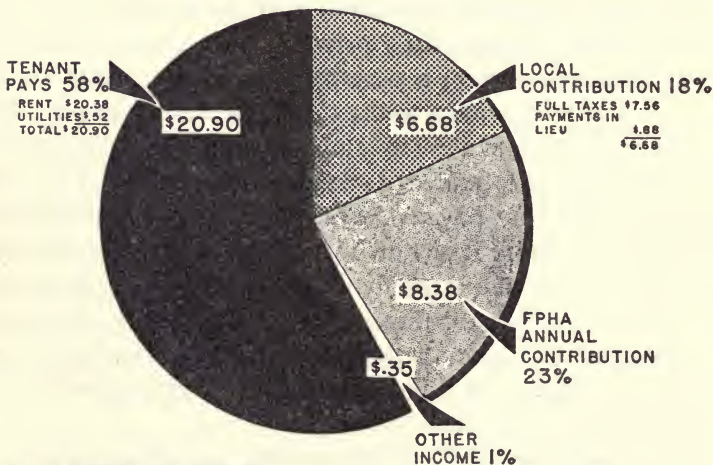
Meanwhile fairness demands recognition that public housing supports its just share of community services and does so in more equitable fashion than privately owned real estate. Its "taxes" are based upon a percentage of shelter rents and so bear a direct relationship to the ability of tenants to pay. The tenants contribute to the common expenses of the community what their incomes allow. Tenants in private housing, and owners as well, must pay on the basis of capital value, whether their incomes justify it or not. If local government insists that all citizens be on the same footing as regards the assessment and collection of taxes, then it would do well to collect all taxes on property income rather than valuation. If we are going to have uniformity, let it be a uniform application of the ability-to-pay principle.

The "economic cost" of the average dwelling unit in a public housing project has been computed at \$36.31 a month. That is what the tenant would have to pay if the project en-

CHART III
TOTAL ECONOMIC COST
\$ 36.31



DISTRIBUTION OF COST
\$ 36.31



Federal Public Housing Authority

DISTRIBUTION OF COST OF LOW-RENT HOUSING UNDER UNITED STATES HOUSING ACT PER UNIT PER MONTH

joyed the advantage of cheap credit but had to bear full local taxes assessed in the ordinary way. In 1942-43 the average tenant actually paid only \$20.90 in gross rent, which includes heat and all utilities and is equivalent to \$15.50 in shelter rent. Thus the cost of his dwelling facilities—\$36.31 a month—was borne as follows:

- The tenant paid 58 per cent;
- The federal government paid 23 per cent;
- The local government "paid," by refraining from assessing full taxes, 18 per cent;
- Miscellaneous revenues paid 1 per cent.

Is the federal government's 23 per cent too high a price to pay for housing low-income families who formerly lived in slums? Enemies of the program cry "Yes," but an examination of their argument will show that nobody else can do the job any cheaper. Shall we go ahead and have the job done or shall we keep the slums?

Knock, Knock, Knock!

Periodically the enemies of public housing take a deep breath and plunge into a frantic banzai charge. A network radio commentator will fill the air with calumnies and misrepresentations of the program, and his words will be eagerly repeated across the country. A ring of real estate men and big property owners will organize a lobbying campaign in the legislature in an effort to deny the local projects tax exemption. Associations of private builders will use some congressional committee as the sounding board for a carefully planned "exposé" of the public housing "scandal" in a particular city, and the doctored testimony will be joyously distributed to congressmen, editors, and public officials.

The pattern has become quite well established. Usually the National Association of Real Estate Boards and its lobbyists will be found in the background. During these campaigns the most upright citizens, gentlemen of high repute who go to church on Sunday, abandon restraint and resort to barefaced lies, deception, and distortion to carry their points. The rule seems to be that, in the attack on public housing, anything goes.

One of the favorite springboards for these assaults is the question of costs. It is alleged that "private enterprise" can build housing more cheaply than a local housing authority, and masses of statistics are hurled at the public as pseudo-documentation. What are the facts?

Public housing, like any other, is itself built by private enterprise. The local authority goes to the private building contractors for bids just like any other entrepreneur, and the structures go up with full obeisance to the profit system all along the line. As a matter of fact, if public housing really wanted to "go public," it could reduce costs in the same way that the T.V.A. has produced huge dams at unheard-of economies: by training its own crews of workers and organizing the whole production job from top to bottom without subcontractors and without profit. Out of deference to the sensibilities of private enterprise, this has, unfortunately, never been done. The housing projects stand within the framework of the private construction industry, with all its wastes, restrictive practices, and chiseling.

Public housing, it should be frankly acknowledged, does run certain dangers of high costs which might not affect in equal degree an enterprise undertaken by private interests. It is an old American custom, sanctioned by the mores of business, to stick the government when you can. Nevertheless,

competitive bidding, when not undercut by collusive action (for which, after all, the contractor can be thrown in jail), offers a check to padding of contracts. No excessive costs of any significance have been chalked up to contractors or materials suppliers.

The one area in which a differential exists is that of labor costs. The Housing Act as passed by Congress requires the builder to comply with wage scales established by the Department of Labor. For reasons best known to itself, that department has specified for public housing the "A" scale, which applies to large government projects like post offices and monumental buildings. Private housing, including that insured by F.H.A., generally pays the "B" scale, variously estimated at from 10 to 17 per cent lower in total cost. On the face of it, the Department of Labor ruling is preposterous and should be changed. But it is not a strong enough peg on which to hang a general accusation of exorbitant costs for public housing.

The real test, after all, is the costs themselves. When a private builder boasts that he can do the job more cheaply than a housing authority, it will usually be found that he is not talking about the same costs which appear on the authority's books. He may compare a project built on cheap outlying land with one built on an expensive central site. He may talk of net construction costs in one case, and total development costs—which include site preparation, streets, playgrounds, and utility services—in the other.

Almost invariably the private developer's theoretical "savings" arise largely from his failure to allot money for competent architectural service, engineering, and site planning. The public project does lay out funds for these purposes. But open space, gardens, trees, community facilities, and intelligent grouping of structures are worth paying for. Public housing,

too, could cut costs by crowding houses on every square foot of land, by repeating all the mistakes of the past, by letting the problems of schools, play space, and auto parking take care of themselves. It is greatly to the credit of housing officials that they have rejected this kind of illusory economy.

Secretly, perhaps, many private builders consider such "trimmings" too good for the poor. But the luxury of class discrimination can be afforded only by the community which does not mind lowering itself to the level considered appropriate for its low-income families. If minimum housing is to be built for minimum people, then the result will be a minimum community. We have been stuffing the poor into barracks for the last hundred years, and we cannot go on doing it unless we wish to perpetuate the present condition of our cities.

The best answer to charges of excessive costs in public housing is the record. For all the low-rent projects built up to May, 1944, the record shows these average costs per dwelling unit:

<i>Net construction cost</i>	\$2,871
(includes plumbing, electrical, and heating equipment)	

Dwelling facilities cost:

(includes the above plus pro rata share of architectural and engineering expense, project utility costs, overhead and carrying charges during construction—i.e., total cost of house less land)

1. In cities under 500,000	3,328
2. In cities over 500,000	3,782

Development cost:

(includes the above plus cost of land, slum clearance, site preparation, play space, community facilities—i.e., the total pro-rata share of the whole project cost)

1. Average for all cities	4,827
2. In cities over 500,000	5,282

Are these costs excessive? During one of the anti-public-housing skirmishes in which private home-builders claimed they could do a better job of slum clearance in Washington, D.C., than the National Capital Housing Authority, the latter offered to submit plans and specifications for a project to its regular contractors and to the builders who were raising the fuss. Bids would be received from everybody, friend and critic alike, and the public would judge whether N.C.H.A. costs were excessive. Needless to say, the offer was not accepted. The fact is that private builders cannot beat a net construction cost of \$2,871 per dwelling. Whatever excessive costs this figure includes apply equally to the whole industry and are not peculiar to public housing.

As operations expanded, the housing authorities learned to reduce unit construction costs by better organization of the work. In 1939 the average net construction cost was \$2,946; in 1942, only \$2,711. This compares most favorably with the pioneer P.W.A. projects, which had an average construction cost of \$4,975 per unit. It compares favorably with the limited dividend projects initiated by private enterprise with P.W.A. loans, which had a construction cost of \$3,917. The facts bear out Commissioner Klutznick's contention that the federal program has "promoted good housing for low-income people close to the minimum cost at which it can be made available."

Having failed to get anywhere with a purely negative approach, the enemies of public housing now conduct their campaigns under the guise of offering their own slum-clearance "plans." The very interests under whose dominance the slums grew up have suddenly become ardent champions of the good life. The same people who built the slums, who perpetuated them, who live off them, are now full of bright schemes and promises to rebuild them. The first item of their plan is to wipe out the public housing program. Then, they

say, private enterprise will proceed efficiently and glowing with rectitude to do what public housing has been trying to do.

The odd thing about these alternative schemes is that, whenever a halfway serious attempt is made to grapple with the problem, they all turn out to involve some kind of public subsidy, and often two or three subsidies. Apparently it makes a great deal of difference who gets the subsidy. If low-income families get it in the form of good housing for which they pay less than the economic rent, that is "socialization." But if real estate owners and private builders get it, that is the American way of life.

In 1945 the National Association of Home Builders filled pages of congressional hearings with an attack on the National Capital Housing Authority. The National Industrial Conference Board, speaking for private enterprise, picked up the builders' propaganda and distributed it with approval, concluding that private enterprise could build at a cost of \$4,500 per unit what the N.C.H.A. had built for \$5,940. When analyzed, the statistics revealed three basic flaws.

First, the private-enterprise "cost" was purely theoretical—an expression of hope or intentions—whereas the N.C.H.A. cost had actually been achieved in practice. Second, the private-enterprise "cost" had failed to include the expense of buying and clearing slum land. With this factor added, it was found that the two cost figures were only \$174 apart. Finally, the private-enterprise estimate had been reached by positing a population density in its theoretical project *four times as large* as that of the public project. It is no trick, of course, to reduce unit costs by crowding more people into the same space.

To get around the problem of high land costs in slum clearance, the home-builders, in common with the National Association of Real Estate Boards, propose some form of public

acquisition of land, to be made available at reduced cost for rebuilding by private enterprise. That's one subsidy.

When it is pointed out that, notwithstanding a land subsidy, private enterprise on its own showing will be unable to serve families able to pay rent of less than \$20 or \$25, the builders and real estate men propose rent certificates, a scheme which has also been indorsed by the Producers' Council, representing the manufacturers of building materials. That's another subsidy.

To their "plan" the real estate boards add a third subsidy. They suggest that all investment in low-rent housing be exempted from federal income taxation, and that, in addition, all income yielded by that investment also be exempted from income taxation ad infinitum.

By comparison with these grandiose schemes for subsidization of private enterprise, the public housing program's \$12 a month maximum subsidy of the low-income tenant appears modest indeed. It can be said without qualification that the slum-clearance "plans" put forward by private interests—assuming that they are sincere, which is an assumption I for one would not make—these plans, if ever carried out, would involve a public subsidy far exceeding that envisioned by the most ambitious public housing program.

The most widely advertised "alternative" to public housing is the proposal that rent certificates be issued by local welfare agencies to needy families who live in substandard housing. The rent certificate would subsidize the landlord rather than the house. Its cost would be borne by local instead of federal government; how, and from what tax sources, it is not explained. Presumably there would be some checkup by the welfare agency to see that the recipients of rent checks were getting adequate housing and the landlords taking only a fair return. The catch is that the community would have no guar-

anty of improved housing in exchange for its outlay. Welfare agencies have been helping the needy with their rent for years, and no housing construction has ever been thereby stimulated.

The administrative job of dispensing rent certificates for the millions of families living in substandard housing—the job of investigating, checking, inspecting, and periodically rechecking both landlord and tenant—staggeres the imagination. No wonder that the welfare workers themselves have rejected the scheme as administratively impossible and a violation of sound rules of welfare policy. Where could a line be drawn between who got a rent check and who did not? Every family living in substandard housing would have an equal claim. And where would they live? Local officials who have proved incapable of enforcing the minimum housing standards already on the statute books would be expected somehow to provide an adequate supply of good housing by waving rent certificates on the steps of the city hall.

The final absurdity in the scheme is the fact that, house for house and tenant for tenant, it would cost at least three times as much as public housing. We saw above that the “economic cost” of providing family shelter in the average public housing project is \$36.31 per month. Suppose the project were built instead by private enterprise. Suppose that construction costs were the same, that the private developer installed the same facilities, housed the same number of families, collected from each the same gross rent. How much would he have to collect from the local welfare agency in the form of a rent certificate?

First, he would enjoy no federal cash contribution, which amounts to \$8.33 a month. Next, he would have to pay local real estate taxes on full valuation, which averages \$6.01 a month in excess of service charges paid by the public projects. Finally he would not enjoy the advantage of cheap public credit, which, on the testimony of public housing critics them-

selves, would add \$12.15 a month to his debt service. The three items together tell us the amount of the rent certificate or subsidy which would have to be paid by the local welfare agency—\$26.54. Compare this with the federal subsidy of \$8.33 paid for public housing, and no further comment is necessary.

From time to time somebody rises to ask why private enterprise cannot do the low-rent job if given the same advantages we grant the public housing authority. Why can we not just turn over the task to limited-dividend corporations and let it go at that? Apart from the fact that the limited-dividend device has been tried before and found wanting, the figures above give the answer. If private enterprise pays local taxes, it will need a subsidy of \$6.01 per month per unit. If it obtains credit at going rates for private ventures, it will need an additional subsidy of \$12.15. If it pays no taxes and gets cheap credit from the government, it will still need a subsidy of \$8.38. And if it receives a subsidy, pays no taxes, and operates on public credit, we are only indulging in self-hypnosis to call the enterprise "private."

Or, again, a voice from the rear of the hall will demand why the low-rent housing problem cannot be solved by rehabilitating existing dwellings instead of building new ones. There is something not quite right, it will be implied, in building fine new row-houses and apartments for low-income families while those with moderate incomes live in secondhand quarters. Why not fix up the hand-me-downs and let the poor live there?

Well, it does make sense to utilize existing structures when you can. The 1937 Housing Act recognized that by setting up loans and subsidies for the purpose, and public housing officials have urged that the policy be pursued wherever possible after the war. The error arises in assuming that rehabilitation

can provide a large volume of truly sound low-rent housing. It cannot.

The United States Housing Authority never provided any substantial amounts of housing by rehabilitation because it could not find projects of this type that would prove economically feasible. Under the pressure of war necessity, when every consideration dictated the utmost possible use of existing structures, the National Housing Agency succeeded in filling only 6 per cent of war needs by conversion. Before the war, F.H.A. had similar difficulty in finding good mortgage risks among rehabilitation projects.

When a house or apartment is in good shape, it will usually rent for more than the low-income groups can afford. When it is sufficiently old and rundown to fall within the rental range of those groups, it is often beyond the stage of rehabilitation except at great expense. Furthermore, blight of an area cannot be checked by remodeling one house; and the cost of remodeling every house for blocks around might actually exceed the net cost of razing the neighborhood and building a new one. Rehabilitation, therefore, should not be considered a substitute for public housing. At best it is a supplemental method of public housing, applicable in isolated and relatively few cases.

We come back to the hard facts of our situation. There is no way to clear the slums except to rebuild them. There is no way to house many of the people who live in slums except through some form of subsidy. Public housing, locally administered and federally subsidized, offers the surest, cheapest, and soundest method of accommodating low-rent families and at the same time eliminating the slum conditions in which they now live.

Myths and Popular Errors

The running fight on public housing has given rise to many misconceptions, rumors, lies, distortions, and mistakes. Probably the granddaddy of them all is the coal-in-the-bathtub story. I doubt if there is a housing project in the country of which somebody has not said that when the people moved in they showed so little appreciation of their new surroundings that they used the bathtub for storing coal or put their shoes in the refrigerator.

The story takes numerous forms, all designed to buttress the old saw that "people make slums." The best answer to it is a visit to the housing projects in your city. You will probably have the same experience as the newspaper reporter who was sent out with a photographer to get the evidence on the "trashy" way people lived in these government projects. The reporter looked in every corner but found no litter suitable for photography. (Incidentally, when he returned to the office, he was not allowed to write a story to the effect that the housing project was clean. His editor, knowing what the publisher wanted, sent out another reporter to get the story.)

Of course, some low-income families, when moved abruptly from a life of filth and disorder, do not know how to behave. But they quickly learn. One of the first things that develops in a new project is a spirit of communal pride in its neatness and upkeep. The care of grounds and public spaces has been successfully left to tenant associations, at a saving of some \$3 million a year. With such a spirit of joint responsibility, social pressures hold in line any disorderly family whose bad habits might run down the neighborhood. Because all are in it together, the decent majority prevails over the careless minority.

What about the frequently heard charge that public housing

“subsidizes tenancy” and deprives the upstanding American citizen of his God-given right to own a home? Here the tenant is no longer depicted as a rude oaf who delights in abusing public property; now he is a sturdy fellow, with the glint of home ownership in his eye, struggling to escape from the prison into which an unfeeling government has clapped him.

The truth is that public housing shelters those who never had a chance at home ownership in their lives and will not get a chance unless their incomes go up, in which case they become ineligible to live in a housing project. Experience shows a remarkable number of public housing “graduates” who have moved into homes of their own, even though they belong to an income group whose members generally cannot afford their own houses. Living in decent surroundings stimulates the desire for the good things of life. That is why so many tenants work themselves right out of the project; they get ambitious and soon find themselves with incomes which make them ineligible to remain.

The other side of the record alleges that public housing does not really serve low-income families. We are given the impression of well-heeled chisellers lolling at their ease in subsidized houses while hard-working citizens and taxpayers struggle to make ends meet.

Much confusion on this point arises from the fact that the war interrupted the low-rent housing program and pressed it into national service. Everybody's income went up, including that of project tenants. In normal times they would have been evicted when their incomes rose beyond a certain level, usually \$1,000 or \$1,200 a year. But an acute housing shortage in every city left no place for them to go. Many were therefore allowed to stay, and their rents were raised instead, within the limits established by O.P.A. ceilings on comparable dwellings privately owned.

Now that the war is over, the projects will get back to the old low-rent basis as fast as possible, though the persistence of housing shortages will prolong the transition. But the story that public housing fails to serve slum families will endure. Then it will be indignantly said, as it was before the war, that the very neediest families cannot get into the projects.

This is true. Because the federal government does not subsidize all expenses of the poorest families, that being considered a job for local welfare agencies, a family does have to enjoy *some* income and pay *some* rent, the balance being made up by subsidy. Those who criticize this feature argue, in effect, for a larger federal subsidy. But what the same critics usually want is to kill off the subsidy we have.

Another common misrepresentation is the statement that public housing does not clear the slums. Sometimes the charge rests on the fact that a project has been built on outlying land rather than in the slum area. But in this case one dwelling unit in the slums has been eliminated for every unit built outside, as the federal law demands. Public housing therefore helps to clear the slums even when its projects are built elsewhere.

An especially dishonest form of the complaint goes like this: "Public housing has had eight years to do something about the slums, and just look—we still have slums!" The moral tone of this criticism may be judged by the fact that it usually comes from those who have moved heaven and earth, in court, in politics, in legislative chambers, to hamper and restrain public housing. Having fought the program at every turn, they have the insufferable gall to complain that it has not done enough.

Slums do still exist. But with a national housing stock of around forty million units, the total low-rent program authorized by all pre-war and war legislation amounts to no more than 221,000 units. We cannot blame an experimental pilot program for failing to do what we would not let it do.

Slum clearance, in the sense of over-all redevelopment of blighted areas, involves much more than public housing. It involves replanning, the creation of parks and other public facilities, commercial and industrial development, and residential building by private enterprise. The function of public housing in this broad civic task is to rehouse those families who cannot pay an economic rent. So far we have given it the funds and powers to discharge only a minute fraction of that limited responsibility. Let us not therefore whine because most of the job remains to be done.

One of the most persistent misconceptions, diligently fostered by real estate dealers, builders, and property owners, represents public housing as competing with private enterprise and threatening to destroy it. With some justice one might say that an industry which has so miserably botched the job of housing the American people deserves to be displaced. But, in fact, nobody is trying to displace it. Public housing does what private housing cannot do. The private interests themselves admit this on the witness stand. Their prescription, in the end, always turns out to be a continuation of the practices of the past, under which houses are built for the upper-income groups and filtered down, decaying as they go, to less fortunate families. The squalor in which millions live attests the brutal inadequacy of that system.

I hope I have not given the impression that public housing is beyond reproach. Nothing could be further from the truth.

The public projects have been guilty of some architectural sins quite as monstrous as those inflicted upon the community by private enterprise. Some have helped to create, both in physical treatment and in management attitudes, a feeling of institutionalism, which sets tenants apart from the community and stamps them as recipients of charity. An inward-looking defensiveness has characterized the approach of too many

housing officials. Preoccupied with their own job, they have overlooked the broader problems of community planning and gathered themselves into a self-sufficient little circle insulated from the main currents of local life.

There have been mistakes, bad judgment, lack of imagination. Some of the projects doubtless are too big; they form a conspicuous island of monolithic class structure and cause people to say to themselves, "That's where the poor live." Some officials have been so anxious to employ advanced techniques that they went ahead with extreme architectural innovations despite local resistance and disapproval. This sets the project still further apart from local patterns and traditions and creates an unnecessary hostility which soon extends to the principle as well as the appearance of public housing. Where projects have been built on close-in sites, none has ever reduced the density which previously prevailed, and some have actually increased it. Finally, the "housers" have usually botched the job of explaining to the public what they are doing and why; the democratic participation and consent essential to a firmly based program have seldom been attained.

When all this has been said, the great fact remains that, with all its mistakes, public housing has improved community life. The worst project provides incomparably better housing than what the tenants formerly knew. Most of the failures can be charged off to the growing pains of a young and experimental movement which had to feel its way without precedents and against a vicious opposition. If officials withdrew into their shells, it was because the dominant influences in the community depicted them as pariahs and interlopers. As against bad architecture in some cases, in others public housing has achieved the finest examples of site planning and community development in the country. And there has been

growth. On balance, the remarkable thing is not that mistakes have been made but that the public housing movement should have taken such long strides in eight years.

When the people understand it, when the local authority has been thoroughly woven into community life, when public housing enjoys recognition and responsibility as a legitimate expression of valid social aims, the movement can build on the experience of its pioneering period a potent instrument for the reconstruction of our cities.

How Much Public Housing?

In defining a public housing program for the future, there are two reliable criteria of need.

First, we can estimate need by average incomes to be expected throughout the country. In 1941, a relatively high-income pre-war year, 25 per cent of the nation's nonfarm families received annual incomes of less than \$1,000 and could not afford good housing as provided by private capital. Allowing some leeway, we can figure conservatively that 22 per cent of our annual housing construction should be public. If the annual goal is set at 1.2 million units, as the National Housing Agency recommends, the public housing goal should be 264,000 units. If we set the total objective at the more adequate figure of 1.5 million a year, the public share would be 330,000 units a year.

This rough estimate checks with the postwar planning studies undertaken by local housing authorities at the request of F.P.H.A. The authorities were asked to propose a minimum program based upon actual incomes, actual rents, and the principle that private builders should serve most of the market and should be given opportunity and incentive to serve an expanding share of the market.

The data gathered in this survey have been applied by

F.P.H.A. to a typical composite city of 100,000 population. This city, which we might call Middletown, has 25,000 houses, of which 28 per cent, or 7,000, are definitely substandard. Private enterprise in Middletown can produce housing to rent at no less than \$30 a month, excluding utilities, or \$35 a month including them. Reducing the latter figure by 23 per cent, to leave room for possible reduction of private housing costs, places the gross rent ceiling for public enterprise at \$27.

Canvassing present incomes of those now living in the 7,000 substandard houses, Middletown finds that 1,260 of these families can afford to pay \$27 or more. They are therefore eliminated from the potential market for public housing. At the other end of the scale, public housing must charge at least \$9 a month gross rent in order to break even when receiving the maximum federal operating subsidy. There are 700 extremely low-income families who cannot pay that much. They are also, unfortunately but necessarily, eliminated from the potential market. That leaves 5,040 families in Middletown, or 20 per cent of the total, who need low-rent quarters and fall within the area to be served by public housing.

How rapidly should houses be built for these 5,040 families? The local authorities' construction proposals averaged out to an extremely modest program of 320 units a year, at which rate it would take more than sixteen years to rehouse all those living in substandard dwellings. Applied nationally, this would mean a public housing program of more than 350,000 units a year.

Thus according to these two measures of need, the goal for public housing lies somewhere within the general limits of 250,000 and 350,000 units a year.

This objective will be affected, of course, by the future of the national economy. If family incomes rise, as they will have to rise for full employment, the need for public housing should

go down. If we slide into another depression, the need will go up. But under no foreseeable circumstances can it be assumed that a substantial need will not exist. A sound national program would provide appropriations for construction of 1.5 million units in five years, at the end of which time we can take stock and determine what further construction should be undertaken.

The cost of the program would be ridiculously small in comparison with the benefits to be gained. With private financing available, the only net outlay demanded of the federal government would be annual contributions in aid of low rents. To obtain the construction of 1.5 million houses, the government would have to authorize \$52 million in contributions for the first year and increase the amount by the same sum annually until the total outstanding liability was \$264 million a year. Not all of that would be used, and contributions would decline over the years as the project debts were retired.

Can we afford \$264 million a year for public housing? We shall have for many years a national budget of at least \$20 billion a year. The maximum housing outlay of \$264 million a year would represent little more than 1 per cent of that budget. Surely that is a small sum to spend on so vital a matter as the environment in which the next generation will grow up.

We are preparing to spend \$75 million a year on local airports. We shall spend, as we did before the war, more than a billion a year on highways. We shall spend millions on waterways, dams, soil conservation, commerce, irrigation, and many other public purposes. Shall it be said that the wealthiest nation in the world cannot afford decent shelter for its citizens?

RECLAIMING BLIGHTED LAND

THE public interest in good housing for all our citizens extends inevitably to the place where new homes are located. If all efforts were confined to the structure itself, even if we succeeded both in reducing its cost for everybody and in making it available to low-income families, still the housing problem would remain unsolved. For the land on which the structure stands and its neighborhood environment are important elements in determining the kind of living conditions open to the people.

Left to the tender mercies of "natural" forces, both public and private residential construction would be driven to the ever expanding periphery of the cities, and the central sections would continue to decay. A vast building program without a land assembly and urban redevelopment program would multiply municipal financial problems and aggravate the irrationality of urban life.

Now that the atomic age is here, at least to the extent of the atomic bomb, military reasons are being cited in support of the visionaries whose answer to the urban problem has always been the simple one of abolishing our cities. The consequence of the atomic bomb (and of our presumed inability to live at peace with the world) is alleged to be an urgent strategic necessity to tear down the cities as a means of decentralizing all life and industry at once.

This solemn twaddle is no more reasonable in the mouths of military "experts" than it is when uttered by Frank Lloyd Wright. Cities exist for a reason. While decentralization has been going on and will continue to go on within the urban area, the urban concentrations themselves have been growing. In 1940 about 85 per cent of the total urban population lived in 140 metropolitan districts, which during the preceding decade grew at a faster rate than the country as a whole. They did so because they responded to a need in modern life—the need for exchange of goods and ideas, the need for large aggregations of capital and labor, the need for brokerage, warehouse, and wholesaling services, the need for distribution points along the major trade routes.

The functions which the city performs cannot be abolished by fiat, whether it be the dictate of a military strategist or the wish of a cultural rebel. The only defense against the atomic bomb is a statesmanship and public enlightenment that will keep the world at peace. To assume that we must now hasten to destroy our cities before bombs can destroy them is to bemuse ourselves with an imagined course of action which everybody knows in his heart we shall not carry out.

Dispersal of industry has been taking place in obedience to economic if not strategic causes. The location of factories around the outer edges of the cities has become the dominant note of recent industrial development. But this did not mean abolishing the city, and it complicated rather than relieved urban problems. Industry still had to be near the city, if not actually in it. The automobile, the truck, and the paved highway expanded but did not abolish the urban limits within which factories could efficiently function. So dispersal compounds confusion but does not displace the city as a social and economic organism. We now witness the crazy spectacle of factory workers living downtown and wending their long way

daily to the suburbs, while white-collar workers live in the suburbs and trek every day to the downtown department stores and office buildings. The low-rent areas surround the business section, but the places where low-rent people make their living grow steadily more scattered.

Almost every city may very largely be rebuilt during the next fifty years. But rebuilt how? By the chaotic push and pull of blind pressures? Or by orderly, planned development? By another runaway boom culminating in depression and stagnation? Or by the disciplined will of a democratic people determined to control the environment in which they live?

The Public Stake in Land

In view of the influences which push new construction into outlying areas, two problems of land assembly confront the community: the unlocking of frozen subdivisions and scattered vacant sites which will be passed over by a revived migration to the suburbs and the redevelopment of slum or blighted areas close to the business section. In the unfreezing of arrested development areas, the main task is the removal of legal and financial obstacles to their intelligent use. In the redevelopment of slums the community faces all these problems plus those of removing dilapidated structures and deflating high land values.

Despite the differences, it will be seen that the same methods of land assembly can serve both types of area. A comprehensive scheme of urban redevelopment would gear the two functions closely together. As slums come down and the land on which they stand is redeveloped for residential use at lower standards of density, an outward migration will be unavoidable. Some of these people will push into adjacent areas, some will go clear out to the suburbs. A wise community will make it possible for them also to move into the great open spaces

within the city itself. Slum clearance would proceed hand in hand with the assembly of vacant land farther out as sites for low-cost houses, accessible to families of moderate income.

Attention naturally focuses upon the greater challenge of converting slum and blighted sections into decent neighborhoods. This is the supreme problem. Its urgency surpasses that of any other. Before it can be approached, the community must decide who is going to do the job—where the initiative shall rest—and who shall be held responsible for results.

Some of the reasons why the task cannot be delegated to private enterprise have been cited. The overriding reason is the sheer magnitude of the job. The most conservative estimates show that major slum areas, overripe for reconstruction, comprise between 6 and 8 per cent of the land in our major cities, not counting the many scattered and smaller districts in which blight has the upper hand. To acquire the land and structures in these major slum areas would cost, according to the National Housing Agency, at least \$11.5 billion. Some estimates of the total ultimate cost of acquiring all slum and blighted land run as high as \$40 billion.

What private interest or combination of interests will step forward to shoulder this responsibility, knowing that, once the land has been acquired, it must still be rendered fit for use and then rebuilt?

Following the lead of New York, ten states have passed laws authorizing private corporations to engage in slum clearance. These laws permit but do not impel. Generally they authorize the use of municipal condemnation powers for the benefit of the corporation or delegate those powers under limitation to the corporation itself. If the corporation can acquire a certain portion of the land in a proposed clearance area by ordinary means, it can take the rest by eminent domain under supervision of a public agency. In return for building new housing

on the site, the corporation is usually granted some form of tax concession, freeze, or abatement.

But, as we have seen, redevelopment by private capital alone only skirts the edges of the problem. When propped and underpinned by substantial public assistance, it can clear small areas and use them intensively for serving a small segment of the housing market. It cannot take on the large neighborhood tracts which should be the units of redevelopment. It cannot house the majority of the families displaced, who need low- and medium-rent housing.

The responsibility of land assembly therefore devolves of necessity upon some form of public authority. Let us keep in mind the distinction between public housing and public land assembly. The first is a specific method of rebuilding blighted areas; the second, a method of *acquiring* these areas, which may then be redeveloped by any of several methods. The need for public land assembly arises from the need for wholesale redevelopment in large units, as contrasted with the piecemeal attacks of both public housing and private capital.

A public land agency, unlike a private one, can obtain the advantages of the cheapest credit. It can exercise broad powers of eminent domain. It can control the future use of land in rebuilt areas, to guard against deterioration and obsolescence. It can, if necessary, subsidize the purchase of land in order to render economically feasible its use for some less profitable purpose than that which it now serves. Because the condition of a city is of first concern to the city itself, this public agency should logically be a municipal one.

Some Americans, conditioned to "free-enterprise" shibboleths, will be shocked at the idea of their cities "going into the real estate business." Yet the acquisition and ownership of land by the municipality would only restore to the people what was theirs in the beginning and what belongs to them by

the default of private ownership. When the obligations of stewardship have been violated, wilfully or not, the community has every right, and in fact should frankly acknowledge its duty, to recapture the land in the name of the people.

British and European cities came to this conclusion long ago. Stockholm, a city roughly comparable to Milwaukee or Buffalo, started buying land on the outskirts of its corporate limits in 1904 and eventually came to own an area five times as large as the city itself. The land was acquired cheaply and has since provided ample sites for low-cost housing. Manchester found zoning, restrictions, and other forms of the police power at best imperfect instruments of social control; public ownership of the land itself proved the simplest and most effective way of guaranteeing that it should be used as the community wanted it used.

These European precedents were designed chiefly to control the development of new additions. They represented foresight rather than hindsight. But if it is important to lock the barn door before the horse is stolen, it is equally so, once the theft has occurred, to protect the next horse from the same fate. American cities, having failed in foresight, now face the more difficult problem of repairing the damage done by private ownership and the absence of strong city planning.

The political hazards of putting the city government into the ownership of land should be frankly recognized. Morally lax city halls could corrupt this function of government as they have corrupted others. There would be opportunities for "taking care of the boys" in buying property for slum clearance, just as there are in buying the right of way for a super-highway or any other public improvement. But the remedy for bad government never has been no government; we do not for example, stop building highways. When a public function must be discharged by a public agency, the duty of citizen-

ship is to devise machinery by which responsibility can be clearly fixed and the strongest possible safeguards against political mismanagement set up.

Experience of the municipal housing authorities in acquiring land for public housing has proved that this can be done. A fund of knowledge has been accumulated by municipalities in operating water systems, power plants, transit lines, and other public services. When they make up their minds to it, the people can do business quite as efficiently and honestly as private individuals.

In many cities the public housing authority, already established and already skilled in real estate dealings, would be the logical agency to take over land assembly. Elsewhere it might be found desirable to establish a municipal land authority as a quasi-public corporation possessing the clearly defined responsibility, freedom from political pressure, and administrative flexibility of the T.V.A. The Federal Housing Administration has proposed the creation of a city realty corporation to handle all matters connected with the acquisition of sites for redevelopment and other municipal purposes. Whatever the agency, the manner in which it works will depend ultimately on the state of civic conscience in each community and the alertness with which the people safeguard their common interests. These checks would be buttressed, in the event of federal aid, by audit and control of an agency removed from local political influences.

Municipal land purchase in some states would require legislative redefinitions and perhaps constitutional revision. Most charters and constitutions limit city acquisition of land to that needed for a "public purpose," and the courts have divided over the scope of that concept. The conservative, narrow interpretation deems no land public unless it remains physically open to public use. The liberal definition, which has gained

ground consistently in recent years, holds that purpose public which in the broad sense serves the public welfare. Fortunately, the clearance of slums and the provision of low-rent housing have been widely recognized in state and federal courts as a public purpose. When such a conservative supreme court as that of Illinois can uphold the exercise of eminent domain by a private redevelopment corporation, on the basis of a broad definition of public purpose, authority for land assembly by a public agency could scarcely be withheld.

Legal, political, and human obstacles can all be overcome if we have the will to do it. Perhaps the greatest obstacle will be the stereotyped habits of thinking to which this new form of municipal enterprise may prove repugnant. On the one hand, it will offend conservatives who resent any departure from the past, and who particularly oppose the extension of public authority, even for the purpose of cleaning up the ghastly mistakes of private enterprise. On the other hand, some idealists and utopians may take umbrage at the very thought of public funds being used to "bail out" the owners of slum land.

Let us face the fact that "bailing out" is exactly what the land agency, in some cases, would do. Slum land, as we have seen, carries a high value because it supports an extremely dense population and because the owners hope some day to sell it for commercial uses at a high price. Unquestionably part of the value placed upon it is fictitious. Often the land cannot be sold at the owner's fancy figure; he hangs on for speculative reasons and expects to be bought off at the figure he thinks he might some day get but never will. Likewise part of the value is illegal. In so far as value expresses the overcrowding of people in unsafe and unsanitary tenements which by law should be either razed or repaired, it reflects a failure of the community to wield its police power rather than a justifiable measure of the market.

For these reasons some students have protested, with considerable force, against any plan for public acquisition of slum sites, condemning it as morally wrong, a fraud on the people, a method of subsidizing landlords. Instead of buying slum land, they would build housing for low-income groups wherever cheap land could be had, and let the slum-owners stew in their own juice. They demand rigorous enforcement of housing standards, coupled with compulsion on slum-owners to tear down dwellings that cannot be repaired. Some call for a land tax which will force owners to vacate property held for a rise. Others insist that no close-in land be bought for residential purposes until the owners voluntarily come to their senses and cut their asking price to the point where housing can economically be built thereon.

One can work himself into a fine lather of moral indignation with reflections of this sort, but, while he enjoys himself, the city will go on decaying at the center and people will go on living in squalor. Left to stew in their own juice, the owners of slum property compel the whole community to stew with them. Perhaps the city "ought not" to buy land which private owners have misused; but if the city does not, the land will not be redeveloped.

Public land assembly plans have fallen under justified suspicion when advanced by real estate interests as a substitute for public housing. Such schemes, in addition to offering no guaranty of genuinely low-rent housing, would indeed constitute a fraud on the public. The purchase of slum properties unaccompanied by construction for the families who live there would only thrust those families into other dwellings, which would rapidly become new slums and in time have to be similarly bailed out. Neither equity nor expediency could justify a scheme by which the owner of slum property collects a "market price" for housing that the community can no

longer tolerate, puts his money into other housing, rakes off fat profits at slum rates for ten years or so, and, when this property has become intolerable to the public, sells that in turn at a "market price."

Land assembly cannot be conceived as an isolated process having no connection with the building of houses for those who live in slums. Rather it is one tool of an integrated program to rehouse slum-dwellers and at the same time rebuild slums. An endless chain of land purchase is one thing; the purchase of existing slums and their reconstruction in such fashion as to prevent the growth of new slums another. One cannot object too seriously to "bailing out" owners of present slum property if they are bailed out only once and if the land thus purchased is forever secured against the kind of misuse it has suffered in the past.

As to the objection that outlandish prices will be paid for slum properties, we ought in all frankness to recognize that some owners will no doubt reap an unearned increment. But it is not the purpose to pay for any land more than its actual value. A skilled land agency has the right and the duty to use every weapon of deflation against the properties it intended to buy. The law can be brought down on illegal structures. Delinquent taxes can be foreclosed. Zoning laws can be amended and public opinion appealed to.

All these weapons are available to the community at any time, but the incentive to use them would be stronger where a land agency was assembling specific property for a specific project. Cities have found no difficulty in razing slum structures when necessary to get a public housing project started. Similarly they would find it expedient to use their police powers for redevelopment.

The important thing is to get the land. One can become so preoccupied with the admitted inequity of paying high

prices that he loses sight of this main objective. A few inequities along the line can be overlooked if the over-all cost of acquiring the area is not unreasonable and if redevelopment contributes positively to better living in a better city.

In Britain the law permits a housing authority to designate a "clearance area" in which special rules of land valuation apply. The authority can require all owners within the area to demolish their buildings, or it can buy the land and raze the buildings itself. In any case, land within a clearance area is by law valued as if it were a vacant site. Where the valuation has been increased by illegal use, it is reduced accordingly. Appeal from the housing authority's decision may be taken to the Minister of Health, but his word is final.

One may admire this law and recognize its suitability in the light of what property owners have been getting away with in the slums. But even its admirers must admit that American courts, which have so assiduously protected "due process," would take a long time to accept such a statute in this country. Our courts, supported by public opinion, have insisted upon "fair compensation" for property taken into public use and have defined that term usually as market value, generously interpreted. In the absence of frequent sales of slum property, the tax valuation has often been taken as the minimum price at which the public might acquire it. And tax valuations in the slums cannot be reduced without reducing valuations of all property everywhere in the city.

To avoid future disillusionment, then, the first step is to recognize that the value of slum land acquired will have to be written down somehow and in some degree. For reasons which can be only partially eliminated, the price at which the land can be acquired will exceed the value at which it can be put into residential use on sound principles of modern planning.

On the basis of F.P.H.A. experience, the National Housing

Agency estimates the average cost of slum land in all cities at 90 cents a square foot. It is obvious why private builders are not going to buy this land for the purpose of erecting moderate-cost houses or apartments with a sales value of \$5,000 or less each. They are not going to do so because they can buy vacant land on the outskirts for 10 or 20 cents a square foot, if not less. Without public land assembly—without some means of acquiring 90-cent land and making it available for redevelopment at prices which will compete with outlying land—all slum clearance would have to be done by subsidized public housing.

I know of no proposals to give public housing this sort of monopoly over large areas of redeveloped land. The “public housers” themselves ask only that their form of enterprise serve that limited section of the market below the level of economic rent. The condition of enlisting private enterprise in the task, however, is to find some way of washing out excessive land costs. Public assembly of the land offers the fairest and most efficient way.

Principles of Redevelopment

Some of the principles which should govern redevelopment now begin to take shape. The driving force must be supplied by the municipality itself, through its planning board, land assembly agency, housing authority, its political and civic leadership. Redevelopment should be carried out in large units, at least 80 acres and perhaps more desirably 160 acres, each unit planned to house one or two self-contained neighborhoods of about a thousand families organized around an elementary school. Every project should bear a clear and fixed relationship to a master-plan for the city at large, the redevelopment of successive units thus making the maximum contribution to an integrated and well-planned community.

The project must be planned *as a whole*, employing a variety of housing types and methods—public, semipublic, and private—in order to place the rebuilt area on an economically sound basis and avoid class stratification. Finally, future land use of the area should be perpetually controlled by the community, to give the utmost security and stability to the investments therein.

Redevelopment begins with a decision to clean up a certain area. The planning board undertakes a study to determine the condition of the buildings, what kind of people live there, what rents they pay, which structures can be retained, and which should be demolished. Next, a plan is drawn for reconstruction. Retaining as much as possible of the existing streets and utilities, the planners route major traffic arteries around the new neighborhood, close off certain streets and blueprint others, open up park and play spaces, locate a shopping center, schools, and community building, and perhaps provide for industrial facilities.

The basic pattern established, the planners turn their attention to the residential structure of the new neighborhood. In the light of population makeup in the area and the city as a whole, a certain number of houses or apartments should be planned for construction as subsidized public housing. Another group might be allocated to mixed private-public enterprise—for example, some form of limited-dividend corporation which, with yield insurance or other public aid, could serve the borderline groups between subsidy and unaided private enterprise. Certain row-houses or garden apartments would be planned for construction by private enterprise to rent, and others, perhaps, for sale. If conditions warranted, the planners might even allow for a limited number of high-rental apartments in order to make the cross-section, and the economic base, complete.

An essential phase of planning, too often neglected, is the democratic participation of the people. Experts must draft blueprints, but no plan can be considered complete until it has been discussed and studied by the people, both in the neighborhood to be rebuilt and in the community generally. When the plan has won general consent through its inherent logic and good sense, the next step, and an equally indispensable one, consists of working out the economic base on which the project will stand.

At this point the going begins to get rough. But, given the requisite tools for the job—tools that range all the way from federal legislation to negotiation and exhortation—plans can be converted into realities. The use of a large planning unit and the determination to combine all methods of reconstruction make possible results which lie beyond reach of a piecemeal approach or dogmatic adherence to any single type of housing.

To rebuild 160 acres with public housing exclusively, for example, would create a monolithic class neighborhood and concentrate subsidy in one place. On the other hand, rebuilding the same 160 acres with exclusively private housing would ignore the needs of the people who live there and create new problems somewhere else.

The solution lies somewhere between the extremes. Part of the 160 acres can be dedicated to public housing and pay taxes levied as a percentage of rents; another part, perhaps, given the benefit of a tax freeze in order to support low-rent private housing, the taxes collected equaling those formerly realized from the same property; a third part devoted to tax-free parks and public space; and a fourth to private housing paying full taxes on the new valuation.

By a combination of all these methods the area as a whole will support itself as far as the community is concerned. In-

deed, it will in most cases yield more revenue than the same area yielded as a slum, while the expenditures for policing, fire protection, etc., will go down. The taxes collected from high and medium rentals in a well-planned, stable neighborhood will offset the exemptions granted to secure low-rent dwellings and open space. Thus the city at large, the general body of taxpayers, will benefit from redevelopment, as they rightly should. If the taxpayers insisted upon assessing full ad valorem taxes on every square foot of the new neighborhood, sound redevelopment could not proceed, and the slum area, though nominally on the tax rolls at full value, would continue to be carried like an incubus by the rest of the community. We must think of redevelopment areas as units and judge their economic soundness not by any single segment but by the project as a whole.

Given a sound plan, worked out in detail and solidly based on economic feasibility, the municipality's next responsibility is to acquire the land and initiate reconstruction. Some land can be acquired by foreclosing delinquent taxes, some by dedicating fewer streets in the new neighborhood. After city authorities have put the squeeze on landlords to compel removal of illegal structures, the remaining land will be acquired by negotiation or condemnation as circumstances dictate. (Prices usually are lower in direct purchase than when taken to court.)

Meanwhile the redevelopment agency has been busy collecting construction contracts. Through the housing authority, it has obtained a grant of federal subsidy for part or all of the public housing units. It has induced an insurance company to invest in relatively low-rent apartment buildings. It has assured itself that bidders will be on hand to build the privately owned row-houses and duplexes. As sizable blocks of property come into public ownership, rebuilding begins. Temporary

quarters of some kind are provided for families moved out; perhaps one of the first public housing units recommends itself for this purpose. Razing, replanning, and construction proceed simultaneously in different zones. When the whole is completed, the community has a valuable new neighborhood which pays more taxes than the old, supports itself, offers decent living conditions and a democratic community life, and enjoys security against the encroachment of future blight.

Who Shall Own the Land?

One of the most crucial questions concerns what shall be done with the land once it has been acquired by the appropriate municipal agency. Shall it be sold, after clearance and replanning, to private owners? Shall part of it be retained by the municipality—say, for example, the public spaces and all land dedicated to public or semipublic housing—while the rest is sold? Obviously if any of the land is to be sold, it must remain subject to strict use regulation; otherwise the stability of the neighborhood will be threatened. There are extremely strong reasons for selling none of it at all but retaining the whole tract in public ownership subject to leaseholds of various types.

Moral, social, and economic considerations suggest this course. Morally, the acquisition of land at public expense for the ultimate benefit of private owners cannot be defended. When the community must step in to correct the abuses of private ownership, it has no right, after replanning the land and stabilizing its value at a new level, to turn the land back for a new round of speculation. One may say that control can be achieved by zoning, deed restrictions, and the like. Theoretically it can. But the safest and surest way to control land is to own it and lease it out under the desired conditions of use. Once the present ownership has been liquidated and the new

neighborhood completed, a particular piece of property might very well increase in value, owing to one of many imponderable factors. Surely the only just beneficiary of that increment is the community as a whole.

Apart from these factors, the leasing of redeveloped land has strong economic advantages over outright sale, in that it reduces the capital outlay required for construction and also reduces the annual charges allocated to land cost. If you want to build a house in a redeveloped neighborhood where the land is for sale, you must own or borrow the capital value of the land before you can start construction. But if the land is leased, you need only raise the first year's ground rent and commit yourself or successor to pay a similar sum for the succeeding years as part of the gross rent for house and land.

The municipality can lease the land more cheaply than private capital can put up the money with which to buy it. Enjoying the advantage of long-term credit at low interest rates, the municipality need charge for the land only enough ground rent to liquidate the debt on those terms, whereas a private owner would have to charge enough to pay the higher terms of private credit.

Some people might feel a little squeamish about building a house on leased land. Habit and familiarity lead us to believe that an owned house must stand on owned land. But if skyscrapers can be built on sites leased for sixty-five or ninety-nine years, housing can certainly be built in the same way. Sweden and other European countries have proved it. There a householder thinks nothing of building a home on land leased from the municipality for fifty years, with an optional renewal of fifty years more. He knows that the one hundred years for which he and his family have certain access to the land give him virtually the same security and continuity of occupancy he would enjoy under ownership.

Likewise, the redevelopment agency can, by retaining ownership, more readily adapt the charge for land to its appropriate use in the general scheme of the project. Assume that the monthly charge required to liquidate the total land investment is \$4.05 per unit. The project might require public housing units to pay only \$2.00 ground rent, thus keeping rents and subsidies as low as possible. Medium-rental private housing might be charged \$5.00 a month, and high-rental housing \$6.00 or \$7.00, the terms being adjusted to the rental income in each case. Similarly, differences in land value owing to location or superior desirability could be recognized by varying the terms at which leases could be had.

Needless to say, the municipality will defeat its own purpose if it tries to make a profit out of land. Its rental charges should be sufficient only to liquidate the total indebtedness for the project as a whole, the high-rental properties carrying proportionately more, the low-rental sections less, of the load.

This principle of equalization will be recognized as the mainspring of sound redevelopment. By spreading costs, charges, benefits, and responsibilities over a neighborhood which represents a rough cross-section of the community, the impossible becomes possible. It is only when we demand that each man build his own house that we get into trouble; only when we insist on all public housing or no public housing that we find ourselves stymied; only when private interest prevails over the common good that slums appear to be ineradicable cancers on urban life. Once the people of a city recognize that they are all in this thing together, that the evils of blight and bad housing can be attacked only by a united front, then obstacles that seem insuperable can be cleared away and action that seems beyond hope set in motion.

Who Bears the Cost?

“Where’s the money coming from?” is a good question, even though usually uttered as a snarl. An answer as rough and ready as the question would be: “The money will come from the same source which yielded all the funds to build our present cities, but redevelopment will take a great deal more courage, organization, and social imagination, because the motive here is public service and not speculative profit.” One wearies of hearing paeans sung to “pioneers” who built for the purpose of taking unto themselves the values created by society. Far more challenging is the task of rebuilding the cities by the co-operative endeavor of free men seeking only their common welfare.

The primary responsibility for redevelopment rests naturally upon the local community. Since corporate limits do not any longer define the true urban area, it rests on all the people who live and work within the metropolitan district which finds its focus in the city. Necessarily, city governments will have to take the lead, since they represent most of the people concerned. But planning should be on a county or regional basis, and the sooner we come to new forms of local government which recognize the obsolescence of today’s crazy-quilt of overlapping jurisdictions, the better.

While the community must initiate, must plan, must determine its own needs, we shall delude ourselves if we assume that the cities alone can carry the financial load. Municipal revenues in the principal cities totaled \$2.6 billion in 1942, of which \$1.95 billion came from taxes and the rest from fees principally dedicated to the support of specific functions. A nation-wide redevelopment program comparable in scope to the urgency of the need would contemplate an initial capital

expenditure of \$2 billion. Clearly the cities cannot raise that sum alone.

When a city can possibly contribute cash to the redevelopment pot, of course it has an inescapable obligation to do so. Chicago has bonded itself for \$5 million to begin the task of slum clearance, and Indianapolis has voted to levy a small annual real estate tax for the same purpose. Yet \$5 million is a drop in the bucket for Chicago, and the Indianapolis tax levy would require thirty years to raise \$9 million. So long neglected and so vitally in need of prompt action on a large scale, redevelopment demands the immediate outlay of sums beyond the ability of most municipalities to raise.

If the cash it can muster is limited, the local government can contribute something else of equal value. Neither state nor federal authorities can supply the zeal, the spirit of innovation, and the readiness to modify old practices and lay the foundations for a new kind of urban living that are indispensable. Aggressive initiative by the community will soon uncover many ways in which it can help bear the cost of redevelopment—ways that represent the equivalent of cash contributions yet do not lay an unbearable burden on the community. The adroit use of tax exemption illustrates the point. By taking a bull headed stand against exemption of any kind, the municipality can stop redevelopment in its tracks. But by accepting the need for gradual changes in the tax base, by exempting a public housing project in one zone of the clearance area in exchange for the enhanced taxpaying ability to be established in the area as a whole, the city can open the way to action.

Similarly the municipality can vacate its title to unneeded streets, thus adding to the total land area at no expense. It can remodel or rebuild schools in accordance with the project plan. It can redesign utility services, gearing its

over-all planning to that of redevelopment. Flexibility of mind, willingness to experiment with new methods of cooperative action, the recognition that new neighborhoods cannot be clamped in the strait jacket of old forms—these intangible contributions will produce tangible results.

So far as cash is concerned, many municipalities have the right to expect help from the state. Thanks to wartime conditions of enhanced revenue and curtailed expenditures, the states enjoy the best financial condition they have known in years. Their indebtedness stands at \$2.75 billion, lowest since 1931, as compared with total tax revenues in 1943 of \$4 billion. Many states have built up substantial postwar reserves. Some will dissipate these nest eggs, no doubt, in veterans' bonuses and other political flybait. From a long-range point of view, they could do the veterans as well as all citizens a greater favor by devoting some of these wartime savings to the redevelopment of cities in which the veterans are going to live. No better war memorial could be conceived than the eradication of eighty acres of slums.

State aid for housing is an established fact in New York. Illinois has followed the example by appropriating \$10 million for land acquisition in slum-clearance projects. Morally and legally, the state has an interest in the welfare of the cities. They are, after all, the creatures of the state. Their citizens contribute a large share of state revenues, usually far more than they get back in the form of service. Not only with cash, but by adjusting its own programs (highway construction, for instance) to the redevelopment plan of the city, the state can and should co-operate.

Yet when both municipal and tax sources have been added up—roughly \$2 billion for the first and \$4 billion for the second—the additional need for federal aid becomes manifest. By establishing first claim on taxable resources through its

income tax, the federal government has curtailed the revenues available to states and cities and must acknowledge its obligation to use its own funds in a way that will best serve the welfare of the people in their home communities. The federal interest in good housing has been firmly asserted in the United States Housing Act. As good housing depends upon good cities, and good cities depend upon redevelopment, so the federal interest in housing indisputably embraces the provision of aid for land assembly and redevelopment.

Senator Taft's subcommittee, after an extensive study, recommended that no federal responsibility be assumed merely to help a community tear down unsightly warehouses, build parks, or create the "city beautiful." It did urge full acceptance of the responsibility to help cities redevelop blighted areas *for the purpose of improving housing conditions*. Fair enough. On many counts the improvement of housing conditions is a matter of national concern.

"Why," it will be asked, "should the farmers of Iowa through their federal taxes help cities like New York and Boston clean up their slums?" The answer is: "For the same reason that the taxpayers of New York and Boston contribute to the stabilizing of farm income and the advancement of Iowa farmers' welfare." Good housing in good cities will not only make better citizens—a matter in which a hundred and forty million Americans have a stake wherever they live—but will raise the urban standard of living and thereby contribute directly to the welfare of the rural regions whose market lies in the cities. Let us not allow narrow localism to stand in our way. The welfare of urban people can no more be isolated from that of others in the nation than our national welfare can be walled off from that of the world at large.

If federal aid is necessary and desirable, how shall it be rendered?

The problem may be stated in terms of a specific project. A certain city has studied the redevelopment of a slum area in which 1,895 families now live and finds that acquisition of the land would cost \$1.02 per square foot. How can housing be built on this land for families with incomes below \$3,000? Some way must be found to make \$1.02 land cost only 50 cents, say, for purposes of redevelopment. And where deflation of land cost alone does not bring housing within reach of average incomes, other measures must be taken on top of that.

Land cost might be deflated in three ways. First, the redevelopment agency could acquire the land at \$1.02 but, by means of a capital subsidy, write down the charge for the land to 50 cents. Indianapolis has provided for such a capital subsidy with its special real estate tax, estimated to yield \$250,000 a year. Under this plan, the city might in one year acquire a \$500,000 parcel of land, pay \$250,000 out of taxes, and charge the new users the balance of \$250,000.

This is a nice, clean way of squeezing out the water and getting it over with. But the capital subsidy places the entire burden of deflating land costs upon this year's generation of taxpayers. Since the beneficiaries will be future inhabitants of the redeveloped area and future generations of taxpayers, one can see the justice in distributing the burden over a longer span of time. If redevelopment increases taxable values, then in a very real sense it pays for itself when the subsidy, instead of being collected at one fell swoop today, is spread over future years. The higher tax returns resulting from redevelopment thus will offset the cost of the subsidy.

Precisely because it does concentrate the burden at one time and place, capital subsidy limits the scope of redevelopment that can be undertaken. For land costing \$1.02 per square foot, the Indianapolis tax would finance acquisition of only 6 acres a year; or, if the taxes were used to write down land cost

by 50 per cent, 12 acres a year. This would not go very far in most of our cities.

The use of long-term public credit offers a second and more feasible way of supporting land-cost deflation. If, instead of devoting \$250,000 a year to capital outlay, the community borrowed the funds for land acquisition and paid them back at the rate of \$250,000 a year for principal and interest, a much larger expenditure could be supported at the outset. Instead of buying 6 acres a year, the same tax levy would buy 162 acres right now.

Such credit devices stretch the land-assembly dollar but do not stretch it far enough. Even when one explores the outer limits of credit by assuming that the community might borrow funds for as long as a hundred years, a gap remains between what slum land would cost and the value at which it ought to be used if the new neighborhood is to represent an improvement over present conditions of overcrowding and is to support housing within the reach of average families.

Which brings us to the third method of cost deflation. This is the same method which has proved so successful in providing low-rent public housing—namely, annual contributions by government to help offset the difference between the cost of slum land and what it will yield when devoted to low-density, low-rent residential use. The contributions, of course, could be made by any unit of government, local, state, or federal. The special tax which Indianapolis intends to raise might be used for this purpose instead of for capital expenditure. State funds could be likewise dedicated. But, with financial capacity so overwhelmingly concentrated in the federal government, most communities and states will have to look in that direction for help.

To qualify for federal aid, local communities should be required to present a sound city plan, show that redevelop-

ment could not go forward without help, control future land use in rebuilt areas, and guarantee to contribute, through various means, services equivalent to some portion of the federal contributions. Federal funds could be used to write down the cost of land acquisition by, say, two-thirds.

Reverting to our illustration, let us see how the plan would work. Our city buys, let us say, 162 acres of slum land and buildings at an average price of \$1.02 per square foot; total outlay, \$7 million. There are now 1,895 families living on the site, and we do not want to increase the density. But to make rehousing at this density economically feasible, we must reduce the land cost charged against the new structures to 35 cents per square foot.

The availability of federal contributions each year will enable our city to approach private bankers for a long-term loan at low rates. We should be able to count on at least forty years and 2 per cent. The money can be borrowed by issuing revenue bonds which represent no addition to the community's tax-borne general indebtedness. On these terms, our project will have to meet annual charges for land totaling \$250,000. Allocated among 1,900 dwelling units, that comes to \$11 a month.

Since our purpose is to write down the cost of land by two-thirds, we shall charge the occupants of the project each month only \$3.75 per unit for land. We collect this from the occupants either as ground rent, if the land is leased, or as interest and principal payments if sold. The other \$7.25 we collect from the federal government as an annual contribution for the duration of the loan. Thus we have put \$7 million worth of land into use at a value of \$2.3 million by virtue of cheap credit and federal payments amounting to \$165,000 a year.

Such a program is well within our national means. Considering the size of the task, a minimum of \$2 billion should be

made available for land assembly during the first five years. To finance that program would require federal contributions of \$40 million a year.

We now have the answer to the question, "Where's the money coming from?" Urban redevelopment, let nobody doubt it, will cost a great deal of money. But not so much that the job cannot be done. The money will come: (1) from private capital, anxious to rebuild slum areas when its conditions are met; (2) from publicly subsidized housing developments for the lower-income segments of the market; (3) from cities and states, either in cash, public works expenditures, or equivalent services; and (4) from long-term credit and annual federal contributions for the deflation of excessive land values, a lever by which \$1.00 of annual expenditure can cause \$53.00 of land assembly to be undertaken.

To put it more simply, the money for urban redevelopment will come from the national income of the American people and will be more than repaid by the higher standard of living and more durable values, dollar as well as human, which it will make possible.

Building a New Neighborhood

It is difficult, in dealing with a large national program, to envision its application at the local level in a specific case. In most cities redevelopment planning has not yet come down to the concrete problems of what blocks shall be razed, how much it will cost, how the area shall be replanned, what kind of houses shall be built, who will live there, and how the whole project can be financed.

The excellent studies of the Los Angeles City Department of Planning have defined some elements of the problem. Examining a certain slum area embracing 165 acres, the Los Angeles department sought to discover how this tract could be

rebuilt as a community of 2,045 homes, with two schools and two shopping centers.

The planners drafted a splendid blueprint for a modern urban community, thoroughly adapted to the needs of our age. A superhighway, screened by trees and foliage, skirts one side of the area. Main traffic arteries border the other sides. No through traffic whatever enters the neighborhood. The houses are arranged in superblocks, with access to each by local streets and sidewalks.

Traces of the old gridiron street pattern are visible; the planners have used existing streets and utilities so far as possible. But in each neighborhood unit, all the streets have been closed off at one end to create a large open space in the interior. Here we find an elementary school with adjacent playground merging into public park space. There is a community center near by, also a shopping center, accessible to foot traffic through the park and linked to the street system, with ample auto parking space around it. Scattered through the interior open section are a few apartment houses, set at the proper angles to catch the sun. Auto parking to serve them is available a few steps away, but their setting in the park insulates them entirely from streets and traffic.

Four main residential sections make up each neighborhood. Each section is built around the interior landscaped area and contains row-houses and duplexes. A typical superblock consists of eight residential units, set in two rows of four each at right angles to the local street, which runs around the outside of the block. Each unit consists of four row-houses or two duplexes, separated from each other by typical back yards. Front yards face on a sidewalk separating the next group of houses. Instead of looking into the street, each house looks across its own front yard to another front yard beyond th

sidewalk. On the street side, at the end of each tier of houses, are garage compounds.

Houses are grouped together, as they must be in a city; yet each has a private yard, and all have access to abundant open space in common. Ample provision is made for automobile access to each house, yet through traffic is kept off the streets. Children can walk to school from any house in the neighborhood without crossing a main traffic artery, and housewives can reach the shopping center in the same fashion. Each house is turned away from the street, and the neighborhood as a whole is turned away from the main flow of urban traffic, with trees and landscaping as a screen.

Living in this neighborhood would have all the advantages of living in a commodious suburb, yet the facilities of the city would be as close as they now are to the slums.

How can the plan be realized? The land in this particular area happened to be fairly low-cost property, as slum areas go. Estimating that it could be acquired at no more than twice its tax valuation, the city placed the cost of land and buildings at \$3 million, or 58 cents per square foot of private property now in the area. The redevelopment plan calls for turning over to the city as streets, park, and school property an area somewhat smaller than that now dedicated to streets. This brings the land cost down to 55 cents per square foot of non-city land in the new neighborhood.

Even at this relatively low price for slum land (little more than half the 90 cents per square foot suggested by N.H.A. as a national average), the Los Angeles studies demonstrate the complexities of redevelopment by ordinary means. In order to obtain the open space and greenery desired, it is proposed to allocate more than one-third of the total area to public space and gardens, in addition to the city-maintained park and school property. This means that the land cost to be borne by

revenue-producing commercial and residential areas amounts to \$1.27 per square foot.

When that sum is allocated among the shopping center and various types of residential structures—apartments, row-houses and duplexes—it is found that land costs range from \$1,042 per unit for small apartments to \$1,990 per unit for a three-bedroom duplex. These figures are comparable to the N.H.A. estimate of \$1,960 per family as typical land cost in a slum area. If redevelopment sought to provide the same amount of open space in a New York or Philadelphia project where the original acquisition cost was, say, \$1.50 per square foot instead of 55 cents, obviously the net land cost per unit would far exceed the N.H.A. average.

The Los Angeles planners estimate that construction costs of the new structures, on the basis of actual costs there in 1940, would total \$6.4 million. (This, too, is a low estimate for many cities.) Having thus fixed the total redevelopment cost at roughly \$9.4 million, they set about exploring the problem of financing. Assuming various kinds of financial and tax arrangements, what would the project have to yield in rents to repay the capital cost of building it? The answers were:

Assumption 1. If money can be borrowed for land acquisition at 4 per cent for fifty years; if the new houses can be financed on loans at 5 per cent for twenty-five years; if normal taxes are collected on all residential units—then rents would have to run from \$36 for a small apartment to \$58 for a four-bedroom row-house. Typical rent for a two-bedroom row-house: \$48.

Assumption 2. If land money can be had at 2 per cent for ninety-nine years, construction money at 4 per cent for twenty-five years; if the city retains ownership of some land and lets it go untaxed—then rents will range from \$30.76 to \$48.46. Typical rent for a two-bedroom house: \$40.

Assumption 3. With land money at 2 per cent for ninety-nine years, construction money at 3 per cent for twenty-five years; with some land owned by the city and untaxed; with a tax freeze for the whole area (taxes collected equaling the former yield)—then rents will range from \$28.63 to \$44.55. Typical rent for a two-bedroom house: \$37.

Assumption 4. With land money at 2 per cent for ninety-nine years, construction money at 2 per cent for forty years, city-owned land untaxed, and a tax freeze for the whole area—rents will run from \$22 to \$32.35. Typical rent for a two-bedroom house: \$27.54.

None of these plans is wholly satisfactory. Under Assumption 1, based on ordinary commercial rates for capital and ordinary tax policies, rents would be far beyond the reach of people who now live here and, furthermore, would come within the means of only a small fraction of the entire city's population. Assumptions 2, 3, and 4 are questionable in that 2 per cent loans for ninety-nine years might be impossible to obtain, even with federal underwriting. Assumption 3 includes a tax freeze which would deny the community and its taxpayers any financial benefit from redevelopment. Assumption 4 would require government loans for construction as well as land and perhaps an interest subsidy. In no case are the minimum rents as low as they will have to be if the project is to house even part of the present residents.

What these estimates tell us, in effect, is that rebuilding the whole area according to one formula will not work. But when several methods of housing enterprise are introduced, new vistas open out. This can be illustrated by adopting a new set of premises of our own:

Assumption 5. If the land can be acquired at 2 per cent for forty years, with the federal government making annual contributions for the purpose of writing down land values by one-

half; if one-fifth of the new structures are allocated to federally subsidized public housing, obtaining capital at 2 per cent for forty-five years; if somewhat more than one-fourth of the dwellings are built by a limited-dividend corporation enjoying yield insurance; if the rest of the houses are built by private enterprise with F.H.A. financing; if the public housing units pay 10 per cent of shelter rents in lieu of taxes, and the yield-insurance units pay only the amount of taxes formerly assessed against the property, and privately built houses pay full taxes at their new value—under all these assumptions, it will be possible to work out a rent schedule which follows closely the need for housing in various rental brackets. My estimates indicate that the distribution of housing would be as follows:

- 20 per cent rent for less than \$20;
- 24 per cent rent at from \$20 to \$30;
- 24 per cent rent at from \$30 to \$40;
- 25 per cent rent at from \$40 to \$50;
- 7 per cent rent at more than \$50.

Thus housing would be provided in the quantities and at the rents which correspond to the actual housing market. Furthermore, the project would be economically sound. Total revenues would cover all annual charges to pay off the various debts, including those incurred for the provision of open space, parks, and low density. It would return to the community probably twice as much in taxes as the slum area now yields. Yet rents would be within the reach of average people, and the amenities of the neighborhood would attract families of every income bracket—which would be a good thing for the cause of practical democracy.

These estimates are not offered as typical of any city or project. A hundred variables go into the economics of every

plan, and the score might be different in each case. What the figures do show is that urban redevelopment can be tackled if we have the right tools. They show also that the essentials are the combination of many types of housing at different rental levels, the use of a large clearance area, treated throughout as a unit—and good planning.¹

¹ For another analysis of redevelopment possibilities see below, Appendix I.

WHO SHALL PLAN OUR CITIES?

IF A home-builder drew up a vague, general scheme for his house, and then invited masons, carpenters, plumbers, and painters to labor at random on the site as they chose, he could hardly expect their aimless activities to produce the kind of house he wanted. Yet this is the principle on which we build our cities. Sometimes we do not even have the vague, general scheme. We do not demand of urban planning what we demand of house planning—a dynamic and positive fulfillment of purpose, definitely related to ways and means and drawing strength from its dedication to a specific and realizable end.

No program for better housing and urban redevelopment can be separated from broad city planning. Since the individual home cannot be abstracted from its environment, the effort to provide better houses, cheaper houses, decent houses which all can afford, emerges as part of a larger effort to redesign the entire urban community as a better place in which to live and work. No expert in the field, no matter what aspect of it he is concerned with, will dispute this for a moment. It is time that the private citizen caught up with conclusions established long ago by universities, city planning commissions, and other disinterested agencies.

In the past we permitted the destiny of our cities to be con-

trolled by private agencies bent almost exclusively on profit. We delegated the building of cities to individuals and corporations. They made their own laws and did their own planning, with a minimum of accountability to the people. The results are visible on every side: blight and decay; rapid obsolescence which destroys property values and impoverishes living conditions; sluggish and congested circulation; dwelling space unrelated to places of work; inadequate facilities for decent, clean, healthful family life; and, perhaps worst of all, the brutal spiritual divorce of the individual from his community.

Out of the process have come not only social erosion and political apathy but appalling economic wastes. For example, it has been estimated that the overexpansion and duplication of public services in residential areas costs New York City \$40 million a year for operation and maintenance of unused facilities—the direct result of not planning. Much of the high cost of living in cities can be attributed to the burdens imposed by old and inefficient urban patterns. The cost of operating the land, buildings, street improvements, public utilities, and traffic facilities of a large city amounts to nearly half the total income of the population. These costs have been estimated at \$15,000–\$17,000 per family in New York City, whereas a well-planned new community could provide the same services at less than \$8,000 per family.

But why should it be necessary to prove that planning pays in dollars and cents? Some values cannot be expressed in these terms. To achieve them, planning would be worth while even if it did not also make sense economically. The fact is that the system of *not* planning collectively has broken down. The theory that a good city will result from the sum of scattered and conflicting individual initiatives has been exposed as simply not true: all we have to do is look at our cities to see that the theory does not check with the facts. We now have to

acknowledge this and proceed on the theory that the good city depends upon concerted pursuit of the general interest.

Fundamentally, the question is not whether we shall have planning, but who shall do it, and for what ends. Planning demands the substitution of social for individual initiative as the guiding force behind urban development—the removal of final authority from individuals and corporations and the vesting of it in responsible agents who will serve all the people. The *community*, not the subdivider, the office-building promoter, the railroad, or the industrialist, becomes the dominant factor in determining what kind of community we shall have.

Social planning will not find it necessary or expedient to dictate matters of personal taste, but it must have the recognized right to decide how the community resources, in general, shall be used. This is the price one pays for living in society. When individual freedom leads to anarchy, when the liberty of one man injures the welfare of another, the advantage of all directs a pooling of interests for the common good.

There is nothing new in the basic principle of planning. The city applies it every time a building permit is granted. By the act of issuing the permit, the community asserts its right to decide what type of structure best protects the health, safety, and welfare of the people in general. But we have hesitated to apply the same principle to the use of land. We have permitted private individuals to decide where railroad tracks shall be built, the location of factories, height of office buildings, the design and character of residential sections, the density of population. If order is to replace chaos in the future use of urban land, we must substitute collective foresight for blind accident in the organization of community life.

Thanks largely to the propaganda of those whose selfish interest might suffer from the triumph of the general welfare, planning has come to be confused in many minds with auto-

cratic methods of execution. Planning, like any other function of government, can be totalitarian. An emperor, ordering monumental thoroughfares cut through the city, or a fascist boss forcing his grandiose designs upon the community, engages in an elemental form of planning. From this it has been inferred that to plan means to dictate, to override, to impose an arbitrary scheme by the exercise of imperious authority.

But we do not assume that because taxes are collected in a totalitarian state, therefore taxation is totalitarian. We have no more reason to assume the incompatibility of planning and democracy. In a free community the planner is the servant, not the master, of a government responsible to and chosen by the people. He occupies a status exactly like that of the city engineer or the commissioner of health. Where the job of one is to construct public works, and of the other to safeguard the public health, the job of the planner is to apply technical competence and vision to the guidance of the community's development. His skills are necessary tools of any government, democratic or autocratic. The difference is that democratic planning must gain the consent and participation of the people, who sit in judgment on both the plans and the government which carries them out; whereas autocratic planning answers only to the autocrat.

As between planning and not planning in a democracy, it is the latter which raises the real totalitarian threat. How much did the people really have to say about the way in which their cities were built? Our cities stand as memorials to the private planning of irresponsible profit-seekers. If they are to be made better organs of democratic life, they must be planned in the future by those who derive authority from the people and answer to the community as a whole.

Respectable Futility

City planning now enjoys a certain respectability. The planning board has become an accepted feature of municipal government in many communities. But this acceptance masks a fundamental division, or confusion, over what planning means, what it should do, and how it should operate. To a large degree planning is respectable because its true function is not understood. If understood, it might be opposed by some of the people who now pay it lip service.

Too often the planning board is controlled by real estate dealers and landowners whose interests diametrically oppose the exercise of true social control. They want to protect present values rather than create new ones. They are concerned with curbing the control of land use by "the politicians," not with transferring that control from private owners to responsible agents of the people. The planning board thus becomes a party to the struggle between private ownership and public authority, but in the smoke of battle neither the board nor the elected officials devote themselves to the main task of asserting public jurisdiction over the form and future growth of the city.

Because the function of planning is not fully appreciated, it often operates in a haze of negativism. The planning board has the status of an extracurricular agency, stuck away in some obscure corner of the city hall, to which come public agencies and private builders with their plans when they feel like it. The board's experts inspect the plans, consult their charts, and then either nod approval or shake their heads. If the project fits in with the planners' ideas, it goes ahead with their official sanction; if not, it goes ahead anyway.

A typical definition of authority is this statement by the Chicago Plan Commission in its 1944 report:

The principal responsibility of the Commission, as defined by ordinance, is to prepare and recommend to the City Council a comprehensive plan for the development of Chicago; such plan after its adoption by the City Council to be known as the official plan of the city of Chicago. The functions of the plan commission are advisory, investigatory and recommendatory only. In no way do its activities derogate from the powers of the City Council to pass upon all city projects and improvements, nor does the Commission usurp any of the authority of established local government agencies or departments. The plan commission and its staff function very similarly to the research laboratory of a large industry.

Research is no help to an industry unless used. Planning does not help the community unless put into effect. The large number of city plans gathering dust in municipal archives testifies to a fundamental misconception of the planning function. We have looked upon planners as part-time architects. They are called in from time to time, during fits of civic conscience, and asked to tell us how the city could be improved. But by the time they prepare their recommendations, we have lost interest, and meanwhile the daily decisions which in fact determine the city's future have been made in the old way, on the basis of political expediency and momentary pressures, unrelated to any general concept of community objectives.

One of the foremost functions of a planning board should be the origination and maintenance of a sound zoning policy. What has happened to zoning tells us much about what has happened to planning. By zoning, the municipality determines for what purpose specific parcels of urban land shall be used: it classifies lots and blocks as residential, commercial, industrial, etc. Surely this of all functions should be related to some long-range conception of desirable municipal growth. Yet urban legislative bodies have jealously kept this power to themselves. Some accept advice from the planning agency, but usually the final decision rests with council or commission.

As a result of this fact, combined with landowner pressure, most cities are overzoned. Eighty-five per cent of urban land

is normally devoted to residential and public uses, but the zoning ordinance often permits the potential use of as much as 50 or 60 per cent for commercial and industrial purposes, with ill effects upon the stability of residential neighborhoods and the evolution of a well-planned city. Moreover, after the initial mistake has been made in drawing the zoning map, departures from that standard come all too easily. The zoning board of appeals, established to give relief in cases of "hardship" arising from strict application of the letter of the ordinance, frequently falls into the lax habit of granting exceptions wherever asked. Or, in some cases, the council itself grants exceptions with a free hand. When a promoter wants to build a filling station or factory upon land zoned for residential use, he need only convince his councilman (one way or another), and an amendment to the zoning ordinance will be quietly put through. Thus we get bad zoning in the first place, followed by constant attrition of even that inadequate guide.

If planning is to be a vital and continuing function of local government, the planning agency should play a major role in the decision of all matters relating to urban development. It should not only help frame the basic ordinances, as adviser to the executive, but have jurisdiction over the administration of those laws, under a mandate to administer them in accordance with the objectives of a long-range master-plan. Why, for example, should a city set up a planning board to chart the future development of the city and at the same time delegate administration of the building code to a separate department which goes its own way without reference to the aims of the planners? Why should not the daily decisions on new structures be made by a bureau directly responsible to the planning authority?

Planners themselves disagree on this point. Some insist that their agency ought not to mix into administrative func-

tions but should remain a staff body with purely "advisory, investigatory, and recommendatory" duties. This limited responsibility has been further watered down, in some cities, by a pedestrian and unimaginative concept of planning. The planners are thought of as visionaries, above and beyond the currents of everyday life, whose job is to formulate abstract visions of the future—which then rapidly slip into the past.

"Toledo Tomorrow," the plan for a twentieth-century city by Norman Bel Geddes, illustrates the point (though not, emphatically, the work of an official planning agency). Bel Geddes has constructed a fascinating model of a "dream city," and the citizens of Toledo have dutifully inspected it, no doubt experiencing the proper sentiments of admiration and wishfulness. But planning cannot stop here, as it too often does.

Essentially the Bel Geddes model is out of scale. As one views it, he sees an imaginary city as he would see a real city from a plane at 15,000 feet. The perspective is interesting but utterly divorced from common experience. What more vitally concerns the citizen of Toledo is the city of tomorrow as it will look from his front porch, or as he walks from the bus line to his apartment. The planners give him, instead, a sweeping vision of monumental parkways, civic centers, futuristic airports. He takes an interest in it, of course, but cannot persuade himself of his own personal stake in realizing the plan. It is something into which he as an individual does not fit; a museum piece, to be viewed with the same detachment one might feel toward a model of ancient Rome.

Planning has done only part of its job when a theoretical picture of the city has been constructed. The whole must be related to the parts, and the parts to the individual's home and way of life.

Preoccupied with public works on the grand scale, planning agencies sometimes content themselves with laying out super-

highway schemes, or park systems, or civic centers. These, too, are useful, but partial. The citizen views them abstractly. He cannot do much about them, one way or the other, and must be pardoned if he fails to get excited. Public works, like the vision of a dream city, leave him cold because, however splendid they may be, they do not intimately affect the daily round of his life and the immediate environment in which he lives.

Consider Chicago's Outer Drive, along the shore of Lake Michigan. Its utility and beauty, the breadth of vision behind it, are not open to question. Yet the Outer Drive has not changed the essential conditions in which the vast majority of Chicagoans live. Behind this splendid front yard lie the dirt and litter of the slums, the congested disorder of an inadequate city. Great public improvements of this sort do not alone solve the planning problem and cannot be expected to enflame the people's imagination.

If planning suffers from being too "visionary," in the sense of failing to relate projected developments to the life of the individual, it also suffers from not being visionary enough in those matters which do directly touch everyday life. Along with the grand schemes for expressway networks and public improvements, the planners have devoted much time and energy to plans for residential development. Too often, however, it is impossible for the layman to perceive any marked difference between the plan and the kind of living he now experiences.

The typical residential plan divides the city into "planning areas." Certain sections are designated as blighted or near-blighted and marked for rebuilding. Beyond this central belt lies the "conservation area," the potential slums of the future, in which the dwelling structures may be expected to decay unless steps are taken to prevent it. Next, toward the out-

skirts, come the "stable" areas of fairly recent construction; then the sections of arrested development and new growth; and, finally, the vacant tracts just inside the city limits which remain to be subdivided.

Such definition of the existing layout is a necessary preliminary of planning, but all too often nothing else happens. The crucial question is *how* the blighted areas shall be rebuilt, *how* the vacant and frozen tracts shall be developed, *what* the future residential pattern shall be. On this point many planners seem bound by what is, unable to catch the vision of what might be.

Nearly everybody now perceives the drabness and monotony of the gridiron street pattern, and nearly all plans abolish it. But one has not solved the problem merely by laying out curved streets instead of straight, inserting a cul-de-sac here and there, and devising odd-shaped islands at the intersections. You can twist a street into the shape of a pretzel, but if you line it with forty-foot lots back to back, you have not done much to alter the fundamental conditions of city living. The concept of a new kind of neighborhood and a new kind of city composed of these neighborhoods is lacking.

Planning has developed excellent techniques of study and analysis but has so far, in large part, failed to apply them to the specific task of working out organic changes in the urban structure. We are given no challenging concept of a new direction, no vision of a commanding objective to justify the effort demanded. As Walter Gropius, professor of architecture at Harvard and one of the most distinguished philosophers of city planning, has said, the planner undertakes to perform his great symphonic work without a score:

The most perfect tools with which to organize life in the towns and cities—legislative, administrative, economic or technical—are only the means of forming the living space of the people into a whole, organic, cultural entity.

To accomplish such an aim requires a long process of creative conceptions, followed by concerted action on the part of many first-rate specialists directed by leaders who are able to integrate and balance the manifold inter-related problems. But a well-tuned orchestra of specialists, so to speak, needs not only the planning conductor but also a score—written by an ingenious composer—from which to perform. . . . In the past we have seen many a town pattern either emphasizing the “city beautiful” or proclaiming special systems of transportation, habitation or recreation; but almost all of these “master plans” were doomed to remain more or less pictorial suggestions only, being “out of scale” in many respects—socially, technically, or aesthetically. It is for this reason that our specialists have been called upon to step out of their self-confined field of action and to compare, adjust, refine, and integrate those instruments which we so badly need in order to make possible the composition of a practicable score from which to perform the city of tomorrow.¹

What Kind of City Do We Want?

The first question to settle in our minds, if we are going to plan our cities, is the objective toward which we want to move. What kind of urban organism, not only in a physical sense, but in terms of economic, social, and administrative makeup, do we really want?

Certain trends of the past and conditions of the present fix the limits within which our decision will be made. We know with reasonable certainty that the period of indefinite city growth has ended. While there will be exceptions, we can no longer expect our municipalities to get out of every scrape by expanding. The days of wild land speculation are over. New taxes cannot be raised now merely by extending the city limits. Real estate values, and with them tax values, will probably remain stable or resume the decline which they underwent before the war. Thus the city of the future will not be simply a

¹ Walter Gropius and Martin Wagner, “The New City Pattern for the People and by the People,” in *The Problem of the Cities and Towns: Report of Harvard Conference on Urbanism* (Cambridge: Harvard University Press, 1942), pp. 95-96.

bigger city; our chief problem is to organize and integrate the urban regions already established.

Similarly, the decentralization of industry within the urban area, greatly accelerated by the war, stimulates decay at the city's heart, multiplies fiscal problems, and points the way toward administrative reorganization of the whole area. The metropolitan population contains more older people than it did ten years ago, with resultant effects on questions of education, recreation, and welfare services. While foreign immigration has dried up, more Negroes have moved to the cities, creating intense problems in race relations and emphasizing the need for low-rent housing. Many functions of the family have been taken over by schools and other social groups, yet the people have not increased their participation in and control over these collective functions. Both the physical development of the city and the nonmaterial trends of urban life suggest a need for new forms of organization which will enable the people to live and govern themselves in smaller, more manageable community units, and likewise to perform efficiently those functions of the metropolitan area as a whole, the need for which brings them together.

When the people themselves are asked what kind of city they want, their answer is inexact. This need not surprise us, since negative discontent cannot easily be expressed in positive terms. The Princeton Bureau of Urban Research, in a national poll of public opinion, found that dissatisfaction with neighborhood living conditions ran highest in the larger cities and among the low-income groups who endure the poorest conditions in those cities. When asked, "Is there anything you would like to see done to this neighborhood to make it a better place to live in?" 61 per cent of those interviewed in cities over 500,000 population, and 64 per cent in cities between

100,000 and 500,000, answered "Yes." The affirmative answers were lowest in cities of 25,000-100,000 population.

"Neighborhood satisfaction and social contentment," the survey concluded, "together with voting participation and desire for home ownership, exhibit a distinct relationship with density in the home, condition of house and neighborhood, location in city, and even with the heterogeneity of structures in a locality. . . . There is reason to believe that by and large the greatest social contentment, as well as certain advantages in living, are to be found in communities of less than 25,000 people."²

Does this not indicate that the task of urban planning is to bring the individual into a more intimate relationship with his environment by building integrated communities within the metropolitan area, and integrated neighborhoods within these communities? The people of our cities are reaching toward some form of social life in which they can enjoy the satisfactions of the small town or village together with the conveniences and associations of the urban center. They want not only the physical surroundings of the smaller social unit but the sense of belonging that is denied them in Megalopolis—a better balance between their individual lives and the life of the social group.

The people have already demonstrated by unmistakable action—that is, by their flight from the city—that they do not approve of the current methods of building up their living space. So they have fled and are still fleeing to the suburbs. These they do not like either; but, having no alternative, they choose this lesser evil. They are sold down the river and up the valley. But it is not the valley the people dream of. They dream of a more natural life—of living nearer to the woods, the lakes, the pastures. They are weary of stony cities, of noisy life in the midst of cramped barracks.

Though their suburbs do show a notable improvement over the environment of the city centers, they cannot understand why they must be tor-

² Princeton Bureau of Urban Research, *Urban Planning and Public Opinion: National Survey* (Princeton, N.J., 1942).

mented by long rides from their homes to their working places. They want better factories and better offices, closer to their dwelling places; they want greater freedom in space and also greater freedom in time, which they know our machine age is capable of providing. They want to save time and strength for building up a new form of regional culture, in which man's leisure hours would be filled with activities for the good of his neighborhood instead of with shallow entertainment. In short, they want to build up a new life of their own, organically connected with their community and neighborhood life, which—in keeping with the human scale—shall be within reach of all who share their “green valley.”³

Under this idea of the future city, the planning units will become the community and the neighborhood. Instead of preoccupying themselves exclusively with schemes for the city as a whole, planners will come down off their high horse and work with the people to improve the immediate surroundings in which they live. This does not mean they must give up master-planning. The problems common to the cluster of communities—industry location, railroad rights of way, traffic flow, and the like—will remain to be dealt with. But the master-plan must be conceived in terms of the neighborhoods and communities which are to make up the future city. The city must be conceived, not as a meaningless agglomeration of people, but as a collection of small towns, each leading a vigorous life of its own but all linked together by common interest in the life of the region. While master-planning proceeds for the region at large, community planning for the component units must parallel it and merge with it.

The urban pattern arising from such a concept will be radically different from that which now exists and from that envisaged in the typical city plan. Today's pattern reveals a slum area surrounding the business section; a “gold coast” of tall apartments, where the wealthy live; a secondary belt of walkup apartments, abodes of the middle class; and then a senseless jumble of apartments, two-family and single-family

³ Gropius and Wagner, *op. cit.*, pp. 98-99.

structures, thinning out to the single houses of the more sparsely developed sections.

The pattern of the future will show the basic unit as an integrated neighborhood, housing 5,000–6,000 people of all income groups, each with its elementary schools, churches, parks, local shops, and community center. Within the neighborhood, screened from through traffic and near-by industries, the residential structures would be built in superblocks, serviced from the outside and turning to the inside for privacy, open space, and greenness. The superblocks themselves would be grouped around a common open space in the interior of the neighborhood, containing the schools and other public facilities.

Life in these neighborhoods would be brought down to the human scale, as it was in the New England village, with its planned design and central common. Surely such a life, whether for the \$1,200-a-year worker or the \$5,000-a-year salesman, would vastly excel that now open to either. Their homes—detached, group house, or apartment—would occupy a parklike setting, easily accessible to motor traffic and transit lines, but turned away from the main flow of travel. In the denser sections of the city, no part of the neighborhood would be more than a quarter-mile from another. The housewife and children could reach schools and shopping center without crossing a major street. The family would find its recreation at home or in the immediate vicinity and would inevitably take a growing part in community activities, political and social.

The neighborhoods would be grouped in clusters of four or five as a community, the next largest unit of urban organization. Here would be located all the services necessary for a "town" of 20,000–25,000 people—high schools, branch department stores, professional services, governmental offices,

and light industries, separated by green belts from the residential areas. Near the downtown section, the community might spread over one square mile; farther out, two square miles or more. Each would have a physical appearance and life of its own, arising naturally out of the variety and texture of its component neighborhoods. Main traffic arteries linking the community centers would provide rapid transportation from one to another, and expressways at intervals of three or four miles would place every neighborhood in close communication with the downtown section and other parts of the city. Places of employment would be accessible within walking distance to many of the residents, and those who worked elsewhere could get to their jobs with a minimum of trouble.

With such a residential pattern gradually taking shape, we would have every right to expect parallel growth in democratic self-government and ultimate adaptation of political forms to the new design. The basic unit of government might become the neighborhood, ruled by some modern equivalent of the town meeting. Those functions which can be better managed in larger jurisdictions would be performed by officials of the community, elected from the various neighborhoods. Problems common to the urban area as a whole would fall to a mayor and council or a commission representing all the communities, including those beyond as well as inside present city limits. A more vital, more democratic, more healthy political life thus might develop as one consequence of urban reorganization. But, whether it did or not, the benefits to individual and family life alone would amply justify the new pattern.

So drastic a change cannot and should not come about overnight. We are not trying to invent an ideal city but to set forth general principles by which the development of existing cities can be guided, beginning at once. Every city now

contains natural neighborhoods and communities that would become the logical basis of the plan. Future development, instead of ignoring these organic cells of the urban structure, as we have so often done in the past, would build upon them, respect their integrity, improve their usefulness.

On this principle the reconstruction of slum areas could make a tremendous contribution to the public welfare. For these areas would be rebuilt, not as dull rows of barracks, but as integrated communities and neighborhoods, capable of contributing a new spirit of local pride and self-government and serving as a model for the rest of the city. On the site of the slums which symbolize the past failures of urban life would rise a symbol of the better urban life of the future.

Neighborhood-community planning would make it possible to thin out densities without going to the extreme of depopulating the central city. At 25,000 persons to the square mile, a community would represent a substantial reduction in density from the typical blighted area, yet could by no means be considered sparsely settled. Divided into four neighborhoods averaging 6,200 persons each, and with half the space of each neighborhood devoted to streets, parks, and other public uses (a much higher proportion than is now offered), net density would average less than 77 persons, or twenty families, to each acre of residential property. This is not suburban-style density, but it compares favorably, for example, with the 94 persons per net acre who live in Chicago's blighted areas. And the pooling of public space would give the area as a whole more openness, more elbow room, than the city now offers.

Even a moderate deflation of density requires attention to the problem of displaced families. If a square mile of slums which now houses 40,000 persons is rebuilt for 25,000, planning must find ways to rehouse the displaced 15,000. Some authorities insist that the latter responsibility comes first; that

redevelopment should begin with the formation of new neighborhood units outside the city proper, to siphon off "excess" population and make possible central rebuilding at moderate densities.

But hard-and-fast priorities cannot be established. The immediate, crying evil is the existence of blight in the heart of the city. To delay the attack upon blight until the outer areas have been built up on the new urban pattern would in effect prolong the present process, in which these areas are being built up according to no pattern at all. Meanwhile the slums would continue to fester.

A more practical program envisions a twofold approach: redevelopment by public initiative in the central sections and, simultaneously, adequate construction on the outskirts, either by public agencies or by private enterprise in accordance with the public plan, to take care of the excess population from blighted areas. In either case, however, it is clear that planning for new neighborhoods must go hand in hand with master-planning for the whole metropolitan area.

Need for a Master-Plan

The trouble with many master-plans is that they deal exclusively with physical aspects of the city and often with the still narrower field of public works. The plan must rest on a broader base. It should emerge from a basic conception as to the organic structure of the future city and embrace all of the factors—political, social, and economic—which bear upon realization of the goal.

It is impossible to say that the master-plan should "begin" with a superhighway network, a solution of the terminal problem, or any other single project. Each project stands in intimate relationship to the plan as a whole and is affected by the others. The transportation network, for example, must be

designed not only to meet traffic needs of today but to be easily adjustable to the needs of tomorrow, which will be defined by the kind of city then existing.

No man can read the future in detail. The master-plan must therefore be flexible and subject to constant revision. But to conclude from the uncertainty of the future that master-planning cannot be carried on at all is to miss the mark. Every city plans for the future whenever it floats a bond issue to finance some public improvement. The construction of a water system or superhighway involves a decision that these improvements will be useful forty or fifty years from now, when the taxpayers are still paying for them, and therefore implies certain assumptions as to the future of the city. Private investors who put their money into structures expected to yield a revenue for twenty-five years or more engage in the same kind of "planning."

If such assumptions can be made for a single improvement, they can be made for the development of the city as a whole and can be revised from year to year in the light of experience.

The outward push of population and industry has rendered city boundaries obsolete. The master-plan should therefore embrace the metropolitan area and not merely that part of it within the old city limits. Suburbs which house city workers are an integral part of the city, so far as transportation and economic interest are concerned. Planning which fails to treat them as such ignores the facts. Ideally, we ought to look forward to a time when city governments as we know them will have disappeared, and all the communities in the metropolitan area are represented in a county or regional government which serves their joint interests. But until that time comes—and given the power of political inertia it will be a long time coming—arrangements must be made by which

planning, at least, can be carried on in accordance with the realities of urban life.

Some public agency representing the city proper and its satellite communities must therefore be granted authority to plan and, where necessary, to exercise control over land use both inside and outside the city limits. The satellite towns might delegate their own planning authority to the city's agency, in exchange for representation thereon; or an entirely new agency might be set up with proper representation for all concerned; or co-operative relations might be worked out among several agencies. Moreover, the various governments have a responsibility to act in accordance with the master-plan. If the plan called for acquisition of a certain tract of suburban land for ultimate development as a new community to house excess population resulting from a low-density redevelopment project downtown, either the municipality or an agency representing the area at large should have power to acquire the land and control its use as directed by the plan.

The principles on which such a metropolitan master-plan should be based were well stated by the conference on urbanism at Harvard University in 1942, as follows:

1. The towns and cities must be planned and built, or replanned and rebuilt, for the health and happiness as well as the economic wellbeing of those who live and work in them. This is the first great commandment of city planning; and the second is like unto it.

2. The physical layout and the administration of the government—including the location of and the optimum balance among dwellings, business and industry, public services and facilities—must be such as to provide for the maximum possible ease in carrying on the basic activity of the people—making a living.

3. In the interior of the urban community there must be elbow room—plenty of it—both for the purposes of present living and working and for the necessary space to adapt the physical layout to the changes required or desired in the future.

4. Internal transportation must be so organized as to permit fast and pleasant movement of things and people whenever such movement is re-

quired or desired; but the location of business and industry, as well as all other points of assembly or contact, must be so arranged with relation to the dwellings of the people that movement which is required, but not desired, shall be kept at the lowest possible minimum—not forgetting that, within reasonable limits and in wholesome surroundings, the pleasantest as well as the healthiest form of movement for people is walking.

5. There must be in, or within easy access of, every urban community, not only all the public services needful for the physical and intellectual well-being of the inhabitants, but those required for their emotional wellbeing as well: as many of the cultural and spiritual facilities as the community can afford or the people can be induced to support—not only the utmost in educational opportunities for every citizen of every age, but art galleries, theatres, music, recreation centers, playgrounds, woods and streams for hunting and fishing, etc.

6. The towns and cities must, each in its fashion, be beautiful; but the beauty of each must be the expression of its own living, not a thing imposed from without.⁴

Application of these principles would, of course, vary with the circumstances of each urban region. Once the basic pattern had been fixed (subject always to change) and equally flexible assumptions posited as to the future growth of the area, the planning agency would lay down goals and time schedules for the various aspects of the plan. Certain areas, for instance, would be zoned for heavy industry. Recognizing that not all heavy industry now is located there, and that it cannot be moved hither and yon overnight, the planners would suggest procedures by which industry might be induced to move into the zone over a period of five, ten, or twenty years. Similarly the highway network would be planned for development in stages—a certain part to be completed in five years, the next phase in ten, etc. Redevelopment of blighted areas and conservation measures to stop the spread of blight would be geared with public works, the planning of consolidated terminal facilities for truck and rail traffic, the location of light industry and warehouses, and all other aspects of the plan.

⁴ Guy Greer, "Post-Conference Reflections," in *The Problem of the Cities and Towns: Report of the Harvard Conference on Urbanism*, pp. 85-86.

The planning agency cannot just lay down desirable goals and walk off the job. It must point the way to accomplishment of the goals—by legislation, by administrative decision, by concerted action of public and private enterprise—and maintain a constant alert against piecemeal evasions of the plan which might ultimately destroy it. In other words, the planners must tell the mayor, the city council, and the people not only what should be done but how it can be done—and must keep on telling them until it is done.

This, after all, is only another way of saying that the people must participate in planning and consent to the schemes drawn up by the experts. In order to further that participation, the experts should go directly to the people with their plans, explaining, clarifying, arguing, defending, and yielding to objections. If they have a sound plan, which recommends itself by its inherent logic and reasonableness, and if they show the citizen his personal interest in seeing it realized, then the plan can be “sold” and public opinion mobilized behind it. Above all, the planners’ duty is to relate the plan to the life of the individual, the block, the neighborhood. By helping a local group to reorganize street and public space in such fashion as to build a new park and shopping center, the planning agency might do more good for its cause than by years of expert disquisition on the loftier aspects of the master-plan.

Planning, in short, must become an integral function of city government, justifying itself every day by continuous service to the people. It must become a positive function—not merely guiding such urban development as happens to take place, but scheming, contriving, and maneuvering to induce the desired development to occur. When inadequate tools for land acquisition block the road to a better city, the planning agency should make the people aware of the need through press and radio and lead the campaign for legislative

remedy. When a subdivider pulls political strings to violate the zoning law or otherwise sabotage the master-plan, the planning agency should take the field against him and arouse public opinion to his fell designs.

Urban planning of such scope embraces vast fields of interest beyond the four walls of the individual family home. Yet every one of its concerns directly affects the kind of housing available to the people. The solution of a housing problem requires a solution of all the community problems arising therefrom. Conversely, every contribution to the development of a new urban organism, planned and built to meet the needs of present-day living, is a contribution to good housing.

Within the next generation vast sums will be spent in our cities. They will be spent by individuals, corporations, associations, governments; for houses, apartment buildings, factories, warehouses, parks, expressways, airports, transit systems, monuments. We need strong and intelligent planning to fit these expenditures into a coherent whole. We need planning to make every dollar count toward the provision of decent housing, the creation of an efficient and healthy urban structure, and the revitalization of the democratic faith.

IV

A NATIONAL PROGRAM

SOCIETY AND THE INDIVIDUAL

THE national interest in a broad program of housing and urban redevelopment is threefold. It arises from the moral obligation of society to serve the welfare of the individual. It is reinforced by the need for social innovation to solve the central problem of modern industrialism, the expansion of consumer demand to match our productive capacity. And it takes on special urgency from the immediate and inescapable responsibility of maintaining full employment during the next ten years.

The effects of bad housing upon the individual and the family and the community as a whole require no elaborate exposition. It may be true that other causes contribute to these effects—low incomes and poor education, for instance—and that the provision of good housing alone would not eliminate them. But where inadequate shelter does not itself produce ill health and social maladjustment, it supplies the seedbed in which they flourish and accentuates their malignancy many fold. We need only compare the health and behavior of the same kinds of people in slum districts and in public housing developments to understand what a chain of fruitful consequences is set in motion when the people gain access to a decent environment.

The social responsibility for housing is reinforced by the

special situation of minority groups—principally Negroes—in our great cities. The war has seen a vast and accelerated migration of Negroes from the farms and towns of the South. Representing, in the main, the least privileged economic group of our society, these urban newcomers were usually packed into the ghetto-like slums reserved for members of their race. Restrictive covenants signed by white property owners often threw an iron ring around the ghettos. As the badly deteriorated housing within the ring was made to shelter a denser and denser population, racial tensions grew and festered, and all the evils of overcrowded living were aggravated by racial as well as economic discrimination. In most cities the social frictions thus set up threaten explosive consequences unless quickly relieved.

In the nineteenth century the prevailing attitude toward such matters was one of indifference. If a man could not provide a suitable place for his family to live, that was his misfortune—and his fault. Today all but the wilfully blind acknowledge a social responsibility for socially undesirable conditions. This particular responsibility, moreover, cannot be discharged by the most generous application of traditional charity, public or private. Our system denies good housing, not to a handful of unfortunates whose plight can be relieved by the humanitarian aid of their neighbors, but to a whole class of the population, representing one-third of the total, who are caught in the grip of forces beyond the power of individuals to deal with.

It is all very well to bow and scrape before the idol of “free enterprise” and to say that for some vague, indefinable reason the provision of shelter “ought” to be the exclusive province of private capital. But private enterprise has had its chance. Not only has it failed to fulfil its obligations in the past, but

any reasonable estimate based upon frank appraisal of the facts shows that it will fail to fulfil them in the future.

We can chant the mumbo-jumbo of the "American way of life" while perpetuating bad housing for millions or we can make use of all the tools, individual and collective alike, necessary to establish a minimum standard of shelter for every American. The choice of responsible citizenship is plain.

There will be those who protest that housing remains, in any case, an area of local responsibility. They say the same thing about education, evoking the symbolism of the little red schoolhouse to conceal the basic fact that quality of teaching rises with the broadening of its economic base. The resort to localism seldom expresses genuine attachment to democracy. More often it is a maneuver intended to lodge responsibility where it cannot be discharged. In the case of housing, while local initiative is laudable and desirable, any attempt to confine action within the municipal sphere can lead only to the frustration of a grossly inadequate program. The cities and states, like private enterprise, have had their chance. They have shown that they cannot solve the housing problem without help.

Quite apart from the practical situation which finds the federal government the only agency able to support an adequate program, it is an outworn fiction to suppose that the United States has no direct interest in the housing of its citizens. Had the Jeffersonian ideal of an agrarian society been realized, had the nation taken the course which the states'-righters laid out for it, becoming a federation of self-contained dominions each of which represented a federation of self-contained local communities, some justification might have been adduced for this view. But in fact we became the world's leading industrial nation. In fact our society rests on an urban

foundation. In fact our people are citizens of the United States first, citizens of local communities and states second.

How those people live in their various localities is a matter of national concern just as surely as their health, literacy, and nutrition. Shall we say that the F.B.I. may track down criminals spawned in city slums but that the federal government shall not act to wipe out the slums? A nation which must call upon its men and women for national service in times of crisis, and will increasingly demand dedication to common ends by those men and women, cannot pretend that it has no interest in the homes from which they come.

The Social Minimum

The group's concern with the welfare of the individual, coupled with the fact that group action in some matters can best be organized on a national scale, justifies and demands a broad program to guarantee a minimum standard of shelter. Yet a deeper reason also impels us toward such a program—a reason arising out of the crisis which confronts democracy.

Establishment of individual political rights was the task of the eighteenth century, and extension of those rights to all men irrespective of property qualification the task of the nineteenth. Today we face the much greater challenge of giving new meaning to political rights through the recognition of social responsibility for the people's economic welfare. Two world wars and a world economic catastrophe have taught us that political freedom, precious as it is, does not protect us against hunger and insecurity and that economic maladjustment in the modern world presents the most sinister threat to free institutions. Unless we learn how to operate an industrial economy in the broadest interest of all the people, we can expect successive political crises which may cost in the end the loss of liberty itself.

E. H. Carr, in his *Conditions of Peace*, has stated the problem for America as for Britain:

We must supplement political equality by a progressive advance towards social and economic equality; we must make the will of the ordinary citizen prevail against the organized forces of economic power; and we must draw the ordinary citizen more and more into the processes of administration—in particular, into those processes which affect his daily life and interests. . . . The emphasis required is no longer on the “rights of man”—that was the slogan of the French revolution—but on the truth, implicit in the new revolution, that the rights of the individual become effective only through the assumption of collective obligations.¹

The issue has been inaccurately expressed as a struggle between liberty and security. We are given to understand that the search for social solutions of the economic problem implies a dead level of uniformity, the sacrifice of individual freedom and man’s sense of adventure. The real conflict, however, is not between security and liberty but between the demonstrated productive capacity of modern industry and the inadequacy of a distribution system based upon the assumptions of nineteenth-century capitalism. Men demand security, not because they now want to exchange adventure for a static society, but because they know that their power to produce can at last satisfy the wants of all. We have passed from the age of scarcity, when our physical plant and human abilities could not turn out enough goods for everybody, to an age in which the productive capacity exists to eliminate the economic injustice which once seemed unavoidable.

Men who have seen crops destroyed in the field and factories run at deliberately curtailed tempo will not be impressed by arguments that liberty means the freedom not to consume what can be produced. Their demand for security is in reality a demand for a more equitable sharing of the product of their

¹ E. H. Carr, *Conditions of Peace* (New York, 1942), pp. 37–38. By permission of the Macmillan Company.

own labor; a demand for the right to work; a demand for such an organization of production as will permit the needs of the people to be supplied by the people.

When we are told that production cannot be so organized without embarking on the "road to serfdom," we identify the voice of special interest, sometimes abetted by the counsel of those who have no faith in, and little understanding of, democracy. The same cry of alarm has been uttered at every stage of our history whenever new conditions required new national policies. After the last war it became a truism to say that the next war would surely see a total suspension of the democratic process; yet when the next war came, even the necessary imposition of unprecedented economic controls failed to impair the basic fabric of our democracy, and indeed probably strengthened it. Democracy stands or falls, not by the content of its political responsibility, but by the structure and vitality of its institutions. Broadening the area of responsibility to include the people's economic welfare is far more likely to deepen the democratic faith than to weaken it. The body learns by doing, and political institutions are shaped by their function. In underwriting economic welfare, the state will grow closer to the people.

Those who insist that the state shall stand outside the economic sphere are asking in effect that we deceive ourselves with an elaborately articulated fiction. The state does not in fact stand outside the economic sphere. It has not done so since Clay's "American system" of protective tariffs and internal improvements supplanted Jeffersonian agrarianism to become the foundation of a state-aided industrial society.

Only in boom times do we persuade ourselves that the "American system" operates by some marvelous principle of self-propulsion, utterly independent of political action and responsive only to the mysterious forces of the free market.

When the prosperity machine grinds to a stop, those who have most passionately embraced the laissez faire philosophy are the first to demand state intervention. There may be disagreements over the kind of intervention (bankers will demand an R.F.C. to save their own necks, while opposing a W.P.A. to provide work for the unemployed); but that the nation as a whole should act to rescue private enterprise from the consequences of its own shortcomings is agreed on every side.

If the people can call into action their joint powers for the purpose of fostering "infant industry," establishing railroads, settling the West, providing a sound system of commercial credit, protecting labor's rights of collective bargaining, relieving distressed agriculture, and, finally, lifting the whole nation out of depression, there is no reason why they cannot—and many reasons why they should—exercise the same powers for the purpose of setting the economy on a firm base in good weather as in bad.

It will be said that we lack the wisdom; that no man possesses the necessary omniscience to plan the multifarious operations of a complex economy. But nobody proposes that the unforeseeable shall be predicted or the uncontrollable controlled. The question is whether the state shall use the resources it does possess and the imperfect knowledge already at hand for the general good.

Certainly the results of not organizing our activities in the common interest are plain enough. Whatever mistakes might be made in compensatory state action to offset the fluctuations of the economy could be no worse than what actually happens when those fluctuations are allowed to take their own course. When a driverless car heads down a steep highway, the passengers cannot afford to debate the merits of good driving versus bad; their business is to put somebody at the steering wheel.

How the social responsibility for economic welfare shall be expressed is a matter of many specific policies to meet specific situations. But a careful interpretation of our economic experience leaves no doubt that the central problem lies in maldistribution of the national income. The technological revolution, greatly accelerated by war, has steadily increased the productivity of human labor. Machines and new processes pour forth such an embarrassing abundance of goods that the people who tend the machines, even when paid substantially higher wages than in the past, cannot indefinitely absorb the products of their own labor.

Not that the goods represent absolute surplus. Millions of our people need them and could use them, but cannot buy them. Even in the best of "good times," prosperity is the preserve of the middle- and upper-income groups, who receive the largest share of the national income. Ultimately the buying power of these groups proves insufficient to keep themselves and the rest of the country at work. For not all the income they receive is devoted to consumption. When family income rises above the minimum level, the excess flows not only into the purchase of more and better goods but in part into savings. Thus, a share of the money received from production is abstracted from the stream of purchasing power and directed ultimately into the stream of investment.

So long as there are profitable outlets of investment to absorb these savings, trouble stays beneath the surface. But in the end a point is reached where the industrial capacity already built can supply the goods for which effective demand at that moment exists. The construction of new productive facilities (including houses) thus tapers off. As building declines, men are thrown out of work. Depletion of their purchasing power reduces the market for goods from factory and

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farm; more unemployment results, and the downward spiral sets in.

The fundamental problem, then, is to find ways of distributing the national income so that a greater share will go to those who use it for consumption. Progressive income taxation has been denounced as a "soak the rich" program; but the justification for it, in addition to the obvious justice of taxation according to ability to pay, lies in the fact that to "soak the poor" saps purchasing power at the very income levels where it should be increased. Sales taxes and excises have the same effect. All regressive levies which fall with extra weight on people of low income not only place an unfair burden upon them but injure the national interest by curtailing the volume of purchasing power available for consumption.

For the same reasons, the public interest often supports the claim of labor to higher wages. Middle-class people have got into the habit of resenting efforts by labor to improve its position. They seem to feel vaguely that labor's gains can be achieved only at their expense. They tend to identify their interest with that of shortsighted employers whose industrial statesmanship consists of a fierce determination to keep the workers in their place. Most of the time, however, higher wages result in transferring to the workers, rather than to management or ownership, the fruits of increased efficiency. The middle class and every other group has a stake in seeing this happen. For, unless it does happen, the relative purchasing power of great masses of our people will decline at a time when the general welfare calls for its progressive expansion.

Wage increases, of course, do not always serve this larger cause. When housebuilding workers demand higher pay while imposing unreasonable limitations on output, they increase the unit cost of housing and so constrict the ultimate market for it. An increase in wages accompanied by an equivalent in-

crease in prices may be justified in special cases, but if generally applied throughout the economy would simply change the terms in which present inequities are expressed.

To get the wage increases without the price increases, we have to depend upon intelligent and responsible labor organization on one side, intelligent and responsible management on the other; upon competitive market conditions that hold prices down, as opposed to monopolistic practices which pass on to the public any increase in costs; and upon positive government policies framed in the interest of all the people.

If the nation has a stake in higher real wages, it has an even greater stake in lifting the minimum level of real incomes. The \$35-a-week factory worker is a fair customer for the products of industry and farm, but the \$15-a-week unskilled laborer who works only part of the year is a customer for no more than the barest minimum of necessities. It may be said that his "earning power" does not entitle him to more. But if we stop there, we have declined to face the fact that his *lack* of earning power keeps other people out of work.

Before the war, one-third of all families, urban and rural, had incomes averaging about \$500 a year. During the war this proportion was cut to one-sixth. If we can no more than maintain the wartime gains, and thus prevent some five or six million families from slipping back into the \$500-a-year class, we shall have opened up a tremendous new market for the products of a tremendously more efficient industrial society.

How can it be done? Such measures as the wage-and-hour law, establishing minimum standards of compensation, suggest themselves. The tax system can be so adjusted as to leave the lowest-income groups free of taxation, in order that they may spend all their incomes for consumption. Local welfare organizations can pass out relief doles to the neediest. Public

works can be planned to offset fluctuations in the private-construction cycle.

But basically these are palliatives. They attempt to relieve the effects of maldistributed income. What is needed is a progressive cure of the maldistribution itself. And for that we shall have to consider new methods of socially influencing the flow of real income.

The frankest, most direct, most honest, and most efficient method is to establish a social responsibility for underwriting minimum standards of consumption applying to the essentials of life. We know how much food, and what kind, a growing child requires. Why should not the nation recognize its obligation to see that every child gets enough food of the right kind? We know what sort of medical service is required to maintain family health, and we know that need bears no relation whatever to the family's ability to pay doctor and hospital bills. Why not devise means by which minimum health protection can be made available to every family? We know what standard of housing can be called decent, and what kind of housing entails socially undesirable effects. Why not act boldly to guarantee a minimum standard of shelter to every family in the land?

There may be other fields in which the social minimum should apply, but I would start with these three basic necessities: food, shelter, health. Whatever causes the shocking inequality in distribution of food, shelter, and health, the nation has a direct and many-sided interest in at least narrowing the range of inequality—in guaranteeing that variations shall take place above a certain level deemed essential to the general welfare.

By underwriting the social minimum, we shall go far toward solving the production problem as well. A farm market based upon enough food for everybody would correspond to

the discovery of a vast new foreign market. In supplying this food, agriculture would no longer have to fret itself so much with schemes for output restriction or contrivances to maintain prices. The provision of decent housing for every family would open up such broad employment opportunities for the construction industry that restrictive practices and artificial stimulation would not be needed to maintain it as a healthy contributor to the national economy.

The policy of the social minimum seeks the objective to which we are committed—the economic welfare of the people—by infusing blood plasma into consumption, instead of patching up the bruises of production. It expands the income of producers by looking to the economic needs of consumers. Among low-income people, it frees for new consumption some of the income hitherto devoted to the purchase of altogether inadequate food, shelter, and health. Above all, it halts the dangerous drift toward settlement of economic issues by the massed force of group pressures. It enables national policy to serve the welfare of each group by serving the welfare of the people as a whole.

A dozen men in a lifeboat perceive without hesitation the mutual benefit of fairly sharing their limited store of supplies. Give them an abundant cargo which renewed itself every day, a distribution system by which one man received one ounce of food and another one pound, periodic storms which threatened to swamp the boat unless its load were lightened, and the men in the lifeboat would present a rough parallel to modern society. What is their rational course of action—to throw overboard every day a sufficient quantity of food to trim the vessel against the next storm, or to change the distribution system so that all the men get enough to eat and at the same time consume the dangerous surplus?

It is unnecessary here to go into ways and means of making

the social minimum effective. The methods can be worked out if we once accept the principle. Food stamps and school lunches could be expanded into a national nutrition program. Health insurance and comprehensive public health service would broaden the base of medical care. To establish the social minimum in shelter, a planned national housing program is indispensable.

Complete socialization of each field, in the sense of public monopoly over enterprise and distribution, need not be contemplated. If the objectives were attainable in no other way, that consequence ought to be accepted. But less revolutionary changes can do the job if we act vigorously and in time. The machinery of the social minimum would go into action only where family income proved inadequate to provide the basic standard of food, shelter, and health. In the case of those families, the whole people would supplement individual income, not with money but with goods or services, to the extent required. Individuals who make their living by supplying food, shelter, or medical service would go on working much as they do now. But they would have an important new customer, the United States of America, acting on behalf of those families which cannot from their own resources meet the minimum standard of consumption.

In Beveridge's phrase, such a program envisions socializing not production but demand; and socializing, indeed, only that minimum level of demand dictated by social as well as economic considerations. It contemplates "supplementing political equality by a progressive advance towards social and economic equality"; extending into the economic sphere the democratic principles already secured in political life; and safeguarding democracy by boldly meeting the crisis which threatens its foundations.

HOUSING AND JOBS

IF A national housing policy is required to discharge society's obligation to the individual, and to protect democracy from the disintegrating force of economic injustice, it is needed no less to help solve the immediate, practical problem which will confront the nation during the next ten years.

The problem may be simply stated by noting that America can now produce all the goods it produced in 1940, and still have nineteen million men and women unemployed. We had somewhat less than nine million out of work in 1940. To suffer even that large a cancerous growth of idleness and unrest invites social risks of explosive potentialities. To run the extra risk of a doubled volume of unemployment is unthinkable. We cannot afford to go back to 1940. For that matter, we cannot afford to go back to 1929. Only an unprecedented national effort will secure the full employment of our human and material resources for firm and lasting prosperity.

Housing and urban redevelopment, once more, should never be regarded as public works. They are needed for reasons of their own and would be needed whatever the general economic situation. Yet the necessity of mobilizing all resources for the drive to full employment reinforces our obligation to break the housing blockade. A planned program to

bring good housing within the reach of all income groups will open up immeasurable fields of new investment and thus create new outlets for excess savings. Improving the quality and reducing the cost of housing open to the average man will not only give him a better life but free more of his income for the consumption of other goods. Planning and achieving a sustained volume of residential construction will stabilize one of our most eccentric industries at high levels of activity.

But will not the "natural" forces of the postwar boom take care of all this and relieve us of the onerous duties of planning? Will we not get full employment anyway, without so much fuss and bother? There are siren voices to say so, but we shall be guilty of national amnesia if we heed them.

The boom itself is far from being nailed down. While unsatisfied demands and unspent savings piled up during the war, nobody can say with certainty that effective purchasing power will be sufficient, in view of the great advances in productivity, to sustain a long boom. Having gone into the war period with nine million unemployed, and come out of it with a larger labor force, we may be unable to attain full employment even for a few brief boom years simply by depending on "natural forces."

In any case, we know that an old-fashioned boom, if it came, would end in a bust. The last depression cost \$350 billion in lost production, to say nothing of the incalculable depletion of human resources. We cannot afford another. We cannot afford to lose a single day in planning *now* the long-range national policies which alone can prevent a slump some time in the early fifties, if not before. One of those policies is a bold and farsighted program of housing and urban reconstruction.

Every boom grows out of a particular combination of forces. That of the twenties was built on the rise of automobile and

radio industries, an export expansion financed with bad loans, widespread highway building, and the construction splurge. Housing's contribution to the boom was disorderly and short lived. Most of the houses were built for families of medium and high income. When that market had been saturated (within five years), construction began to fall off, even though the true housing need had not yet been satisfied. In the end, the people found themselves saddled with the same slums, plus some new potential slums in the jerry-built subdivisions that sprang up on the edges of the cities. Because we did not plan, housebuilding helped make a crash rather than lasting prosperity.

Whatever "natural" forces for postwar employment may now exist, the nation cannot escape the obligation to prepare *in advance* methods for sustaining production after those forces have played out. Housing, instead of lifting the economy to a peak and then letting it down hard, must be planned to contribute a steadily growing impetus which, along with other forces, will become the mainspring of the economy after the durable goods shortages of wartime have been overcome.

Such a program would have three immediate objectives: first, to lower the cost of privately built homes and thus tap a market which would not be reached by a wild construction boom; second, to eliminate acute shortages of low-rent housing, which private enterprise does not build at all; and, third, to develop experience and techniques for a large-scale urban redevelopment campaign, which can be thrown into high gear when it is most needed to keep the economy going at full capacity.

During the first few years, inevitably, most of the emphasis will be on ordinary custom building, since that is the kind which is now ready to go ahead full steam. There would be no need to interfere with such construction. In England the

large public housing program between the two wars took place alongside a boom in private housing for the upper-income groups; one strengthened the other, and together they represented the most significant counterattack on mass unemployment.

If we plan housing for all income groups, and tie it in with imaginative replanning of our cities, the normal market for high-cost and medium-cost houses can be supplied in the normal way at the same time other houses are being built for other markets. But instead of concentrating ten years' high-cost building within four or five years, to the exclusion of anything else, we can build as much for that market as true demand warrants, and also build for families in less fortunate circumstances.

The low-cost, low-rent program, if enacted now, would gradually gain momentum until it was equipped to take over a larger share of the load as the demand for high-cost housing tapered off. Meanwhile slum clearance would be proceeding, so that, in addition to new housing, we should be getting some replacement of old housing. This program in turn would gain momentum with the years. When the demand for net additions to the housing stock began to weaken, slum clearance would provide an expanding market for replacement housing. Thus sustained, residential construction, merging gradually into a wholesale urban reconstruction campaign, would supplant the old boom-and-bust pattern.

None of this can happen unless we get started at once. Especially in the field of rebuilding the cities, much preliminary work needs to be done—the patient formulation of legislative and legal tools, the development of planning skills, and the shaping of public attitudes and political aptitudes with respect to new forms of enterprise. Few cities would be prepared to start a large-scale rebuilding program tomorrow. Yet the

time will come when every city most urgently needs such a program as its first-line defense against the down cycle of depression. The only way to get ready is to start the program now, rebuilding eighty acres here and eighty acres there, so that within five years, say, enough experience will have been accumulated, necessary laws passed, and tested methods worked out to permit prompt expansion to a scale that will match the needs of the time. The whole program should be in full swing by 1950.

In 1939 less than one million men were engaged in new residential construction, on and off site. Planned construction of at least 1.5 million homes a year would create steady, full-time employment for 3.5 million men. Their purchasing power would support millions of jobs in manufacturing, service industries, trade, transportation, and agriculture. As urban redevelopment grew in scope, other jobs would open up: the work of razing or remodeling existing structures, paving new streets and converting old ones into playgrounds, building parks, schools, shopping centers, industrial plants, expressways, public transit facilities, garages, doctors' offices, health clinics, supermarkets.

Thus it is not only those who live in new houses, nor those who build them, who have a stake in a comprehensive program. Its ramifications reach out into all corners of our national life. The farmer would find a stronger market for his products not only among those directly employed in house-building but among all whose economic activity is affected by the stimulus of a sustained and stable construction program. The real estate investor—the banker, insurance company, or individual with savings to invest—would find in planned community development a security of return impossible to attain under a boom-and-bust cycle which causes sudden and unpredictable fluctuations in values. The local

government, which means all its taxpayers, would secure from the renewal of its physical plant new wealth and tax sources to solve the nagging dilemma of declining revenues set off against mounting expenses. The owners of existing houses which have years of useful life before them would share the benefits along with owners of the new; for planned housing, designed to meet our needs in orderly fashion, will eliminate the heavy losses due to the spread of blight. Families of better than average means, able to afford good housing, cannot separate their own interest from that of families unable to afford it; they gain from the rebuilding of our cities the intangible advantage of living in a better community and the tangible benefit of more stable property values.

Above all, good housing and good cities mean good citizenship: a reborn local life, broader participation in public affairs, a narrower range of social inequality, the recapture of the individual's sense of identity with his fellow-men. In this strengthening of democracy every American everywhere has a stake.

STEP BY STEP

IN SETTING the direction of national housing policy for the future, one significant fact must be borne in mind: the national interest in housing grew out of the wreckage of a boom in which it had been erroneously presumed that there was no national interest. The federal government went into housing because the absence of any effective expression of the public concern had permitted the occurrence of events which redounded against the national welfare.

The boom of the twenties left a heritage of unsound mortgages and shaky lending institutions. In an effort to bolster the lenders, the government established the federal home loan banks. They were intended to reorganize the credit system for acquisition and construction of privately owned homes. Before the banks got well into action, however, the deepening depression rendered their functions inadequate. Another agency was formed to put the government into the direct financing of home mortgages as a rescue measure. The H.O.L.C. took over loans from the private lenders, paid them off, and gave the owner more liberal terms on which to repay his debt. Thus federal authority acted to stop the wholesale loss of homes through foreclosure and simultaneously to save the lending institutions which had loaded up in boom years with loans they could not carry through the slump.

Recognizing that one reason for these salvage operations lay in the lending practices of the boom and that a revival of home-building would help dig us out of the depression, the government took another step. The F.H.A. was set up to insure home mortgages, reduce interest rates, reform unscrupulous loan procedures, promote better neighborhood planning, and make easy but sound credit available, particularly to the small home-builder. Necessary as they were, these advances could not of themselves break the housing blockade. Public authority was still largely confined to helping those who could afford to build or buy their own homes.

As the magnitude of the problem became apparent, the next step was to place federal loans and subsidies behind the provision of low-rent housing by local public authorities. A new field of national interest opened up: housing for those who could not afford good shelter even when the costs and financing were reduced to the most favorable terms. To help cities clean up slums, to provide decent housing for those who lived in slums, the nation went into partnership with local communities in subsidizing rental housing.

Meanwhile the Department of Agriculture had been experimenting with prefabrication methods, searching for ways of cutting construction costs. The Department of Justice undertook an enforcement campaign to halt practices which raised the cost of building and discouraged the introduction of new methods.

Before Pearl Harbor, then, four principles of federal housing policy had been established: aid to mortgage financing for homeowners; aid to cities for slum clearance and low-rent housing; research in construction techniques; and the promotion of competitive enterprise and industrial innovation.

The war brought new and grave responsibilities. To conserve labor and materials, construction had to be limited to

what was absolutely necessary; yet mass migrations of war workers to the centers of production called for vast building programs, at maximum speed and minimum use of precious resources. The essential unity of the housing problem now became vividly clear. Housing was seen to be part of the national inventory, an asset like our mines, factories, farms, and streams, to be conserved and replenished with the national interest paramount in our minds.

In harmony with this concept, the National Housing Agency was established for the duration to bring all federal activities to a sharp focus and correlate them in the achievement of precise objectives. It used every kind of tool available: direct public construction, loans to local authorities, support of private mortgage credit, stimulation and guidance of private enterprise. The objectives were attained with spectacular success. A war-housing job so vast that it might seriously have interfered with the primary task of munitions production was pushed through smoothly and speedily.

The course of national housing policy to date suggests its logical course in the postwar period. The principles established before Pearl Harbor, the unified approach that sprang from war necessities, and the establishment of additional principles to fill in the gaps will enable us to do in peacetime what we did in war.

If those who look longingly backward question the large admixture of public credit, subsidies, and enterprise in this program, they have their answer in the failure of unaided private capital to build the kind of houses and cities which the technological standards of our time permit. That failure warrants the direct intervention of public agencies in every sector of the field. But if strong and purposeful action is taken now, intervention can be limited to certain well-defined areas of public responsibility, and private capital can be given another

chance not only to serve the markets it has customarily served but to broaden the scope of its operations as the integrated program unfolds. If, on the other hand, private enterprise insists upon another boom-and-bust cycle; if public initiative is hamstrung and hampered in the essential direction and planning; if for an orderly, long-range program of providing good housing for every income group the vested interests succeed in substituting another era of reckless disregard for the general welfare—then in the end they can expect only a far greater degree of socialization than would now be necessary.

So far as subsidies are concerned, the billions of dollars which have been poured out of public treasuries for the construction of highways and related facilities—a direct subsidy of the automobile—make the sums required for adequate housing and urban redevelopment seem modest indeed. If cities, states, and the federal government can contribute so heavily to enable their people to move rapidly from place to place, they can and should contribute to the more lasting values of the home environment.

Here, then, are the objectives:

1. *To build fifteen million houses during the first ten postwar years;*
2. *To reduce the capital cost of owner-occupied housing to the order of \$3,000 or less for a good five-room house including land;*
3. *To provide sound rental housing at less than \$20 a month, less than \$30, and less than \$40, in the amounts needed to supply families whose income requires such rents;*
4. *To clear urban slums and rebuild them as safe, clean, healthful, uncrowded, self-contained neighborhoods which set a standard of planned development for the city of the future.*

And here, briefly sketched, are the main outlines of policy by which these objectives can be attained:

1. National Planning

Constitute the National Housing Agency as a permanent peacetime department of the federal government with cabinet status. The N.H.A. would be composed of divisions or semiautonomous authorities dedicated to the promotion and financing of privately owned housing, public housing, research, urban redevelopment, and planning. It should be given a clear mandate to plan and bring into action the various programs needed to meet the national objectives.

2. Reducing Costs

Authorize the N.H.A. to conduct an intensive program of research in new construction methods. With adequate appropriations and the right kind of directive, N.H.A. could bring together all results of housing experimentation hitherto conducted by universities, foundations, and governmental agencies. It would then organize a nation-wide research campaign, conducting some studies itself and delegating others to institutions equipped to do the job, with the aim of producing specific and clearly defined results (such as the development of a monolithic wall material) within a specified period of time. We must try for something of the same spirit which went into wartime research on weapons and munitions—a mobilization of scientific and industrial resources directed to definite objectives. The discoveries thus brought about should be licensed freely for production on terms that will prevent monopoly. Ten million dollars a year for the first five years is not too much to spend on an aggressive research program.

In addition to studying construction methods, the N.H.A. could usefully underwrite the marketing of prefabricated houses now ready for production. This would serve the double purpose of relieving immediate shortages and stimulating the growth of a new housing industry.

Direct the Department of Justice to wage a continuing campaign of antitrust law enforcement in the construction industry. To be effective, such a campaign would require new legislation from Congress restating labor's established rights of collective bargaining but bringing within the scope of the antitrust laws any trade restraints or restrictive practices imposed by unions which interfere with business competition, create monopolistic conditions of trade, or discourage the use of new methods and materials.

Secure adoption by local governments of modernized building codes. This is, of course, primarily a matter for each community, but an active N.H.A. could help by drawing up model code provisions and agitating for their acceptance. Wherever the building code prejudices the introduction of tested new techniques, or tacitly supports restraints on competition, or sets up unreasonable construction standards not actually required for safety or sanitation, it inhibits cost-saving innovations and should be amended. The best code will be one which sets forth general standards to be met and permits administrative approval of construction techniques which comply with standard performance tests. This does not by any means imply a relaxation of public control of residential development through zoning, planning, or inspection. It does imply abandoning the use of building codes as protective bulwarks for entrenched interests in the construction industry.

Encourage formation of local councils to mitigate restrictive practices where possible by discussion and persuasion. How useful such councils might be is open to question, but they would be worth trying. Ventilation of the issues underlying trade restraints, jurisdictional disputes, and other impediments to efficient, competitive housebuilding might save the Department of Justice a lot of work.

Authorize the N.H.A. to work out methods for mass purchase of

basic housebuilding materials. The purpose here would be to cut down distribution costs of materials going into low-cost homes and to enable individual builders of small homes to obtain the economies of large-scale purchasing.

Instruct the N.H.A. to explore and promote methods of stabilizing housebuilding activity the year round. High hourly wages in the building trades are a consequence of violent seasonal fluctuations in employment. To reduce them, ways must be found to guarantee minimum annual employment which will give the worker as much at a lower scale as he gets when intermittently employed at the higher scale. For example, the N.H.A. has suggested that housebuilding organizations might be induced to perform maintenance or repair work in bad weather and so employ labor on an annual basis. It might be possible to devise an insurance policy covering home maintenance and repair which would protect the homeowner's interest in preventing excessive depreciation of his property and at the same time provide a market for off-season construction labor.

Reduce mortgage interest rates with all possible speed. The F.H.A. and Federal Home Loan Bank Board can exert strong influence in this field, with major emphasis upon the reduction of excessive administrative costs of lending agencies, which widen the spread between the return expected by investors and the rates charged the homeowner. A reduction of only 0.5 per cent would make a significant difference in the monthly cost of ownership. The goal should be an interest rate of 4 per cent including mortgage insurance. The F.H.A. should also press constantly for revision of mortgage terms to permit flexible payments, with automatic suspension in case of unemployment or ill health; and for the development of sound mutual or co-operative home-ownership plans.

Work toward reform of the property tax and its displacement as the basic source of local revenues. We need real property taxes based

on earning power of the property rather than on capital value. And we need broader application of the income-tax principle in local finance, through federal and state sharing of their income-tax revenues or otherwise.

3. *Low-Rent Housing*

Authorize the Federal Public Housing Authority to grant loans and subsidies for 1.5 million units of public housing in the next five years. There is no question of the need for such a volume of public housing. Studies by the N.H.A. show that if postwar prices and incomes are maintained at the 1944 level, 22 per cent of the new housing built should rent at less than \$20 a month, a market which private enterprise cannot reach. If the postwar price level dropped back to the 1940 standard, the proportion of \$20-or-less rentals needed would rise to 28 per cent. It is therefore conservative and reasonable to set the public housing goal at one-fifth of the total, or 300,000 units a year. At the end of five years' construction at this rate, we can re-examine our position and decide what further program is needed during the second half of the decade. A five-year program totaling 1.5 million units would involve an ultimate commitment of \$264 million a year in subsidies, but it is probable that only \$180 million annually would actually have to be spent. This would be less than 1 per cent of the postwar federal budget.

Establish a system of yield insurance under the F.H.A. to induce investment of equity capital in housing at rentals of \$20-\$40 per month. We shall need about 375,000 units a year of such housing, part of which can probably be supplied by reduction of capital costs and large-scale operations of unaided private enterprise. Especially in large cities, however, the lower bracket of this market cannot be supplied without aid. Yield insurance would guarantee life insurance companies, savings banks, and

other investors a minimum return slightly higher than the interest rate on government bonds, in exchange for which they would build rental housing under F.H.A. supervision and agree to take a maximum return on the order of 3.5 per cent. Small premiums paid by each project would provide the funds with which to meet insurance claims.

Amend state laws, where necessary, to permit insurance companies and other holders of trustee capital to invest in yield-insured housing under proper safeguards.

4. Urban Redevelopment

Authorize federal loans and subsidies for land assembly in the reclamation of slum areas. Under this program the urban redevelopment division of N.H.A. would agree to contribute to local communities annual payments sufficient to write down the capital cost of acquiring land and buildings for redevelopment as residential neighborhoods by combined private and public enterprise. Loans would probably be needed only to get the program started; after a few years' experience it should be possible to obtain the capital from private sources on the basis of federal contributions. In order to qualify for aid, local communities should be required to make substantial contributions of their own, in one form or another, and to take all possible steps to deflate the costs of slum land by tax foreclosure, exercise of the police power, etc. They should also be required to submit an approved master-plan and to show that future land use in redeveloped areas will be strictly controlled, preferably by maintaining public ownership of the land. Contributions ought to be sufficient to write down the cost of land and buildings acquired by two-thirds. As a starter, we could well set a goal of \$2 billion worth of urban property to be acquired during the next five years. This would involve a commitment for annual contributions of \$40 million a year.

Establish local land-assembly agencies with full power to engage in land acquisition and supervise redevelopment. These agencies might take the form of a municipal realty corporation or public authority, enjoying administrative flexibility and freedom from political interference but owing clear responsibility to the people. They should have power to acquire not only slum land but municipal land reserves on the outskirts of the city, to be developed in accordance with the master-plan. Once the land is brought into public ownership, it should remain there, subject to long-term leases stipulating the conditions of its use. Where for special reasons any such land is sold to private interests, its use must remain subject to public control and any increment in value should accrue to the public.

Strengthen municipal powers to acquire tax-delinquent land by foreclosure and deflate speculative values in slum areas. In most states tax foreclosure is now a cumbersome and tedious process. Acknowledging the need for protection of homeowners against unreasonable seizure of their property without adequate opportunity for redemption, the law can be amended to permit swifter and more certain action in the case of slum land illegally used. Similarly, municipal powers to compel the razing or repair of slum structures should be strengthened, and the acquisition of land for redevelopment clearly defined as a "public purpose."

Encourage the establishment of privately owned redevelopment corporations. A few states now have laws authorizing such organizations. With a public land-assembly program, however, the emphasis would be on construction rather than land acquisition by the redevelopment corporation. Such companies could appeal to local investors for capital and channel local savings into the building of houses, apartments, shops, or markets on land leased from the municipality in planned new neighborhoods. They could thus become one of the instruments by

which private enterprise did its share of the redevelopment job, construction of subsidized low-rent housing being left to the public housing authority, while limited-dividend corporations, protected by yield insurance, handled the lower brackets of medium-range rentals. Dividends of redevelopment corporations need not be limited, but they should be required to build houses or apartments in accordance with the neighborhood plan and at rentals or sales values fixed by the redevelopment agency.

5. *Local Planning*

Secure the application of advanced principles of urban planning in every community. While this obligation rests primarily upon the citizens of each community, its fulfilment could be furthered by vigorous action of the N.H.A. planning division. The N.H.A. could co-operate with local communities in setting up planning boards with adequate powers, conduct demonstration planning projects, appeal to public opinion, and insist upon sound planning as a condition of aid through its various programs. Local agencies must be given adequate funds and adequate authority to bring future development of the city under public control; and they must direct that development toward the ultimate achievement of a healthy urban organism which represents a federation of communities and neighborhoods extending over the entire metropolitan area.

WHEN MEN WORK TOGETHER

THE details of legislation are not important. What is important is the growth, throughout this nation, of a new attitude toward the places where people live. We have too long assumed that housing is a field of contest governed by the rule of every man for himself. We have too long forgotten the interdependence of people in a tightly knit modern society.

Whatever steps we take to improve the people's housing—whether we work to cut costs, attack the special problem of shelter for low-income families, or shoulder the responsibility of rebuilding our cities—the underlying principle of our conduct will be a simple and familiar one: When men work together, they can accomplish miracles which lie beyond their separate individual powers.

It was this principle, essentially, that won the war against fascism. The United Nations worked together, baffling the hopes of an enemy who had counted upon division as his strongest ally. The people of the United States worked together and recovered spectacularly from a blow that was meant to be fatal.

Must mortal peril stand as the only force which can unite us? Can we not apply to the pursuit of the general welfare in peacetime just a small fraction of the collective effort we summon in war?

A friend of mine returned from the Pacific astounded and inspired by the achievements of the Seabees in transforming sand and coral wastes overnight into efficient, powerful military bases. "Why can't we turn the Seabees loose with their bulldozers," he said, "and let them rebuild our slums as they have rebuilt the islands of the Pacific?" Well, we cannot send bulldozers rampaging through our blighted areas, for obvious reasons. But we do not need to. The more pertinent question is why we cannot organize the relatively small degree of cooperation required to rebuild our cities in an orderly way and bring good shelter within the reach of every family. The answer is, of course, that we can—*if we will*.

The programs and principles suggested in this book—which seem to me to flow logically from the facts of our housing situation and the indisputable needs of our time—do not by any means contemplate the provision of a dream house for every citizen. If we follow the course here outlined, we shall secure minimum, not maximum, housing standards. We shall secure such modest boons as separate bedrooms for parents and children; a private bath and toilet; running water and electricity; enough space to turn around in, enough light and air for good health, enough structural soundness to keep out vermin. It is not much to ask. The fact that millions lack these rudiments of good shelter in this, the twentieth century, will stand forever as an indictment of our age.

Nor have I dealt with farm housing, an area of need quite as urgent as that of the cities and a problem in some respects more complex and challenging than the conditions of urban life. No national housing program will be complete without an attack on rural slums. Low standards of living anywhere, on the farm or on the teeming street, cannot be tolerated by an America at the full flood of its economic strength.

Thus the subject of this book has been, not what should be

done to lodge every man in a palace, but what should be done to lift living conditions gradually to the bare minimum of decency. We dare not set a lower goal.

Likewise we dare not fail to set any goal at all. To turn away from the realities would be inhumane and, perhaps more significantly, socially inexpedient. Every unfilled human need builds up resentment and hostility toward the social and political system that defaults on its obligations. Good housing is one of those unfilled needs today. I cannot believe that the people will indefinitely put up with the kind of housing they now have. Why should they? Is it not clear what vast reserves of wealth and economic power we possess? Is our capacity to produce a higher housing standard not evident to all? If the people cannot obtain better housing under the present economic system, I think that they will ultimately seek it under another. It is the business of those who want to preserve our system to see that it serves the people's needs, among them the need for good housing.

I do not myself care much whether private enterprise supplies me with housing or not. I would just as soon lease a fifty-foot lot from the municipal government as buy it from a speculator. It would not matter to me whether my house were built by a contracting corporation privately owned or by a municipal housing authority publicly owned.

One cannot fail to recognize, however, the dangers to freedom in concentration of economic power, whether power be concentrated in private monopolies or in the state. Therefore, I should like to see private enterprise continue to do a large share of the housing job. But if it cannot do the job alone and cannot co-operate with public agencies to get the whole job done, I would choose a socialized construction industry with good housing in preference to a private industry with bad housing. Is it not wiser for all concerned to take the middle

way, the way of mixed public and private enterprise, the way of responsible, unified planning, the way of collective assumption of collective responsibilities?

A man's house has now become a matter of public concern. So long as he can provide it for himself without impairing the rights of others, we leave the problem to him and private enterprise. But when his earning capacity will buy only substandard shelter which is a menace to the community; when unrestrained speculation creates a chaotic Megalopolis injurious to the welfare of all its citizens; when the pursuit of private profit takes place at the expense of the common good—then the people must plan, initiate, induce, and control the provision of adequate housing and the building of adequate communities.

APPENDIXES

A SAMPLE PROJECT

The possibilities of urban redevelopment which follows the principles of (1) good planning, (2) use of a large clearance area, (3) public land assembly, and (4) the combination of several types of housing enterprise at various rental levels can be appreciated by setting up a theoretical project. Obviously, this method can provide only the roughest of guides. But it indicates, nevertheless, that redevelopment can be economically feasible and will not only wipe out costly slum conditions but increase the local community's tax revenue.

Assume that we are going to redevelop 165 acres of slum land which, with its buildings, costs 90 cents per square foot—the N.H.A. estimate of the national average. The area is now composed of 120 acres of privately owned land and 46 acres of streets. Thus the total land cost will be \$4.7 million.

The area is to be redeveloped as a community for 2,500 families. We shall turn over 40 acres to the city, free of charge, for streets, a city-maintained small park, and school grounds. We shall devote 40.6 acres to an additional park area, to be maintained by the project out of the small profit it will earn in leasing shops and market facilities. This leaves 85 acres for commercial and residential use. In the area as a whole we shall have 15 families to the gross acre. Net density will average 19 families to the acre of noncity-owned land, i.e., residential, commercial, and project-owned park land. Living will be spectacularly less crowded than it is in the typical slum but not so spacious as in a suburb.

After securing the land and razing the buildings, the redevelopment agency will induce the public housing authority to build one-fifth of the new dwellings (500). Limited-dividend corporations operating under yield insurance as provided in the Wagner-Ellender Bill would be assigned the task of building 750 units (30 per cent). Private enterprise would be called upon for the remaining 50 per cent. All builders would lease their land from the redevelopment authority on terms requiring them to observe

rent schedules and the over-all plan fixed by the authority. Land for the public housing and limited-dividend projects would be leased at more favorable terms than that for private enterprise, in recognition of the lower rents offered by them.

Assume that construction costs on all the structures, which include apartments, row-houses, and duplexes, average \$3,782 per unit, including utilities and other costs of the house itself without land. This is the average "dwelling facilities" cost of public housing projects to date. Add \$500 per unit—a fair average—for development costs, such as project utilities, streets, and site preparation. This brings the total development cost per unit to about \$4,290, or a total of \$10.7 million.

Now consider the charges to be met by each type of dwelling structure.

First, *land costs*. Supported by annual federal contributions for land assembly, as provided by the Wagner-Ellender Bill, the redevelopment agency could obtain capital for land acquisition at 2 per cent for forty years. This would involve a yearly charge for interest and amortization of \$114,680, of which the federal government would pay two-thirds, leaving the project to pay \$57,340, an average of \$1.91 per unit per month. The redevelopment agency would charge the public housing and limited-dividend projects an average of 90 cents per month for land, the privately built houses an average of \$2.81.

Construction costs. The public housing project, being guaranteed annual federal contributions, could borrow funds at 2 per cent for forty years. This would involve a charge for interest and amortization of \$13.10 per unit per month.

The limited-dividend corporations, paying 2 per cent each year for amortization and receiving an authorized return of $3\frac{1}{2}$ per cent, would have a monthly interest and amortization charge of \$18.75 per unit, declining as the debt was paid off.

Houses built by private enterprise might, on the most favorable terms, be financed at 4 per cent for twenty-five years. The monthly charge for interest and amortization would be \$22.88 per unit.

Taxes. On public housing these would be 10 per cent of shelter rents, which are assumed to be \$15.50 a month on the average. Thus they would pay in lieu of taxes \$1.55 per unit per month.

The limited-dividend corporations are given the advantage of a tax freeze; they pay taxes sufficient to equal their pro rata share of those formerly paid on the property which is being redeveloped. It is assumed that this makes their taxes half of what they would be if assessed at full value. In many cases the reduction might be much more. At a 50 per cent scale-down, taxes on the limited-dividend projects would average \$6.25 per unit per month.

Privately owned houses would pay full taxes on their new value. These are assumed to average \$150 per year. In some cities they would be lower, in others higher, but this is a fair estimate. Taxes on these units would average \$12.50 per month.

Operating expenses. These are difficult to estimate. Adopting the Los Angeles figures, they would average between \$11 and \$14 per month, depending on the type of structure and other factors.

Adding all these monthly charges gives us the rent which would have to be obtained from each type of housing to liquidate the investment, as follows:

PUBLICLY AIDED HOUSING

	Public Housing	Limited Dividend
Interest and amortization on land	\$ 0.90	\$ 0.90
Interest and amortization on construction	13.10	18.75
Taxes or equivalent	1.55	6.25
Management, maintenance, etc.	9.50	9.50
Vacancies and losses	1.50	3.00
Total	<u>\$26.55</u>	<u>\$38.40</u>
Less United States subsidy	11.00
RENT	<u>\$15.55</u>	<u>\$38.40</u>

PRIVATE HOUSING (F.H.A. FINANCING)

Interest and amortization on land	\$ 2.81
Interest and amortization on construction	22.88
Taxes	12.50
Management, maintenance, etc.	9.00
Vacancies and losses	5.00
RENT	<u>\$52.19</u>

Thus we have established three main rental levels in the redeveloped neighborhood—below \$20 in public housing for those unable to pay an economic rent; below \$40 in limited-dividend housing for the borderline groups; and over \$50 for people of \$3,000 a year income or more. Within the two latter brackets, rents could be adjusted, by careful planning, to fit the market even more closely. For example, a limited dividend corporation might be permitted to enter the \$45 field on a certain number of its units in exchange for reducing rents to \$30 on an equal number. Similarly, private builders might be induced to cut some rents to \$40 if permitted to charge up to \$75 on a limited number of houses to offset the loss.

What would happen if no attempt were made to adapt housing to actual needs and incomes? If private enterprise were permitted to develop all the houses at an economic rent, they would have to rent at more than \$52 a month average, even when granted the benefits of publicly subsidized land assembly. No families now living in the area could be accommodated in the new neighborhood; indeed, only the upper-income groups of the whole city could be housed there. Is it not much wiser to develop a neighborhood which will bring together a cross-section of the urban population?

On the assumptions given above, the 165 acres as redeveloped would yield to the local government \$253,044 annually in taxes or the equivalent. In most slum areas such a sum will be found to exceed by far the taxes now collected. The community would gain not only immeasurable values in the better environment provided for its citizens but a stronger financial position as well.

APPENDIX II

A LIST OF FEDERAL AGENCIES

Here is a list of the principal federal agencies which have concerned themselves with housing in some respect during the last fifteen years:

H.O.L.C. (Home Owners Loan Corporation): bought defaulted home mortgages from private lenders and refinanced the loans on easier terms to enable homeowners to hang on to their property. A rescue agency.

Federal Home Loan Bank Board: set up twelve regional banks, comparable to the Federal Reserve banks, which lent funds to local building and loan associations and to other lenders on mortgage security. Designed to give mobility to mortgage credit and to prevent violent fluctuations of the home credit market due to local stringency of funds.

Federal Savings and Loan Insurance Corporation: insured savings deposits in building and loan associations, just as F.D.I.C. insured them in banks.

F.H.A. (Federal Housing Administration): insured mortgages on homes issued by banks, building and loan associations, and other lenders; helped bring down interest rates, extend the mortgage period, and improve standards of privately built houses. The government's most prominent housing agency during the 1930's.

P.W.A. (Public Works Administration): as part of the pump-priming program to stimulate recovery through construction, this agency built 49 public housing projects, comprising a total of 21,000 dwelling units, which were later taken over by U.S.H.A. (see below).

R.A. (Resettlement Administration): in the early days of the New Deal this agency, under Rexford Tugwell, devoted itself to the improvement of farm housing and built three "greenbelt" towns (at Milwaukee, Washington, Cincinnati) as model suburban communities. Its activities were later absorbed by F.S.A. (Farm Security Administration) and then by F.P.H.A. (see below).

U.S.H.A. (United States Housing Authority): established by an act of 1937, took over all *public* housing activities of the federal government and built 105,000 units before the war. When war came, its functions were taken over by F.P.H.A.

F.P.H.A. (Federal Public Housing Authority): now the agency handling all federal activities concerned with publicly owned or operated housing. It has built 63,000 units under the 1937 act and 557,000 units of special war housing, most of which must by law be torn down or sold to private owners unless Congress otherwise decides.

N.H.A. (National Housing Agency): the over-all supervisory agency, set up for the duration of the war to centralize administration of all federal housing agencies, whether they dealt with privately or publicly owned shelter. Thus it is the parent-agency of F.H.A., F.P.H.A., H.O.L.C., and the rest.

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ROBERT LASCH

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ROBERT LASCH'S name will be familiar to those who saw the beginning of this book in his *Reader's Digest* article of the same name, as well as to readers of the *Chicago Sun*, the *Atlantic Monthly*, and the *Omaha World-Herald*.

He is an editorial writer for the *Sun*, and, in addition to his vigorous campaigns in the major fields of national affairs, he has made a detailed study of America's housing and contributed a number of articles to national periodicals, winning the \$1,000 *Atlantic Monthly* prize in 1944.

Lasch's career has been a brilliant one from the start. After graduating from the University of Nebraska, he went to Oxford for three years as a Rhodes Scholar. On his return he became a reporter for the *Omaha World-Herald* and moved rapidly to the positions of state editor and editorial writer until in 1941 he was awarded a Nieman Fellowship at Harvard.

A year later he began writing for the editorial page of the *Chicago Sun* and is now well on his way to becoming one of the country's best-liked and most important newspapermen.

Incidentally, Mr. Lasch and his wife and two children are planning to break the building blockade themselves with a new house in Barrington, Illinois.