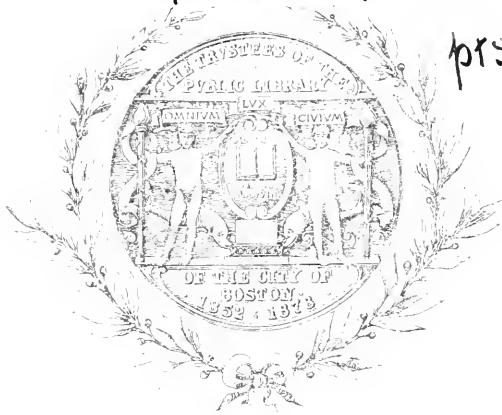




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# POST-WAR ECONOMIC POLICY AND PLANNING

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## HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN  
REDEVELOPMENT OF THE

SPECIAL COMMITTEE ON POST-WAR ECONOMIC  
POLICY AND PLANNING

UNITED STATES SENATE  
SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

### **S. Res. 33**

(Extending S. Res. 102, 78th Congress)

A RESOLUTION CREATING A SPECIAL COMMITTEE  
ON POST-WAR ECONOMIC POLICY  
AND PLANNING

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#### **PART 15**

HOUSING AND URBAN REDEVELOPMENT

FEBRUARY 7, 1945

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(Index to Parts 6 to 15, inclusive, follows page 2218)

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# POST-WAR ECONOMIC POLICY AND PLANNING

WEDNESDAY, FEBRUARY 7, 1945

UNITED STATES SENATE,  
SUBCOMMITTEE ON HOUSING AND URBAN  
REDEVELOPMENT OF THE SPECIAL COMMITTEE ON  
POST-WAR ECONOMIC POLICY AND PLANNING,  
*Washington, D. C.*

The subcommittee met, pursuant to adjournment, at 10:30 a. m., in room 312 Senate Office Building, Senator Robert A. Taft (chairman) presiding.

Present: Senators Taft (chairman), Radcliffe, Buck, Ellender, and Chavez.

Senator TAFT. The committee will come to order.

Will you come forward please, Mr. Johnston.

## STATEMENT OF ERIC A. JOHNSTON, PRESIDENT, CHAMBER OF COMMERCE OF THE UNITED STATES

Senator TAFT. You have a prepared statement?

Mr. JOHNSTON. I have, Senator Taft, which I would like to file, but I would like to talk to you for a few minutes if I may, and file the statement for your consideration.

Senator TAFT. All right. The reporter will take the statement. You may proceed in your own way.

Mr. JOHNSTON. Gentlemen, my name is Eric Johnston. I am with the United States Chamber of Commerce. I am happy to have the opportunity of coming before you this morning and discussing at least one phase of the urban redevelopment and housing in the post-war period.

I am one of those who very definitely feels that housing, the building of new homes, will provide one of the major avenues for getting us high levels of production, high levels of employment in the post-war period.

As the very large percentage of homes are built by private initiative and private capital, I think we should not put any unnecessary obstacles in the way of erection of homes in the post-war period.

Many groups have appeared before you and presented statements. The United States Chamber of Commerce has, among its membership, many who are interested in the building of homes, such as insurance companies, financial institutions, contracting agencies of one kind or another, and those who supply building materials, and this committee of the United States Chamber of Commerce that I am speaking of has in its membership groups representing all of these various elements who are interested in the construction field.

I think we will solve the problem of construction only through thorough consideration and mature judgment, and I think your subcommittee is rendering excellent service in that regard.

We in the chamber of commerce feel very definitely that the war organization which has directed building activities during the war is not a stable permanent peacetime organization.

We feel very definitely that the National Housing Agency which was created to conduct war activities has done a very good job. We feel they have combined the direction of all Federal activities toward the construction of war housing and we feel that the National Housing Administrator and the private home industry have really done a very good job, but, of course, this was directed toward the building of war homes, and with the cessation of hostilities, we assume there will be no longer the necessity for building war homes, and that thereafter the activities of the National Housing Administration should be separated as they were previous to the war.

Perhaps I should start at the beginning with something that you gentlemen already know, namely, that the National Housing Agency was created in February 1942 by Executive Order 9070 under the authority of the present President, under title conferred in him under section 1 of the National War Act of 1941. This agency combined under one direction all of the activities of the Federal Government directly connected with the building of war homes. It included, for instance, the F. H. A., the Federal Home Loan Bank Board, and the United States Housing Authority.

These, of course, have been changed somewhat under the National Housing Agency, and I don't think it is necessary for me to go into the details as to how they were changed. The important point is, in my opinion, that after the war is over we feel the agencies should be allowed to go back to their independent status, that the F. H. A. should go back to its independent status, that the Federal Home Loan Board should be recreated and allowed to go back to its status, and we feel that the United States Housing Authority should go back to its status.

We feel that with the expiration of Executive Order 9070, 6 months after the war, this will occur. But, if for any reason it is held in one organization for liquidation of war housing or any other reason, we feel there should be an act of Congress to segregate these agencies and restore the independent status of these agencies in the post-war period.

We think that the liquidation of war housing should be given to some central authority such as the Treasury Department. But we very definitely do not feel that those agencies whose purpose is to stimulate private construction should be tied in with those agencies whose purpose and desire is to subsidize low-rent housing for needy families in the post-war period.

We feel if we tie the two together that they simply will not mix, that we will simply have one controlling the other, and they are entirely different fields of activity.

And we urge you that if for any reason these are held together in one agency, as they are now, that they be segregated in the post-war period.

That, briefly, is the statement we wish to file with you this morning. Senator TAFT. Do you take any position for or against the public housing program?

Mr. JOHNSTON. I think that is an entirely different subject, Senator Taft.

Senator TAFT. It is, but I wondered if the chamber of commerce has taken any position.

Mr. JOHNSTON. The chamber of commerce as an organization feels that the subsidy of low-rent housing can better be solved by high economic levels of activity than by any other method.

Personally, I think it is a highly controversial subject in which many of our members take one side and many members take another side.

Speaking personally, and not for the chamber, I think there are instances where public housing is essential, but before going further in the program I think Congress should carefully investigate it. We have spent some \$800,000,000.00 in public housing now. I think the Congress should find out how it functions.

As an individual, I am not here taking one position or the other.

Senator TAFT. We have been trying to do just that, but it is up to us to develop a policy and make some recommendation. I think the thing that strikes me about the Government organization is this: If I were dealing with housing in a city like Cincinnati, for instance, I would approach the thing from the standpoint of housing as a whole, count the number of houses, find out how many are likely to be built, and then see whether that covered the field or whether public housing was necessary there. It seems to me anybody dealing with the subject would want to cover all phases of it at once.

I thought Mr. Blandford's argument was a pretty good argument as a whole for the permanent status of a single unit.

The fear seems to be that the man who gets in will be in favor of public housing or in favor of private housing, and he can't be fair between them.

Mr. JOHNSTON. It is very difficult to put two mothers-in-law in with a new bride and have them all get along together.

Senator TAFT. But nearly everybody accepts the theory apparently that private housing should do all the housing it possibly can.

Mr. JOHNSTON. Right.

Senator TAFT. And public housing should only be what they can't do.

Mr. JOHNSTON. Right.

Senator TAFT. But that there is a field, from your own personal expression of opinion, that private housing won't cover. To determine that whole question from a fair judicial standpoint, it seems to me you have to know what all the agencies are doing and perhaps exercise some influence on them.

Mr. JOHNSTON. Isn't that primarily a local problem, a municipal problem, rather than a Federal problem?

Senator TAFT. Surely it ought to be initiated on a municipal basis, but when you do that it is certainly going to be much more difficult if you have to deal with three or four different Federal agencies instead of one.

Mr. JOHNSTON. It seems to me it should be approached as a welfare problem rather than a housing problem.

Primarily we are interested in welfare in that instance, more than anything else. Most cities of major size, it seems to me, either have now or are planning to have planning commissions. That would solve the redevelopment of the city and provide adequate housing within the city.

I think it is a whole municipal-planning problem. It calls for the planning of elimination of blighted areas which again is a problem of solving your arterial highway system, your whole method of ingress and egress from the municipalities.

If we can solve that problem, which I think must be solved on the local level rather than on the national level, it seems to me we have fairly well solved the problem of subsidy housing.

Senator RADCLIFFE. Do you feel, Mr. Johnston, you can solve the slum problem by the handling of isolated spots only?

Mr. JOHNSTON. I certainly do not.

Senator RADCLIFFE. You feel there should be a comprehensive city-wide activity, at least, to accomplish that?

Mr. JOHNSTON. Absolutely.

Senator RADCLIFFE. Do you think it is necessary that the building of houses be subsidized in order to meet certain demands after the war?

Mr. JOHNSTON. I don't think so, Senator. My opinion is that if we can have high levels of employment and production and wages, and I think there is a reasonable hope of doing that, that the whole problem of underhousing will be solved.

Senator RADCLIFFE. What would be the sources of private industry which will look after a situation of that sort? You can readily see that it is not very likely that private capital would get sufficient remuneration from these houses, because of the type of house that must be built. If that is so, would you favor some sort of subsidy in that case?

Mr. JOHNSTON. If that is so, I would. I am not sure that is correct, Senator.

Senator RADCLIFFE. I am asking you because I don't know. It is a problem we are facing and we have to consider it.

Do you consider that certain large financial institutions, such as insurance companies could be induced to come into this field, accepting a basis of return which would be relatively small?

Mr. JOHNSTON. I could say "Yes," but let me answer a little more fully.

Take a city like New York. I think the city of New York has to step in and after planning for its community probably condemn a whole area, a very large area, and demolish it, and then I think the chances are very good that the city can sell that property after demolishing and redesigning it, and setting up standards that will be built in with community centers and residential areas. The city could probably sell that property for private construction without the loss of any money, maybe even making a little money, and certainly strengthen the finances of the city by giving it more income from taxes.

When these blighted areas have been redesigned and revamped, I think insurance companies and private lending groups will organize themselves to take over portions of those areas for the construction of homes for the low-income groups.

Senator RADCLIFFE. It is quite obvious that the return which they get for their money would probably be very small.

Mr. JOHNSTON. That is right.

Senator RADCLIFFE. Do you think possibly insurance companies or other financial institutions, either because they would be satisfied with a small yield from a business standpoint, or because of a public-spirited attitude, would cooperate in a program of that kind?

Mr. JOHNSTON. I think so. All over America there are groups who are interesting themselves in that direction.

Senator RADCLIFFE. There are some very encouraging developments in that direction, I know.

Mr. JOHNSTON. That is right, and please remember the interest on Federal bonds is very low, and if the insurance company can secure that interest, or slightly more, and at the same time perform a well-worth-while public service, I think they would be interested in doing so.

I am not speaking for the insurance companies, obviously.

Senator RADCLIFFE. It might make an appeal to them.

Mr. JOHNSTON. It does definitely now.

Senator RADCLIFFE. I know that certain companies have given much consideration to this subject and have really made considerable headway in attempting to work out such plans.

Mr. JOHNSTON. I know insurance companies and other financial institutions have discussed it in their meetings and are considering the problem today, not only on the eastern seaboard but in a number of areas.

Senator RADCLIFFE. I have come in contact with such cases and I believe it could easily become a general policy.

Now, you referred to F. H. A. returning to its former field. Would you care to amplify that a bit, as to just what you mean by that? Do you feel that it will be necessary or at least desirable that the Government should continue indefinitely guaranteeing loans?

Mr. JOHNSTON. I am not an expert on that particular phase of the subject, Senator. It would appear to be as though the F. H. A. under Mr. Ferguson had done a very good job.

I think it should continue certainly for a period, and then take another look at it. I think all these things are not static. I think they are dynamic, and Members of Congress should review them and constantly know what they are doing.

At present, I think it should continue pretty much as it did in the pre-war period.

Senator RADCLIFFE. I think the F. H. A. has done a splendid job, and irrespective of what is to be the condition some years to come in the reconstruction period following the war, it seems obvious that for the time being and with certain limitations, the F. H. A. would have to continue on some such basis.

Senator CHAVEZ. The conversation has been devoted mainly to urban housing?

Mr. JOHNSTON. That is right, sir.

Senator CHAVEZ. Have you any views with reference to rural housing or the approach to rural housing that you would care to express?

Mr. JOHNSTON. Of course, I live in a rural community in the State of Washington, Senator, and I think that the rural housing problem is almost entirely one of prosperity of the farm. I think that is one of the things we have to take care of in the post-war world. Certainly the average farmer is reasonably prosperous today.

Senator CHAVEZ. But isn't the approach different than when you are dealing with an urban area?

Mr. JOHNSTON. Completely different, Senator; no argument about that.

Senator CHAVEZ. Yesterday we had some suggestions as to the depletion of lumber in the post-war period. You being from the West and from a lumber State, can you give us your ideas as to the possibilities of that violent idea?

Mr. JOHNSTON. Of course, there would be many substitutes for lumber in the post-war world. I know of a lot of them now that are ready to put on the market that we didn't even use previous to the war.

Also there are still large stands of timber in Washington, Oregon, Idaho, and other places. Our problem now is not one of trees. It is lack of labor in the lumber mills and logging camps, and so forth.

Senator RADCLIFFE. And transportation?

Mr. JOHNSTON. And transportation.

Coming from a lumber State, and knowing a lot of lumbermen, I do not think lumber will be a short item in the post-war period.

Senator CHAVEZ. I stated to the committee yesterday that last fall I took a 1,200-mile trip through forests only, in New Mexico, Idaho, California, and Oregon. I am sorry I did not get an opportunity to go into the State of Washington due to the election coming on. But it appears to me that the tremendous virgin forests that have not been touched, would do away with the idea that we might have a lumber shortage after the war.

Mr. JOHNSTON. I think that is a fictitious thing, Senator. We certainly have one now, however.

Senator RADCLIFFE. And which applies to hardwood as well as softwoods, Senator Chavez?

Senator CHAVEZ. That is my understanding. I went through forests where you can get 150,000 board feet of lumber per acre. You see them 20 miles away, but you have to have access roads and things of that nature.

Senator RADCLIFFE. What kind of trees would they be?

Senator CHAVEZ. Fir, mostly.

Senator TAFT. Are the Russians and Finns anxious to sell us some lumber?

Mr. JOHNSTON. The Russians would like to sell some. They have unlimited lumber. They told me they had one-third of the remaining standing timber in the world, and I know I flew over hundreds and hundreds of miles of virgin timber in Siberia, seemingly endless, occasionally interspersed by a little lake, and that's about all, and one of the things they are counting on giving us for our manufacturing equipment in the post-war period is lumber and pulp.

Senator TAFT. Is Washington State going to permit us to take that lumber?

Mr. JOHNSTON. Washington State is not very interested in the idea, I can assure you. We think, in the State of Washington, that by proper methods of control, and we believe we nearly have them now, that in Oregon and Washington, we will be cutting the same amount of timber we have been cutting, into perpetuity because the Douglas fir trees, as you know, grow with great rapidity and the tree is merchantable in a short length of time.

Senator CHAVEZ. Thirty years?

Mr. JOHNSTON. About 30 years.

Senator RADCLIFFE. Has the chamber of commerce ever given careful consideration to, or attempted to sponsor reforestation plans?

It has been in the minds of many people for a long time in this country as being a live subject.

Mr. JOHNSTON. We have been very much interested in it and have gone even further and feel there should be savings in other natural resources.

For instance, we feel the operations of coal mines have been extremely wasteful, and that there should be some legislation controlling that type of natural resource, and we feel, in the chamber of commerce, that there are two great resources in America, our human resource, of course, and the natural resources which naturally are irreplaceable.

Senator BUCK. Was your attention attracted to anything the Russians have done about housing?

Mr. JOHNSTON. In Russia everything is owned by the State. With few exceptions, everything is owned by the State.

Senator BUCK. They still have slums?

Mr. JOHNSTON. Housing conditions in Russia are very, very bad. It is due, maybe, to the war.

Of course, a large percentage of Russians had to move out of their homes into eastern Russia. The Ukraine and almost all of the area around Moscow were such that they were made homeless. Housing conditions are very bad, with three and four families living in a room.

What the housing conditions were prior to the war, I, of course, do not know. But I know Russia has a tremendous plan for housing in the post-war period.

I saw the plans. They trotted them out and showed them to me. Many are very attractive. A bungalow type, and they have developed them to meet the needs of the community in which they propose to erect them. In the north they have used timber, some log homes, very attractively done.

In the south they have used brick and stone.

Their housing program is a large one, but I assure you it will be many years before Russia will have anything approaching even the inadequate housing conditions which we feel we now have in the United States.

They have a tremendous job ahead of them. Today they are living almost exclusively in apartment houses, very few homes, in the big cities especially.

Senator BUCK. Everything is Government-owned?

Mr. JOHNSTON. Everything is Government-owned. The Government owns all means of production, whatever they may be, whether a plow, or factory, or apartment house. It is all owned by the state, with few exceptions.

You can buy a home in Russia and own your furniture under certain circumstances, but the land belongs to the state and the Government tells you when you can sell it and for what price you can sell it.

But in the post-war period, I was informed, they are going to encourage private home ownership, and there were signs in various cities in Russia announcing that in the post-war period the Government would loan money for the purchase of private homes for an individual, or for the building materials essential to build a home for the private individual, and I got the very definite impression, although home ownership now is very scanty and found in very few places, that nevertheless in the post-war period home ownership will be encouraged in Russia.

Senator RADCLIFFE. Mr. Johnston, home ownership in Russia has never existed to a large extent, I imagine, even before the present regime. I imagine the percentage of homes owned—

Mr. JOHNSTON. I think larger than you think, Senator. The kulak, of course, owned his ground.

Senator RADCLIFFE. I had in mind mainly the large estates.

Mr. JOHNSTON. The kulak was the small farmer, and many of them owned their land, and a good many homes were owned in the cities.

It is obvious that you are right in this, that home ownership in Russia never, in the czarist days, approached what it is in the United States, and in my opinion a great many more people in the United States should own their homes.

Senator CHAVEZ. I think that should be the basis of legislation.

Mr. JOHNSON. I want more and more in the middle class that own their homes and other good things of life, too.

Senator RADCLIFFE. That has been the basis of a system which has been very helpful to the city of Baltimore. The two-story home built on the ground-rent system has been very helpful in developing Baltimore.

Senator TAFT. Have you anything else to add?

Mr. JOHNSTON. No, Senator, I have not.

Senator TAFT. Thank you very much, Mr. Johnston.

(The prepared statement of Mr. Johnston is as follows:)

#### LIQUIDATION OF WAR HOUSING

(Statement by Eric A. Johnston, President of the Chamber of Commerce of the United States)

#### THE FEDERAL GOVERNMENT'S ORGANIZATION FOR POST-WAR HOUSING FINANCE

Presented Before the Senate Subcommittee on Housing and Urban Redevelopment of the Special Committee on Post-War Economic Policy and Planning, February 7, 1945

I am not attempting in this statement to cover all the important problems of housing and urban development which will face us after the war. Your committee is obtaining suggestions, among others, from important trade associations in the home building and home finance fields. Many of these organizations are members of the national chamber. All of them, I believe, are in contact with chamber committees which have these important subjects under active study. Satisfactory and acceptable answers will only come from careful consideration and through discussion. Your committee is making an important contribution to that end.

The board of directors of the Chamber of Commerce of the United States believes that the war organization of the Federal Government's housing activities is not suitable for permanent, peacetime operations. This emergency grouping of Federal housing activities in the National Housing Agency was for the purpose of programing and building houses for war workers. This important objective has been very largely accomplished. A good job has been done by the National Housing Administrator and by the private home-building industry. This was accomplished in the face of building materials and equipment shortages and the difficulties inherent in the changing demands of our vast all-out war effort. But neither the programing of houses to be built by private builders nor the building of war houses by the Government will be necessary activities when the war is over.

The National Housing Agency was established in February 1942 by Presidential Executive Order 9070, under the authority of title I of the First War Powers Act, 1941. This war agency brought under one direction all activities of the Federal Government directly affecting in any way war housing, including (a) the Federal Housing Administration and its functions, powers, and duties, including those of the Administrator thereof; (b) the Federal Home Loan Bank Board and all the functions, powers, and duties of the Board and of its members.



This Board (1) charters and supervises Federal savings and loan associations; (2) supervises 12 regional home loan banks; (3) serves as the board of directors of the Home Owners' Loan Corporation; (4) serves as the board of trustees of the Federal Savings and Loan Insurance Corporation. (c) The United States Housing Authority and its functions, powers, and duties, including those of the Administrator thereof.

This sweeping reorganization replaced the Federal Home Loan Bank Board of five members with a single Federal Home Loan Bank Commissioner. The Federal Housing Administration continued as formerly under a single head. The United States Housing Authority was renamed the Federal Public Housing Authority, and given responsibility for spending Lanham and other available funds to build war houses and to reconvert old houses to war housing uses.

The functions of the Federal Home Loan Bank Board continued under the new National Housing Agency much as before, with adaptations of course to various wartime measures and conditions. The Federal Housing Administration suspended most of its normal activities and undertook through a new title VI added to its act to insure against loss the private builders who built war housing for sale or for rent. The United States Housing Authority became the construction and operating arm of the new National Housing Agency. It was thus given an important war job, which has also served to keep alive its organization.

Presumably the Federal Home Loan Bank Board and the Federal Housing Administration will be reestablished as relatively independent administrations under the Federal Loan Agency when Executive Order 9070 expires, as it will under the terms of title I of the First War Powers Act, 6 months after the end of the national emergency. If this is not the case, either because of the responsibilities for liquidating war housing placed on the National Housing Agency by Congress or for some other reason, then action should be taken at once by Congress to see to it that these Federal home finance agencies regain their independent pre-war status. They serve the needs of private enterprise in the field of residential building, which will be of paramount importance to the country's economy following the war. They should not be handicapped by being made a part of either a war housing liquidation activity or of a subsidized rental Government housing activity.

The board further believes that the activities of the National Housing Agency in connection with the disposal of permanent and temporary war housing, and such of its organization as may be engaged in these activities, should be transferred to an appropriate liquidation agency in the Treasury Department. All other Federal agencies in the housing field which are in process of liquidation should also be transferred to this proposed Treasury liquidation agency, including the United States Housing Corporation, the Home Owners' Loan Corporation, the Defense Homes Corporation, and all Government agencies charged with responsibilities in connection with defense and war public housing which may still be legally in existence and in process of being liquidated.

Presumably the United States Housing Authority will resume its pre-war status in the Federal Works Agency on the expiration of Executive Order 9070.

The Veterans' Administration was recently charged by Congress with helping veterans to purchase homes through the customary private agencies. This Administration is outstanding for the efficient and able way it has administered various services for veterans. There is no reason to believe that it will not continue this fine record and meet adequately its new and greatly expanded responsibilities. Although it injects another Government agency into the Federal Government's activities in the housing field, it would appear that the only practical way to handle such assistance to veterans is through the same agency which provides them with other aids and services.

The chamber board's recommendations contemplate that the following Federal agencies will again be grouped, as previously determined after careful study by the administration and by Congress under the Reorganization Act of 1939, under the Federal Loan Agency; Federal Housing Administration, Federal National Mortgage Association, RFC Mortgage Company, Federal Home Loan Bank System, Federal Savings and Loan Insurance Corporation, and, in addition, the Reconstruction Finance Corporation and its other operations outside the home finance and mortgage fields.

The chamber board feels that its recommendations propose a first important step in establishing business and public confidence in the future of the private home financing and home building industry, to provide the Nation with its individual family homes and with its other needed residential buildings.

Senator TAFT. We will now hear from Mr. Morton Bodfish, of the United States Savings and Loan League.

**STATEMENT OF MORTON BODFISH, EXECUTIVE VICE PRESIDENT,  
UNITED STATES SAVINGS AND LOAN LEAGUE**

Senator TAFT. Mr. Bodfish, you may proceed.

Mr. BODFISH. Mr. Chairman, I am accompanied this morning by Mr. Henry P. Irv, who is the vice president of our organization, who is here, first because of interest; and second, because our president, Mr. W. M. Brock, of Dayton, had to return on account of business engagements. I also am accompanied by Mr. Horace Russell, our general counsel.

Needless to say, we are appreciative that the committee and its able chairman have given us an opportunity to appear and present our views and some suggestions based upon our experience in the home financing field.

For over half a century, or from 1892, the United States Savings and Loan League has been a Nation-wide trade association of the local thrift and home financing institutions. Our membership is composed of savings and loan associations, building and loan associations, cooperative banks in the New England area, and homestead associations.

Our 3,548 members have total resources today in excess of \$6,000,000,000. The institutions are located in every State of the Union, the District of Columbia, Hawaii, and Alaska. Also affiliated are some 47 State organizations of these local savings and home financing institutions.

We have in excess of 7,000,000 saving or investing members. Our institutions are lending in excess of \$1,000,000,000 a year for financing home building, home purchase, and home maintenance. That is a conservative figure, because our 1944 figures indicate our loan volume was in excess of one and a half billion dollars.

We are tremendously interested in the recommendations of this committee insofar as they lead to Federal policy, for the reason that we are the only institution whose entire and exclusive business is confined to the field of home mortgage credit and home financing. We have no alternative fields in which we are allowed to operate. We are the largest single source of home financing funds, and we do over one-third of the home financing of the Nation.

We feel these institutions have been the backbone of the home ownership movement in the country for over a century. We have always used the long-term amortized loan, and there are literally hundreds of cities which have been built largely through the savings and loan operations of these financial cooperatives.

Of course, in the war period we have devoted much of our work and activities to the war needs. Our institutions have purchased over one and three-quarter billion dollars' worth of War bonds; and, in cooperation with the Treasury Department, we sold over \$1,250,000,000 of series E bonds to our savings members.

Senator TAFT. Mr. Bodfish, what are the relative sizes of the other home mortgage lending institutions? You say you cover about one-third. You do not include commercial banks and you do not include the mutual savings banks?

Mr. BODFISH. Based on table 3 attached to the statement, you will get a picture of the volume percentage-wise based on the mortgage recordings that are attached to the statement, Senator.

Now, insurance companies have a large mortgage account, but much of it is in large unit business and commercial properties.

In home loans in 1944 we did 34 percent; the insurance companies did 5.6 percent; banks and trust companies, 19 percent; mutual savings banks, 3.6 percent—that group operates largely in apartment properties and the like—individuals, 24.6 percent, and miscellaneous mortgages, 13.3 percent.

Our interest in the Federal agencies is very substantial, because our member institutions and their investors are very vitally affected by these agencies which deal with real estate credit.

To illustrate our interest, our institutions today own over \$64,000,000 of the stock of the Federal Home Loan Bank System, which, as you know, operates on a self-sustaining basis. We pay all the premiums of the Federal Savings and Loan Insurance Corporation system, which premiums are several times the losses and expenses of the Corporation, and which I hope will be adjusted if the bill of the distinguished Senator from Ohio receives favorable consideration.

Fourteen hundred and sixty-five of these institutions are supervised exclusively by the Federal Government, and 992 are supervised jointly with both State authorities, and in connection with these activities we pay the entire cost through examination fees.

In the depression and immediately following, the Treasury Department and Home Owners Loan Corporation invested approximately \$275,000,000 in the shares of our institution. That was following the financial crisis, and the objective was to get a flow of mortgage credit when it was so sorely needed.

We are very proud of the fact that not only has the Government not lost any money on these investments, but over 90 percent of it has been returned to the Government, and we expect the remaining 10 percent will be paid within the next 12 to 24 months.

This repayment has all been in advance of the schedule laid out by Congress, and the Government has had approximately 3 percent per annum on its investment in these shares during the entire period in which they were invested.

I mention these things, not only to indicate our substantial interest but also because we have been committed in our dealings with the Federal Government that these agencies were created at our suggestion, are used almost exclusively by our institutions and that it is our duty to pay our own way.

We think it is appropriate for Government, either State or National, to provide the vehicle, legislation, the framework, or the agencies, but we want to be consistent in our claims of being local private enterprise institutions and therefore that we ought to pay our own way.

We are optimistic about the post-war period and expect our institutions to do approximately 50 percent or more of home financing involving home building, home owning, and home modernization, if local conditions and national policies permit.

We strongly feel, gentlemen, that the best and most basic policy that should be followed in the financing of home building is to follow the thought Senator Chavez expressed a little earlier of making universal home ownership our goal, and we think that home ownership can be best served and most widely attained if it is financed or served by locally owned or locally managed private enterprise institutions, such as the institutions that I have the honor to work with and represent.

We desire to go just as far as possible in this post-war period in connection with employment and home building, without the use of

Government funds and guaranties. We want not only to provide long-term credit at lower rates than have been found in the past, but we also want to provide intermediate credits for the financing of repairs and maintenance, and we are perfectly willing to go as low as possible on the interest-rate situation, as long as we can provide a 2-percent to 3-percent return to our 7,000,000 investors, which seems to us necessary to attract a flow of savings capital from small investors. We feel we can't go too far below the Government bond rate on the small bonds in obtaining funds from the public.

Now, we have only two questions we wish to discuss with the committee. We want to discuss the set-up of the Federal agencies, and then we want to discuss what we consider the positive program in which our local institutions can be helpful. We feel the first step is to restore the agencies which our institutions support and by which they are regulated to the organizational and operational basis which the Congress originally established but which was suspended by Executive Order 9070, dated February 24, 1942.

The elimination of the Federal Home Loan Bank Board under authority of the First War Powers Act placed all of the administrative, delegated legislative and quasi-judicial powers of the Board in a single Commissioner and made this Commissioner subject to the control and direction of the newly created National Housing Administrator, whose organization was then, and still is, concerned primarily with the construction and operation of war housing and public housing.

We urge this committee to recommend to the Congress that the Federal Home Loan Bank Board be promptly reestablished as originally created by Congress, for the following reasons:

1. It seems clear to us that almost all housing in the country was privately built, is privately owned, and has been privately financed. These activities involve thousands of local institutions, businesses, and individuals, and we don't believe the best results will be gained by placing the Government agencies and policies affecting them in the control of an agency or a group committed to expanding the Government in the housing business.

I might say incidentally as to this question that the Senate Committee on the Judiciary has raised doubts as to the legality of Executive Order 9070 insofar as the functions and activities of the Federal home loan bank are concerned.

As you know, the Federal War Powers Act of 1941 authorized the redistribution of functions among executive agencies and governmental corporations only so far as matters relating to the conduct of the present war are concerned.

We don't feel we are directly involved in the conduct of the war, and there is a legal point that involves some long-term dangers to the present situation.

When Executive Order 9070 was promulgated, officials of our savings and loan organizations raised no objection whatsoever, first, because of the war emergency, and second, because of the clear understanding that at the end of the war period these agencies would return to their statutory form of organization under the Federal Home Loan Bank Board and under the Federal Loan Agency.

Testimony presented by the officials of the National Housing Agency before this committee reveals that this is not their intention, but, on the contrary, they advocate changing this temporary set-up into a

permanent consolidation. This, we think, is unnecessary, uneconomical, and inefficient, aside from being inconsistent with the home ownership and private enterprise ideals of our Nation. Therefore, we think the mixing of these two things, as far as management and control is concerned, is not in the public interest.

To be more explicit, the present National Housing Agency set-up places the agencies concerned with the problems of our institutions under the supervision and direction of a superagency, the policy-making officials of which are concerned primarily with war housing and with promoting a permanent public housing program ultimately involving the expenditure of tens of billions of dollars of the taxpayers' money. We consider their public housing program entirely inconsistent with and dangerous to the home ownership and private credit service objectives for which our institutions are established. Therefore, we do not consider it a proper or equitable policy that the agencies and officials dealing with our business should be controlled, supervised, and directed by an administrative agency which has adopted a policy which we consider contrary to our interests. In our judgment, the two programs—public and private—for providing homes for the American people involve a basic conflict which should be dealt with by the Congress from time to time rather than by an Executive agency whose officials and key personnel seem to be aggressively committed to a public housing program.

Our Federal Home Loan Bank System is a reserve credit system, operating under a board and serving local savings and home-financing institutions, similar to the way the Federal Reserve Board and the Federal Reserve Bank System serves commercial banks. The Federal Savings and Loan Insurance Corporation protects the accounts of savers and investors up to \$5,000, much as the Federal Deposit Insurance Corporation insures bank deposits up to \$5,000. The Federal Board charters and supervises 1,465 local savings and loan associations, much as the Comptroller of the Currency charters and supervises banks. These are financial and credit operations serving local private enterprise institutions. They are self-sustaining, and they should not be identified or consolidated with agencies which are active in the public housing field.

Under the consolidation, and Executive Order 9070 used the word "consolidation," our statutory board was not only abolished and our agencies put under the control and direction of this new agency created by Executive order, but we are required to help finance and pay the administrative expenses of the new operation, and, at the present time, our cost is \$125,000 a year, which is not inconsiderable in an operation we are trying to keep on a self-sustaining basis.

I think one of the things we feel most particularly about is that the present N. H. A. arrangement, involving the consolidation and direction of our agencies, which preclude the officials of our agency—and this is true also of the Federal Housing Administration—from dealing directly with Congress or the Bureau of the Budget and elsewhere, and all negotiations regarding legislation and the like move through the N. H. A. picture, and we think this is the sort of an arrangement that is a handicap to the officials of our agencies and the officials of the F. H. A. in the responsibility to advance and promote their programs in serving private enterprise and promoting home ownership.

This is not just a present problem. We are also thinking of long-term Government organization.

I would not be honest if I didn't say we have had the most courteous treatment from the officials of the National Housing Agency during the 3 years we have been under their jurisdiction. We don't see, however, that in the 3 years we have been under their jurisdiction that the administrative expenses of our own agencies have been decreased—in fact, they have not—nor that the number of personnel has been decreased.

Many of our people feel that our legislative requirements have not been sufficiently understood and emphasized before the Congress by the officials of N. H. A., and we also feel that some matters of deep concern to our business have not received proper consideration.

We agree that communities and private enterprise should be better informed about the housing market, and that there should be more technical research in the house building field.

However, the need, it seems to us, is at the local and community level rather than in Washington. Whether the local planning Commissions, municipal governments, the producers of building materials, and the planners and builders of homes should all turn to the Federal Government for market analysis and technical research seems to us to be a debatable policy.

The dangers we see in the policy are, frankly, that if the Federal Government expands and expands in this field, it may evolve into a situation in which the Federal Government will determine what type of houses shall be built, where and when they shall be built, who shall build them, whether they should be publicly or privately owned, and who should occupy them. Those are the powers that are being exercised, of necessity, under the war program, and we feel that the disposition to continue the activities of planning and the building activities on a national scale of controls is neither wholesome or desirable in the building of homes and the financing of homes.

The best statement of the case against a permanent consolidation under N. H. A. or a superagency was made recently by a prominent administration official. I hope the committee will pardon the quotation. It will only take a minute.

There is hazard in the superdepartment. It produces at the administrative top a diluted knowledge of organization operations, and correspondingly an ineffective point of appeal or contact with community and private enterprise groups concerned with the functions of the agency. The superdepartment thus tends to break down into a system of virtually independent bureaus theoretically reporting to one top man, creating the semblance of responsibility without real responsibility, the pretense of efficiency without real efficiency, and an outward show of unity without real unity.

The resort to the superdepartment is sometimes an evidence of sterility in administrative thinking. There are those who identify such objectives as economic control or job production as a theme of Federal organization and who propose to organize a tight monolithic structure around each of them. Personally, I have always thought that we should start at the bottom in grouping related functions and gradually work our way up until we exhaust the merit of administrative consolidation. At that point we move into an area of higher mathematics.

This statement is from Mr. Blandford's presentation to this committee at the opening of these hearings, and how this statement could be made and at the same time urge a permanent consolidation of agencies which the Administrator of F. H. A. states are already larger than two regular Government departments, I can't understand.

Quite aside from the three constituent agencies which will continue to function as established, the administrative layer which has been interposed between ourselves and Congress and the other departments of Government, is already a \$3,000,000 a year operation with a large legal staff and publicity or information staff, research facilities, and that sort of thing.

We also feel that the fact that our board had substantial delegated legislative powers and quasi-judicial powers is rather important. Much of the work of our board involves the making and interpretation of regulations. The statutes under which our Federal savings and loan associations operate only take about 2 pages in the law books, but there are 50 or 60 or 70 pages of administrative law.

This board has powers of initiating and conducting receiverships and a whole variety of regulatory activities, as well as quasi-judicial activities, and we don't want to see these powers exercised by any one man at any time.

We believe that if the Members of Congress thoroughly understood the situation, they would be willing to separate the financial and private enterprise agencies from the war and public housing activities as soon as possible.

We prefer, of course, an independent board after the pattern of the Federal Reserve Board, and the kind of board which had been established by the Congress. However, our agencies operated under the coordination of the Federal Loan Agency prior to February 24, 1942, and our return to that status together with the F. H. A. would be satisfactory to us.

Now, to turn to our positive program.

We did not attempt, in our statement, to deal with several of the questions that you raised in your letter inviting us to appear. We prepared a rather comprehensive statement in response to the committee questionnaire in the middle of last year. That has been in the hands of the committee and it does deal with these other subjects and we would like very much to see it a matter of public record and it does give our view on a variety of things, such as the termination of controls, public housing, and the like.

I think that statement has been examined by the advisers of the committee and I have a copy of it here, if it would be appropriate for the record.

Senator TAFT. We have all of those statements and have not decided what we will do with them. Do you wish to go on here and cover the rest of your statement?

Mr. BODFISH. I would like to cover the rest of the statement. We would like to present what we consider some positive suggestions that will assist our savings and loan associations and cooperative banks in financing home construction and advancing home ownership in the post-war period.

Again, I might say, we have \$7,000,000,000 in our institutions right now. We have more cash and Government bonds than at any time in our history. We have about 25 percent of such securities and cash.

But even more important, we think, we have a thrift program in these institutions that will continue to produce large sums of money right out of the local communities which can be reloaned in the same local communities to finance the building and maintenance of homes.

So our suggestions here deal largely with matters that we think will help expand home building and home building employment in the post-war period.

Needless to say, from the previous discussion, the first thing we would like to see is the immediate reestablishment of the Federal Home Loan Bank Board, including the Federal Savings and Loan Insurance Corporation as an independent agency as provided by statute, or under the coordination of the Federal Loan Agency. This will, of course, require congressional action.

We would like to see property improvement and home equipment loans authorized for our institutions. The Congress can deal with the situation of about 1,500 federally chartered institutions and associations in the District of Columbia. Without action by Congress they cannot make property improvement and home equipment loans without costly and cumbersome title and mortgage procedures.

We think also that property-improvement and home-equipment paper should be recognized as appropriate collateral in the Federal Home Loan Bank System so that several thousand State-chartered associations would be encouraged to participate in this program.

Senator TAFT. This would be like title 1 loans without security?

Mr. BODFISH. I would say yes, except we have a broad approach and proposal to it. We feel that a local home loan or financial institution management should be given authority to make unsecured property improvement and home equipment loans whether they see fit to insure it under title 1 or not.

In that connection we think we can give the small home owner a better rate and a more feasible repayment term. We think the loans can be made for a somewhat longer period of time than under title 1.

Senator TAFT. Would you authorize unsecured property improvement loans, even though there is a mortgage ahead on the property?

Mr. BODFISH. Yes; in some cases. If it is a wise improvement and it might improve the value of the property. There are 11,000,000 owned homes in the country, and about half of the people own them free and clear of indebtedness. We see no reason why we should not serve those property owners with a \$1,000 loan—

Senator TAFT. But there might be some question about many of the home financing institutions loaning money for the improvement of homes on which somebody else had a mortgage.

Mr. BODFISH. We would have to proceed at our peril, and I think retribution would be swift and costly.

The great post-war need, of course, is the 27,000,000 nonfarm homes, most of which have not had much improvement or maintenance in the last 4 or 5 years.

Senator RADCLIFFE. If the property were worth \$10,000 and the mortgage \$2,000 it would seem rather unreasonable that the man be deprived of credit.

Mr. BODFISH. In the main, Senator, we want to loan them any amount, say, from \$500 to \$1,000. Sometimes we can do it under an existing covenant, but as a rule today we have to go through a title search, have papers drawn, and all the paraphernalia involved in a 20-year mortgage. It is too costly, and consequently we don't render much service in that connection.

Senator RADCLIFFE. When you speak of equipment, would that be unsecured too, or subject to chattel mortgage?



Mr. BODFISH. It would vary in the States. In the main, with the kind of people we deal with, owner-occupants, we are willing to work on an unsecured basis. We have had a century of experience dealing with folks who occupy their own homes, and we think the character of those people is 50 percent of the loan transaction, and in the bulk of the business, we would not hesitate to do it without chattel mortgage.

Senator CHAVEZ. You referred to equipment that would be attached to real property, such as plumbing or anything that would attach to the real property. Is that what you have in mind?

Mr. BODFISH. Senator Chavez, we want to include that kind of equipment, but the law around the country is very mixed and varied on that situation, and theoretically—take my home State of Illinois—if it is an electric-light fixture, it is part of the real estate.

Senator CHAVEZ. That is what I had in mind.

Mr. BODFISH. But if it is a gas fixture which someone can screw a cap on, it is personalty.

Senator TAFT. You are referring principally to refrigerators and stoves?

Mr. BODFISH. To finance completely equipped home purchases rather than just house purchases. It is as necessary for them to have kitchen equipment and things of that kind. We think it is better for the borrower to have it in a single transaction, one monthly payment, because he is less apt to get beyond his depth and it is more apt to be a wise and sound transaction within his means.

But we would like to have authority up to \$1,500 or \$2,000 to proceed at our own peril if it was a fixture that was theoretically a part of the real estate or if it is personalty.

Senator RADCLIFFE. Your vice president, Mr. Henry Irr, knows that in Baltimore we have in the past been able to permit or foster character loans under certain conditions which have turned out very satisfactorily in many cases.

Senator TAFT. What do you think your shareholders will think, going back to the small building and loan associations that I am familiar with? They are saving their money and investing in mortgages. This steps into a field closer to the general banking business. Do you think they will generally approve?

Mr. BODFISH. I think they will generally approve of our serving the home owner.

You take the institutions with which you are familiar. They don't know much about percentages and fancy appraisals and the like. The main thing they know is the character of the borrower-applicant—that he has got a home and is going to live in it and has a frugal wife, and he pays his bills—and the mortgage security is taken in case there is a death in the family or the unexpected something that happens only in 1 transaction out of a hundred or 500.

I think our people would be very concerned and would not be in agreement with a general personal loan business. But we don't want to loan \$100 to a stenographer to buy a catskin coat, or something of that kind. We do want to deal with property owners for all types of property improvement and property equipment without restriction as to whether we will take a mortgage or just the man's note.

Senator BUCK. Do you make character loans now?

Mr. BODFISH. Not without collateral at the present time. There are a few States where we can make title 1 loans, but the Federal chartered institutions cannot make those, and the bulk of the State chartered companies are not able to do so either.

Senator BUCK. I understood you to say that to get the Home Loan Bank Board back as an independent agency it will take congressional action.

Mr. BODFISH. We would prefer it being done promptly by congressional action.

Senator BUCK. Won't it naturally revert back when the War Powers Act has expired?

Mr. BODFISH. The emergency, I think, was ended in 1924, in World War I, and we want to get out of captivity sooner this time.

Senator TAFT. There will have to be legislation, because there will be a dozen other agencies that might spring into existence suddenly, if we don't do something.

Mr. BODFISH. When you are dealing with titles, regulations, and that sort of thing, I think there should be a statutory transfer and validation. I think serious legal questions will arise sooner or later.

Senator RADCLIFFE. Mr. Bodfish, I assume from what you say that you think there should be a limit not only as to the amount of any individual loan but also on the aggregate of the loans that any institutions could make.

Mr. BODFISH. That is right.

Senator RADCLIFFE. How do you feel in regard to the matter of general supervision of loans of that sort? Of course, loans made by banking institutions are subjected to a certain amount of regulation and supervision. Do you feel a similar degree of regulation and supervision would be necessary and desirable in your case?

Mr. BODFISH. Our organization was founded to establish supervision of these financial institutions back in the 1890's when some promoters took the local savings loan idea and traded on the stability of the institutions by Nation-wide promotion and stock selling.

We have always believed in supervision, although part of our activities now is to keep supervisors supervising and out of management. We would expect regular supervision of unsecured property improvement loan business just like the balance of our business is examined.

We have no institutions in the Home Loan Bank System that are not subject to supervision.

I think the sovereign State of Maryland is the only remaining citadel of supervisory independence, because in all the other States—

Senator RADCLIFFE. Our building and loan institutions in Maryland have been very helpful and really vital.

Mr. BODFISH. We boast they built the city of Baltimore. I don't know if you agree with me. Mr. Irr's institution and all of the federally chartered institutions are subject to supervision. In all State-chartered insured institutions around the country the State authorities supervise and examine them and the Federal authorities also.

Senator TAFT. That is true of all the State banks?

Mr. BODFISH. Except Mr. Crowley's F. D. I. C. policy has been to depend on the State's field and supervisory examination work, and for the inspection the institution, its securities and accounts, and they

have relied largely on State examiners. I think our supervisory people are moving in that way.

Senator BUCK. Your institutions are not supervised in any way now, are they?

Mr. BODFISH. The State chartered are inspected and supervised in every State in the Union except in Maryland. They are examined the same as banks and insurance companies are.

Senator BUCK. By the State authorities?

Mr. BODFISH. By the State authorities. Then there are 1,500 savings and loan associations chartered by the Federal Government.

Senator BUCK. Those are not inspected?

Mr. BODFISH. They are inspected and supervised by the Federal Government, and the State associations are examined by the States.

Going a little further with this property-improvement question brings us to veterans' loans. We think there should be legislation permitting full participation to federally chartered and District of Columbia associations in the veterans' loan program.

Also we would like to see liberalization of the Home Loan Bank Act on this subject for the benefit of all members, including State-chartered savings and loan associations throughout the country, recognizing veterans' loans as prime collateral.

At the present time we cannot legally make the second loan on top of an F. H. A. loan authorized under section 505 as contrasted to section 501, nor the guaranteed property improvement loans to veterans without costly procedure.

We would like to see the Congress also render some assistance with regard to the down payment, by legislation, and necessary regulation. It should be possible to permit families in the post-war period to pledge series E War bonds in lieu of a necessary cash down payment to build or purchase a home. Owner occupants would thus retain their bonds to maturity, receive their full interest return and then might use them to reduce the indebtedness on their home purchase.

We feel that the Veterans' Administration set-up provides very liberal financing for the returned veteran, as it should. We are entirely in accord with that program and are cooperating with it thoroughly. It might be well, however, to think of the war workers and other citizens at home who have accumulated series E bonds and might want to use them as a pledge in lieu of the down payment, and we would rather do it in a way in which the borrowers didn't cash their bonds but held them to maturity and then applied them to the indebtedness, or reinvested in savings bonds.

Senator TAFT. Did you skip No. 4 on purpose?

Mr. BODFISH. I didn't mean to. No. 4 is low down-payment loans.

We believe that private enterprise low down-payment loan plans for lending money on long-term mortgages to occupying home owners would enable a lot of citizens to build and acquire homes that do not now have the customary 20 or 25 percent down payment. We would like to see these plans authorized with appropriate safeguards and cash down payments as low as 10 percent.

Such loan plans have been in operation in Great Britain for about two decades. As a matter of fact, they sold the bulk of their small homes down there at 25 pounds or 30 pounds down payment, which is \$125 to \$150 on a \$2,500 to \$3,000 home, namely, about a 5-percent down payment.

We believe under proper safeguards of making sure that the cash down payment is real, and does not represent paper, or a note, but represents savings combined with owner occupancy and other safeguards, that this can be done and facilitate home building and home owning.

Senator CHAVEZ. Is the general feeling among the average citizen one that he would rather deal with a private institution than with an agent of the Federal Government?

Mr. BODFISH. Senator Chavez, we think so when the deal is comparable. In other words, we feel that if we can render as good service, be prompt, at as low rate, and for approximately as long a term, that the local citizen would much rather deal with an organization right in his community—managed by a group of citizens in his community.

Senator CHAVEZ. Who probably knew him?

Mr. BODFISH. Who probably knew him and his wife and his father, when the house was built, who is building the new house, and the like. I think that sort of set-up can go further with safety than a standardized Nation-wide loan plan or an outside lender.

Senator CHAVEZ. There is no particular interest in the community and no interest in the individual he is dealing with?

Mr. BODFISH. And it is a long way to Washington.

Senator CHAVEZ. It is a long way from New Mexico to Dallas, Tex., where we would have to go to pay a home-owners' loan. We would rather deal with someone close by.

Mr. BODFISH. We would rather have them do business with our institutions in New Mexico, and I think the people in New Mexico have enough savings to furnish the money.

Senator CHAVEZ. I think that would be preferable in any case where it could be handled in that way.

Senator RADCLIFFE. You referred to Baltimore awhile ago. I think one of the factors which made the old building and loan associations so successful in Baltimore was the fact that the manager and board of directors usually lived very close to where the property was situated and knew the individual seeking a loan.

The personal contact and the fact that they did live near there were factors which very often helped them acquire opinions which they could not have acquired otherwise.

Mr. BODFISH. They did a credit analysis that was much more thorough and effective than they realized. It didn't have a lot of forms and formulas, but it was very excellent, and that is one of the reasons we have always adhered to the principle that our institutions should operate in a community and not all over the country.

Senator CHAVEZ. Wasn't that the basis of the moral risk that you spoke about a little while ago?

Mr. BODFISH. That is right; and, Senator Chavez, if you are right on the man and his family and forebears and the like, it doesn't make much difference whether you lend him 66% percent or 91½ percent or 80 percent.

I was talking to Mr. Jones one day. In his early days he built a lot of houses and financed them.

I asked about the percentage question, and he said: "The only problem is to be sure you don't lend more than 100 percent, because

if he is a small man and occupies his home, and he is a man of character and industry he will pay it out."

Senator TAFT. Mr. Bodfish, how much can these Federal associations lend today?

Mr. BODFISH. Seventy-five percent of the appraised valuation, although they can go, if their members and directors have authorized, to 80. They can make the 10-percent cash down payment loan only under title 2 of the F. H. A.

Senator TAFT. That is, if the F. H. A. insures it, they can make 90-percent loans today?

Mr. BODFISH. That is right.

Senator TAFT. And what you want is authority, in effect, to make that loan without any insurance?

Mr. BODFISH. We have two rather detailed and safeguarded plans, one built on the so-called builders pool arrangement which is in use in Britain, and an excess reserve procedure. We want to confine it to 25 percent of assets or less and where there isn't a builder's guarantee and deposit to the stronger institution with larger reserves, as they will have the capacity to take some risks that an institution just starting or with nominal reserves should not take.

Senator TAFT. Doesn't it involve, or won't it involve, a greater supervision of appraisal if we allow this? Won't the insurance corporation insist on examining that with a good deal more care?

Mr. BODFISH. I think they would like to, but I think experience shows that the more you turn a local lender loose and put the whole risk and responsibility on him, the more careful he is.

I would not feel that any more thorough appraisal and credit work is necessary in order to make 90-percent loans than to make 80-percent loans.

Senator TAFT. I don't quite agree with that. It seems to me you get to a point where a man can do it for nothing if he happens to own a lot and the lot is appraised at a figure he didn't pay for it. That is done so frequently that I don't think you can protect your depositors satisfactorily by just saying you can lend a hundred percent on a house.

I think we have a job there. For years the building and loan associations were limited to 66% in Ohio, by law, weren't they?

Mr. BODFISH. Great attention to percentage was a post-depression accent in the main.

Senator TAFT. That was in the law for years, for the purpose, I presume, of protecting depositors and share owners.

Mr. BODFISH. Probably in half the States there is no limit; and, incidentally, there are some of the States in which we have had no difficulty at all.

Senator TAFT. You know what happened in Ohio with the building and loans, and you won't have an easy time getting this sort of thing through the State legislatures.

Mr. BODFISH. But the realistic situation is that for many, many years I think there has been this kind of lending. If the man had a good lot or where he had a nominal down payment to offer on reprocessed homes, several types of lenders were pretty successful with low down payment operations.

Our Ohio problems grew out of financing business real estate, raw subdivisions, or like real estate, and some other activities that we could

give chapter and verse on, but the financing of small owner-occupied homes I don't think gave us any difficulty.

Senator BUCK. What is the objection to the F. H. A.?

Mr. BODFISH. About 10 percent of our business is done through F. H. A., and we feel if that is a sound plan for Government guaranties that it ought to be a sound plan on a private risk or enterprise basis.

Senator BUCK. Is there any advantage at the present time—

Mr. BODFISH. The advantage is that, come a depression, we would take all of our foreclosed real estate and work it out and under the F. H. A. it goes to the Government, and they issue Government bonds to the lender.

Senator BUCK. Are the district requirements of any advantage?

Mr. BODFISH. We think of some advantage, but we think local institutions operating in the community are doing as safe lending as is being done by F. H. A.

There is another element involved in this thing. The F. H. A. insurance costs one-half of 1 percent. That sounds small but it is 25 percent of the mark-up in our business.

We know most of our institutions can carry their own risks in this type of small home-loan business on owner occupied homes.

Senator TAFT. We have set up these Federal savings and loan associations to put the building-and-loan business back on its feet after the depression and after the tremendous failures that occurred in the business, and the Federal Government, in effect, with the insurance, is behind this thing, guaranteeing to these depositors, in effect, that they won't lose their money.

You have got the Government in that far, and I don't think you can object to a considerable amount of supervision and a supervision, if you are going to lend 90 percent, of whether you are appraising things right. Plenty of institutions don't.

I don't think you can just say a local institution knows how to lend and they are not going to make bad loans. They have made bad loans and many of them went broke because they did make bad loans.

I agree that they should be on a parallel with F. H. A., but I don't know that it does not require some amount of supervision by the time you get up to 90 percent.

Mr. BODFISH. We don't object to the most thorough supervision of our operations and the inspection of our portfolios, and the present powers that the authorities have.

We do have this feeling, in which we may be in error, that just because an appraiser gets on the Government pay roll somewhere that he is no wiser or more fair and skilled in looking into the real estate future than the men who are in business right in a community and whose experience and ability are often much greater.

We feel the Federal Government is quite safe in these Federal chartered institutions. We have built up a reserve position in excess of 8 percent in the local institutions which would have to be in the aggregate exhausted before there would be any sweeping claim on the insurance corporation.

Furthermore, in our proposal, we don't want to go in and make this our exclusive business. We want our stronger institutions with the larger reserves to be able to go to 10 or 20 percent of assets so we can serve builders and home buyers and season the paper. We would not want an institution to have all of its loans in this category.

Senator TAFT. You mean limited the same as F. H. A. to \$6,000 houses?

Mr. BODFISH. Yes; although our people feel in view of the changed real-estate price situation which we don't expect to recede, that the top would be probably \$7,500.

Senator TAFT. We had a request yesterday for \$7,000.

Mr. BODFISH. We would like to see it \$7,500 because we don't want to go into larger homes than that. That will bring into the market a tremendous number of people, and we think we can serve them safely.

Picking up the rental-housing question, which is No. 6.

We would like to see limited authority given to our institutions to finance rental housing when all their funds are not employed in financing individual homes.

At present we can employ 15 percent of our assets in rental housing and in the main our people have wanted a 30-percent authorization. Such an authorization passed the House of Representatives 3 or 4 years ago in a comprehensive bill, and we think there is some small rental housing we can be helpful on, although again we don't want to change the predominant character of our business. We want flexibility on 25 or 30 percent of our business.

Senator TAFT. How much of your assets are now in rental housing?

Mr. BODFISH. Some of the institutions in the larger cities have gone up to 15 percent. We don't have more than 5 percent of our total business in low rent multi-housing. However, there are institutions in New York, or Columbus, or the larger cities that are crowding the 15 percent. We would like specific authorization for federally chartered associations to make adequately secured loans in connection with rehabilitation or construction in slum or blighted areas.

We think such loans should be made to redevelopment corporations, cooperative-housing units, or other borrowers without the usual restrictions as to term and percentage, but, we only want to help with that kind of activity to a sum not to exceed the reserves of our institutions, which would mean a limitation on each institution of amounts put in this sort of special activity.

Senator TAFT. You mean you are suggesting that the building and loan associations have the right to lend to limited dividend corporations and the like?

Mr. BODFISH. We are going to have a lot of redevelopment corporations. We have the laws in several States. We would like to see a \$5,000,000 institution in a million-size city; if it had \$500,000 in reserves, we would like to see them authorized to go that far in helping finance this type of special housing activity which has so much to do with the maintenance of our cities.

Senator TAFT. I don't quite know what a redevelopment corporation is. I think your place would be after a public body had acquired the property and then decided they wanted to build rental housing on it, to finance the rental housing, but I don't see the idea of financing the purchase of real estate for all kinds of purposes.

Mr. BODFISH. We only want to finance housing to be rented or sold to occupiers. Maybe my statement was too brief.

New York, Michigan, and Illinois, and a number of other States have laws authorizing redevelopment corporations which in substance is a delegation to a special corporation of some rights to assemble

land. They give them a limited delegation of the eminent-domain power.

This is not the most important part in our suggestions.

Senator RADCLIFFE. Are you suggesting any changes in the system of reserves?

Mr. BODFISH. No. The institutions have 8.4 percent reserves and we hope to build them up to 10 percent or more, which we feel will make these institutions strong enough to stand any probable recession in real estate that might come along.

Senator RADCLIFFE. You want to build them up to 10 percent. What is it now?

Mr. BODFISH. In excess of 8 percent. We think if we have 10 percent reserves plus, that we can weather most anything.

Traditionally, these cooperative financial institutions were not permitted to accumulate reserves. If you examine the State laws you will find that the laws are in the phraseology of giving an institution permission to accumulate a reserve for losses.

Senator RADCLIFFE. Do you invest these reserves in special types of assets?

Mr. BODFISH. It is a general balance sheet reserve only, and they are not tied into special assets at all.

Senator RADCLIFFE. You don't have to segregate your reserves or any of the investments which underlie them?

Mr. BODFISH. Not at the present time.

In the post-war period, until fully adequate materials and labor are available for all purposes, we would like to see an authorization or regulation that all materials for residential building be allocated for private home building and not for Government housing or large rental projects.

We would like to see the Government possibly give a head or initial start to the small builder and the community operator to whom we are going to look to to build the bulk of these private enterprise homes.

As you know, through the war, we built about one Government house for every private house that has been permitted under the allocation of materials, and we think as we move into this post-war period, if we want a real private enterprise home building industry, we should give the green light to those who are going to build private enterprise houses.

Of course, when ample material and labor is available, there should be no restrictions whatsoever.

We would like to see the early enactment of Senate bill 179 and Senate bill 180 and Senate bill 103, being bills designed essentially to improve the structure of the Federal Home Loan Bank System to fully authorize Federal associations to make all types of F. H. A. loans and to give some 2,500 insured savings and loan associations a more equitable annual insurance of accounts premium.

Senator TAFT. We have a long statement from Mr. Eccles that I think will be in the record. That was up before Senator Radcliffe's committee.

Mr. BODFISH. That is right.

Senator TAFT. The question of rediscounting of mortgages.

Mr. BODFISH. Some of the provisions in the bills met objection from Mr. Eccles, and I would like to say for the record that while he is a very splendid chairman of the Board of Governors of the Federal



Reserve System, and it is a splendid banking system, we wish he would run his commercial banking system and let us run the home mortgage business.

Senator TAFT. The question is whether it didn't amount to the Government providing the market for these mortgages.

Mr. BODFISH. We want the Government to sell all mortgages it has at the present time, both farm and urban.

The thing that has given rise to all this discussion is a limited power in the discretion of the Secretary of the Treasury to acquire or support the debenture market in case we have another 1932 or 1933. We don't want them to buy any debentures under normal times, or expand the mortgage business or anything of the kind, but we would like to see the Secretary of the Treasury in position, if we have another major financial crisis, to deal with the situation and support the debentures of our system, which are not obligations of the Government, every one of which carries on the face the statement that they are not obligations of the Government.

The only thing we are interested in is a little protection, such as accorded to other Government operations in case of another major financial smash.

Senator RADCLIFFE. You just stated you wanted to see the Government dispose of its mortgages. Have you any special program you want to suggest as to what you think the Government should do with its H. O. L. C. mortgages?

Mr. BODFISH. Senator Radcliffe, I had some very clear views on that subject about a year or a year and a half ago, and so much controversy arose from certain Government officials when we proposed that those mortgages be sold, I would rather keep peace in the family at the present time, rather than be specific.

Senator RADCLIFFE. We would be very glad to have any suggestions if you have any to offer at the present time.

Mr. BODFISH. I will say this: Senator Byrd's Committee on Nonessential Expenditures recommended a program a year and a half ago and I am sure the Senator will be more interested in the considered views of that committee than in mine.

I hope you don't mind my not wanting to get into the H. O. L. C. question at this time.

Senator RADCLIFFE. Oh, no. I brought it up because the matter is very important, and I thought maybe because of the discussion you might have some additional ideas on the subject.

Mr. BODFISH. I think there is a very basic principle involved that is worth consideration by this committee, quite aside from any of the H. O. L. C. sales or liquidation.

I don't believe you will ever get the United States Government out of the farm mortgage business, or out of the urban mortgage business unless you provide an orderly way for the sale of these long-term securities when local and private institutions are willing to buy them, and give the borrower exactly the same contract and protection.

The small country banker today would be delighted to acquire no end of the collateral notes and held in various phases of the farm credit system, and would be willing to give the borrowers exactly the same contracts that now exist, and I think sooner or later it will be wise public policy to develop a way whereby these institutions would, on

the assumption the Government will get out of private business when it can, make these notes and securities available.

The Federal Mortgage Association, about a year and a half ago, sold about two-thirds of its securities and got 103 to 104 for this mortgage paper.

As to more local units, we believe that the committee might recommend the encouragement of the establishment, under State or Federal charter of local thrift and home-financing institutions in areas not now served. I think you will be surprised to know there are 800 incorporated places, with a population of 2,500 to 25,000, which do not have a local thrift and home-financing institution to encourage home building, home buying and home maintenance and modernization.

There are over \$50,000,000 of Government funds authorized and available which were in the original local savings and loan organization and rehabilitation program, which might be used to match dollars with local groups to get a specialized home financing institution going in some of these communities.

We would like to see the further development of model laws for all sized cities, dealing with city planning, zoning, building codes, inspection and demolition prohibition against renting unsanitary houses and subdivision developments.

We would like to see studies of mortgage, lien, and other State statutes affecting housing and mortgage credit.

We would like to see it undertaken by some interdepartmental body with private business represented. The best pattern I know anything about is the National Advisory Committee for Aeronautics. We think in the main, this research business should be attached to specialized operations rather than a super and separate research operation.

Our league has developed a uniform savings-and-loan plan designed to encourage home ownership by giving the borrower certain protection and advantages not generally provided, and which would remove some of the obstacles to wider home ownership.

I think that the liberal home-loan plan might be of interest to the committee.

About 100 of our institutions are starting on it. It involves three contractual step-downs in the interest rate as the borrower reduces his indebtedness, that is, reduces the risk.

It involves a continual right to pay in advance and in turn be able to lapse payments to that extent at the discretion of the borrower. It involves the right after 3 years to lapse payments in case of unemployment or sickness up to a 6-month period.

In other words, it is an attempt to write some protections to the borrower into the mortgage contract that would make home owning somewhat more attractive.

It has created a lot of attention and we expect to see it widely adopted in our institutions.

In the main, Mr. Chairman, those are the things that we think in our field will help us pick up a substantial part of this post-war financing load.

I have a resolution of our convention on the independence of the Home Loan Bank System, and I also have a table of our assets by States, and tables on our loan activity, which might be helpful to the record.

Senator TAFT. You may give them to the reporter.  
(The resolution is as follows:)

A RESOLUTION ADOPTED BY THE UNITED STATES SAVINGS AND LOAN LEAGUE  
AT THE FIFTY-SECOND ANNUAL MEETING AND NATIONAL CONFERENCE ON  
VETERANS' LOANS AND HOME OWNERSHIP, CHICAGO, ILL., NOVEMBER 1944

The history of the past 12 years has well established the advantages to the citizens of our country that have resulted from the creation of the Federal Home Loan Bank System. That system now embraces an integrated membership of nearly 4,000 thrift and home-financing institutions, providing comprehensive facilities that extend to those who live in practically every community throughout the land.

In no little measure that development is the result of the sound and capable judgment exercised by those who have administered the affairs of the Federal Home Loan Bank System, its affiliated agencies, and the regional home-loan banks. The machinery that has assured an ample and dependable supply of central reserve credit, the continuous research as to sounder and better methods of meeting the needs and demands of the public they serve, are but specific instances of the more obvious ways in which its member institutions have received and passed on to the people the benefits that result from its activities.

In asking of the Congress, 12 years ago the establishment of the Federal Home Loan Bank System, these 4,000 local thrift and home-financing institutions sought a central credit agency, whose capital would be provided by and owned by its member institutions. They subscribed to provisions whereby all costs of its operations, both in the regional home-loan banks and in its Washington supervision, would be paid by the member institutions. They planned and established when the legislation was enacted a central credit agency, to be owned by the member institutions and operated at their expense, that would provide better and stronger thrift and home-financing facilities.

To these original aims and purposes, to these objectives, the members of the United States Savings and Loan League substantially all of them members of the Federal Home Loan Bank System, still subscribe and hereby reaffirm their soundness.

Wherefore, they do now authorize and direct their officers, directors, and appropriate committees to press vigorously for the restoration of the independent status of the Federal Home Loan Bank System and its affiliated agencies.

I hereby certify that the foregoing is a true and correct copy of a resolution duly adopted by the United States Savings and Loan League at its fifty-second annual meeting held in Chicago, Ill., on November 15, 1944.

H. A. CELLARIUS, *Secretary-Treasurer.*

(The table of assets is as follows:)

TABLE 1.—Summary table of number of associations, total membership and total assets of savings, building and loan associations, by States, 1943

Name of State	Number of associations			Number of members			Amount of assets			Increase or decrease (—) of total over 1942
	State	Federal	Total	State	Federal	Total	State	Federal	Total	
Alabama.....	8	17	25	3,744	12,994	16,738	\$2,995,838	\$15,780,071	\$18,775,909	\$1,441,994
Arizona.....	1	2	3	18,016	5,343	23,359	1,364,600	7,080,570	8,444,730	1,263,903
Arkansas.....	1	8	9	2,710	9,330	12,040	3,536,604	15,079,311	19,215,915	1,633,234
California.....	98	74	172	178,500	135,020	313,520	194,564,497	216,569,290	411,133,697	36,400,207
Colorado.....	29	23	52	9,861	22,897	32,758	13,100,010	28,211,203	41,311,213	1,720,685
Connecticut 1.....	34	16	50	40,120	35,072	75,174	32,702,985	43,614,685	76,314,670	12,604,622
Delaware 2.....	42	43	85	17,418	17,418	34,836	14,595,983	426,974	15,022,957	73,875
District of Columbia.....	26	3	29	150,870	21,630	172,500	175,295,000	30,457,023	205,752,023	14,776,393
Florida.....	20	46	66	5,885	59,099	64,984	4,299,078	92,293,059	96,592,137	12,904,910
Georgia.....	23	45	68	12,157	31,945	44,102	12,615,235	44,583,792	57,199,027	8,093,482
I Idaho.....	4	9	12	10,528	91,859	102,387	871,986	10,378,530	11,250,525	1,038,075
Illinois 3.....	503	100	603	317,313	176,129	493,442	255,230,530	196,807,049	452,037,579	251,232,663
Indiana.....	180	69	249	180,825	104,464	285,289	105,234,959	129,697,266	234,942,225	1,032,603
Iowa.....	59	33	92	48,335	20,776	69,111	42,348,135	28,560,662	70,908,797	4,938,185
Kansas.....	90	28	118	53,492	26,593	80,085	45,839,771	30,535,564	76,375,335	3,067,646
Kentucky.....	75	54	129	52,090	59,191	111,281	40,473,801	76,522,292	116,998,093	5,425,301
Louisiana.....	60	13	73	108,337	7,515	115,852	90,368,508	14,279,696	104,647,604	2,873,759
Maine.....	34	5	39	23,347	1,712	25,059	24,570,259	1,988,611	26,558,870	741,935
Maryland 4.....	300	33	333	100,500	54,954	155,454	101,925,000	62,840,791	164,765,791	16,939,321
Massachusetts 5.....	181	26	207	365,979	98,814	464,793	413,420,191	144,718,523	553,138,714	22,685,967
Michigan.....	39	31	70	112,217	54,407	166,624	86,471,462	30,306,043	156,778,105	18,603,179
Minnesota.....	44	31	75	50,458	79,111	129,569	41,014,356	86,410,012	127,424,368	646,948
Mississippi.....	12	21	33	4,025	5,832	9,857	4,178,284	8,987,172	13,165,453	1,100,074
Missouri 2.....	170	37	207	126,100	40,592	166,692	85,994,584	56,358,064	142,322,648	1,933,984
Montana.....	16	3	19	18,010	1,061	19,071	13,364,501	1,239,763	14,604,264	1,933,984
Nebraska.....	47	15	62	69,772	8,082	77,854	57,914,372	9,692,867	67,607,239	1,933,984
Nevada.....	1	1	2	410	673	1,083	151,540	1,018,888	1,170,428	1,170,428
New Hampshire 2.....	25	2	27	17,545	9,278	26,823	13,980,804	12,685,693	26,666,467	2,464,120
New Jersey.....	569	9	578	318,096	11,328	330,324	260,335,277	11,831,712	271,785,779	26,915,302
New Mexico.....	9	7	16	3,350	1,786	5,136	4,632,166	3,430,508	8,443,904	922,414
New York.....	183	65	248	425,377	234,680	660,057	296,011,077	229,267,634	525,278,711	37,194,614
North Carolina.....	148	25	173	116,602	29,106	145,708	86,290,005	35,682,507	121,972,512	1,885,100
North Dakota.....	12	6	18	13,697	3,754	17,451	11,598,379	4,201,476	15,799,855	89,972,762
Ohio.....	531	124	655	1,194,721	280,177	1,474,898	721,056,148	311,385,782	1,032,441,930	1,032,441,930
Oklahoma.....	34	31	65	26,594	36,426	63,020	21,408,211	57,570,832	78,979,043	5,168,244
Oregon.....	7	22	29	19,890	21,540	41,430	31,398,826	24,418,088	55,806,914	16,090,267
Pennsylvania.....	987	109	1,096	352,010	136,980	488,990	314,422,698	151,384,125	465,806,823	16,090,267
Rhode Island.....	8	1	9	61,725	2,461	64,186	53,058,490	2,494,393	55,552,883	7,621,558
South Carolina.....	36	30	66	10,590	20,612	31,202	11,836,346	26,390,545	38,226,891	1,106,742

South Dakota.....	9	4	13	3,885	1,547	5,432	76	3,072,327	1,887,541	4,959,868	14,895
Tennessee <sup>1</sup> .....	4	36	40	650	30,953	31,003	881	603,536	42,085,048	42,688,584	3,807,287
Texas.....	50	92	142	52,600	50,158	102,758	1,987	54,013,310	71,515,709	125,529,019	6,045,240
Utah.....	13	6	19	26,130	15,559	41,689	5,085	24,639,198	13,070,841	38,310,039	5,523,447
Vermont.....	10	2	12	3,539	3,371	6,910	-201	2,617,142	5,326,010	7,943,152	255,393
Virginia.....	57	20	77	41,775	22,461	64,236	1,384	34,797,270	35,391,319	70,188,589	3,224,093
Washington.....	27	35	62	63,421	107,415	170,836	6,039	38,004,892	83,848,803	122,843,695	20,742,780
West Virginia.....	37	22	59	13,515	13,111	26,626	12	10,584,243	21,251,783	31,836,026	3,147,142
Wisconsin.....	115	39	154	121,098	25,075	146,173	974	113,731,934	56,307,107	150,009,041	1,900,139
Wyoming.....	2	1	11	1,930	3,803	5,733	150	1,831,799	3,490,139	7,261,938	263,398
Alaska.....	1	1	1	-----	421	5,421	86	-----	653,852	7,065,852	213,140
Hawaii.....	1	1	9	25,651	1,877	27,528	3,689	11,810,933	2,885,300	14,696,833	3,086,807
Total.....	5,045	1,466	6,511	4,989,182	2,147,160	7,136,342	213,371	3,977,229,217	2,616,054,017	6,593,283,234	454,247,023

<sup>1</sup> As of Sept. 30, 1943.

<sup>2</sup> As of June 30, 1943.

<sup>3</sup> As of Nov. 30, 1943.

<sup>4</sup> Estimated for other than Federals.

<sup>5</sup> As of Oct. 31, 1943.

TABLE II.—*Estimated amount of mortgage loans made by savings and loan associations and estimated number of homes financed*

Year	Number of homes financed	Amount of mortgage loans made	Year	Number of homes financed	Amount of mortgage loans made
1915.....	114,000	\$352,000,000	1931.....	300,000	\$900,000,000
1916.....	129,000	413,000,000	1932.....	270,000	530,000,000
1917.....	154,000	492,000,000	1933.....	230,000	435,000,000
1918.....	145,000	480,000,000	1934.....	232,000	463,000,000
1919.....	210,000	693,000,000	1935.....	300,000	642,000,000
1920.....	215,000	770,000,000	1936.....	353,000	755,000,000
1921.....	190,000	693,000,000	1937.....	397,000	897,000,000
1922.....	250,000	900,000,000	1938.....	370,000	798,000,000
1923.....	300,000	1,206,000,000	1939.....	429,000	986,000,000
1924.....	425,000	1,460,000,000	1940.....	445,000	1,200,000,000
1925.....	503,000	1,760,000,000	1941.....	493,000	1,379,000,000
1926.....	550,000	1,945,000,000	1942.....	375,000	1,051,000,000
1927.....	603,000	2,111,000,000	1943.....	405,000	1,184,000,000
1928.....	615,000	2,155,000,000	1944.....	508,000	1,484,000,000
1929.....	500,000	1,850,000,000			
1930.....	350,000	1,300,000,000	Total, 1915-44..	10,520,000	31,182,000,000

Sources: For years 1915-35: From reports of Mr. Cellarius, published in History of Building and Loan in the United States, and in his annual reports as secretary-treasurer of the United States League. Since 1936, data on dollar lending volume from estimates of Federal Home Loan Bank Board. Data on number of homes financed estimated from the average loan as obtained from reports of reporting associations and published in the Federal Home Loan Bank Review.

TABLE III.—*Operations of private lenders in the home-mortgage field*

## I. MORTGAGE RECORDINGS

Year	All types of lending institutions	Savings and loan associations
1939.....	\$3,765,595,000	\$1,168,075,000
1940.....	4,031,368,000	1,283,628,000
1941.....	4,731,960,000	1,489,909,000
1942.....	3,942,613,000	1,170,546,000
1943.....	3,861,401,000	1,237,505,000
1944.....	4,611,000,000	1,564,000,000

## II. PERCENTAGE OF TOTAL MORTGAGE RECORDINGS REPORTED BY TYPE OF LENDER

Year	Total	Savings and loan associations	Insurance companies	Banks and trust companies	Mutual savings banks	Individuals	Other mortgages
	<i>Percent</i>						
1939.....	100	30.2	8.2	25.4	4.0	16.8	15.4
1940.....	100	31.8	8.3	25.0	4.2	15.9	14.8
1941.....	100	31.5	8.5	24.6	4.6	16.6	14.2
1942.....	100	29.7	9.1	22.5	4.2	18.6	15.9
1943.....	100	32.1	7.2	19.5	3.9	22.2	15.1
1944.....	100	33.9	5.6	19.0	3.6	24.6	13.3

Based upon data reported monthly by the Federal Home Loan Bank Administration.

TABLE IV.—Number of first-mortgage loans in 1940 on 1-family nonfarm homes built 1935-40, classified by type of lender and by estimated<sup>1</sup> amount of original loan

	Under \$1,190		\$1,190 to \$2,380		\$2,380 to \$3,570	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Savings and loan associations.....	19,620	15.2	25,073	30.6	29,424	29.2
Commercial banks.....	15,521	12.0	11,655	14.3	18,611	18.5
Savings banks.....	7,894	6.1	7,933	9.7	10,766	10.7
Life insurance companies.....	771	.6	1,617	2.0	4,370	4.3
Mortgage companies.....	6,207	4.8	3,434	4.2	6,782	6.7
Individuals.....	61,644	47.7	24,321	29.8	17,791	17.6
Others.....	17,492	13.6	7,695	9.4	13,023	13.0
Total.....	129,149	100.0	81,728	100.0	100,677	100.0

	\$3,570 to \$4,760		\$4,760 and over		Total	Percent of total
	Number	Percent of total	Number	Percent of total		
Savings and loan associations.....	25,329	22.7	33,894	16.0	133,340	21.0
Commercial banks.....	24,578	22.0	47,459	22.4	117,824	18.6
Savings banks.....	12,908	11.6	28,118	13.3	67,629	10.6
Life insurance companies.....	8,721	7.8	32,036	15.1	47,515	7.5
Mortgage companies.....	11,004	9.8	23,842	11.3	51,269	8.1
Individuals.....	12,649	11.3	15,338	7.2	131,643	20.7
Others.....	16,537	14.8	31,186	14.7	85,933	13.5
Total.....	111,726	100.0	211,873	100.0	635,153	100.0

<sup>1</sup> The original data show only the amount of the loans outstanding as of 1940. The average loan outstanding, the payments on which did not include real-estate tax, amounted to \$2,469; average annual mortgage payment was \$356.

NOTE.—In addition to the above there were 45,248 cases in which the holder of the mortgage was not reported or erroneously reported.

Source: Bureau of Census, housing, fourth series, Mortgages on Owner-Occupied Nonfarm Homes, supplement A, Homes Built in 1935-40, p. 4.

TABLE V.—Family income, home ownership, and tenancy, urban and rural—nonfarm—United States

127,946,320 families, 1940 census

Family wage or salary income in 1939	Families owning their own homes					Tenant families				
	Number	Percentage of all families (owners and tenants) owning own home	Percentage of families owning own homes by income	Cumulative number of owner families	Cumulative percentage of all families (owners and tenants) owning own homes	Number	Percentage of all families (owners and tenants) who are tenants	Percentage of families who are tenants by income	Cumulative number of tenant families	Cumulative percentage of all families (owners and tenants) who are tenants
None	1,3,056,560	52.4	26.7	3,056,560	52.4	2,771,500	47.6	2,771,500	47.6	16.8
\$1 to \$199	324,580	35.1	2.8	3,381,140	50.1	600,080	64.9	3,371,580	49.9	3.6
\$200 to \$499	736,180	30.8	6.4	4,117,320	45.0	1,650,800	69.2	5,022,380	55.0	30.4
\$500 to \$999	1,370,320	30.6	12.0	5,487,640	40.3	3,101,680	69.4	8,124,060	59.7	49.2
\$1,000 to \$1,499	1,504,620	34.5	13.2	6,992,260	38.9	2,852,120	65.5	10,976,180	61.1	66.5
\$1,500 to \$1,999	1,394,080	38.9	12.2	8,386,340	38.4	2,192,440	61.1	13,168,620	61.1	79.8
\$2,000 to \$2,499	1,022,780	43.9	8.9	9,409,120	39.7	1,308,160	56.1	14,476,780	60.6	87.7
\$2,500 to \$2,999	576,340	46.4	5.1	9,985,460	39.7	605,480	53.6	15,142,260	60.3	91.7
\$3,000 to \$4,999	898,980	51.6	7.9	10,884,440	40.5	842,520	48.4	16,306,440	59.5	96.8
\$5,000 and over	323,200	56.3	2.0	11,297,640	40.9	221,600	40.7	16,508,440	59.1	98.2
Not reported	229,540	—	—	11,437,180	—	302,700	—	16,509,140	—	100.0
Total	11,437,180	46.9	100.0	—	—	16,509,140	59.1	—	—	—

<sup>1</sup> Of this number only 400,080 reported no 1939 wages or salaries and no income from other sources; 2,656,480 reported no wages or salaries but income from other sources such as savings, investments, and rental real estate. In addition, among the 11,437,180 home owners there were 3,549,400 who were reported to have had other or additional income than wages or salaries.

<sup>2</sup> Of this number 485,000 reported no wages or salaries and no income from other sources; 2,285,680 reported no wages or salaries but some income from other sources. In addition, among the 16,509,140 tenants there were 3,661,680 who were reported to have had income other than wages or salaries.

Source: U. S. Bureau of the Census, 1940, Population and Housing, Families, Tenure and Rent, p. 96.



The above presents a picture of home ownership and tenancy by income groups in American urban and rural nonfarm areas. Clearly, home ownership is found in substantial percentages in all income groups. Among wage earners with annual incomes under \$2,000, 39 percent of the families are in the home-owning class. However, the number owning their homes among the families with incomes above \$2,000 is not more than roughly 50 percent, again showing that home ownership versus tenancy is not entirely a matter of high income.

It is to be noted that the above figures do not reflect the gain in family incomes which has taken place during the past 3 years and which increase has been largely among the low-income groups.

Mr. BODFISH. We think the policy of the Congress should be one of home ownership first, last, and always.

And while we feel that slums are an evil, they should be dealt with as an evil. There is no reason why public money should not be spent in dealing with the slums. That still does not lead us to the conclusion that the Government should build and operate homes, mainly apartment homes, for a substantial portion of the population.

In that connection, I would like to call to your attention that if we built Government homes for everybody that lives in the city who is now a tenant and has an income of less than \$1,000, it would involve 8,000,000 families, and 8,000,000 times \$6,000 is \$48,000,000,000.

We don't feel, and our experience does not indicate that home ownership is confined to the people who make \$3,000 or \$4,000 and over. I think you would be interested to know we have in this country 5,487,000 home-owning families with incomes less than \$5,000, and about 8½ million own their homes, with an income of less than \$2,000.

We feel that an extensive public housing program could be very injurious to the whole idea of home ownership. We don't want to be unimaginative and say there is no way to assist those who need welfare and assistance. There are a number of ways, obviously, other than building a few projects for them, and we hope this committee will explore the alternatives thoroughly.

I have one more table here. I might say there is one error in the fourth column on the left-hand side where it says "Cumulative number of tenant families." That is "Cumulative number of owner families."

It is interesting to note the numbers of people who own their own homes with modest incomes. We finance a number of people who buy \$1,000 or \$2,000 houses and they pay for them and the first thing you know, they rent that one and then they buy a better one. That is where most of the rental houses come from.

We think we ought to keep our eye on the broad objective, on the idea of getting most of the citizens of this country on an owned farm or in an owned home.

We feel the welfare problem today should be kept quite separate and investigated thoroughly.

Senator TAFT. In table No. 2, "Number of homes financed," take along in 1940 to 1944. Do you know what percent of those were new houses?

Mr. BODFISH. I have the figures here, I think. I don't seem to have my table here, but it is about 40 percent of new houses.

Of course that dropped down in 1942, when the restrictions went into effect, and I would say in 1942, as I recall, we financed about 100,000 new houses and in 1943 we dropped down to about 50,000.

Senator TAFT. In normal times about 40 percent are new?

Mr. BODFISH. Thirty to 40 percent are new, and 60 percent are old or refinanced, or something of the kind.

Senator BUCK. You are definitely of the opinion that such agencies as F. H. A. and H. O. L. C. should be grouped under the Federal loan agency?

Mr. BODFISH. If they are going to be grouped, we feel they should be grouped with financial agencies. We feel the public housing agency is a public works and welfare operation, and probably belongs in public works, and our agencies belong grouped with financial or credit agencies.

Senator TAFT. Thank you very much.

Is the representative of the Federal Council of Churches here?

Mr. BOYD. Yes, sir.

Senator TAFT. How long would your statement take?

Mr. BOYD. Five or ten minutes.

Senator TAFT. I think we will hear you now, then.

#### STATEMENT OF REV. BEVERLEY M. BOYD, FEDERAL COUNCIL OF CHURCHES OF CHRIST IN AMERICA

Senator TAFT. You may proceed, please.

Mr. BOYD. Mr. Chairman, I represent the Federal Council of Churches appearing not as an expert on housing or any of the economic problems, but speaking for 26 Protestant denominations, religious bodies, representing about 25,000,000.

The church's primary interest is in people. We are naturally interested in housing because of its effect on crime, juvenile delinquency, disease, and so forth.

At its last executive committee meeting in January, the Federal Council adopted this resolution which, through your courtesy in asking us to appear, we would like to have read into the record:

Both in the social ideals of the churches and on many other similar statements, the churches of the Federal Council are committed to the protection of childhood and of family life. Yet millions of people, because of their low income and the high rents in urban areas, are compelled to live in conditions in which the maintenance of wholesome family life is almost impossible.

Accumulated evidence of many social surveys and studies shows that bad housing is conducive to juvenile delinquency, crime, and disease. It robs homes of the God-given rights to sunlight and fresh air, denies children adequate places for play, and creates an environment tragically detrimental to the standards for childhood and the family for which the churches stand: Therefore be it

*Resolved*, That the executive committee of the Federal Council of the Churches of Christ in America appeal to church members generally to support all sound and effective measures for a thorough housing program, urban and rural, including community planning for all groups and races, slum clearance and rehousing when necessary; and without passing judgment on any particular legislative proposals, approve the general principle of assistance by Federal, State, and local governments.

I will be glad to answer any questions if the committee members have any.

Senator TAFT. We will be glad to hear anything you have to say. We have had pretty general principles presented quite elaborately at our former hearing. A great many people agree with the position you take.

Mr. BOYD. I think the only statement I would like to make in regard to this is that it is a tremendous problem. Our concern is for people as a whole, the country as a whole, not this community only.

This community may be social-minded and another may not be, and the program is uneven unless backed by the Federal Government which sees the problem in total.

Senator TAFT. You believe in a continuation of the public housing program?

Mr. BOYD. Yes, sir.

Senator TAFT. Thank you very much.

The committee will adjourn until 2:30 this afternoon.

(Whereupon, at 12:30 p. m., the hearing was recessed until 2:30 p. m., of the same day.)

#### AFTERNOON SESSION

(The committee reconvened at 2:30 p. m., pursuant to adjournment for the noon recess.)

Senator TAFT. Is Mr. Kreutz here?

Mr. KREUTZ. Yes, sir.

Senator TAFT. I think we will start.

#### STATEMENT OF OSCAR R. KREUTZ, EXECUTIVE MANAGER, NATIONAL SAVINGS AND LOAN LEAGUE

Mr. KREUTZ. My name is Oscar R. Kreutz. I am executive manager of the National Savings and Loan League. I was formerly general manager of the Federal Savings & Loan Insurance Corporation.

In behalf of the National Savings and Loan League I wish to thank this committee for the opportunity of making this second appearance to present new material which we were not free to present on January 19, 1945.

Our president, Mr. Arthur G. Erdmann, planned to be here today but was prevented by illness from leaving Chicago. Likewise, Mr. J. J. O'Malley, Wilkes-Barre, Pa., and Mr. Oscar Falling, Waltham, Mass., chairman and vice chairman, respectively, of our Federal legislative committee, were unfortunately prevented from being present.

At the outset, the National Savings and Loan League desires to assist the thinking of this committee by clarifying one major element of confusion in much of the testimony that has been presented to you. Much has been said about housing agencies and the need for consolidating and coordinating the great number of Federal activities dealing with this subject. Either the assumption upon which this testimony has been based is too narrowly conceived or it covers entirely too much territory.

For example, if the Federal Home Loan Bank Board (Administration) is a housing agency, then so is the Federal Reserve Board. The members of both systems make loans on homes. If the agency which supervises Federal savings and loan associations is a housing agency then so is the agency which supervises national banks. Both types of institutions grant loans to home owners. If the Federal Savings and Loan Insurance Corporation is a housing agency, then so is the

Federal Deposit Insurance Corporation. The members of both have in their portfolios mortgages on homes.

You readily recognize the absurdity of classifying as housing agencies the Federal Reserve Board, the office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. We contend that it is equally absurd to classify the Federal Home Loan Bank Board (Administration) and the Federal Savings and Loan Insurance Corporation as housing agencies.

The preamble to the Federal Home Loan Bank Act says: "An act to create Federal home-loan banks," and so forth. By this law Congress established a system of banks or credit-reserve institutions and not housing agencies. Nowhere in this law is there any reference to any "housing agency." No sentence in this law places upon those who administer it any responsibility for providing more housing; or better housing; or, indeed, any type of housing.

The institutions which became members of the Federal Home Loan Bank System joined it to secure a degree of liquidity not theretofore available to them. The primary purpose of this system is to provide a reservoir of credit through which this liquidity can be assured. This purpose must be preserved at all hazards and should not be made subordinate to any housing program, however well intentioned its proponents.

The Federal home-loan banks have been and must continue to be interested in improving home financing methods and techniques. They assume constructive leadership in their field in the same manner that Federal Reserve banks have helped their member institutions to improve business and industrial practices. But the primary purpose of these Federal credit agencies has not been to dictate the kind of houses for people to live in, or the methods of business operation. Instead, both are concerned with a sound system of credit to protect the funds supplied by millions of thrifty investors, shareholders, and depositors.

In authorizing the chartering and supervision of Federal savings and loan associations Congress prefaced its action with this statement: "In order to provide local mutual thrift institutions in which people may invest their funds, and in order to provide for the financing of homes," and so forth. The chief functions of Federal savings and loan associations is therefore to provide facilities for the accumulation and the safe investment of the savings of the American people. We agree that most of such accumulations are invested in home mortgages. But the Board which supervises these institutions is not a housing agency. It supervises financial operations, not housing construction or ownership.

When Congress created the Federal Savings and Loan Insurance Corporation, it made no reference to the Nation's housing problems. This Corporation is charged with the responsibility for insuring the safety of investments in Federal savings and loan associations and in such State-chartered institutions as elect to avail themselves of its facilities.

Nor is it germane to state that these agencies deal with institutions which finance homes. To be sure the assistance which these agencies render their members has given the American people a greater sense of security in investments in them. As a consequence a greater volume of home financing capital has been made available to them.

In the statement of the National Housing Agency before this committee on January 9, 1945, support was given to the above contentions in the following words. In discussing the Home Loan Bank System, it was stated:

The chief function of the 12 regional Federal home-loan banks, set up under the act of 1932 and now under the supervision of the Federal Home Loan Bank Administration, is to supply, primarily on first-mortgage collateral, funds required by member institutions to meet home financing needs in their communities and the withdrawal demands of \* \* \* their investors (p. 43).

In regard to Federal savings and loan associations it was stated:

The chartering of Federal savings and loan associations \* \* \* was designed primarily for two main purposes: First, to provide sound thrift and home financing facilities \* \* \* and to develop under Federal charter a group of home financing institutions operating under the best standards and practices (p. 44).

With respect to the Federal Savings and Loan Insurance Corporation, it was stated that it—

was established by the Congress to do for savings and loan associations what the Federal Deposit Insurance Corporation was doing for banks (p. 44).

In short, studies of the Federal Home Loan Bank System, the chartering and supervision of Federal savings and loan associations, and the Federal Savings and Loan Insurance Corporation lead to the conclusion that all of the Federal agencies concerned with their problems are a part of our national credit structure and do not belong with housing programs.

The same conclusion is reached from a study of the Federal Housing Administration. This agency was established by Congress to encourage private lending institutions to resume lending to home owners rather than to participate in any public housing program. It too should be completely divorced from housing programs as such.

In a system of economics as sound and as prosperous as that created by private enterprise for the American people we can afford to be liberal in dealing with those who are unable to create for themselves desirable standards of living. We help to educate the children of low-income families; to clothe those who need assistance; and to house those unable to pay an economic rent. In our anxiety to be helpful, however, we must be careful not to harm rather than help; and we must keep our assistance within bounds that will not encourage greater demands against the public purse. The American people will help those who need help. But we need to think through Federal housing plans and programs very carefully. Above all else we must recognize any and all housing programs for just what they really are. We must not make the mistakes of confusing housing agencies with credit agencies.

Nor do the American people who are able to pay for what they get desire regimentation of their daily lives in peacetime, however well-intentioned the planners.

The National Savings and Loan League is a typical American institution. Our members are representative savings and loan associations manned by operators who are rendering a real service to the thrifty people and the home owners of our communities. We appreciate the assistance which Congress has rendered to our institutions in providing the Federal Home Loan Bank System, the Federal Savings and Loan

Association charter, the Federal Savings and Loan Insurance Corporation, and the Federal Housing Administration. We most emphatically do not believe that any of these agencies should be continued under the National Housing Agency. From our vantage point of experience we believe most sincerely that continuation of these credit agencies under the National Housing Agency and housing-minded officials can result in much harm and in little if any good to the American people.

To be sure all of these agencies were placed in the National Housing Agency in 1942 by executive order. Leaving out of consideration war housing which is an emergency program, the N. H. A. has not made a single contribution to any of the above credit agencies and could not as a housing agency make any contribution in the future.

In the report of the National Housing Agency to your committee on January 9, 1945, there is a list of the—

qualitative improvements in housing mortgage finance achieved during the past 12 years (pps. 37-38).

(1) There has been general adoption by mortgage lending institutions of the long-term amortized loan plan, to replace the costly and hazardous short-term, lump-sum-payment mortgage in prevalent use before the depression.

I might add that that type of amortized lending was pioneered by savings-and-loan associations some 100 years ago and at long last other financial institutions lending on the security of homes and real estate have come to adopt the principle of the monthly amortized loan.

Senator ELLENDER. To what extent have you suffered since 1942 when you were placed under National Housing?

Mr. KREUTZ. I do not know, Senator, as there are any specific instances that could be named in reply to that question.

Senator ELLENDER. Well, I have tried to obtain an answer from several other witnesses and up to the moment I have not been able to obtain an answer and I would like for somebody to present reasons or give us some evidence of the fact that you suffer because you have been under National Housing. I think that would be the test.

Mr. KREUTZ. May I say that during the period when these credit agencies have been under the National Housing Agency, times have not been normal. These institutions have not made loans on the same basis as they did in the past in that there has been very little new construction except for war housing and so their operation has been circumscribed and pretty well defined by the needs of the war effort. During that period the officials of the National Housing Agency have properly been giving their attention to the war housing needs of the country and have done a fine job.

Senator ELLENDER. Well, to what extent has Mr. Blandford or anyone connected with housing interfered with the operation of any of these loaning agencies? In other words, haven't these loaning agencies carried on without interference, weren't they their own bosses to the same extent that they were before 1942 when they were placed under Housing?

Mr. KREUTZ. To a considerable extent, I am sure that is true, Senator. There has been, I am satisfied, very little interference during this period with the procedures and operations of the credit agencies.

Senator ELLENDER. We had an example this morning. I attended a meeting of the Agricultural Committee wherein evidence was presented by witnesses to show that by placing R. E. A. under Agriculture, R. E. A. did not suffer as much as the opponents of the plan thought it would. Since 1939 R. E. A. has been under Agriculture and one witness said that at first he was violently opposed to it, but since that time he has found out that things have worked out better than he expected.

I presume that a lot of these agencies fear being put under another agency because the latter might become too powerful and in some way interfere with their operation. I think we should try and consolidate some of these bureaus. We in Congress have been criticized very severely for letting so many bureaus grow under our very eyes. Many of us think we should try and put as many of these as we can under one umbrella. If you have facts to present to the committee to show that these loaning agencies have suffered, I want to know them. Such evidence might temper my views.

Mr. KREUTZ. I may touch on that to your satisfaction a little more later on in the statement, but more particularly I think with respect to the situation as we may expect to find it during normal times, at the end of the present emergency.

Senator ELLENDER. Yes.

Mr. KREUTZ (reading):

(2) There has been a general substitution of the high percentage single mortgage method of financing for the more expensive and complicated pyramid of first, second, and third mortgage financing once prevalent.

(3) There has been an appreciable reduction in the cost of home financing.

(4) There has been a marked improvement in appraisal standards and practices during the past decade.

(5) The past 10 years have witnessed the creation of an organized "secondary market" for mortgages, which permits a degree of fluidity never before attained in our mortgage system.

(6) There has been a substantial narrowing down of regional differences formerly prevalent with respect both to the availability of mortgage bonds and their cost to the borrower.

We should like to emphasize that all of the foregoing improvements in the field of urban mortgage finance were accomplished through the joint efforts of private lending institutions and Federal credit agencies. The National Housing Agency did not and could not make any contribution to these improvements.

Senator TAFT. However, this was the Federal Government and it was the Federal Government doing something about housing. I do not see the logic of the argument. It was not the National Housing Agency, because it was done before that was created. I do not think we can say that F. H. A. is not a Government agency primarily concerned with housing. I do not think you can say it is a credit agency only. It is a housing agency. That is its exclusive function.

Mr. KREUTZ. The point we would like to make, if possible, is that these credit agencies in particular are more concerned with the credit aspects of the financing of housing than they are with the construction aspects and the programing of housing.

Senator ELLENDER. Quite a few members of your association are not very much interested in public housing. That is true, is it not?

Mr. KREUTZ. I think so. Yes, sir.

Senator ELLENDER. I believe that in post-war housing, we should work from the local level. A survey should be made by local interests interested in housing, public and private, including members of your organization, to determine the housing needs and the extent to which private enterprise, such as private loaning agencies, can supply that need. It strikes me that your association, that is, the Home Loan Associations of the various States, ought to work together with those interested in public housing with the understanding that private enterprise will be given the first opportunity to supply the housing needs. If it should develop that private enterprise cannot do the job in full, then public housing advocates should step in.

Reasoning from that standpoint, it strikes me that it might be beneficial to place all housing agencies as well as loaning agencies under one umbrella. All are interested in housing and should be willing to work together so as to supply housing needs.

Mr. KREUTZ. We would certainly agree, Senator, that there should be very careful surveys made at the local level by the local people, who have the primary interest.

Senator ELLENDER. Who is better able to do that than you who are interested in building homes, loaning money on them, and other people who are truly interested in supplying the need of the community?

Mr. KREUTZ. I think no one.

Senator ELLENDER. That is right.

Mr. KREUTZ. I hope I did not leave the impression that our institutions are not interested in this local housing problem and are not interested in the problem of housing, and public housing, too, if you please—they are interested. They are not interested in promoting public housing.

Senator ELLENDER. No; but I believe that you could show that your services could be better utilized.

Mr. KREUTZ. Yes.

Senator ELLENDER. By working as members on a committee which is interested in supplying local housing needs.

Mr. KREUTZ. I am sure, Senator, that they would agree with that point of view and would cooperate wholeheartedly in local programs of that kind, and that they would also feel that all other lending institutions and individuals, too, if they could in some way be brought into the picture, should cooperate in such local studies.

Now, for example, banks and trust companies of this country, made in 1944 more than \$800,000,000 worth of mortgage loans, urban mortgage loans of \$20,000 or less. That is about two-thirds of the volume made by savings and loan associations. Then mutual savings banks and insurance companies came along and made another substantial volume. All of those lending institutions are very much interested in the problem which you described and I should think, and I am satisfied they would be glad to get together locally to discover the facts and to try to work out solutions for the problems.

Senator ELLENDER. Well, of course, I would say that their interest should be mutual.

Mr. KREUTZ. Yes.

Senator ELLENDER. In seeing that all citizens in a community are adequately and properly housed.



Now, with that in view, it strikes me that it would be an easy matter to form one single committee, composed of men and women who are interested in loaning associations, F. H. A. and every form of housing, whether public or private, with the understanding that the private enterprise will be given first chance at supplying housing needs. It strikes me, with that in view, you folks should not have any difficulty in getting together. I believe all the opposition generated here in the last 2 years, not wanting to be under one agency with others, wanting to be independent, grows from the opposition existing among loan associations, and others, to public housing. I may be wrong in that, but that is my honest conviction.

Mr. KREUTZ. May I suggest a further reason, Senator, and that is the fear that many of these institutions in private capital have, with respect to the effect of any large-scale public housing projects—

Senator ELLENDER. I understand. I get that point of view too. But still, it is within your hands to tell what the needs are and supply the needs as I suggested, that is, first let private enterprise get a shot at it, and if you cannot do the job, then let some of it be done through public housing. I do not see where there should be much objection, because you are the one to determine the need and then supply the need to the extent of your ability.

Mr. KREUTZ. Right. But we would like to see that job done locally.

Senator ELLENDER. So would I.

Mr. KREUTZ. From beginning to end, so far as possible.

Senator ELLENDER. Well, if I were to support any housing bill, I would insist that that be included in the bill. Let the need be decided at home. Let the home folks decide what they want and if they need help they can come up here and we can help them. Let us not go out to them first.

It strikes me that in New Orleans or any other big community some effort ought to be made by every loaning agency; every housing agency and every organization interested in home building, whether it be the actual construction or the financing, ought to get together and create a committee to decide the needs and how those needs can be fulfilled.

Now, if you could make up your mind to do that, I do believe you would not have much difficulty in trying to overbuild.

Mr. KREUTZ. I am sure they would be interested in doing that, Senator; and in New Orleans the Homestead Associations which for many years have done a large share in the financing of local construction and buying there, have organized themselves to be just as helpful as they can with the solution of that local problem.

Senator TAFT. I think we have an over-all housing council or something in Cincinnati. A good many cities are trying to follow that.

Mr. KREUTZ. But if I may make the point again—that in connection with those studies these strictly financial institutions and credit institutions that work with the credit agencies feel that they have no more claim in a Federal housing agency than do the commercial banks, trust companies, or other financial institutions which are doing a pretty substantial part in the financing locally.

Senator ELLENDER. But when you boil it down, all of you are interested in one thing. What is it? Housing, isn't it?

Mr. KREUTZ. Primarily, I should say, Senator, in increasing the percentage of home ownership in this country.

Senator ELLENDER. That is your business. That is how you live, by inducing me, a man of moderate income, to invest in a home. That is your business.

Mr. KREUTZ. Yes.

Senator ELLENDER. Your business ought to be extended not only to those of means, but to others who would benefit by your advice. It strikes me that you ought to work hand in hand. I may be all wrong about it, but my own opinion is that because of the antagonism existing in quite a few of these loaning agencies you folks cannot work together.

Mr. KREUTZ. Shall I proceed?

Senator TAFT. Yes.

Senator ELLENDER. I am sorry to have interrupted you.

Mr. KREUTZ. In addition to the fact that the N. H. A. has nothing to contribute to the Federal credit agencies in the home financing field, there are other objections to the continuance of their present unnatural and illogical combination under the N. H. A. One objection is the increased burden of cost which these self-supporting credit agencies are required to bear in financing the N. H. A. Another objection is the impression which this temporary arrangement makes upon all who deal with these agencies. The old adage that "a man is known by the company he keeps" applies with telling force here. To an ever-increasing extent those who deal with these credit agencies are raising the question: "To what extent are your decisions colored by your membership in the N. H. A. family?" This family, by the way, is considered to be fathered and mothered by housing-minded persons. The credit agency members are looked upon as step-children.

This stepchild status is well illustrated in the current relationships between Congress, on the one hand, and the Federal credit agencies created by Congress, on the other. Before the Executive order of 1942 took away from Congress its direct control over these credit agencies you were able at all times to learn directly from them their needs and their problems. Although they are all self-supporting and provide their own funds to pay operating and administrative expenses, Congress had control over their administrative expenses through the medium of annual authorizations for that purpose. Under the present arrangement of these agencies under the N. H. A. these requests are intermingled with requests for appropriations of public moneys to support public housing agencies.

Senator TAFT. However, they each present their needs to the Appropriations Committee entirely separately and without restraint, so far as I know.

Mr. KREUTZ. I think that this year, perhaps, for the first time, there was a consolidated budget proposal made, and then the individual agencies came along later to justify their individual—

Senator TAFT. In fact, I think Mr. Ferguson and the others told me that there was no change, that Mr. Blandford went down there but really said nothing, that the agencies presented their cases separately for appropriations, but I am not sure about that.

MR. KREUTZ. Likewise in presenting to Congress requests for modifications in existing legislation, the home financing credit agencies must filter their requests through an intermediate agency. This agency is manned by people whose thoughts are preoccupied with public housing and Federal control over private housing. Some of them, indeed, have little understanding of, or sympathy with, the needs and problems of urban home financing credit agencies. This filtering process is no mere reporting operation. The credit agencies make their reports to the N. H. A., which in turn submits to Congress whatever appeals to its leaders. Even the existence of the filtering process is bound to influence the recommendations and requests made by the credit agencies.

In a similar manner the reports made to Congress by its own home mortgage credit agencies must be filtered through the same housing-minded N. H. A. group. When the reports of these self-supporting credit agencies reach Congress they are intermingled with the operations of the subsidized public housing program.

This committee need not be reminded that private home financing and publicly financed housing are in serious conflict at most points of contact. To the extent that public housing is favored, privately financed housing is discouraged. It necessarily follows, therefore, that when you place the fortunes of your own Federal credit agencies, whose chief purpose is to assist private home financing institutions, under the control of an agency which is primarily interested in public housing and in public control of private housing, you greatly handicap private home financing operations. Good intentions and inherent honesty are not sufficient to insure fair administration.

Under any conceivable plan of financial support which Congress is likely to give to public housing, the total product cannot absorb more than a very small proportion of the total construction of housing units in the post-war period. It is illogical to permit the ideals of the public housing group to dominate the thinking and the planning for the much larger private housing program.

You Members of Congress realize more clearly than the rest of us the nature of the economic and financial problems which face our Nation in the post-war period. With a staggering public debt and Budget prospects for the indefinite future that are anything but encouraging, it is desirable to do everything within our power to encourage private enterprise to maintain production and employment at a high level. It happens that in the field of home construction we find one of the bright spots in the post-war employment picture—if we take precautions to avoid making any unnecessary changes that will result in discouraging private enterprise. Many Americans are saving a part of their wartime incomes for the purpose of buying homes. Total savings at the present time are at an all-time high. This pent-up demand alone will occupy the time and the energies of the construction industry for a long time to come. Add to this the very laudable encouragement which Congress has offered to the returning veterans in assisting them to finance homes, and we can readily see that we will tax the capacity of home production facilities for years after we are permitted to resume private construction.

It is encouraging to note evidences of improving construction techniques and of the increasing interest in home construction by larger companies than have dominated the industry heretofore. If such

companies are not discouraged from entering the housing field by unwise legislation it is probable that Americans will be able to purchase better housing facilities at less cost than would be available to them otherwise.

In anticipation of the demands against our facilities in the financing of homes for civilians and in furthering the plans of returning veterans, the savings and loan associations of the country are ready and anxious to resume our role of playing the leading part in the financing of American homes. We wholeheartedly approve of the plans of Congress to offer special home financing terms to returning veterans. To both them and all others who need our assistance in the financing of their homes we are prepared to offer the lowest costs and the most favorable terms in history.

The National Savings and Loan League commends the recent action of President Roosevelt and the Senate of the United States in approving the George resolution. In his message to Senator Barkley the President was quoted as saying:

In 1942 when I transferred certain functions of the Federal Loan Agency to the Department of Commerce by Executive order, I provided that they should be returned to the agency 6 months after the conclusion of the war or sooner if the President or Congress should decide upon an earlier date. Therefore, should Congress return these functions to the Federal Loan Agency at this time by the George resolution, I would approve the measure.

Again the President has reiterated his intention to return to the Federal Loan Agency those home financing credit agencies which he took from it by Executive order in 1942. Let it be noted that in his reported communication to Senator Barkley the President did not indicate any reservation as to any units of the Federal Loan Agency. Therefore we must conclude that he intends that all wartime transfers of this character should end 6 months after the conclusion of the war "or sooner if the President or Congress should decide on an earlier date."

The National Savings and Loan League hopes that the home financing credit agencies of the Government will be transferred to the Federal Loan Agency at an early date.

Senator TAFT. Mr. Kreutz, the substance of your difficulty seems to be that the National Housing Agency—you speak of it as a public housing agency, and you speak as if Mr. Blandford were a public housing man. Is it your charge that that is the fact? For, after all, the public housing agency is separate. Mr. Klutznick testified it was entirely separate, and the N. H. A., I understand, is not supposed to be a public housing agency in any sense. Do you feel that it is?

Mr. KREUTZ. It is our feeling that the underlying philosophy of the people in the National Housing Agency is that—

Senator TAFT. You mean in the overhead organization?

Mr. KREUTZ. Yes, sir; is sympathetic to the whole idea of the programming of housing through the Federal Government to a considerable extent. True, using the local facilities and making local studies, and all that sort of thing, but with perhaps a bit of emphasis on the role which public housing and large-scale housing developments can play as contrasted to the philosophy of preaching and promoting and development of a higher percentage of the individual home ownership.

Senator TAFT. That did not seem to appear in Mr. Blandford's statement at all to the committee. It seems to me he put more

emphasis on private housing than public. You may be right; I do not know. I just wondered if that was your claim, that the overhead organization of the National Housing Agency was primarily interested in public housing and was not interested in the other problems.

Mr. KREUTZ. Let us say primarily interested in large-scale housing rather than in the promotion of individual home ownership.

Senator TAFT. All right; thank you very much.

Mr. KREUTZ. Thank you.

Senator TAFT. Mr. Merrion?

Mr. MERRION. Yes, sir.

Senator TAFT. All right; you may proceed, Mr. Merrion.

## STATEMENT OF JOSEPH E. MERRION, PRESIDENT, THE NATIONAL ASSOCIATION OF HOME BUILDERS OF THE UNITED STATES

Mr. MERRION. I am Joseph E. Merrion, president of the National Association of Home Builders of the United States.

This is Mr. James Wilkes, attorney for the association, and Mr. Frank W. Courtwright, executive vice president of the association.

I am a practical home builder. I come before you as the president of my group, which is composed of thousands of small businessmen like myself who have been building the great bulk of housing units in this country. They, in turn, speak for other thousands of people associated with them in the construction of homes down to the smallest carpenter building homes, who presently construct two or three houses a year. Like the farmers, we produce shelter, have no great concentration of production or power.

The building of houses is primarily a series of small operations, but we and our predecessors in the home-building industry have provided the 37,000,000 homes that now house the American people; and, in the opinion of experts in and out of the Government, this housing is, for the most part, good. It is a better job of housing than has been done in any other country of the world. There is no question that a certain number of these housing units, impressive in number but small in percentage, were built to a very low standard. There is no question that age, obsolescence, and population movement in cities and the encroachment of destructive elements have made similar large volumes of housing inadequate and in some cases unfit for human habitation. The introduction of the normal complement of building during the depression and again under the restriction of the war has built up a need within itself enough to strain the resources of ours or any other industry. A large part of supplying this over-all demand may well be said to be the builders' job.

Our membership is composed of individual home builders in 46 States and of the membership of affiliated local home builders' organizations in more than 80 cities throughout the country. It is estimated that at least 80 percent of the individuals and firms that are currently engaged in the private-home building business are included in our membership. Established on a national scale, we are the spearhead through which the activities of the many component parts of the housing industry reach their culmination. Because we initiate to a great extent the home building of the country, and because we are accustomed to viewing all of the many contributing factors to the creation of a home in their proper relationship, we feel that a large

part of the responsibility for the future housing of America is ours. And we are fully aware that there must be a vigorous analysis of the assets of this industry and a long range, statesmanlike regard for the whole public interest.

Before the outbreak of war, it became apparent that an immense housing program would be necessary to house the immigrant war workers to operate new war plants and shipyards. It also became apparent that with some assistance from a new F. H. A. mortgage insurance procedure private enterprise could do the major part of the construction. Our association therefore established the Washington office and staff, and since November 1941 we have met with all interested agencies of Government to clarify priority procedures, to assist in preparing the F. H. A. title insurance provision, to present the problems of the builders to Government, and to act in a liaison capacity between Government and home builders in the field.

*Privately financed war housing.*—In contrast with World War I, when only 30,000 privately financed war housing units were erected, more than a million accommodations have been produced during this emergency by private enterprise. In approximately 750 localities 800,000 new dwelling units were constructed and 200,000 apartments were converted for the war effort by private capital at a total valuation of \$4,000,000,000.

Although the bulk of our war housing assignment has been completed, we are still engaged in providing housing under the H-1 and H-2 housing programs of the National Housing Agency. Conscious of the war need, home builders willingly accepted innumerable restrictions imposed upon them by various agencies. However, with the completion of our war-housing job, we are determined that all these restrictive limitations placed upon our industry must be eliminated at the earliest possible moment in order that we may prepare to meet with equal vigor and success the immense post-war responsibilities which will be ours.

*Objectives for the transition and post-war period.*—For the transition period, we are concerned with the following objectives:

1. The continued construction of war housing when and where it is required for our war plants.
2. The most efficient utilization of all war housing, both privately and publicly financed, to insure its maximum benefit to the war effort.
3. The lifting of L-41 to permit civilian housing as soon as direct war needs for materials and manpower permit—thus relieving the housing shortage, supplying employment and securing the momentum necessary to quickly meet the full post-war housing assignment.

*Long-range housing program.*—As I have said, the primary objective of the National Association of Home Builders is to assure adequate housing in a decent environment for every American family in the shortest possible time. In order that this may be accomplished, we have set up a number of committees charged with studying the problems involved in each of the following major subjects:

1. The production of an unprecedented volume of new housing at the lowest possible sales and rental levels. This can be accelerated by lowering site assembly costs, by lowering the cost of materials, by research, by constantly improved design, by closer cooperation with labor, the modernization of building codes, through more improved financing procedures, and by better planned subdivisions and communities.

2. The strict enforcement of present health and safety codes and the promulgation of new ones to the end that substandard structures are either demolished or rehabilitated into good, safe, and sanitary homes.

3. An educational campaign to insure adequate property maintenance and better housekeeping.

4. The encouragement of home ownership among the great masses of our people.

5. The rebuilding of the worn-out areas of our cities, conforming with a comprehensive city plan which will insure the most logical use of the redeveloped area, by the enactment of legislation to create redevelopment agencies with powers of eminent domain for the acquisition of land in blighted areas, the demolition of unsound structures, and the subsequent sale or lease for redevelopment.

6. Aid to individuals and families unable to pay economic rents, through local public welfare agencies receiving their funds from local, State or Federal governments.

*Disposition of public war housing.*—In addition to the privately financed war housing, the Government has built some 700,000 units with public funds. Approximately 400,000 of these are temporary family dwellings and dormitory accommodations. The Lanham Act has been amended to require that these be removed within 2 years after the end of the war excepting where the communities and the Federal Government agree that there is a special continuing temporary need in the interest of orderly demobilization of the war effort. In spite of this legislative requirement enacted in the hope of preventing future slums or ghost towns, it is recognized that local pressure against the removal of this housing in some instances be very strong. Appeals for its continuance will be made by the occupants, by local merchants with a selfish interest, and by various civic groups proposing that the housing be used temporarily by veterans, present occupants of blighted housing and others. It is our recommendation that certain steps be taken in advance of the time the structures should be removed. This will include:

(a) Definitive action by N. H. A. so that there will be no question as to which projects are permanent and which are temporary.

(b) Surveys made to ascertain what percentage of the occupants will leave the locality as war production terminates and what percentage wish to remain in the area.

(c) Studies be made of housing available for those who wish to remain in the community.

(d) Replanning of the project site to permit private enterprise redevelopment of permanent housing utilizing most of the improvements installed.

(e) Arrangements should be made for the disposition of the materials and equipment salvaged in order that normal production and distribution channels will be distributed to the minimum extent.

The balance of the public war housing program involves 130,000 permanent family dwellings, 70,000 demountable dwellings, 60,000 units financed under the United States Housing Act and some 50,000 apartments and converted properties leased by the Government. Procedures for disposing promptly and equitably of the 200,000 permanent and demountable dwellings should be established well in advance of the time they are placed on the market. Safeguards must be set up to prevent a recurrence of the forced sale of World War I properties with the consequent deleterious effect upon realty

values in the adjacent areas. Much of this housing represents good value which should be realized.

*Interim housing program.*—The National Housing Agency recently initiated a program of residential construction known as the H-2 program to provide employment and supply housing for the resident war worker, veterans and families of military personnel in congested areas. If the W. P. B. limitation order L-41 is lifted immediately after the fall of Germany, and that takes place in the reasonably near future, the interim program referred to will probably be abandoned. Should the war be protracted for an extended period of time this H-2 program is important because it will provide housing for badly congested communities and will counteract inflationary trends in the price of housing and it will keep the lifeblood flowing in the industry. With the responsibility of providing employment in the post-war years for at least 3,000,000 workers on and off site, it is essential that the maximum momentum in this industry be maintained. During the balance of the war years, therefore, it is essential that within the limitations of manpower and critical materials necessary to the direct war effort, maximum activity in the entire construction field should be maintained.

*Negro housing.*—There is no question but that one of the most urgent housing needs of the country is adequate housing for Negroes. At our recent conference in Chicago a committee composed of outstanding men from 50 important industrial cities met. They have pledged the construction of at least 50,000 units both for rental and sale to Negroes at the earliest possible moment. While during the war housing job, the builders of the Nation have learned many things. They have learned to construct good housing for members of the Negro race. They have learned the very real advantages of building housing for rental. They will do a far better job of housing all groups of our people than has ever been done in the past.

*Long-range housing requirements.*—Administrator Blandford of the National Housing Agency has recently stated that the total housing need for the first post-war decade is 12,600,000 nonfarm dwelling units. In addition to this, the Administrator believes that nearly 4,000,000 substandard structures should be replaced. Half of the total estimated need is replacement need and the other half to take care of the increase in the number of households. These fall into four general categories.

(1) Normal increase in families and migration from farms, 4,100,000;

(2) Married servicemen's households to be established or reestablished, 1,400,000;

(3) Undoubling of married couples living with another head of a household, 700,000;

(4) 100,000 units to bring vacancies up to 5 percent of the total housing supply in 1955.

Due to the dearth of building during much of the depression, followed closely by the cessation of civilian building in 1941, there has developed in this country an unprecedented need for housing. Savings in unheard-of volume await an outlet. The G. I. bill of rights has made it possible for millions of our returning soldiers to finance the purchase of a home. We, therefore, agree that 1,000,000 or perhaps a larger number of houses per year are urgently needed in the first few post-war years.



*Research and statistical reporting service.*—Although we do not approve of the Kilgore bill as introduced, we are convinced that research to assist the private construction industry is vitally essential. Although there is a vast quantity of private research on individual products, there must be additional study by Government on such subjects as combinations of materials, methods of fabrication, education of tradesmen, new techniques in plans and specifications and design. Sharp lines of demarcation as to activity must be drawn between private industry and Government, but integration of these activities is necessary. Furthermore, a reporting system of statistical information should be established in order that the industry may know the housing needs in all parts of the country and may thus prepare itself to meet these needs.

*Permanent Federal administrative organization of the housing agencies.*—We have worked well during the war period with the National Housing Agency and believe that its function in the war pattern has, in large part, been well performed. We recognize the need for programing housing during war times, for allocation of critical materials, even for the erection of temporary dwellings in fast developing war centers at the expense of the Federal Government. The Presidential order setting up N. H. A. was an emergency war measure. We believe that N. H. A. should be terminated at the earliest possible moment.

*The Federal Housing Administration.*—The F. H. A. has made a great contribution both to housing and to the general economy. It has established a pattern of good construction, good land planning, and sound financing which is of immense importance.

In order to meet the full housing and employment need we feel that certain liberalizations in the National Housing Act should be recommended. Longer amortization, smaller equity risk in the low-priced bracket are needed if we are to penetrate further the area of low-income groups.

As one of the few self-supporting agencies of government, F. H. A. need not be treated in the same fashion as most other agencies of government which are a burden on the Federal budget. We believe the Federal Housing Administration and the Federal Home Loan Bank Board should be returned to their original independent status—or placed wherever they can as relatively independent agencies perform the maximum service to the industry and to the public. We are presently studying proposals which would liberalize somewhat operation under sections 203 and 207 of title II and at a later date will present these to Congress.

The responsibilities of the housing industry in the post-war period will be immeasurably greater than they have ever been in the past. First, an unprecedented number of people must be employed on and off site; and secondly, an immeasurably greater quantity of housing for all income groups must be supplied than ever in the past. In order to meet these new demands it will be the responsibility of F. H. A. to blaze new trails in the field of mortgage insurance.

Originally created as an employment measure, it soon became clear that its effect was to stimulate the industry and to set new standards of financing operations in the private mortgage banking field. Our primary objective is that the maximum efficiency of operation to meet new conditions is achieved. A happy medium must be found in administration between the too conservative and the too liberal.

*Public housing.*—Although we are as a nation the best-housed people in the world, there are slums and blighted areas and blighted housing in which some millions of our lowest-income group live under disgraceful conditions. We are agreed that these slums must be eliminated. We are convinced that this is a job for private enterprise to do in each community by the community and the State. For many excellent reasons it is not a job for the Federal Government.

During the depression years proponents of socialized housing in this country were successful in persuading the Congress to pass the United States Housing Act. The financing procedure, the conditions under which the housing would be built, and the class of tenants which would be accepted were kept so vague and complicated that the true facts are difficult to ascertain. The Congress generally felt that it was a relief measure primarily designed to provide employment. They were led to believe that the worst slums would be cleared and rebuilt, and those in the greatest need of housing would benefit by the immense public expenditure.

Examination of public housing discloses the fact that the cost of construction has often been exorbitant; the "one for one" demolition requirement has not been met; much of the housing has been built on the peripheries of cities while slums remained; and those who lived in the slums and those on relief have not generally been permitted to occupy the housing. Instead, a favored few, skimmed from the top of the lower-income group, have been housed at the expense of all others. Less needy families have occupied the new shelter, paying approximately half of the property's rental value.

We do not concede the need nor the right of the Federal Government, either directly or by subsidy to local housing authorities, to enter the housing field by building, owning, or operating permanent housing projects. We feel that in so doing the Government is invading the field of private enterprise, setting itself up in business in competition with citizens and taxpayers.

You may ask: "Who is to rebuild the slums of our cities, our villages, and our rural areas, and who is to rehouse the millions of Americans who are forced to live in substandard and unwholesome dwellings?"

Actually, this question does not get at the core of the problem. Rebuilding the slums and rehousing the badly housed are major social problems with which all good Americans, both in Government and out, are greatly concerned. Our industry can do the physical job of rebuilding more economically than any Government agency, as we have many times demonstrated. There is a profit in every job that is done for the Government, so that the cash outlay for the housing is always as much or more than the cost when done by the builder.

In my own city of Chicago, I find that the Housing Authority was building public housing projects—notably the Jane Addams and the Francis Cabrini Homes—at an average unit cost of \$6,351 and \$6,377 at a time when I and others were building and selling free standing single family houses on 60-foot lots in the near suburbs of the city for an average of \$5,500.

Senator ELLENDER. With the same facilities?

Mr. MERRION. With the same facilities.

Senator ELLENDER. Brick, the same construction?

Mr. MERRION. The same general construction, larger square-foot area, and I will say at least an equal standard of construction.

Senator ELLENDER. Now, you have mentioned two projects, the Jane Addams and the Francis Cabrini. Are there any others that were built cheaper than the amounts you have mentioned?

Mr. MERRION. Yes; we are submitting a report on the Chicago Housing Authority which gives the break-down of prices. I mentioned those two because they come at a period when we were building these comparable projects.

Senator TAFT. Were these houses fireproof? Are they apartments or houses?

Mr. MERRION. The public houses?

Senator TAFT. Yes.

Mr. MERRION. Well, they are row-type houses, attached houses.

Senator TAFT. Were they more fireproof than you built?

Mr. MERRION. No; I would not say so. They had brick walls and a brick wall between the two units, but ours had brick outer walls. Ours were not attached.

Senator TAFT. Take a thing like Laurel Homes in Cincinnati, that is all built of fireproof structure, and that certainly adds expense. I do not know how much expense.

Mr. MERRION. Is that a row-type house?

Senator TAFT. No; that is a downtown apartment house.

Mr. MERRION. That is different. They do not ordinarily build row houses in that construction. They build family dwellings that way. That is different.

Senator TAFT. These you say are comparable?

Mr. MERRION. Yes; these are comparable with the exception that one is free standing and the other is attached. That is exactly the same type of construction as the type of war housing that has been programed at the same time, for less money, I say, because the top price was \$6,000 and they were all able to build them and come out.

The most recent public housing project in Chicago, known as the Altgeld Gardens, consists of 1,500 small units averaging in cost \$6,000. There is not a similar unit of war housing in the Chicago area that wasn't built for less money during the war period by private Chicago builders. I offer for your further study the pamphlet showing costs published by the Chicago Public Housing Authority.

Senator ELLENDER. Was the cost of your land the same, comparatively speaking, as the cost of the land on which the public housing was built in Chicago?

Mr. MERRION. There is a variation there and, of course, there is a variation in the way the Public Housing Authority computes the cost of their land. I have never made sufficient study or been able to determine just how they arrive at it.

Senator ELLENDER. Well, as I understand, when public housing was first started, the idea was to clear the slums and the cost of demolishing, cleaning the lot, was charged to the property.

Mr. MERRION. I do not doubt that, Senator.

Senator ELLENDER. Of course, that in a measure increased the per unit cost. Now, do you think it is fair to make a comparison as you have indicated between public housing built under those circumstances with a home built maybe a mile or two out of town?

Mr. MERRION. Well, the last comparison that I made was between a public housing project built on the outskirts of town and other private housing built in similar areas.

Senator ELLENDER. When you say "similar areas," do you mean where the public housing was built?

Mr. MERRION. No; in thinly settled areas. This public housing project was not a clearance of slums. This was built on raw ground, on the periphery of the city and most of the war housing was built under similar circumstances.

Senator ELLENDER. And there was a difference of \$500 per unit according to your testimony.

Mr. MERRION. At least, I would say.

Senator ELLENDER. How do you account for that, because it was put up by the Federal Government?

Mr. MERRION. Well, I think the best way to answer that is that the men who have been building houses throughout their lifetime and who are accustomed to building them probably know more about building them and know more about—

Senator ELLENDER. You know, of course, that all the Federal Government did in those cases was simply to advance the money. Local authorities were created which borrowed money and proceeded to advertise and build the units.

Senator TAFT. For contractors to do it.

Senator ELLENDER. Yes; isn't that true?

Mr. MERRION. Yes; that is true.

Senator ELLENDER. Now, I presume that many of your members probably built some of these houses or units.

Mr. MERRION. Very few of our members do that kind of work. Our members buy their own ground, usually install their own improvements, finance their houses, build them, and sell them.

Senator ELLENDER. Well, you are really engaged in building individual homes in contrast to these large apartment buildings, aren't you?

Mr. MERRION. Well, primarily I would say individual homes are our business but we build a lot of rental projects, too.

Senator ELLENDER. Well, in your statement, on page 6, you said that for many excellent reasons it is not a job for the Federal Government. Now, what do you have in mind there, what jobs do you mean, building or furnishing the money to build?

Mr. MERRION. I think that the whole operation is one for private industry.

Senator ELLENDER. I agree with you, if it can be done, but suppose it cannot? You start off on a basis that slums ought to be cleared. All should have adequate homes. Now, do you think private industry could do that for Chicago?

Mr. MERRION. I believe so.

Senator ELLENDER. You do?

Mr. MERRION. Yes. Given the same exact implements that are furnished to the Government and to the Housing Authority.

Senator ELLENDER. What do you mean by that now?

Mr. MERRION. Well, first, the right of Government domain to condemn the land. Secondly, the tax benefit that they are given under local authorities. Thirdly, the same kind of bond financing that these public housing, local housing, authorities are able to operate under.

Senator ELLENDER. The trouble is that cannot be done without Government financing.

Mr. MERRION. Certain steps in that direction we feel can be taken that would aid us considerably.

Senator ELLENDER. I wish you would elaborate on that, if you do not mind, because—

Mr. MERRION. Well, I tell you, after I finish my statement, I am going to ask you to listen to Mr. Wilkes, who will give you a very definite outline of that kind.

Senator ELLENDER. I hope he can.

Mr. MERRION. It must be kept in mind also that in a housing project such as the Robert Brooks Homes in Chicago, where the rental schedule ranges from \$20.50 to \$38 per month, the Federal Government provides an added \$17 to \$18 per month. The average figure of such Government subsidy in the Chicago area is \$200 per year.

Senator TAFT. I am rather surprised at that because the average in the country is only \$100, and I thought the limit of the law is \$150.

Mr. MERRION. These are actual figures for the Chicago Housing Authority.

Senator ELLENDER. Well, it cannot exceed  $3\frac{1}{2}$  percent of the cost per unit. The evidence before us shows that last year it was 2.6. So if you take 2.6 of the cost of the highest one here, \$6,351, it would not be a thing like \$200.

Mr. MERRION. That is the average, but the allowance is how high?

Senator ELLENDER.  $3\frac{1}{2}$  percent. That is the maximum that can be paid under the act, as I recall, and of course it is made fluid. In fact, if persons are better able to pay a little more; that is, if they get better salaries, then there is that proportionate increase.

The evidence shows, as I said, that because of war and because some of the tenants in these houses received a little better salaries per month, the cost of the subsidy was reduced to an average, as I recall, of 2.6.

Senator TAFT. Well, it was less than \$100.

Senator ELLENDER. Oh, yes; much less.

Mr. MERRION. Well, that is the national average.

Senator TAFT. I thought the limit was \$150, that is 3 percent on \$5,000, approximately. That is the limit, I think. I am not sure.

Mr. MERRION. I received figures that came from the Housing Authority through a local newspaper that set up their average as \$204 on the projects now operating.

Senator TAFT. You mean in Chicago?

Mr. MERRION. In Chicago.

Senator TAFT. Well, we can check that and find out.

Mr. MERRION. Estimated over the 60-year period, this would indicate payment of the full cost of the housing unit twice during its lifetime. When we consider building housing units up to a total of 10,000,000, as is freely advocated, we would then add to the annual Federal expense the sum of \$2,000,000,000 a year, which over a period of 60 years would reach the astounding total of \$120,000,000,000.

Senator TAFT. Well, we are not considering any such sum as that. You do not need to be concerned about that.

Senator BUCK. How did you arrive at the \$2,000,000,000?

Senator TAFT. 10,000,000 houses at \$200 a piece.

Mr. MERRION. We are talking about 10,000,000 houses. Of course I have no statistics that prove that except that Mr. Strauss estimates that we might need 17,000,000 eventually.

Senator ELLENDER. You mean to clear the slums?

Mr. MERRION. Well, a total housing program to build for the lower third and part of the second third.

Senator TAFT. I think the Administration is much more modest.

Senator ELLENDER. I presume since the witness is against it, he is trying to paint as black a picture as he can.

Senator TAFT. I do not know, but I have an idea from Mr. Blandford's testimony that he had in mind something like 250,000 a year, something like 2½ million in 10 years. He did not say so expressly. At \$100 a piece that would be \$250,000,000, not \$2,000,000,000. I think that is about the highest figure mentioned—although the A. F. of L. did want to build 500,000 a year. I do not think you need fear this figure if size is what you are afraid of.

Mr. MERRION. That is what this country is facing when it contemplates the total program of public-housing proponents.

Is it not good business on the part of those charged with guarding the American taxpayer's money to exhaust every means to encourage private industry to do the job before adding this impossible load to the already overburdened American taxpayer?

Consider the loss of revenue to the Government in the issuance of \$54,000,000,000 in tax-free bonds required to finance this huge program, and the million of dollars of local taxes that would be lost to local taxing bodies.

Consider the political implications of placing hundreds of thousands of Americans in projects whose tenants are the beneficiaries of local and Federal subsidies. I insert for the record a story from the public press of the organization of some 100,000 public-housing tenants in the San Francisco area under the guidance of the local housing director. I insert also an opinion quoted from the director's book citing the grave political implications of public housing.

Senator ELLENDER. Is that an opinion or an actual fact, based on what?

Mr. MERRION. His opinion?

Senator ELLENDER. Yes; is that just an opinion of this writer?

Mr. MERRION. Well, this is a public housing director who has written a book and our quotation cites what he thinks are the grave political implications of mass public housing.

I refer you to the tragic experience of the city of Vienna, and various other cities in Great Britain and continental Europe with this problem of housing politics.

Our association is opposed to public housing not only because it will eventually destroy the entire building industry—dealers, financing institutions, and builders, but because it is the first step in the socialization of our country—the destruction of our democratic free-enterprise system. Like many evils, a first step and a small dose is appealing and popular. Only by fully recognizing the social, political, and industrial disaster which will come with its growth can one properly gage the eventual result.

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. As in the case of providing the other two essentials of life—clothing and food—there is no reason for the Government to subsidize the housing itself. The individuals must be given relief in the same fashion as in these other necessities of life.

We, therefore, will resist legislation which seeks to promote and expand public housing. Beyond this, we will recommend legislation which will permit private enterprise to gradually supply the low-cost housing need. There is no simple method of solving this problem of clearing slums and decently housing the lowest-income group. The answer lies in a healthy, expanding economy, an improved educational system, a social consciousness in each community which will demand the enforcement of safety and sanitation codes and the provision of welfare activities which will gradually raise the level of the slum-dwellers condition.

At this point I would like to introduce to you Mr. Wilkes again, who is counsel for our national association, and has a very specific story he would like to tell the committee.

Senator TAFT. Is this the Washington story?

#### STATEMENT OF JAMES C. WILKES, COUNSEL, NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. WILKES. Yes it is, Senator Taft. Only that part of it, I might say, however, which we believe will be somewhat typical of the national picture. We have not endeavored to give the complete details of the Washington situation, although I am prepared to answer questions on that collaterally.

Senator TAFT. Well, of course we do not want to go into the District legislation. I am interested to have the proposal. Are you joining in the new bill? Would the new bill work out a satisfactory basis to you?

Mr. WILKES. Not entirely so; no, sir. The McCarran bill you are referring to?

I am here as the counsel of the national association and not on behalf of the Local Home Builders' Association. I repeat, it is not my purpose to argue the local case except insofar as the evidence in that case might reflect conditions which will be typical of urban areas throughout the United States.

Senator TAFT. Well, suppose there were to be no public housing. We certainly are faced with the fact that we have millions of families with less income than can afford to pay rent in a new house or buy it. Now, there is a suggestion at the end of Mr. Merrion's statement that existing houses can be made available. Such a plan I do not know, but just how will you go about doing that?

Mr. WILKES. A number of cities have done substantial things in that direction. Greensboro, N. C., I am informed, has amended its sanitation and fire codes, safety codes, to the end that people who own obsolete homes have to board them up and not use them for housing or modernize them.

Senator TAFT. It would seem to me if you are just going to try to meet this need by rehabilitation you have to have some kind of agency to do it on a tremendous scale. I do not think I can leave it to people to modernize housing. They won't do it.

Mr. WILKES. It has to be done as a matter of experience, I submit, by the executive authorities of the city dictating the minimum requirements. For example, we have in the District of Columbia now only a small number, but some houses which have no sewerage introduced into the house. The only sewerage facilities are on the back part of the lot, an open privy. A regulation promulgated, effective, we will say, 3 years after that date, that no house may be occupied for human habitation unless public sewerage is extended into the house would have the effect of either requiring that person, the owner of the property, to board his house up or else go to the expense of introducing a sewer into the house.

Senator TAFT. Well, you take a \$5,500 house, and the rent of that is \$55 a month. Is that about right?

Mr. WILKES. Rule of thumb.

Senator TAFT. Take that at 25 percent for rent. It means that man has to earn \$2,640 to buy a house of that sort. There are a great many more families under that than there are others, over it, over that amount. Now what is your proposal as to how we are going to meet that housing plan—that need? Can you get this cost down?

Mr. WILKES. Senator, I think the first thing any community has to decide is the minimum requirements under which they will permit anyone to live in that community. We have dealt with that in connection with medicine and other health requirements. If a person is not getting a sufficient amount of nourishment, food is provided. If he is not getting enough fuel, fuel is provided. Now, how much food and how much fuel is a matter for the people of the community to determine. They are not going to—

Senator TAFT. Well, I do not believe you have reached the housing problem on a relief basis. I do not think you can issue rent certificates. I do not think it is the same as food, because it is an existing—

Mr. WILKES. I am not contending it is the same as food. I say the approach is the same. You give an example of a house which rents for \$50 a month. The community has got to decide whether that is the type of house which is the minimum type anyone must have in the community. If it decides that, the public has got to pay that bill. My only point is that there has got to be some minimum that someone has got to determine; and if any housing is below that minimum, then the public has got to step in and by some appropriate action say that anything below that minimum has got to be outlawed. Is that factual?

Senator TAFT. Yes; that is all right. Suppose you throw away a million or two homes. How are you going to replace them? These people you throw out have not any money to buy houses or to rent them.

Mr. WILKES. The only way you can replace them after determining the minimum requirement is either to build new homes or to build better homes, and in higher-priced brackets, and do some remodeling with your older homes. I believe there is no other answer to it.

Senator TAFT. You would treat the whole thing by passing older housing down. I think, anyway, we ought to have some program for doing that, for encouraging the doing of rehabilitation on a much larger scale than it is being done.

Mr. WILKES. I think that is agreed by everyone, Senator Taft. I do not think you can say the program is one of providing handed-



down houses for the people in the lowest-income group or used houses. It is probably a combination of the two.

Senator TAFT. Well, people drive automobiles for years, and I do not know why second-hand houses are not as good as any other houses. But there is not any program to provide them that I can see, under the present law.

Mr. WILKES. Of course, you take the situation presently existing in most of our urban areas and you have no surplus housing, and until you have a condition of surplus housing created you cannot do very much with the hand-me-down house. You have first got to have that vacated before you can do anything by way of reconverting or substantially improving it.

Senator TAFT. I am talking about a longer-range proposition, and how, if you can't build a \$2,500 house which is what many people require, then we have got to get some way of either subsidizing or we have got to provide \$2,500 second-hand houses by rehabilitation.

Mr. WILKES. Well, our plan involves the going into a very inexpensively built house. We have the plans prepared for it, and it happens that it is substantially the same plan that our local public housing authority has actually built near our baseball park here, which is known as the V Street House Development.

Senator TAFT. What do you think you can build a house for?

Mr. WILKES. It is very difficult to place a price as of today, because of abnormal conditions.

Senator TAFT. Well, take pre-war.

Mr. WILKES. \$2,750 to \$3,250.

Senator TAFT. You think you can build a \$3,000 house?

Mr. WILKES. It can be built, sir.

Senator TAFT. How many rooms?

Mr. WILKES. Four rooms; no cellar. The house consists of a living room with direct entry from the front door, a combination dining room and kitchen, modern kitchen equipment; a small storage room, two bedrooms, and a modern bath on the second floor.

Senator ELLENDER. You can do all of that for \$3,000?

Mr. WILKES. You can. I am speaking of the house and not the land.

Senator ELLENDER. I see. Include the land and the facilities. All of these properties, I understand, have certain facilities added to them.

Mr. WILKES. That includes all the facilities except the lot.

Senator ELLENDER. How about the refrigerator?

Mr. WILKES. It includes no refrigeration.

Senator ELLENDER. Let's add that to it, then. In other words, it will be considerably more than \$3,000 if you add that and the land and these other facilities you find in public housing.

Mr. WILKES. When I speak of refrigeration, I mean electrical refrigeration.

Senator ELLENDER. I understand. That is what I had in mind also.

Senator TAFT. Public housing usually provides a range and a refrigerator, don't they?

Mr. WILKES. They have not put refrigerators in the District of Columbia. They have put in ranges but no refrigerators.

Senator TAFT. The lot would run what?

Mr. WILKES. The lot cost depends entirely on the location.

Senator TAFT. I was thinking of Anacostia.

Mr. WILKES. In Anacostia, \$500 or \$600.

Senator ELLENDER. Let's put it \$3,500. Now that would mean about \$25 a month rent. That is what the owner of that building would expect to receive in order to pay insurance, pay taxes, and get 4 or 5 percent interest. Is that true?

Mr. WILKES. Yes; under the plan of financing which has been made available through the local building and loan association, the rent could be lower than that.

Senator TAFT. Yes; that is what I wanted to ask you. It is not necessarily—certainly 10 percent would cover it.

Mr. WILKES. It would cover it; more than cover it.

Senator TAFT. That would cover amortization, too?

Mr. WILKES. Yes. Of course, the question of interest and amortization are very important in fixing rents. If you have a loan amortized in 20 years, you have one problem; and if you have that amortized in 33 or 60 years, you have quite another problem; and if you are paying 3½ or 4 percent interest, the profit is, of course, substantially less than it would be if you are paying 5 percent. We have a very specific plan that we have submitted to Senator Burton in the subcommittee, which I think might be of interest to you.

Senator ELLENDER. Just one question.

Senator TAFT. Well, all I want to indicate is that I have not seen any other solution to replace some public housing. I can see various things can be done to help reduce the amount that might be needed, but I do not see any—I do not see how we are going to escape some public housing program.

Mr. WILKES. Well, Senator Taft, the problem involves the so-called vicious circle. If you have public housing financed—and we have got a good \$15,000,000 of it financed locally—it is going to be very difficult to get private enterprise to go into that same field and serve the lowest-income group, because—

Senator TAFT. Yes; but are they? I mean, this house you are proposing does not do it.

Mr. WILKES. I think it will, if you will let me proceed. For example, it involves the cooperation of the city government to the extent that these slum-cleared areas will be made available at a write-down in their cost, which write-down will be paid back in a period of 19 years by the increase in taxes from the increase in the value of the new buildings erected.

Beyond 19 years the city will be to the good, in that it will get its increase in taxation and it will still have gotten back its original write-down in the land-acquisition cost.

Senator TAFT. You are proposing a change in the subsidy still but a different kind.

Mr. WILKES. Well, it is a very substantially lessened subsidy. In the first place, the subsidy at the present time involves an outright grant of the entire acquisition cost of the land and the buildings which were on it, with no taxes paid on that land or on the buildings erected on it perpetually. Our proposal involves a writing down of the land cost so that the land cost equals the fair market value for the use to which the property is being put and the payments of full taxes.

Senator ELLENDER. What good would that write-down do? Is that for the purpose of reducing the taxation?

Mr. WILKES. In this city your worst lands are in the downtown area of Washington, south of Florida Avenue, west of Fifteenth Street NE., and east of Rock Creek and north of the Potomac River.

Let's say you pay for the obsolete buildings on the land a dollar a square foot, or \$1.50 a square foot for the land.

Senator ELLENDER. Can you get it for that? A lot of people here would not part with it for such a small, ridiculous sum. Who will pay that difference to the private owner? If we can get them to donate it to us, we might go somewhere. Remember, in clearing any of these slums owned by private individuals, the price is pretty high because they were within a stone's throw from the Capitol. When you talk of marking down or pricing down, who is going to pay that difference?

Mr. WILKES. Senator, we are confronted with a fact there. We have got truly horrible living conditions. You are either going to get rid of it, or you are not going to get rid of it. If you get rid of them, you can do it in two ways: Under the police power, just closing them up and paying the people nothing; or going in and paying them a fair market value, leaving it to a jury to determine what the fair market value is.

Senator BUCK. Would that be \$1.50 a square foot?

Mr. WILKES. It might run up to \$2 a square foot. A great deal of this land is alley land, back land. When you get out to the front street it runs into considerably more money. The alley property is of successively less value, and that is where the bad conditions exist.

Senator TAFT. If you want to go ahead, I think we are more or less familiar with the general circumstances here in Washington, and if you might, begin with your plan on page 3.

Mr. WILKES. I will do that.

Senator TAFT. We will put the whole thing in the record.

Mr. WILKES. The builders of housing in American cities, through the National Association of Home Builders of the United States, have taken the position that the job of post-war construction should be done by private enterprise and not by the Government—Federal, State, or local. They maintain that housing should continue to be built, owned, and managed by private enterprise.

Many countries have attempted to solve the problem of making available suitable housing for substantially all of the people. None has achieved this ideal. It has most nearly been attained in the United States by producing a large volume of new housing.

In the meantime, however, our older housing has suffered not only from physical depreciation, but, as well, from obsolescence of design, facilities, and equipment. Shelter which had neither a central heating system nor sewer connections was considered suitable for people who could pay their own way at the turn of the century. These facilities are today generally considered necessary to the health and comfort of all residents of urban communities. The houses and their equipment are old, but the ideas of the city residents are new.

It is clear that the citizens of cities are in agreement that the slums should go. The question is: How may it best be done?

While slum conditions and the means of eliminating them necessarily will vary in different cities, many problems are common to most of the older and thickly settled urban areas.

Washington, D. C., has had an unsolved slum clearance problem for many years. The Home Builders Association of Metropolitan

Washington has presented to a Senate committee testimony and a plan which, it is believed, will be of interest to this committee in its study of the problem from a Nation-wide perspective.

From October 5, 1943, to June 10, 1944, a subcommittee of the Senate District Committee presided over by Senator Burton took testimony which is printed as a public document in 1,419 pages. Under a resolution (S. Res. 184, 78th Cong., 2d sess.) this subcommittee undertook to—

investigate the slum clearance and housing programs now being administered or proposed by the National Capital Housing Authority—a local public housing authority—with a view to recommending a sound program for meeting the needs of the National Capital for the same, both during the present emergency and in the post-war period, and for financing the program.

The organized citizenry of Washington had for many years cooperated with the efforts of the National Capital Housing Authority and its predecessor, the Alley Dwelling Authority. The conclusions were finally reached by these citizens' groups that the National Capital Housing Authority has failed in discharging the duties imposed upon it by Congress, particularly in that the slums had not been cleared and no plan, good or bad, had been worked out, after more than 9 years, for the elimination of even the worst of our slums which are located in inhabited alleys.

Realizing at the outset the need for some action that would in fact eliminate slum conditions and that any real plan of slum elimination involved substantial commitments upon the funds of the city, and indirectly upon the taxpayers, various associations of interested groups were invited by Home Builders Association of Metropolitan Washington after a careful study by a committee of that association and in consultation with the housing committee of the Federation of Citizens Associations. A committee was formed of duly accredited representatives of nine of the principal citizens and business associations of the city.

Simply stated, the plan proposed as approved involves the acquisition of slum areas by a Government agency. The slum building would then be razed. The part of the cleared land upon which new housing is to be erected shall then be sold, or leased for a long term, on a competitive-bid basis, to private builders. The Government, having used its power of eminent domain to acquire the land, would specify in a general way the type of improvements to be erected and fix a ceiling on rents for a period of time to be determined upon. The low-rental housing would be privately built and managed, and private enterprise would either own the fee-simple title to the property or a long-term lease upon it. To the extent that the income of an individual family is insufficient to meet the requirements of the family for food, clothing, heat, medical attention, housing, and other items considered as necessary for everyone living in our community to have whether or not he can pay for it, the deficit should be determined as it has been successfully in cities of the United States for the last half century by the welfare department of the local government. This agency should continue to administer the distribution of welfare moneys on the basis of the current needs of the family as disclosed by its investigations. Full real-estate taxes should be paid to the District of Columbia.

Two detailed studies were made of two separate city blocks by successful home builders of considerable experience. One study

involved a square which it was proposed should be cleared and rebuilt. The second study was of a block in which the housing conditions are probably as bad as can be found in Washington. Here it was proposed to tear down the alley dwellings and contiguous dwellings facing on a wide street, after which new dwelling units would be erected thereon. The housing in the balance of the square would then be modernized. It was demonstrated that the project was financially sound provided the Government would implement the effort of private enterprise in the following respects:

First. By using its power of ancient domain in acquiring the site.

Second. By writing down the site-acquisition cost, if necessary, to an amount equal to the fair market value for the use determined by the governmental agency charged with the duty of site acquisition and sale or lease to private enterprise. The study showed that the increase in real-estate taxes in the particular case, as a result of more costly buildings being erected on the property, would fully repay the city for the write-down in site acquisition costs in about 19 years—"after which the community would receive the full benefit of the increased taxes."

The two principal reasons why private enterprise has been unable to deal effectually with slum clearance and rebuilding on the cleared land are that they have not had available the power of eminent domain and financing has not been available on favorable terms. The president of the District of Columbia Building and Loan League testified:

Local building and loan associations are prepared to loan money on low-rental housing such as is proposed to be erected under the plan submitted by the Home Builders' Association at rates of interest from 3½ to 4 percent and for an amortization term up to 33 years upon a basis of advancing 90 percent of the value of the properties. Funds during the first year would be available to the minimum extent of \$3,000,000.

It is my sincere belief that as these projects get under way more institutions will be interested in assisting in the financing of this type of housing and, therefore, considerably more funds than mentioned above are likely to be available.

This is the most favorable financing ever offered to builders in the District of Columbia by any public or private source.

Senator ELLENDER. Now that would involve subsidy, payment by the Government, wouldn't it?

Mr. WILKES. It would. And an immediate cash subsidy which could be determined from that point on out.

However, the Government would immediately start collecting taxes on the land and all improvements erected on it.

Senator ELLENDER. Who would make that advance?

Mr. WILKES. It would have to be done by a direct contribution of the municipalities.

We feel that the problem is one common to most municipalities, and if the job is to be administered by municipalities it can be done considerably more economically than if the burden were thrown on the Federal Government.

It is our proposal locally that the job be done without asking the Federal Government for any assistance.

Senator ELLENDER. That sounds good, but I doubt if you could get any municipality to put up the money. I presume most of them would have to obtain authority from their State legislatures and lease it out. That is what it would amount to. It would amount to this,

as I see it, after listening to what you have said so far; the Government would, in a measure, be furnishing the land upon which the buildings could be built.

Mr. WILKES. It would be furnishing a part of the cost.

The Government would pay for the sites which are presently improved and then they would revalue those and fix a price upon them which would be a use value for the purpose of low-cost housing.

Senator ELLENDER. Now in this study you are talking about, was an estimate made of the value of the land?

Mr. WILKES. Every property was separately appraised. We have the study right here and would be very glad to leave it.

Senator ELLENDER. I thought maybe you had it in your statement.

Senator TAFT. Is the evidence before the District committee?

Mr. WILKES. It is. I have the full evidence, several hundred pages. I will be glad to leave that.

Senator ELLENDER. How were those figures reached? By estimating or were the owners consulted as to what it was to sell for? How were the values reached?

Mr. WILKES. By Lewis T. Brueninger and Edward Karr, two regular appraisers of the Department of Justice, private builders, but regularly employed by them, in condemnation proceedings, going into the blocks and separately appraising every lot in the entire square, putting a fair market value upon it, and then as a result of their experience over a period of many years in these condemnation cases determining what in addition thereto the jury would probably allow and I think their approach is probably as accurate a one as would be possible.

Senator ELLENDER. Now does that study show the amount of the mark-down that would have to be paid?

Mr. WILKES. Yes, it does; in dollars and cents.

Senator ELLENDER. How much is that?

Mr. WILKES. It is very detailed.

Senator ELLENDER. Have you any idea how much it is?

Mr. WILKES. It amounts approximately to that part of the value which is assignable to the buildings themselves.

Senator BUCK. Fifty percent or forty percent? Roughly.

Mr. WILKES. It would be less than 50 percent but would not miss 50 percent by far. Now that I am approximating. I do not know the answer to that.

Senator ELLENDER. In other words, if the lot had a building valued at \$5,000, you would mark off \$2,500 and the other would be carried by the municipality?

Mr. WILKES. That is it, exactly.

Senator ELLENDER. How would that be financed?

Mr. WILKES. By an outright appropriation, in the case of the District of Columbia, by the Congress of the United States dealing with District of Columbia firms, and the District of Columbia selling or leasing for a long period of years, the properties at the write-down price to private enterprise.

Senator ELLENDER. Now, let's take Chicago where they are not so fortunate as to get a Congress to give them as much money as they want. Would the city of Chicago not only get the money to take care of the mark-down, but would it not also have to obtain the money in order to pay the owner of the property?

Mr. WILKES. Immediately they would have to do it. Of course any program, in my judgment, involving the elimination of only the alley slums of Washington, which are the worst slums which we have here and which amount, we will say, to \$15,000,000 worth of property, could not physically be done in 1 year, and it has been variously estimated that it could be done in 10 or 15 years. I think that the job of eliminating the alley slums could reasonably be done in 6 years by private enterprise after the job once started, provided the planning could keep reasonably in step with the building.

Senator TAFT. Not private enterprise. I mean, the proposal seems to be the same thing as the urban redevelopment plan, which was presented to this committee at length, proposing to go out and condemn large groups of land, which requires, incidentally, not only legislative action in each State, but even constitutional action, because in Ohio I do not think it is even constitutional to take land for housing. So we would have to have a constitutional amendment to do this. Nevertheless, I do not say that the thing should not be tried, only I think it will take a long time to get it going in the United States.

One plan was that the Federal Government loan that redevelopment corporation, the city corporation, we will say, money at 1 percent. In other words, it was proposed that it be a Federal subsidy through the interest rate. The city goes out and borrows the money and issues bonds. They did not think, apparently, that the thing would work at all unless the Government did come in and finance these redevelopment corporations.

Mr. WILKES. Senator Taft, I am acquainted in general, and I think in some particular, with that plan. We think the plan is too ambitious. They should learn to crawl before walking.

Senator TAFT. I thought it was too ambitious because he was taking in a lot of property that was not housing. But in the slum area it seemed to me we might give some such approval and might subsidize that to some extent. Now, we subsidize the two in one lump sum in effect. It is hard to separate it. We subsidize both the acquisition of slum land and low-rent housing. We put the extra cost of the slum land into low-rent housing and subsidize it.

Now, we could separate those two subsidies and have a different kind of subsidy for the acquisition of slums. As far as we could get the testimony, that acquisition of slum land added about \$500 a unit to the construction of new houses, so it is only a fraction of the subsidy that is paid under F. H. A. for low-rent housing. We can do that. The question still remains, Are we going to do any subsidizing for low-rent housing?

Mr. WILKES. I suppose it is presumptuous of me to call your attention to the net effect of the Federal subsidy, but it seems to be greatly misunderstood and I would like to submit this to you for your consideration. We have got here \$16,000,000 worth of subsidized housing built under this plan of subsidy, whereby the local housing agency arranges to borrow from the national housing agency a sum of money. The national housing agency goes to the Treasurer of the United States and arranges to sell debentures, we will say, for 90 percent of the total development cost. That is everything, buildings, land, utilities, sod, electric light bulbs, and a turnkey job.

Then the local housing agency goes to a bank and borrows the other 10 percent and sometimes a little more, and that second 10 percent is about the same as a first mortgage on the property.

Senator BUCK. It is Government guaranteed.

Mr. WILKES. It is Government guaranteed, and as a practical matter it is the first money paid out of rent first received. Now, when that operation is completed, there is a second contract which is entered into between the national housing agency and the local housing agency whereby a subsidy for a period of years, or in round figures 60 years, is guaranteed to be paid to the local housing agency in an amount not to exceed approximately 3½ percent of the total construction cost.

But that is not all. They get an additional subsidy from the local government in no tax. So they get about a 4½-percent subsidy, and actually the only obligation that the agency has is to collect enough in rent to keep that property in a state of repair.

Senator TAFT. That is right. That is the subsidy. That is the program we know. The subsidy in effect pays for the whole building, not quite, but it is about the same. The Federal subsidy pays the cost of the building, so the local housing authority has the building for nothing. That is approximately the effect of the present subsidy.

Mr. WILKES. Exactly. I have been amazed, in talking to Members of Congress, to realize that a number of them did not know that, but of course I would know that the members of this committee would know of it.

Senator TAFT. Well, there is no secret any more about the subsidies.

Senator ELLENDER. Well, as was pointed out by quite a few witnesses, the amount of subsidy decreases with the increased amount of salary received by the people who live there.

Mr. WILKES. That is entirely true.

Senator ELLENDER. For the past 2 years, I think, the subsidy payments have considerably decreased.

Mr. WILKES. Well, if they are 2 instead of 3½ percent, you have to add 1½ percent for your local tax exemption and you are back up to 3½ percent again. That means that you only get enough in rent to just about pay for the maintenance of your property, and these properties are new today and require very little maintenance for the first 5 years.

Senator TAFT. The question is whether that subsidy can be reduced. I agree, if we can do it cheaper, I think we should. I do not know about these income figures. But taking your income figure even on your basis of \$3,500 here and 4-percent mortgage, et cetera, you will have a rent—what do you figure the rent?

Mr. WILKES. The rent can be gotten down in actual figures to \$24 per month to \$26 per month. It depends on what market you are building in.

Senator TAFT. \$24 or \$25 a month, which is \$300 a year, which is about—well, a \$1,200 a year income.

Mr. WILKES. Many people do not have that constant income.

Senator TAFT. Well, what are you going to do about that?

Mr. WILKES. The community has got to pay for it.



Senator ELLENDER. Under your plan they would have to pay twice for it.

Mr. WILKES. They pay in the site write-down. Now, under public housing they pay exactly the same thing excepting that instead of writing down this site, they write it off.

Now, instead of having a complete subsidy, complete permissible subsidy, under the existing public housing plan, to the greatest extent you have a subsidy of only the difference between what that family can get together to pay as rent, and what it actually has to pay in order to meet this minimum \$24 or \$25. There is nothing new about that.

In January of 1944 there were 4,000 families in the District of Columbia, if you please, who were receiving rent assistance from the Board of Public Welfare. Now, they are not all people who are out of work. They are the sick, lame, lazy, incompetent, for one reason or another, all unfortunate people, but they are there, and they have been with us for some time, and again I get back to this fundamental proposition: You go into a European city before the war, and you could see people begging on the streets, presumably for money enough to get food. Now, we adopted a political philosophy, locally and nationally, some years ago, which did not make it necessary for people to beg on the street to get food and fuel, and we are paying the cost. We have been paying it for generations here, to keep those people in food and fuel and to give them medical attention.

Now, we turn to the question of housing. We have been giving them assistance in some awfully poor housing. If you are going to increase that housing, the public has got to pay part of the additional cost, not all of it, because some people who live in that housing, live there not only because of its price but because they cannot get any other housing, so that some of those people can afford to pay, instead of the \$9 a month or \$11 a month they are now paying, perhaps \$20 a month, and you have to supplement their income by \$6, we will say. Other people cannot pay anything, and you have to pay the whole \$24 to \$26.

Senator TAFT. My impression is that if you established that thing it would cost you so much more than the subsidy of public housing that you could not compare it. Everybody would be entitled in effect, when you got through, to be able to pay a \$24 rent as being the lowest economic rent, and everybody would get it. Everybody would get it who did not have an income of \$1,200. They would come around and get that difference.

I think; when you got through, you would have so much more expense than any public housing program that is likely to be adopted—and besides, you have the strenuous objection of relief agencies. Father O'Grady was here yesterday objecting to putting people on a relief basis. I just do not think that plan, as applied to ordinary normal life when we are not having a depression or anything, is a wise or an economic plan.

Mr. WILKES. Pardon me. I think that by our looking at the broad picture it is perhaps more difficult to get the restricted problem that we have before us. Let's take Washington, which all of you

gentlemen are acquainted with. We have had an alley slum condition here which Congress and the people have been talking about as long as I can remember, and I have lived here all of my life—actually little has done with it, although we have had an Alley Dwelling Authority here for more than 10 years. Fifteen million dollars can determine what can be done to eliminate those houses. We are not talking about billions now, we are talking about \$15,000,000, and \$15,000,000 is something that our city, without a tax increase, can stand over a period of 6 years. That is to say that part of the—

Senator TAFT. I do not differ with your suggestion in that at all, but when you put these families out, why are they there? They are there because they cannot afford to pay more than \$10 a month rent. What are they going to do when you put them out? That is the problem we are facing. It is just a question of money. I agree with you, and I think it might be done for a fairly reasonable sum and really get something done. I do not think you can take care of all the low-cost housing problem.

Mr. WILKES. You have a problem, however. The theory of beginning up here to produce low-cost housing in a strata, we will say, of families earning \$2,500, when you can begin down with the families that earn from nothing up to \$1,200, it seems to me, is not sound.

Senator TAFT. I think everyone who has appeared before us has agreed that the income should be limited, that people earning over—well, \$1,000 to \$1,200 a year—should not be allowed to live in subsidized housing. They admit that they have got into a condition in the war that is wholly unjustifiable, in permitting \$2,500-a-year families to live in public housing.

Mr. WILKES. Senator, I think I can demonstrate to you, or, because of my inability, I just fail to demonstrate to you, from a little bit, two or more pages of this statement. We get into the cost factors that Senator Ellender was asking about, and I think we have developed some evidence here which will be of some real interest. I will resume.

The Home Builders Association of Metropolitan Washington produced proof of many factors important to a consideration of slum clearance. Some are enumerated as follows:

1. Private home builders can and have produced low-rental housing at a saving in construction cost of from 25 percent to 45 percent as compared with public housing costs.

2. Management of all housing under control of the National Capital Housing Authority actually costs 160 percent of the expense of management by private enterprise including a fair profit by the latter.

3. Architectural fees cost National Capital Housing Authority approximately 10 times the charge to private enterprise.

4. As against the almost nominal construction administrative costs to private enterprise, the following is the cost for each single housing unit to National Capital Housing Authority in six of its large projects:

Project:	<i>Administrative costs per dwelling unit</i>
Frederick Douglass.....	\$519. 28
Parkside dwellings.....	438. 01
V Street houses.....	229. 83
Williston apartments.....	218. 24
St. Marys apartments.....	107. 88
Stoddert dwellings.....	106. 86

Now, we find in the right-hand column five hundred-odd dollars, \$438, \$229, \$218, \$107, and \$106.

Senator TAFT. What does that include?

Mr. WILKES. It is a nebulous sort of a thing but it is taken bodily from the record of the National Housing Agency which yearly has to submit a report to the President of the United States under the act of Congress, and it includes the office overhead and other related overhead in the way of superintendence coming from the home office.

Now, you will notice that the Stoddert dwelling is only one-fifth of the cost of the Frederick Douglass dwelling. Those are both large and both in the same section of the city. One is a little bit better than the other, but the superintendence should not be any different, and I can see no difference from the slight knowledge I have in such matters.

I will resume.

Senator ELLENDER. I notice here that Frederick Douglass, \$519.28, and the Stoddert Dwellings, \$106.86, per unit. Is that for the same kind of service?

Mr. WILKES. It is the same service, as found by the Government auditors of the National Capital Housing Authority as reported to the President of the United States.

Senator ELLENDER. That does not include water, electricity?

Mr. WILKES. It is the administrative costs per dwelling unit in connection with the original construction of the dwellings.

Senator ELLENDER. That sounds incredible. I am not trying to say your figures are not correct.

Mr. WILKES. These are taken right from the Government's record. Those figures were not denied, although there was a rebuttal and surrebuttal. Those figures were not denied.

The cost of supplying suitable housing to substantially all residents of an urban community will constitute a heavy additional tax burden. For this reason, it was concluded that the cost factor is of prime importance if the job is to be done in our day and age. Therefore, data with respect to construction and management costs was thoroughly prepared and carefully presented with the permission of Senator Burton's subcommittee.

Myron Davy, a graduate engineer and an outstanding citizen and a successful builder of low-rental and moderate-sale-price housing, made a study of National Capital Housing Authority's pride and joy—its V Street project. His study included inspections of the finished product, reference to contract plans and specifications of the public-housing products.

Mr. Davy stated that he has built 700 houses, 108 apartment units, stores and commercial buildings in the District of Columbia. He compared one of his groups of 15 houses with the V Street houses which were built by National Capital Housing Authority at approximately the same time, and found that they were comparable in size, but his houses were much superior in finish.

Now, at this point I would like to pass up pictures of the two projects here. One is marked "Private housing" and the other is marked "Public housing." The private housing deals with 2413 Clay Street NE., which is a Davy-built house and typical of 15 which he built at the same time and generally typical of several hundred which he has built in that immediate vicinity.

At the right is the pride and joy of local public housing, known as the V Street houses. Now, you will see that the architectural values are much more attractive, it is submitted, in the private-housing example than in the public-housing example.

The front rooms of each house are pictured in the upper right-hand corner. One has an iron railing and a curved stairway leading up stairs. The other has a plain wooden balustrade.

In the living room, in the public housing, is a space heater. That is the only heat for the entire four rooms of the house. That coal is put into the heater and the heat is dispersed throughout the house without any radiation or ventilators or anything of the sort.

Senator TAFT. There is no basement in either case?

Mr. WILKES. No basement in either case. The private housing has an air-conditioning heating unit. You can see on the left-hand side of each picture the comparison between the equipment in the kitchens, and on the right-hand side the bathrooms, and in the lower part you can see that the floor plan is very similar and almost the same.

The area and the cube content of the houses are approximately the same. They are both of masonry construction, both built in the same building season of the same year.

Senator ELLENDER. How about the cost of land?

Mr. WILKES. The cost of land is omitted by reason of the fact, as you pointed out, it would be unfair to charge the public housing the cost of buildings, the slum buildings, that were on that site.

Senator ELLENDER. Now, how about the cost of bringing the water and the electricity to the house?

Mr. WILKES. The same in both instances.

Senator ELLENDER. Was it the same locality?

Mr. WILKES. They were both in areas where row houses are permitted, and both are row-house developments. The cost is exactly the same, the same assessment for water, and so forth.

Senator ELLENDER. Why do you think there should be as much as \$831 difference in the cost? Do you think it is because a Government agency has the job of building it, or what?

Mr. WILKES. No, sir. There are a number of reasons. In the first place the private builder builds on a 12-months-year program. Private builders, in general, pay, it is believed, more per year for their labor, but they pay less per hour and less per cube. That is an important factor.

Secondly, Government has not in this instance, and generally cannot, build with the same overhead.

Senator ELLENDER. Well, aren't the rates for a carpenter the same, whether they work for the Government or private individuals? I thought all unions had a scale of \$1.75.

Mr. WILKES. Well, there are two scales, one known as the A scale and one is the B scale. The A scale is applicable to monumental buildings and downtown office buildings and the like. The other is the B scale, a lesser rate, which is charged for home building, residential building, and the reason for it is, as I said before, the downtown buildings are done by private contractors. They get through a job and they are looking for another and the men are laid off. The home builder, by buying the land and keeping himself engaged, his office force, his labor force, and everyone else busy approximately 12 months a year, actually gets his labor for a less amount per cube of house developed than the Government does.

Now, the Government has, I suppose, of necessity, all kinds of inspection requirements. For instance, if a painting subcontractor on a Government job runs out of paint and he needs, we will say, a quart to finish up, and it is 10 o'clock in the morning, as a practical matter he probably has to lay off his men because he has to get the quart of paint and have it inspected before that quart of paint can be used.

The private operator will go to the nearest hardware store if it is too far downtown, and the man, before he runs out, will be using that paint before he finishes up his job.

Senator ELLENDER. That may be for strictly Government work, but I do not know that a local authority does the same thing or has the same regulations.

Mr. WILKES. Well, I have attached to my statement a summary of the evidence, and I am reading from page 6:

Mr. Wire testified at page 505 that the Parkside specifications contained 600 pages, while his job required only 10 pages, which was ample.

Now, the buildings were in the same section, the same general character of buildings, and I do not want to exaggerate and I cannot give the exact number of pages, but in that 600 pages of specifications, as I recall it, 28 had to do with the fertilization of the land in preparation for the sodding or seeding, and it required that cow manure not less than 6 months nor more than 2 years had to be provided, among other things, and it took 28 pages.

Now, anyone who has had experience with contractors knows this, that before they get on a Government job they cannot tell whether they are going to have a reasonable or an unreasonable inspector—assuming they are all honest—or an experienced or inexperienced one. If he gets an unreasonable, inexperienced inspector, he is up against something that he has got to take into consideration when he makes his bid. Furthermore, a builder has his brickwork and his concrete work, and a number of other items which are not subbed out by him, and he has to pay no subcontractor's profit, whereas, in general, where a job is done by a general contractor for the Government, he subs out just about everything except the superintendence and perhaps a little bit of carpentry work.

Senator ELLENDER. With all due respect, I do not believe that such practices are resorted to by the authorities that are created outside of the great city of Washington.

Mr. WILKES. In the metropolitan area of the District of Columbia, and, if I may make a personal reference, in cases under bonds I have represented builders for the last 20 years in our local courts from many sections of the country, particularly in the erection of post offices, and that is the general Federal practice.

Senator TAFT. Mr. Wilkes, the point is that it is more expensive to build. I suppose if we really wanted to find that out we would have to get an investigator out to investigate. We are glad to have your statement and we are not going to hear from the District people in reply. I do not know what they have to say. I have not any doubt that as a general thing it probably is more expensive and usually does cost the Government more to build than a private person. What exact difference there is, I do not know.

We have to finish pretty quickly. Do you want to go on to the next subject?

Mr. WILKES. Whatever your pleasure is.

Senator TAFT. The cost question is interesting, but the chief thing of interest to me is how low the private builders can build, and I take it your statement is they can build for \$3,000 outside the land.

Mr. WILKES. They can build for a third less, and you cannot mistake that. That is susceptible of proof. It has been proven. They manage for substantially less. The management cost—there is no refutation of this even attempted—is 13 percent of rents collected by the Federal Housing Agency here, and 5 percent is the recognized management charge, as collected and charged by private enterprise.

Senator TAFT. Let me ask you this. Are the home builders—do you think there will be any large amount of \$3,000 houses built in the post-war period?

Mr. WILKES. Senator, I would like to refer to two things in that connection, if I may. That involves—the implication of your question is whether or not builders, when fairer fields are available to them, are going to be interested in going into this lower-income building. In the first place let me say that Senator Tydings asked that question and he asked if it would not be possible to get some of these builders to come in and make written pledges to the Senate committee. At the bottom of page 10 I refer to that.

His (Mr. Davy's) house had tile bathrooms, built-in showers, plastered walls and ceilings, as compared with the V Street house wall-board. His house had wrought-iron interior stair rail and balustrades in lieu of the cheap wooden rails in the V Street houses. Also, it had automatic gas-heating furnace, with grills and ducts giving clean, filtered, warm air in lieu of the V Street house coal stove of the space-heater type which used up one-third of the floor space in the living room and spread fine ash over the house. Mr. Davy's heating system cost approximately \$250 more than the coal stove in the V Street houses. The electric range in Mr. Davy's houses cost approximately \$60 more than the range used in the V Street houses. Mr. Davy erected one more closet at front entrance. He also installed an automatic, insulated, self-contained, gas, hot-water heater in lieu of the

unsightly, noninsulated, side-arm, manually operated, cheap hot-water heater used in the V Street houses. Mr. Davy testified that his house sold for \$3,990, including \$622.90 for profit and sales expenses. His construction cost was \$3,017.10 per house while the V Street houses averaged \$3,817.45 per house, or 26½ percent more to build than Mr. Davy's house.

Mr. Davy testified further that he prepared an estimate of the cost of reproducing the V Street house in accordance with the plans and specifications which were followed by the National Capital Housing Authority but based upon his own units of construction costs. The average V Street house would have cost Mr. Davy \$2,976.77 to construct. This amounted to \$871.38 less than the National Capital Housing Authority actually paid for construction for their average V Street house. The National Capital Housing Authority actual construction cost was 29½ percent more than Mr. Davy estimated he could have built the same house for at the same time. His estimate is based upon his assembled costs of practically identical work completed during the construction period of the V Street houses. An additional saving of \$443.75 for each average house could have been made by making a few slight changes in the plans which would not reduce material quality or durability and would not increase rental or sales resistance. Mr. Davy testified that "the costs by a public agency are approximately 52 percent higher than equivalent costs by private industry doing a better job in its own way."

Other testimony was given by builders proving that a comparable building erected in the same season of the same year was constructed and sold for a price, including lot cost, financing charges, profit, and a salesman's commission, for less than the mere construction cost of the public housing without the ground cost included.

The only substantial defense offered by the National Capital Housing Authority to these construction cost comparisons was that under an act of Congress the prevailing rate of wages must be paid on their projects and the Secretary of Labor had made an administrative ruling, binding upon them, that such prevailing wages were the class A union wages applicable to monumental structures and heavy types of commercial buildings. This accounted for from 3 to 10 percent of the differential of 25 to 45 percent established by the builders' testimony, which showed that the union-wage rate where applicable to residential construction is the lower class B wage rate.

As to management costs of finished projects, National Capital Housing Authority reports showed they averaged 13 percent of rents collected. The president of the Washington Real Estate Board testified that the usual and customary charge for management in the District of Columbia is 5 percent of rents collected; and that his firm or any one of a number of other large rental agencies would gladly take over the management of all or any part of the National Capital Housing Authority projects for 5 percent of rents collected.

Architectural services in large low-rental projects involve the drafting of several typical plans each of which is followed many times in

the project. Whereas private enterprise pays the architect on a per plan basis, it is the practice of the National Capital Housing Authority to pay the architect on the basis of the total construction cost of the project, even though a single plan is used for a number of buildings.

Public-housing procedures are also burdened with charges greatly exceeding those of the private builder building for his own account in relation to central-office overhead, administration costs, testing, field inspections, and both contractors' and subcontractors' profits.

Public housing authorities have started off by asking legislative bodies for appropriations to erect housing for "the lowest-income group." Almost immediately, however, the program changes and the construction is of a deluxe and even super deluxe type.

First the lowest income group is spoken of. Then reference is made to the ill-housed lower one-third. More recently, reference has been made by public-housing advocates to the advisability of planning to rehouse the lower two-thirds in public housing.

Let us look at the record of the National Capital Housing Authority. It started out under the name given it upon creation by the Congress of the United States of "Alley Dwelling Authority." Its obligation was to clear out alley slums and rebuild housing for the alley slum dwellers. The job was supposed to be done within 10 years, after which time the occupancy of any of those alley slums was made illegal by act of Congress. There were approximately 250 inhabited alleys. The Authority cleared 14 of the 250 in 10 years. They rebuilt in only 5 of the 14 cleared alleys. In the 5 areas rebuilt, only 112 living units were erected. A vast majority of the occupants of these 112 units never lived in the demolished alley dwellings.

The National Capital Housing Authority originally estimated \$9,000,000 as the cost of eliminating residences in the 250 alleys and rebuilding for the alley dwellers a sufficient amount of housing accommodations.

Congress was slow in appropriating the money, only about \$850,000 having been made available by Congress and by Presidential allocations. When, however, in excess of \$15,000,000 became available to the National Capital Housing Authority through the National Housing Agency for its work, its attentions were directed toward building a better type of accommodation for families in a higher plane of economic prosperity.

The head of the District of Columbia Board of Public Welfare and other officials testified before the Burton subcommittee that there were currently 4,000 families in the District of Columbia receiving public assistance for the payment of rent. Of these 4,000, only 47, or 1.2 percent, were housed on January 28, 1944, in the 2,818 units of the National Capital Housing Authority.

Nor would National Capital Housing Authority under any circumstances consider having more than 25 percent relief clients, and in fact feels that a maximum of "25 percent is rather too large." This limitation is made "in order to assure a helpful environment," "not (to) make a poorhouse of it"; "if one filled a property with relief families,



he made a poorhouse of it; he changed the whole psychology of it and interfered with the development of the families." National Capital Housing Authority believes "that we should have families of different economic status living more or less as neighbors;" that there is a stimulus in that "of keeping up with the Joneses, if nothing else, and our system provides for that." "Among the items to be considered" in determining the proportion of relief clients are: "(1) The families themselves; (2) the other families on the property; (3) neighborhood acceptance."

Many occupants of the permanent housing projects of the National Capital Housing Authority have private telephones and pleasure cars. No real-estate taxes are paid on this public housing. Practically all is financed so that the only obligation upon the National Capital Housing Authority is to collect enough rent to pay for maintenance. Many tenants moved from housing which was in good condition, but merely overcrowded. Their places in the overcrowded, privately owned homes were taken by others who suffer from the same overcrowding. The National Capital Housing Authority does not even in normal times charge itself with the duty in reporting to local health, fire, and building authorities violations of law in the occupancy of dwellings—and this even though this constitutes the reason for permitting the tenant to obtain accommodations in subsidized public housing.

At the Senator Burton subcommittee hearings, Senator Tydings, in view of the opposition of the operative builders to an expanded National Capital Housing Authority program and their testimony that they could do the job better themselves, asked:

Would it be too much to ask if you could submit to this committee a statement signed by the builders that they would obligate themselves to undertake it, as to what they would do, what houses they would build, and what they would rent for, after they were built?

On March 31, 1944, immediately after the presentation of the private enterprise plan, pledges were presented by responsible local builders who agreed to build a total of 23,680 low-rental housing units under that plan in the first 6 years after building is permitted under Government regulations. Since National Capital Housing Authority estimates that there are 20,000 substandard houses currently in need of replacement, these builders' pledges constitute an offer to do all the building necessary to replace the slums.

When commitments were asked from these same private builders of the District of Columbia for war housing, they obligated themselves to build 13,000 units—and built 27,000.

Attached hereto as a part hereof is a printed copy of my concluding statement of the case of the Home Builders Association of Metropolitan Washington before the Burton subcommittee. It is respectfully submitted that the conclusions made in that summary are in large part applicable to the slum-clearance problem as presented in most of the cities of the United States.

(The statement referred to is as follows:)

SUMMATION, ON BEHALF OF THE HOME BUILDERS ASSOCIATION  
OF METROPOLITAN WASHINGTON, PRESENTED BY ITS GENERAL  
COUNSEL JAMES C. WILKES, IN COLLABORATION WITH ITS  
WITNESSES H. CLINTON SMITH AND CHARLES W. HART

(Submitted October 5, 1944)

A. INTRODUCTORY

Hearings were started on October 5, 1943, under a resolution (S. Res. 184, 78th Cong., 1st sess.) requiring the Senate Committee on the District of Columbia to "investigate the slum clearance and housing programs now being administered or proposed by the National Capital Housing Authority, with a view to recommending a sound program for meeting the needs of the National Capital for the same, both during the present emergency and in the post-war period, and for financing the program."

The resolution was introduced and the hearings were held at the request of the National Capital Housing Authority.

The organized citizenry of Washington had for many years cooperated with the efforts of the National Capital Housing Authority and its predecessor the Alley Dwelling Authority. The conclusions were finally reached by these citizens' groups that the National Capital Housing Authority has failed in discharging the duties imposed upon it by Congress, particularly in that the slums had not been cleared and no plan, good or bad, had been worked out, after more than 9 years, for the elimination of even the worst of our slums which are located in inhabited alleys.

The Federation of Citizens Associations and the Federation of Civic Associations had both recently taken action vigorously critical of the administration of the Alley Dwelling Authority and its successor, the National Capital Housing Authority.

The Federation of Citizens Associations challenged the Home Builders Association of Metropolitan Washington to come to grips with the problem of the elimination of the slums of the city, and particularly those located in inhabited alleys.

Realizing at the outset the need for some action that would in fact eliminate slum conditions and that any real plan of slum elimination involved substantial commitments upon the funds of the city, and indirectly upon the taxpayers, various associations of interested groups were invited to confer and to consider a plan which was tentatively proposed by the Home Builders Association of Metropolitan Washington after a careful study by a committee of that association and in consultation with the housing committee of the Federation of Citizens Associations. A committee was formed of duly accredited representatives of the following organizations:

- Washington Board of Trade.
- Washington Real Estate Board.
- Building and Loan League of the District of Columbia.
- Mortgage Bankers Group.
- District of Columbia Bankers Association.
- Washington Taxpayers Association.
- Building Owners and Managers Association.
- Federation of Citizens Associations.
- Home Builders Association of Metropolitan Washington.

This group adopted a statement of policy (pp. 590-591).

Thereafter voluminous testimony was taken before Senator Burton's subcommittee.

It is understood that the National Industrial Conference Board, Inc., 247 Park Avenue, New York, N. Y., is undertaking to make a complete summary of all of the evidence, together with its findings, which is to be submitted to Senator Burton's subcommittee for its consideration and, therefore, will logically be a part of these proceedings. In view of this, no attempt will be made to summarize all of the testimony before the subcommittee, but, rather, this summation will be directed to the salient issues raised at the hearing between the testimony introduced on behalf of the National Capital Housing Authority and that introduced on behalf of the citizens of the District of Columbia through the Home Builders Association of Metropolitan Washington.

In the first place it is again pointed out, that although the National Capital Housing Authority requested the hearing, it failed to reveal at the sessions of the

hearing any plan for the completion of the work which it was charged to undertake in 1934.

The Home Builders Association of Metropolitan Washington, on the other hand, while realizing that the matter of slum clearance involves a difficult problem not yet known to be solved anywhere in the world, presented two studies or plans, one made by Monroe Warren (p. 580, etc.) and the other presented by Edward R. Carr and Lewis T. Breuninger (p. 1356).

In an effort to make comparisons between the actual accomplishments of the National Capital Housing Authority, as a public housing agency, with those of private enterprise in the field of low-cost housing, it was felt that the most helpful tangible comparison which could be made would be with respect to construction costs. Obviously, the people of any community are interested in having public improvement completed without wasting public funds, and in view of the tremendous cost involved in slum clearance, the less the cost the greater is the likelihood that the whole job or a large part of it will be completed.

## B. COMPARATIVE CONSTRUCTION COSTS

### I. GENERAL STATEMENT

The private home builders, it is submitted, have established the fact that they developed and built low-rental housing projects comparable to those developed by the National Capital Housing Authority, at a saving in construction costs of from 25 to 45 percent of the officially published costs of the National Capital Housing Authority projects.

The character and quality of construction was equal or superior to that which was found in the National Capital Housing Authority projects.

The private builders' projects included a number of items which, due to the more economical procedure as practiced by the private builders, cost very much less than similar items actually cost the National Capital Housing Authority. Some of these items are wage rates, profits, bonds, central-office overhead, administration costs, job overhead, field inspection, duplicating, and tests and architectural and engineering fees.

Many of the private builders proved the amount of their savings by detailed estimates and statements which have not been rebutted by the National Capital Housing Authority. This was clearly established in the National Capital Housing Authority rebuttal testimony dated June 30 as follows:

"The National Capital Housing Authority has not attempted nor does it intend to attempt to analyze, criticize, or disprove the testimony of the Home Builders' witnesses regarding their costs of their own developments."

Except for the difference in wage rates, the National Capital Housing Authority has offered no testimony giving their estimate of the difference between the costs of a project actually built by a public agency and a project actually built by a private agency. On the other hand, several private builders have presented detailed estimates, data, and statistics, which conclusively prove that they can develop comparable or superior projects at considerably less cost.

Even if we were to accept the National Capital Housing Authority's showing of the wage rate saving, this would be only a small part of the savings private builders have proven they could make by using their own methods and procedures.

### II. REPRODUCTION COST TESTIMONY

Mr. Myron Davy testified (commencing on p. 482) that he prepared an estimate of the cost of reproducing the V Street house in accordance with the plans and specifications which were followed by the National Capital Housing Authority but based upon his own units of construction costs. The average V Street house would have cost Mr. Davy \$2,976.77 to construct. This amounted to \$871.38 less than the National Capital Housing Authority actually paid for construction for their average V Street house. The National Capital Housing Authority actual construction cost was 29½ percent more than Mr. Davy estimated he could have built the same house for at the same time. His estimate is based upon his assembled costs of practically identical work completed during the construction period of the V Street houses. An additional saving of \$443.75 for each average house could have been made by making a few slight changes in the plans which would not reduce material quality or durability and would not increase rental or sales resistance. Mr. Davy testified "that the costs by a public

agency are approximately 52 percent higher than equivalent costs by private industry doing a better job in its own way."

Mr. H. Clinton Smith, an independent and disinterested contractor, testified (commencing p. 635) that he computed the quantities and prepared an estimate of the reproduction cost of an apartment house built by the National Capital Housing Authority and known as St. Mary's Court. The prices used in the estimate were based upon the costs of comparable work completed during the same construction period and according to the methods and procedures as used by the operative home builder. According to this estimate a private builder could have built St. Mary's Court Apartments for 27 percent less than the project actually cost the National Capital Housing Authority.

Another estimate was prepared by Mr. Smith, in practically the same manner as the St. Mary's estimate, for a project known as the Frederick Douglass Dwellings. According to this estimate this project could have been built by a private builder for 26 percent less than the National Capital Housing Authority's actual cost for the project.

Mr. Clarke Daniel testified (p. 563, etc.) that he could have built the National Capital Housing Authority project known as Stoddert Dwellings for approximately \$290,000 less than the National Capital Housing Authority actual construction cost. This would have resulted in a saving of over 30 percent.

### III. OTHER CONSTRUCTION COST COMPARISONS

Mr. Matthew G. Lepley, appearing in his own behalf, stated (p. 256) that he built 300 dwelling units of three and one-half rooms average in Glover Park, D. C., at a total cost of \$3,800 each. These were fireproof masonry apartments. Later he built 80 units of the same size for \$4,000 per dwelling unit. The National Capital Housing Authority built a project known as Tunlaw Road Houses in the same general location, for the sum of \$4,560 per unit of comparable size. There were 38 three-room and 48 four-room apartments. This was for construction cost only on leased ground. Buildings were of temporary frame construction. All of these projects were constructed at about the same time.

Mr. Joseph Deckman testified (p. 282, etc.) that he compared the Parkside Dwellings, which cost the National Capital Housing Authority \$1,100.88 per room, and a group of buildings located on East Capitol Street in the 3200 to 3300 block, which cost a private builder, \$896 per room. Both projects were built in 1943. Parkside is constructed with nearly one-half of its buildings of frame construction while the private development is built entirely of masonry construction. The private enterprise building has tile baths, full basements, more expensive yards, etc. This comparison showed a difference in costs of approximately 34 percent.

Mr. Deckman also compared (p. 277, etc.) the Frederick Douglass Dwellings, which cost the National Capital Housing Authority \$983.55 per room without land, and the Suburban Gardens development, which cost the private builder \$913 per room. The Frederick Douglass project is mostly of frame construction while the Suburban Gardens project is built of brick masonry construction, with tile baths, tile roofs, class A kitchen equipment, electric refrigerators, central heating plants, and full basements. Suburban Gardens was built in 1942, when construction costs were higher than in 1941, when Frederick Douglass was built.

In his comparison of the preceding projects, Mr. Deckman testified that his investigation proved that there was a difference of 20 to 25 percent in cost of frame and masonry construction.

Mr. Deckman presented a list of projects which were built by private home builders, and which cost as follows:

Fairfax Village, a very fine type of apartment construction, cost \$1,012 per room (p. 284, etc.).

Normandy Village, built by Mr. Eli Busada in 1940, containing five rooms per unit, sold for \$4,690 per unit complete (p. 293).

East Pines sold for \$3,775 per unit, including costs such as electric refrigerator, land, profits, overhead, salesman's commission, and everything complete. The advertised price was a little over \$900 per room (p. 289).

Landover Hills sold for \$800 per room, complete including a 5-percent salesman's commission (p. 290).

Fairlawn Village, a development of five-room complete houses built of masonry construction, with tile baths, air-conditioned heating system, insulated attics, and full basements, sold for \$4,990 (p. 291). This project, containing 403 housing units, was built on much more expensive ground than any of the land that public housing has built on under title II.

Mr. Clarke Daniel testified (p. 411) that his organization known as Standard Properties sold many homes at \$600 per room, while Frederick Douglass cost \$1,004.32 per room. He also built complete homes, excluding land costs, in East Pines for \$2,652.32 in August 1942, and for \$2,779 in March 1943 (p. 395).

Mr. Daniel stated (p. 411) that his Sycamore Hill houses sold complete in 1940 for \$2,990, including automatic heat but no refrigerator. He compares these houses with the Frederick Douglass Dwellings consisting of 309 two-bedroom units and 4 four-bedroom units, which cost National Capital Housing Authority \$4,545 per dwelling unit (p. 957).

He also stated (p. 563) that he has built and sold a large number of houses in the Washington area for less than the construction cost alone of any National Capital Housing Authority comparable structures. The sale price included all items of costs, profits, land, and all sales expenses.

Mr. Myron Davy stated (p. 474) that he has built 700 houses, 108 apartment units, stores and commercial buildings. He compared one of his groups of 15 houses with the V Street houses which were built by National Capital Housing Authority at approximately the same time, and found that they were comparable in size, but his houses were much superior in finish. His house had tile bathrooms, built-in showers, plastered walls and ceilings, as compared with the V Street house wallboard. His house had wrought-iron interior stair rail and balustrades in lieu of the cheap wooden rails in the V Street houses. Also, it had automatic gas heating furnace, with grills and ducts giving clean, filtered warm air in lieu of the V Street house coal stove of the space-heater type which used up one-third of the floor space in the living room and spread fine ash over the house. Mr. Davy's heating system cost approximately \$250 more than the coal stove in the V Street houses. The electric range in Mr. Davy's houses cost approximately \$60 more than the range used in the V Street houses. Mr. Davy erected one more closet at front entrance. He also installed an automatic, insulated, self-contained gas hot water heater in lieu of the unsightly noninsulated side-arm, manually operated cheap hot water heater used in the V Street houses.

Mr. Davy stated on page 475 that his house sold for \$3,990, including \$622.90 for profit and sales expenses. His construction cost was \$3,017.10 per house while the V Street houses averaged \$3,817.45 per house, or 26½ percent more to build than Mr. Davy's house.

Mr. Harry Poretsky testified (p. 549) that the construction cost, excluding land, of the Williston Apartments, built by National Capital Housing Authority in 1937, was \$1,325.12 per room. He stated that the construction cost, excluding land, for his Luzon Avenue Apartments was \$800 per room. The Luzon Avenue job was much more expensively constructed. There are a comparable number of rooms per apartment but the rooms are larger in size in the Luzon Avenue apartment.

Mr. Poretsky stated (p. 553) that he built an apartment house at 1811 Irving Street N.E., which he sold for \$1,058 per room, including land, a 10-percent profit and a 5-percent sales commission. All of the floor construction was built of fire-proof materials while Williston had wooden joists under the apartments.

Mr. Poretsky also testified (p. 554) that his Bolling View Apartments, including land, cost \$1,013 per room. Williston and Bolling View Apartments were of comparable construction, three-story, semifireproof buildings.

All of the apartments included in Mr. Poretsky's testimony were built on a substantially higher construction market than the one on which the Williston apartments were built. Williston was built in 1937, Luzon Avenue in 1939, Irving Street in 1940, and Bolling View in 1943. The construction costs in the 1943 market were 33½ percent higher than in 1937 when Williston was built.

Mr. Harry Poretsky described (pp. 555-556) the results of an examination which he made of the Williston apartment houses, from which he concluded that the buildings were uneconomical in design and construction details.

After examining the plans and specifications, as well as the two completed structures, with great care, Mr. Poretsky concluded that if he had built Williston he would have used a different design than the one used by National Capital Housing Authority, and would have produced a more economical and advantageous development for the purposes for which the project was intended.

He would have built 1 building containing 54 apartments instead of the 2 buildings with only 30 apartments, as designed by the National Capital Housing Authority. This more economical improvement of the lot would have fully complied with the building code, light, ventilation, and zoning regulations of the District of Columbia. It would also have been just as desirable a place to live in from every point of view as is afforded by the National Capital Housing Authority planning.

The same stairways, entrance halls, front entrances, leads, walks, approaches, penthouses, etc., would serve 54 apartments as now serve 30 apartments. The same number of incinerators, the 1 boiler and service room, 1 janitor's quarters, and only 1 water, sewer, gas, and electric service would have been installed if 1 building had been built instead of the 2 Williston buildings. Site improvements would have cost less for the 54-unit building than they would have cost for the two 15-unit buildings.

Mr. Poretzky stated (p. 557) that the money expended by National Capital Housing Authority to develop the Williston Apartments has not been put to its best use and that the uneconomical planning of the Williston Apartments would bankrupt a private builder in fair competition with more efficient private builders.

#### IV. COMPARATIVE ARCHITECTURAL AND ENGINEERING COST COMPARISONS

The total cost of the architectural and engineering items for National Capital Housing Authority's Parkside project was given as \$64,550.70 by the National Capital Housing Authority in their detailed break-down of costs (p. 954). This Parkside project consisted of 115 buildings and 373 dwelling units.

The same items cost Mr. Wire for his Benning Road project, the sum of \$899.50. This project contained 104 buildings and 350 dwelling units (p. 502).

The following is actual cost of architectural and engineering commissions per dwelling unit for National Capital Housing Authority projects (pp. 951-957):

Frederick Douglass Dwellings.....	\$193. 45
The V Street houses.....	192. 12
The Parkside project.....	173. 06
Williston Apartments.....	162. 05
St. Mary's Court Apartments.....	63. 72
The Stoddert Dwellings.....	20. 56

The record shows the private builders' architectural fees to be as follows:

Amount paid by Mr. Wire for 1 average dwelling unit.....	\$2. 60
Amount paid by Mr. Davy for 1 average Clay St. house.....	10. 00
Estimated cost by Mr. Warren for 1 proposed house.....	20. 00

Most of the National Capital Housing Authority housing developments were composed of multiduplicated buildings. As an example the Frederick Douglass Dwellings, out of a total of 107 buildings, had 55 of the one design, 44 of another design, 6 of a third design, and 2 of a fourth design. The group of 44 differed from the group of 55 only slightly in dimensions.

Designing these multiple box-like units requires far less architectural effort in amount and skill than is called for in designing an individual house, office building or monumental building.

#### V. ADMINISTRATIVE COSTS OF NATIONAL CAPITAL HOUSING AUTHORITY

The following are the construction administrative costs per dwelling unit as compared with an almost nominal cost to private enterprise:

<i>Project</i>	<i>Administrative costs per dwelling unit</i>
Frederick Douglass.....	\$519. 28
Parkside Dwellings.....	438. 01
V Street houses.....	229. 83
Williston Apartments.....	218. 24
St. Mary's Apartments.....	107. 88
Stoddert Dwellings.....	106. 86

#### VI. WIRE'S PRIVATE ENTERPRISE PROJECT VERSUS NATIONAL CAPITAL HOUSING AUTHORITY'S PARKSIDE PROJECT

Mr. Preston E. Wire testified (p. 486, etc.) that he built in his Benning Road project and now maintains and operates there about 700 rented dwelling units, all constructed within the past 6 years. He compared the costs of a comparable part of this development, composed of 104 buildings and 350 dwelling units, with the Parkside project of 115 buildings and 373 dwelling units.

He stated (p. 491) that each row of his buildings was completed in 2 months' time. "The first group was started May 15, and the leases began on July 15." None of his 700 units took to build more than 10 weeks from the time he put

the first pick in the ground until the last tenant moved in. The Parkside buildings took several times as long to complete which increased the construction costs without any benefit to the tenants.

He presented (pp. 501 and 502) a detailed break-down of his actual costs of the Benning Road development, as taken from his ledger accounts. Mr. Wire's cost sheet includes the whole cost of all public sidewalks and curbs. He also paid for the underground electric services. The Parkside had overhead services at no cost to National Capital Housing Authority. Sewer and water mains in the public spaces were laid by the District of Columbia but at Mr. Wire's expense. Mr. Wire connected sewer drains for the roofs and yards into public sewers. The Parkside development had no yard drains and the downspouts emptied onto the ground, involving less costly and more unsatisfactory construction.

Mr. Wire stated (pp. 503-504) that some of his subcontractors paid the A union scale of wages, while others paid the B union scale. Several of the subcontractors paid a rate of wages unknown to Mr. Wire. The National Capital Housing Authority, in their comparative estimate of the unit prices of labor costs for Mr. Wire's buildings and their Parkside job, based their computations entirely upon the erroneous assumption that Mr. Wire paid only the B rate of wages. The National Capital Housing Authority stated (p. 965), "If he [Mr. Wire] paid the B scale his costs would be 12 percent less than the Parkside project."

Mr. Wire testified (p. 505) that the Parkside specifications contained about 600 pages while his job required only 10 pages which was ample. The Parkside specifications require methods and conditions which greatly increase costs without producing a corresponding increase in value. This applies to overhead items, inspection, approval of materials, change-order delays, and inability to substitute unspecified materials of equal value when specified materials are difficult to obtain at that time.

Comparing the size of rooms, Mr. Wire stated (p. 509), that Parkside had 192 square feet per average room, and Mr. Wire's project had 194 square feet per average room.

The National Capital Housing Authority reported (p. 950) that Parkside cost \$1,100.88 per room and Mr. Wire stated (p. 510) that his cost per room was \$676. Therefore, Mr. Wire built his project for \$424.88 less per room than National Capital Housing Authority built Parkside. This was a saving of 38½ percent. It is to be noted that National Capital Housing Authority reported (p. 950) after Mr. Wire had testified, that their actual cost was \$1,100.88 per room for Parkside, instead of the \$1,072 cost as was used by Mr. Wire from an earlier published National Capital Housing Authority report in computing 37 percent as the amount of saving.

The National Capital Housing Authority reported (p. 950) that Parkside cost \$5.73 per square foot and Mr. Wire testified (p. 511) that his project cost him \$3.47 per square foot. Mr. Wire built his project for \$2.26 or 39 percent less than National Capital Housing Authority built Parkside. (Mr. Wire testified to 38 percent because his computation was made before National Capital Housing Authority presented its revised report.)

Mr. Wire's testimony shows (p. 510) that on the basis of his estimates, Parkside cost National Capital Housing Authority 52.3 cents per cubic foot and that his project cost 30.1 cents per cubic foot. The saving was 22.2 cents or 42½ percent. Mr. Wire stated that his saving on the cubic-foot basis was 41 percent based upon a total cost of Parkside of \$2,005,181. The National Capital Housing Authority presented their revised cost of \$2,059,198.43 after Mr. Wire testified.

Included in the National Capital Housing Authority detailed break-down of Parkside costs (p. 954) is an item of unsettled claims amounting to \$85,000. This item was not reported until after Mr. Wire had testified and therefore it was not used in computing his comparative estimates. If these claims are allowed, then the total development cost of Parkside would be increased 4 percent and Mr. Wire's percentages of saving would be proportionally increased.

The Home Builders' witness stated (p. 1328) that if Mr. Wire used the total construction cost (excluding all land acquisition costs) his estimated saving by the cubic foot cost comparison method was 46 percent. Mr. Wire in his 41 and 42 percent comparative estimates based his computations upon the total development cost.

The following is an explanation of the 34 percent saving estimate as given\* in the rebuttal presented by the witness for the Home Builders (p. 1328).

Consideration must of course be given to the characteristics of the buildings to be compared. For equal volume of construction, the cost per cubic foot will vary somewhat, if different features occur in the two projects, or if the same features vary in amount.

The Parkside project was so laid out that the cost of the utilities and site improvements was proportionately greater than in Mr. Wire's project. To compensate for this it seemed desirable to eliminate from the comparison the cost of all utilities and site improvements for both projects. Mr. Wire's cost figures however did not segregate site improvement costs from other costs. Accordingly for comparative purposes, the cost of Parkside utilities and site improvement is deducted from the total figure for Parkside, while the corresponding item is not deducted from Mr. Wire's total construction cost. Using the modified figure for Parkside and the original figure for the Wire project, Mr. Wire still shows a saving of 34 percent. It is clear that the actual saving would not be 34 percent, but that it would be some figure in excess of 34 percent. When we express the saving as 34 plus percent we have a figure which is not exact but is verifiably correct.

It should be noted that the land acquisition costs were deducted for both projects before computing either the 46 percent or the 34 percent plus savings estimates.

Detailed comparison of the two projects shows that certain features exist in one project and not in the other, and that other features existing in both projects differ substantially in the cost of the materials used. Consideration of these points of difference makes it evident that they tended to increase the cost of Mr. Wire's project far more than they tended to increase the cost of Parkside. Therefore, if the two projects had been planned exactly alike and the differences in construction did not exist, then the percentages of saving as given previously in Mr. Wire's estimates would have been increased.

The following items increased the per cubic foot cost of Mr. Wire's project in comparison to the cost of Parkside. These relatively more expensive items found in Mr. Wire's project were based upon using the cost figures in the 34 percent plus estimate, which omits all utilities and site improvement costs in Parkside.

It should be made plain that costs only were considered in these estimates and comparisons and that the relative merits of the planning of the two projects were not at issue here.

The relatively more expensive items for Mr. Wire's project were as follows:

Item No. 1. Based upon using the 34 percent plus estimate of comparative cost, all of the utilities and site improvements were included in Mr. Wire's project and omitted in Parkside. This applied to such portions of the following items as were shown to be located outside of the Parkside buildings: sewers, water mains, gas, electricity, roads, walks, clearing of site, grading, landscaping, miscellaneous yard facilities, general conditions, and equipment. These items, detailed in the break-down (p. 953), cost National Capital Housing Authority a total of \$350,-360.74 for that portion of Parkside which was omitted in the 34 percent plus comparative cost estimates. Therefore, on that basis, Mr. Wire's project would have a much greater relative value per cubic foot than Parkside.

Item No. 2. Mr. Wire stated (p. 511) that Parkside had a bath room, kitchen, heating plant, etc., for every 5.15 rooms, and his project had the same items for every 3.03 rooms. The following statement was made (p. 511) by Senator Burton: "It is generally more expensive to build a series of small apartments than large ones." If Mr. Wire had used larger apartments, similar to Parkside's, he would have installed only 205 bath rooms, kitchens, heating plants, etc., instead of the 350 which he did actually install. On this basis Mr. Wire could have saved 145 bath rooms, etc., at an approximate cost of \$500 each, or \$72,500 for the saving in total construction cost for his project.

On the same basis of comparison, if the National Capital Housing Authority had planned the Parkside project with the same series of smaller apartments, similar to those in Mr. Wire's project, the actual cost of Parkside would have been increased over \$200,000.

Item No. 3. All buildings in Mr. Wire's project were of masonry construction. Out of a total of 115 buildings, Parkside had 50 of frame construction. If all of the Parkside buildings had been built of masonry construction, the total cost would have been increased by over \$100,000.

Item No. 4. Downspouts connected to sewers in the Wire project. Parkside downspouts empty on the ground.

Item No. 5. Yard drains connected to sewer in the Wire project. These were omitted in the Parkside project.

Item No. 6. All buildings have ceiling joists in the Wire project. Approximately 80 percent were omitted in the Parkside project.

Item No. 7. Quarter-round copings with cement finish were installed at the sidewalk and parking line in the Wire project. These were omitted in Parkside.



Item No. 8. All front entrance steps and platforms were erected entirely of concrete with cement finish in the Wire project. In Parkside some were of wood construction.

Item No. 9. All buildings had window screens in the Wire project. The screens were omitted in Parkside.

Item No. 10. Tile floors were laid in all bathrooms in the Wire project. Parkside floors in the bathroom were covered with linoleum.

Item No. 11. Bedroom closets had trim and doors in the Wire project. These were omitted in the Parkside closets.

Item No. 12. Fences were included in the Wire project. In Parkside they were omitted.

Item No. 13. Face brick was used on all street fronts in the Wire buildings. Common brick was used on all of Parkside's street fronts.

Item No. 14. Six-light sash was installed in windows in the Wire buildings. Parkside had cheaper one-light sash.

Item No. 15. Parapet and fire walls were extended above the roofs in the Wire buildings. These were omitted in Parkside.

Item No. 16. Several groups of buildings had high terraces which required a flight of cement steps in the Wire project. This was a much more expensive type of entrance approach than those used in Parkside, which had no high terraces.

Item No. 17. Mr. Wire stated (p. 513) that his total cost sheet included the following items which were omitted in the total development cost statement of Parkside:

- (a) Survey fees.
- (b) Subdivision costs.
- (c) Financing fees and expenses for securing loans.
- (d) Taxes on land and improvements during construction.
- (e) Plats.
- (f) Wall tests.
- (g) Permit fees and expenses.

The following items are relatively more expensive in the Parkside project and increased its cost in comparison to the cost of the Wire project. Because the estimates of savings deal only with costs, the relative merits of planning were not at issue here or in the preceding list.

The following items are based upon statements made by National Capital Housing Authority (pp. 969, 970):

First item: More expensive fire protection was installed around the heaters than was installed in the Wire project.

Second item: A better grade of wood flooring was laid.

Third item: A blanket of 2-inch insulation was provided between the rafters.

Fourth item: Kitchen floors were covered with linoleum. The Wire project had finished wood floors in the kitchens.

Fifth item: More shelving was installed than Mr. Wire used in his project.

Sixth item: Vents were provided between the rafters.

The cost of any one of the first three items in Mr. Wire's list of relatively more expensive items, based upon the 34 percent plus savings estimate, would amount to several times the cost of all of the items in the Parkside list above.

#### VII. COMPARISON OF WAGE RATES

Under a ruling of the Secretary of Labor, National Capital Housing Authority was forced to pay an A wage rate on all of its work, although this is without precedent in the home building and small apartment building industry's history in the metropolitan area of the District of Columbia.

The local home building done by private enterprise during the last several years on Federal Housing Administration insured projects was constructed under wage conditions approximating a so-called B scale. This was a scale offered in several trades by unions to induce builders to use union labor. It was supposed to approximate the scale of wages paid in open-shop operations. Home building and small apartment construction in the District of Columbia and throughout the United States generally is done under open shop conditions, excepting when the United States Government owns the operation.

Mr. Clark Daniel (p. 395) testified that the A scale of wages was 10 percent higher than the B scale.

Mr. H. Clinton Smith testified that the use of the B scale instead of the A scale saved approximately 10 percent for the total of labor and material (p. 649).

Mr. Clement F. Preller testified (p. 795) as follows:

"Senator BURTON. What is the difference in the rate between A and B? Ten percent?"

"Mr. PRELLER. Possibly 10 percent. Around 20.

"Senator BURTON. That would be 10 percent man-hours and materials?"

"Mr. PRELLER. No; 10 percent on labor only."

The National Capital Housing Authority presented testimony in their wage-rate tables (p. 980) which showed that labor was approximately one-third (34.59 percent) of the total construction cost. Therefore, Mr. Preller's testimony, that the difference "on labor only" was 10 percent, is to be interpreted as meaning that the difference in total construction costs would be between 3 and 4 percent. This witness is president of the American Federation of Labor Building Trades Council and favored the continuation of building by the National Capital Housing Authority.

Mr. Joseph Deckman testified (p. 273) that 10 percent was the difference between the A and the B wage rates.

Mr. Bernard E. Loshbough, of the National Capital Housing Authority, testified (p. 965) that: "If Mr. Wire paid the B scale his costs would be 12 percent less than the Parkside project" and "it would be entirely due to the lower wage rates paid."

On page 980 the National Capital Housing Authority presented tables I and II by which they attempted to show that the use of the A wage rates increased the total construction cost of a project 17.08 percent more than the total construction cost if the B wage rate was used. However, the Home Builders' witness (p. 1327) pointed out that if the tables I and II had been prepared on the basis of analyzing the decrease or saving represented by the use of the B wage rate instead of the A rate, the conclusion reached by the decrease method would have been 11.01 percent instead of the 17.08 percent for the increase method as used by the National Capital Housing Authority in their table II.

The National Capital Housing Authority presented (p. 1366) their table III which attempts to show that the Kelly Miller project cost 23.09 percent more for total construction cost than it would have cost if the Federal Housing Administration wage rate had been used. They also attempted to show, by their table IV, that the James Creek Dwellings project construction cost was 20.09 percent more than it would have cost if the Federal Housing Administration wage rate had been used.

The National Capital Housing Authority table giving the comparison of the Federal Housing Administration and the National Capital Housing Authority wage rates (p. 983) shows that some trades have the same rates for both scales of wages. For one trade the table shows that the Federal Housing Administration rate was more than the National Capital Housing Authority rate.

On page 1172, Gen. U. S. Grant III testified: "The National Capital Housing Authority is forced to pay 15 to 30 percent more for its labor than does private enterprise." According to this testimony the percentages given are for labor only. The National Capital Housing Authority stated in their testimony, referring to the wage rate tables, that labor amounted to 34.59 percent of the total construction cost. This would be approximately one-third for labor only, and if the "15 to 30 percent more for its labor" item was spread over the total construction cost, then the percentages would become 5 to 10 percent. General Grant also favored the continuation of a construction program by the National Capital Housing Authority.

The following statements were made (p. 800) by Mr. Milton R. Stevens, representing Plasters and Cement Finishers Union, Local No. 96:

"There are very few operators today paying the A scale in the city."

"It is true that very few men who receive the A scale buy houses that were built under the A scale."

"It is true that his union does have an A and a B scale."

"The A scale is \$2 per hour and the B scale is some \$1.375 and other \$1.50."

Mr. John Locher, president, Washington Central Labor Union, American Federation of Labor, testified (p. 810) as follows:

"Question. But you [your unions] have done very little of the work that has been done by the Home Builders Association.—Answer. That is correct."

Mr. Bernard E. Loshbough, of the National Capital Housing Authority, testified (p. 972) that: "The B rate was established for only three trades in July 1942. These trades are bricklayers, electricians, and laborers. Since that time the B rate has practically disappeared."

This statement made by Mr. Loshbough was contradicted by the following testimony given (p. 801) by Mr. Milton R. Stevens, representing Plasterers and Cement Finishers Union, Local No. 96.

"Question. But you do have an A scale and a B scale in your union?—Answer. It is true."

It is to be noted that Mr. Loshbough failed to include this union in the above list of three unions which have a B scale.

Several witnesses who advocated or favored the National Capital Housing Authority construction program offered various percentages for the difference in the wage rates which were paid by private and public agencies. The following are the percentages offered in the testimony:

(a) 17.08 percent was given in the National Capital Housing Authority tables I and II as the differential based upon the amount of an increase in total construction costs.

(b) 11.01 percent was the differential given under the same conditions as (a) except on basis of a decrease in costs.

(c) 23.09 percent for the National Capital Housing Authority table III on the basis of an increase.

(d) 14.05 percent for the National Capital Housing Authority table III on the basis of a decrease.

(e) 20.09 percent for the National Capital Housing Authority table IV on the basis of an increase.

(f) 12.77 percent for the National Capital Housing Authority table IV on the basis of a decrease.

(g) 12 percent for the difference between Mr. Wire's and the Parkside projects.

(h) 3 or 4 percent for the equivalent of the testimony of Mr. Clement F. Preller that the difference was "10 percent on labor only." The National Capital Housing Authority tables show that labor was approximately one-third of total construction costs.

(i) 5 to 10 percent for the equivalent of the testimony of Gen. U. S. Grant III, who stated that: "The National Capital Housing Authority is forced to pay 15 to 30 percent more for its labor."

These many variables in percentages and differences of opinions demonstrate how difficult it would be to determine the proper wage rate differential.

Mr. Bernard E. Loshbough, of the National Capital Housing Authority, presented for the record (p. 980) tables I and II, which were cost comparison studies of the effect of wage rates. From these tables he concluded that 17.08 percent was the increase in total construction cost due to the difference between the Federal Housing Administration wage rates and the National Capital Housing Authority wage rates. He refers to the National Capital Housing Authority rate as the A rate and the Federal Housing Administration rate as the B rate. The National Capital Housing Authority claims that their tables show that, due to wage rates only, their total construction costs were 17.08 percent more than the total construction costs of the private builders. The lower wage rates used in the tables are not the wage rates furnished by the private builders, but are some rates assumed by the National Capital Housing Authority. The Home Builders' witness (p. 1324) conclusively proved that the source material used in the tables was derived from eight especially designed houses outside this city, and cannot be considered as reliable and representative as a comparison with typical homes of standard construction in the District of Columbia or projects built by private builders.

The National Capital Housing Authority witness testified (p. 984): "Witnesses appearing before this committee have stated that they could build the National Capital Housing Authority projects from 26 to 41 percent more cheaply than could the National Capital Housing Authority." This statement "more cheaply" shows that the National Capital Housing Authority understood that the cost comparisons as made by the private builders were prepared by the decrease in costs method and not by the increase in costs method as used in the National Capital Housing Authority tables.

If the National Capital Housing Authority tables had been prepared on the basis of analyzing the decrease in costs, which the National Capital Housing Authority has testified was the actual method used by the private builders, then the tables would show a wage differential of 11.01 percent instead of the 17.08 percent as given in the National Capital Housing Authority tables. The National Capital Housing Authority tables cannot be representative of the difference in

the actual wage rates because the National Capital Housing Authority testified (p. 1361): "The National Capital Housing Authority never had, nor does it now have, access to the actual rates used by Home Builders' members."

The Home Builders' witness (p. 1321) proved by facts and detailed figures that the National Capital Housing Authority tables were invalid and that the conclusions drawn from the tables were inaccurate. It was shown that a very large percentage of the workmen usually employed on this type of construction were not included in the comparison of wage rates as analyzed in the tables. The National Capital Housing Authority based their tables upon the assumption that all of the work in each trade would be performed with journeymen exclusively. The National Capital Housing Authority also assumes in the tables that the only men employed on concrete work would be journeymen bricklayers. On most construction jobs the number of nonjourneymen would equal or exceed the number of journeymen employed. On masonry and concrete work a large majority of the men employed are nonjourneymen who have a wage differential of 44.44 percent while journeymen have a differential of only 7.69 percent. In the item of plumbing, where the classifications are about evenly divided, the difference between the National Capital Housing Authority rate and the Federal Housing Administration rate is 55.55 percent for journeymen and minus 2.66 for the nonjourneymen. Other trades have proportional differences. The National Capital Housing Authority does not deny that there were inaccuracies in their analysis of their tables but claim that they were "minor omissions," and of "negligible importance" (p. 1361).

The above figures clearly establish the fact that the inaccuracies in the analysis of the National Capital Housing Authority wage rate tables are "major" and not "minor" omissions, and are of "great" and not "negligible" importance. The difference between plus 55.55 and minus 2.66 is certainly more than "negligible."

#### VIII. ESTIMATING COMPARATIVE COSTS BY THE CUBIC-FOOT METHOD

The National Capital Housing Authority offered testimony as follows (p. 1362): "The cubic-foot method has not been considered as a reliable method of estimating in recent years, and is never used by builders who submit contract bids." According to the testimony of H. Clinton Smith (p. 1328), preparing estimates of costs by the cubic-foot method is the most universally used procedure in comparing costs of completed structures when the actual costs of the structures were known.

If the actual costs of two structures of different size were known, and a comparison of costs was to be prepared, the cost of each cubic foot of each structure could be computed and the comparison of actual costs could be accurately determined. Why should time and money be spent in preparing estimates which would be an approximation only, when the actual costs of the completed structures were known, and the comparison would be made from accurate actual costs instead of the approximate estimates as advocated by National Capital Housing Authority?

The Bureau of Labor Statistics of the Department of Labor used very extensively what they refer to as "a cubic-foot comparison of the costs of construction." Another Government agency which used the cubic-foot method was the National Capital Housing Authority. In their table 2 of the annual report for the fiscal year ending June 30, 1938, the National Capital Housing Authority gives the "building contract cost per cubic foot," for a comparison of the costs of several types of structures.

The Bureau of Labor Statistics in their Serial No. R. 933, which is the publication from which the National Capital Housing Authority derived the information they used in their tables I and II, also used "cents per cubic foot" construction cost comparison.

The reason Federal Housing Administration changed from the cubic-foot method was the fact that different estimators used different methods of computing the volume of structures. Mr. Wire cubed both Parkside and his own project by exactly the same methods, which assures an accurate comparison and eliminates any objection which Federal Housing Administration could have to this method of cost comparison of completed structures. Mr. Loshbough conceded the accuracy of the cubical computations of Mr. Wire after checking them himself, but then seeks to discredit the use of this method of comparison without supporting his opinion by that of any other person or by any authority.

## IX. PRIVATE ENTERPRISE BUILDERS' SAVINGS IN COST

Mr. Clarke Daniel offered (p. 567) an explanation of the reasons why private enterprise builders operated more economically than the Government under the National Capital Housing Authority procedures. Unrestricted use of materials allows the private builder to take advantage of new methods of fabrication and simplification of production procedure. Each workman is able to do more than one job, so that in good weather the men work outside, in bad weather they all have inside jobs. In this way they are able to be supplied continuous work day in and day out, year in and year out. Thereby mechanics work more days per year and earn more per year although they receive less per hour. The mechanics are especially trained in that particular type of construction and produce more than men who have had more experience on entirely different types of construction. The men like this work and they become, along with the private enterprise home builder, professional low-cost housing mechanics and builders.

The Home Builders' witness stated (p. 1321) that the National Capital Housing Authority spent considerably more money for the construction of their projects than an operative builder using his own methods and procedure would have spent for comparable construction. A comparison of the break-down figures of the Parkside project and Mr. Wire's Benning Road project shows that if Mr. Wire's methods and procedure had been applied to the Parkside project, there would have been a saving of approximately \$300,000, involving only three items. These items were the bond, the contractor's profit, and the difference in administration costs. On the basis of following Mr. Wire's methods, the first two items would be eliminated entirely. The third item is explained by comparing the administration costs of the two projects. A detailed cost report was made by National Capital Housing Authority (p. 953) in which their cost for the item of administration was given as \$163,376.58. This same item cost Mr. Wire (p. 502) for his Benning Road project \$14,175, which is his actual expenditure of \$8,714.08, raised proportionately to meet the larger size of the Parkside project. The saving for this one item of administration costs would have been \$149,201.58. The total saving for these three items would have been approximately 20 percent of the total construction costs, and would have been in addition to the saving realized from the difference in wage rates.

According to the testimony of Mr. Matthew G. Lepley, a witness in his own behalf (p. 252) the operative builder has a very much smaller overhead cost than the public agency or the general contractor. The overhead is also increased and other expenses incurred by the loss in time and money due to the delay in getting material approved and receiving change orders. Other savings were due to the fact that on Government-constructed projects the general contractor's greatest overhead expense is in preparing estimates for bids. The operative builder saves all of this expense. The general contractor, building Government jobs, can use specified materials only, while the operative builder can take advantage of unusual bargains in materials as the opportunity presents itself.

The Home Builders' witness (p. 645) explained that the private builder can purchase materials of his own selection in large lots at wholesale prices and use the materials in several different projects. He can make purchases at the low levels of seasonal or market conditions. This is made possible by the fact that the private builder has complete control over his plans and specifications, which is not the case with the general contractor on Government-constructed projects.

## X. NATIONAL CAPITAL HOUSING AUTHORITY'S DETAILED BREAK-DOWN OF COSTS

Mr. Bernard E. Loshbough of the National Capital Housing Authority presented for the record (pp. 949-957) detailed break-downs of costs for six National Capital Housing Authority projects.

In reply to a request made by Mr. James C. Wilkes, counsel for the Home Builders' Association, these break-downs were prepared and mailed to Mr. Wilkes on March 24, 1944, for his information and use in preparing studies of the comparisons of the National Capital Housing Authority costs and the costs of the private builders. The National Capital Housing Authority referred to these as a "detailed break-down of costs," and it was reasonable for the Home Builders' Association to expect and believe that the figures contained in the break-downs which National Capital Housing Authority placed in the record were accurate and represented the actual costs.

Mr. Loshbough also placed in the record (p. 941) a letter which Mr. John Ihlder of the National Capital Housing Authority wrote Mr. Clarke Daniel. In this letter the following statement was made: "Actual recorded costs for these

items are not available inasmuch as the projects are built by a contractor submitting the lowest bid after the project has been publicly advertised for construction bids. When the project is finished the contractor's itemized break-down as to actual costs of these items is not made available to the National Capital Housing Authority."

The National Capital Housing Authority made this statement (p. 1361): "The private builders have never had a complete break-down of labor and material costs, either for their own use or publicly available. Neither was sufficient data for specific public projects readily available at that time for making this needed study."

The National Capital Housing Authority presented a break-down of costs for Stoddert Dwellings (p. 951) which omitted the items of masonry and concrete. The plans for this project show that these items were included in the construction of this project and that they cost a substantial amount.

None of the six detailed break-downs include any items for the builder's overhead or profit. Three of the six break-downs have omitted all items under general conditions except the bond.

#### XI. NATIONAL CAPITAL HOUSING AUTHORITY'S COMPARATIVE CONSTRUCTION COST ESTIMATE STUDY

The National Capital Housing Authority (p. 965, etc.) presented for the record their "comparative cost estimate study," which was an analysis of the differences in the costs of the construction of their Parkside Dwellings project, located on Kenilworth Avenue NE., and Mr. Preston E. Wire's project, located at Eighteenth and Benning Road, NE.

Because their whole case on comparing National Capital Housing Authority construction costs with private enterprise costs depends upon this "study" a careful analysis of the study is considered necessary to demonstrate its utter unreliability. Its conclusions are ridiculously baseless and unfortunately not even nearly correct.

From this study National Capital Housing Authority presented some conclusions which were not proven by any facts or figures or reasonable inferences therefrom. The meager outline which they presented (p. 965, etc.), and (p. 1363) described very vaguely the procedure they used in the preparation of their estimates.

The National Capital Housing Authority clearly established the fact that they did not intend to permit the committee to obtain any additional facts or figures which would explain some of their unrevealed computations and procedures. They made this statement (p. 1363): "These estimates will be made available to any impartial technical agency or individual which the committee may designate to pass upon the correctness of the data contained therein." This establishes the fact that National Capital Housing Authority proposes that only the correctness of the data contained therein would be passed upon.

If some of the estimated items were incomplete or if some were omitted, and if the data used were based not on accurate figures derived from actual detailed costs, but on the "set-up" figures which represented the opinions of an undisclosed estimator, then the conclusions drawn from the estimate could be incorrect although the "data contained therein" were "passed upon."

The National Capital Housing Authority (p. 1363) states that they used Parkside's "actual costs" in the preparation of the estimate used in their study. However, their Mr. Bernard E. Loshbough placed in the record (p. 941) a letter which their Mr. John Ihlder wrote Mr. Clarke Daniel, a private builder. This letter contained the following quotation: "Actual recorded costs for these items [detailed break-down of costs requested by Mr. Clarke Daniel] are not available inasmuch as the projects are built by a contractor submitting the lowest bid after the project has been publicly advertised for construction bids. When the project is finished the contractor's itemized break-down as to actual costs of these items is not made available to National Capital Housing Authority."

The National Capital Housing Authority also made this statement (p. 1361): "The private builders have never had a complete break-down of labor and material cost, either for their own use or publicly available. Neither were sufficient data for specific public projects readily available at that time for making this needed study."

These statements clearly show that the only actual construction costs available to National Capital Housing Authority were the cost of the contracts let by National Capital Housing Authority, and that the "detailed break-down of costs"

placed in the record by National Capital Housing Authority (pp. 951-957) are not actual costs, as would be assumed from the fact that National Capital Housing Authority placed them in the record for the purpose of being used in the comparative cost estimates, of the private builders.

Mr. Wire did not have a break-down of his own costs beyond the subcontract totals and other totals listed by him (p. 501). Unless National Capital Housing Authority had other information than that which is already in the record, the attempt made by National Capital Housing Authority to estimate the amount of labor actually spent on each individual item in one unit would have been mere guesswork.

The "one unit" used in the National Capital Housing Authority study is not revealed, but it is a reasonable assumption that it was selected from the three units previously placed in the record by National Capital Housing Authority (p. 949) under the heading of "Summary of costs." These three units are, (1) a dwelling unit, (2) a room, and (3) a square foot.

The National Capital Housing Authority (p. 1363), testified that "unit prices for labor and materials were set up" for Mr. Wire's project. Mr. Wire's actual unit prices for labor and materials, which were the only data for these items susceptible of being checked, were not available to the estimator. The National Capital Housing Authority testified, in the same rebuttal, "The private builders have never had a complete break-down of labor and material, either for their own use or publicly available."

If the data were based upon set-up figures or estimator's opinions and not on actual cost figures or facts, and if some other agency or individual passed upon the data, it would not necessarily follow that the set-up figures were representative of the actual costs for Mr. Wire's project.

In describing their study in the June 30 rebuttal the National Capital Housing Authority presented only three figures, as follows:

(a) Nineteen hundred and forty-one—which was a date given in the description; and which was not used in computing the estimate, of course.

(b) Four percent—which was the amount given for a range of error; and this figure was not used as a percentage in the computations when the estimate was prepared.

(c) Twelve percent—which was a conclusion. Likewise this figure was not used in the computations.

Therefore, no figures used in computing the estimate were revealed in the outline of the study as presented by the National Capital Housing Authority.

The National Capital Housing Authority states (p. 1363) that the estimated cost of their "one unit" of Parkside was "checked against actual costs and found correct." They assumed that their estimated cost and the actual costs of this "one unit" were exactly the same figure. But the National Capital Housing Authority testified (p. 941) that the "break-down of actual costs was not made available to National Capital Housing Authority." Without this break-down of actual costs the National Capital Housing Authority could not have known the actual costs of the "one unit" which they claimed they used in checking their estimates. The detailed set-up figures, which National Capital Housing Authority claimed represented the unknown costs in their estimates, were assumed by them to be the same as the actual detailed costs because the total of their set-up figures was the same as the actual total costs. The National Capital Housing Authority should have considered the fact that many combinations of different figures could have all equaled the total costs, and none of the figures used would have necessarily been representative of the actual costs of the individual items which made up the total.

If the National Capital Housing Authority used a building or a part of a building as their "one unit" they were confronted with the fact that there were considerable variations in the different Parkside buildings. Nearly one-half of the buildings were frame, while the others were of masonry construction. Sizes and designs varied also, and there was no typical building unit for the entire development.

This type of estimate as used in the study was further complicated by the fact that a number of items involving labor costs, such as fencing, screening, tiling, etc., in the Wire job, and linoleum, insulation, outside framing, siding, etc., in the Parkside project, were included in the costs of one project and omitted in the other. The actual costs of these items used in only one of the projects could not, according to the methods used by the National Capital Housing Authority in preparing their estimate, have been included in the comparative cost study.

The 12-percent estimate of savings presented by the National Capital Housing Authority in their description of the study (p. 965), was based entirely upon the difference in wage rates. This was stated in the following National Capital Housing Authority testimony: "If he [Mr. Wire] paid the B scale, his costs would be 12 percent less than the Parkside project. It would be entirely due to the lower wage rates used."

Senator Burton (p. 965) then asked the witness: "Does that rather clearly establish in a comparable way the difference in effect, on this project of the A and B scale was about 12 percent?"

Mr. Loshbough answered, "Using the wage rates only." (NOTE.—This answer was given in the stenographic transcript (p. 2206) but it was changed in the printed record.) This definitely proves that the 12-percent saving estimate as given in the study was based solely upon the saving due to the difference between the A and the B wage rates and no consideration was given to the saving produced by the difference in costs of any other items. The National Capital Housing Authority also assumed that, if both projects paid the same wage rates, Mr. Wire's costs for all items would be exactly the same as the National Capital Housing Authority actually paid for the Parkside items. Based upon this assumption the Parkside's and Mr. Wire's projects would have a cost differential of zero.

This is shown in the statement (p. 984) made by the National Capital Housing Authority witness, Mr. Loshbough: "There would be no cost differential if Mr. Wire paid the A wage scale."

Contradicting his own testimony "that there would be no cost differential" if Mr. Wire and Parkside paid the A wage scale, Mr. Loshbough previously had testified (p. 965): "From these studies it was found that Mr. Wire's cost would be a little more than Parkside buildings actually cost the National Capital Housing Authority if he had paid the A scale of wages."

The previous National Capital Housing Authority testimony clearly established that the study was based upon the rather remarkable conclusion that when one item cost a little more than the other, then the two items cost exactly the same.

Mr. John Ihlder, of the National Capital Housing Authority testified (p. 936): "I believe that their [the private builders] costs, if they paid the same wages, might be slightly higher."

On the same day that Mr. Ihlder made this statement his principal witness and construction chief, Mr. Loshbough, testified (p. 964): "We do not say that a public agency can build housing cheaper than private agencies, and have never contended that."

Mr. Loshbough was very emphatic in his contention that the 12-percent cost differential, given in the study, applied to the total development cost of Parkside. This was established by the following testimony given in the transcript and printed record.

Senator Burton asked Mr. Loshbough this question (p. 965): "Does that rather clearly establish, in a comparable way, the difference in effect on this project of the A and B scale was about 12 percent?"

Mr. Loshbough answered (stenographic transcript, p. 2206), "Using the wage rates only."

However, in the printed record (p. 965) this answer has been changed to read "Using the B wage rates as applied to our plans and specifications."

Senator Burton (p. 966) asked this question: "12 percent of what?"

Mr. Loshbough's answer as given on p. 2206 in the stenographic transcript was: "Of the total development cost of Parkside." However, in the printed record this answer has been changed to read: "Of the construction cost of Parkside" (p. 966).

Senator Burton asked (p. 966): "That ruling requiring you to use the A scale really increased by 12 percent your total development costs, your cost of building?"

Mr. Loshbough's answer as given in the transcript on page 2207 was: "Yes. I go into that a little later and develop that." However, in the printed record on page 966 this answer has been changed to read: "The construction cost. I go into that a little later and develop that."

Following the previous questions asked by Senator Burton, this question was asked by Mr. James C. Wilkes (p. 966): "May I ask at this point if you mean the total development cost, or the total construction cost?"

Mr. Loshbough answered: "The total development cost of the whole job, site, utilities, streets."

Mr. Wilkes then asked: "Your 12 percent is based on total development cost and not total construction cost?"



Mr. Loshbough answered: "That is right."

After this answer there was inserted, in the printed record only, this footnote: "Mr. Loshbough answered in the affirmative to Mr. Wilkes' question, which was an incorrect answer."

The National Capital Housing Authority has given the following explanation of the reason why their 12 percent estimate of saving is very different from the percentages of actual savings as presented by the private builders.

The National Capital Housing Authority testified (p. 1363): "The cost estimate referred to above [the study] was intended to approximate the competitive-bidding method."

A private builder, developing a speculative project whose costs approximated the costs of a general contractor who was bidding on a Government contract, would not be successful if he had to meet the competition of private builders who use more efficient and economical methods and procedures.

The National Capital Housing Authority based the estimate in the study upon the incorrect and unwarranted assumption that Mr. Wire's costs would be exactly the same as a Government general contractor's actual costs, except for the difference in wage rates.

This assumption is in conflict with a statement made by the National Capital Housing Authority (p. 1365): "A review of the entire record of these hearings clearly establishes the fact that there are variables between the National Capital Housing Authority construction program and that of the Home Builders. Some of these variables are the result of different policies and procedures." These variables mentioned in the previous quotation did not refer to wage rates because later in the same paragraph, National Capital Housing Authority stated that there were, "other cost differentials—for example, wage differentials."

The National Capital Housing Authority stated that the 12-percent-saving estimate in the study was based upon the difference between the A and the B scale of wages. They gave testimony (p. 965), "If he [Mr. Wire] paid the B scale, his costs would be 12 percent less than the Parkside project."

Mr. Wire testified (p. 501) that he did not pay the B scale exclusively. For some items he paid the A scale, for some other items he paid the B scale, and for several items his subcontractors paid a scale never known to Mr. Wire.

The 12-percent conclusion, drawn from the National Capital Housing Authority study, was invalid if it was based exclusively on the B scale, instead of the combination of scales as actually paid on Mr. Wire's project.

The National Capital Housing Authority established the fact that the 12 percent conclusion which they drew from the analysis of their study was assumed by them to represent the amount of savings, or the decrease in costs. This was in accordance with the testimony given (p. 965) by their Loshbough: "If he [Mr. Wire] paid the B scale, his costs would be 12 percent less than the Parkside project."

On page 966 Senator Burton asked Mr. Loshbough this question: "That ruling requiring you to use the A scale really increased by 12 percent your total development costs?"

Mr. Loshbough's answer in the transcript (p. 2206) was, "Yes."

In the printed record this question was answered: "The construction cost."

In both answers Mr. Loshbough testified that the 12 percent was an increase in costs.

In one place he testifies that the 12 percent was the amount of decrease in costs and in another place he testifies that it represented an increase in costs.

The National Capital Housing Authority did not disclose who made the study. Their Mr. Loshbough testified (p. 965): "So a study was made by the National Capital Housing Authority and from it we determined the unit costs for labor and materials." Therefore the study must have been made by some person or persons on the staff of the National Capital Housing Authority. The undisclosed estimator was assumed to have the ability to determine "Mr. Wire's unit prices of labor" for "one unit." This would require an unusual amount of knowledge and experience of the actual conditions under which the Wire job was constructed. Mr. Wire has shown in his testimony that he never possessed records or knowledge which would permit him to do, with any degree of reliability, what the National Capital Housing Authority claimed they were able to do with "assured accuracy" in their study.

The National Capital Housing Authority stated (p. 1361): "The private builders have never had a complete break-down of labor and material costs, either for their own use or publicly available."

These break-downs of costs are absolutely necessary if the National Capital Housing Authority accurately "determined the unit costs of labor and materials," as they claimed in their description of their study (p. 965).

The National Capital Housing Authority study was based upon the unit costs of labor and materials exclusively, and all items of profit and overhead costs were omitted in their computations.

On page 965 the National Capital Housing Authority witness testified: "So a study was made and from it we determined the unit costs for labor and materials."

The National Capital Housing Authority witness states (p. 1363) that "Unit prices for labor and materials were set up." But all unit prices for profit and overhead were omitted. Therefore the comparative estimate was incomplete and the conclusions which the National Capital Housing Authority drew from their study were not representative of the actual difference in costs.

The actual costs of these overhead items would have to be known to National Capital Housing Authority if "This estimate was checked against actual costs and found correct" as the National Capital Housing Authority witness testified.

If the total of an estimate, containing only items of labor and materials, was checked against actual total costs and equalled same, then the unit prices for labor and materials would be incorrect because labor and materials were in many cases only approximately two-thirds to three-quarters of the total costs. The balance would be profit and overhead costs, which were entirely omitted in the National Capital Housing Authority estimates.

This omission was clearly established by the statement made by the National Capital Housing Authority which described "their comparative cost-estimate study" (p. 1363): "The detailed estimate was based upon Mr. Wire's unit prices for labor and the proper unit prices for the specified materials," and "this estimate was checked against actual costs and found correct."

The National Capital Housing Authority witness assumed that if the total of their estimate, which was made up of numerous "set-up" figures for the unknown unit prices, checked with the actual total costs of a completed structure, then all of their "unit prices for labor and materials" which they "set up" in their estimate, would have been exactly the same as the actual costs of the labor employed on the job and the material used in the building.

The actual costs of these overhead items would vary with each subcontract and with each project. They would be unknown quantities to everyone except the firms that had a part in the construction of a particular job. The actual cost of all overhead items would have to be known to the National Capital Housing Authority if "this estimate was checked against actual costs and found correct," as the National Capital Housing Authority witness testified (p. 1363). The Bureau of Labor Statistics (Serial No. 282) in a study of "percentage distribution of labor, material, and overhead costs" for a low-cost housing project, gave 25.11 percent for overhead and profit for the total project, and each class of work had a variable cost for overhead and profit ranging from 0.45 to 53.40 percent of the total. To obtain this information the Bureau of Labor Statistics found it necessary to examine the ledger accounts of "240 firms that had a part in the construction of the building."

It is reasonable to assume that it would be just as necessary for the National Capital Housing Authority to have this information as it would be for the expert statisticians of the Bureau of Labor Statistics to determine proper proportions for labor, material, and overhead.

The percentages given in the Bureau of Labor Statistics analysis would not necessarily apply to Mr. Wire's or Parkside projects, but this demonstrates how involved and impossible it would be to get assured accuracy for these costs unless the National Capital Housing Authority witness had information giving the detailed costs which were actually paid on the projects. These detailed actual costs of all items were not available to National Capital Housing Authority or to anyone else. To have "set up" or estimated these costs would have given only a very rough approximation of the actual costs.

If no computations for overhead items were included in the study, or if figures were "set up" and they were different from the actual costs for the overhead items, then the balance for labor and material would be incorrect and the "unit prices for labor" would be incorrect. In that case the 12-percent difference as given in the conclusion of National Capital Housing Authority would also be incorrect.

The National Capital Housing Authority stated (p. 1363) in their description of the estimate in the study that: "All quantities were taken" and that: "This estimate was checked against Mr. Wire's own costs." These National Capital

Housing Authority estimates were not for an entire project but were based upon the costs of one undisclosed unit for each project. Unless the National Capital Housing Authority knew the actual quantities and "Mr. Wire's own costs" for this one unit, their estimates were unreliable and not representative of the actual costs.

In Mr. Wire's statement of actual cost as given by him (p. 501), the first item was "rough grading and excavations."

If the undisclosed National Capital Housing Authority estimator attempted to determine the quantities of earth moved (National Capital Housing Authority stated "quantities were taken") he would have to know the actual grades before and after the construction of the "one unit." Mr. Wire testified (p. 501) that a part of the cost of this item included power shovels, trucks, and bulldozers. If their estimate was properly prepared, according to their procedure, it was necessary for National Capital Housing Authority to know the actual cost of the operation of this equipment.

Even "consulting a subcontractor" would not give "assured accuracy" for labor, because the largest portion of labor costs (p. 501) for excavating was included in the pay rolls under Mr. Wire's own item of carpenter labor.

The Bureau of Labor Statistics of the Department of Labor, in their publication known as Serial No. R 282, analyzed the costs of a low-cost housing project. In their table No. 2, Percentage distribution of labor, material, and overhead costs, they state: "In excavation and grading, the amount expended for labor and material represented 47.75 percent of the total charges and the overhead charges amounted to 52.25 percent of the total." In their description of their estimate the National Capital Housing Authority has considered the cost of labor and material only and have omitted overhead.

The percentages given in the Bureau of Labor Statistics' table No. 2, for distribution of labor, material, and overhead costs, did not necessarily represent the percentages for the actual costs of these items for the Parkside project or Mr. Wire's project. However, this table of percentages did establish the fact that the subcontractor's accounts included a large percentage of their total costs, which did not represent labor and material.

It is submitted that the basis of the study is erroneous and the whole study should be discarded as being without merit or value.

### C. COMPARATIVE MANAGEMENT COSTS

Private enterprise can manage rental properties more cheaply than can public housing. This item actually costs public housing an average of 160 percent more.

The cost of management of National Capital Housing Authority permanent projects in 1943 averaged 13 percent of rents collected (pp. 659-660). In contrast, the usual and customary rate of commission on rental management in the District of Columbia is 5 percent of rents collected, which includes a fair profit; and any real estate office in the city would be glad to manage any part or all of the National Capital Housing Authority's projects for this standard fee (p. 621). This fee includes a profit plus certain services not performed by National Capital Housing Authority (p. 661).

The National Capital Housing Authority breaks down its 13 percent management cost as follows: "Central office salaries of 6 percent, project office salaries and expense of 6 percent, and tenant reexamination salaries and expense of about 1 percent" (p. 920). It explains a lower cost for title I as resulting from not having any project offices (p. 920). This claim is difficult to understand, to say the least, in view of the fact that large-scale operation and the maintenance of project offices are normally means of reducing unit cost of management.

The National Capital Housing Authority has congratulated itself on managing for 5 percent: "May I say that, according to our interpretation of the act of Congress, the Authority has charged a 5-percent commission for administering title I properties, just as if they had been turned over to us on a 5-percent commission \* \* \* a thing that gratifies \* \* \* very much is that our regular charge for all property seems to be just about that. Although we are giving greater service the cost was only approximately 5 percent of commercial rent" (p. 14). The statement is inaccurate, even on National Capital Housing Administration's assumption that a commercial rent is equal to 12 percent of development cost (pp. 916, 922-925). But, as has already been pointed out, any local real estate office would manage any or all of National Capital Housing Authority's projects for 5 percent of rents collected.

National Capital Housing Authority attempts to defend its higher management costs by maintaining that "the traditional 5 percent agency fee has been a cause of deterioration," that the "5 percent management commission was that under which

our slums have developed" (p. 1101). It is reasonable to suppose that private builders with a stake in protecting their investments would hesitate to have their properties managed on 5 percent commission unless they knew from experience that this would assure adequate and intelligent maintenance of their properties. The difference between the private 5 percent and public 13 percent management cost is not one of quantity or quality of services rendered, but of the efficiency with which the work is done. Obviously the Government has not in the past and will not in the future be able to approximate private enterprises' efficiency in the management of real estate.

#### D. MEETING THE NEED OF THE NEEDY

The National Capital Housing Authority has not met, and as a matter of settled policy has not tried to meet, the housing needs of the very lowest income groups. Its permanent nonwar housing consists of only 112 units under title I and 2,706 units under title II, a total of 2,818 units (p. 153). In these 2,818 units there were, as of January 28, 1944, 47 families on public relief, or 1.7 percent of the tenants in National Capital Housing Authority permanent nonwar housing (9. 93). At that time the District's Board of Public Welfare was paying rent for about 4,000 families (p. 97); these were not individuals but households (see p. 90). Thus public housing has 1.2 percent of the public relief cases and private enterprise houses the other 98.8 percent. Further, since "it was finally agreed that National Capital Housing Authority shall charge client families the full economic rent" (p. 167), it is the evident intention that relief families are to be automatically excluded from the benefits of any subsidies National Capital Housing Authority receives for reducing rents.

Nor would National Capital Housing Authority under any circumstances consider having more than 25 percent relief clients (pp. 5, 102, 108, 165, 175), and in fact feels that a maximum of "25 percent is rather too large" (p. 175). This limitation is made "in order to assure a helpful environment" (p. 165), "not [to] make a poorhouse of it" (p. 102); "if one filled a property with relief families, he made a poorhouse of it; he changed the whole psychology of it and interfered with the development of the families" (p. 102). National Capital Housing Authority believes "that we should have families of different economic status living more or less as neighbors"; that there is a stimulus in that "of keeping up with the Joneses," if nothing else, and our system provides for that" (p. 196). "Among the items to be considered" in determining the proportion of relief clients are: "(1) The families themselves; (2) the other families on the property; (3) neighborhood acceptance" (p. 197).

Clearly the National Capital Housing Authority tenants are a selected, favored group—as unconsciously evidenced by Mrs. Coggs' praise, "*By the careful selection of tenants and proper maintenance of the homes, it has demonstrated that Negro neighborhoods need not be blighted or run down*" (p. 1133, etc.). [Italics supplied.] The 1941 annual report spoke of the National Capital Housing Authority's belief "that to accept tenants indiscriminately \* \* \* regardless of whether they give promise of responding to a better environment, would be as great folly as to throw a small force of raw recruits against an army of veterans. \* \* \* Ever since 1936 \* \* \* it has sought to so select its tenants that in each property there will be at least a *small dynamic group* whose influence will make for progress" (1941 annual report, pp. 9-10.) [Italics supplied.] In addition to formal eligibility requirements, "other conditions \* \* \* administratively imposed \* \* \* concerned the character and reputation of the prospect, his house-keeping habits, his general stability and his health—'his' meaning 'his family's'" (1941 report, pp. 14-15).

Private builders, on the other hand, feel strongly that rental aid should be extended first to those who need it most, and that it should be handled through normal public-welfare channels. A representative of the American Association of Social Workers, misunderstanding the form of rental aid the builders propose, attacked it on the ground that it "constitutes a reversion to the demoralizing method of 'relief in kind' as contrasted with the improved current practice that encourages the individual to manage his own finances and make his own contracts so that he may have the incentive to become self-supporting" (p. 1241). This is, on the contrary, the builders' valid objection to public housing, since public housing is relief in kind, while rental aid administered through normal welfare channels is budgetary relief that gives the individual the opportunity to manage for himself.

Even if the National Capital Housing Authority did take a full 25 percent of relief clients as tenants, it would take 16 years, under its 20-year plan, to house all of them in the houses proposed to be built. If the National Capital Housing

Authority should take only the present proportion of relief clients, then at the end of 20 years, with 22,818 dwelling units under public ownership, there would still (assuming a constant relief load) be 90.5 percent of relief clients still taken care of in privately owned housing.

Since public housing, therefore, has not met the housing needs of the lowest income groups, and does not—even under a tremendously expanded program—intend to meet it for many years to come, the private builders urge the adoption of a program which will meet their needs.

#### E. SELF-LIQUIDATION OF TITLE I

The National Capital Housing Authority has repeatedly claimed that its title I fund is self-liquidating. Since "the title II program \* \* \* is not before this committee in any proposed legislation" (p. 1086), it is essential to determine what success the National Capital Housing Authority has had in the past in its effort to achieve self-liquidation under title I, in order to predict what would be the results of extending that program.

The 1937 annual report stated, "The Authority has never made a promise or a prophecy as to its program, but it has stated and now repeats that its financial objective is to end its work as promptly as possible and without a deficit" (p. 1009). Again, in 1939, "These operations are expected to pay all costs" (1939 annual report, p. 4). The 1943 report speaks of "the Authority's demonstration of slum reclamation without ultimate cost to the taxpayer" (1943 annual report, p. 8). Similar statements far too numerous for quotation have been made throughout these hearings (for a few see pp. 3, 18, 42, 150, 163, 171-172, 177, 200, 203, 926, 1078, 1097, 1169).

The National Capital Housing Authority's title I fund has received contributions from two sources: (1) Federal appropriations and allocations amounting to \$865,496.80; and (2) District real-estate tax exemptions totaling \$46,777.04 by June 30, 1942, and currently \$9,389.09 a year (pp. 22-23). The National Capital Housing Authority explains:

"We were given \$865,000 of Federal money. That was given to us as an appropriation, not loaned. We could have spent it in a year and closed the account. Instead we voluntarily treated it as a loan to be repaid with interest. At the same time the property we acquired with the proceeds of this loan was exempt from District taxes. But we voluntarily assumed that the amount of this tax exemption also was a loan to be repaid with interest" (p. 177).

If these two contributions are to be repaid with interest, then the National Capital Housing Authority's present obligations (as of June 30, 1942) amount to \$912,273.84 plus a good deal of accumulated interest. The National Capital Housing Authority reported net assets of \$831,089.33 as of that date (p. 23). These assets are considerably overstated, since, among other things, they include quite inadequate reserves for repairs, maintenance, and replacements, and for vacancy and collection losses. (Hart's Second Rebuttal to Haskell, p. 1373.) So title I was nowhere near self-liquidation on June 30, 1942; though the National Capital Housing Authority positively stated, "It has been shown that the National Capital Housing Authority's \* \* \* title I fund was self-liquidating on June 30, 1942 \* \* \*" (p. 1078). This statement is not only unwarranted, but it is ridiculous.

If the fund is far from self-liquidation now, it is increasing its deficit by 75 percent of income per year, so that title I will be further in the hole the longer it continues to operate. (Hart's Rebuttal to Haskell, pp. 5-10, exhibit A.)

The National Capital Housing Authority now asks for loans which are to be self-liquidating (pp. 148, 161). Ultimately, a \$100,000,000 title I program is contemplated by the National Capital Housing Authority starting with \$20,000,000 in the next 2 years (p. 19). But such a self-liquidating program, piling up annual deficits amounting to more than three-fourths of income, would cost far more than the private builders' proposal of use-value write-downs plus necessary supplementation of tenants' inadequate incomes.

#### F. COMPARATIVE RENTS

The National Capital Housing Authority rightly says, "While we in public housing wish to reduce costs \* \* \*, it is of little more than academic interest merely to claim that private costs are lower than ours if the end result is higher rents to tenants or, through subsidy, greater cost to taxpayers" (p. 183). Private enterprise not only can show savings in the cost of construction and operation, but as well also can show that it can translate these savings into lower rents.

Since the issue is what can be done under the plans now proposed, and since radical changes are proposed in private-enterprise financing, present private rents based on far less liberal financing are hardly valid for comparison. Such a comparison is available in Mr. Warren's testimony on the relative rents that could be achieved by a private builder and by the National Capital Housing Authority on houses comparable to the V Street Houses at 1944 prices.

He assumed a saving to the operative builder of 28 percent in construction cost (p. 601). The management cost for the public project is assumed to be 13 percent, the average for the National Capital Housing Authority permanent housing, since the National Capital Housing Authority's lower figure for title I seems to have been determined chiefly by the impression that it had to show such a figure (pp. 601-602). (See p. 14.) Charging the private project with \$75 for repairs and the public with \$100, justified by Mr. Warren on the added cost entailed by governmental operation (p. 602), is also more than justified by the increased expense of repairs which will be incurred in the last 27 years of the public property's operation.

Though the public project has the advantage of 60-year amortization at 3 percent, as opposed to 33-year amortization at 3½ percent for the private project, the private dwelling can rent at \$35 a month and pay out as compared to \$43 a month rent required for the public built dwelling if it also is to pay out (p. 590). On the same assumptions for identical three- and four-room apartments, the private three-room apartment could rent (with all services included) for \$36.50, as against \$48 for the public; and a private four-room apartment could rent for \$42.50, as against \$54 for the public (p. 608).

These figures would seem conclusive, and the National Capital Housing Authority has in fact not challenged them. Instead it has quoted the present V Street rent (based on 1938 prices) as evidence that the National Capital Housing Authority can rent for \$25 what a private builder cannot rent for less than \$35 (based on war inflated 1944 prices of materials and labor).

"A two-bedroom house as proposed by Mr. Warren \* \* \* has a shelter rent of \$35. The National Capital Housing Authority project which he took as a guide \* \* \* has an economic shelter rent of \$25. Consequently, if we are to subsidize and if there were no public housing, it would be necessary to increase the subsidy \$10 per family in order to put them into these cheapest houses proposed by private builders" (p. 1090).

The validity of the National Capital Housing Authority's comparison depends, first, on title I's being self-liquidating:

"Mr. WILKES. Secondly, may I ask the question, your National Capital Housing Authority \$25 rent is based upon the assumption that title I is self liquidating?"

"Mr. HILDER. On the evidence and proof that it is; yes" (p. 1091).

Since it has been proven quite conclusively that title I is, on the contrary, very far from being self-liquidating, the comparison is altogether invalid. Second, it is based on a so-called economic rent for V Street houses which is very much less than a true economic rent, and which is based on a far lower use-value for the land than is used in the Warren estimates (Hart's second rebuttal to Haskell, (p. 1373). An economic rent for V Street comparable to the Warren \$35 rent would be considerably in excess of \$37 (Hart's second rebuttal to Haskell, p. 1373, and this is without taking any account of the pronounced increase in construction costs between 1938 and 1944).

The National Capital Housing Authority has presented another line of attempted proof which is unworthy of serious consideration, but which has been repeated so often in different forms that it should be answered once for all. This is the argument that since private rents include an owner's profit, they must necessarily be higher than public housing rents which do not include an owner's profit. The National Capital Housing Authority, for example, defines "economic rent" as that which "includes every cost, but it does not include owner's profit. The lack of owner's profit is what differentiates it from commercial rent" (p. 4). From this it is easy to proceed to the following:

These economic rents are lower than the commercial rents the National Capital Housing Authority's tenants would have to pay \* \* \* if there were no public housing. So, if their rents were *stepped up to a profit-making level*, then it would be necessary to give rent assistance to many who now are paying from their own earnings the full cost of their dwellings. Under (the builders' plan), the rent charged each family for a proper dwelling would exceed the economic rents for public housing in order *to assure profits to owners*" (pp. 1092-1093). [Italics supplied.]

The whole argument ignores the fact that there are many differences in public and private rents besides the item of owner's profit, and the proof that private rents can include an owner's profit and still be considerably under the lowest rents public housing can achieve if it is to be self-liquidating—as private housing must be.

#### G. GOVERNMENT ASSISTANCE REQUIRED IN SLUM CLEARANCE

As the National Capital Housing Authority has said: "The purpose is to get rid of slums at a minimum cost to the taxpayer" (p. 926). Therefore, the ultimate test is the relative tenant assistance needed by the private-enterprise plan and under the public-housing plan to get the job done. Obviously good housing, especially if it is new housing, cannot be furnished at the same rental as the alley hovel.

If private enterprise is to do the whole job, two types of financial assistance will be necessary—one, amounting to the difference between the "fair market value" of the slum properties as presently improved; the other, assistance to tenants who cannot afford to pay the full rent in dwellings erected to replace the slum quarters which have been demolished.

The first of these Government financial commitments would presumably be the same in the two cases, since the sections on determination of use value, S. 1923, section 6 (p. 1186), and S. 1930, section 9 (p. 1192), show no material difference. On this point, then, there is nothing to choose between the two.

Private enterprise has shown that it will be able to achieve cheaper rents on comparable properties than public housing (always on the condition that public-housing rents are to be self-liquidating, as private enterprise rents must be). It necessarily follows that, in a given case, a family would require less assistance in a dwelling built by private enterprise under the proposed plan than in public housing.

This saving will be increased by the amount of income taxes and other taxes to be collected from the private enterprise rents. It is apparent, also, that the National Capital Housing Authority intends to take its automatic exemption from real estate tax as a subsidy (top of p. 1099). There is no provision in either S. 1699 or S. 1930 for any repayment of this tax exemption to the District.

The selection of tenants and the administering of the subsidies is, under the private-enterprise plan, to be done by the Board of Public Welfare. On its title-II properties the National Capital Housing Authority estimates the cost of this service at 1 percent of rents collected (p. 920). On title I properties, however, where there are no graded rents, this service is not included in present management costs. There will thus be the same additional cost to the taxpayer for this one item whether the program is carried out under an expanded title I or by private enterprise.

The same persons can, therefore, be housed in dwellings built and managed by private enterprise under the proposed plan at a lower net cost to the taxpayer than they could be housed in comparable dwellings erected and operated by the public-housing authority.

#### H. NATIONAL CAPITAL HOUSING AUTHORITY 60-YEAR AMORTIZATION

The loans secured on dwellings private builders propose under their plan are to be amortized over 33 years. The National Capital Housing Authority has a considerable advantage in its financing—at least so far as its immediate showing on rents is concerned—through amortizing its dwelling construction cost over 60 years, and then only to the extent of 80 percent of the construction cost (p. 908).

The standard Bureau of Internal Revenue allowances for depreciation are 40 years for masonry buildings and 25 years for frame buildings (p. 279). Thirty-three years is the longest amortization period mortgage institutions think sound for rental property (pp. 536-38, 579, 624). So public housing is engaging in a practice which the weight of responsible opinion regards as highly unsound.

The National Capital Housing Authority justifies its extreme practice on the ground that the "National Capital Housing Authority projects, built with the objective of meeting a need that never before has been met, are designed for long life and low maintenance. This longer life of the buildings, due to better planning and adequate reserves for repairs and replacements \* \* \* has made it possible to provide for a longer period of amortization with consequent lower annual payments" (p. 1092). Again, it was stated that it was "the engineers of the Authority who decided that the properties as constructed would last 60 years" (p. 334).

The actual situation is just the reverse of this. The decision to amortize the properties over 60 years was made before any National Capital Housing Authority houses had been built (pp. 909-10). It then became the obligation of the Authority

to give its houses a useful life of 60 years. Actually it is assuming a 75-year useful life for the buildings, since it amortizes only 80 percent in 60 years (pp. 908, 910-11).

There is no question but that, generally speaking, houses can be made to stand for 60 years. The question is whether it is economically sound to finance them over 60 years and thus make it imperative to keep them in operation that long in order to get the investment paid off. The physical life of a building may be indefinitely prolonged, but the useful economic life of a building ceases when income no longer meets the cost of operation, including increasing maintenance costs. Low-rental properties are subject to rather hard wear and tear. Any houses are subject to the relatively unpredictable influences of neighborhood blight. It must also be borne in mind that "technological advances, new methods, new materials, new designs, and new ways of assembling will all have an important bearing on house construction within the next few years and it is entirely conceivable that structures of this type will be so outmoded that they will be removed as being uneconomical to maintain or to continue to rent when perhaps much more efficient homes can be offered and at the same or even lower rents" (p. 543). There are houses in Washington 60 years of age, but what percentage of the houses standing in Washington 60 years ago are still in existence?

National Capital Housing Authority consistently assumes that it will continue to draw the initial full-rental income from its properties for the full 60 years. There is one suggestion, however, that the 20 percent use-value is the expected capitalized rental value at the end of 60 years—that in 60 years the properties may be drawing only a fifth of the original rents:

"Yet after 40 and more than 60 years they were still producing good revenues that indicated from \$3,000 to \$10,000 and more capital value. This seems to indicate that with good management a house should be worth considerably more than 20 percent of its original cost after 60 years, *that being what we had figured*" (p. 1034). [Italics supplied.]

But for the Williston Apartments, for example, utility charges and operating services alone were 34.8 percent of rents in 1942 (exhibit XIII, p. 892). Repairs, maintenance, and replacements for Williston will average at least \$4,402.23 over the whole life of the property (\$3,144.45 from Hart's first rebuttal to Haskell (p. 1317), exhibit A, plus 40 percent, *ibid.*, herein), or a further 38.5 percent of rents; and in the sixtieth year they will greatly exceed that average. Williston must, therefore, draw well over 75 percent of present rents—over 50 percent of a rent half again as high as the present rent—simply to pay for operating services, utilities, and maintenance. It is clear that, whatever the physical life of the Williston Apartments may be, the useful economic life will have ended long before.

## I. CONSTRUCTION UNDER TITLE II

While no extension of title II is being requested as an outcome of these hearings, National Capital Housing Authority does contemplate further activity in this direction: "It is recognized that any additional program under title II would be carried out as part of a national program under legislation which is considered by other committees of this Congress" (p. 1086). It is evident that any gap between the 20,000 house proposed title I program and the program of at least 60,000 houses which would be needed to house all the lower income third could be taken up with title II housing without any congressional action at all, provided the Federal Public Housing Authority had the funds available. This gives a new turn to the question of public housing's competition with private enterprise.

What is chiefly significant about title II financing, as it relates to this question of competition, is that one governmental agency, Federal Public Housing Authority, loans to another governmental agency, National Capital Housing Authority, up to 90 percent of the development cost of its projects (p. 830) the other 10 percent to be borrowed from local banking sources; and then pledges for 58 years the payment to National Capital Housing Authority of an annual subsidy of 3 percent of the development cost (p. 821), which is only 0.1112 less than the amount required to repay the full principal and interest (p. 821) to Federal Public Housing Authority and the local bank. Thus the Federal Government in fact obligates itself to pay for the land, utilities, and buildings, requiring the rents to produce only enough revenue to pay for rental collection charges and maintenance.

National Capital Housing Authority contends that this coincidence between the subsidy and the interest-and-amortization requirement is purely coincidental (pp. 832-833, 844). The fact remains that under the law National Capital



Housing Authority could, if it wished, and as a matter of fact many authorities do, let the subsidy take care of carrying charges and simply collect from tenants enough to pay operating expenses. The total subsidy National Capital Housing Authority receives is even far greater than 3 percent, since there is also District real-estate tax exemption (pp. 171, 196, 200), which at 1.75 percent makes a total subsidy of 4.75 percent. This is over 150 percent of interest and amortization. Who would ever have suspected that such a scheme could have been slipped through Congress, obligating the Government of the United States to hundreds of millions of dollars and proposing to obligate it to the extent of billions?

Even with this subsidy the rents on one title II property need to be increased at least 15 percent before they will pay costs (Hart's first rebuttal to Haskell, p. 11 and exhibit B), and the total subsidy needed in a post-war year, if tenant incomes fall to the level of 1941, will be 5.76 percent of development cost, or 1 full percent more than is available. This would involve a subsidy of \$22.30 per family per month (Hart's first rebuttal to Haskell, p. 1373).

It is obvious that no private builder could compete with properties subsidized at such a rate. It would be like a toy manufacturer attempting to compete with Santa Claus at Christmas time.

#### J. GOVERNMENT COMPETITION WITH PRIVATE ENTERPRISE

Public housing under the program proposed will be in direct competition with private operative building.

National Capital Housing Authority has repeatedly stated that it supplements, but does not compete with, private enterprise. "National Capital Housing Authority wishes to reassert its desire to see private enterprise do as much of the job as it profitably can and its belief that the field in which private housing has operated can be expanded" (p. 1078). "National Capital Housing Authority has kept out of the field served by private enterprise, and limited itself to providing good housing at rentals for those whom private enterprise clearly cannot serve." (p. 1086). "Our policy from the beginning has been whatever is provided by private industry, we are relieved of responsibility \* \* \*" (p. 15). "It has been the Authority's policy from the beginning to welcome any contribution by private enterprise." (1939 Annual Report, p. 2). The recommendation of the D'Alesandro committee that "wherever a private builder can fill a community need, he must be permitted to do so" was "in accordance with the National Capital Housing Authority's policy and practice" (1943 Annual Report, p. 11). "As National Capital Housing Authority has stated many times, it has always encouraged private builders to do such a thing as is now proposed" (p. 991). "Now, as to who will do it, there we come back to our statement that the more private enterprise will do the less would be left for us to do" (p. 187). "So far as competition is concerned, the charge does not apply to the National Capital Housing Authority. It always has welcomed every contribution that private housing makes. Its repeated statement is:

"Public housing should supplement private and, therefore, the more that private does in producing good houses at low rents, the less public will have to do."

"This has seemed to us a policy statement that not only is in the public interest but one that should be eminently satisfactory to private enterprise. For under it private housing sets the boundary line and takes for itself all that it can do well and profitably" (p. 126).

The plain meaning of these statements would seem to be that, if private enterprise is now prepared to do the whole job, then there will be nothing left for public housing to do. But National Capital Housing Authority has qualified its invitation to private enterprise in a way which would leave National Capital Housing Authority a monopoly over a huge field. For it "welcomes" only "all that the private builders will do well without Government subsidy" (p. 183); it leaves open "the market which is apparently open to private enterprise operating at a profit, without rental subsidies" (p. 1079).

How large, then, is the field National Capital Housing Authority insists upon for itself? Housing for all families making less than \$2,000: "There is tacit acceptance that in the District of Columbia private enterprise cannot build for families with annual incomes less than \$2,000. Need for the Authority's service, therefore, extends from that level down to the level of those who need public or private assistance" (p. 24). Indeed, it somewhat leans toward \$2,400 or \$2,600 as its upper level (p. 157). Public housing advocates seem agreed that "nearly a third of the population has incomes normally too low for them to pay for the full cost of decent housing" (p. 1110). There were over 51,000 families in Washington with incomes under \$1,500 in 1940 (p. 1206).

It should be obvious that a governmental agency which proposes to supply a commodity to a third of a community's families is going to be competing with the private enterprise which has previously supplied all of the commodity.

As it is, however, public housing is enabled to compete with private enterprise housing in the low income field only by means of subsidy. This follows from the demonstration that its rents must be higher if the properties are to pay their way. Any program of public housing, therefore, would necessarily involve Government competition with private enterprise at the expense of the taxpayer.

Since private enterprise can build, maintain, and manage housing at a lower cost, there would seem to be no reason left for the erection of additional housing by National Capital Housing Authority, unless that reason be a desire to socialize the industry in the United States second only to agriculture.

Is it any more logical to conclude that, because the lowest income group needs better housing, the United States Government should build, own, and manage it—than it would be to likewise conclude that because the same group is underfed, underclothed, and receives an inadequate amount of fuel the Government should therefore go into the businesses of farming, clothing, manufacturing, and mining? And this even if the Government might conclude it could farm, manufacture, or mine at a lesser cost than private enterprise?

Fortunately, because private enterprise can build and manage at a lesser cost than can the Government, we do not have to rest our case on the plea that the American way of private enterprise must be preserved, even if it should cost the Government something to do so.

Furthermore, the builders ask only that Congress grant the right of eminent domain and give tenants less assistance than is required under any existing or possible Government building-owning-managing plan—and they are willing to do the job.

#### K. PLEDGES BY BUILDERS TO BUILD LOW-COST HOUSING

At the February 28 hearing Senator Tydings, in view of the opposition of the operative builders to an expanded National Capital Housing Authority program and their testimony that they could do the job better themselves, asked: "Would it be too much to ask if you could submit to this committee a statement signed by the builders that they would obligate themselves to undertake it, as to what they would do, what houses they would build, and what they would rent for, after they were built?" (p. 264).

On March 31, 1944, immediately after Mr. Warren's presentation of the private enterprise plan, pledges were presented by responsible local builders who agreed to build a total of 23,680 low-rental housing units under that plan in the first 6 years after building is permitted under Government regulations (pp. 613-616). Since National Capital Housing Authority estimates that there are 20,000 substandard houses currently in need of replacement (pp. 17, 18), these builders' pledges constitute an offer to do all the building necessary to replace the slums.

When commitments were asked from private builders for war housing, they obligated themselves to build 13,000 units—and built 27,000 (p. 617). This fact of itself certainly creates a strong presumption that the present pledges will be kept.

Financing pledged at the same time is ample. The Perpetual Building Association pledged \$1,000,000 a year when the plan was in an early stage, and now plans to make considerably more available (p. 618). Some of the District of Columbia Building and Loan League members, including the Perpetual Building Association, will make available a minimum of \$3,000,000 for the first year, "almost unlimited funds are available for lending purposes from the Federal Home Loan Bank of Winston-Salem, N. C.," and it is to be expected that when the program gets under way many more institutions will become interested in the financing of these projects (p. 578). This financing is to be at rates of 3½ to 4 percent for up to 33 years on 90 percent of the value of the properties (p. 578). This financing is the most advantageous ever offered by public or private sources in the District of Columbia.

National Capital Housing Authority has expressed doubt that the present interest of private builders in slum reclamation will continue after more profitable business can once more be resumed (p. 1100). Complaints have been frequent throughout the hearings that, since private builders have never before undertaken such a program, there is no reason to believe they will go through with it now. These are reasonable points to raise, but they can be answered with assurance.

First, the private builders have never had the power of eminent domain, and without that power it is impossible to clear slums (p. 581). It is not economically possible in many cases to pay the fair market value of slum property, demolish the buildings, and then put up low-cost housing (p. 581). Private builders have never been able to build within the means of the very lowest income groups for the same reason that public housing has never been able to house them without subsidy—because their incomes are too low for them to be able to afford even the very lowest rents that must be charged for proper housing. And private builders have at last been able, through the consistent downward trend of interest rates and an extension of the amortization period, to reduce financing charges very considerably (p. 586). Lack of the power of eminent domain, the necessity of paying full "fair market value" where the improvements were to be demolished, and lack of advantageous financing—these have always heretofore made it impossible for private builders to attempt slum reclamation on any considerable scale. With these difficulties overcome, private builders will be able to do the job they wish to do.

Their continued interest is also assured. Aside from the interest in keeping their promises which may be expected of a group of highly reputable businessmen, and aside from the continued interest in reclaiming the city's slums which is natural to men who have had so large a part in recent years in building the city, there is the perhaps more convincing reason that it will continue to be a wise enterprise from a financial standpoint. After an organization of reasonable size has built only a fraction of the higher-priced houses it is able to build, it reaches the point where, because of the tax structure, there is little incentive to build up to its capacity. In the houses to be built under the present plan, on the other hand, the money can be plowed back in and a good equity created (p. 587). Allowable deductions for depreciation by the Bureau of Internal Revenue makes the investment an attractive one from a tax point of view, even though the percentage of return is low. Assuming, as we are quite safe to do, that the tax structure will not change radically in the immediate future, then we can be sure that there will be compelling practical reasons for a continuance of interest by builders in the present program. However, if the Government is to compete with private enterprise in building low rental housing both private financing and other private enterprise will be scared away because private enterprise must in fact be on a self-liquidating basis and the Government operating under non-repayable grants need meet only maintenance charges.

Mr. WILKES. Now, the second point I would like to make is this: I had never engaged, prior to this housing inquiry, in presenting any matters before congressional committees, and while I had represented the local builders for a number of years, since about 1929, I asked that they get someone who had done that kind of work, and, through circumstances which you would not be interested in, a day or two before the hearing, the job fell on my shoulders, and I got the best builders, from the point of view of character and reputation and financial ability, in my office for a bull session on Sunday, and I said to them substantially this: "I have gone over the plan and there isn't as much profit in your plan as builders have been getting, and I want to know whether you gentlemen are actually interested in doing this building after the war is over and you can get materials."

Mr. Morris Cafritz, who is and for some years has been our largest builder and a man who is very responsible in every way, was the first one of the group of seven—we went around the table—and he said:

I will be interested for these reasons. In the first place these locations are downtown locations which are prime. Builders have never been able to get anything like this in the history of building. If the land cost can be reduced to a fair use value, the buildings will always stay rented and you will have a very—a prime investment from the point of view of having no vacancies to be concerned with.

Secondly, if public housing stays out of the picture, you can get financing to finance that on a very liberal basis. Just a few years ago, builders financed on trusts which matured in 3 or 5 years. Today the building associations run them up to 12 or 15, some of them 20 years.

We went to the building and loan associations, and they agreed, and the testimony is in the record and referred to in my statement here, they agreed to make \$3,000,000 a year available at the lowest rates ever available in the District. I will read from the statement of Clarence E. Keefer, president of the District of Columbia Building and Loan League:

Local building and loan associations are prepared to loan money on low-rental housing such as is proposed to be erected under the plan submitted by the Home Builders' Association at rates of interest from 3½ to 4 percent and for an amortization term up to 33 years upon a basis of advancing 90 percent of the value of the properties. Funds during the first year would be available to the minimum extent of \$3,000,000.

It is my sincere belief that as these projects get under way more institutions will be interested in assisting in the financing of this type of housing and, therefore, considerably more funds than mentioned above are likely to be available.

Senator ELLENDER. Was that promise made on the basis that you clear these lots that I speak of, near the Capitol, and let the city of Washington pay a part of the charge?

Senator TAFT. And sell the lots to the builders for the same thing you would have to pay for a lot in Anacostia?

Mr. WILKES. It was not tied down to any location but the plan contemplated the building of two types of buildings: One, those located in the slum areas, the parts of the cleared areas not reserved for schools, fire stations, and parks.

Secondly, the building of new buildings to accommodate part of the people who had to be moved to somewhere around the periphery of the built-up sections.

Now, Mr. Cafritz further said this:

I can do two or three blocks of this building a year without interference with the volume of business which I do in my office, because the type of building is simple, and with one good superintendent and one good foreman I can just add him onto my pay roll in my office, and with a minimum amount of supervision I can do that kind of a job. It is the simplest type of building that there is.

Senator TAFT. Who is going to own these houses? Are you proposing to sell them? Is someone going to rent them, or what?

Mr. WILKES. It would be proposed to either lease them—and we would not recommend either particularly—leased on long-term basis or owned by private enterprise.

Senator TAFT. What do you mean by "private enterprise"?

Mr. WILKES. Private individuals.

Senator TAFT. The people who live in the houses or who rent the houses?

Mr. WILKES. This is all rental housing. The houses for sale, we believe have been adequately taken care of in this area and I believe throughout the United States by private enterprise.

Senator TAFT. Are these builders going to put their money in?

Mr. WILKES. The building associations will put in 90 percent and the builders 10 percent, and the builders will own the houses.

Senator TAFT. You think builders themselves will invest in rental houses?

Mr. WILKES. They have. Yes. Builders here have built more rental housing units in the last 4 or 5 years than our public agencies have.

Senator BUCK. How much equity, 10 percent?

Mr. WILKES. No; under existing financing they have to put in, if financed by the building and loan association, more than 10 percent. If financed by insured loans of F. H. A., in some instances I understand it has been less than 10 percent.

Senator TAFT. Don't they sell those houses as fast as they can?

Mr. WILKES. No, Senator; unequivocally no; because, coming to my last point that Mr. Cafritz brought out, a builder who has attained any success very rapidly gets up into the upper-income brackets and he gets into a position where it is much more important for him to build up an estate in rental properties than it is important for him to engage in the business of building houses for resale and paying an income tax on, not the one-quarter of the capital gains but the total capital gains, because that is his business.

So that actually in the last 6 or 7 years builders have retained a very substantial part of the rental housing which they have built in the metropolitan area of the District of Columbia. And throughout the country, Mr. Cortwright tells me, that conforms to my understanding.

Senator TAFT. Do you think that is true throughout the country?

Mr. CORTWRIGHT. Yes, Senator Taft. They have constructed at least 400,000 units for rental, and the great bulk is owned by the builders and they do not want to liquidate it. They would rather have that monthly income. We have learned that only during the war. That was the result of a requirement that a very substantial part of our housing be built for rental.

Senator ELLENDER. Does that condition exist only during the war?

Mr. CORTWRIGHT. We were pushed into it, but we have learned the advantages of it.

Senator ELLENDER. My guess is that about the end of the war they are going to start unloading.

Mr. CORTWRIGHT. If I may say so, that will depend entirely upon the income-tax situation.

Senator ELLENDER. Well, I doubt that there will be reduction.

Mr. CORTWRIGHT. Well, we will hang onto it, then, sir.

Mr. WILKES. Senator, this matter of unloading the matter as to which there is a difference of opinion. Actually, immediately following World War No. 1, people felt there was going to be a tremendous exodus from Washington. There was a housing shortage here for some years thereafter, and building costs went up after World War No. 1, and we suffered very little.

In conclusion, may I just make this final observation? I would like to leave a copy, a summary, which I believe is attached to my statement, which I would like to have incorporated in the record, and I would like also to leave for the use of the committee's files, a complete copy of the testimony taken before Senator Burton's committee. If the private builders are given the implementation of eminent domain, which, in the District of Columbia, I think, would be constitutional—it has been decided both ways in court in various sections of the country.

Senator TAFT. You cannot give that to the private builders.

Mr. WILKES. No, if a Government agency will acquire for the purpose of obliterating slum conditions, land which is resold for the

purpose of rehousing a part of that population, I sincerely believe and submit on the record that private enterprise, with the existing available financing will, for the first time, get into the field of producing new housing for those in the lower-income groups, in the very low income groups, and as soon as that is done and a surplus is created among other things the worst of the slums are going to become almost valueless and I further believe and submit on the record, that the net cost to the Government, be it National or local or State, will be substantially less if public housing be done away with completely and if the land be sold under a competitive bid basis with rent control for a period of time to be determined by a Government agency. The talk about slums will be reduced to action and reality.

I believe the job will be done, and if it is done, there is no doubt in my mind on the record of the Burton hearings that it can be done at a very substantially less cost than it has been or ever will be done under any system of Government building.

Senator ELLENDER. You are speaking of the District of Columbia?

Mr. WILKES. Yes; but I believe the District of Columbia is generally typical of everything excepting the alley condition which we have here. I know I have just been in your city of New Orleans once, and I know you have many different problems there.

Senator ELLENDER. Yes; and no matter if a depression does strike the country, Washington does not suffer as much as outside communities. You have a lot of people here whose salaries remain virtually the same, but when depression strikes the country it is like a cyclone, not only in New Orleans, not only in Shreveport, but in Dallas, Fort Worth, and Mobile, and other places.

I can visualize what will happen within 3 or 4 years after the war when people get all the refrigerators and automobiles they want and we get back to normalcy.

Mr. WILKES. Then give them some new housing and put them to work.

Senator ELLENDER. I hope it does not occur, but there is no doubt in my mind that we are going to have a lot of people receiving wages as low as those that were received prior to the war. I cannot, for the life of me, see how private industry could provide adequate dwelling houses for persons receiving as little as \$500 to \$700 per year.

Mr. WILKES. Where do they live now, Senator?

Senator ELLENDER. I am talking about pre-war. Now they have better facilities.

Mr. WILKES. Pre-war they lived in hovels.

Senator ELLENDER. Of course. That is what I am saying. We want to get them out of those hovels.

Mr. WILKES. Well, it is inevitable that somebody pay the cost. Is it going to be paid under private enterprise or public housing?

Senator ELLENDER. If private enterprise can and will do the job, I want it that way. That is why I said this afternoon it is my honest opinion that everybody interested in housing, be it public housing or what not, should get together and make a sincere effort to provide adequate housing for all people in a community. Let those people work out a plan. Let them make the suggestion, and if it can be done from private funds, through private enterprise, let's do it that way. That is what I want.

Mr. WILKES. Well, we subscribe just 100 percent to that.

Senator ELLENDER. Fine.

Senator TAFT. What I chiefly doubt about your plan—it may be these builders will build these \$3,000 houses but we had one survey showing that everybody is planning to build \$7,500 houses practically, and I do not know. Maybe the District of Columbia builders will do it. I think you will have to do a good deal of organization to do it. I hope so. I do not know that that will quite meet the problem but it would go a long way toward meeting it if houses were available at \$3,500 or \$3,600.

Senator ELLENDER. I think evidence was produced at some other hearings which gave figures along the line of your suggestion. As I recall it gave us a picture of a small house that cost about \$3,600? That was without many facilities that should have been in it.

Your low cost of \$3,600 would include the land, but not all facilities, and if you add them all together the total cost would be greater. An investor would have to get probably as much as 10 percent on his investment.

On \$3,600 it would be 10 percent of that, \$360, divided by 12, which would be \$30 a month.

Do you see?

You cannot tag a \$360 yearly rent to a person receiving \$500 or \$600. You must give him a rent commensurate with his return. You can readily see that the amount of subsidy pales into insignificance in contrast to the amount that you would have to put up so as to permit a private investor to allow equally low rents.

The man getting \$700 a year can hardly pay more than \$8 to \$10 a month.

With houses built, as you have said, for \$3,600 with a charge of \$30 a month rent it would mean you would have to subsidize the difference between \$10 and \$30 or \$20 per family. I am sure that would cost the taxpayer much more than it is now costing under public housing.

Mr. WILKES. I must respectfully say that I cannot see it at all.

Senator ELLENDER. Well, you are going to see it later on because it will be demonstrated to you. Mark what I say.

Mr. WILKES. There is only one answer, I submit, and that is, that the financing is upon a theoretical life of the building. They start off by saying it is a 60-year life. But when the financing is analyzed it is analyzed on the basis of there still being 20 percent of the building left after 60 years so they are really financing it on a 75-year amortization basis and we had Mr. Lewis T. Brueninger, a local builder and banker, analyze the figures carefully, and it is based upon an amortization of 75 to 106 years.

Senator TAFT. They want to reduce it to 45 now; I mean that is their application.

Mr. WILKES. Yes. Now if they get a \$100,000 loan and it is amortized over 100 years they have to collect rent for amortization purposes of only \$1,000 a year.

If it is amortized on a 20-year basis they have to collect \$5,000 a year. Now anyone with any experience knows that whereas in a city there are such houses 100 years old, if you could take a photograph of any area in the city 100 years ago and count the houses still

existing at the end of 100 years, there would only be perhaps one or two in that area. So the fallacy is perfectly apparent.

Now the second reason they say they can outstrip private enterprise is that they get a theoretical interest at the going Treasury rate of 2 percent, and nobody else can get 2 percent money. Now we have not advocated that 2 percent money be made available to builders, but if you pass that 2-percent money on to a builder, it means that if he is paying 4 percent by private enterprise and he pays 2 percent to a builder, his interest costs, which amount to a substantial part of the rent dollars collected, is cut in half.

Incidentally, the 4-percent interest that is paid to John Smith, who holds a first mortgage or a first trust, gets into the income tax spiral and part of that goes back to Uncle Sam. Whereas, when the money is borrowed directly from Uncle Sam, Uncle Sam gets none of it back. It is all going out. You cannot escape it. I submit this, that if their cost is less under private enterprise to build and to manage, the cost to the taxpayer is going to be less. Furthermore—

Senator ELLENDER. Now you are basing your figures on this high cost in Washington. I do know that condition does not exist in many other localities, that cost of administering that you pointed out.

Mr. WILKES. I will have to give you an answer only based upon reasonable conclusion, and not of any personal experience, and that is not worth much. I do not believe it is possible for the Government to build anywhere on the average at 75 percent, at less than 75 percent of the cost of private enterprise.

Senator ELLENDER. The thing that you confuse is that it is not the Government that is building. It is private authorities that are created through State laws within every State in the Union, and they resort to the same people for building those houses as a private contractor does. They advertise bids and I presume that is what any contractor would do. I am talking about the building costs.

Mr. WILKES. Yes, but the rent is paid to the Government. The Government is in the rental business and I am not being facetious, I am trying to be very factual. You have to clothe these poor people.

Senator ELLENDER. What?

Mr. WILKES. Clothe them.

Senator TAFT. What?

Mr. WILKES. Clothe them. Would the Government let construction out for clothing and distribute the clothing because they can distribute it a little cheaper?

Senator TAFT. This is not the same thing. It is a different problem.

Mr. WILKES. It is. I concede that.

Senator TAFT. All right; are you through?

Mr. WILKES. Thank you very much.

Senator TAFT. The following will be incorporated in the record at this point:

Letter of February 2, 1945, to Senator Taft from Hon. Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, enclosing copy of letter to Senator Radcliffe, dated December 16, 1944, setting forth specific objections and suggested changes to make provisions of S. 756 and S. 757 and S. 1034, acceptable.

Statement submitted by John Carson, director, Washington office, the Cooperative League, U. S. A., outlining a plan for the solution of the housing problem.



Letter dated January 31, 1945, to Senator Taft, from Harry J. Mohlman, secretary of the Cincinnati Real Estate Board, outlining a resolution adopted by the members of the board in regard to housing.

Letter of August 31, 1944, to Senator Taft from Maj. Edmund R. Purvis, Washington representative of the American Institute of Architects, embodying comments on post-war reconstruction and containing a résumé of opinions generally subscribed to by the members of the architectural profession.

Letter of February 3, 1945, from Harold S. Bittenheim, president of the Citizens' Housing Council of New York, Inc., transmitting a report setting forth the views of the subcommittee of the Citizens' Housing Council of New York.

Letter of January 25, 1945, to Senator Taft from Randolph Bohrer setting forth proposal for attracting equity or risk capital to the medium rental housing field.

Letter dated January 23, 1945, to Senator Taft, from Mrs. Emma B. Swiggett, Washington legislative representative of the National Congress of Parents and Teachers, stating the objectives of the National Congress of Parents and Teachers in regard to housing.

Letter dated January 12, 1945, to Senator Taft from Mrs. Constance W. Anderson, third vice president, the National Board of the Young Women's Christian Associations of the United States of America, urging appropriate legislation to secure a sound post-war housing program for the United States.

Letter of January 11, 1945, to Senator Taft from Morris A. Mainger, secretary of the National Lawyers Guild, transmitting a report on A Post-War Low-Rent Public Housing Program, prepared by the national committee on social legislation of the National Lawyers Guild.

Letter dated August 18, 1944, from Hon. Frances Perkins, Secretary of Labor, to Senator Taft, transmitting a report dealing with aspects of the post-war housing problem.

Letter dated February 7, 1945, to Senator Taft from Anna Lord Strauss, President, National League of Women Voters, announcing the League's support of the National Housing Agency in an enclosed statement.

Letter dated February 16, 1945, to Senator Taft from Philip M. Klutznick, Commissioner of the Federal Public Housing Authority, with statement on the additional cost of low-rent projects built on slum sites as compared with vacant sites.

Letter dated February 21, 1945, to Senator Taft from F. G. Addison, Jr., Chairman of the Committee on Federal Legislation of the American Bankers Association, containing a memorandum on behalf of the Association.

Statement submitted to the Committee by Benjamin C. Marsh, Executive Secretary of the People's Lobby, Incorporated, on the essentials for low cost housing.

Senator TAFT. The hearings will be closed, except that Mr. Blandford may be given an opportunity at some time to reply.

(Whereupon, at 5:15 p. m., the committee adjourned.)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,

*Washington, February 2, 1945.*

HON. ROBERT A. TAFT,  
*United States Senate,*  
*Washington, D. C.*

DEAR SENATOR TAFT: At the hearings on January 10 of the Subcommittee on Housing and Urban Redevelopment of the Special Committee on Post-War Economic Policy and Planning, Mr. Fahey, Commissioner of the Federal Home Loan Bank Administration, with the support of Mr. Blandford, Administrator of the National Housing Agency, urged the passage of the bills H. R. 595 and H. R. 594 (which have also been introduced in the Senate as S. 179 and S. 180). These bills (except for the omission of one point) are the same as S. 756 and S. 757, respectively, which were before the Seventy-eighth Congress and on which hearings were held in May 1944. In a letter dated May 24, 1944, to Senator Wagner, the Board of Governors of the Federal Reserve System expressed its opposition to passage of these bills. Mr. Fahey and others disagreed with the position we took, and in a letter dated December 16, 1944, to Senator Radcliffe, the Board discussed the bills in some detail, pointed out the specific aspects of the bills to which the Board objected, and suggested changes which would make certain provisions of the bills acceptable.

As far as I am aware, no objection has been made to this second letter. I am therefore enclosing a copy of it, and I shall here set forth some of its more important points. It may be noted that Mr. Fahey, in the testimony referred to above, did not mention any counterpart of what was S. 1034 in the Seventy-eighth Congress.

In H. R. 594 (corresponding to S. 757 in the 78th Cong.), we have no objection to the authorization of Federal savings and loan associations to lend on (1) the security of notes alone, if the associations are insured against loss under title I of the National Housing Act, and (2) home mortgages insured under title II of the National Housing Act which have maturities up to 25 years. We have no objection to the parallel provisions of section 1 of H. R. 595 (corresponding to S. 756 in the 78th Cong.) which would permit the Federal home-loan banks to make advances secured by such loans.

We do not believe that the remaining provisions of H. R. 594 and of section 1 of H. R. 595 should be enacted. The predominant investments of savings and loan associations should be home mortgages, and the powers of associations to invest in mortgages on apartment houses and other business properties should not be extended beyond their present scope.

Section 2 of H. R. 595 makes an appreciable change in the basis on which the Federal Home Loan Bank System may issue debentures to the public. At present, the amount of debentures outstanding may not exceed the amount of advances from the banks to their members which are secured by mortgages of a type defined by Congress. The proposed change would permit debentures to be issued for a much larger amount and for much broader purposes by including in the debenture base all Government obligations owned by the banks, whether held as part of their reserves or not, as well as advances to members secured in anyway whatever. The provisions of the present law give the Federal Home Loan Bank System adequate access to investment funds to permit it to perform the functions

which it was established by Congress to perform. We feel, therefore, that section 2 of H. R. 595 should not be enacted.

Section 3 of H. R. 595 authorizes the Secretary of the Treasury to purchase obligations of the Federal Home Loan Bank System and of the Federal Savings and Loan Insurance Corporation with certain limitations on amount. We have no objection to the stated purpose of this section, but we do object to the broad terms in which the proposed legislation is couched. We have therefore suggested that the purpose of the section and the conditions under which it may be used be clearly defined by Congress.

The broad problems at which this proposed legislation is aimed are important, and the Board has no desire to see them ignored. We do not believe, however, that the legislation offered is desirable for the reasons set forth in some detail in our letter of December 16.

Your subcommittee is holding hearings with the purpose of developing a Federal housing policy and program for the post-war period. To my mind, the basic task of a housing policy or a housing program should be to bring our housing supply up to decent standards for the middle and lower income groups, and to make possible a continuous bettering of the housing available for all income groups at the lowest possible cost. If, after the transition period, when men and materials are available, we are to establish really good housing standards in a reasonably short time, and if residential building is to contribute its share to full employment after the war, then all the activities associated with residential building will need to be at levels far above any we have known before, and will have to be sustained at these high levels without the wide fluctuations to which building has been subject in the past.

Strictly from the point of view of the provision of housing, fluctuations in residential building are bad for two reasons: First, they mean that we are operating at less than capacity, and thus are obtaining less housing than we could have; and second, irregular operations give rise to costs which could be avoided if operations were continuous. If we are to obtain the volume of building which Mr. Blandford has testified we need (and I should agree that our need is at least as great as he has shown) at costs which people can bear, we must eliminate the wide fluctuations in residential building.

How to obtain continuous building of houses at the high level required is a question which will require a great deal of study, and measures will have to be adopted by the Federal Government as well as by State and local authorities and by private individuals and groups. I should like to emphasize that the question must be faced as a question of providing housing. Programs designed to raise national income, prevent unemployment, and maintain a sound credit structure will make it easier for us to obtain the quality of housing which we can have; but the problems in the housing field are sufficiently difficult and individual to require special attention. At the same time, the measures adopted to stimulate the provision of housing must be compatible with the smooth functioning of the economy, generally.

The bills sponsored by the Federal Home Loan Bank Administration are aimed at some of the problems of financing housing. The main fault I have to find with those provisions of the bills objected to by the Board of Governors is that, in the field of housing finance, they look, basically, to making institutions developed to meet one

kind of need meet quite a different kind; and in the field of credit generally, they would weaken the controls of credit policy which the Nation has built up over the years.

The bills, if enacted, would permit Federal savings and loan associations to participate much more in the mortgage financing of rental housing. I believe any comprehensive housing program must give greater emphasis to rental housing than has been given in the past, but I do not feel at all confident that rental housing can be provided soundly if it has to rely on financing techniques which have been developed for owner-occupied housing. Rather than try to make it possible for institutions such as savings and loan associations and commercial banks to provide more mortgage financing for large rental projects, I think we should try to work out new financing devices more closely adapted to the needs of rental housing. One of these needs seems to be much more equity capital than there has been in the past. This may mean that different kinds of institutions, enterprises, and techniques such as limited-dividend corporations, and yield insurance should be encouraged, although I am not prepared now to make recommendations for legislation on these subjects.

The bearing of these bills on control of credit policy is not remote. Investment in housing is long-term investment, and individuals should not be induced to engage in it under the impression that their investment is liquid. Liquidity cannot be obtained for investments in institutions such as savings and loan associations unless either the institutions themselves follow a policy of investing a large portion of their assets in short-term loans, or the Government or central bank gives a commitment to rediscount or buy any mortgage loan offered to it. Savings and loan associations cannot follow a policy of liquid investment and still perform their function. A sound credit and fiscal policy cannot be carried out if there is a Government or central bank commitment to turn mortgages into cash, but H. R. 595 is a step in the direction of such a commitment.

Because a housing policy and program must be framed in response to the special problems of housing and, at the same time, the measures adopted to meet these problems must be integrated as closely as possible with the operations of other parts of the economy, I should like to see the National Housing Agency established as a permanent Federal agency, but with somewhat different and more extensive duties than it has had during the war. It should be responsible for correlating the activities of the Federal agencies which have already been developed, but it should do much more than this. It should be responsible for studying housing problems, with the assistance of all interested parties, particularly State and local authorities, and for developing solutions which can be put into effect by existing agencies, or can be proposed to the appropriate legislative bodies. Both in formulating programs for the consideration of Congress and in carrying out programs agreed upon, the agency should work closely with other agencies of Government to assure that measures taken for the improvement of housing conditions are consistent with measures which must be taken in other parts of the economy. In saying this, I do not suggest that other agencies, such as the Federal Reserve System, the Treasury, and the Social Security Board should fashion or veto housing programs. I do mean to say that if we are to do the job of bringing our housing up to what it should be, measures will be

needed which will impinge at many points on areas for which many different agencies have responsibilities to Congress and to the Nation. A National Housing Agency with the duties I have sketched very briefly could do much to avoid conflicts, not only among housing agencies themselves, but also between the housing agencies and other executive agencies.

Sincerely yours,

M. S. ECCLES, *Chairman.*

(Enclosure.)

DECEMBER 16, 1944.

HON. GEORGE L. RADCLIFFE,

*United States Senate, Washington, D. C.*

DEAR SENATOR RADCLIFFE: You have kindly permitted us to file a reply to Mr. Fahey's statement dated August 7, 1944, in which he attacks the position we took in our letter to Senator Wagner of May 24, 1944, opposing the passage of the bills S. 756, S. 757, and S. 1034. We still believe that it would be unwise for Congress to enact these bills in their present forms. However, after careful consideration of Mr. Fahey's statement and a reexamination of the entire matter, we wish to set down specific objections to the present bills, to indicate those purposes with which we can agree, and to suggest changes which would make some of the provisions acceptable to us.

S. 757 AND SECTION 1 OF S. 756

Under existing law, a Federal savings and loan association may not (1) make loans for the improvement or repair of homes except on the security of a mortgage; (2) make loans on homes located more than 50 miles from the association's home office; or (3) make an aggregate amount of loans on real estate other than homes in excess of 15 percent of its assets. S. 757 would permit a Federal savings and loan association (1) to make loans for the improvement and repair of homes on the security of notes alone, provided they are insured under the National Housing Act; (2) to make loans on homes located more than 50 miles from its home office under the 15-percent-of-assets limitation (in addition to the existing authority to lend on business property under the 15-percent-of-assets limitation). More importantly, however, S. 757 would exempt any loan insured under the National Housing Act (as now drawn or as hereafter amended) from the 15-percent-of-assets limitation and the 50-mile limit.

We are willing to withdraw our previous objections to (1) the proposed authority for Federal associations to make repair and modernization loans which are insured under title I of the National Housing Act, on the security of notes alone; (2) the proposed provision permitting Federal associations to make loans on homes beyond 50 miles under the 15-percent-of-assets limitations. Similarly, we have no objection to the corresponding provisions of section 1 of S. 756 insofar as they would authorize Federal home-loan banks to discount loans made under these provisions of S. 757, so amended. Also we should have no objection to the provisions of section 1 of S. 756 insofar as they permit the home-loan banks to accept as collateral for advances under section 10 (a) home mortgages insured by the Federal Housing Administration with maturities up to 25 years.

We do not believe, however, that the remaining provisions of S. 757 should be enacted. Savings and loan associations have traditionally been local thrift and home-financing institutions, gathering investment funds of individuals from the local community and lending them out to home owners and prospective home owners within the local community. This is clearly the basic function which Congress intended Federal savings and loan associations to perform, although it permitted them, as a matter of operating flexibility, and to meet unusual situations, to engage in other lending activities within well-defined limits.

We believe this element of flexibility is proper and useful, but if operations now permitted as exceptions to the rule should become the general rule, the basic function described above would be fundamentally altered. We feel, therefore, that the loans made on properties outside the association's locality (i. e., beyond 50 miles) should remain within the 15-percent-of-assets limitation.

We also believe that the financing of large-scale rental housing should continue to be subject to the 15-percent-of-assets limitation. Such financing is essentially different from the financing of homes for owners and prospective owners. The borrower, in the case of rental housing, is not a home owner. He is an investor

in a business enterprise just as is the hotel owner. Thus the financing of large-scale rental housing is essentially business financing, which it was never contemplated savings and loan associations would undertake. The Federal Home Loan Bank Board has, we think quite properly, recognized this fact, because, although the present law would permit Federal savings and loan associations to make any nonhome loan within the 15-percent-of-assets limitation, the Board, by regulation, has imposed severe restrictions on the rental housing loans which they may make. It has limited such loans to 50 percent of appraised value, except in the case of small apartments (5 to 12 families) for which the limit is 60 percent, even though they are insured under the National Housing Act.

For these reasons we feel that the blanket authorization of Federal savings and loan associations to lend any amount anywhere on insured mortgages, which is contemplated by S. 757 and section 1 of S. 756, should not be enacted.

#### SECTION 2 OF S. 756

The purpose of section 2 of S. 756 is to increase the amount of money which the Federal home-loan banks may borrow in the money market by widening the range of bank assets on the basis of which debentures may be issued. The law as it now stands restricts the amount of debentures which the System may issue to the amount of advances to members secured by loans of the types prescribed by Congress in section 10 (a) of the Federal Home Loan Bank Act. Thus, the power of the home-loan banks to obtain funds in the money market is geared to the volume of the loans of the member institutions secured by loans of the best type; namely, loans which qualify under section 10 (a). It seems obvious that the present provision furnishes the Home Loan Bank System with borrowing capacity more than adequate to enable member institutions to meet the demand for such loans in communities where share accounts are insufficient. Within the limitation which relates debentures to capital, the home-loan banks can now issue debentures on a one-for-one basis for the entire amount of 10 (a) loans rediscounted. In what way could a demand arise which could not be met under the present provision? Only if member institutions should wish to rediscount other types of paper (or obtain unsecured advances) in considerable volume. Such other paper would include mortgage loans on business properties, apartment houses, and other nonhome properties, as well as loans made on the security of share accounts. It seems apparent that Congress did not intend that such paper should form the basis for obtaining additional funds in the market. With the possible exception of loans on the security of share accounts, this is a type of financing that should be held within the 15-percent-of-assets limitation, as already pointed out herein, and therefore that should not be encouraged by giving such paper, when discounted at home-loan bank, the same access to market funds as is enjoyed by 10(a) paper. In fact, the power to include such other paper in the debenture base would have the inevitable effect of eliminating the relative desirability of loans under section 10 (a) which are clearly the most appropriate type of loan for mutual thrift and home financing institutions.

The proposed amendment would also include in the debenture base of the System all Government obligations owned directly by the Federal home-loan banks. This provision would permit Government obligations, including those held as part of the banks' reserves, to be counted in the debenture base.

The present law in our opinion is overgenerous in providing that required reserves may be invested in earning assets (the reserves of commercial banks must be in cash and those of the Federal Reserve banks in gold or gold certificates) and the proposed amendment would go even further by allowing the reserves to be again multiplied by forming a base for the issuance of debentures.

There is nothing in the present law which restricts the power of the System to raise money to perform the functions it was established to perform; namely, to provide a reservoir of funds on which member institutions can draw when the demand for sound home-mortgage loans in their communities exceeds the amount of share investment. Without issuing debentures, the banks can make advances out of their own capital, as well as from deposits they may have from member institutions which have more share capital than mortgage loans. When demands on the banks exceed these resources, the System may borrow from the money market the entire amount of section 10 (a) advances from the banks to their members.

Bearing in mind that Federal savings and loan associations are forbidden by law to accept deposits and that the holder of a share in such an institution should not expect the same liquidity as the owner of a deposit in a commercial bank, it seems obvious that the Federal home-loan banks should not need to raise funds

on the basis of loans other than the types described in section 10 (a) of the Federal Home Loan Bank Act. The most likely use for such funds would be to make unsecured advances to member institutions to enable them to meet demands for share withdrawals—an operation which is clearly inconsistent with the nature of share accounts and the uniform charter provisions of Federal associations governing withdrawals.

We object to section 2 of S. 756, therefore, on the following principal grounds: First, because it would broaden the base for debentures in such a manner as to encourage lending by member institutions of types which are inappropriate for local mutual thrift and home-financing institutions; second, because, by including paper not conforming to section 10 (a) as well as Government obligations owned directly by the Federal home-loan banks, whether as part of their reserves or not, it would make available to the banks far more funds than they need in order to perform their functions; and third, because it is desirable that the reserves of the Federal home-loan banks, which are already invested in earning assets, should not be used as a basis for further generation of credit.

The argument that the Federal home-loan banks have not participated as fully in the financing of the war as they would if Government obligations could be included in the debenture base is not convincing. The Treasury has said repeatedly that it does not want institutions to borrow money in order to purchase Government bonds.

#### SECTION 3 OF S. 756

Section 3 of S. 756 contains two proposals which must be considered separately: The first authorizes the Secretary of the Treasury to purchase obligations of the Federal home-loan banks or the Federal Home Loan Bank System in amounts not to exceed three times the total of the capital stock, reserves, and surplus of the Federal home-loan banks; the second authorizes the Secretary of the Treasury to purchase obligations of the Federal Savings and Loan Insurance Corporation, with a corresponding limitation on amount.

Since Mr. Fahey states that the authorizations granted by this section are to be used only in emergencies, it seems to us that the legislation should be worded so as to indicate this purpose. The unqualified authorization now contained in the proposal implies (despite the discretion lodged in the Secretary of the Treasury) that general support of the obligations of the Federal Home Loan Bank System is to be given by the United States Treasury. We feel that no such implication should be given. On the other hand, there is merit to the suggestion that it would be undesirable in the public interest for home-loan banks to be unable to meet maturing obligations due to a temporary emergency. We have no objection, therefore, to a provision permitting the Secretary of the Treasury, if he determines that the market situation warrants such action, to retire from the market such maturing obligations as the System cannot redeem without undue sacrifice and giving him power to negotiate with the Federal Home Loan Bank Board such terms and conditions as he feels to be desirable for the protection of the Treasury in connection with such action.

With regard to the second proposal, the law under which the Federal Savings and Loan Insurance Corporation operates now provides that insured institutions shall pay premiums, which shall cease when the reserve of the Corporation reaches 5 percent of the insured risk, but the Corporation is authorized to assess each insured institution additional premiums equal to the amount of all insurance claims and operating expenses. (The required insurance premium and the maximum annual assessment are each one-eighth of 1 percent of the insured accounts and creditor obligations of the insured institutions.) These provisions would indicate that the Congress contemplated that the premium would be used to provide the reserves and that the assessment would be used to pay losses and expenses.

However, the Corporation has never exercised its right to assess, with the result that, in effect, insurance losses and operating expenses have come out of the reserve. At the end of the fiscal year 1943 the reserve was only slightly more than one-half of 1 percent of the insured risk, or one-tenth as large as Congress determined the reserve should ultimately be.

We feel that, if the Treasury is to guarantee the ability of the Corporation to meet its insurance contracts, it should be called upon to do so only after the Corporation has in good faith used the facilities already furnished by Congress for providing adequate reserves, as set forth below.

We should have no objection, therefore, to a measure which authorized the Secretary of the Treasury to purchase obligations of the Corporation provided that (1) the Secretary determines that a reasonable market for the Corporation's

obligations does not exist; (2) the obligations purchased by the Secretary shall bear interest at a rate which, in the judgment of the Secretary is a fair rate, having in mind the Corporation's normal market; and (3) the Corporation has already placed in effect a program of crediting to the reserve each year a sum sufficient to build up its reserve to 5 percent of the insured risk within a period to be set by Congress, but preferably not more than 10 years.

#### SECTION 1 OF S. 1034

In his support of S. 1034, Mr. Fahey says that the effect of the provision waiving dividends due to the Home Owners' Loan Corporation from the Savings and Loan Insurance Corporation would be to grant the Federal Savings and Loan Insurance Corporation free use of its capital as was done for the Federal Deposit Insurance Corporation when dividends from Federal Deposit Insurance Corporation to the Treasury were eliminated.

Congress did provide the Federal Savings and Loan Insurance Corporation with its capital free of cost. It directed that the Home Owners' Loan Corporation acquire the entire capital stock of the Insurance Corporation by exchanging Home Owners' Loan Corporation bonds for Federal Savings and Loan Insurance Corporation stock, and that the money paid as interest by Home Owners' Loan Corporation on its bonds be returned to Home Owners' Loan Corporation by Federal Savings and Loan Insurance Corporation as dividends. The Home Owners' Loan Corporation has paid \$3,000,000 to the Federal Savings and Loan Insurance Corporation each year since 1934, but since 1935 the Federal Savings and Loan Insurance Corporation has paid no dividends to Home Owners' Loan Corporation. Instead, it has placed \$3,000,000 each year in a special reserve for contingencies, which now amounts to \$27,000,000. Section 1 of S. 1034 would remove the Insurance Corporation's liability to Home Owners' Loan Corporation for this \$27,000,000 and would transfer this amount to the reserve which Federal Savings and Loan Insurance Corporation is required by law to build up. The Home Owners' Loan Corporation would thus be forced to bear a loss of \$27,000,000 which is not properly chargeable to its operations.

We are in sympathy with the suggestion of the Secretary of the Treasury that a uniform policy be adopted for the treatment of public money used by Government corporations. Since the Home Owners' Loan Corporation is in process of liquidation and has already called the bonds which were issued in exchange for the stock of the Federal Savings and Loan Insurance Corporation, Congress might well direct the Secretary of the Treasury to purchase the stock of the Federal Savings and Loan Insurance Corporation from the Home Owners' Loan Corporation, and make whatever rules it deems best for the reimbursement of the Treasury in the future.

We see no good reason, however, for the waiving of the dividends which have been accrued contrary to the clearly expressed intent of Congress. Since insured institutions stop paying insurance premiums to Federal Savings and Loan Insurance Corporation as soon as the reserve reaches 5 percent of the insured risk, the effect of such a gift by Congress to the reserve of the Federal Savings and Loan Insurance Corporation would be to relieve the insured institutions of the obligation to pay premiums amounting to the \$27,000,000, plus interest for a number of years.

We do not believe that Congress should make such a gift to private lending institutions at the expense of the Federal Treasury which will bear any losses which Home Owners' Loan Corporation shows on liquidation.

#### SECTION 2 OF S. 1034

The reserve which Congress has said should some day reach 5 percent of the Federal Savings and Loan Insurance Corporation's insured risk was, on June 30, 1944, after 10 years of operation, only 0.57 percent of the insured risk. Section 2 of S. 1034 would reduce the insurance premium due from insured institutions by one-third, and would consequently slow down the rate at which the reserve is accumulated. Transfer of the dividends due Home Owners' Loan Corporation to the reserve would, of course, raise the ratio of reserve to liability, and might advance the date at which the full reserve might be reached. This should not, however, divert attention from the fact that the income available for reserves would be reduced substantially, and, in a period when losses were high, would be sadly deficient.

Mr. Fahey points out that the right of the Corporation to assess insured institutions for losses and operating expenses is retained in S. 1034 (although the maximum rate of assessment is also reduced by one-third), and argues that this power



could be used to meet larger losses. Apart from the fact that the Corporation has never yet used this power of assessment, it is doubtful that assessment after large losses have started would be effective in yielding the amount of revenue that would be required (since the amount of assessment for any one year is limited) or could, in such a period of widespread strain, be conveniently paid by the institutions. Indeed, it is contrary to all insurance principles to attempt to assess the insured after the risk insured against has materialized.

Mr. Fahey argues that the risk insured by the Federal Savings and Loan Insurance Corporation is about the same as that insured by the Federal Deposit Insurance Corporation, and that therefore the premiums should be similar. He takes issue with our statement that Federal Deposit Insurance Corporation's risk is lower because there is a considerable cushion between the Federal Deposit Insurance Corporation and its insured risk in the form of the capital, surplus, undivided profits, and reserves, of a commercial bank to which there is no counterpart in the institutions insured by Federal Savings and Loan Insurance Corporation. He maintains that the savings and loan associations have similar capital accounts and that the ratio of these accounts to total assets is about the same for institutions in the two insurance systems.

If we assume that Mr. Fahey is correct in saying that there is a cushion between the Federal Savings and Loan Insurance Corporation and its insured institutions similar to the cushion which protects the Federal Deposit Insurance Corporation, the comparison between the two should be based on the insured accounts of the institutions and not on their total assets. The capital accounts of institutions insured by the Federal Deposit Insurance Corporation amounted in 1942 to almost 25 percent of the insured accounts, while the capital accounts of institutions insured by the Federal Savings and Loan Insurance Corporation amounted to only 9 or 10 percent of its insured accounts. In other words, a comparison would show that the cushion in the case of the Federal Deposit Insurance Corporation is over 2½ times as great as in the case of the Federal Savings and Loan Insurance Corporation.

It has been asserted (by Mr. Krentz of the National Savings and Loan League, for example) that the risk assumed by the Federal Savings and Loan Insurance Corporation is less than that of the Federal Deposit Insurance Corporation because the former insures only the ultimate safety of share accounts and makes no attempt to insure their liquidity. Under the procedure which Federal Savings and Loan Insurance Corporation has adopted for meeting insurance claims, however, liquidity is in effect insured. The Corporation pays cash to operating institutions for share accounts which they issue to holders of insured accounts in liquidating institutions, but whether the holder of the transferred account obtains cash immediately is apparently not within the direct control of the Corporation, although to date, institutions have apparently been ready to permit withdrawals on demand. Under this procedure the Corporation will be able to meet its insurance contracts in time of stress only if it has adequate cash or other liquid resources, and we feel it cannot have these resources unless it builds its reserves more quickly than it has built them up to now.

For these reasons, therefore, we are opposed to the passage of S. 1034 and all of its provisions. If the law at which it is aimed is to be amended, we feel it should be by the addition of a requirement that the reserve of 5 percent of potential liability be built up by a given date.

We have made suggestions which, we think, make some passages of S. 756 and S. 757 acceptable in the public interest. For the remainder of the bills, we feel as we did on May 24, 1944, when we said:

"The Board is in sympathy with what it understands to have been the original objectives of the Federal Home Loan Bank System whereby Federal savings and loan associations and similar institutions would supply the need for local mutual thrift and home-financing institutions, and Federal home-loan banks would act as reservoirs of funds for the accommodation of their member institutions. The Board believes that the enactment of these bills would represent a material departure from these objectives. On the one hand, high dividend rates to shareholders plus the insurance of their investment in such shares would tend to attract funds far beyond those incident to local mutual thrift and home-financing programs. On the other hand, broadened powers would offer investment outlets for such funds equally beyond the scope of the original objectives. Thus, their enactment would constitute a step in the direction of establishing a separate and complete banking system with an opportunity to compete for ordinary banking deposits on favored terms."

Sincerely yours,

M. S. ECCLES, *Chairman.*

STATEMENT TO THE SENATE COMMITTEE ON HOUSING BY JOHN CARSON,  
DIRECTOR, WASHINGTON OFFICE, THE COOPERATIVE LEAGUE,  
UNITED STATES OF AMERICA

Mr. Chairman, one of the most important stories on housing in this country is being told right now, rather it is being enacted or lived in the Walnut Groves Mutual Housing Corporation in South Bend, Ind., and in the Greenmount Mutual Housing Corporation of Dayton, Ohio.

The "cost of operation" for a house in Walnut Groves is only \$5.19 a month; in Greenmount it is only \$5.14 a month. Just a few miles distant from Walnut Groves is a public-housing authority project. The "cost of operation" of a house there is more than \$10 a month. The cost of operation in Walnut Groves and Greenmount is, I think, less than any cost for a public-housing project and perhaps less than for any competitive profit housing project.

These two housing projects are important because of their financial success. But they are far more important as guideposts which point to the solution of our housing problems. The story they tell is the old story that people are fully competent to manage their own affairs and that they can solve their own problems. The story is that of democracy at work. These are, in fact, cooperative housing projects where the people have assumed responsibility of management because they are becoming owners.

The story of rural electrification and of R. E. A. is a story to which we can turn if we are sincerely interested in solving the housing problem. We can establish a government organization for housing such as R. E. A. was and is. Not so many years ago, the competitive profit electrical industry ignored the problem of rural electrification because it seemed impossible of solution. Then we adopted the rural electrification law and its author, the late Senator George W. Norris, wrote into it the provision that loans could be made for rural electrification to the competitive profit electrical industry, to political subdivisions, and to cooperatives. He told me he feared "the Power Trust" would take the loan capital and get control of rural electric lines. He hoped that townships and counties and public power districts might borrow and build lines. He was an ardent advocate of cooperatives and he wished they would develop but he said he had no thought that they would.

After R. E. A. was established, our cooperative leaders had to plead with the R. E. A. Administrator to recognize that the law provided for cooperative developments. The Administrator was not opposed to cooperatives but he was incredulous that they could be helpful. He did open the door to cooperatives and that was about all. What happened? The problem was solved. Cooperatives took about 95 percent of all loans made by the Government. The people assumed responsibility and organized and did a job which the electrical industry had avoided tackling.

There is a lesson in the R. E. A. story for us, right here. This housing problem can be solved by the people who are most concerned with it because they must have housing. We are not going to solve it for them. Government agencies are not going to solve it by imposing plans and projects on the people. I wish, as a new world and a new age dawns on us, that we could become honestly humble and thus

intelligent and that we would admit that society, or government, is weakened and destroyed by attempting to manage and control the lives of people. Big business and big finance did succeed in ruling the people for a long time. But that world, the world of competitive profit capitalism, began to have its death rattles in 1929 and it has been in convulsions ever since. Then we turn to the state.

"When a man becomes senile and insane, his friends put him in an asylum," remarked A. E. Russell, the great Irish philosopher and advocate of the cooperative movement. "When a people grow decadent and imbecile, they place themselves in the hands of the state," he added.

I am bold enough to outline a plan for solution of the housing problem and it is as follows:

1. Establish a Mutual Housing Administration in the National Housing Agency and give to it authority and responsibility similar to that given to the Federal Housing Administration and the Public Housing Administration. In other words, give it rank and prestige.

2. Give the Mutual Housing Administration authority to make loans as did the R. E. A., to political subdivisions, to cooperatives, and if you wish to consolidate the Federal Housing Administration with it, it might have authority to make loans to the competitive profit housing industry. I assume, however, it would be preferable to permit F. H. A. to continue in its field which is that of serving, almost exclusively, the competitive profit industry.

3. Give to the Mutual Housing Administration the responsibility for administering the projects and loans to an extent necessary to protect the Government's investments, and no more authority than is necessary.

The people will then do this job for you. They will develop a plan which will meet the conditions in the small towns and another plan which will meet the conditions in the larger cities. They have done the job here and there. They are doing it in Walnut Groves and Greenmount. But let me list a few other examples of success:

*Apartment house development.*—The Amalgamated Cooperative Apartments in New York City house 920 families. They are owned by the people. They are managed by a democratically organized cooperative. There are no finer apartment buildings. There is no apartment project which will compare with this for "management success." When witnesses come before you, as they have, and tell how impossible it is to develop apartment housing in New York City, show them the Amalgamated projects.

*Housing development.*—The Dayton Mutual Homes Co., Inc., of Dayton, Ohio, houses some 380 families. It is a cooperative development. It is so successful the cooperative members can sell their "rights" at very large profit. I am told these houses were built at some 12 to 15 percent saving in initial cost. Just outside Chicago is another small cooperative development where the saving was 12 to 15 percent.

*St. Paul and Minneapolis.*—Cooperative housing projects in these cities resulted in giving to cooperative members very excellent housing facilities for a monthly cost of \$25, to \$40.

*Penn-Craft, Pa.; Chapel Hill, N. C.; Iona, Idaho.*—Cooperatives in these smaller communities built housing through contributions of labor

by members who were directed by employed skilled workmen. Thus they reduced the cost and money investment.

Mr. Chairman, we are grateful for this opportunity to appear here and to fulfill an obligation we have to the public interest. Our cooperative organizations are criticized quite often for not "telling their story to the world." As Congressman Jerry Voorhis said, "Cooperatives offer the greatest single encouragement for the preservation of democracy in the world." He also criticized cooperatives for not publishing their story.

We are not here to ask any special privilege for cooperatives. We do insist that our Government agencies should not discriminate against cooperatives, as they do at present. We insist they should give to cooperatives encouragement similar to that given to the competitive profit housing industry by the Federal Housing Administration. We are here to insist that any housing program developed must be directed to helping people to help themselves and must concern itself with helping the people to acquire ownership of their houses.

We are here to insist, also, that where the Government insures mortgage loans the interest rate on those loans should not be higher than would be the interest rate the Government would have to pay, plus a very small service charge. Therefore, we believe the interest rates now fixed are too high.

The Cooperative League U. S. A., which I am representing here, appears before you in a very fortunate position. The league is the educational arm of the consumer-purchasing cooperative movement in this country. We estimate there are at least 2,500,000 families affiliated with these cooperatives, or in other words, 10,000,000 persons. And I sincerely believe that is a conservative figure as cooperatives are now developing so rapidly it is difficult to keep a record of the progress. As our religious and educational and labor and farm organizations are becoming zealously interested in the promotion of cooperatives, the progress will be even more rapid.

We are fortunate because we represent the consumer, and as the consumer is the public, we represent here the public interest. The Swiss have a saying that "consumer cooperatives incarnate the public interest." They do just that.

Our league, for example, has among its members some organizations with large sums of investment capital which is available for the housing industry; has also organizations as members which own timber tracts and sawmills and other producing organizations; organizations in which and through which millions of consumers express their desires; and there are many thousands of members of organized labor affiliated with these cooperatives. We represent these diverse interests and we can do so because we represent the consumer, or the "public interest."

Let us look for a moment at the class, or group factors in what is described as the "housing problem."

Investors: We have large sums of investment capital which must be used, exercised, or it will wither and die. This wealth is owned or controlled by those who will not venture into the housing field unless the cloak of governmental protection, or insurance of loans, is thrown around the wealth.

Consumers: We have millions of consumers who need homes. They are, for the most part, in a less-fortunate class of people who have been bled so white by the competitive profit system that they cannot qualify as safe risks for mortgage loans.

**Housing materials:** Housing materials have been controlled, in large part, by corporations and monopolies and for the purpose of increasing the price that consumers must pay, if they would buy.

**Labor:** Our workers are burdened with unemployment or periodic employment and hence they must have a high daily wage in order that they may get an annual existence income, only.

I think you will notice that a thread runs through this pattern and that it is marked "the law of scarcity." It is the law of the competitive profit system. Those who have want to make what they have as valuable as possible by making it scarce.

Consumer cooperative organizations which are interested in people and not in profits invoke and compel the application of the law of abundance. We are interested in the maximum of production and the maximum of distribution and hence we are proposing a condition which will make a market for loan capital, which will provide employment instead of unemployment and which will give the consumer houses at a cost he can pay.

As I turn specifically to the housing problem, I want to emphasize that consumer cooperative organizations are parties to a great crusade to reestablish ownership in the hands of our people. We know that ownership and democracy and freedom are correlatives. We know also that tenancy and dictatorship or stateism are correlatives. We insist, therefore, that in every housing program offered in a democracy, there must be a reasonable opportunity for the occupants of the houses to acquire ownership.

Our friends here, of the competitive profit industry, will insist that they also are interested in home ownership. I am willing to believe that they are. But I wish they would look at the facts which prove that tenancy, and that irresponsibility which goes with tenancy, have become marks of our American life. Ownership of homes in cities has become little more than a mirage. Ownership of our farms by occupants of the farms is only a small percentage of farm values. Ownership of productive tools has passed from our people into the hands of the absentee owners and their managers. I recall to you the words of Bishop A. J. Muench, Catholic bishop of Fargo, N. Dak., who told a conference at Notre Dame University that the world was in the midst of a political revolution because the people had been deprived of ownership of productive property.

Consumer cooperative organizations are the most effective machinery devised to redistribute ownership among our people. They have proved their efficacy in many foreign countries. They are proving it in this country.

The statement that the competitive profit system compels tenancy and unemployment may be attacked. But there can be no refutation of the statement that tenancy and unemployment and poverty have developed in association with the competitive profit system.

If you think these are radical statements, I refer you to a very conservative authority again. Rev. Wilfrid Parsons, S. J., in his interpretation of the famous encyclical of Pope Pius XI, the encyclical called *Quadragesimo Anno*, said the Pope called for "an order wholly contrary to our present capitalistic order for society." The world is being forced to turn from it and it has one of two choices, either that of our cooperative economy, or that of stateism in some form—fascism, nazi-ism, or communism. We are very conservative in the best sense

of the word "conservative" when we appear here to plead for your interest and cooperation. We are here to conserve.

Mr. Chairman, I think we must divide the housing problem into three parts, and these are rough divisions. For the purpose of this discussion we might think of one group of families with incomes of \$1,500 to \$1,800 a year and less. We might think of a second group, families with incomes of from \$1,500 or \$1,800 to \$3,000. And then we would have a third group of those families with incomes of more than \$3,000. I am dealing, firstly, with the families in the second group—from \$1,500 to \$3,000—because it seems to me we must begin with the group which is in need but which has some measure of economic strength left and develop a plan which can then be modified to reach down into the less fortunate groups, and also can be made useful to the more fortunate groups.

Several years ago, Mr. Chairman, when I was associated with Senator James Couzens, we devoted a great deal of time to study of the housing problem. As you may know, Senator Couzens eventually contributed about \$380,000 to the Government and for the development of a housing project which he hoped might be used as a laboratory. In all of those studies of the housing problem, the one fact which stood out starkly and relentlessly was that the "insecurity" of the wage worker, the ever present threat of unemployment, was the ogre which destroyed interest in home ownership. There are few, perhaps no actions which are so destructive to society and to human welfare as are the actions associated with foreclosure of mortgages.

In the study and work done through Senator Couzens' contribution, I encountered Col. Lawrence Westbrook, then with the Works Progress Administration. He became interested and directed the development of the housing project in question. He continued his interest and his study and eventually he presented us with a "mutual housing program" which, I think, was merely an adaptation of the programs used in the most successful housing developments in Europe. I wish the committee would call him to testify here.

I am not going to deal exhaustively with the "mutual housing program." You have heard of it, undoubtedly. Briefly, the proposal invites the consumers to organize, to select their architects and planners, to obtain credit assistance from the Government, and then to build their houses. Their organizations have the responsibility of managing the project through democratic processes, and of making certain that the Government loans will be repaid. The Government would retain supervisory authority until repayment of the loan was assured, or until refinancing was possible.

The program is markedly similar to the plan developed for rural electrification.

I think every student of housing is agreed that the families with incomes of \$1,500 to \$1,800 a year, and less, must be assisted through what is known as public housing. They are entitled to decent housing facilities. In fact, we all are entitled to the protection we would get through assurance of decent housing facilities for our less fortunate people. The menace of slums and subslums is too great.

I think, however, the mutual housing program which would be directed firstly at the families with incomes ranging upward to \$3,000 could be developed to offer opportunity to the less fortunate groups.

If we had the mutual housing program under way, we could experiment through giving, for example, responsibility to some of the less fortunate groups and inspiring an interest in ownership.

The plan provides for elasticity of treatment. Families with incomes of more than \$3,000 might pay an initial or down payment of 10 percent or more of the house. Families in the second group might pay 10 percent or less; and the least fortunate economic groups might be encouraged to acquire housing facilities as they paid their rent.

Mr. Chairman, I suspect that some of my friends will insist that the existing Public Housing Administration can be used to encourage and to administer a mutual housing program. Many of these officials are my friends. I admire them for their conscientious interest in getting decent housing for our less fortunate people. But it would be unfortunate if the mutual housing program were continued as one of the children, and something of a foster child, of the Public Housing Administration. I know my friends will object when I suggest that their long-established convictions about public housing might prejudice them a wee bit against the mutual housing program. But, nevertheless, I must insist that I am afraid they have been a bit cold to mutual housing. I am afraid that they must be, because there are contrary philosophies involved here. Those who are steeped in public housing think with favor of State or public ownership and control. The advocates of mutual housing earnestly advocate a program of getting ownership and control back into the hands of the people.

It is absolutely essential, therefore, that a mutual housing administration be established and that its responsibilities and obligations shall be fixed and clear so that a mutual housing program can rise or fall according to its accomplishment.

Mr. Chairman, I suspect also that some of my friends will insist that cooperatives can obtain from the Federal Housing Administration all the assistance and encouragement now given to the competitive profit industry. But that is not so. Cooperatives are discriminated against, and it is obvious that they will be as long as they must deal with F. H. A.

Let us look at the facts. When our housing legislation was adopted about a decade ago, the Senate bill recognized specifically the right of cooperatives. I was told by the highest authority that the cooperative provision was stricken out in conference and that it was necessary to sacrifice the cooperative provisions in order that some housing legislation might be gotten through the Congress. The very plain implication in the statements made to me was that certain interests did not want cooperatives given any consideration.

The F. H. A. was organized. It was largely manned by recruits from the competitive housing industry. It became their organization. And it still is. I am not complaining about that, not complaining that the competitive profit industry has had this assistance from government. But I do insist the cooperatives are entitled to similar consideration.

Now, it will be asserted that cooperatives have had mortgage loans insured by F. H. A. That is true, in some instances. But it is true also that cooperatives have had great difficulty in impressing the F. H. A. officials. Usually, the cooperative managers face one objection and then another and in many instances they are finally worn

down and out. One representative of a cooperative housing group which recently obtained F. H. A. assistance remarked, "We did not object so much when they threw the book of rules at us, but we did object when they threw it at us page by page."

In fairness to F. H. A. and its officials, let us look at the facts and appreciate how difficult it is for them to deal favorably with cooperatives. F. H. A. officials are obligated to protect the Government's investment, or insurance. They must be commended for protecting it. They have been trained to think of the marketability of the house, or its sales value and that is the determining factor.

But the marketability or sales value is not so important in cooperative housing. Cooperatives are not interested in speculation or speculative profits. They are not dominated by an interest in the sales value of the house. They buy houses to make them homes and permanent homes. Cooperatives develop that stability in the economy which permits wage earners to be interested in permanency of residence.

The cooperative buyer or builder, therefore, desires a house or home which expresses in some degree his interest, his personality. He may want a house with much window space, a house or flat roof, a house of functional design.

But the F. H. A. evaluator, trained through experience in selling houses, thinks of a neighborhood which has become accustomed to the square-box gable-roof house, for example. He would be entirely right in believing that that kind of a house would have greater market appeal and more sales possibilities. He would frown on the cooperative house, as he has done repeatedly.

Again, there are two philosophies which are in conflict. The average F. H. A. administrator is controlled by the sales value or the liquidability of the house. The cooperative member is controlled by his desire for permanency of home and all the values which go with that.

Therefore, I think that if the Congress does not wish that cooperatives shall be discriminated against, the Congress must provide them with insurance protection such as F. H. A. now gives and that protection must be given through an organization other than F. H. A. It could be given through a mutual housing administration.

Mr. Chairman, the Administrator of Public Housing has described to this committee the tremendous task ahead of the Government in disposing of war housing. I do not want any unworthy housing pushed off on the less fortunate. But where the housing is worthy, the mutual housing plan and program will offer the greatest opportunity to the Government to salvage as much of the Government's investment as is possible.

I am not an authority as to what interest rates should be established for mortgage loans. I do know, however, that the wages that capital or investment money can get today in a free market are so low they are much less than the interest rates fixed through F. H. A. insurance procedures. If the Government is expected to insure these mortgage loans then it is obvious that the Government agency has an obligation to make certain there is no profit or "fat" in the interest rate. It must not exceed what the Government would pay for the money plus a small service charge. I think F. H. A. has an obligation at all times to justify to the public, and in the public interest, the interest



rates it wishes to have fixed. Some of my friends insist that a rate of 3½ percent is the highest that can be justified for insured loans.

Mr. Chairman, I am concerned with the law which creates the Federal Home Loan Bank system. I am afraid the law and the administrative interpretations of it also discriminate against cooperative building and loan associations. We had an application, for example, for the establishment of a cooperative building and loan association in one of our States. A report on the application was sought from the regional offices of the F. H. L. B. system and the report was there was sufficient home loan bank facilities in that city to accommodate the people. That was true, perhaps, and yet it was entirely untrue. There were no facilities in that city for the cooperator who wanted to participate in a cooperative building and loan association. And a cooperative building and loan association operates entirely different from the manner of operation for the average building and loan, or rather, it would. The cooperative building and loan would be motivated entirely by the usefulness of the money and would be concerned with keeping interest charges as low as possible. It would be democratically controlled, one member having one vote, and proxy voting being excluded.

I think we must amend the law to make certain that cooperative building and loan associations can be developed.

Mr. Chairman, I have listened to much of the evidence presented here and I have read the transcript on other portions of the evidence. I have noticed the expressions of concern by members of the committee over the march of stateism, or state domination of our society. I have listened to use of the phrase "free enterprise," much of it I fear in mockery of the only thing the phrase can justly mean in a democracy and that is "freedom for the people, or the consumer." And I have been a bit disheartened by what I think is a lack of concern over the rapid decadence of our society and the causes of that decadence.

We are interested in solving this housing problem. We know how it can be solved and that is by getting authority and responsibility and freedom of enterprise back to the people. We have tried to outline a program for solution of the problem. We shall be very much interested in any program offered which insures a reasonable opportunity for the people to acquire ownership of homes.

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THE CINCINNATI REAL ESTATE BOARD,

*Cincinnati, Ohio, January 31, 1945.*

HON. ROBERT A. TAFT,

*Chairman, Housing Committee, United States Senate,  
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: At the recent annual meeting of the Cincinnati Real Estate Board, members present unanimously adopted a resolution disapproving any further housing to be erected by the Federal Government, and endorsed the principles contained in the following resolution as prepared by the housing committee of the board composed of Walter S. Schmidt, chairman; R. Gordon Tarr, Warren E. Richards, Myers Y. Cooper, C. Dean Poage, Douglass G. High, and Robert Poysell:

1. That improved housing in the Cincinnati area is needed and is a first essential for the better living of our people.

2. That as has been consistently our position, we favor a program for the tearing down of dilapidated housing and the redevelopment of blighted and outmoded areas.

3. That immediately this war is over there must be united community action for constructive housing betterment, into which must be put the same energy and dynamic force used in the creation of instruments of destruction; better housing is primarily a community problem and must be solved from within.

4. That methods of action must be in accord with those principles upon which our national life is founded, and that no traffic should be had with unsound expedients which violate those principles, the more dangerous because they have a certain humanitarian appeal.

5. That private enterprise can handle such redevelopment—and more economically than Government—provided it has the cooperation of, and certain assistances from, local, State, and Federal Governments, and there be cooperative action for the reduction of cost through the adoption of large-scale scientific methods, lessened interest rates, helpfulness from public authority—Federal, State and municipal—and cooperation of labor in eliminating practices that add to cost.

6. That while the lower one-third of our population cannot pay the economic rents of new housing without subsidy, yet it is philosophically unsound for Government in its desire to improve living conditions directly to build and operate housing, thus becoming landlord to its own citizens; that such procedure is politically dangerous and that extension of this program is a discouragement to thrift and industry and to the ideal of home ownership, which is one of the chief marks differentiating ours from most of the older civilizations.

7. That a complete, soundly conceived plan for the redevelopment of our cities has not as yet been evolved, and that we pledge ourselves to explore all proposals designed to this end and to cooperate with those other thoughtful persons and organizations studying the problem.

8. That present State enabling acts do not confer upon municipalities and land commissions within communities authority adequate for the acquisition of large areas which should be acquired and redeveloped, and that we are in favor of such legislation and propose, in conjunction with other interested bodies, to submit proper enabling acts.

9. That it is further the fact that present State laws place undue restrictions on private corporations formed for the purpose of supplying housing at moderate cost with limitations on corporate earnings, and that we propose to work for the liberalization of laws governing corporations of this character which are in the public interest.

10. That in line with our recommendation these many years that such action be taken, we heartily endorse the program now in process for the preparation of a master plan for Cincinnati and its environs, and urge those charged with the responsibility of preparing this plan to proceed energetically and expeditiously so that there may be in hand a complete and comprehensive program, stimulating public and private works for the immediate post-war period; that such plan should have the objective of making our cities more convenient and desirable places in which to work and to live, of stabilizing them, and of throwing up guards against those factors that have resulted in their recently accelerated deterioration.

We sincerely hope that your committee will give favorable consideration to our suggestions.

Yours very truly,

THE CINCINNATI REAL ESTATE BOARD,  
HARRY J. MOHLMAN, *Secretary*.

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THE AMERICAN INSTITUTE OF ARCHITECTS,  
*Washington, D. C., August 31, 1944.*

Senator ROBERT A. TAFT,  
*Chairman, Subcommittee on Housing and Urban Redevelopment,  
United States Senate, Washington, D. C.*

MY DEAR SENATOR TAFT: In reply to your request of June 6 for a presentation to your Subcommittee of the views of the American Institute of Architects on post-war housing and urban redevelopment, I hope that your committee will find the following comments helpful. They embody not only comment from our committee on post-war reconstruction, but a résumé of opinions which the writer believes are generally subscribed to by the members of the architectural profession. The writer will be glad to discuss them in further detail, at your convenience, with your committee or staff.

This statement follows generally the form of the outline submitted with your letter of June 6, with added collateral comment which we believe to be pertinent to your study.

## I. THE ROLE OF RESIDENTIAL CONSTRUCTION IN THE NATIONAL ECONOMY

1. We do not attempt to quote at length the statistical data and the various estimates of future construction already available to the committee from both Federal and reliable civilian sources. We are inclined to conservatism in estimates for the future, believing that the pent-up demand for homes will rise above the National Association of Real Estate Boards' estimate of 300,000 per annum, but that, at least for several years after cessation of hostilities, shortages of certain key materials (such as lumber) and of manpower will hold construction volume below the 1,250,000 estimated by the Producers' Council and others. We believe the most important volume of residential construction is in the moderate-cost (\$3,000 to \$8,000) field, not only because of the volumes reported statistically, but also because such construction (excepting public housing) is generally carried out by relatively "small business"—contractors and operative builders—is widely distributed throughout the country in both urban and rural districts, and contributes a collateral stimulation to the economy by sustaining a demand for the wide variety of simple articles necessary to equip afresh such new homes.

2. We have accepted as axiomatic that violent fluctuations of activity are inevitable so long as there are fluctuations of the general economy. Prices of land, and building costs, are low when the economy is at a low ebb and inevitably rise with prosperity, whereas individuals building for themselves or speculators building for quick sale, choose to operate on a rising, rather than on a falling market. We believe that technological developments, such as unit preassembly, will effect some economies in building costs, but we do not believe that these will be as general or as spectacular as recent advertising has suggested. If the human leopard could change his spots—if the sellers of land and buildings would accept a "use value" rather than a speculative value, often grossly inflated for the quality of the property—a degree of leveling off of residential rents and prices might be achieved; we conceive of this as too much to expect of our traditional form of enterprise. We believe these costs are inevitably tied in with the psychological effects of the general economy, national and local.

3. The 1940 housing census is of great value statistically, but its importance will decline rapidly, if it is not repeated or rechecked more often than on 10-year intervals. Unquestionably it has shown the shockingly widespread existence of a great volume of housing unfit for habitation and of a further volume much below the now generally accepted ideal American standard, as well as a general shortage of homes to meet demand. Interpretation of the causes, and of why, when, and by whom such bad conditions should be remedied have varied very widely with the special interests of the interpreters. May we suggest a few of the basic causes:

(a) Urban plan patterns developed in past generations for uncrowded and slow-moving life, seem unattractive under present conditions. The prosperous move to new developments, leaving growing decay in the old.

(b) The general mental attitude toward ownership of land, fixed in the period of national and industrial expansion, ignores present facts of urban stabilization and retrogression, and still hopes for speculative profits through commercial and industrial expansion within old urban limits. Hence, ruthless exploitation of debased properties, and of their occupants, is still rife.

(c) Haphazard residential developments, unrelated to regional planning, and often never completed, continue to disturb stable values—

and may we note a few of the panaceas offered—

(a) By "the houses"—A huge public-housing program, to clear slums and house the slum-dwellers and other low-income groups: Federal, as well as local, subsidy for construction and operation.

(b) By "the homebuilders"—No public housing; municipalities to condemn slum properties (at "present values"), clear and resell to private operators (at "use values") who will construct homes to be sold as usual, or to be rented to the underprivileged at rents sustained by "welfare assistance" to tenants. The subsidy is less obvious, but real.

(c) By "other elements"—Extensive repair and remodeling of existing structures, to put low-income groups in reclaimed, rather than in new housing. A subsidy is expected here also.

In general, all those interested in residential construction seem to want to do it in their own way, without interference or direction, but with Federal cash on the barrel head. We believe that this is a manifestation only of the preliminary

moves toward a program in which a substantial degree of unanimity can be achieved among intelligent men, provided the Congress will assist by letting it be known, for the hastening of bureaucrats and private enterprise alike, that—

(a) The objectives are (1) to house all Americans decently, but not necessarily all of them in new houses, (2) to provide employment through the construction industry's normal activities, but not through abnormal "made work" projects which cannot be justified by a genuine need other than the mere creating of jobs.

(b) The principal burden must be borne by private enterprise, which must approach the problem realistically, without the expectation that public funds will "bail out" all broken-down real estate, or subsidize an assured profit for every operator; projects whose size, location, and character affect the public interest must be subject to public control, preferably local; Congress will permit the injection of Federal funds for construction, and Federal direction, only when and where it is conclusively shown that private industry and local public effort cannot operate.

In common with all men of good will, who support our traditional "private enterprise system," I believe that architects generally look forward most hopefully to private interests constructing a far greater volume of housing in the future than in the past. Unfortunately, however, except on relatively few group projects, the promoters and builders of houses in this field have not generally recognized the importance of trained professional advice in planning, so that too many of their projects compare unfavorably in attractiveness, in contribution to public welfare, and sometimes in quality, with those constructed under public sponsorship with professional advice in planning. It is to be hoped that as views on this subject broaden with time, the judgment and skill of architects may be able to exert their good influence more generally on the artistic and physical qualities of private construction. The real competency available in our profession for this task is ever ready to offer not only complete services for a fee, but consultation in the public interest, with thoughtful and sound advice.

4. Study of war housing will provide certain technical conclusions, largely of what should not be done in peacetime, which will be valuable guidance on future programs. It is most important that Congress maintain an inflexible position with respect to the disposition of war housing, that it (a) be disposed of in accordance with local needs in each case, (b) be disposed of in a manner which will not break the market in either housing or materials.

5. In our opinion the most serious problem in the outlook for the post-war period is, What will be the condition of the construction industry when that period opens? The construction industry is one capable of amazingly rapid and great fluctuation in capacity, as has been proven during the war. This is, however, dependent on it being able to keep intact the nuclei of organization on which expansion can be built. With the virtual completion of the war construction program, including even war housing, there is grave danger that the industry may not be able to maintain even that minimum of key personnel on which it can build its organization for a generally predicted post-war annual program of 10 to 15 billion dollars of residential building. It is fully realized that war production requirements dictate the present restrictions on the use of both materials and manpower, but these restrictions should be progressively relaxed whenever, and wherever, war demands permit. The mortality of small builders is already great—it will become greater, and many larger concerns will suffer the same fate, if present restrictions on civilian construction are maintained for another 12 months. We believe the Congress will be wise to support those in the War Production Board who favor prompt progressive relaxation.

## II. FEDERAL HOUSING AND HOME FINANCING LEGISLATION AND THE ADMINISTRATION OF AGENCIES ESTABLISHED THEREUNDER

Completely detailed information and analyses of results under this heading are available to you from the various interested Federal agencies, and from your very able consultants. We will therefore comment only briefly on some collateral aspects of the subject.

Various enactments from 1932 to 1938 had as their primary objective the salvaging of mortgages on farms, homes, and other properties, or the making possible of financing of such properties at a time when private financing institutions were in sore straits. In this the agencies have undoubtedly succeeded in carrying an important element of the American way-of-life through a most critical period. A

secondary objective—to provide employment in construction and thereby stimulate prosperity—was less successfully met, probably because the relative capacity of the construction industry to take up the slack of employment in this manner was overestimated, and because the machinery was both slow to start and slow moving in action.

Direct Federal participation in housing, under the Housing Division of Public Works Administration, the United States Housing Authority, and the Federal Public Housing Authority, had as its original primary objective the clearing of slums and the construction of decent housing for the underprivileged—a demonstration by the Federal Government of patterns of procedure and design which it was hoped would be generally followed by local effort. The degree of success attained has been the subject of much public debate, often specious, but lacking candor on both sides. The truth is considerably clouded by the shift of emphasis to the later emergency objectives dictated by the war. In the view of the American Institute of Architects the demonstration was, on the whole, successful, but we believe it could have been more so had it been characterized by less detailed direction from Washington, and less of an attitude, on the part of Federal officials, of distrust of local desires and of the abilities and motives of the members of the architectural profession who took an interest in it, both as protagonists and as designers. A secondary objective to provide employment suffered in the annern mentioned above.

We are generally of the opinion that the basic demonstration originally undertaken by these Federal agencies has been a very illuminating chapter in the development of the principles and procedures of mass housing, and even of urban replanning, but that results, thrown out of focus by the war, are in danger of being misinterpreted. Except for the national importance of housing conditions created by war abnormalities, housing conditions to be dealt with by public effort are primarily local problems. Even though it may be demonstrated that it be necessary that Federal funds continue to participate in public housing, in order that housing may not languish, the design and administration of such housing should be local, without unreasonable check-reining from Washington. Architects have been conscious of a tendency in the Federal Public Housing Authority, perhaps normal to bureaucratic operation, to insist upon standardization in minutiae of design often at serious variance with local desires and requirements. It is to be hoped that where able architects are available locally (or nearby), designing be placed largely in their hands, in order that the best use may be made not only of their talents but of their familiarity with, and intense interest in, local conditions and desires. It is to be hoped that whatever may be the extent of future participation of Federal funds in public housing, Federal direction be limited to advice and the minimum of control necessary to prevent waste—the principal direction being left in the hands of local housing authorities.

### III. SPECIFIC QUESTIONS OF CONGRESSIONAL POLICY GROWING OUT OF THE EXISTING SITUATION

1. In July 1943 the National Committee on Housing issued a statement of principles, Recommendations for the Disposition of Federal War Housing, which was incorporated in a bill, S. 1607, now postponed. This statement has the approval of the American Institute of Architects. While it is felt that present law accomplishes substantially the end desired, it is strongly recommended that the Congress keep before it the principles above-mentioned, and permit no relaxation in favor of less sound procedures at the behest of special interests.

2. In theory, placing all agencies dealing with housing under one head is logical, but in practice this has not been completely accomplished (under war conditions Army, Navy, Maritime Commission, and Defense Plant Corporation have done certain housing more or less independently) nor has it completely eliminated a certain amount of work at cross-purposes by various subdivisions of the National Housing Agency. We are inclined to the belief that the entire picture should be reexamined with a view to framing new legislation which would combine the various functions on loans and mortgages, and would bring under one head all Federal housing construction for civilian use, not on naval or military reservations. New legislation should define various degrees of Federal participation in local housing and specifically limit the extent of Federal control. Our general feeling is that public-housing activities should be localized as far as possible.

3. We do not feel particularly qualified to comment on the activities of those agencies primarily concerned with savings, loans, loan insurance, and similar financial aspects of home construction. The American Institute of Architects has cooperated with and supported the operations of the Federal Housing Administration in its intention to raise standards of construction of homes and to safeguard investors in them. The Federal Housing Administration operations throughout the past 10 years have very definitely succeeded in raising standards of home construction and we believe that this agency is universally approved by those who operate with it. Our only regret with regard to it is that, in its days at least, its attitude toward architects was often one of dispensing charity. We believe it could have achieved even better and quicker results in its operations had it consulted the profession on a genuinely professional basis.

Enlargement on the above comment, and on that voiced under heading II above, may be relevant here. Every profession has its charlatans, but they do not characterize the profession. The architectural abilities available among private practitioners are of the highest order and, with few exceptions, are of far higher quality than those to be found among Federal employees. In full consciousness of this, the architectural profession generally has become impatient and resentful of the attitude, too often met in the Federal agencies concerned with housing, of suspicion of the motives, and distrust and belittling of the abilities, of the private architects taking part, or seeking to take part, in the housing programs. The American Institute of Architects advocates most strongly congressional influence to promote—

(a) The appointment in the agencies of administrators whose backgrounds give them genuine knowledge and understanding of construction (as well as "social") problems and of the function and worth of competent architectural advice; and

(b) The complete elimination of political influence in appointments for technical services, both within the agencies and in the selection of private architects for the design of projects, so that such appointments may be made only on the basis of technical competency, rather than for less worthy reasons.

Architects as a group have had more intimate dealings with the Federal Public Housing Authority than with any other agency concerned with housing. I believe I express the general opinion of the architectural profession when I suggest that this agency has gone too far in setting up, and in insisting upon general rather rigid adherence to, standards of design, suitable in some areas, not so in others. Part of this process may be due to war demands, part to natural development of centralized authority and to the self-importance and captiousness of minor officialdom; the process was in progress, however, prior to the incidence of war conditions. An organization such as the Federal Public Housing Authority must be maintained, if Federal public housing is to be continued, but in our opinion its operations should be well-defined and be restricted to fact-finding and to dissemination of information and advice on housing. It should not be permitted to usurp or to overrule the functions of local authorities and of local designers better qualified to solve local problems.

4. It is our belief that the many obstacles to more widespread improvement in housing "boil down", in last analysis, to two fundamental questions:

(a) How to overcome the disparity between cost of construction, or rents, and individual family incomes.

(b) How to overcome unrealistically inflated land costs.

The first is inevitably tied to the general national economy, its relative height and its stability. A chart attached hereto indicates the magnitude of the problem related to housing of low-income families. We would be presumptuous to suggest a panacea for this ill, yet we are unwilling to accept as the only solution a colossal expenditure of Federal funds for housing every needy family. We believe that private enterprise must be encouraged to do a greater part than ever before in the area in which it can operate at a fair, if small, profit; that local governments be assigned the responsibility for cleaning their own stables, by their own efforts, in their own interest; that Federal participation be limited to when and where, and only where, other efforts genuinely made are hopelessly inadequate. The fundamental cure will be a resurgence of American independence. Let the Congress encourage that.

The second has been touched on earlier in this letter. It involves a battle with acquisitive human nature. Land costs, especially at the centers of old cities, are absurd and seldom bear any relation to true use values. To use such land (at \$1

to \$5 per square foot) for housing, inevitably leads to crowding on the land. Again, we offer no panacea, yet are unwilling to accept the thought that "someone", Uncle Sam perhaps, owes the owners of such land their own estimates of its value. I believe that only long and arduous education will mitigate this picture. Leadership, even moral leadership, from the Congress would do much to help modify the instincts of the human animal.

Reduction of building costs has been referred to earlier in this letter. I believe that all elements of the construction industry are earnestly attempting to achieve reductions wherever possible. We do not anticipate changes of sufficient magnitude to materially affect the housing position.

Public housing is being bitterly opposed by "home builders" on the ground of the subsidies necessary to produce and maintain it. These opponents do not admit the existence of "subsidies" in their own housing operations, yet they are very largely dependent upon provision at the expense of the public or the utility company of streets, water, sewer, light and other utility and public-service installations and activities. There are important instances in which these installations have been made, at the behest of private interests which have never used them, in many square miles of virgin territory where ill-conceived developments have been abandoned. Such operations undertaken in ignorance of, or in spite of, intelligent regional planning, can but constitute a general burden of increased cost upon housing. The Congress can do much, psychologically and financially, to encourage the good planning which can prevent such waste.

The cost of operating and maintaining an individual home or a group of houses is very definitely influenced by the quality of the materials and the methods of construction by which they are created. Manufacturers of materials, some builders, many architects and engineers devote a great deal of time and study to the perfection of, and selection of, long-lasting products and methods. Study and analysis and advice in this field as applied to housing might be considered a proper function of a Federal agency concerned with housing.

On fixed charges and profits we have no comment to offer.

Within the corporate limits of cities, there is very little evidence that equity funds will be available due to the uncertainty of what the city ultimately will be and the lack of concerted movement by the citizens to create better and more stable conditions. It is a fair statement that there is very little equity money available for in-town construction, because of the fact that the cities are in such condition as to make the investment of capital very uncertain. Encouragement of intelligent planning in metropolitan areas could change this picture quickly.

The intermittent character of construction operations is due to (a) the general economic picture, nationally and locally; (b) climate.

The first has been commented on above. As to the second, construction is genuinely controlled by climate in these sections where extremely cold weather actually prohibits building during from 2 to 5 or 6 months of the year; the cost of modern methods of overcoming cold weather would, generally, be prohibitive in residence construction. In milder sections, lack of continuity of construction is probably due to long-established habit-of-mind—to the mere fact that sap rises in the spring. Perhaps this can be overcome by a general campaign of education and encouragement. Labor has a real and important stake in this problem; witness their agitation for a yearly wage for construction. The high hourly rates necessary to give construction mechanics even a modicum of the annual income to which their skills should entitle them, is one of the factors tending to keep high the costs of homes. I am confident that the architectural profession will support every soundly conceived method of improving this situation.

I believe restrictions on construction operations fall into three classes:

- (a) Those due to legal controls, such as zoning ordinances and building codes, and negatively, perhaps, to pusillanimous use of the police power in the public interest.
- (b) Those due to restrictive price agreements and the like.
- (c) Those due to activities of organized labor, such as limitation of apprenticeships and basically unreasonable jurisdictional determinations.

Zoning is pretty intimately tied up with the broad planning referred to earlier in this letter; active and intelligent planning will soon iron out unreasonable zoning difficulties. Codes are in serious need of modernization and the American Standards Association together with many important elements of the construction industry, including the American Institute of Architects, are already engaged in a campaign with this in view.

We believe that existing law is sufficient to control the price situation mentioned.

Curing the obvious ills of labor habit as it affects construction is a large order. We believe it will take place naturally as labor comes of age; we begin to hope that its adolescence has been hastened by the war.

The whole tax structure of the country should be overhauled at the Federal, State, and local levels. With respect to local taxation, the fact that most of the revenue for cities comes from real property taxes is a real danger to our communities. Examination of the portfolios of real-estate brokers in many of our cities will indicate the serious condition existing with respect to taxes on real property. This should lead eventually to a wholesale demolition of much undesirable property, which would ultimately permit the fuller utilization of land and the creation of new structures in less crowded surroundings, thus insuring better light and air to the occupants.

This organization is not yet prepared to make specific recommendations for desirable legislation. As mentioned previously in this letter, it is opposed to the thought of huge Federal appropriation for federally owned and operated public housing, except perhaps as a last resort in economic depression, or for Federal redemption of worn-out real estate. It is in favor of Federal encouragement of local planning—of local courage in the use of the police power for condemnation of unsafe and insanitary buildings and for intelligent zoning and land use control. It conceives that this encouragement should be by way of a general reconstruction of the tax system, rather than by grant of funds, in order that local initiative may be revived, along more public-spirited lines than in the past. It hopes that the power and prestige of your committee may be able to succeed, where so many others have failed, in putting before the public the truth about public housing, so that the problems involved in this term may be judged in the light of fact rather than by clichés snatched at random from the welter of invective and counterclaim which has characterized the subject since its beginnings.

The American Institute of Architects and its many individual members who have real knowledge of housing are ready to cooperate with you in every way which may be helpful in clarifying the history of its past and in charting its course for the future. Please call on us.

Very sincerely yours,

D. K. ESTE FISHER, Jr.,  
*Washington Representative, American Institute of Architects.*

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CITIZENS' HOUSING COUNCIL OF NEW YORK, INC.,  
*New York, N. Y., February 3, 1945.*

MR. MEYER JACOBSTEIN,  
*Special Committee on Post-War Economic Policy and Planning,  
Senate Office Building, Washington, D. C.*

DEAR MR. JACOBSTEIN: In reply to your letter of February 1, written at the request of Senator Taft, enclosed is a copy of a report prepared by the subcommittee of the Citizens' Housing Council of New York, which sets forth its views on housing.

This report was prepared at the request of Senator Taft and submitted to him in October 1944. We believe it has had the consideration of the subcommittee and should like it incorporated into the official record of the public hearings.

We are sending, under separate cover, seven additional copies for the members of the Subcommittee on Housing and Urban Redevelopment.

We should appreciate receiving copies of the hearings as soon as they are printed.

Sincerely yours,

JOSEPH ORENDORFF,  
(For Harold S. Buttenheim, President.)



VIEWS OF CITIZENS' HOUSING COUNCIL OF NEW YORK SUBMITTED AT THE REQUEST OF THE SUBCOMMITTEE ON HOUSING AND URBAN REDEVELOPMENT OF THE UNITED STATES SENATE COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

A. ORGANIZATION OF THE FEDERAL AGENCY

(1) *All housing and urban redevelopment functions should be consolidated in a single permanent agency.*

As a wartime measure, all the Federal agencies concerned with the housing and home-financing program are consolidated by Executive order into the National Housing Agency. There are many reasons why this pattern should continue in the post-war period. The Congress should consolidate all housing and urban redevelopment functions in a single permanent agency, rather than establish separate agencies for particular functions.

First, coordination of related activities will be more effectively developed if managerial responsibility is concentrated in the hands of a single agency with power to effectuate consistent policies as to the entire housing and urban redevelopment program. Although the program will include various technically distinguishable activities, their focus must inevitably be in the carrying out of a general over-all program as defined legislatively by the Congress. Coordination at the top is essential to assure that administration of the different activities will be animated by this single objective. A single agency can prevent one or another activity from getting out of line with the congressional program more effectively than can the individual heads of autonomous agencies.

Second, the establishment of a single agency responsible for executing all aspects of the program will reduce the likelihood of jurisdictional disputes among the administrators of the various activities. This reason needs little elaboration. Experience has, indeed, demonstrated the importance of avoiding duplication and overlapping for effective administration of closely related programs. In a program so vital, economically and socially, to post-war reconstruction, it is imperative to create an administrative pattern which will so far as possible stimulate the teamwork and efficiency essential to the realization of congressional policy.

Third, the Congress can more certainly hold a single agency accountable for the correct and efficient implementation of its program than it can a number of independent agencies. Failure or success in carrying out the program will, therefore, be more quickly and more specifically apparent. Again, the Congress will be more capable of assessing accurately the achievement of the purposes of its program if the program as a whole can be viewed as a coordinated administrative operation. Congressional action to modify or extend the program will thus be based upon a broad perspective of the entire field of housing and urban redevelopment rather than upon judgments as to the efficiency of single segments of the program.

Fourth, the creation of a single agency with over-all responsibility for administering a national housing and urban-redevelopment program will facilitate effective executive supervision. It is becoming increasingly important to correlate all separate functions and activities within such a broad field as this at the executive level. Only then can there be any assurance that the President can deal precisely and energetically with the ultimate issues of administrative policy for which he is finally responsible.

None of the foregoing should be construed as a recommendation of centralized administration at the national level of the details of local programs. Quite the opposite seems, in fact, the more desirable pattern. There should be a maximum of flexibility in administration from the standpoint of Federal-local relations. Delegation to local housing authorities of power to plan, construct, and operate housing and redevelopment projects, within the national standards established by congressional sanction, should be implemented in the statute.

- (2) *The agency should be known as the Department of Housing and Urban Redevelopment, or by a similar name denoting its function.*
- (3) *The agency should be headed by a single administrator rather than a board.*

Good administrative practice requires a single responsible executive for any enterprise. The only occasion for a board to act as the head of an agency is the need of deliberation or representation of different interests in the performance of quasi-judicial or quasi-legislative functions. Even in such a case the board should act through a single responsible executive under its supervision. In this case the general policies should be laid down in the act by the Congress and the judicial and policy-determining aspects of the agency's administration will be no more serious than those of any regular department of the Government.

With a single administrator there can be no "passing the buck" in the development and execution of a program. Expeditious action will not be blocked by clashes of personality or the necessity of corraling votes for each decision. Competing claims of different aspects of the program will be decided on a uniform basis instead of by jockeying for position. The President, the Congress, and the public will be able to hold a single person responsible for results and to improve the situation by the simple expedient of getting a better man if the vital public service intended is not being efficiently rendered.

- (4) *The agency should be an executive department with representation on the Cabinet.*

The strategic and enormous needs and possibilities of a program of housing and urban redevelopment in our post-war economy demand that the administrator of the program have the status of a Cabinet officer. This is a program that will be heard from. It is bound to have great significance in the economic reconstruction of the country after the war, both immediately and permanently, and its importance in terms of social policy is far reaching.

There are many specific advantages to be gained from the presence of the program's administrator in the Cabinet. For example, it would facilitate the President's and the Nation's understanding of the congressional program of post-war reconstruction as an integrated whole. In addition, it would provide unusual and useful opportunities for an exchange of ideas among other members of the Cabinet whose responsibilities are related to the program.

The status of the agency as an executive department and the Cabinet status of its administrator, or Secretary, would serve to bring home to the public and to all agencies of Government a realization of the importance of the program of housing and urban redevelopment.

- (5) *The administrative sections of the statute.*

Legislation should not incorporate detailed provisions as to either administrative structure or operating techniques. These elements of effective administration can, however, be enhanced by a clear definition of legislative objectives and by broad statements of the administrative functions to be performed.

A single law encompassing all Federal functions of housing and urban redevelopment would of course be the ideal legislative pattern. To this end, the Congress may well consider the consolidation of all related laws in this field. With respect to such a general housing and urban redevelopment statute, it will be important to establish clearly the over-all public policy which the statute is designed to serve. Such a statement of policy should include reference to all aspects of the congressional program. It should be drafted in terms broad enough to grant the administrative agency the necessary powers, and precise enough to give it direction in the performance of its functions.

The major functional divisions of activity should also be specified in the statute as follows:

- I. Public housing.
- II. Financing and insurance.
- III. Urban redevelopment.

The character and limits of each function might well be defined in the statute with the framing of details of administrative organization and procedure delegated to the administrator.

It would be wise to state clearly the allocation of existing agencies (powers, personnel, property) to each of the foregoing functional divisions established as follows:

- I. Federal Public Housing Authority.
- II. Federal Home Loan Bank System, Federal Savings and Loan Association, Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation, Federal Housing Administration, RFC Mortgage Company, Federal National Mortgage Association.
- III. (No existing agencies perform this function).

#### B. PUBLIC HOUSING

The Federal program of aid for low-rent housing, whereby subsidy is provided in some form to make up the difference between the rent required to meet all charges and expenses and the rent the rehoused family can afford to pay, was inaugurated principally as an emergency measure. The program had its beginnings in 1933, when the Public Works Administration was given public housing functions at least as much for the purpose of increasing construction to alleviate the depression, as for the purpose of meeting the needs of low-income families. In 1937, however, the public housing function of Government was established on a permanent basis in the United States Housing Authority, which later became the Federal Public Housing Authority of the consolidated war agency, the National Housing Agency.

The Federal Government has had a decade of successful experience with slum clearance and public housing. There has, of course, been resistance by certain private real estate interests. This resistance has recently crystallized into specific proposed substitutes for the public housing program, notably the issuance of relief in the form of rent certificates to slum dwellers. Such a proposal obviously would not clear the slums; in fact; it would entrench them, by speedily enhancing their profit. Tremendous Federal outlays would simply be siphoned into the pockets of the slum owners, without the building of a single new decent home. In addition, families otherwise self-supporting would have to subject themselves to the humiliation of applying for rent relief. Such proposed alternatives, upon analysis, bring into even sharper focus the merits of the current housing formula. The only sensible view is that the Federal Government's tried and proven program of aid to low-rent housing under the United States Housing Act should be maintained and developed to adequate proportions.

##### (1) *Additional appropriations by Congress are essential.*

As of December 31, 1942, \$759, 101, 000 of the \$800, 000, 000 appropriated by the Congress for low-rent housing and slum clearance was committed by contracts with local housing authorities. Senate Introductory 591 (76th Cong., 1st sess.) would have provided an additional appropriation of \$800,000,000. On the basis of census figures and other reliable data, the present accumulated need for publicly assisted rental housing may be estimated as in the neighborhood of at least 3,000,000 units over a decade. Thus an appropriation of \$800,000,000, which might at present prices and prewar income levels provide at most 200,000 dwelling units, would be minimal for commencement of the post-war program. Actually, the estimated needs warrant the appropriation of a far greater amount.

##### (2) *The United States Housing Act should be amended—*

(a) *To modify the requirement of "equivalent elimination" of substandard dwellings as a prerequisite to the construction of federally aided housing units.*—The present "equivalent elimination" provision of the United States Housing Act, whereby new housing units must be matched, one by one, against the elimination of existing substandard units, is not keyed to a broad concept of slum clearance. It would be far more consistent with the objective of the program to demolish or rehabilitate an entire predominantly substandard area, even if there happen to be fewer dwelling units in the particular substandard area than there will be in the related new project. Moreover, an "area clearance" approach, rather than a "spot

elimination" approach, would have the advantage of facilitating land assembly for redevelopment by private as well as public groups. Slum clearance can and should accomplish not only new low-rent housing, but also public recreation places and other public uses, new housing for higher income groups, etc.

(b) *To remove the statutory limit on construction costs and substitute the discretion of the administrator.*—As now written, the statute prescribes stated dollar limitations on construction costs. The presence in the statute of this rigid ceiling results in inefficiencies and in distortion of the statutory objectives. Inevitably there are fluctuations in the level of costs from year to year, of which the present formula can take no account. Moreover, the scale of building costs varies not only from year to year but also from one part of the country to another at any given time; this, too, is ignored, under such an inflexible formula.

The hardships are made more acute by the way in which the limitations are written: \$1,000 a room and \$4,000 a unit, while for the comparatively highly populated districts, the ceilings are respectively \$1,250 and \$5,000. This works a hardship on large families, as it puts a premium on the construction of small units. Moreover, small municipalities are at a decided disadvantage when adjacent to large areas, as their construction costs will usually be the same as for the latter; while their permissible construction costs under the statutory formula will be considerably less.

All the above inequities should be remedied by the elimination of the present provision of fixed limitation for construction costs. Adequate protection is provided by the provision, now in the statute, that costs shall not be higher than for comparable private construction. The specific standards of construction costs on public-housing projects should be left to the discretion of the administrator.

c. *To remove the present limitation upon the amount which may be advanced for housing in any one State.*—As States vary in the density of their populations and in their economic wealth, so do they vary in their need for Federal assistance for housing. Therefore, the system of allocation should be a flexible one. A formula, if one is to be prescribed, should be determined by the administrator and should be limited only by a provision that distribution of the fund shall be on as wide a geographical basis as is feasible.

(5) *Provision should be made for families for whom private enterprise cannot profitably build unaided and who do not qualify for subsidized housing.*

The ceiling of public housing should be the floor of private housing. Under present law, a large number of American families may be described as "forgotten families"—forgotten, for private enterprise cannot profitably build for them, yet they do not qualify for subsidized housing. Their plight should be given consideration. One way of meeting their needs would be through the establishment of a revolving fund from which loans at low interest rates could be made for this purpose to (a) municipal housing authorities and (b) private, cooperative, or mutual home ownership groups adequately regulated by law, especially as to rents, profits, and dividends.

(4) *War housing constructed under the Lanham Act should be made available to local housing authorities for use as low-rent dwellings, with certain safeguards, as follows.*

Much of the Lanham Act housing could be used for low-income families now living in substandard areas. The act should therefore be amended to permit local housing authorities to acquire such housing without specific approval by the Congress by lease, purchase, or otherwise, to be administered as low-rent projects where the need for such projects exists.

The mechanism of specific approval by the Congress in each instance, now prescribed by the act, casts upon the Congress an undue burden of taking evidence in a multiplicity of individual cases. The statute should, however, define general standards for the guidance of the administrator, as follows:

I. If the housing is of durable quality and soundly planned but, because of wartime restrictions, lacking in certain amenities and facilities required of public housing, conveyance to the local authority should be conditioned upon the making of the necessary improvements.

II. If the housing is of temporary quality, an authority should be permitted to acquire it only if (a) a need is demonstrated for interim housing pending new construction, and (b) a contract is entered into, at the time of such acquisition, for the development of a project of which a plan for the demolition of the temporary housing within a specified period is made a part, in order that new slums should not be created.

## C. FINANCING AND INSURANCE

In the early thirties, when a serious real-estate collapse accompanied by widespread foreclosures was threatened, hearings were inaugurated in Washington with a view toward devising legislation which would adequately deal with the crisis. Out of the proposal then renewed for a home-mortgage discount system, the Federal home-loan banks were born, in 1932. This system was designed to provide reserve credit facilities for all types of long-term home-financing institutions. In practice, membership has been confined largely to savings and loan associations, both federally and State chartered.

The Federal Home Loan Bank System proved unable to stem the wave of foreclosures, however. Accordingly, as a frankly emergency device, the Home Owners' Loan Corporation was created in June of 1933, to purchase nonfarm mortgage loans on the sole criterion that the home owners were threatened with loss of their properties through foreclosure. The lending function of Home Owners' Loan Corporation was suspended in 1936, after the Corporation had done a spectacular job of providing relief through the purchase of upwards of a million mortgages, and it has since been engaged exclusively in an orderly liquidation of its holdings.

Thereafter, in 1934, on the model of the Federal Deposit Insurance Corporation, insuring deposits in commercial banks, Congress created the Federal Savings and Loan Insurance Corporation to insure savings in thrift and home-financing institutions up to \$5,000 for each investor. The insurance functions of Federal Savings and Loan Insurance Corporation continue.

All of the foregoing agencies operate under the direction of the Federal Home Loan Bank Administration.

Side by side with the Federal Home Loan Bank Administration has been another system of housing mortgage finance, the Federal Housing Administration. Federal Housing Administration was established in 1934 to introduce liquidity into the mortgage market and to encourage the revival of residential repair and construction, and its method has been the Federal insurance of private credit. It has had considerable influence on credit terms and housing standards, in both of which fields its contribution has been good. Furthermore, Federal Housing Administration has been instrumental in stimulating additional investments by banks and insurance companies in the mortgage field.

While the Federal Home Loan Bank Administration is based on the development of responsible local institutions specializing in mortgage lending, Federal Housing Administration looks only to the security of the individual mortgage irrespective of the type of institution making the loan. Thus there are the present two systems of housing mortgage finance, each with its own approach to the problem of providing Federal aid to the mortgage market.

(1) *The pattern of these two simultaneous systems of housing mortgage finance—the Federal Home Loan Bank Administration and Federal Housing Administration—should be studied for possibilities of greater uniformity in standards and perhaps unification of administrations.*

Inevitably certain conflicts have resulted from the existence of two systems of Federal aid to the mortgage market, operating on wholly divergent approaches. The entire matter of Federal aid in this field is ripe for study. Once governmental policy is clarified, unification of the Administrations with its attendant efficiencies might be desirable. Any such study and revision should accomplish reduction in financing costs both directly and as a result of the simplification of methods.

(2) *Federal policy should favor the enforcement of loans on the basis of security without insistence on deficiency judgments.*

To promote a more just and stable system of home mortgage finance, the Government should formulate its policies and extend its aid on the basis of the security of the property in question, so that the individual will not be pressed for a personal deficiency judgment, except in cases of waste or fraud. Thus Federal Housing Administration, as a condition of making good its guaranty, might require of the insured institution that it waive its rights under State law and not enter a deficiency judgment.

(3) *The law should be liberalized for the relief of home owners who have defaulted in a single payment due to circumstances beyond their control.*

It frequently happens that homeowners who have been regular in their payments are obliged, due to circumstances beyond their control, to default in a single payment and thereby are faced with foreclosure. The harshness of this situation should be alleviated, particularly in view of the extensive protection which is

afforded mortgage holders under present legislation. Provision might, for example, be made for a grace period of 1 year, during which the default could be cured and the mortgagor restored to his rights. It might be considered desirable to leave such matters to the discretion of the administrator. Again some waiver of rights under State law would be involved. The act should be amended in any event, however, for greater flexibility in recognition of this need.

(4) *The obtaining of mortgage loans for large-scale rental housing should be facilitated.*

Large-scale rental communities operated under a single management are recognized as having many advantages. For example, (a) such communities can more effectively prevent repeated blight; (b) there is an increasing need for rental homes to permit freedom of movement of labor during the period of readjustment of industry; and (c) the demand for rental housing is shown by the fact that more than half of the urban families now rent rather than buy their homes.

In spite of the desirability of large-scale rental housing, it has been easier to obtain Federal Housing Administration guarantees on loans for individual houses for sale than for the large-scale development. This policy should be modified.

(5) *To contribute to lowered interest rates on mortgages.*

(a) *The statutory maximum for interest rates on mortgages receiving Federal aid or insurance should be reduced.*—The present statutory maximum for interest rates on mortgages on individual homes receiving Federal Housing Administration guarantees is unnaturally high, in the light of the going Federal rate of interest and even in the light of the maximum rate permissible under Federal Housing Administration regulations. The statute now provides for a permissible maximum cost to the borrower of 6 percent (including a 1-percent premium charge), and in special cases 7 percent. The statutory figures should be reduced to bring them more in line with the reality and the needs of the national housing situation.

(b) *The effective maximum interest rate should be substantially lowered by administrative regulation.*—A reduction in interest rates on mortgages would bring home ownership within the reach of many more millions of American families than are presently served. On the other hand, the protection and stability that the Federal Government has brought to the mortgage market in the past decade, through the Federal Home Loan Bank System, the Federal Housing Administration, and other agencies, have been of untold benefit to mortgage holders. Thus in the national interest and as a modest payment for these extraordinary advantages, mortgagees may well be required to reduce their interest rates substantially as a condition of receiving Federal aid or insurance.

(c) *The market for the purchase of Federal Housing Administration mortgages should be broadened.*—In practice, operation under the Federal Housing Administration is assuming a narrow character, with banks and some insurance companies dominating the market for the purchase of Federal Housing Administration mortgages. These institutions have been tacitly hewing to unvarying interest rates. Every effort should be made to broaden participation so that interest rates will be forced down naturally through ordinary processes of competitive enterprise. The present rigid character of the market should be broken.

(6) *There should be wider institutional participation in the Federal Home Loan Bank System.*

The Federal Home Loan Bank System was created originally to service all types of long-term home-financing institutions, yet in practice, membership has been confined largely to savings and loan associations. The Administration should strive to extend participation to all types of institutions.

(7) *Early liquidation of Home Owners Loan Corporation mortgages should not be required.*

Proposals for a forced, immediate liquidation of the mortgages now in Home Owners Loan Corporation's portfolio must be firmly resisted. The Government has put itself to considerable expense in this program. There is no reason why it should suffer a loss when it can accomplish an orderly liquidation.

(8) *The time within which veterans may obtain favorable loans for home building should be extended.*

Under the G. I. law as presently written, the returning veteran, to qualify under its favorable home-financing provisions, must have the contract for his loan executed within 2 years after his discharge or after the end of the emergency, whichever is longer, but in no event more than 5 years after the end of the war. Two years seems to be an unreasonably short time within which to expect veterans to have found themselves once again established in community life. The period

should be extended thus allowing more time for home buying on a conservative basis and at fair prices.

#### D. URBAN REDEVELOPMENT

The Citizens' Housing Council of New York rates the redevelopment of slums and blighted areas as of outstanding urgency and difficulty among the many problems facing the cities of the United States. This problem of urban decay exists irrespective of the need for publicly aided low-rent housing, and there is general agreement that it cannot be adequately solved without some degree of Federal aid.

The major difficulty encountered by private enterprise in attempts to reclaim standard urban districts is the assembly of adequate areas at prices which will make such reclamation economically feasible. Once this hurdle is surmounted, there remains for local government the problem of effective control over the redevelopment, in the public interest.

Bills now before Congress and proposals advanced by various individuals and groups throughout the country attempt solutions to these problems. Loans or grants for land assembly are proposed under widely varying conditions as to subsidy and repayment and as to approval by a Federal agency of local planning and redevelopment procedure. In our opinion, some of these provisions would involve too great a temptation for the payment by the Federal Government of highly inflated property values; and in some cases there would be a degree of control over local planning and action so extreme as to infringe sound principles of local government and to prevent reasonable speed in post-war reconstruction. We fully recognize, however, the importance of conformity of redevelopment plans to carefully prepared master plans of the respective communities, and urge that such conformity be encouraged to the greatest extent possible.

The two principal bills now before the Congress, S. 953, introduced by Senator Thomas, and S. 1163, introduced by Senator Wagner, contain seeds of what we would regard as a good Federal bill. The following proposal, in the opinion of our special committee on Federal aid to urban redevelopment, takes the best from both, avoids their shortcomings and supplies their omissions, and in general is preferable—especially as to its fiscal features—to any of the plans heretofore publicly advanced.

*Federal loans for land acquisition.*—This plan envisages loans by the Federal Government, to local housing or land authorities or to municipalities, for acquisition of slums and blighted areas. The Federal subsidy should not exceed the interest paid by the Federal Government on the money loaned. The loans would have as their security the land thus acquired; they would be sufficient in amount to cover the entire acquisition cost of the real estate in such standard areas, but no part of demolition or redevelopment cost. If the Federal loans were without interest to the municipality and were amortized at the rate of 2 percent annually, the Federal loan would be retired over a period of 50 years. Thus the Federal subsidy would involve only an annual appropriation to cover not more than the low Federal rate of interest on the purchase price of the redevelopment site. As this would diminish one-fiftieth each year, the average term of the subsidy would be only 25 years. At the end of the 50-year amortization period, title to all land in the redevelopment area would be free of Federal lien. If, however, the Congress should refuse to provide interest-free loans for urban redevelopment, the amortization period or the annual payments would have to be increased correspondingly—with a lessening of the inducement for municipalities and local enterprise to undertake urban redevelopment.

Compare the Thomas bill (S. 953), providing for loans repayable with interest at 1 percent out of a pool composed of rentals and other revenues from the municipality's redeveloped areas, such payments of all revenues to continue for an indefinite period until the obligations to the Federal Government are satisfied; and the Wagner bill (S. 1163), providing loans secured by the land acquired and repayable within a period not to exceed 99 years at a rate of interest to be determined by the Federal agency. In contrast to these two proposals, the inducement to undertake urban redevelopment under the plan herein set forth is adequate, the amount of the subsidy is clear, and the term within which the loan is repayable is definite and reasonable.

*The plan in practice.*—Under this plan the local authority would have a real incentive, when sites were selected for redevelopment, to acquire them by purchase or condemnation on the lowest possible terms, thus minimizing its financial obligation to the Federal Government and permitting disposition at low cost for public or private redevelopment.

Part of the land acquired would normally be leased or sold to private developers for home ownership, medium- or high-rent housing, or business or industrial use, and part sold or leased to the city or other public body for public housing, recreation, or other public purposes. For other than public projects, we strongly favor the method of leasehold prescribed by the Thomas bill (S. 953), as giving more adequate control to the municipality over future uses of the land, and conserving for the community any future increments in land values in the redevelopment areas. The limitations of public sentiment and local financial practices are such, however, that we recommend sale or lease, with the municipality making leasehold arrangements wherever it can. While the Wagner bill (S. 1163) makes disposition possible by either sale or lease, it does not favor the leasehold arrangement. The law should be so drafted as to encourage municipalities to proceed by lease.

Where arrangement is by sale, developers should, of course, be subject to carefully drawn restrictions to run with the land as to use, density, open space, etc. The evils of individual small-lot ownership, which in the past have made controlled neighborhood development impossible, should not be repeated.

It would be manifestly inequitable and a threat to the soundness of the redevelopment program to permit acquisition of subsidized sites by private developers for use as high-rent dwellings or business or industrial purposes at the same cost at which sites were made available for public purposes, such as parks, low- and medium-rent housing, etc. The local housing or land authority should estimate land values for individual parcels to the best of its ability by reallocating with an eye to future use and spreading over the entire redevelopment area or areas under its control, as replanned and rezoned, the total purchase or condemnation price at which such area or areas were acquired for redevelopment. These reallocated land values would be the basis for sales in individual cases, or for rental charges where the leasehold system was used.

It should be contemplated that developers unrestricted as to rents or profits would pay full taxes in future on both land and improvements.

Thus it can be seen that the city's financial participation in the urban redevelopment program might consist of (1) the lease or purchase by the municipality of parts of the area for playgrounds, sites for public buildings or other municipal purposes; and (2) partial tax exemption or direct municipal subsidy to public housing authorities, or, under special conditions, to redevelopment companies controlled as to rents, profits, etc., such tax limitation or subsidy to continue for only as long as is necessary to insure the scale of rents desired by the city.

If the urban redevelopment program is not considered in conjunction with a public housing program, its object may be defeated, as evicted families from the slums and blighted areas would invade and overcrowd surrounding areas, thus creating serious personal hardships and new problems of urban decay. It is a "must" concomitant of the urban redevelopment program that the Federal Government require, as a condition of Federal aid, that eviction of tenants for demolition of existing buildings shall take place only to the extent that suitable housing accommodations, reasonably convenient as to location, are available in the city for displaced families at rents comparable to those they have been paying. Where feasible and consistent with sound planning and community needs, preference in use of the redeveloped area should be given to low-rent housing projects.

*How the plan might work.*—Following are some examples of how this plan might work, assuming a blighted area of any number of acres which could be bought or condemned for \$1,000,000; this sum to be loaned by the Federal Government on a 50-year amortization basis, without interest. The local authority's obligation to the Federal Government would be an annual amortization payment of \$20,000 for 50 years. The cost to the Federal Government would involve at most the going interest rate on \$1,000,000 of Federal serial bonds with an average life of 25 years, which interest might be met out of current Federal revenue.

(a) Sites for schools and other public buildings, playgrounds, and other community facilities needed in the area might be secured by the city partly in exchange for land in the area already in public ownership plus unneeded interior street space made available by the redevelopment plan. If such sites were not adequate the city might buy, say, \$100,000 worth of land from its land authority. The payment could be amortized (without interest) at 2 percent (\$2,000) annually for 50 years, after which the city would have full title.

(b) If a public housing project was needed in the area, a similar plan of installment purchase might be worked out between the local land and housing authorities. Let us assume that \$200,000 worth of the land in the area were to be thus redeveloped for public housing.



(c) Then let us assume the remaining \$700,000 worth of the redevelopment area to be needed for medium- or high-rent housing and business and industrial purposes. This could be offered to private corporations on a leasehold basis at the exceedingly low rate of 2 percent per annum, the corporations (if unrestricted as to rents and profits) to pay full taxes to the city both on the land and future improvements.

If all of the land could be disposed of by a combination of (a), (b), and (c), the land authority's annual revenues would total the full amount needed to meet its annual payments to the Federal Government, and at the end of the 50-year amortization period the title to all land in the area would still rest in the city (or its land or housing authority). If for any parcels to be developed on the leasehold basis a higher rental than 2 percent could be obtained by competitive bidding, the excess would be used to reduce the amortization period below 50 years.

(d) If, however, local opposition to the leasehold plan was so strong as to prevent redevelopment on that basis, the land authority might sell some or all of the above-mentioned \$700,000 worth of land for private redevelopment. The sale might be at the full reallocated price at which it was acquired by the land authority, but payable in installments, without interest, at not less than 2 percent annually for 50 years—or any higher percentage that could be obtained by competitive bidding.

(e) If, even on these very favorable terms, some of the land were to remain unsold or unleased, the land authority might decide to dispose of such remaining portions by cash sale with competitive bidding. Assume that land in the area valued by the land authority at \$200,000 were thus sold for \$100,000. The land authority would invest that sum, say in serial bonds of its own city, and use the interest and principal to help meet its annual amortization to the Federal Government. The principal by itself would repay the Federal Government \$100,000 of the original \$200,000 land cost and the interest would be available for part of the payment on the other \$100,000. Suppose the bonds brought a 2½ percent interest rate. The interest on the \$100,000 invested would average 1¼ percent for the 50-year period, leaving an average of five-eighths of 1 percent on \$100,000 to be met by the city (or the land authority). This would mean an actual cost to the city of only \$750 per annum for 50 years to repay the Federal Government for this \$200,000 worth of land, and, under the conditions outlined above, this would be the only part of the entire \$1,000,000 original loan which would not be self-supporting either in cash or in property received by the city.

(f) Let us assume, however, that instead of the conditions outlined in the preceding lettered paragraphs, the local land authority was up against a much worse combination of circumstances affecting its ability to make its amortization payments to the Federal Government. Suppose, for example, that the public spaces in the redevelopment area were already so ample that the city would not wish to purchase or lease any of the land; suppose, too, that there would be no public housing project to be built in the area, and that the only means of redeveloping the neighborhood would be through the sale of the land at one-half of its cost price to private builders for housing, commercial or industrial purposes. The land authority having spent \$1,000,000 of Federal funds to acquire the redevelopment area, would realize only \$500,000 in cash. If invested in city or Federal 50-year serial bonds drawing as low as 2 percent interest, these bonds (bringing in an average of 1 percent interest for 50 years) would yield in principal and interest an average of \$15,000 of the \$20,000 due annually to the Federal Government. This would mean that the local land authority (or the city) would have to provide an average of \$5,000 annually for 50 years to pay off the Federal loan. The city, however, would benefit much more than that amount by having brought about the clearance and redevelopment of a substandard area; and as the private developers would pay full taxes on their land and improvements, the city's dwindling tax receipts in this sick area would become the much more substantial tax revenues of a healthy neighborhood, from which the city could readily meet the land authority's \$5,000 annual deficit. It would take only a 2-percent tax on \$250,000 of new assessments to do it.

It is assumed, of course, that before entering into any urban redevelopment project, both the municipal and national officials concerned would sound out local construction, real estate and financial interests sufficiently to be reasonably sure that redevelopment would actually take place and with benefits exceeding any cost which the city might have to shoulder.

BOHRER, BLACKMAN & LOMAN,  
Chicago, January 25, 1945.

Randolph Bohrer's proposal for attracting equity or risk capital to the medium rental housing field.

HON. ROBERT A. TAFT,

*Chairman, Subcommittee on Post-War Housing,  
United States Senate, Washington, D. C.*

MY DEAR SENATOR TAFT: A great deal is being heard about the gravity and extent of the post-war housing problem, and the importance of reviving the construction industry to provide jobs.

Government officials, labor leaders, realtors, builders, planners, lending institutions, and civic organizations are cooperating to develop acceptable solutions.

From these broad sources much good thinking may be expected, although it might seem that too little has been heard from an indispensable element in the creation of taxpaying rental housing for the large middle-income group; namely, the owner of risk or equity capital.

A huge reservoir of savings assures an ample supply of private funds for well-secured mortgages, but it does not follow that equity funds on a large scale are going to be as readily available.

First, it is almost certain that such new housing will cost more than housing built before the war with which it will come in competition; second, experience suggests that economic maladjustments following the war may cause a high vacancy rate within a few years; and, third, careful investors realize that the great technological advances resulting from the war may soon render obsolete the housing constructed to ease the shortage.

Unfortunately, no formula has been devised to reduce building costs overnight, nor is it probable that investors can avoid losses arising from abnormal vacancies when they occur, yet the Federal Government can do much to eliminate the justifiable fear of loss through premature obsolescence.

During a period of very rapid technological changes, the rate of obsolescence might outweigh all other considerations in the mind of the long-term investor. Obsolescence has always played an important part in the determination of investment values of apartment buildings, often exerting more influence than mere physical deterioration due to age.

According to the experts, many developments of a revolutionary character may be expected within a few years after the war, although they do not think such innovations will be reflected in housing required to meet the existing shortage. The demand for new housing is said to be so great that its satisfaction cannot be deferred until improved techniques and devices become available, hence it will be necessary to carry on much construction by the same methods and with the same materials used in the past.

The crux of the matter is that the long-term investor can obtain no assurance that housing built immediately after the war to overcome the shortage may not be outmoded in a few years. Present income taxes and those likely to be necessary in the foreseeable future offer the owner of equity capital no inducement to assume this extraordinary risk, although he might take a different view of the situation if he could anticipate recovery of his capital investment in a relatively short period, say, 10 years.

The present annual depreciation rate of 2 to 3 percent allowed for income-tax purposes requires 30 to 50 years for the investor to recover his capital—a period too long for today's needs.

The large equity investor who might be satisfied with a modest income is, therefore, somewhat hesitant to assume the burdens and risks.

The Bureau of Internal Revenue adopted the 2 to 3 percent standard some years ago when tax rates were substantially lower and the building industry was in a less fluid state. The rates are based upon the results of a poll conducted among its members by the National Association of Real Estate Boards regarding the estimated useful economic life of various types of buildings. Changed conditions and a broader social horizon indicate the time is ripe for a reconsideration of the matter.

Faced with the urgent necessity of encouraging plant expansion to speed up war production, the Government increased allowable depreciation rates so that certain kinds of property could be charged off in 3 to 5 years. The question of normal economic life expectancy was brushed aside because the situation called for drastic action.

In the same manner, the Government can relieve the post-war housing emergency for middle-income families, by shortening the depreciation period for newly constructed medium rental housing.

There is nothing in the proposal to encourage the speculative jerry builder, as the objective is to induce long-term investment capital to provide for a modest return essential, decent new housing for a very large number of families which cannot qualify for the subsidized housing planned for lower income families and cannot afford the luxury type of housing.

This proposal could be made operative by a simple amendment to the next revenue act, specifying maximum rentals for housing entitled to the higher depreciation rate. Its provisions would not apply to existing housing. Such legislation should safeguard the public interest without imposing burdensome restrictions upon the investor. Under an adequate program, the rental market will take care of the landlord who does not provide value for the tenant's dollar. On the other hand, the kind of investor most likely to be attracted probably would have no objection to a certain amount of regulation by some local agency such as the State housing board. The limited dividend housing corporation, or some adaptation thereof, might become a popular vehicle for such undertakings.

This proposal will impose no burden upon the Federal Treasury. If 100-percent depreciation of buildings and equipment is taken during the first 10 years, obviously none can be claimed thereafter. The change need not become permanent, if not in the public interest after a fair trial, as it would come up for discussion and consideration during the passage of every succeeding revenue bill.

On the positive side, much new building should follow its adoption. The housing market will be benefited by the presence of long-term equity funds whose owners will be willing to sacrifice some income for security. The large middle-income group of families will obtain cheaper and better housing than the speculator is prepared to furnish, taking much of the load off the Government, and the social benefits may be of incalculable value.

Yours very truly,

RANDOLPH BONNER.

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NATIONAL CONGRESS OF PARENTS AND TEACHERS,  
*Chicago, Ill., January 23, 1945.*

MEMBERS OF THE COMMITTEE,

HON. ROBERT A. TAFT,

*Chairman, Subcommittee on Housing and Urban Redevelopment.*

GENTLEMEN: Two primary objectives of the National Congress of Parents and Teachers are (1) promotion of the welfare of children and youth in the home, school, church, and community; and (2) the raising of standards of home life.

The National Congress of Parents and Teachers has in its membership more than 3,000,000 men and women working in 18,000 local communities for health, home, and family life, juvenile delinquency, recreation and safety. These local groups, known as Parent-Teacher Associations, briefly P. T. A., are in every State of the United States and in Hawaii, Puerto Rico, and the District of Columbia.

Inadequate housing is detrimental to their objectives. For many years housing has been on their study programs, and efforts have been made to stimulate public interest, understanding, and support of housing programs for families of low and moderate incomes. Inclusion of adequate housing standards in community building codes has been urged.

The board of managers of the National Congress of Parents and Teachers adopted last November a post-war planning program which includes adequate housing. Support was voted for (1) public housing, (2) establishment of a central housing agency, and (3) a program of research. Furthermore, authorization was given to the emergency committee to support such a bill if its provisions are in line with approved policies of the National Congress of Parents and Teachers.

The National Congress of Parents and Teachers is prepared therefore to accept responsibility for participation in planning for housing that will promote the welfare of children and the family, and urges the Subcommittee on Housing and Urban Redevelopment to make recommendations based on factual information that will correct the deplorable housing conditions that now exist in many communities, and pledges active support in those communities for better homes.

Respectfully yours,

EMMA B. (Mrs. Glen Levin) SWIGGETT,  
*Washington Legislative Representative of the  
National Congress of Parents and Teachers.*

EXTRACT FROM BOOKLET ENTITLED "LOW COST HOMES FOR MILLIONS—DREAM OR POSSIBILITY", BY ALLISON H. DEAN, PORTLAND, OREG.

Perhaps I shall be accused of "politics" for discussing public housing versus private housing in this booklet but it must be discussed since it has a bearing on low-cost homes.

Public housing; that is, housing provided by one group of citizens for the semi-charity use of another group of citizens, is pure bunk. The citizens housed in the buildings provided for them at the expense of their neighbors become psychologically warped and branded. They know they are not as good as their fellows, and in bravado assume the defensive attitude toward every civic responsibility.

As greater numbers of the people would be housed at other taxpayers' expense, the tax burden on the diminishing solid citizens would become more and more unbearable and intolerable, so soon all private ownership and taxpaying would vanish and the expenses of the community would be met by levies on income and capital. But more important, the greatest American asset, individual incentive, would be lost.

But for this work, the important thing is this: Only by unhampered private enterprise, research, development, and the profit incentive can great strides take place in great news advances in lower-cost homes.

In all the history of war housing and in all the years of attempted "slum clearance" no Government project ever led the way in one single item toward lower cost or more house for the money. We would still be riding horseback if we had waited for a Government bureau to decide to invent and develop an automobile and the automotive industry. We would still be using smoke signals if we had waited for an act of Congress to invent and perfect the telephone and telegraph and wireless. And millions of our people must go unhoused if they wait for Government agencies to invent and develop low-cost homes that they can buy and pay for and become independent, free, land-owning Americans.

One word more: Constant threat of subsidized, tax-free, low rent housing by the Government, at the expense of the rest of our people can so stifle industry and capital that they may never start the work toward the solutions here discussed.

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THE NATIONAL BOARD OF THE YOUNG WOMENS CHRISTIAN  
ASSOCIATIONS OF THE UNITED STATES OF AMERICA,  
*New York, N. Y., January 12, 1945.*

Senator ROBERT A. TAFT,

*Special Committee on Post-War Economic Policy and Planning,  
Senate Office Building, Washington, D. C.*

SIR: The National Board of the Young Women's Christian Association is interested in the fact that your committee has been studying the housing needs of the country, and is conducting hearings on post-war plans for housing.

As a national organization, we have a membership of 600,000 and serve a constituency of 3,000,000 young girls and women, in urban and rural communities. Our constituency cuts across lines of race, color, creed, and national origin.

Many of our members are married and many more will marry after the war. All of them will want decent, attractive homes in clean communities. Although the quality of family life is not solely dependent upon the type of construction in which people live, physical surroundings do have an effect upon health, education, and moral and spiritual values of our citizens.

The national board supports a program which calls for the widest use of our resources to achieve full production and full employment. We believe that the Federal Government should stand ready to supplement the efforts of private industry and local government by providing a program of public works, which will include the erection of homes to meet the needs of all people. We believe that plans should be made now and legislation enacted that will provide for an orderly transition from war to a peacetime economy, and that an important part of the plan is the building of decent homes for our citizens.

Housing should be one of the greatest outlets for reemployment after the war. Some cities now have master plans for urban redevelopment, and the successful outcome of some of the plans depends partially upon the help from the Federal Government.

Employment is only one factor to be considered in these post-war plans. Housing is a legitimate end in itself, and is more than a method for providing employment, important as that is.

We are concerned not only with the building of new, additional housing units, but with the planning and operation of a long-term program of demolition and replacement of substandard homes and buildings in the slums and blighted areas of our cities.

The program will have to be on a larger scale than any ever before attempted and will call for the coordinated effort of Government (Federal, State, and local), private enterprise, and labor.

The Young Women's Christian Association has more than an academic interest in wishing that the Government shall set up in the quickest most efficient way machinery to provide adequate housing which is within the income of various groups in our population. We have cooperated, on both local and national levels, with the agencies that have dealt with the various aspects of housing and slum clearance. We have cooperated with other community agencies in interpreting the work of the National Housing Agency. Some local housing authorities grew out of the work of committees initiated by local Young Women's Christian Associations. Through various parts of our organization we have helped local communities to meet the emergency housing needs created by the war.

We include in our constituency some 50,000 Negroes and several thousand members of other racial and national minorities. In any housing legislation that is passed the needs of these groups must be taken into account.

We, therefore, hope that the committee will recommend appropriate legislation to secure a sound post-war housing program for the United States.

Sincerely yours,

CONSTANCE W. (Mrs. Arthur Forrest) ANDERSON,  
*Third Vice President.*

NATIONAL LAWYERS GUILD,  
NATIONAL COMMITTEE ON SOCIAL LEGISLATION,  
*New York, N. Y., January 11, 1945.*

HON. ROBERT A. TAFT,  
*Senate Office Building, Washington, D. C.*

MY DEAR SENATOR TAFT: It is our understanding that the Subcommittee on Housing and Urban Redevelopment of the Special Committee on Post-War Economic Policy and Planning is now conducting hearings with reference to war and post-war housing problems.

I enclose herewith several copies of a report on "A Post-War Low-Rent Public Housing Program" prepared by the national committee on social legislation of the National Lawyers Guild. We respectfully request that the report be filed with the committee as our written statement and made a part of the record of the committee's hearings.

Yours respectfully,

MORRIS A. WAINGER, *Secretary.*

## A POST-WAR LOW-RENT PUBLIC HOUSING PROGRAM

(A report by National Committee on Social Legislation, National Lawyers Guild)

### THE NEED FOR A POST-WAR HOUSING PROGRAM

Prior to the war, some 40,000,000 Americans lived in 10,000,000 substandard dwellings.<sup>1</sup> Most of them inhabited the slums of our country, which constituted a standing threat to the national health and welfare. The urgent need for clearing these blighted areas and for replacing these dwellings by new decent dwellings still exists.<sup>2</sup> In addition, the increase in the population, the large

<sup>1</sup> Committee on Education and Labor, U. S. Senate, report approving the United States Housing Act of 1937: A Citizen's Guide to Public Housing, Catherine Bauer, p. 15. Former Federal Public Housing Commissioner Emmerich, addressing the National Public Housing Conference, St. Louis, Mo., March 24, 1944, stated: "Almost 30 percent of the families in urban areas, as shown by the 1940 census, are now living in housing so substandard as to be a threat to their health and welfare." In a communication to the committee Mr. Alexander L. Crosby, of the National Public Housing Conference, Inc., points out that the 1940 census showed 18,000,000 (rather than 10,000,000) urban and rural substandard homes. It is noteworthy that rural slums, which are usually not included in public housing programs, are often worse than urban slums.

<sup>2</sup> Mr. Evans Clark, executive director of the Twentieth Century Fund, in the New York Times on March 20, 1944, summarized a report on the housing problem as follows: " \* \* \* the housing stock throughout the country was in an extremely deteriorated condition. In urban areas, more than 23 percent of all dwellings had no private baths in 1940 and over 10 percent were in need of major repairs. In the rural communities these percentages were considerably higher and on farms higher still. Of the houses either needing major repairs or without private bath, 6,200,000 were in urban areas constituting almost 29 percent of the urban supply. Disregarding the lack of private baths in rural areas 4,300,000 houses, representing over 27 percent of the rural supply were in need of major repairs."

number of newly married couples, the cessation of normal construction, and the suspension of major repairs during the war have increased the need for new homes. It is estimated that a sound post-war housing program must cope with the need for 15,000,000 new dwellings.<sup>3</sup> Such a program must necessarily be formulated on the practical basis of a plan spaced over a term of years. A 10-year plan has been proposed and would appear to be feasible. Such a plan would mean a program of construction of 1,000,000 to 1,500,000 new dwellings each year for 10 years.

A post-war housing program is clearly an indispensable part of any program for full employment after the war. A program for the construction of 1,000,000 to 1,500,000 homes each year for 10 years would by itself provide a substantial portion of the national income and national employment.<sup>4</sup> It would, of course, provide employment not only for the construction industry directly, but would enormously stimulate all capital goods and consumer goods industries. It would underpin prosperity for the Nation as a whole.

Private industry is now planning to provide many of the homes needed, and will probably be prepared to start construction within a short time after the war. It will provide individually planned private homes selling for \$10,000 or more, developments of private homes selling between \$5,000 and \$10,000,<sup>5</sup> apartment houses with rooms renting for \$18 and up, and large-scale project apartments financed by insurance companies and others, renting between \$14 and \$18 a room.<sup>6</sup> There is a vast scope here for private capital and private enterprise.

Private industry has not built, and cannot profitably build, new, decent, safe, and sanitary homes for people in the lowest income groups at rentals they can afford to pay.<sup>7</sup> On the other hand, the homes constructed under the United States Housing Act have catered solely to these families. In 1940, 7.7 percent of the low-rent homes constructed by public housing were occupied by families earning less than \$500 per year; 32.8 percent housed families earning between \$500 and \$750 per year; 33.4 percent by families earning between \$750 and \$1,000; 21.2 percent by families with income between \$1,000 and \$1,250; and only 4.9 percent with incomes between \$1,250 and \$1,500. No low-rent homes housed families earning more than \$1,500 per year.<sup>8</sup> The families in these income groups cannot afford to pay more than \$2.50 to \$7 per month per room including utilities. When they pay more, they do so at the expense of other living necessities. But private enterprise, even with such governmental aid as tax exemption,

<sup>3</sup> President Harry C. Bates of the Bricklayers, Masons and Plasterers International Union (American Federation of Labor) in testimony given before the House Committee on Public Buildings and Grounds, February 10, 1944, listed the following as requirements during the post-war decade: 18,000,000 substandard dwellings to be replaced, and the construction of 1,500,000 homes a year. Public Housing (monthly publication of the National Public Housing Conference), vol. 10, No. 2, p. 5, February 1944. Commissioner John B. Blandford, Jr., Nation Housing Agency, addressing the National Association of Housing Officials, called for 1,000,000 to 1,500,000 homes each year after the war. Public Housing, vol. 9, No. 12, p. 1, December 1943. Irving W. Clark, manager of better homes department of Westinghouse Electric & Manufacturing Co., declared "If spread over a 10-year post-war period, it would place the annual total housing need potential at 1,400,000 homes." (New York City Retailing, December 27, 1943.) Mr. Charles B. Sweatt, vice president, Minneapolis-Honeywell Regulator Co., declared "Approximately 1,300,000 new homes will be built each year for at least 10 years following victory." (New York Times, January 4, 1944.) The Twentieth Century fund estimated the housing need for the decade after the war from 820,000 to 1,300,000 nonfarm units per year. (See report cited footnote 2 supra.)

<sup>4</sup> Mr. Eric Johnston, president of United States Chamber of Commerce, testified before the House Public Buildings and Grounds Committee on December 1, 1943, stating that construction would not be expected to provide more than 10 to 15 percent of the total income and employment (New York Times, December 2, 1943). The Twentieth Century Fund report estimates that post-war housing might expend 6 percent of the national income of \$100,000,000,000 or \$6,000,000,000 annually.

<sup>5</sup> In Survey Graphic, April 1944, p. 197, Loula D. Lasker, of Citizens Housing Council of New York, points out: "This (referring to a study made by the Producers Council of a typical \$5,000 pre-war house) would indicate that the advances to date can be expected to produce a better but not necessarily a cheaper house."

<sup>6</sup> An example of this is Stuyvesant Town being planned for construction in New York City after the war by Metropolitan Life Insurance Co.

<sup>7</sup> Former Commissioner Emmerich further stated in the speech referred to in footnote 1 above " \* \* \* Private enterprise on the other hand cannot build decent accommodations to rent for less than \$35 to \$40 a month in larger communities, or less than \$25 to \$30 in smaller places. The facts as to the markets served by public and private housing construction in 1940, the last pre-war year, bear out this statement. In that year, all of the tenants in public housing were well within the lowest income group in their respective cities. Private housing, on the other hand, concerned itself primarily with the upper income third; it built some housing for the middle income third, but provided almost no housing for the lowest third. Indeed, the fields of public and private housing are by their very nature almost mutually exclusive and by no stretch of the imagination can public housing be said to hinder, impede, or compete with the activities of private builders."

<sup>8</sup> Warren J. Vinton, chief economist of the Federal Public Housing Authority, 1944 spring meeting of the local authorities at the Hotel New Yorker, New York City, on April 12, 1944.

has not found it possible to build and rent new housing meeting decent housing standards at rents they can afford to pay.<sup>9</sup>

Henry J. Kaiser, perhaps the most celebrated builder in our country, candidly admitted this when he pointed out that in the pre-war years "no new homes were built for families earning less than \$1,000 a year, and adequate housing was constructed for only a fraction of 1 percent of families earning from \$1,000 to \$1,500 annually."<sup>10</sup> It is the low-income families of our country who cannot look to private industry for adequate housing but must depend upon Government action. There is thus an appropriate field of action for private industry and an appropriate field for Government action. As Mr. Kaiser correctly pointed out, "The undertaking is so vast that there must be a joint effort in which the Federal Government, cities, municipalities, banks, labor unions, insurance companies, and industry can take an active part."<sup>10</sup>

The opponents of public housing nevertheless believe that this is the time to launch a concentrated offensive against public housing, designed to prevent a post-war low-rent public-housing program. They are determined to prevent the formulation and planning now of a public-housing program which can supplement private production and provide both full employment and decent shelter for the American people. At the hearings recently held before the Committee on Public Buildings and Grounds of the House of Representatives (the Lanham committee), the representatives of real-estate organizations presented proposals for a post-war housing program which would doom any effective public low-rent housing.

In this report, we consider (I) the proposals for a post-war housing program made by the opponents of the United States Housing Authority low-rent public-housing program, and (II) our experience with a public-housing program during the pre-war and the war periods. Upon the basis of this examination, we present (III) recommendations for a post-war low-rent public-housing program.

#### I. THE PROPOSALS FOR A POST-WAR HOUSING PROGRAM BY THE OPPONENTS OF THE UNITED STATES HOUSING AUTHORITY LOW-RENT PUBLIC-HOUSING PROGRAM

The opponents of public housing have recognized that some Government aid must be utilized in building low-rent homes. But they are bitterly opposed to the objectives and procedures of the United States Housing Act. Among the proposals presented by these groups were those of the National Association of Real Estate Boards. The two most publicized proposals advanced by these groups are (A) the rent certificate plan and (B) the income tax exemption plan.

##### THE RENT CERTIFICATE PLAN

The rent certificate plan<sup>11</sup> is offered as a substitute for the United States Housing Authority program. Under this plan, the slum occupant would be paid a cash dole equivalent to the difference between the amount he can afford to pay for rent and the cost of a decent dwelling.

This plan is unsound because under it no low-rent housing would be built. It would merely perpetuate slums and would be a boon to owners of slum property. It would require large expenditures by the Government, without appreciable social benefit. In addition to the high subsidy required, the expense of administering the program would be prohibitive. The result would be: High cost to the Government; no low-rent housing constructed; no slums removed; existing slums subsidized and perpetuated.

<sup>9</sup> The National Resources Planning Board, 1940, *Housing, the Continuing Problem*, p. 29, "State and Federal efforts to extend public aid in private housing, through tax exemptions, the exercise of the power of eminent domain and loans to limited-dividend housing corporations, however, have demonstrated the difficulties of providing dwellings within the financial reach of the lowest income groups without the aid of Government subsidies. It became evident from State and Federal experience that private enterprise could not be depended on to provide adequate housing for persons at the low-income levels."

<sup>10</sup> Henry J. Kaiser, *Building the Future*, Survey Graphic, April 1944, p. 199.

<sup>11</sup> The rent certificate plan is backed by National Association of Real Estate Boards, the Producers' Council, and the Urban Land Institute. Details of plan appear in *Public Housing*, vol. 10, No. 2, p. 4, February 1944.

## INCOME TAX EXEMPTION PLAN

The income tax exemption plan<sup>12</sup> was proposed by Mr. John W. Gailbreath, president of the National Association of Real Estate Boards. The heart of the plan is its provision for income tax exemption for current income used for slum clearance and the construction of low-rent housing. All profits up to 6 percent obtained for such housing projects would also be exempt from Federal income tax. This plan is characterized by its proponents as one that would operate "at no cost to the public."

This plan is highly objectionable:

1. It is not true that it would operate "at no cost to the public." In fact the "cost to the public" would be a heavy one, for the plan would reduce the yield from income taxes from taxpayers best able to pay and would place the burden of making up this deficit in Federal revenue on all remaining taxpayers.

2. The plan gives complete income-tax exemption to the current income and profits of those who invest in these projects. This, in effect, would give a capital grant to income taxpayers in the upper brackets. Thus, the taxpayer in the 75-percent bracket who invested in these projects would be investing only 25 percent of his own money. Because of the tax exemption, the other 75 percent would be a contribution by the Federal Government to the investor. Thus, the owner of property financed under this plan would have an unfair advantage over all other owners of property in the country, who have had to pay for their land and buildings with 100 percent of their own money.<sup>13</sup>

3. The plan would also give complete tax exemption to any income up to 6 percent derived from investment in these projects. This, in effect, would give an annual grant to income taxpayers in the upper brackets. The taxpayer in the 75-percent bracket, who would normally retain only one-quarter of a 6-percent annual income, would, under this plan, retain the three-fourths which he would otherwise pay in taxes. This would be an annual subsidy equal to 4½ percent of the cost of the project.

4. The plan offers no assurance that the present occupants of slum areas will be decently housed at rates they can afford to pay, since there is no specified limitation upon the rentals to be charged or the income groups to be served.<sup>14</sup>

Under the United States Housing Act, slums have been cleared successfully and decent, modern housing has been provided at rents no higher than their tenants formerly paid for slum dwellings. This, of course, has involved subsidies, but the Federal subsidies are modest in comparison to those proposed by the National Association of Real Estate Boards. For a taxpayer in the 75-percent bracket, the National Association of Real Estate Boards proposes what would amount to a 75-percent capital grant from the Federal Treasury. It is noteworthy that no capital grants whatever have been given to projects constructed pursuant to the United States Housing Act.<sup>15</sup> The only subsidies paid by the Federal Government are its annual contributions to low-rent projects prior to the war, averaging only 2.8 percent of their cost.<sup>16</sup> In contrast to this, the National Association of Real Estate Boards is proposing (in addition to this 75-percent capital grant) a subsidy to private investors in the 75-percent bracket equal to 4½-percent of project costs each year.

These, then, are the proposals for a "public housing program" presented by organized real-estate groups. They will not result in decent shelter for low-income groups. They ignore the needs of these groups. They merely serve to guarantee special advantages to persons in high-income brackets.

Fortunately, the American people have had the experience of a public-housing program which is concerned with the needs of the American people. We will here

<sup>12</sup> New York Herald Tribune, February 27, 1944.

<sup>13</sup> "Realtors Now Offer Plan To Dodge Taxes," in Public Housing, vol. 10, No. 2, p. 4, March 1944.

<sup>14</sup> Hugh R. Pomeroy, executive director, National Association of Housing Officials, in Survey Graphic, April 1944, discusses the rentals to be charged in such developments as follows: " \* \* \* It is not likely that rents could be brought down to less than from \$28 to \$30 per dwelling unit per month. Such rents would serve very few if any slum-dwelling families. They would have to seek other slum homes. By way of contrast, the average rent in low-rent public-housing projects (before the war) was just under \$13 per dwelling unit per month."

<sup>15</sup> Secs. 11 (b) and (d) of the United States Housing Act, as amended, Public 412, 75th Cong., authorized the use of \$30,000,000 for capital grants for any low-rent housing or slum-clearance project which shall in no case exceed 25 percent of its development or acquisition cost; an additional capital grant, not to exceed 15 percent of development cost, could also be made by the Authority out of unemployment relief funds which the President was authorized to allocate to the Authority for that purpose. No Federal grants have been made pursuant to these provisions and no appropriations or allocations have been made for this purpose.

<sup>16</sup> Senator Allen J. Ellender, chairman of the subcommittee handling housing legislation of the Senate Committee on Education and Labor, addressing the National Public Housing Conference on March 25, 1944, said, " \* \* \* The maximum annual contribution to achieve low rents permitted under the law is about 3½ percent \* \* \* . But even before the war, by various economies, the annual contribution rate has been reduced to about 2.8 percent \* \* \* " (Congressional Record, appendix, March 30, 1944).



review that experience briefly, since we believe that experience indicates the principles which must underlie a sound post-war low-rent housing program.

## II. THE NATION'S EXPERIENCE WITH A PUBLIC HOUSING PROGRAM DURING THE PRE-WAR AND WAR PERIODS

### A. THE PRE-WAR LOW-RENT, SLUM-CLEARANCE PROGRAM

The United States Housing Act was passed in 1937 to promote the general welfare of the Nation by providing financial assistance to the several States and their political subdivisions for the declared purposes of alleviating present and recurring unemployment and remedying the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income in urban and rural communities which are injurious to the health, safety, and morals of the citizens of the Nation.<sup>17</sup> At that time, it was estimated that at least one-third of the population lived in unsafe and unsanitary housing.<sup>18</sup>

*Financial arrangements.*—Congress authorized the United States Housing Authority, now the Federal Public Housing Authority, to lend \$800,000,000 to local housing authorities,<sup>19</sup> for the purpose of developing low-rent housing projects and to eliminate local slums. The Federal Government was authorized to lend up to 90 percent of the total cost of the projects.<sup>20</sup> At least 10 percent of the remaining cost was to be raised by local authorities.<sup>21</sup> As a matter of fact, local authorities have raised more than one-third of the cost of their low-rent projects from sources other than the Federal Government at an interest rate substantially below the interest rate required to be charged by the Federal Government on its loans.<sup>21</sup> The Federal Government was authorized to make annual contributions to bridge the gap between the amounts necessary to pay fixed charges and expenses of operating the projects and the rents that low-income families could afford to pay.<sup>22</sup> The annual Federal contribution has averaged 2.8 percent of the cost of the projects.<sup>23</sup> Although Congress authorized \$28,000,000 annually for this purpose,<sup>24</sup> the actual annual contributions paid are substantially less.<sup>25</sup> Local communities were required to make annual contributions equal to at least 20 percent of the Federal subsidies. These were usually made in the form of tax exemption of the projects.<sup>26</sup>

*Slum clearance.*—The law specifically provides that for every dwelling unit constructed, one substandard dwelling unit in the community shall be eliminated by demolition or compulsory repair.<sup>27</sup> In some cases, equivalent elimination has been accomplished on the project site. In other cases, it has been accomplished off the site. Due to the shortage of housing in many areas, equivalent elimination has in many instances been deferred until after the war. Despite this, however,

<sup>17</sup> United States Housing Act, as amended, sec. 1.

<sup>18</sup> See footnote 1.

<sup>19</sup> United States Housing Act, as amended, sec. 20 (a).

<sup>20</sup> United States Housing Act, as amended, sec. 9.

<sup>21</sup> As stated above, the Government can lend the local authority not more than 90 percent of the cost of the project. Therefore, the latter must borrow at least 10 percent from private investors. It is interesting to note that many projects have sold from 25 to 85 percent of their bonds to the public. Out of a total of \$445,551,000 in principal amount of local housing authority bonds issued as of September 1943, \$151,993,000 or more than one-third, have been sold to private capital, instead of the required 10 percent. Interest rates on these bonds have been as low as 1.7 percent. See report entitled "The Public Housing Program for War and Peace," prepared by committee on public housing, National Institute of Municipal Law Officers, presented on December 2, 1943, at the Hotel Stevens, Chicago, Ill. This certainly indicates that the investing public deems these bonds to be sound securities and proves that private capital participates in a public housing program.

<sup>22</sup> United States Housing Act, as amended, sec. 10 (a)-(f).

<sup>23</sup> See footnote 16.

<sup>24</sup> United States Housing Act, as amended, sec. 10 (e).

<sup>25</sup> See 1942 report on the operations of the Federal Public Housing Authority, submitted to Congress as part of the first annual report of the National Housing Agency. "The United States Housing Act authorized the payment of annual contributions to local housing authorities to aid them in providing housing within the means of low-income families. The Federal Public Housing Authority is authorized to enter into contracts for annual contributions aggregating \$28,000,000 per annum. As shown by table 6 in the appendix (table 6 of appendix not included in these footnotes) the contracts actually entered into provide for maximum contribution aggregating \$26,718,832 per annum excluding margins of safety approved by the President in case of overruns in development costs. The actual contribution paid on any project after its first fiscal year is not in general this maximum amount but the amount actually required in that year to meet the deficit incurred in providing housing for low-rent projects are running about 25 percent below the maximum amount permitted under contracts for annual contributions. On war projects (Public Act 412 converted and Public Act 671), it is expected that little or no subsidy will be required during the war. No contributions, of course, are being paid on suspended projects. The amount of annual contributions actually paid during the fiscal year ending June 30, 1942, amounted to \$9,925,891."

<sup>26</sup> United States Housing Act, as amended, sec. 10 (a).

<sup>27</sup> United States Housing Act, as amended, sec. 10 (a).

equivalent elimination accomplished as of December 31, 1943, has been approximately 82 percent of the amount required.<sup>28</sup>

*Low rentals.*—The law also contains provisions to insure the low-rent character of the projects.<sup>29</sup> Before the war, the family income of occupants of these projects ranged from less than \$500 up to \$1,500 a year. Monthly rentals range from approximately \$7 to \$20 per unit, or an average of about \$12.80 per dwelling.<sup>30</sup>

*Building costs and plans.*—The act limits costs of the projects to \$4,000 per dwelling unit excluding land, demolition of buildings and nondwelling facilities. In cities having a population exceeding 500,000, the cost may not exceed \$5,000 per dwelling unit.<sup>31</sup> Actually, the costs excluding land, demolition of buildings and nondwelling facilities so far have averaged \$3,191 in the smaller, and \$3,695 in the larger, communities. The total over-all cost of new housing developments, including land and nondwelling facilities, averaged \$4,307 for dwellings in all localities.<sup>32</sup>

Low-rent projects conform to local customs, and are designed for 60 years' life and low maintenance cost. They are of simple but sturdy construction, and consist of from 2½ to 6½ rooms, the average being 4. Usually, only 30 percent of ground area is covered by buildings, provision being made for open space for children's playgrounds and community facilities.

The actual construction of these projects is not a Government function. Plans are drawn by local architects. Construction is by private builders usually employing local labor, who are always paid prevailing wages. Materials and equipment are purchased in the open market. Thus, construction is a direct aid to local business.

*The cost to the Federal Government.*—It must be emphasized that, except for the small annual subsidy, all the moneys advanced by the Federal Government toward the cost of the projects are merely loans to be repaid with interest by amortization over a period of not exceeding 60 years. Thus, these funds are really not expenditures by the Government but investments. Interest is paid to the Government by the local authority on all Federal loans at a rate equal to the cost of long term money to the Treasury at the time the loan was made, plus one-half of 1 percent. The cost of administering the low-rent program by the Federal Government is covered by the resulting interest profit on its loans.<sup>33</sup> It has been estimated that the cost to the Federal Government of the entire slum-clearance program will amount to approximately \$100 per family per year.<sup>34</sup>

*Number of local housing agencies.*—On November 1, 1937, there were in existence 46 local housing authorities, and 15 States had enacted adequate legislation to enable them to participate in a Federal public-housing program. Today, there are more than 600 local authorities, including rural, county, State, and regional authorities, and 39 States have passed legislation permitting participation in the Federal program.

<sup>28</sup> Equivalent elimination is required by law in connection with the 117,109 units built under the original United States Housing Act (excluding projects built under the defense supplement thereto, Public Act 671). As of December 1943, 95,538 substandard units had been eliminated in connection with these projects according to information furnished by the Federal Public Housing Authority.

<sup>29</sup> United States Housing Act, as amended, sec. 15 (4).

<sup>30</sup> Senator Ellender, in a radio speech delivered March 25, 1944, over Station KSD, St. Louis, Mo., stated: "It [referring to Federal low-rent housing] was achieving throughout the country an average rent, without utility charges, of \$12.79 per family unit per month, serving families with average annual incomes, on a national basis of \$832."

<sup>31</sup> United States Housing Act, as amended, sec. 15 (5).

<sup>32</sup> Annual Report of the United States Housing Authority (Nondefense Activities), 1941, p. 35.

<sup>33</sup> John B. Blandford, Jr., National Housing Administrator, in a letter dated March 31, 1944, to Mr. Fulton Lewis, Jr., stated in part: "It should be understood that loans made by the Federal Government are being repaid; that the Government is collecting interest on every loan, that this interest revenue now is more than covering administrative expenses; that the only expense to the Government has been its subsidy appropriation which up to June 30, 1943, totaled only \$24,555,919."

<sup>34</sup> The 1942 report of the Federal Public Housing Authority referred to in note 25 shows that for all low-rent projects owned by local authorities and in full operation in 1941-42, the average annual cost of Federal subsidy for projects with 40,270 dwellings was \$8.88 per month and for a group of earlier projects with 6,961 units was \$11.11 a month. The weighted average is \$9.21 per unit per month, or an annual subsidy cost to the Federal Government of \$110.52 per dwelling. The forthcoming 1943 report of the Federal Public Housing Authority covering operations of projects with 89,240 units in the years 1942-43 shows an annual subsidy cost to the Federal Government of \$100.80 per family.

*Status of the low-rent housing program as of Dec. 31, 1943*<sup>1</sup>

	Number of projects	Units	Approximate development cost
Low-rent projects now in operation.....	338	105,532	\$489,076,000
Suspended projects:*			
(a) Low-rent housing.....	175	24,684	98,353,000
(b) Public 671 projects <sup>2</sup> .....	7	829	4,445,000
War-converted low-rent projects.....	47	11,577	51,866,000
Public 671 projects.....	200	50,888	251,229,000
Total.....	767	193,510	894,969,000

<sup>1</sup> The figures herein with the exception of those marked with an asterisk are derived from Report S. 131 prepared by the Statistics Division, National Housing Agency, Federal Public Housing Authority, dated January 24, 1944, entitled "Monthly Progress Report of the Federal Public Housing Authority Monthly Period ended Dec. 31, 1943."

<sup>2</sup> Public 671, 76th Cong., authorized United States Housing Authority (now Federal Public Housing Authority) to use its authorizations under the United States Housing Act for national defense housing and to devote projects already begun or constructed to such purposes. The act suspended, for the duration of the emergency, the requirement of equivalent elimination and the low-rent provisions of the United States Housing Act for those projects constructed with appropriations from this act. It is also permitted the use of these funds to construct projects directly instead of operating through local authorities. Only in a few cases has Federal Public Housing Authority engaged in direct construction under this act. After the war, upon compliance with all the requirements of the United States Housing Act, these developments will revert to low-rent housing projects.

\*The figures herein marked with an asterisk were given to the committee preparing this report by Federal Public Housing Authority officials.

## B. THE WAR HOUSING PROGRAM

In 1940, when America was called upon to produce huge quantities of war supplies, it became evident that additional homes would be needed to house war workers. Factories began to spring up overnight on empty fields; airports were built in isolated areas; and production centers in already overcrowded cities expanded to three and four times their original size. Workers from virtually every part of our country went to work in these defense plants. Many were accommodated by doubling up in existing homes, and by renting cellars and attics, but countless more had no place to live.

*Private industry and war housing.*—Private industry built in those places where there would be a need for the homes after the war. Where no such need was evident, private industry did not build, because private capital could not expect to collect during the few war years the entire cost of construction. In the meantime, workers were getting high wages, but could not find places to live. They left their jobs and went home. Labor turn-over was high. Factories could not meet their schedules. Homes had to be provided. The Government stepped in—not to compete with private building, but to supplement it in those places where private industry could not or would not meet the need.

*Administrative coordination.*—By February 24, 1942, Government war housing was being constructed by 16 Federal agencies.<sup>35</sup> In order to avoid costly overlapping of functions and confusion, it became apparent that steps must be taken to coordinate the housing effort. Consequently, President Roosevelt, by Executive Order 9070, issued on February 24, 1942, pursuant to the First War Powers Act of 1941, consolidated all housing, publicly constructed or financed under the National Housing Agency, and, with few exceptions, assigned the task of constructing Government war housing to the Federal Public Housing Authority, successor to United States Housing Authority, and to the other Government agencies engaged in the construction of war housing.

As a result, overlapping and confusion were eliminated. The provision of new public war housing has been kept to a minimum. This housing has been provided mainly for indispensable in-migrant war workers. Maximum use has been made of existing facilities. No public new construction has been undertaken that private enterprise could provide. As a consequence of these policies, 50 percent of the present war-housing program consists of the use of existing private structures, and 28 percent of privately financed new construction. Thus, 78 percent of the entire program is the job of private enterprise, leaving only 22 percent for publicly financed construction.<sup>36</sup>

<sup>35</sup> See address by Senator Ellender, footnote 16 supra.

<sup>36</sup> Information contained in report referred to in footnote 21.

*Appropriations.*—Congress appropriated \$1,372,500,000 for war housing under the Lanham Act as amended (Public, No. 849, 76th Cong.).<sup>37</sup> In addition, there has been made available for war housing \$320,000,000 appropriated for the President's emergency fund for temporary shelter under Public, No. 9, Seventy-seventh Congress, as amended; \$100,000,000 appropriated under Public, No. 781, Seventy-sixth Congress, for Army and Navy housing; about \$55,000,000 for Defense Homes Corporation funds;<sup>38</sup> approximately \$247,000,000 out of the \$800,000,000 United States Housing Act loan authorization used for Public, No. 671, projects; and approximately \$53,000,000 in war-converted United States Housing Act projects. Out of these funds (which total \$2,147,500,000) approximately \$150,000,000 was allocated to agencies other than Federal Public Housing Authority, so that the total of all funds available to Federal Public Housing Authority for war housing to date amounts to about \$1,997,500,000.

*Building costs.*—Under the Lanham Act, the average cost of permanent family dwelling units, exclusive of expenses of administration, land acquisition, public utilities, and community facilities, may not exceed \$3,750, and the cost of any individual family dwelling unit may not exceed \$4,500 within the continental United States.<sup>39</sup> Public, No. 781, contains a limitation of \$3,500 for the average unit.<sup>40</sup> Public, No. 9 does not prescribe a cost limitation, but as a matter of policy and practice, Federal Public Housing Authority usually does not construct any projects at a cost higher than the Lanham Act maximum.

In the period from March 1, 1942, through March 31, 1944, permanent family dwelling units constructed under Public, No. 849, exclusive of expenses of administration, land acquisition, public utilities, and community facilities, averaged \$3,275 per unit.<sup>41</sup>

*Occupancy of public war housing.*—The opponents of public housing have made capital of the "great amount of vacancies in Government war projects." This is done by pointing to the exception rather than the rule. The truth of the matter is that all Federal war-housing projects which have been completed for 3 months or more enjoy an occupancy of about 90 percent.<sup>42</sup>

*Permanent versus temporary war housing.*—Government war housing consists of two kinds—permanent and temporary. The Government has followed private industry's example, and built permanent dwellings only where it was felt that a need for the housing would exist after the war and only where, for one reason or another, private industry had failed to build.

Of the 728,098 war-housing units programmed by all Federal agencies, up to January 31, 1944, approximately 196,000, or about 27 percent, are regarded as permanent, and consist primarily of family units. An additional 75,000 family units, or 10 percent, are classified as demountable—that is, permanent family units which could, if there is no post-war use for them, be moved elsewhere. The balance of 6.3 percent are temporary units, including family dwellings, dormitory accommodations, and trailers.

<sup>37</sup> Public, No. 119, 75th Cong., July 7, 1943, authorized the appropriations of \$300,000,000 under the Lanham Act, only \$157,500,000 of which (included in the total figure of \$1,372,500,000 shown above) has so far been appropriated.

<sup>38</sup> Pursuant to Public, No. 664, 76th Cong., the Defense Homes Corporation was organized in October 1940 as a Maryland corporation with a capital stock of \$10,000,000 purchased by the Federal Loan Administrator with funds allocated to him from the President's emergency fund which was later reimbursed from the first Lanham Act appropriation. The Corporation has also obtained loan funds from the Reconstruction Finance Corporation. It provides permanent housing necessary in centers of war activities where private capital is not providing such housing and there is expected to be a continuing need for such housing after the war. It charges economic rents. Pursuant to Executive Order 9070 the stock of the Corporation has been transferred from the Federal Loan Administrator to the National Housing Administrator. Technically, Defense Homes Corporation was not made a part of the Federal Public Housing Authority. However, the Executive order provided that Defense Homes Corporation and its functions, powers, and duties shall be administered by the Federal Public Housing Commissioner.

<sup>39</sup> Sec. 1 (b) thereof.

<sup>40</sup> Sec. 201 thereof.

<sup>41</sup> This information was given the committee preparing this report by Federal Public Housing Authority officials.

<sup>42</sup> Former Commissioner Emmerich, in the speech referred to in footnote 1 above, stated: "In those publicly financed war family dwelling projects, which, on December 31, 1943, had been completed for 3 months or more, the occupancy rate was 92 percent. Permanent projects, built largely in the early period of the emergency, were 97 percent occupied and despite large vacancies in some projects serving ordnance plants where employment has been sharply reduced, occupancy of demountable units was 88 percent, while that of temporary projects was 85 percent. A large proportion of the vacant war housing was being held at the request of specific industries to accommodate possible future needs, such as certain types of war plants are held as stand-bys. At this point in the war, reserved surplus housing, like surplus bullets, is frequently an asset. A striking example of this is the situation at Hampton Roads area, Virginia, where we had 9,000 vacant units less than 8 months ago and the curbstone housing specialists immediately began viewing with alarm. The Navy was not alarmed, however, for in fact it had asked for housing ahead of schedule so that it could put on a vigorous recruiting campaign. That occurred in Norfolk and 7,000 of the units have been needed and filled since August. The sharp upturn in recruitment could not have been accomplished had not the vacant houses been available."

With reference to the disposal of permanently constructed war housing, section 4 of the Lanham Act (Public, No. 849, 76th Cong.), as amended, provides:

"It is hereby declared to be the policy of this title to further the national defense by providing housing in those areas where it cannot otherwise be provided by private enterprise when needed, and that such housing may be sold and disposed of as expeditiously as possible: *Provided*, That in disposing of said housing, consideration shall be given to its full market value, *and said housing or any part thereof shall not, unless specifically authorized by Congress, be conveyed to any public or private agency organized for slum clearance or to provide subsidized housing for persons of low income: Provided further*, That the Administrator may, in his discretion, upon the request of the Secretaries of War or Navy, transfer to the jurisdiction of the War or Navy Departments such housing constructed under the provisions of this Act as may be considered to be permanently useful to the Army or Navy." [Italics ours.]

Temporary houses in the Federal Public Housing Authority program have been built with the particular view of saving time and critical materials, and to serve a temporary war need only. An amendment to the Lanham Act authorizes the Administrator of the National Housing Agency to remove all temporary war public housing as promptly as may be practicable and in the public interest, within 2 years after the war emergency. Any exceptions which the Administrator may find necessary, after consultation with local communities, are to be reported to Congress annually. Income from rentals or operation of public war housing is to be set aside as a reserve to finance its post-war disposition.<sup>43</sup>

*Status of public housing as of Jan. 31, 1944*

	All public war housing <sup>1</sup>	Federal Public Housing Authority war housing <sup>2</sup>
Units under management.....	620, 251	478, 969
Units under development:		
(a) Under contract.....	77, 558	72, 262
(b) Not under contract.....	30, 289	26, 887
Total.....	725, 098	578, 118
Total estimated development cost.....	\$2, 107, 116, 000	\$1, 537, 627, 000
Number of projects.....	2, 582	2, 049

<sup>1</sup> See Report S. 120 prepared by the Statistics Division National Housing Authority-Federal Public Housing Authority, dated Feb. 25, 1944, Monthly Progress Report on All Public War Housing—Monthly Period Ended January 31, 1944. These figures include projects constructed pursuant to Public, 671, 76th Cong., and are also included in the chart showing the status of the low-rent housing program. Pursuant to Public, 671, about 200 projects with some 50,000 units were constructed for war use which are to be converted to low-rent housing after the war.

<sup>2</sup> See Report S. 131 prepared by the Statistics Division National Housing Authority-Federal Public Housing Authority, dated Feb. 23, 1944, Monthly Progress Report of the Federal Public Housing Authority—Monthly Period Ended January 31, 1944. See also footnote 46, supra.

### III. OUR PROPOSALS FOR A POST-WAR LOW-RENT PUBLIC-HOUSING PROGRAM

The foregoing survey of our experience with the pre-war low-rent public-housing program and the war-housing program, and consideration of the proposals now made by real-estate organizations, leads to the following conclusions:

#### 1. AN EFFECTIVE POST-WAR HOUSING PROGRAM MUST INCLUDE A LOW-RENT PUBLIC-HOUSING PROGRAM

The health and welfare of the American people urgently require a housing program which will construct at least 15,000,000 new dwellings in the decade immediately following the war.

Such a housing program would substantially contribute to full employment and national prosperity.

Such a program requires not only the largest possible private construction; it also requires a low-rent public-housing program.

The field for a low-rent public-housing program should be the provision of adequate housing for low-income groups for whom private industry cannot profitably provide decent shelter.

<sup>43</sup> Sec. 313. This section was added by sec. 4 of Public Law 119, 78th Cong.

## 2. THE PROPOSALS OF THE REAL-ESTATE ORGANIZATIONS MUST BE REJECTED

These proposals would merely subsidize and perpetuate existing slums and provide special tax advantages and capital grants to investors and to persons in high-income brackets, without providing new housing at rentals within the means of the low-income groups.

## 3. PROVISION MUST BE MADE FOR PLANNING NOW

We cannot expect a post-war housing program to wait until the termination of hostilities. Planning requires time for study of local housing needs, financing arrangements, land acquisition, conferences, and discussions with local authorities to formulate proper plans. Local housing authorities must have time for the preparation of applications, agencies must review these applications, and allocations, and allocations must be made. By completing these preliminary steps now, a shelf of projects would be accumulated which would be available for immediate action at the end of the war. To make possible such planning now, funds must be provided at once.

## 4. PERMANENT PUBLIC WAR HOUSING MUST BE MADE AVAILABLE FOR THE POST-WAR LOW-RENT PUBLIC HOUSING PROGRAM

The provision of the Lanham Act establishing the policy that permanent war housing be thrown on the market and liquidated, "unless specifically authorized by Congress," and prohibiting its use by any public "or private" agency "organized for slum clearance or to provide subsidized housing for persons of low income" is unsound. There is no justification for junking this social wealth constructed with social funds or for disposing of it to private interests without regard to the needs of the communities. When communities, where permanent war housing is located, determine that there is an urgent need for additional low-rent housing, local housing authorities in those communities should be given the opportunity and should be helped to acquire those projects for that use. Congress should immediately "specifically authorize" the use of such housing for post-war low-rent public housing and slum-clearance programs by amending the Lanham Act to eliminate the announced policy and prohibition as they affect permanent war housing.

## 5. TEMPORARY WAR HOUSING MUST BE REMOVED AT THE END OF THE WAR

Temporary war housing presents a different problem since it was never intended to be permanent, nor to meet permanent housing standards. Everyone familiar with the problem agrees with the wisdom of Congress in stipulating that temporary housing should be removed as soon as possible in the public interest. Certainly, this is necessary lest these temporary structures fall into the hands of landlords who will fill them with tenants at excessive rentals. This would create additional slums and contribute to the further deterioration of our American cities.

## 6. THE FEDERALLY AIDED LOW-RENT HOUSING PROGRAM MUST BE CONTINUED AND EXPANDED AFTER THE WAR UNDER THE UNITED STATES HOUSING ACT

The United States Housing Authority and its successor, the Federal Public Housing Authority, have done an excellent job in carrying out the mandate of Congress as expressed in the United States Housing Act. Pursuant to this act, there have been provided by tested methods, which are both sound and economical, 170,000 decent, safe, and sanitary low-rent homes, which are now serving low-rent families or are temporarily occupied by war workers. Substantial as these achievements are, what the United States Housing Authority has been authorized to do barely scratches the surface of the tremendous housing problem of our country. What we have done in the field of public housing was to make a fine beginning in the United States Housing Authority. The post-war era, however, will provide a real opportunity to furnish decent shelter for all Americans.

President Roosevelt, in his annual message to Congress in January 1944 made a brilliant formulation of a "Second Bill of Rights in which a new basis of security and prosperity can be established for all regardless of station, race, or creed." Among these fundamental rights is the "right of every family to a decent home." Indeed, the achievement of this cardinal right is one of the goals for which the present bloody and terrible war is being fought. President Roosevelt has correctly declared that the sacrifices and the horror of this war impose upon us the sacred obligations to see that out of this war we and our children achieve the effective exercise of these rights.

Our review of American experience demonstrates that the only sound and proven plan which can achieve the objective of providing safe, sanitary, and decent housing at rentals which low-income families can afford to pay, is the method established by the United States Housing Act. Accordingly, it becomes the urgent duty of Congress to provide now for the continuance after the war of the United States Housing Act. We therefore call upon Congress to enact legislation to provide for the continuance of the United States Housing Act after the termination of hostilities, and to make such appropriations as will be necessary in the meantime to finance all necessary planning and preparation.

NATIONAL COMMITTEE ON SOCIAL LEGISLATION,  
NATIONAL LAWYERS GUILD,  
LEO J. LINDER, *Chairman*,  
MORRIS A. WAINGER, *Secretary*.

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### ESSENTIALS FOR LOW-COST HOUSING

(Statement to Senate Post-War Planning Committee by Benjamin C. Marsh, Executive Secretary, People's Lobby, Inc.)

Low-rent housing and low-priced homes are not practical with the present system of taxing buildings at the same rate as land values; with construction workers on an hour or day wage rate, instead of an annual wage; with present methods of financing and insurance; and with present monopoly control of building materials.

Dr. Harold M. Groves, formerly tax consultant in the Treasury Department, correctly stated years ago, about the general property tax:

"As a levy on urban land it is defensible, and there is not much danger of its becoming excessive. As a tax upon urban improvements it represents a heavy load upon shelter, a necessity of life, which would be expensive enough without this extra burden.

"It seems odd that we should have singled out for especially heavy taxation, under the property tax, an interest we now seek to subsidize as 'low-cost housing.'"

The assessed value of a small home is usually three to four times that of its site, and a similar ratio holds for many apartments, which means an embargo on adequate housing at low cost.

Substitution of an annual wage in building construction for hour or day wage rates cannot be achieved over night but could be made a condition of Federal aid to housing either as loans or grants.

Financing of housing should be subject to Federal control and should not permit second mortgages.

Before Congress lets fire insurance lapse into unexercised State supervision, it should at least establish standards for such supervision and ensure its exercise.

This committee might appropriately ask Judge Thurman Arnold to resign his Federal judgeship and get him restored to his earlier brilliant task in the Department of Justice, enforcing the antitrust laws against combinations of manufacturers and distributors of building materials and supplies.

The fact cannot be too strongly emphasized that the 2 or 3 years, at least, following the end of the war will bring us our humanity uprooted—with millions of returned soldiers and workers let out of war industries.

If Government permits establishment of new enterprises at whim, housing will be very difficult.

Logically, housing follows employment; and not employment, housing.

Major provision of urban housing must await determination by Congress whether it will insist upon orderly planning of production after the war or housing is to be a camp follower of private irresponsibility.

The middle way has gone out of the window for a long time.

THE AMERICAN BANKERS ASSOCIATION,  
Washington, D. C., February 21, 1945.

HON. ROBERT A. TAFT,  
Chairman, Subcommittee on Housing and Urban Redevelopment,  
Committee on Post-War Economic Policy and Planning,  
Washington, D. C.

DEAR SENATOR TAFT: I transmit herewith on behalf of the American Bankers Association a memorandum setting forth the part which banking institutions have played in the financing of home ownership in the past and their ability to meet the needs for such financing in the post-war years. The memorandum also contains certain observations with respect to a public housing program in the post-war period, particularly with relation to the inflationary aspects of such a program.

We hope that this memorandum may be made a part of the record of the hearings before your committee and that it will receive consideration in connection with any recommendations which your committee may make.

Sincerely yours,

F. G. ADDISON, Jr.,  
Chairman, Committee on Federal Legislation.

MEMORANDUM FROM THE AMERICAN BANKERS ASSOCIATION TO THE SENATE  
SUBCOMMITTEE ON HOUSING AND URBAN REDEVELOPMENT

MORTGAGE LENDING BY BANKS

The making of mortgage loans has always been an important function of banks. State-chartered commercial and mutual savings banks have been actively engaged in making mortgage loans for more than a hundred years. This is a natural function of banks, in view of the large volumes of savings funds which they hold.

The amount of savings and time deposits held by national banks, State-chartered commercial banks and mutual savings banks, from 1910 to 1944, is shown in the attached table No. 1. These funds totaled in 1944 nearly \$34,000,000,000 and each type of institution held in excess of \$10,000,000,000.

The major portion of these deposits belong to the thrifty common people in the local communities in which these institutions operate. Little by little they have managed by frugality and prudence to accumulate these reserves. Half of the accounts have balances of less than \$150. Thus, the banks are and have been the custodians of a major portion of the savings funds of the American people.

A considerable portion of these savings funds is invested in mortgages on real estate, principally on homes. Table No. 2 indicates the volume of mortgage loans held in the portfolios of banks, by types, from 1910 to 1944. During all these years the funds invested in mortgages have represented from 20 to 40 percent of the savings funds held by banks.

A survey made in 1940, the last year prior to the war, revealed that 5,001 commercial banks and 294 mutual savings banks made a total of 308,818 new mortgage loans in an amount in excess of \$1,157,000,000.

In 1944 savings and time deposits in banks had reached almost \$34,000,000,000. Approximately 60 percent of these deposits, or, in round numbers, \$20,000,000,000, are available for investment in mortgage loans. Thus, the banks are in a position to extend credit in the post-war period to encourage, so far as it may be sound to do so, the building and ownership of homes in almost every county in the United States.

POST-WAR PUBLIC HOUSING

With respect to a public housing program in the post-war period, the following observations, which repeatedly occurred in testimony before the Subcommittee on Post-War Housing and Urban Redevelopment, should be emphasized:

(1) The major task of providing homes in the post-war period, and especially the encouraging of widespread home ownership, is a responsibility that must be discharged through the usual channels of private enterprise. A public housing program should supplement rather than compete with this responsibility of private enterprise.



(2) The primary responsibility for the elimination of slums and the improvement of housing conditions for the lowest-income groups must progressively be assumed by local and State governments. The responsibility of the Federal Government should consist primarily in assisting and supplementing the efforts of local and State governmental bodies.

(3) In view of the unprecedented size of the Federal Government debt and the probable demands which will be made upon the building industry in the immediate post-war years, the volume of funds made available by the Federal Government for public housing purposes should be given most careful consideration. If a program of building public housing of any considerable magnitude should be undertaken primarily through the use of Federal funds, a double pressure would be exerted in an inflationary direction. Additional Government debt would further expand credit, and additional demands would be created for both labor and materials for building purposes at a time when the resources of the building industry will probably be taxed to capacity.

The rise in prices of real estate is already giving considerable concern. Any upward trends in the cost of building in the post-war years will increase this tendency of real-estate prices to rise.

Demands for the product of the building industry will extend throughout the economy in the post-war period. The timing of a program of construction of public housing is, therefore, important if it is to be conducted so as to supplement rather than compete with private building and avoid an inflationary effect upon the markets.

*Savings and other time deposits in banks, continental United States, 1910 to 1944*

	Savings and other time deposits			
	All banks	Mutual savings banks	State, etc., banks	National banks
On or about June 30—				
1910	\$6,835,000,000			\$1,014,000,000
1911	7,963,000,000	\$3,459,000,000	\$3,024,000,000	1,487,000,000
1912	8,404,000,000	3,609,000,000	3,260,000,000	1,536,000,000
1913	8,548,000,000	3,812,000,000	3,368,000,000	1,369,000,000
1914	8,712,000,000	3,910,000,000	3,348,000,000	1,454,000,000
1915	8,807,000,000	3,945,000,000	3,541,000,000	1,321,000,000
1916	9,459,000,000	4,102,000,000	3,641,000,000	1,716,000,000
1917	10,876,000,000	4,339,000,000	4,364,000,000	2,173,000,000
1918	11,535,000,000	4,382,000,000	4,817,000,000	2,336,000,000
1919	13,040,000,000	4,732,000,000	5,532,000,000	2,776,000,000
1920	15,189,000,000	5,058,000,000	6,668,000,000	3,463,000,000
1921	16,501,000,000	5,568,000,000	7,255,000,000	3,677,000,000
1922	17,579,000,000	5,818,000,000	7,687,000,000	4,074,000,000
1923	19,727,000,000	6,273,000,000	8,767,000,000	4,686,000,000
1924	21,189,000,000	6,693,000,000	9,337,000,000	5,158,000,000
1925	23,134,000,000	7,152,000,000	10,172,000,000	5,810,000,000
1926	24,696,000,000	7,525,000,000	10,993,000,000	6,178,000,000
1927	26,091,000,000	8,040,000,000	10,963,000,000	7,088,000,000
1928	28,413,000,000	8,668,000,000	11,695,000,000	8,050,000,000
1929	28,218,000,000	8,904,000,000	11,426,000,000	7,899,000,000
1930	28,479,000,000	9,206,000,000	11,176,000,000	8,097,000,000
1931	28,220,000,000	10,034,000,000	10,141,000,000	8,045,000,000
1932	24,281,000,000	10,040,000,000	7,283,000,000	6,958,000,000
1933	21,126,000,000	9,760,000,000	5,453,000,000	5,912,000,000
1934	21,753,000,000	9,803,000,000	5,452,000,000	6,498,000,000
1935	22,614,000,000	9,872,000,000	5,873,000,000	6,869,000,000
1936	23,464,000,000	10,010,000,000	6,265,000,000	7,188,000,000
1937	24,492,000,000	10,164,000,000	6,794,000,000	7,534,000,000
1938	24,626,000,000	10,151,000,000	6,876,000,000	7,599,000,000
1939	25,081,000,000	10,385,000,000	7,003,000,000	7,693,000,000
1940	25,750,000,000	10,584,000,000	7,272,000,000	7,894,000,000
1941	26,149,000,000	10,601,000,000	7,494,000,000	8,053,000,000
1942	25,487,000,000	10,351,000,000	7,294,000,000	7,842,000,000
1943	28,775,000,000	11,141,000,000	8,405,000,000	9,229,000,000
1944	33,795,000,000	12,468,000,000	10,082,000,000	11,304,000,000

Source: American Bankers' Association, report on savings deposits and depositors, and annual reports of the Comptroller of the Currency.

*Real-estate loans by type of security, by classes of banks, 1939-44*

[In thousands of dollars]

Date	Total—all banks				National banks			
	Total	Residential	Farm	Other	Total	Residential	Fram	Other
Dec. 31, 1939	9,101,633	7,445,094	582,108	1,074,491	1,910,204	1,215,490	232,126	462,588
June 29, 1940	9,257,868	7,582,928	597,102	1,077,838	2,002,852	1,282,469	231,456	485,927
Dec. 31, 1941	9,718,071	8,049,827	576,423	1,091,821	2,255,408	1,551,543	222,813	481,052
Dec. 31, 1942	9,373,003	7,905,030	495,406	972,507	2,187,264	1,577,809	197,252	412,203
Dec. 31, 1943	8,941,065	7,616,389	466,985	857,691	2,070,828	1,546,794	173,770	350,294
June 30, 1944	8,998,273	-----	-----	-----	2,038,770	-----	-----	-----

Date	State (commercial) banks				Mutual savings banks			
	Total	Residential	Farm	Other	Total	Residential	Farm	Other
Dec. 31, 1939	2,353,348	1,453,437	336,923	562,988	4,835,814	4,774,359	12,738	48,717
June 29, 1940	2,418,114	1,515,109	348,881	554,124	4,834,663	4,783,724	13,288	37,651
Dec. 31, 1941	2,648,233	1,738,746	342,719	566,768	4,812,176	4,757,873	10,458	43,845
Dec. 31, 1942	2,556,836	1,752,600	292,398	511,838	4,626,620	4,573,521	4,805	48,294
Dec. 31, 1943	2,447,717	1,707,729	288,754	451,234	4,420,312	4,360,118	4,142	56,052
June 30, 1944	2,408,132	-----	-----	-----	4,349,063	-----	-----	-----

Date	Private banks			
	Total	Residential	Farm	Other
Dec. 31, 1939	2,327	1,808	321	198
June 29, 1940	2,239	1,626	477	136
Dec. 31, 1941	2,254	1,665	433	156
Dec. 31, 1942	2,283	1,160	951	172
Dec. 31, 1943	2,208	1,748	319	141
June 30, 1944	8,798	-----	-----	-----

*Real-estate loans of all active banks in the United States and possessions, by classes, 1913-44*

[In thousands of dollars]

Date	State (commercial) banks			Mutual savings banks			Private banks		
	Total	Farm	Other	Total	Farm	Other	Total	Farm	Other
June 4, 1913	1,620,100	-----	-----	1,815,600	-----	-----	35,200	-----	-----
June 23, 1915	1,732,800	544,200	1,188,600	1,914,200	77,300	1,836,900	26,500	16,100	10,400
June 30, 1922	3,139,718	200,815	2,938,903	-----	-----	-----	-----	-----	-----
June 30, 1927	2,878,334	67,790	2,810,544	1,897,913	441	1,897,472	11,644	3,801	7,843
June 30, 1930	3,443,919	107,884	3,336,035	5,517,503	599	5,516,904	11,287	3,892	7,395
June 30, 1931	2,813,572	134,960	2,678,582	5,730,642	1,117	5,729,525	7,281	2,541	4,740
June 30, 1932	2,424,372	195,840	2,228,532	5,895,095	11,486	5,883,609	4,896	756	4,140
June 30, 1933	2,555,429	128,513	2,426,916	5,742,153	34,386	5,707,767	3,176	405	2,771
June 30, 1934	2,293,486	389,622	1,903,864	5,528,534	88,781	5,439,753	7,097	2,815	4,282
June 30, 1935	2,132,736	310,819	1,821,917	5,240,255	39,155	5,201,100	6,432	2,467	3,965
June 30, 1936	2,120,871	302,982	1,817,889	5,010,526	42,782	4,977,744	3,842	894	2,948
June 30, 1937	2,187,196	314,672	1,872,524	4,903,835	39,048	4,864,787	3,111	825	2,286
June 30, 1938	2,252,830	329,361	1,923,469	4,831,263	36,327	4,794,936	2,520	688	1,832
June 30, 1939	2,275,057	336,063	1,938,994	4,808,020	13,242	4,794,778	2,212	466	1,746
June 29, 1940	2,418,114	348,881	2,069,233	4,834,663	13,288	4,821,375	2,239	477	1,762
June 30, 1941	2,590,981	352,181	2,238,800	4,858,313	15,051	4,843,262	2,350	410	1,940
Dec. 31, 1941	2,648,233	342,719	2,305,514	4,812,176	10,458	4,801,718	2,254	433	1,821
Dec. 31, 1942	2,556,836	292,398	2,064,438	4,626,620	4,805	4,621,815	2,283	951	1,332
Dec. 31, 1943	2,447,717	288,754	2,158,963	4,420,312	4,142	4,416,170	2,208	319	1,889
June 30, 1944	2,408,132	-----	-----	4,349,063	-----	-----	8,798	-----	-----

Source: Annual reports of the Comptroller of the Currency.

*Real-estate loans of all active banks in the United States and possessions, by classes,  
1913-44—Continued*

[In thousands of dollars]

Date	Total, all banks			National banks		
	Total	Farm	Other	Total	Farm	Other
June 4, 1913.....	3,547,700			76,800		
June 23, 1915.....	3,824,100	662,800	3,161,300	150,600	25,200	125,400
June 30, 1922.....	3,511,009	409,916	3,101,093			
June 30, 1927.....	5,850,416	377,241	5,473,175	1,062,525	305,209	757,316
June 30, 1930.....	10,445,710	409,345	10,036,365	1,473,001	296,970	1,176,031
June 30, 1931.....	10,136,918	443,472	9,693,446	1,585,423	394,824	1,290,599
June 30, 1932.....	9,941,644	507,876	9,433,768	1,617,281	299,794	1,317,487
June 30, 1933.....	9,627,534	425,550	9,201,975	1,326,776	262,255	1,064,521
June 30, 1934.....	9,159,867	713,954	8,445,913	1,330,750	232,736	1,098,014
June 30, 1935.....	8,676,591	568,553	8,108,038	1,297,168	216,112	1,081,056
June 30, 1936.....	8,315,708	556,989	7,758,709	1,370,469	210,341	1,160,128
June 30, 1937.....	8,601,412	569,733	8,031,679	1,307,270	215,188	1,292,082
June 30, 1938.....	8,713,113	587,989	8,125,124	1,626,500	221,613	1,404,887
June 30, 1939.....	8,932,452	579,765	8,354,687	1,829,163	229,994	1,599,169
June 29, 1940.....	9,257,868	597,102	8,660,766	2,002,852	234,456	1,768,396
June 30, 1941.....	9,633,305	601,598	9,031,707	2,181,661	233,956	1,947,705
Dec. 31, 1941.....	9,718,071	576,423	9,141,648	2,255,408	222,813	2,032,595
Dec. 31, 1942.....	9,373,003	495,406	8,877,597	2,187,264	197,252	1,990,012
Dec. 31, 1943.....	8,941,065	466,985	8,474,080	2,070,828	173,770	1,897,058
June 30, 1944.....	8,998,273			2,038,770		

NATIONAL HOUSING AGENCY,  
FEDERAL PUBLIC HOUSING AUTHORITY,  
*Washington, February 16, 1945.*

HON. ROBERT A. TAFT,  
*United States Senate, Washington, D. C.*

DEAR SENATOR TAFT: In accordance with your request made at the recent hearings of the Subcommittee on Housing and Urban Redevelopment, I am sending you a statement on the additional cost of low-rent projects built on slum sites as compared with vacant sites.

We were also requested to submit a list and a map showing the location of all of the public housing under the Federal Public Housing Authority. This list has just been completed and I am enclosing a copy. We are working on the map and will let you have it as quickly as it can be completed.

Sincerely yours,

PHILIP M. KLUTZNICK, *Commissioner.*

STATEMENT OF ADDITIONAL COST OF LOW-RENT PROJECTS BUILT ON SLUM SITES AS COMPARED WITH VACANT SITES

The additional cost of low-rent projects when built on slum sites instead of vacant sites is due primarily to higher site costs. This difference in site costs results in part from the amounts paid for the existing slum buildings and from the cost of demolishing them, and in part from the higher prices per acre which must be paid for the land itself.

Local authorities have generally built a larger number of units per acre on slum sites than on vacant sites, due to the higher cost of the slum sites and to a feeling that a somewhat denser development is appropriate on indyng sites. Because of the difference in density on slum sites and on vacant sites a fair comparison must be made on the basis of cost per new dwelling rather than on cost per acre.

The cost per new dwelling of slum sites, including demolition and old buildings is, of course, much higher than the cost of vacant land. It is, however, partly offset by savings due to the reuse of all or a part of existing site improvements such as streets, sewers, water lines, etc. A fair estimate of the additional cost of using slum sites is therefore the difference between the actual cost per unit of the slum site and site improvements, and the amount which a vacant site and improvements would have cost for the same project.

For low-rent projects built on vacant sites the actual costs of site acquisition and site improvements as a percent of total development cost are shown in the following table for cities of various sizes.

*Site acquisition and site improvement as percent of total development cost for low-rent projects on vacant sites*

City sizes	Site acquisition	Site improvements	Site acquisition and improvements
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Less than 25,000.....	4.1	10.8	14.9
25,000 to 50,000.....	3.5	10.2	13.7
50,000 to 100,000.....	4.0	11.1	15.1
100,000 to 250,000.....	2.2	11.3	13.5
250,000 to 500,000.....	4.4	13.4	17.8
500,000 and over.....	5.6	10.3	15.9
All city sizes.....	3.8	11.3	15.1

The average of 15.1 percent for all low-rent projects built on vacant sites compares with approximately 12 percent as the valuation placed on improved sites in large-scale projects insured by Federal Housing Administration, and 13 percent and 11 percent as the valuation of improved sites for new one- to four-family houses insured by Federal Housing Administration inside of and outside of metropolitan areas, respectively. The somewhat larger percent in public low-rent projects is accounted for primarily by the fact that these projects generally install complete utility distribution systems in order to permit the purchase of electricity, gas, etc., at wholesale rates.

As a basis for the present study it is assumed that for projects on vacant sites 15 percent of total development cost is a fair estimate of the cost of site acquisition and improvements irrespective of city size. On this basis site acquisition and improvement amounts to 17.6 percent of the remaining elements of development cost. For a project built on a slum site, 17.6 percent of the actual costs excluding site acquisition and improvement will therefore constitute a fair estimate of what site acquisition and improvement would have cost had a vacant site been used. The difference between this figure and the actual cost of site acquisition and improvement will then represent the additional cost for the use of a slum site instead of vacant site.

The additional cost thus computed for low-rent projects built on slum sites is shown on the attached table. The average additional cost in all city sizes was \$800 per new dwelling unit. This varied from \$330 in cities below 250,000 up to \$969 in cities of over 500,000.

It should be pointed out that these figures are somewhat less than the additional costs which are apt to be incurred in an enlarged program of slum clearance and redevelopment, for two reasons:

(1) In the program already completed, local authorities sought out the very cheapest slums which they could acquire, in order to keep down costs. Further acquisitions in slum areas are apt to be more costly.

(2) In the present program the costs properly chargeable to slum clearance were of necessity included in the cost of low-rent housing. In order to keep down the unit cost of their projects, local authorities frequently crowded too many units onto the sites of former slums. One of the purposes of giving separate subsidies for slum clearance and for low-rent housing would be to free local authorities from the necessity of overdense redevelopment of cleared sites. It is therefore to be expected that projects aided in part by a slum-clearance program will be built at lower densities which will, of course, entail an increase in the unit cost attributable to slum clearance.

PHILIP M. KLUTZNICK,  
*Commissioner, Federal Public Housing Authority.*

FEBRUARY 17, 1945.

*Additional cost per dwelling unit for use of slum sites instead of vacant sites*

Additional cost per dwelling unit	Percent distribution of number of new units, by additional cost and by city size						
	All city sizes	Less than 25,000	25,000-50,000	50,000-100,000	100,000-250,000	250,000-500,000	500,000 and over
0 to \$200 .....	6	24	21	30	2	-----	-----
\$200 to \$400 .....	12	45	40	38	2	5	4
\$400 to \$600 .....	12	23	33	13	27	3	8
\$600 to \$800 .....	16	-----	3	11	14	19	22
\$800 to \$1,000 .....	29	8	3	4	35	46	27
\$1,000 to \$1,200 .....	12	-----	-----	-----	3	14	20
\$1,200 to \$1,400 .....	10	-----	-----	4	8	13	13
\$1,400 and over .....	3	-----	-----	-----	9	-----	6
<b>Total</b> .....	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Average additional cost per dwelling unit .....	\$800	\$330	\$340	\$391	\$837	\$903	\$969

NATIONAL LEAGUE OF WOMEN VOTERS,  
Washington, D. C., February 7, 1945.

HON. ROBERT A. TAFT,  
Senate Office Building, Washington, D. C.

DEAR SENATOR: In view of the expansion of the discussion in the hearings of the Senate Subcommittee on Post-War Housing to include problems of administration, we will appreciate your including the enclosed statement in the record to present the interest of the National League of Women Voters.

Sincerely yours,

ANNA LORD STRAUSS, *President.*

STATEMENT OF THE NATIONAL LEAGUE OF WOMEN VOTERS, WASHINGTON, D. C.,  
TO THE TAFT SUBCOMMITTEE ON POST-WAR HOUSING

The National League of Women Voters has for many years been concerned with government in the public interest. We are perhaps the only one of the national women's organizations which has studied and become familiar with principles of public administration, so we are in an informed position from which to look at the administrative structure for the housing functions of the Federal Government at the close of the war.

The National Housing Agency created in February 1942 has coordinated the activities of the 17 different agencies which had been dealing with housing problems at the start of the war. Up to this time there had been frictions and competition which seriously weakened the effectiveness of the total program. Housing is a national problem, and it is important that a unified approach be made to its solution. Each of the functions of the 17 agencies, while varying in their emphasis, had as their objective the improvement of the American housing situation. The coordination, however, made it possible for all the housing policies of the Federal Government to form a pattern for the orderly achievement of this objective. The National Housing Agency is of wartime duration only. Unless legislation makes it permanent before the close of the war, the gains which unification has made possible will be discontinued.

The League of Women Voters strongly believes that the duplication of effort and the clear lack of any central responsibility, which would result from separating the housing functions, is not in the public interest. Some who oppose continuing the National Housing Agency seem to believe that to abolish the agency will mean the end of Federal housing activities. They are opposed to public housing, and think this is a good way to weaken Government participation. The fears of these opponents, however, do not seem to be well grounded. The reports of the National Housing Agency have all indicated a desire to strengthen private housing in this country. It would seem wiser to continue this agency, therefore,

than to subject the housing industry to the uncoordinated influence of different agencies and conflicting policies. The advantages of a central place to pin responsibility are well proved. There should be a clear channel through which Congress could deal with housing, and an equally clear pattern for the relations between housing and the Executive. Regardless of one's position on the public versus private housing question, the need for a well-administered Federal program is obvious. The confusion, overlapping, and antagonisms which competing agencies foster are an unwarranted waste of the people's tax moneys.

DEPARTMENT OF LABOR,  
Washington, August 18, 1944.

HON. ROBERT A. TAFT,  
Chairman, Subcommittee on Housing and Urban Redevelopment, Senate  
Special Committee on Post-War Economic Policy and Planning,  
United States Senate, Washington, D. C.

DEAR SENATOR TAFT: In accordance with the request in your letter of June 6, I take pleasure in submitting to you the enclosed report dealing with aspects of the post-war housing problem.

The sections of the report entitled "Housing in Relation to Income," "Disposition of War Housing," and "Housing in the Community" were prepared by the Cost of Living Division of the Bureau of Labor Statistics. All other sections of the report were prepared in the Division of Construction and Public Employment of that Bureau.

If you desire any further information from the Department supplementary to the materials contained in this report I shall be pleased to hear from you.

The Bureau of the Budget advises that "there would be no objection to the submission of the proposed report to the committee with the understanding that no commitment would thereby be made as to the relationship to the program of the President of each and every one of the recommendations contained therein."

Sincerely yours,

FRANCES PERKINS.

## REPORT TO THE SUBCOMMITTEE ON HOUSING AND URBAN RE- DEVELOPMENT OF THE SENATE SPECIAL COMMITTEE ON POST- WAR ECONOMIC POLICY AND PLANNING

### THE ROLL OF PRIVATE RESIDENTIAL CONSTRUCTION IN THE NATIONAL ECONOMY

#### ANNUAL VOLUME OF PRIVATE RESIDENTIAL CONSTRUCTION

##### *Employment possibilities*

Before the war and the accompanying military, naval, and industrial expansion that it necessitated, no other type of construction accounted, year by year, for so large a share of the building dollar as housing. In good times private residential building<sup>1</sup> is responsible for between two-fifths and one-half of all expenditures for construction. Even in lean years the proportion has never dropped below one-fifth of the total.

Employment on the site of new privately financed nonfarm housing projects over the past three and one-half decades has ranged all the way from nearly a million workers in the housing boom of 1925 and 1926 to only about 100,000 under the artificial restraints of wartime conservation during 1943. At most, on-site private residential construction has accounted for 3.6 percent of total nonagricultural employment; this was true in the twenties. Most of the time, however, house building has provided directly between 1 and 2.5 percent of all nonagricultural jobs and the proportion has hovered between 1 and 1.5 percent in the recent pre-war years, 1936-40. During these years such important industrial groups as stone, clay, and glass products and lumber and timber products accounted respectively for 1.1 and 1.5 percent of the nonagricultural employment total, very near the 1.3 percent average for on-site residential construction.

But because of the many industries producing the materials and fabricated components that make up the completed house—lumber, iron and steel, cement, lime, brick, stone, glass, heating equipment, and a multitude of others—the man-hours of employment required off the site of construction are actually greater than the man-hours required on the site. For the annual average of about 377,000 workers required at the site of new private residential construction

<sup>1</sup> Includes major additions, alterations, and repairs and covers farm and nonfarm construction.

between 1936 and 1940, 453,000 were needed off-site to extract, process, fabricate, and transport the needed construction materials and in administration. It is essential, therefore, in estimating the employment flowing from residential construction to consider those indirectly as well as those directly employed.

Estimates<sup>2</sup> made by the Bureau of Labor Statistics covering the period 1909-43 show that except in the depressed years after World War I and in the thirties and during the war years 1917-18 and 1942-43, new residential building has directly and indirectly accounted for the employment of upward of a million workers and in the twenties for considerably over 2,000,000. Between 1936 and 1940, in fact, house building required, on-site and off-site, about 2.8 percent of all nonagricultural workers, considerably more than the stone, clay, and glass and the lumber and timber industry groups or the automobile industry, though not as much as iron and steel or textiles. In 1929, however, direct and indirect employment on residential construction exceeded even the latter and it is likely that this was true in the twenties as well.

On-site and off-site employment together, however, still do not measure fully the total amount of employment that flows from residential building. Such building affects directly the market for a wide variety of producers and consumers' goods. For example, new homes frequently mean the purchase of completely or almost entirely new interiors from carpeting and furniture to kitchen utensils. With every new house built and sold there is demand also for new garden tools, storm windows, galvanized pails, fencing, porch chairs, and numerous other items that are part and parcel of owning and maintaining a house. Few occupants of a new residential unit or new house refrain from buying some new furnishings—perhaps curtains, a rug, a chair, bedspreads. The effect of this area of consumption on employment in the durable and nondurable goods industries and on the trade and service industries as well cannot be measured directly, but the Bureau's study of consumer purchases made in 1941 shows that in that year, the average amount of expenditures made by new home owners for home furnishings and equipment was more than twice as much as those made by all the other families in the survey.

Active residential building commonly means use of outlying land, with resultant need also for schools, stores, and churches, and for streets, sidewalks, and facilities for water, sewer, electric, gas, and telephone service. When current obstacles to redevelopment of blighted areas are overcome, in many cases extensive non-residential improvements within those areas will likewise be needed to fit the new uses of the land.

Not to be overlooked, in addition, is the fact that the more building trades workers employed, the more money building puts immediately into circulation.

Finally, residential construction is one of the prime movers in the economy. While purchase of clothing and other semidurable and nondurable consumer goods is largely a function of current consumer income, purchase of a new residence—a costly consumer durable good—calls for credit expansion and utilization of savings. For these reasons residential construction may be a generator of increased consumer expenditures and cause for a rising level of general business activity.

#### *Fluctuations and their effects*

It is obvious from a review of the foregoing analysis that when residential construction falls off, credit tends to contract and consumer expenditures tend to decline. With the falling off in residential construction not only is employment in the construction industry adversely affected, but also employment in a wide variety of durable and nondurable goods industries and in the trades and services. It is of utmost importance, therefore, that it be pointed out that of all kinds of construction, residential building fluctuates the most violently with the times. In 1925 about 700,000 more construction site workers on new residences were employed than in 1920, but by 1933 and 1934, 875,000 had been let go. It is not unusual for this section of the construction industry to show between one year and the next employment fluctuations of 100,000 workers and at times 200,000. Curtailment between 1941 and 1942 reduced employment on residential building by considerably over 300,000 workers. It is especially significant that over the years 1929-33, from the break to the depths of the great depression, whereas total nonagricultural employment fell off a fourth, site employment on new private residential construction decreased by as much as five-sixths.

Employment on residential building fluctuates more than total nonagricultural employment. In prosperous peacetime years it comprises a much greater proportion of all new construction employment and of total nonagricultural employment

<sup>2</sup> See table 3.

than in depression years. In bad times residential construction employment tends to fall off more than other nonagricultural employment. Whereas employment on the site of residential building decreased from 2.2 to 0.4 percent of total non-agricultural employment between 1929 and 1934, employment on textile mill products increased from 3.8 to 4.5 percent of the nonagricultural total, automobile manufacture remained the same at 1.7 percent, and iron and steel and stone, clay, and glass lost only three-tenths of a percental point, dropping respectively, from 3.9 to 3.6 and from 1.3 to 1.0.

Analysis of these extreme fluctuations in residential building employment and of the importance of residential building in the national economy leads inevitably to the conclusion that the extremes experienced in the past will have to be kept within limits and comparative stabilization introduced in order to prevent serious derangement to a large part of the industrial structure.

Actually, the wide fluctuations in residential construction, not only from period to period, but from year to year, and even from season to season, reveal strikingly the capacity and flexibility of the industry, features that can be capitalized upon in the post-war period for achieving steady, full employment. But it should be cautioned that construction employment, though considerable, is but a fraction of total employment, and though its ramifications in the national economy are extensive, it cannot be looked upon as a panacea through which alone the rough going of reconversion can be smoothed and full employment may be achieved.

TABLE 1.—Construction expenditures in continental United States, 1915 to 1943<sup>1, 2</sup>

(Millions of dollars)

Year	Function and ownership													
	Total new construction	Private construction						Public construction					Other public	
		Total	Residential (non-farm) <sup>3</sup>	Non-residential (non-farm)	Farm <sup>4</sup>		Public utility	Total	Residential <sup>5</sup>	Non-residential	Military and naval	Highway	Federal <sup>5</sup>	State and local <sup>6</sup>
					Residential <sup>3</sup>	Non-residential								
1915	3,136	2,421	990	424	195	270	542	715	0	217	17	298	37	146
1916	3,677	2,974	1,110	639	245	335	645	703	0	207	21	308	29	138
1917	4,420	3,147	940	712	300	415	780	1,273	0	192	608	313	28	132
1918	5,015	2,784	720	638	310	425	691	2,231	28	199	1,555	288	30	131
1919	6,121	4,158	1,600	956	395	545	662	1,963	14	246	1,089	415	40	159
1920	6,310	4,976	1,609	1,743	355	510	759	1,334	0	283	161	640	56	194
1921	5,640	4,091	1,759	1,329	170	245	588	1,549	0	386	49	840	53	221
1922	7,110	5,454	2,833	1,373	202	293	753	1,656	0	480	25	851	50	250
1923	8,684	7,086	3,757	1,560	272	341	1,156	1,598	0	482	16	782	67	251
1924	9,572	7,710	4,300	1,528	259	324	1,299	1,862	0	494	9	951	80	328
1925	10,476	8,368	4,884	1,938	262	327	1,257	2,108	0	573	8	1,056	74	397
1926	11,023	8,910	4,591	2,381	254	317	1,367	2,113	0	603	11	1,039	64	396
1927	11,117	8,749	4,289	2,414	287	356	1,403	2,368	0	596	12	1,190	65	505
1928	10,803	8,341	3,961	2,425	278	347	1,330	2,402	0	638	15	1,270	82	457
1929	10,668	8,257	3,562	2,501	283	348	1,563	2,411	0	642	19	1,248	99	403
1930	8,398	5,621	1,790	1,888	199	232	1,512	2,777	0	647	29	1,481	120	500
1931	6,347	3,770	1,460	1,096	128	139	947	2,577	0	591	40	1,323	144	479
1932	3,578	1,784	638	544	69	71	462	1,794	0	408	34	916	145	291
1933	2,485	1,269	413	417	95	99	245	1,216	0	191	36	675	172	142
1934	3,070	1,584	591	441	120	125	307	1,486	1	207	47	821	253	157
1935	3,542	2,093	913	457	175	210	338	1,449	9	260	37	622	325	196
1936	5,119	2,945	1,368	698	190	225	464	2,174	61	546	29	876	343	319
1937	5,833	3,795	1,655	1,022	223	275	620	2,038	93	647	37	850	316	275
1938	5,475	3,389	1,767	683	197	250	492	2,086	35	571	62	837	308	273
1939	6,850	4,304	2,406	879	235	295	489	2,546	65	834	128	791	329	399
1940	7,602	5,053	2,659	1,159	250	320	665	2,549	199	519	385	819	346	281
1941	11,163	6,087	3,091	1,484	300	415	797	5,076	429	1,543	1,614	790	421	279
1942	13,486	3,474	1,471	866	185	315	637	10,372	542	3,621	4,967	678	401	163
1943	7,764	1,985	809	408	98	194	476	5,779	644	1,755	2,439	407	421	113

<sup>1</sup> The estimates include expenditures for new construction and major additions and alterations, but exclude, except for farm construction, expenditures for maintenance and work-relief construction.

<sup>2</sup> Estimates from 1915 through 1933, except for farm construction, from Bureau of Foreign and Domestic Commerce series Construction Activity in Continental United States.

<sup>3</sup> Includes major additions, alterations, and repairs.

<sup>4</sup> Farm construction from 1915 through 1941 estimated by Bureau of Agricultural Economics, U. S. Department of Agriculture.

<sup>5</sup> Mainly river, harbor, flood-control, reclamation, and power projects.

<sup>6</sup> Includes water-supply, sewage-disposal, and miscellaneous public-service enterprises.

Source: Bureau of Labor Statistics, Construction and Public Employment Division.



TABLE 2.—Expenditures for private residential construction as a percent of all construction expenditures, 1915-43<sup>1</sup>

Year	All construction expenditures	Private residential construction expenditures		Year	All construction expenditures	Private residential construction expenditures	
		Amount	Per cent			Amount	Per cent
1915	\$3,136,000,000	\$1,185,000,000	37.8	1930	\$8,398,000,000	\$1,989,000,000	23.7
1916	3,677,000,000	1,355,000,000	36.9	1931	6,347,000,000	1,588,000,000	25.0
1917	4,420,000,000	1,240,000,000	28.1	1932	3,578,000,000	707,000,000	19.8
1918	5,015,000,000	1,030,000,000	20.5	1933	2,485,000,000	508,000,000	20.4
1919	6,121,000,000	1,955,000,000	32.6	1934	3,070,000,000	711,000,000	23.2
1920	6,310,000,000	1,964,000,000	31.1	1935	5,542,000,000	1,088,000,000	30.7
1921	5,640,000,000	1,929,000,000	34.2	1936	6,119,000,000	1,558,000,000	30.4
1922	7,110,000,000	3,035,000,000	42.7	1937	5,833,000,000	1,878,000,000	32.2
1923	8,684,000,000	4,029,000,000	46.4	1938	5,475,000,000	1,964,000,000	35.9
1924	9,572,000,000	4,559,000,000	47.6	1939	6,850,000,000	2,641,000,000	38.6
1925	10,476,000,000	4,846,000,000	46.3	1940	7,602,000,000	2,909,000,000	38.3
1926	11,023,000,000	4,845,000,000	44.0	1941	11,163,000,000	3,391,000,000	30.4
1927	11,117,000,000	4,576,000,000	41.2	1942	13,486,000,000	1,656,000,000	12.3
1928	10,803,000,000	4,239,000,000	39.2	1943	7,764,000,000	907,000,000	11.7
1929	10,668,000,000	3,845,000,000	36.0				

<sup>1</sup> Includes major additions, alterations, and repairs, and covers farm and nonfarm construction.  
Source: Bureau of Labor Statistics, Construction and Public Employment Division.

TABLE 3.—Estimated on-site and off-site employment on new private residential building compared with total nonagricultural employment, 1909-43

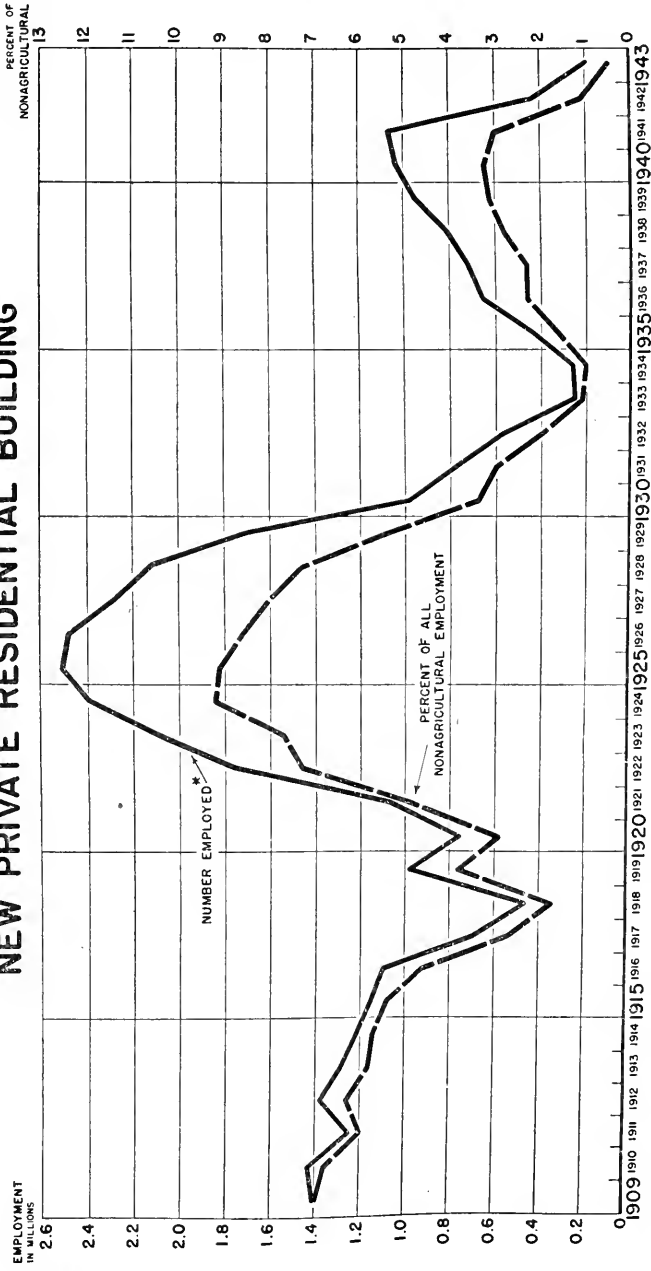
Year	Number of persons employed				Percent of nonagricultural employment attributed to new private residential building		
	In nonagricultural establishments <sup>1</sup>	New private residential building			Total	On-site	Off-site <sup>2</sup>
		Total	On-site	Off-site <sup>2</sup>			
1909	20,339,000	1,408,000	518,000	890,000	7.0	2.6	4.4
1910	21,175,000	1,430,000	527,000	903,000	6.8	2.5	4.3
1911	20,803,000	1,249,000	458,000	791,000	6.0	2.2	3.8
1912	21,899,000	1,375,000	520,000	855,000	6.3	2.4	3.9
1913	22,230,000	1,285,000	486,000	797,000	5.8	2.4	3.6
1914	21,355,000	1,216,000	459,000	759,000	5.7	2.2	3.5
1915	21,533,000	1,147,000	444,000	703,000	5.4	2.1	3.3
1916	23,939,000	1,091,000	423,000	668,000	4.6	1.8	2.8
1917	26,109,000	693,000	253,000	440,000	2.7	1.0	1.7
1918	26,109,000	466,000	169,000	297,000	1.7	.6	1.1
1919	25,661,000	978,000	369,000	609,000	3.8	1.4	2.4
1920	25,651,000	753,000	284,000	469,000	2.9	1.1	1.8
1921	21,798,000	1,062,000	412,000	650,000	4.9	1.9	3.0
1922	24,024,000	1,759,000	682,000	1,077,000	7.3	2.8	4.5
1923	26,953,000	2,085,000	807,000	1,278,000	7.7	3.0	4.7
1924	26,323,000	2,396,000	934,000	1,462,000	9.2	3.6	5.6
1925	27,780,000	2,509,000	989,000	1,520,000	9.1	3.6	5.5
1926	28,855,000	2,473,000	983,000	1,490,000	8.6	3.4	5.2
1927	28,788,000	2,279,000	937,000	1,342,000	8.0	3.3	4.7
1928	29,327,000	2,111,000	865,000	1,246,000	7.3	3.0	4.3
1929	31,045,000	1,694,000	696,000	998,000	5.4	2.2	3.2
1930	28,903,000	983,000	359,000	584,000	3.4	1.4	2.0
1931	26,123,000	778,000	338,000	440,000	3.0	1.3	1.7
1932	22,950,000	567,000	207,000	260,000	2.0	.9	1.1
1933	23,078,000	251,000	115,000	136,000	1.1	.5	.6
1934	25,454,000	255,000	109,000	146,000	1.0	.4	.6
1935	26,628,000	438,000	196,000	242,000	1.6	.7	.9
1936	28,832,000	657,000	291,000	366,000	2.3	1.0	1.3
1937	30,660,000	713,000	369,000	404,000	2.3	1.0	1.3
1938	28,756,000	804,000	371,000	433,000	2.8	1.3	1.5
1939	30,353,000	948,000	429,000	519,000	3.1	1.4	1.7
1940	31,784,000	1,029,000	483,000	546,000	3.2	1.5	1.7
1941	35,668,000	1,073,000	529,000	544,000	3.0	1.5	1.5
1942	38,447,000	431,000	223,000	208,000	1.1	.6	.6
1943	39,728,000	193,000	99,000	94,000	.5	.3	.2

<sup>1</sup> Preliminary. Excludes proprietors, self-employed persons, domestic servants, and personnel of the armed services.

<sup>2</sup> Includes employment involved in extraction, processing, fabricating, and transporting construction materials and in administration.

Source: Bureau of Labor Statistics, Construction and Public Employment Division and Occupational Outlook Division.

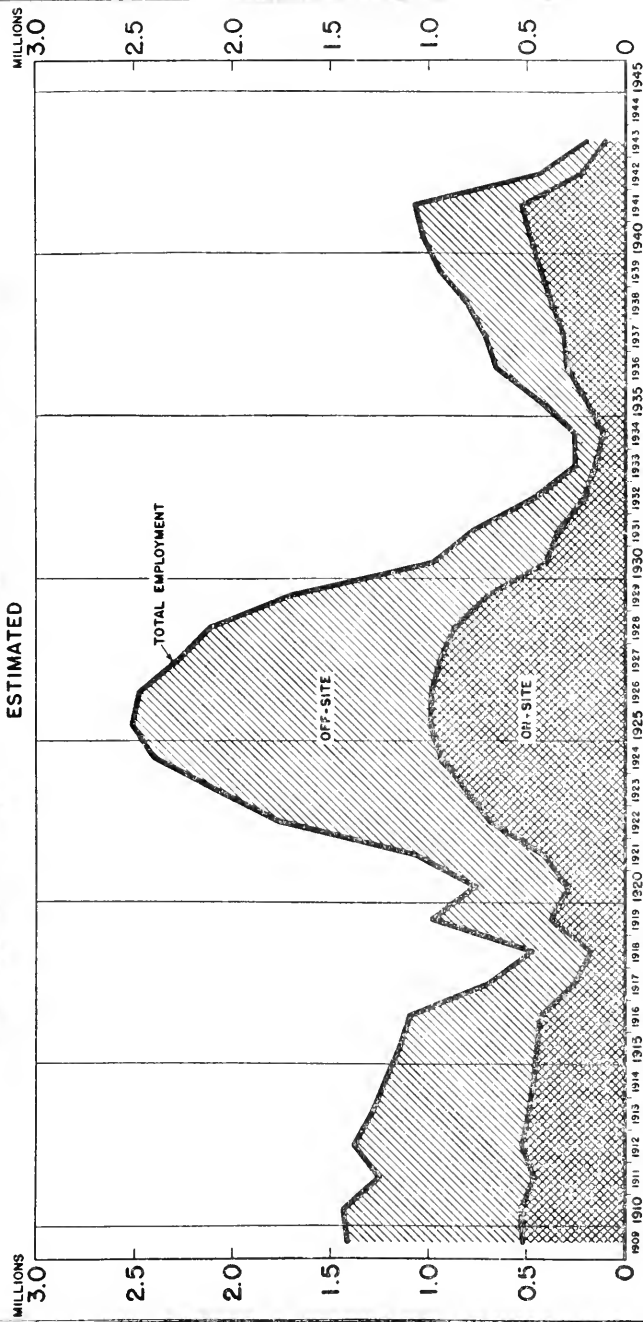
# EMPLOYMENT NEW PRIVATE RESIDENTIAL BUILDING



\* INCLUDES SITE EMPLOYMENT AND EMPLOYMENT IN DISTRIBUTING CONSTRUCTION MATERIALS AND IN ADMINISTRATION

UNITED STATES DEPARTMENT OF LABOR  
BUREAU OF LABOR STATISTICS

# ON-SITE AND OFF-SITE EMPLOYMENT ON NEW PRIVATE RESIDENTIAL BUILDING



UNITED STATES DEPARTMENT OF LABOR  
 BUREAU OF ECONOMIC RESEARCH  
 WASHINGTON, D. C.

## THE EFFECT OF COSTS ON BUILDING AND HOUSING

*Wholesale prices, building costs, and the price of houses*

It has frequently been reasoned that if the prices of building materials were lower and moved more readily with the times, houses would be cheaper, more people could buy new houses or live in them, more houses could then be built, and consequently the building industry and the country as a whole would benefit. Actually, there appears to be no simple carry-over from low prices of building materials alone to prices of new houses inexpensive enough to satisfy the heavy potential demand in the low-income groups.

Building materials account for about 40 percent of the cost to purchaser of a medium-priced house. A reduction as large as 20 percent in the prices of these materials would result in a decrease of 8 percent in the cost of this house. (Such a reduction would, for example, reduce the cost of a standard six-room house from \$6,000 to \$5,520). If labor costs, which account for about 27 percent of cost to purchaser, were also cut 20 percent, the combined effect of the 20 percent reduction in labor and material costs would be a drop of about 13 percent, and the cost of the \$6,000 house would fall to \$5,220. This, of course, is a substantial reduction, which would be likely to affect the volume and nature of new construction, especially in times of reasonably high business activity. However, it would not lower over-all costs sufficiently to reach the bulk of low-income families. Though the cost of houses to the consumer depends on the prices of building materials and of labor, these prices and their effect on total costs are determined basically by the design of the house, the amount and kinds of materials that are used, and the efficiency of construction. When designs are developed that require less hand workmanship and fewer and less costly materials distributed through less costly channels, we shall see a cheaper house and one not necessarily less adequate than its predecessors.

However, it is extremely important to distinguish between changes in building costs which are directly associated with changes in the phase of the business cycle and between additional decreases in costs, apart from the effect of the cycle. In this connection, it is well known that the volume of building and the employment that flows from its moves in response to the cycle and associated changes in consumer income. In bad times even enormous reductions in cost will have little effect on the volume of construction. Between 1929 and 1932, wholesale prices of all building materials dropped 25 percent, and all building costs declined 24 percent, yet the volume of new construction fell disastrously. After 1932 prices of materials and building costs rose substantially, and in 1943 were 24 and 33 percent, respectively, above the 1935-39 average. The number of new dwelling units built also increased considerably, but probably not as much as would have been the case if the cost increase had been dampened. Builders are quick to take advantage of a rising economy and must as quick to be discouraged in a falling one. In fact, more money is spent on building in good times, proportionately, than in other enterprises, but in bad times, the situation is exactly the reverse.

It is interesting to note that the average valuation of new one-family houses, when adjusted to eliminate changes in building costs (table 6) increased from 1923 to 1931, but has declined steadily and rapidly since then. This was largely due to the fact that in the thirties, new one-family homes were becoming progressively smaller and less elaborate. In 1942 and 1943 the drop in average valuation was unusually sharp as a result of priorities assistance being granted by the Federal Government only for individual dwelling units selling at \$6,000 or less, or renting for a maximum of \$50 monthly.

This tendency away from larger houses and from houses having a garage is confirmed in striking fashion by the following tabulation of the size of single-family homes insured under section 203 of the National Housing Act between 1937 and 1942. The sample of one-family homes for which the data are presented comprised approximately 3 in every 10 of such houses built during the 6-year period.

*Percentage of new homes with Federal Housing Administration insured mortgages under sec. 203 of the National Housing Act having specified number of rooms or garage, 1937-42*

Year	Number of new homes	Percentage of new homes having—				
		1 to 4 rooms	5 rooms	6 rooms	7 rooms or more	Garages
1937.....	53, 552	12.9	41.4	30.2	15.5	80.5
1938.....	97, 645	14.6	48.2	28.4	8.8	80.0
1939.....	123, 731	18.1	49.1	27.8	5.0	79.3
1940.....	162, 333	22.6	47.1	25.7	4.6	75.6
1941.....	169, 651	25.0	46.1	24.9	4.0	73.9
1942.....	60, 917	27.9	47.4	22.6	2.1	70.3

Before 1942 there was no regulatory reason for the drop in the average cost of houses. Nor did the drop follow building materials prices, building costs, building activity, the business cycle, or the trend in family income. It occurred actually because a different kind of house, a smaller, more compact, and cheaper dwelling, had become more important in the American housing picture than ever before, and builders were finding it profitable to build such a house.

#### *Restrictions in the building industry and the price of houses*

The size of house cannot be reduced very much without affecting its adequacy, nor can all families of moderate or lower means occupy a four-room house conveniently. It is to be hoped that the cost or rental of homes to the purchaser or tenant will decrease in the future without affecting the fundamental quality or adequacy of the dwelling.

This is not as fantastic an achievement as it may appear at first. Actually, numerous arbitrary and artificial restrictions on construction operations at present are so powerful as to affect the price of housing much more than any other single consideration including the cost of land, of building materials, of labor, or of financing. These restrictive practices have the following effects (1) they discourage research in building design and techniques and in the development of different building materials, thereby maintaining the technological status quo in the industry (2) they lead to monopoly and price fixing and to arbitrary and limited channels of distribution of building materials (3) they encourage and maintain handcraft methods and discourage mechanization or prefabrication. Under such conditions the possibilities of the building industry in the way of technological and productive advances have never been fully realized. In consequence, even with building costs moderate, land cheap, and financing easy, new houses have been too expensive for most families to buy or to rent.

The agency most qualified to describe in detail to the committee the gamut of restrictive practices that prevail in the construction industry is the Antitrust Division of the Department of Justice. Between 1939 and 1942 this Division was engaged in making a coordinated attack on all significant restraints throughout the United States. Its extensive activities ranged from indictment of the Southern Pine Association and two related groups for abusing a system of grading, grade-marking, and inspection of southern-pine lumber, to securing an injunction against fee splitting for the privilege of bidding among the New Orleans Chapter of Associated General Contractors, to termination of efforts throughout the country to control the channels for the distribution and installation of tile, and, finally, to the discrediting of the bid depository.

All groups involved in restraints of trade were simultaneously attacked under the Antitrust Division's program of this period. Only in this way could that program be economically effective, for housing involves many types of producers and distributors and many crafts. To produce an appreciable effect on building costs, restraints would have to be removed in each. This meant investigation into manufacture, wholesale and retail distributing, contracting, and labor activity over the country and in various industries, and then separate investigation in major cities where restraints were carried on locally.

These activities were felt and in many cases had a telling economic effect even before reaching the courts. What is more, they had unusual support from the building industry itself, entirely because of the scope and technique of the investigation. In addition to the immediate savings achieved by dissolving price-fixing conspiracies and doing away with other restraints that impose uneconomic methods

on the industry, it was found that experimental builders interested in simplifying and standardizing plans and parts, prefabrication, and other techniques that would help to introduce low-cost production were prepared to begin functioning under the assurance that organized efforts in the industry to restrain their activities would be attacked.

Antitrust activity in the construction industry was reduced in scope and intensity in 1942 and though the Division continues to prosecute in the field the total effect is not as great as before. It is to be hoped that the Antitrust Division will be enabled to embark again in the post-war period on a coordinated and extensive attack of restraints in the building industry in order to give the greatest possible encouragement to free, competitive enterprise and to research and technological change.

As a necessary supplement to the attack on restraints of trade, it is recommended that the Federal Government through already existing and well-equipped and competent agencies, such as the National Bureau of Standards of the Department of Commerce and the Forest Products Laboratory of the Department of Agriculture and through an agency like the National Advisory Council of Aeronautics for Aircraft, carry on widespread research in building. Such research will provide invaluable information toward the end of making it profitable for private industry to build a house that even low-income groups can afford, by providing basic scientific data concerning known and conventional as well as unknown and unconventional materials; about building techniques and possible modifications that will yield economies in time and effort; about building-code revision and designs; and about methods of standardizing dimensions. The results of such research should be given wide publicity. Senate bill 2046 might be considered in this connection, provided that in the broad programs of developmental research proposed, it were made mandatory for the National Housing Agency, under whose auspices the research would be carried on to avoid duplication of effort by using existing facilities and personnel of such agencies as the National Bureau of Standards and the Forest Products Laboratory in the technical field and the Bureau of Labor Statistics in the economic and statistical field.

Local governments also could help immeasurably toward reducing housing costs by instituting controls over the price of land for housing through regulation of land use and especially of speculative subdividing. Zoning should be placed on a sound technical footing and improvement of facilities should be carried on to encourage redevelopment of blighted areas.

TABLE 4.—*Index numbers of building materials prices and other wholesale prices, 1920-43*

[1935-39=100]

Year	All commodities	All building materials	Lumber	Foods	Textile products	Fuel and lighting	House furnishing goods
1920	191.6	167.5	184.0	173.7	232.1	217.1	166.8
1921	121.1	108.7	99.0	114.5	133.1	128.4	132.9
1922	120.0	108.6	110.4	110.7	141.1	142.3	121.8
1923	124.8	121.3	124.5	117.2	156.8	129.0	128.1
1924	121.7	114.2	110.6	115.0	150.3	122.0	123.4
1925	128.4	113.5	112.0	126.7	152.5	128.0	121.3
1926	124.1	111.6	111.4	126.4	140.8	132.6	117.6
1927	118.4	105.7	103.7	122.3	134.6	117.1	114.7
1928	120.0	105.0	100.8	127.7	134.5	111.8	111.9
1929	118.2	106.5	104.5	126.3	127.3	110.1	110.9
1930	107.2	100.3	95.5	114.4	113.1	104.1	109.1
1931	90.6	88.4	77.4	94.3	93.4	89.5	99.9
1932	80.4	79.7	65.1	77.1	77.3	93.2	88.4
1933	81.8	85.9	78.7	76.5	91.3	87.9	89.2
1934	92.9	96.2	94.1	89.1	102.7	97.2	95.9
1935	99.3	95.2	91.1	105.8	99.9	97.5	94.8
1936	100.2	96.8	96.9	103.8	100.7	101.1	96.1
1937	107.1	106.2	111.0	108.1	107.5	102.9	105.5
1938	97.5	100.8	97.3	93.0	93.9	101.5	102.1
1939	95.7	101.0	103.8	89.0	98.2	96.9	101.5
1940	97.5	105.8	114.6	90.1	103.9	95.1	104.1
1941	108.3	115.2	136.4	104.6	119.4	101.1	110.9
1942	122.6	123.0	147.9	125.9	136.5	104.1	120.5
1943	127.9	124.3	154.2	134.8	137.2	107.2	120.8

Source: Bureau of Labor Statistics, Wholesale Prices Division.

TABLE 5.—*Indexes of union wage rates and wholesale prices of building materials, 1920-43*

[1935-39=100]

Year	Union wage rates		Wholesale prices			
	Journeyman	Helpers and laborers	All building materials	Lumber	Structural steel	Paint and paint materials
1920	76.4	79.3	167.5	184.0	139.2	181.7
1921	77.9	80.1	108.7	99.0	100.7	102.9
1922	73.3	72.9	108.6	110.4	85.3	115.1
1923	80.8	77.3	121.3	124.5	119.3	124.3
1924	87.3	83.6	114.2	110.6	110.1	122.3
1925	90.6	86.4	113.5	112.0	98.6	134.1
1926	96.6	94.2	111.6	111.4	96.4	122.7
1927	99.9	95.9	105.7	103.7	91.3	118.2
1928	100.7	96.8	105.0	100.8	91.8	114.2
1929	102.0	98.5	106.5	104.5	94.6	116.4
1930	106.2	103.5	100.3	95.5	84.2	111.0
1931	106.6	103.0	88.4	77.4	80.1	97.4
1932	91.1	87.9	79.7	65.1	78.0	87.2
1933	88.7	83.9	85.9	78.7	80.1	89.9
1934	89.2	86.4	96.2	94.1	87.6	97.5
1935	90.2	86.9	95.2	91.1	86.8	97.9
1936	93.2	92.0	96.8	96.9	91.6	98.3
1937	99.6	100.0	106.2	111.0	109.2	102.3
1938	108.8	110.0	100.8	97.3	107.0	99.8
1939	109.0	110.5	101.0	103.8	103.5	101.0
1940	110.5	113.1	105.8	114.6	103.5	105.2
1941	114.4	118.5	115.2	135.4	103.5	112.1
1942	120.8	130.3	123.0	147.9	103.5	123.1
1943	121.5	131.8	124.3	154.2	103.5	125.5

Source: Bureau of Labor Statistics, Industrial Relations Division and Wholesale Prices Division.

TABLE 6.—*New privately financed nonfarm dwelling units, and related factors, 1920-1943*

[Indexes, 1935-39=100]

Year	Dwelling units		Average permit valuation			Building cost index <sup>3</sup>	Rent index <sup>4</sup>
	Number	Index	Valuation <sup>1</sup>	Index			
				Unadjusted	Adjusted for changes in building costs <sup>2</sup>		
1920	247,000	72.2	( <sup>5</sup> )			123.9	120.7
1921	449,000	131.3	\$3,972	94.2	101.1	93.2	138.6
1922	716,600	209.3	4,259	101.0	111.4	90.7	142.7
1923	871,000	254.7	4,189	99.3	97.7	101.6	146.4
1924	893,000	261.1	4,342	103.0	102.5	100.5	151.6
1925	937,000	274.0	4,593	108.9	107.6	101.2	152.2
1926	849,000	248.2	4,763	113.0	110.5	102.3	150.7
1927	810,000	236.8	4,830	114.5	114.4	100.1	148.3
1928	755,000	220.2	4,937	117.1	115.9	101.0	144.8
1929	509,000	148.8	4,919	116.7	114.1	102.3	141.4
1930	330,000	96.5	4,994	118.4	119.0	99.5	137.5
1931	254,000	74.3	4,836	114.7	128.2	89.5	130.3
1932	134,000	39.2	3,943	93.5	120.6	77.6	116.9
1933	93,000	27.2	3,845	91.2	112.0	81.4	100.7
1934	126,000	36.8	4,071	96.5	105.5	91.5	94.4
1935	215,705	63.1	4,241	100.6	111.2	90.5	94.2
1936	304,225	89.0	4,313	102.3	109.1	93.8	96.4
1937	332,406	97.2	4,348	103.1	97.7	105.6	100.9
1938	399,294	116.7	4,109	97.4	92.4	105.4	104.1
1939	458,458	134.0	4,073	96.6	92.2	104.8	104.3
1940	529,571	154.8	3,995	94.7	87.1	108.7	104.6
1941	619,460	181.1	4,112	97.5	83.8	116.4	106.2
1942	301,193	88.1	3,597	85.3	66.6	128.0	108.5
1943	183,751	53.7	3,593	85.2	64.0	133.1	108.0

<sup>1</sup> Valuations declared by builders of 1-family houses on permit applications in 257 cities. For 1938 it is estimated that these valuations understate building construction costs by 15 to 20 percent and selling price by 40 to 50 percent.

<sup>2</sup> This index has been calculated by dividing the unadjusted index in column 4 by the building cost index in column 6. It indicates, therefore, changes in the nature and size of the houses built during this period, but not in the valuation of houses with constant specifications.

<sup>3</sup> This index represents the weighted average of the cost of building materials and wage rates with adjustment for technological change.

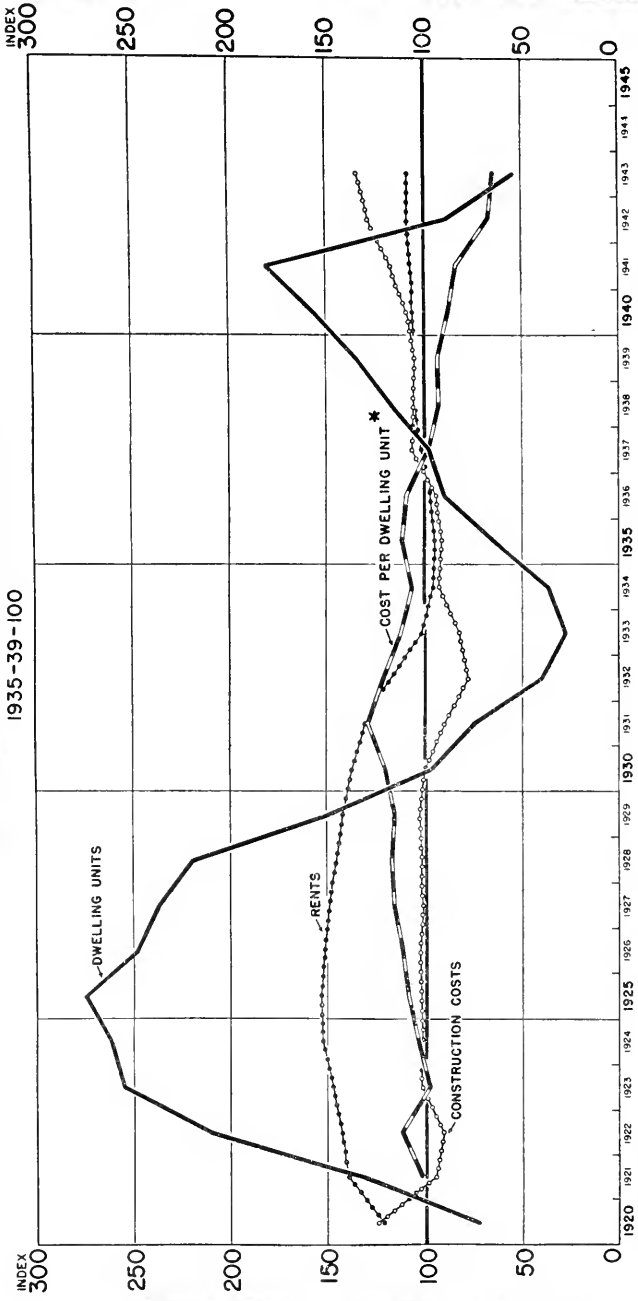
<sup>4</sup> Index of rents to wage earners and lower-salaried workers in large cities.

<sup>5</sup> Not available.

Source: Bureau of Labor Statistics, Construction and Public Employment Division.

# NEW PRIVATELY FINANCED NONFARM DWELLING UNITS AND RELATED FACTORS

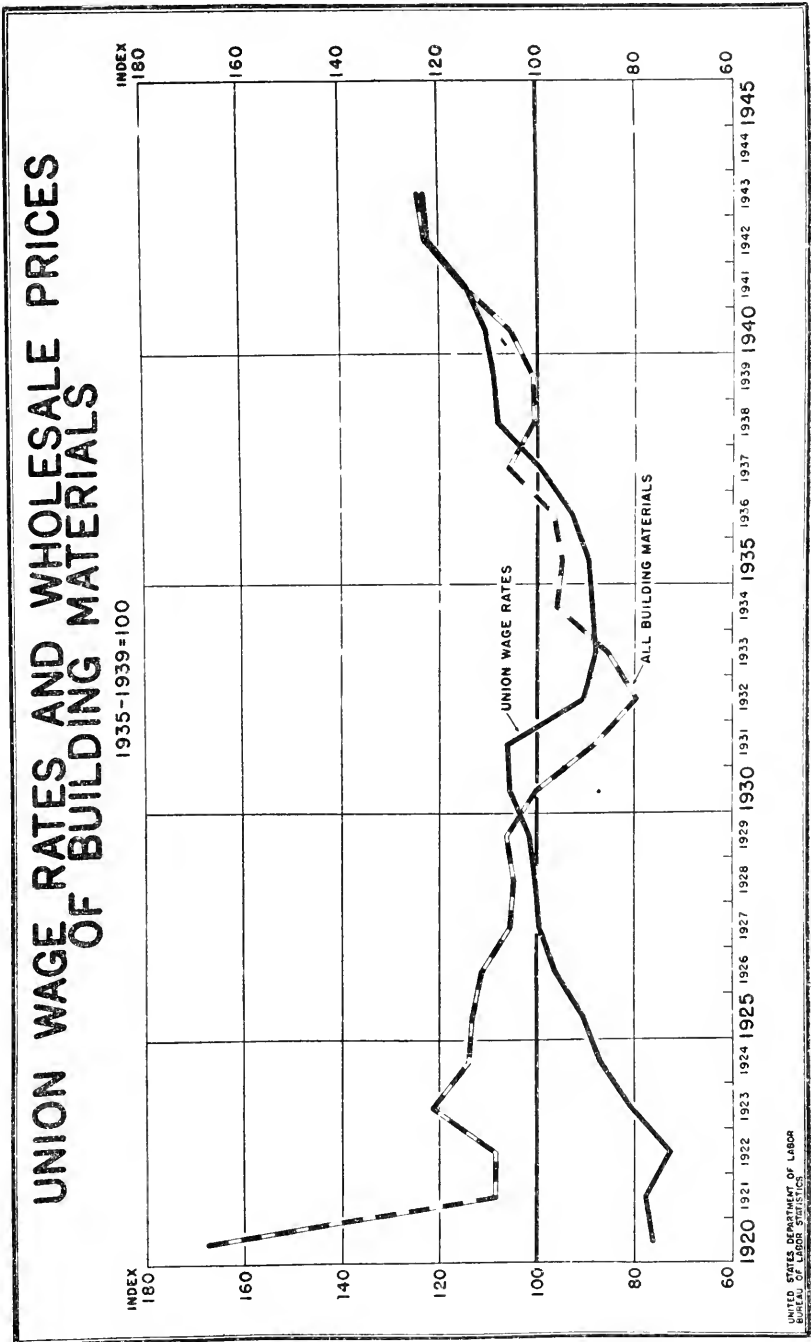
1935-39 = 100



UNITED STATES DEPARTMENT OF LABOR  
BUREAU OF LABOR STATISTICS

\* VALUATION OF PRIVATELY FINANCED FAMILY UNITS IN 257 CITIES, ADJUSTED FOR CHANGES IN BUILDING COSTS





## EFFECT OF SEASONALITY ON ANNUAL EARNINGS IN THE BUILDING INDUSTRY

One of the most persistent of labor problems has been the seasonal pattern in the building industry whereby workers are usually employed steadily for only part of each year. As a result, building trades employees actually receive an annual wage that is far lower than might be expected on the basis of the hourly wage rates which prevail in the industry.

Annual earnings data that clearly apply to individuals employed only on construction work unfortunately are not available. Average weekly earnings, however, are computed in the Bureau of Labor Statistics. In 1939 such earnings on private building construction amounted to \$30.24 and in 1940 to \$31.51. (The difference in average earnings between quarters was at most \$3 in 1939 and \$4 in 1940.) It can be inferred from this that if building workers were employed throughout the year their annual wage would have been in the neighborhood of \$1,550 in 1939 or \$1,600 in 1940.

The following table shows average monthly employment on private building construction in 1939 and 1940:

*Average monthly employment on private building construction, 1939 and 1940*

[In thousands of persons]

Month	1939	1940	Month	1939	1940
January.....	892.5	870.3	July.....	1,239.8	1,412.7
February.....	874.0	849.5	August.....	1,264.8	1,427.0
March.....	848.6	854.2	September.....	1,234.4	1,394.5
April.....	1,000.9	1,020.7	October.....	1,099.4	1,247.6
May.....	1,075.6	1,161.3	November.....	1,014.4	1,154.8
June.....	1,163.7	1,329.6	December.....	935.3	1,102.1

Taking the ratio of the month of lowest to that of the highest average employment, a maximum of about two-thirds of the workers in 1939, and only three-fifths in 1940 could possibly have worked throughout the year and thereby earned the full annual wage. The data show in fact that at least 20 percent worked less than 6 months on construction and so averaged below \$800 in 1939 and 1940.<sup>3</sup>

These data illustrate vividly the pressing need for reducing the extreme seasonality in the building industry. This is by no means impossible<sup>4</sup> and real effort should be made on the national level to cope with the problem. If these seasonal fluctuations could be eliminated, or at least greatly reduced, building trades workers would have more satisfactory incomes, and the American people would have better housing.

<sup>3</sup> Annual earnings data for 1939 are available in the manual *Old Age and Survivors Insurance Statistics* issued by the Social Security Board in 1941. They cover workers classified in building construction or special trade contracting who may have worked also in other industries. They do not include earnings not taxable under the Social Security Act, thereby excluding wages earned in agriculture, domestic service, etc.; wages of over \$3,000 from any one employer; or money earned under self-employment. The resultant figure is \$668 for employees of general contractors in building construction and \$804 for employees of special trade contractors. No data are available to show the annual earnings of individuals primarily employed on construction work, with separate figures for those who are regularly employed in some other industry but work in construction for short times in slack seasons. Since there is a wealth of underlying, basic material on this subject, it may be appropriate to direct the Social Security Board and the Bureau of Labor Statistics to prepare the necessary analysis from data already gathered. While some financial resources would doubtless be required, such a project would appear to be technically feasible. The basic machinery for such a program is already set up in the Bureau of Old Age and Survivors' Insurance Benefits in the form of its continuous work history sample. This sample includes workers covered under the Old Age and Survivors' Insurance program and provides a basis for tabulation by industry and annual earnings. The results that can be secured from the use of these and other records toward the end of arriving at the annual earnings of construction workers are essential for the development of basic policy.

<sup>4</sup> *Federated American Engineering Societies, Waste in Industry*. Washington, 1921. *Hersch, L., Seasonal Unemployment in the Building Industry in Certain European Countries*, *International Labor Review*, vol. 19, Nos. 1-3, January to March 1929.

Mendershauser, Horst, "The Elimination of Seasonal Fluctuations in the Building Industry," *International Labor Review*, vol. 36, No. 2, August 1937, pp. 167-199.

Monthly Labor Review, *Causes of Seasonal Fluctuations in the Construction Industry*, vol. 33, No. 3, September 1931, pp. 6-33.

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U. S. Department of Labor, Housing and Building Operations, in *Handbook of Labor Statistics: 1936* pp. 224-228.

## HOUSING IN RELATION TO INCOME

The disparity between prevailing family incomes and the cost of occupying housing that meets modern standards of health and decency has been recognized by most investigators as the chief obstacle to widespread improvement in the Nation's housing. It is clear that the vast need for improved low-cost housing, as shown by the 1940 census, will in general not be met by private industry until costs of occupancy can be reduced to a level more consistent with consumers' ability to pay.

Statistical data on the distribution of nonfarm families by income in 1935-36 and average property valuations on which mortgages were insured by the Federal Housing Administration in 1938 are presented in a report of the Temporary National Economic Committee, Monograph No. 8: Toward More Housing. In that report it is estimated that at least four-fifths of the homes built in 1938 were in a price class obviously beyond the reach of three-fourths of our nonfarm families.

Data for 1941, when consumer incomes were at a higher level, show some improvement over the situation in the late thirties, though the disparity between income and prices of new dwellings continued to be of serious proportions. In 1941 approximately one-fourth of the property valuations of mortgages insured by the Federal Housing Administration were less than \$4,000; whereas 55 percent of the nonfarm families had incomes of less than \$2,000.<sup>5</sup> This narrowing of the breach resulted chiefly from the general rise in family incomes.

*Income distribution, 1935-36 and 1941*

Higher money incomes, on the average, were enjoyed by the civilian population in 1941 than at any previous time in our national history. Per capita incomes exceeded the previous peak of 1929. Average cash incomes were 42 percent higher in 1941 than in 1935-36, and there was a general moving up all along the income scale. In 1935-36 over half the Nation's families and single consumers had annual cash incomes below \$1,000 and nearly three-fourths had less than \$1,500. In 1941 only half fell below the \$1,500 mark.

The percentage of nonfarm families and single consumers in each money-income class in the two periods is shown below:

Percent having money income—	1935-36		1941		
	1935-36	1941	1935-36	1941	
Under \$500.....	18	12	\$2,000 to \$3,000.....	11	24
\$500 to \$1,000.....	29	17	\$3,000 to \$5,000.....	5	12
\$1,000 to \$1,500.....	22	16	\$5,000 and over.....	2	4
\$1,500 to \$2,000.....	13	15			

For families of two or more persons, incomes showed a rise from a median of \$1,026 to nearly \$1,678 in 1941. Both farm and nonfarm families shared in the general increases of income which occurred between the two periods. Thus, from 1935-36 to 1941, 21 percent of all urban families and 10 percent of those in rural-nonfarm areas shifted from the class with money incomes under \$1,000 to higher income classes. The corresponding percentage for farm families was 19 (table 7).

The rise in incomes during this period allowed for considerable improvement in the level of living of families, since it far outpaced the increase of about 7 percent in living costs from 1935-36 to 1941, and consumers were only slightly affected by the wartime shortages which set in immediately after that year.

*Consumer expenditures for housing*

In 1941 consumers in nonfarm areas spent about one-fourth of their total money income for housing, household operation, and housefurnishings and equipment. These expenditures ranked second only to food as a major item in the family budget. Average costs of occupancy (housing, fuel, light, and refrigeration) amounted to \$332 per year, while other household operation costs (laundry, paid help, telephones, etc.) averaged \$94, and average expenditures for housefurnishings and equipment were about \$97. On the basis of these figures, aggregate expenditures of nonfarm consumers for housing in 1941 are estimated at nearly \$18,000,000,000, of which \$11,000,000,000 represented such occupancy costs as rent, mortgage interest, insurance, taxes, repairs, fuel, light, and refrigeration.

<sup>5</sup> It is generally assumed that a family can afford to buy a home costing twice its annual income.

Among urban families of two or more persons, average expenditures for housing, fuel, light, and refrigeration were \$423 per family, with figures ranging from \$123 for families having incomes under \$500 to \$1,433 for families with incomes of \$10,000 or more. About 16 percent of the average money income of urban families was spent for housing, fuel, light, and refrigeration. Families in the lower-income classes spent more than one-fourth of their income for housing occupancy, while the much larger expenditures of families in the highest income classes required only one-tenth of their income. If expense for furnishings and other operating costs are added, total expenditures of urban families for housing represented 25 percent of the average money income (table 8).

#### *Expenditures of owners and tenants*

Comparative data on housing expenditures of urban home owners and tenants at different levels of family income are presented in table 9. It will be noted that average current expenses of home owners were considerably less than those of tenants at practically all income levels. Interest on the mortgage, insurance, and taxes on the property are included for owners in lieu of rent for tenants, while the figures for both groups include repairs, replacements, and fuel, light, and refrigeration costs payable by the occupant. Maintenance costs were, of course, higher for owners than for tenants, but the differential was not large enough to offset the difference between rent and the lower fixed costs of owners for interest, insurance, and taxes.

In the accounting system used in this and other consumer studies, payments on mortgage principal are not included as current expenditures but are considered an increase in family assets. The validity of this procedure is questionable when applied to loans for which the amortization period is nearly equal to the life of the property. Even when the loan is amortized over a reasonably short period, it may be argued that some fraction of the principal payment should be added to the home owner's current expense if a fair comparison is to be made of the costs of owner and tenant occupancy. Thus the average payment on mortgage principal is shown separately in table 9 and may be added in whole or in part to the current expenditures of owner occupants. Assuming that one-half of the average principal payment is equivalent to rent and not properly classifiable as savings, the owner would still seem to have some advantage over the tenant in the same income class with respect to occupancy costs.

In comparing these average costs of owners and tenants, consideration should be given to the quality of housing furnished. The estimated rental value of owned houses was higher than the actual rent paid by tenants in the same income class. Whether this merely indicates a tendency for owners to overestimate the rental value of their homes or implies a real difference in the quality of housing cannot be determined from the available tabulations. The housing characteristics of the two tenure groups are recorded on punched cards, however, and can be tabulated if the committee is interested in exploring these relationships. Since the cross-tabulations of Census data showing the characteristics of owned and rented homes by monthly rent or rental value tend to refute the common assumption that owners' estimates of the rental value of their homes are generally exaggerated, there is reason to believe that the expense reported by owners in our consumer study relate to housing of somewhat better quality than that of tenants in the same income class.

The available statistics on comparative costs of owner and tenant occupancy do not furnish conclusive evidence as to whether it is cheaper in the long run to own than to rent housing. However, the calculation of average yearly costs of a representative sample of owners and tenants shows that owners tend to spend a somewhat smaller percentage of their income for current housing expense than tenants and probably receive for this smaller outlay more satisfactory housing.

There is another advantage in home ownership from the point of view of the community. The home owner is under a certain social pressure to keep his house in a good state of repair, and he will make improvements himself when he is not in a position to pay others to make them, thus increasing his own nonmoney income and that of the community at large. This sense of community consciousness is rarely found among the occupants of rental properties, largely because the tenant is offered no compensation for the value of the maintenance service performed. Partial tenant maintenance has been tried in a few large public and private projects and has been shown to be a cost-reducing factor. Further experimentation with such plans, placing emphasis on educational programs designed to develop a sense of community responsibility among tenants, should be encouraged for the twofold purpose of reducing the cost of tenant occupancy and improving their housing conditions.

*Home ownership at different income levels*

Further evidence of the desirability of home ownership is furnished by statistics on owner-occupancy at different income levels. Aside from the unresolved question of real savings in occupancy costs, most families apparently prefer to own their homes when they have sufficient funds to make the down payment and reasonable assurance of continued employment.

Among nonfarm families, the trend in home ownership over a long period has been slowly upward, increasing from 37 percent in 1890 to 46 percent in 1930, according to data from the decennial censuses. Between 1930 and 1940 the proportion of nonfarm home owners fell to 41 percent. This sharp decline, however, probably represented only a temporary reversal of the long-time trend because of the large number of foreclosures in depression years. After employment began to increase in the late thirties, there was only a brief period before the 1940 census for the accumulation of savings usually necessary for the down payment on a home. Since home ownership may be expected to increase in a period of rising incomes, the proportion of homeownership families at the present time probably approaches the level recorded for 1930.<sup>6</sup> Part of the increase in urban areas, at least in the last year or two, must be regarded as unsound insofar as it is due solely to a shortage of houses available for tenant occupancy. In crowded war-production areas many families undoubtedly have been forced to buy homes which they would have preferred to occupy as tenants, and as a consequence, may be risking serious financial loss.

The proportion of urban families that were home owners by the end of 1941 is shown by income level in table 9. These figures are not directly comparable with Census data because they include only economic families of two or more persons and the economic family, as defined for consumer studies, is slightly different in concept from the family of related persons and the household, as defined for Census purposes. Because of these differences in definition the proportion of home owners in the consumer study would be slightly higher than shown in the Census.

Figures from the consumer study indicate that the proportion of home owners ranged from one-third of the families having incomes under \$1,000 to two-thirds of those with incomes of \$5,000 or more. All occupational groups are included—entrepreneurs and families with no earnings, as well as the large group of wage earners for which comprehensive statistics are available in the 1940 census.

It is often contended that wage earners are less inclined than other occupational groups to incur the financial responsibility of home ownership because of insecurity of employment and the probability of moving in search of better employment opportunities. The 1940 census data for urban families give a factual basis for this belief, though precise comparisons between wage earner and other groups at equivalent income levels are not available. Only 30 percent of the urban families having no income (or not more than \$50) from sources other than earnings in 1939 owned their homes, as compared with 47 percent of the families with income from other sources. For the urban wage-earner families without other income, the proportion of owners ranged from about 20 percent of those with earnings of less than \$1,000 to 52 percent of those receiving \$5,000 or more. Although these percentages are only roughly comparable with data from the consumer study in 1941, they are enough lower, income class by income class, to give some credence to the theory that wage earners are less interested than other groups in home ownership.

Wage earners who wish to become home owners are handicapped in buying homes because they cannot be sure in case they find it necessary to take new jobs in other cities that they will be able to sell the homes they have bought at a fair

<sup>6</sup> Unofficial estimates based on data obtained in a survey conducted in April 1944 by the Bureau of the Census for the War Production Board offer the following comparisons:

*Percent of families that were home owners*

	1930	1940	1944
Total.....	48	44	47
Nonfarm.....	46	41	44
Farm.....	54	53	58

price. In part this risk is an inevitable result of the relationship between sale values of the dwellings in a community and the economic situation, both local and national. The problem could be solved in part, however, if home owners were provided with Government certification of the quality of the materials going into the construction of their homes and if the Government certifying agency could inspect and certify to repairs and replacements as they are made by the owner. The Department of Labor recommends that the committee investigate the possibility of developing a certifying agency which would carry on the type of work described on the basis of construction standards developed by the National Bureau of Standards. An equity insurance plan such as that recommended by Ivan Tarnowsky is worth consideration.

The recent upward trend in home ownership with the restoration of a high level of employment does not mean that the increase may be expected to go on indefinitely. Even if employment can be stabilized at a high level, at least half of the housing market in nonfarm areas probably will remain in the rental property class. Part of this demand will be met by "filtering down" of used homes, but a significant portion of the program for new housing undoubtedly should be planned for tenant occupancy. The proportion of low-income families in need of subsidized housing should decline under favorable economic conditions but it can hardly be expected to disappear, even with sustained full employment.

#### *Estimated effect of full employment on income distribution*

Since the level of national income strongly affects the construction industry and income distribution is at the heart of the problem of housing improvement, we believe the committee will be interested in an estimate being prepared in the Bureau of an income distribution which might be expected in a post-war year of full employment. The estimate is built up on the basis of clearly defined assumptions and does not in any sense represent a forecast of what is likely to happen in the post-war period. It serves a useful purpose, however, in providing a rough quantitative measure of the effect which full employment probably would have on the income distribution, if no differential changes in pre-war wage rates are predicated.

Population weights and labor force estimates for the year 1950 are used for the income estimate, but the point of time is unimportant in considering the proportion in each income class. The frequency distribution may be applied to an earlier or later period by making appropriate adjustments in the population data. The estimate assumes an average civilian labor force in 1950 of 59,000,000 workers, including an allowance for "frictional" unemployment of one and one-half million workers. No modifications of the present economy are assumed other than the condition of full employment on a peacetime basis. Thus the shape of the income curve in 1941 is changed only by the sharp reduction in unemployment, which in turn implies an increase in the number of families with more than one earner. The estimate is preliminary and subject to revision when further refinements in the basic data required for these assumptions will be available.

A first approximation of the percentage distribution of nonfarm families and single consumers by money income class in 1950, assuming full employment and 1941 prices, is presented below, together with the comparable distribution for 1935-36 and 1941:

Money income class	1935-36	1941	1950 (full employment assumption)
Under \$1,000 .....	47	29	17
\$1,000 to \$2,000 .....	35	31	26
\$2,000 to \$3,000 .....	11	24	25
\$3,000 to \$5,000 .....	5	12	22
\$5,000 and over .....	2	4	10

The full employment estimate shows a distinct broadening of the middle-income groups between \$2,000 and \$5,000. Whereas these classes included only 16 percent of the families and single consumers in 1935-36, and 36 percent in 1941, they would comprise nearly half of the total consumer units in a year of full employment.

It is significant, however, that a large proportion of the consumers in nonfarm areas probably would remain in the income classes below \$2,000. This conclusion is inescapable if we assume merely the condition of full employment without arbitrary changes in differential wage rates prevailing before the war. It must be remembered that millions of fully-employed workers received annual earnings of less than \$1,500 before the war, particularly in villages and smaller cities. Under full employment, some of these workers would have opportunity to change to jobs paying better wages, but others presumably would not. Moreover, families dependent on pensions and other forms of fixed income would not be materially affected by an improvement in the level of employment. In view of these considerations, it is doubtful if the proportion of consumers with incomes below \$2,000 would be significantly smaller in a year of full employment than indicated by this estimate.

Final estimates for nonfarm and farm areas, under the full employment assumption, and a more detailed description of the methods used in preparing the estimates will be submitted to the committee in a few weeks.

TABLE 7.—Percentage distribution of nonfarm and farm families of 2 or more persons, by money income class, 1935-36 and 1941

Money income	Non-farm, total	Urban	Rural nonfarm	Rural farm
<b>1935-36:</b>				
Under \$500.....	14	11	22	51
\$500 to \$1,000.....	26	25	30	28
\$1,000 to \$1,500.....	23	24	21	11
\$1,500 to \$2,000.....	15	16	12	5
\$2,000 to \$3,000.....	13	15	9	3
\$3,000 to \$5,000.....	6	6	6	1
\$5,000 and over.....	3	3	6	1
Median family income.....	\$1,214	\$1,291	\$968	\$493
<b>1941:</b>				
Under \$500.....	8	4	19	34
\$500 to \$1,000.....	14	11	23	25
\$1,000 to \$1,500.....	16	13	22	15
\$1,500 to \$2,000.....	17	18	13	11
\$2,000 to \$3,000.....	26	30	15	9
\$3,000 to \$5,000.....	14	17	6	4
\$5,000 and over.....	5	7	2	2
Median family income.....	\$1,864	\$2,113	\$1,177	\$789

Source: Bureau of Labor Statistics, Cost of Living Division.

TABLE 8.—Average expenditures for housing, household operation, furnishings and equipment of nonfarm families and single consumers, by money income class, 1941

Money income	Average expenditure				Proportion of money income			
	Total	Housing, fuel, light, and refrigeration	Other household operation	Furnishings and equipment	Total	Housing, fuel, light, and refrigeration	Other household operation	Furnishings and equipment
	Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent
<b>NONFARM FAMILIES AND SINGLE CONSUMERS</b>								
All incomes.....	523	332	94	97	24.6	15.6	4.4	4.6
Under \$500 <sup>1</sup> .....	106	80	18	8	35.3	26.6	6.0	2.7
\$500 to \$1,000.....	216	154	31	31	29.1	20.7	4.2	4.2
\$1,000 to \$1,500.....	351	241	49	61	28.2	19.4	3.9	4.9
\$1,500 to \$2,000.....	480	318	66	96	27.7	18.4	3.8	5.5
\$2,000 to \$3,000.....	647	410	99	138	26.3	16.7	4.0	5.6
\$3,000 to \$5,000.....	863	521	151	191	23.1	13.9	4.1	5.1
\$5,000 and over.....	2,145	1,160	675	310	18.4	9.9	5.8	2.7

TABLE 8.—Average expenditures for housing, household operation, furnishings and equipment of nonfarm families and single consumers, by money income class, 1941—Continued

Money income	Average expenditure				Proportion of money income			
	Total	Housing, fuel, light, and refrigeration	Other household operation	Furnishings and equipment	Total	Housing, fuel, light, and refrigeration	Other household operation	Furnishings and equipment
	Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent
<b>URBAN FAMILIES AND SINGLE CONSUMERS</b>								
All incomes.....	598	385	109	104	24.8	16.0	4.5	4.3
Under \$500 <sup>1</sup> .....	132	104	20	8	42.6	33.5	6.5	2.6
\$500 to \$1,000.....	231	177	32	22	31.4	24.1	4.4	3.0
\$1,000 to \$1,500.....	384	277	48	59	30.8	22.2	3.8	4.7
\$1,500 to \$2,000.....	491	343	74	74	28.0	19.6	4.2	4.2
\$2,000 to \$2,500.....	607	412	85	110	27.1	18.4	3.8	4.9
\$2,500 to \$3,000.....	719	454	106	159	26.2	16.6	3.9	5.8
\$3,000 to \$5,000.....	896	525	163	208	24.0	14.1	4.4	5.6
\$5,000 to \$10,000.....	1,160	696	262	202	18.7	11.2	4.2	3.3
\$10,000 and over.....	2,597	1,420	863	314	18.4	10.1	6.1	2.2
<b>URBAN FAMILIES OF 2 OR MORE PERSONS</b>								
All incomes.....	665	423	120	122	24.9	15.8	4.5	4.6
Under \$500 <sup>1</sup> .....	152	123	20	9	47.1	38.1	6.2	2.8
\$500 to \$1,000.....	246	185	31	30	33.4	25.1	4.2	4.1
\$1,000 to \$1,500.....	401	290	44	67	31.9	23.1	3.5	5.3
\$1,500 to \$2,000.....	504	354	70	80	28.7	20.2	4.0	4.6
\$2,000 to \$2,500.....	618	418	84	116	27.6	18.7	3.7	5.2
\$2,500 to \$3,000.....	725	458	104	163	26.4	16.7	3.8	5.9
\$3,000 to \$5,000.....	898	526	162	210	24.1	14.1	4.3	5.6
\$5,000 to \$10,000.....	1,160	696	262	202	18.7	11.2	4.2	3.3
\$10,000 and over.....	2,652	1,433	890	329	18.7	9.4	6.3	2.3

<sup>1</sup> The high percentage spent for housing by families with incomes under \$500 is accounted for by the fact that a large proportion at this income level were drawing on savings or relying on credit to finance part of their current expenditures.

Source: Bureau of Labor Statistics, Cost of Living Division.

TABLE 9.—Percentage of home ownership, monthly rent or rental value, and average expenses of owners and renters, by money income class, 1941 (urban families of 2 or more persons)

Subject	Total	Money income class				
		Under \$1,000	\$1,000 to \$2,000	\$2,000 to \$3,000	\$3,000 to \$5,000	\$5,000 and over
Percent of families that were—						
Owners.....	42	31	32	45	56	66
Renters.....	58	69	68	55	44	34
Average monthly rental value of owned homes.....	\$41	\$22	\$30	\$40	\$45	\$78
Average monthly rent paid by renters.....	\$28	\$13	\$23	\$31	\$39	\$71
Average annual expenditures for housing, fuel, light, and refrigeration:						
Owners.....	\$406	\$153	\$273	\$389	\$448	\$913
Renters.....	\$433	\$208	\$365	\$480	\$627	\$850
Average annual payment of principal of mortgage (all owners).....	\$128	\$15	\$54	\$163	\$185	\$238
Percent of owners reporting payments on principal.....	47	27	51	59	49	36
Average annual payment of owners making principal payments.....	\$306	\$58	\$154	\$291	\$400	\$677

Source: Bureau of Labor Statistics, Cost of Living Division.



## THE CENSUS OF HOUSING, 1940

The Census of Housing of 1940 has contributed immeasurably to the available information about housing conditions and house building in the United States. The census now provides facts in areas where impressions and at best estimates were available before.

As a reference work, the Census of Housing with its break-down by county, and smallest urban place, is invaluable to Federal, State, and local governmental agencies, to city planners, builders, house financing agencies, trade-unions, chambers of commerce, real-estate boards, in short, to every person and group interested in any of the multitude of community problems or business ventures in which home building and housing play a part.

The housing supply has been deteriorating rapidly during the war, not only from lack of labor and materials for normal maintenance of existing houses, but from the greatly curtailed volume of construction of other than temporary and substandard units.<sup>7</sup> As a result many communities face difficult problems of post-war housing development. The Census of Housing of 1940 will be in constant demand for providing an accurate picture of pre-war conditions as a basis for determining courses of action after the war.

The Department of Labor should like to see a decennial census of housing to keep our information up to date and to permit analysis of trends in this vital field.

HOUSING, 1940-43<sup>8</sup>

Between January 1940 and December 1943, 2,165,000 new nonfarm family dwelling units were put under construction. Of these, 1,634,000, or three-fourths, were privately financed and 531,000 were built under contracts awarded by various Federal agencies, notably the Federal Public Housing Authority.

Federal aid in the construction of war housing by private builders was first extended on March 28, 1941, by the passage of the title VI amendment to the National Housing Act. This amendment liberalized the terms for insuring mortgages on houses built in specified critical war production areas. By the end of 1943, 277,000 units had been insured under title VI.

In September 1941 the Office of Production Management began granting priority assistance for materials, and in April 1942 priorities became mandatory. By the end of 1943, over 400,000 units had been built with priority assistance.

The first direct Federal construction of war housing was authorized on June 28, 1940, when Public Act 671, Sixty-seventh Congress, was approved, authorizing the United States Housing Authority to cooperate with the Army and Navy in providing necessary housing for families of enlisted men and civilian war workers. Subsequently, other legislation, particularly the Lanham Act (Public Act 849, 76th Cong.), expanded the scope of public war housing until by December 1943 over \$2,285,000,000 had been authorized.

By the end of 1943, 218,000 new permanent and 313,000 new temporary family dwelling units had been placed under Federal construction contract, including a few thousand slum-clearance units not earmarked for war housing. In addition, 158,000 dormitory units and 40,000 trailers were available or under construction. The Home Owners' Loan Corporation also answered the pressing housing need in its conversion program begun early in 1943 when 56,000 family units, were scheduled.

The figures indicate that the Federal Government has relied largely on private enterprise to provide the bulk of the war housing. Federally financed building has been most active in the areas where need was particularly great and would probably not exist after the war. Private enterprise, on the other hand, was encouraged to provide housing where there was likely to be permanent need.

One of the important but hidden benefits that has come out of the pressure during the war to provide quantities of adequate but inexpensive housing at short

<sup>7</sup> See Construction of \$500 House in 1943, Monthly Labor Review, December 1943, Serial No. R. 1594, and New Dwelling Units in Nonfarm Areas, 1942 and 1943, Monthly Labor Review, March 1944, Serial No. R. 1628, p. 8.

<sup>8</sup> For further discussion and detail, see: Monthly Labor Review, July 1940, Serial No. R. 1140, Federal Housing of War Industry Workers, 1917-18. Monthly Labor Review, May 1941, Serial No. R. 1340, Defense Housing Policies and Progress. Monthly Labor Review, June 1942, Serial No. R. 1464, Housing for War Workers. Monthly Labor Review, August 1942, Serial No. R. 1473, Occupancy of Old and New Homes by Bridgeport War Workers. Monthly Labor Review, December 1942, Serial No. R. 1504, Housing Provided in 138 Defense Areas. Monthly Labor Review, December 1943, Serial No. R. 1594, Construction of \$500 Houses in 1943. Monthly Labor Review, March 1944, Serial No. R. 1628, New Dwelling Units in Nonfarm Areas, 1942 and 1943.

notice has been the encouragement of mass building and experiment in prefabrication designs and methods. Such activity was most evident in the construction of the temporary and demountable housing under public contract in 1942 and 1943. It also played a significant part in private building largely because of the legal price ceiling on private war housing.

## DISPOSITION OF WAR HOUSING

Policies regarding the disposition of war housing will of necessity vary in different areas according to the type of units constructed for the war program and the post-war demand for their continued occupancy. The evidence we have on the housing situation in the war production centers indicates that there will probably be need for practically all the new war housing in these areas for some time after the close of the war. The removal of temporary or demountable units should only be undertaken if it is established that they are no longer needed.

Figures from the Housing Census of 1940 and recent surveys of housing requirements of war workers, conducted by the Bureau of Labor Statistics for the National Housing Agency in 13 war production areas, indicate that most of the new war housing units will be needed by permanent residents now living under definitely substandard conditions. In 1940 the number of occupied dwelling units needing major repairs or without private bath greatly exceeded the total number of new family units completed or scheduled for starting under the war-housing program in all of the 13 areas except San Diego. Although the Bureau's surveys were designed to measure the backlog need for housing among workers eligible for war housing, it was necessary to obtain data on the housing conditions of all war workers' families in order to determine eligibility. Thus it was found that from 5 to 27 percent of the war workers' families that did not qualify as candidates for war housing occupied living quarters which did not meet even the minimum wartime standards of housing as defined by the National Housing Agency.<sup>9</sup>

War production area	Occupied units needing major repairs or without private bath, 1940 <sup>1</sup>	Family units programmed for war housing Apr. 30, 1944 <sup>2</sup>	War workers' families ineligible for war housing and living in substandard quarters 1943-44 <sup>3</sup>
Akron.....	28,050	6,179	7,012
Baltimore.....	74,083	28,608	19,673
Chester.....	4,123	(4)	5,342
Denver.....	38,331	2,056	5,665
Harrisburg.....	13,255	1,707	7,637
Lancaster.....	11,677	100	3,781
Macon.....	12,676	4,207	2,796
Milwaukee.....	45,339	3,555	18,268
Mobile.....	15,260	11,431	8,340
New Orleans.....	46,176	10,820	7,601
Omaha.....	23,663	1,810	5,574
San Antonio.....	31,926	3,051	5,542
San Diego.....	11,600	21,290	2,326

<sup>1</sup> Census figures are for metropolitan districts, with the exception of Chester.

<sup>2</sup> Includes both private and public housing, but excludes trailers and dormitories.

<sup>3</sup> Estimates based on sample surveys. For the total number of war workers' families reporting substandard housing conditions, see table 10.

<sup>4</sup> Separate figures for the Chester area not available for this report.

Housing conditions classified as substandard in the surveys of war workers are so bad that they may seriously impair the workers' efficiency. Under war-housing regulations, however, only the in-migrant war workers living under these conditions are considered eligible for war housing. All the ineligible war workers' families in substandard housing were residents of the area before the date established for the classification of in-migrants; hence it is reasonable to assume that most of these families will remain in the area after the war. In most areas the needs of this group alone would provide a sizable demand for the new family units which may be vacated by workers who leave the area after the war.

<sup>9</sup> In these surveys, families reporting one or more of the following conditions were classified as having housing below National Housing Agency wartime standards: (1) Living in a trailer, tent, or tourist cabin; (2) lacking outside light or ventilation in bedroom; (3) lacking running water or (if in a northern climate) heating facilities in living quarters; (4) lacking flush toilet, bath or shower, or cooking facilities in building; (5) sharing toilet facilities with 3 or more families or with 9 or more unrelated persons; (6) having more than 1.5 persons per room.

It is probable that the survey figures given above greatly understate the immediate need for adequate housing in these areas after the war because they include only families of war workers, which are better off financially than the population as a whole. There is in addition a very large group of workers in trades and services outside the scope of the war-housing program. Since the earnings of these workers are generally lower than the earnings of essential war workers, relatively more of them may be expected to be living under substandard housing conditions.

TABLE 10.—*Estimated number of war workers' families living in substandard housing, by eligibility for war housing, for specified war production areas*

(Data from surveys of housing requirements of war workers conducted in September 1943 and March 1944)

War-production areas	All war workers' families				Eligible for war housing <sup>1</sup>			
	Total number	Reporting housing conditions			Total number	Reporting housing conditions		
		Total <sup>2</sup>	Number in sub-standard housing	Percent of total reporting		Total <sup>2</sup>	Number in sub-standard housing	Percent of total reporting
Akron.....	95,252	83,825	13,485	16	16,526	12,897	6,422	50
Baltimore.....	167,056	155,460	32,315	21	20,703	15,931	11,961	75
Chester.....	79,561	69,232	9,780	14	8,876	6,532	4,188	64
Denver.....	50,804	48,692	8,258	17	4,999	4,151	2,463	59
Harrisburg.....	39,067	35,303	11,270	32	6,638	5,760	3,258	57
Lancaster.....	20,761	17,123	4,772	28	1,660	1,377	806	59
Macon.....	15,801	14,665	5,686	39	4,331	3,753	2,849	76
Milwaukee.....	147,422	135,449	22,670	17	7,967	7,043	3,830	54
Mobile.....	49,972	45,070	20,565	46	16,613	13,933	12,206	88
New Orleans.....	54,746	49,456	12,313	25	7,234	5,654	4,494	79
Omaha.....	41,717	40,522	7,648	19	3,102	2,856	2,033	71
San Antonio.....	36,371	33,037	8,961	27	5,409	4,276	3,163	74
San Diego.....	55,942	51,782	6,486	13	8,101	5,939	4,160	70

War-production areas	Ineligible for war housing <sup>1</sup>				Eligibility not determined			
	Total number	Reporting housing conditions			Total number	Reporting housing conditions		
		Total <sup>2</sup>	Number in sub-standard housing	Percent of total reporting		Total <sup>2</sup>	Number in sub-standard housing	Percent of total reporting
Akron.....	76,634	70,877	7,012	10	2,092	51	51	100
Baltimore.....	144,986	138,812	19,673	14	1,367	717	681	95
Chester.....	67,298	62,438	5,342	9	3,387	262	250	95
Denver.....	45,559	44,411	5,665	13	246	130	130	84
Harrisburg.....	31,459	29,095	7,637	26	970	448	375	100
Lancaster.....	18,019	15,392	3,681	24	1,052	354	285	81
Macon.....	11,307	10,871	2,796	26	163	41	41	100
Milwaukee.....	134,745	127,746	18,268	14	4,710	660	572	87
Mobile.....	32,644	31,118	8,340	27	715	19	19	100
New Orleans.....	45,807	43,556	7,601	17	1,705	246	218	89
Omaha.....	38,304	37,623	5,574	15	311	43	41	95
San Antonio.....	30,059	28,468	5,542	19	903	293	256	87
San Diego.....	46,499	45,843	2,326	5	1,342	0	0	-----

<sup>1</sup> To be eligible for war housing, war workers must qualify in 1 of the following groups: (1) Workers having moved to the war production area after the date established for the classification of in-migrants, or having brought their families to the area since that date, and housed under conditions that seriously impair efficiency; (2) workers wishing to bring their families to the area and needing larger quarters for this purpose; (3) workers who are commuting unreasonable distances to their places of employment; or (4) workers being forced to move from their living quarters through no fault of their own.

<sup>2</sup> Excludes families living in rented rooms.

Estimates based on samples of 2,000 to 3,000 families in each city.

Source: Bureau of Labor Statistics, Cost of Living Division.

## POST-WAR OUTLOOK

*Housing need*

There is severe shortage of adequate housing in this country. There was shortage before the war, as the Census of Housing can testify, but the shortage is more acute now and will be especially serious by the end of hostilities.

The Bureau of Labor Statistics estimates that about 525,000 dwelling units are needed annually in nonfarm areas merely to provide for increase in the number of families and to maintain existing standards, yet, over the past decade 1930-39, the average number of new units constructed, including slum clearance, was less than 275,000. Though in 1940 and 1941 much more residential building took place, a sharp decrease occurred in 1942 and 1943. Little was done in the first 2 years of the forties to make up for the great backlog that mounted during the thirties. Furthermore, in 1942 and 1943, at least a fourth of the new units built were temporary structures put up only to meet emergency conditions during the war.

The tremendous building deficit has brought vacancy rates to a dangerously low level in practically all industrial areas and has caused extensive increase in doubling up. It has prevented nonfamily household groups preferring separate quarters from taking them and has halted the demolition of obsolescent and sub-standard dwellings and clearance of blighted areas.

To make matters worse, the Bureau of the Census estimated that during the current decade the number of families in the United States, exclusive of war losses, will increase by about 5,000,000.<sup>10</sup> Many of the newly formed families are incomplete since the husband is in the armed services. Some of these and others must live in temporary and makeshift accommodations for the duration. They will need permanent accommodations when the war is over that will permit normal housekeeping and family life.

When it is considered that even existing dwellings have been deteriorating more rapidly than usual because of lack of labor and materials for adequate maintenance, the enormity of the post-war housing problem becomes even more apparent.

Various estimates indicate, however, that the need for new housing will probably not be met by the effective demand.<sup>11</sup>

It has already been shown above that some of the patterns of residential building must be changed to supply adequately those who need housing most and that even under full employment a considerable proportion of the country's families will have a smaller income than is necessary to buy or live in decent dwellings. This gap must be bridged. If it is not bridged by private enterprise, it will have to be bridged by public subsidy. It is this area of housing need that the Federal Government has provided for in the past and it is hoped will continue to provide for in the future, not as a means of employing workers, but rather as a means of housing people decently where private enterprise fails to do so.

Under the current limitations on construction and taking into consideration the depletion of certain inventories and other restrictions on activity, it still is possible that an average of about 900,000 nonfarm dwelling units per year can be provided during the first 5 years after the war. This would meet the bulk of the need estimated variously at between 900,000 to about 1,800,000 units per year. The estimates concentrate about 1,200,000 per year.

*The challenge of housing*

The tremendous housing need, swelled by heavy requirements for additions, alterations, and repairs, is a real challenge to the building industry. It is enheartening in this connection that builders are known for their ability to begin operation quickly and to expand them rapidly. They will need some help, however. It is important, for example, that the existing necessary restrictions on the use of critical materials for housing be modified progressively as the military situation permits. In this way inventories of building materials can be built up gradually, thereby giving confidence to buyers and builders alike.

<sup>10</sup> U. S. Bureau of the Census, Population Special Reports, series P-A43, No. 2, September 30, 1943.

<sup>11</sup> See National Resources Planning Board, Memorandum on Estimated Nonfarm Housing Needs.

It is essential also that a buyer's strike be averted primarily by keeping a tight control over prices and then also by discouraging advertisement of fantastic and preposterous post-war houses and post-war equipment. The Federal Government can and should help to bring about the development of new designs, materials, and construction methods, but at the same time, it must also help bring a realization that, though techniques of construction can and will be improved, building new homes should not be postponed in the expectation that radical changes can be effected in the immediate future.

When the way is clear for builders to go ahead, the effect on employment is obvious and has been discussed in an earlier section of this report. In combination with the labor required, impetus will be given to the builders themselves. In 1939 there were 33,346 builders and building contractors. Both these groups employed from time to time most of the 176,187 special trade contractors.

These three groups are by and large small businessmen as evidenced by the fact that in 1939, according to the Census of Business, between 70 and 75 percent of the builders and building contractors and 92 percent of the special trade contractors did less than \$25,000 worth of business. An even larger proportion, 9 in 10, did not operate beyond the bounds of their home State and about three-fifths did business entirely within the limits of their home city. In fact, according to a survey made by the Bureau of Labor Statistics, 94 percent of the builders of one-family houses in 72 representative cities in 1938 had built less than 10 houses each. Well over three-fifths had built but one house. Revival of building construction, therefore, will cause ready money to reach quickly the hands of the small entrepreneur who will exchange it immediately for wages, goods, and services.

#### FEDERAL HOUSING LEGISLATION

Up to the establishment of the National Housing Agency, the Federal Government's housing program evolved piecemeal to meet successive emergencies. Though each of the agencies formed and operating today is performing a real function, it is important not only that all functions be coordinated as they are under the National Housing Agency, but that objectives be unified clearly and directed toward the general end of sponsoring and supporting provision of good quality housing for the American people.

There is signal opportunity today for achieving coordinated administration and objectives through the medium of the current keen awareness of the necessity for planning, especially for post-war. In this connection, the Department of Labor is particularly interested in Senate Resolutions 13 and 112 introduced by the Senator from Ohio himself. These resolutions would provide for study of all Federal agencies now concerned with housing to the end of developing a constructive over-all plan for housing provision and for the permanent coordination of all Government activities relating to housing.

Inadequate regulation of land use leading to neighborhood deterioration has been at the root of the development of blighted areas and the high cost of housing in many places, as well as the discouragement of private enterprise from providing any new housing at all in others.

It is encouraging that two bills are now being considered in committee that deal with this important matter, S. 953 introduced by Senator Thomas and S. 1163 by Senator Wagner on April 2 and June 4, 1943, respectively. The former, called the Federal urban redevelopment bill of 1943 was referred to the Committee on Education and Labor, the latter, the neighborhood redevelopment bill, was referred to the Committee on Banking and Currency. These bills, along with provision also for Federally subsidized slum clearance, should be considered together and their differences ironed out to the end of providing sound and integrated legislation covering (1) financial aid to local governmental bodies for developing comprehensive master plans of their land, and more particularly of any areas within their bounds that require special attention; (2) aid in the purchase of land and in its improvement necessary to preparing it for neighborhood rebuilding; and (3) provision of public housing for low-income groups where private enterprise under the acts cannot meet the need. All the land proposed for private redevelopment not to be devoted to public uses, such as streets, schools, playgrounds, and public housing, would be leased to private development corporations for rebuilding according to land-usage plan and under provisions made for safeguarding standards of building and of building maintenance. The lease rentals so received would be used to repay the Federal Government.

Legislation of this kind is necessary and it is needed now, before the post-war construction period arrives and there is no longer time for careful, comprehensive, and efficient planning. The financial aid provided will be in the form of a Federal

investment, yet will give private enterprise long-awaited opportunity and security in urban redevelopment, rid our cities of grossly substandard dwellings now occupied, while substituting housing and neighborhoods that will be truly worthy of America.

It must be recognized, however, that the Nation-wide magnitude of our future redevelopment program must be very great—measured in hundreds of square miles—if it is to achieve its objectives of ridding our cities of slums, stabilizing property values, providing for lower-paid workers the living environment essential for wholesome family life, and ending the exodus of population which has been undermining the tax base of so many cities. Cost of acquiring the land necessary for such a program will be staggering if carried out primarily through condemnation under current patterns of land use; and economic value of the land for any pattern of use consistent with the objectives of the program is necessarily low, because the objectives ordinarily require rather low density of population. Feasibility of the program is therefore dependent on reducing the acquisition cost of the property to approach the low economic value commensurate with its uses. This means removal of the excessive occupancy and the expectation of later conversion to higher-value uses, which support current market prices. Excessive occupancy can be handled by strict enforcement of the local building, health, fire, and occupancy ordinances, after some surplus of accommodations has been provided for the families affected by such enforcement. Unrealistic hopes of increased future value will ordinarily be revised on adoption of a master plan for the city, such as is provided in the bills. The physical improvement which the two bills permit and the demonstrations of future possibilities will be of the greatest value, provided acquisition procedures followed under the bills do not act as a precedent for needless financial costs which can only limit redevelopment.

The importance of technological progress in the building industry for effecting substantial reduction in building costs and the price of housing to the consumer was discussed in a previous section of this report.<sup>12</sup> In that connection the importance of bill S. 2046, introduced by Senator Kilgore on June 23, 1944, was mentioned. Passage of this bill would bring about important progress in the building industry and aid in making low-cost housing a profitable enterprise for private industry.

#### HOUSING IN THE COMMUNITY

The Department of Labor has a special interest in the housing of individual wage earners and salaried workers and in housing as it affects the health and development of children. The relation of poor housing to illness, crime, and delinquency has been studied over a long period of time. It is very difficult to isolate the effect of this one factor in the complex of causes which contribute to ill health and social maladjustment.

#### *Housing and health*

The Committee on Housing and the Community of President Hoover's Conference on Home Building and Home Ownership in its report on the relationship of housing to illness<sup>13</sup> pointed out that "Housing has an evident relation to health. This relationship is partly intimate, but mainly indirect. The relationship between housing and health is so apparent that a few diseases have been called house diseases."<sup>14</sup> It is difficult to separate the factors of crowding, crowding, heredity, race, and personal habits, poverty, diet, and other hygienic and sanitary influences from the actual housing conditions. \* \* \*<sup>15</sup> But, "It is the judgment of this committee that this problem comes within the purview of good health administration, although it is largely a broad social and economic problem."

There have been some investigations on the relation of housing to health which were planned in such a way as to provide clear evidence of the effect of poor housing, as such.

<sup>12</sup> See the section, "Effect of Costs on Building and Housing," pp. 9-19.

<sup>13</sup> The President's Conference on Home Building and Home Ownership. *Housing and the Community*. Vol. VIII, pp. 4-12. 1932.

<sup>14</sup> The committee listed tuberculosis, typhoid fever, hookworm disease, diseases spread by rodents and vermin, malaria, plague, typhus fever, infant mortality and venereal diseases as directly affected by poor housing. They might well have added rickets, which is caused in part by inadequate sunlight.

A report of the Children's Bureau on the causes of infant mortality in seven cities showed a high correlation between overcrowding, earnings of father, and nationality of mother and the proportion of deaths in infancy among babies having survived 2 weeks. When the data were analyzed so as to eliminate the factors of earnings and nationality, overcrowding was found to have a profound effect on the infant death rate. The figures are as follows:

*Ratio of actual number of infant deaths to number expected on the basis of the average for all infants*

All families.....	100. 0
Families living in dwellings with—	
Less than 1 person per room.....	81. 1
1 and less than 2 persons per room.....	110. 5
2 and less than 3 persons per room.....	129. 8
3 or more persons per room.....	146. 0

An analysis of the relations of poor housing to illness and accidents on the basis of data obtained in the National Health Survey<sup>15</sup> shows a definite relationship between crowding and the incidence of certain diseases. For example, the proportion of families having pneumonia or tuberculosis in the year of the survey was greater among families having one to one and a half persons per room than among those with less than one person per room, and still higher among those having more than one and a half persons per room. The proportion of children under 5 having had diphtheria and mumps was related to the degree of crowding in their homes. The analysis also showed that children in crowded homes had the common communicable diseases of childhood (chickenpox, scarlet fever, German measles, mumps, measles, diphtheria, and whooping cough) at an earlier age than children living in homes with less than one person per room. It is generally recognized that a younger age incidence means a greater risk of serious complications and of mortality.

A correlation of the frequency of certain digestive diseases with the presence or absence of a flush toilet shows that illness of this type lasting a week or more (indigestion and other stomach ailments, diarrhea, enteritis, colitis, typhoid, and paratyphoid fever) was much more apt to occur in families without a flush toilet than in families with modern plumbing. In fact the proportion was 70 percent greater in families living in dwellings without modern plumbing. As the report notes:

"In the interpretation of this excess, several points must be borne in mind. First, in households not meeting this standard there will probably be concomitant deficiencies (especially lack of screening and poor facilities for refrigeration of food) which may have an effect on the illness rate from this group of digestive diseases. As in the case of the crowding index employed in the preceding section, we are confronted with an expression which tends to measure poor housing as a whole. In the second place, the excess may be due, in part at least, to the lower economic level of households which do not meet the standard set as to toilet facilities. However, data show that the excess is marked in each income group."

About 33 percent of the accidental deaths in the United States in the pre-war period were caused by accidents in the home, and about 50 percent of the accidental injuries occurred in the home.<sup>16</sup> The Public Health Survey showed that the frequency of accidents in the home was related to the rent or rental values of homes of families reporting accidents which required hospitalization or were disabled for a week or longer (including fatal cases). The analysis showed that the frequency of home accidents decreased as the rent or rental value went up, and that this tendency was true of accidents due to each type of injury (falls, burns, etc.).

#### *Housing and delinquency*

As regards the relation of delinquency and housing the Committee on Housing and the Community of President Hoover's Conference on Housing and Home Ownership concluded "that delinquency is concentrated in the areas of bad housing and is associated with a complex of conditions, of which bad housing is only

<sup>15</sup> Britten, R. H., Brown, J. E., and Altman, I. Certain Characteristics of Urban Housing and their Relation to Illness and Accidents. Milbank Memorial Fund Quarterly, April 1940, xvii, No. 2, pp. 114-136.

<sup>16</sup> National Safety Council: Accident Facts.

one. There is no sufficient reason for believing that an appreciable reduction in delinquency rates will result from improvement of individual houses, if other things remain unchanged. The conclusion, on the contrary, is that a reduction in delinquency rates is most likely to result from a program which combined improvements in housing with modifications in other elements in the complex. This combination means, at the least, the development of improved housing in neighborhood units.<sup>17</sup>

The most recent summary of the available data on the subject appears in a report of the Housing Division of the Federal Emergency Administration of Public Works.

This summary was made to find out whether the delinquent members of our society have been definitely handicapped in relation to housing.

Previous surveys concerned with the housing problem of delinquents and criminals provided a substantial amount of background material. New data were collected by means of a statistical study of the housing of several groups of delinquents and criminals.

On the basis of material collected for this and previous studies the following conclusions were reached.<sup>17</sup>

1. Judged by household space (number of persons per room) the delinquent group in both the urban and rural communities is housed much less adequately than is the general population.

2. The condition of the structure in which the delinquent member of our society is housed is inferior to the type of dwelling occupied by the general population.

3. A significantly large proportion of the delinquent group comes from homes which are situated in overcrowded areas of poor light and ventilation and having inadequate wholesome recreation space.

4. A major portion of the delinquents studied came from unsatisfactory neighborhoods—sections not only marked by congestion and physical deterioration, but also by the presence of positive bad factors, such as nearby pool halls, street gangs, etc.

The general conclusion reached on the basis of this inquiry was that the delinquents studied were handicapped with respect to every aspect of their housing situation. "With reference to the juveniles at least, the conclusion can scarcely be escaped that the housing, if not the chief factor, was at least a very significant factor accounting for the delinquent behavior."

"It is reasonable to expect, provided the housing (including not only the structure itself, but also the immediate environment) were improved, that delinquency would decrease. This reasoning is confirmed by careful students of the problem."

Clifford R. Shaw, a specialist in studies of juvenile delinquency, makes the following comment on the environment factor in delinquency:

"Thus in the delinquency areas of the city the activities and values of many of the play groups are largely of a delinquent character. It is important to note, particularly in the deteriorated sections of the city where large families are crowded into limited quarters and the facilities in the home for the satisfaction of play interests are extremely meager, that the play group may almost completely supersede the family as an agency for the control and direction of the boy's activities. In fact, his most vital relationships may be restricted almost exclusively to these play groups. In such cases, this group may represent the only moral order with which the boy is intimately familiar and may serve as the chief source from which patterns of behavior are acquired. It should not be surprising, therefore, that the boy's identification with the play group very frequently marks the beginning of his career in delinquency and crime."<sup>18</sup>

In the introduction to a recent book by Shaw and McKay, Prof. E. W. Burgess of the University of Chicago comments:

"The findings of this study establish conclusively a fact of far-reaching significance, namely, that the distribution of juvenile delinquents in space and time follows the pattern of the physical structure and the social organization of the American city.

"If the main trend in city growth is expansion from the center to the periphery, then two consequences follow. Physical deterioration of residences will be

<sup>17</sup> U. S. Federal Emergency Administration of Public Works. *Housing in Relation to Delinquency and Crime* (A Study of Certain New Case Material). 1936. pp. 40-41.

<sup>18</sup> Bulletin of the State University of Iowa, pp. 3-4, New Series 701. 1933.



highest around the central business district, lowest at the outskirts, and intermediate in between. Social disorganization will correspondingly be greatest in the central zone, least at the outer zone, and moderate in the middle zone. As far as this theoretical conception of the effect of urban growth upon the physical structure and the social organization of the city corresponds to concrete reality, the incidence of juvenile delinquency would be expected to be highest in the residential areas of the center of the city and to decrease regularly to the periphery.

"Accordingly, for the majority of the cities studied, concentric zones were set up by arbitrarily marking off uniform distances of from 1 to 2 miles. Delinquency rates were calculated by taking for each zone the ratio of official juvenile delinquents to the population of juvenile court age.

"The findings were astonishingly uniform in every city. The higher rates were in the inner zones, and the lower rates were in the outer zones. Even more surprising was the discovery that, for all cities but three for which zonal ratios were calculated, the rates declined regularly with progression from the innermost to the outermost zone. Even in the three cities (Omaha, Birmingham, and Boston) where the rates in outermost zones are somewhat higher than in intermediate zones, these exceptions can be explained by local counteracting factors, such as the presence of industrial areas near the periphery, with perhaps the additional fact of variation in policy of different courts in Greater Boston."<sup>10</sup>

### *Housing needs of large families*

Families of employed wage earners and clerical workers in large cities in the mid 1930's, with at least one member employed in at least 30 weeks of the year, had incomes averaging \$1,524. (They were a relatively favored group at that time when about 17 percent of our city families were receiving some relief during a year.) Seventy percent of these families rented their homes. Thirty-nine percent of the renting families in this group and 32 percent of the families who owned their own homes did not have the following basic housing facilities in combination: Inside flush toilets, running hot water, electric light, and gas or electricity for cooking. In smaller cities the proportion of nonrelief families without these facilities was even larger. In villages in 1941 only one-third of the families had these four facilities: Hot and cold running water, tub or shower, an indoor flush toilet, and electricity for lighting.

The number of larger families without modern conveniences was very striking. Among the 35 percent of the families at the lowest economic levels found among the employed city wage earners and clerical workers, the household averaged 5 persons, as compared with 3.8 persons for the group as a whole. Sixty-two percent of the children in the employed wage-earner-clerical worker group were found in this lowest third of their families. Thirty-seven percent of the families at this level were without modern housing facilities.

Recent data from the Census Bureau show that on the basis of the birth and death rates prevailing in the United States between 1930 and 1940 the population of the Nation would eventually show a slow decline in the absence of net immigration. If the birth and death rates of the period 1935 to 1940 were to continue indefinitely there would be 978 daughters born per generation for every 1,000 women born in the preceding generation. In the years 1905 to 1910, 1,336 daughters were born to every 1,000 women in the preceding generation. In this war as in the last there has been an increase in the birth rate, but a peak was reached in January 1943. Beginning with October 1943 there has been a sharp drop in the birth rate. If the experience of the last war is repeated, there will be a great increase in the number of births immediately after the demobilization of the Army, and then the decline which has been going on since 1820 will be resumed. It seems likely that this will happen if there is no change in our economic and social policies particularly since the recent upswing in the birthrate is result of more women under 30 bearing their first child. The number of women who had already had 2 or more children who bore children in 1942, was less than in 1933, when the birth rate reached an all-time low. The decline in the birth rate has been particularly striking in our cities. If the migration to cities from the farm is continued after the war, as seems likely, this will further accelerate the decline.

<sup>10</sup> Shaw, Clifford R., and McKay, Henry D., *Juvenile Delinquency in Urban Areas*, 1942, pp. IX-XI.

The difficulty of obtaining adequate housing for large families at reasonable rental rates is one of the factors making for small families in cities. The percentage of new dwellings with four rooms or less has been gradually increasing for a long time. (See the section of this report on The Effects of Costs on Building and Housing.) This is a natural result of the declining size of family, but it also serves to accelerate a trend, which may, in course of time, have serious consequences for our economy.<sup>20</sup> Lorimer and Roback<sup>21</sup> found in analyzing data on consumer purchases gathered by the Bureau of Labor Statistics that there were no significant differences between housing expenditures of large and small families at the same income level. In fact the higher expenditures for food by the larger families resulted in somewhat smaller percentage of total expenditure going to housing in large as compared with small families. They say, "It is therefore apparent that larger families (as regards number of children under 16) are forced to accept more crowded quarters or live in less desirable situations."

In Sweden, where the decline in the birth rate has proceeded much further than in the United States, and where city dwellings are on the average smaller, the Government adopted in 1935 a housing program which places special emphasis on building dwellings for families with three or more children, and for subsidizing these families.<sup>22</sup> Differentiating rent according to income has been followed in some war housing projects, and the Department recommends this be continued in post-war projects for low and moderate-income families. In addition it is recommended that in developing post-war plans, special attention be paid to providing low-cost dwellings for families with three or more children.

#### *Housing and morale*

As far as we know, there have been no studies of the relation of housing to morale in peacetime (except the studies of housing and delinquency and crime, which may be regarded as extreme cases of the deterioration of morale). During the war there have been sporadic studies of the causes of absenteeism, and it has been found that in some centers poor housing has been an important factor in the situation.

Both the American Federation of Labor and the Congress of Industrial Organizations have committees on post-war housing which stress the importance of good housing in maintaining after the war a working population with high morale. In addition, some of the national and international unions have post-war housing committees of their own.

#### *The cost of bad housing to the municipality*

During the 1930's a number of American cities made studies of the cost of certain slum areas to the city government. The cost of direct services such as hospitalization, treatment at venereal disease clinics, extinguishing fires, and the care and treatment of delinquents and criminals was calculated for the area, and the general administrative expenses of the city were prorated. The resulting per capita expense was then compared with the taxes received from the area. In the case of Boston it was found that excess cost in slum areas was more than \$37 per capita per year. Studies made in Indianapolis and Cleveland were not as comprehensive but also showed large excess costs in the slum areas where property valuations are very low, and where the incidence of illness, and crime and delinquency is very high.<sup>23</sup>

#### *Housing and city planning*

The Department is concerned not only about a post-war housing program which will make well-built homes of adequate size and with adequate facilities available to low- and moderate-income families. It is also concerned about a program that will provide for building such homes in well-planned neighborhoods which are properly zoned so as to protect them against blight in the future, and which have

<sup>20</sup> See *Two Billion People*, Fortune magazine, February 1944, pp. 157-163; and *Effect of the War on the Birth Rate and Post-war Fertility Prospects*, by Wilson Grabill, American Journal of Sociology, August 1944.

<sup>21</sup> Lorimer, F., and Roback, H., *Economics of the Family Relative to Number of Children*. Milbank Memorial Fund Quarterly, vol. XVIII, No. 2, April 1940, pp. 119 ff.

<sup>22</sup> Myrdal, Alva, *Nation and Family*, p. 264. 1941.

<sup>23</sup> A summary of these studies is presented in Wood, E. E., *The Costs of Bad Housing*, Annals of the American Academy of Political and Social Science. Vol. 190, March 1937.

proper schools, play space for children (both outdoor and indoor), nursery schools or day-care centers for the children of mothers working outside their homes, facilities for the health supervision of infants and young children, and protection against traffic hazards. In order to facilitate plans for housing developments of this sort and for the coordination of the new housing with school, public recreation, public health, and other community facilities, the Department recommends that where the new developments are to be assisted in any way with Federal funds, the plans shall be subject to the approval of a responsible agency of the local government such as the local planning board, in which there is representation of housing authorities, of local government departments including the school board, the public health department, the welfare department, the public recreation commission, and other interested government departments, of local labor organizations and other community groups.

#### SUMMARY OF RECOMMENDATIONS

1. The Federal Government should make a concerted effort to reduce seasonal fluctuations in the building industry. (See pp. 5 and 20.)

2. Coordinated and extensive attack on restraints in the building industry by the Antitrust Division of the Department of Justice should be resumed in order to give the greatest possible encouragement to free competitive enterprise and to research and technological change. (See pp. 13-14.)

3. The Federal Government should promote widespread research in building through already existing, well-equipped, and competent agencies, such as the National Bureau of Standards of the Department of Commerce and the Forest Products Laboratory of the Department of Agriculture, and through an agency like the National Advisory Council of Aeronautics for aircraft, toward the end of making it profitable for private industry to build houses low-income groups can afford. The results of such research should be given wide publicity. Senate bill 2046 should be considered in this connection, provided that in the broad programs of developmental research proposed it were made mandatory for the National Housing Agency under whose auspices the research would be carried on to avoid duplication of effort and of existing facilities and personnel of such agencies as the National Bureau of Standards and the Forest Products Laboratory in the technical field and the Bureau of Labor Statistics in the economic and statistical field. (See pp. 15 and 46.)

4. Local regulation of land use and of speculative subdividing, improvement of zoning, and redevelopment of blighted areas should be promoted by the Federal Government by means of Federal support such as would be provided by Senate bills 953 (Federal urban redevelopment bill of 1943) and 1163 (the neighborhood redevelopment bill), introduced, respectively, by Senator Thomas on April 2, 1943, and Senator Wagner on June 4, 1943. These bills should be considered together, along with provision also for federally subsidized slum clearance, and their differences ironed out to the end of providing sound and integrated legislation covering (1) financial aid to local governmental bodies for developing comprehensive master plans of their land; (2) aid in the purchase of land and in its improvement necessary to preparing it for neighborhood rebuilding; and (3) provision of public housing for low-income groups where private enterprise under the acts cannot meet the need. Feasibility of the program of land acquisition depends, however, on reducing acquisition costs to a figure approaching the low economic value of the land when related to its uses. (See pp. 16 and 44-46.)

5. The Federal Government should continue to provide for the area of housing need that is not met by private enterprise, not as a means primarily of employing workers, but rather to house people decently. (See p. 41.)

6. A decennial Census of Housing should be taken to keep the country's housing information up to date and permit analysis of trends in this vital field. (See p. 33.)

7. The existing necessary restrictions on the use of critical materials for housing should be modified progressively as the military situation permits in order to create inventories of building materials, thereby giving confidence to buyers and builders alike. (See p. 42.)

8. To prevent a buyers' strike after the war, tight control should be maintained over post-war prices and advertisement of fantastic and preposterous post-war houses and equipment should be curbed now as much as possible. (See p. 42.)

9. Serious consideration should be given to Senate Resolutions 13 and 112 introduced by Senator Taft and providing for study of all Federal agencies now concerned with housing to the end of developing a constructive over-all plan for housing provision and for the permanent coordination of all Government activities relating to housing. (See p. 44.)

10. Public experimentation with plans for partial tenant maintenance should be continued and special emphasis be placed on educational programs designed to develop a sense of community responsibility among tenants in order to reduce the cost of tenant occupancy and improve renters' housing conditions. (See p. 25.)

11. Investigation should be carried on by the Subcommittee on Housing and Urban Redevelopment into the feasibility of Government certification as to the quality of materials going into the construction of homes and inspection and certification as to repairs and replacements made by the owner. Such certification and inspection would make home ownership and disposal less of a risk, thereby placing it within the range of more wage earners. An equity insurance plan such as that recommended by Ivan Tarnowsky is worth consideration also. (See p. 27.)

12. In view of the current serious housing shortage and inadequacy in many areas, removal of temporary or demountable dwelling units constructed during the war emergency should be undertaken only if it is established that they are no longer needed. (See p. 36.)

13. Rent should be differentiated according to income in post-war public housing projects for low- and moderate-income families. (See p. 55.)

14. Special attention should be paid to providing low-cost dwellings for families with three or more children. (See p. 55.)

15. Plans for post-war housing to be assisted in any way with Federal funds should be subject to the approval of a responsible agency of the local government such as the local planning board, in which there is representation of housing authorities; local government departments including the school board, the public health department, the welfare department, and the public recreation commission; of local labor organizations, and other community groups. (See p. 57.)

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