TO: Mr. Eccles

FROM: J. M. Daiger

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Notes for Thursday evening, March 18, 1937, Hotel Carlton

Construction and Civic Development Department Committee
and Special Committee on Housing
Chamber of Commerce of the United States

Meeting called to consider Wagner Housing Bill

One of the hard and disconcerting facts about most large economic and social problems is that they are never the same problems very long. While you are trying to deal with them, and before you have found more than a partial remedy, the very nature of them is altered by the pressure of new events. To keep pace with the changing problems of a dynamic industrial society, therefore, we need to have something like the dexterity of a chameleon on a piece of Scotch plaid. We have to adapt our thinking quickly to altered circumstances, and to be prepared at any time to say that what we said yesterday no longer holds today.

It is from this practical point of view that any business man takes with regard to his own enterprise that I think we now have to approach the problem called housing and the related but inherently different problem called slum clearance or slum rehabilitation. Neither of these problems is today what it was four years ago, three years ago, two years ago, or even one year ago. Both the housing problem in general and the slum problem in particular have been

altered by the impact of industrial recovery over this four-year period, and especially by the rate of activity that business has now developed on a very wide front.

The building boom of the 1920's, which on the housing side culminated in the apartment-building craze, left us with a surplus of new housing at the top and a surplus of bad housing at the bottom--a large number of vacancies at both extremes when we entered the depression. In other words, the building boom of the 1920's emptied a great many slum dwellings, still left many vacancies above the slum level, and thereby provided a very practical basis for initiating, when the depression set in, a widespread program of slum clearance and rehousing. The Committee on Recent Economic Changes, which made its notable report in 1929 and which you doubtless remember, commented on the mounting percentage of vacancies in the run-down and congested districts, but did not recognize the opportunity that this presented for both long-range civic planning and long-range economic planning.

There is not the time, nor is there with this group the need, to recount the lost opportunities for forward planning in the 1920's and for slum rehabilitation in the first half of the 1930's. You are in a better position than I am to know that a slum-rehabilitation program, large enough to be effective as a reserve of public works to be released in a period of depression, must be the result of long prior planning on the part of Federal, State, and local

governments, and of all the social, civic, and other groups mainly concerned with the slum problem.

The situation that confronts us in 1937 is not a surplus of new housing at the top and of bad housing at the bottom, but a shortage all the way down the line. Incongruous and ironical as it may seem, the housing conditions of many low-income families have been made worse instead of better by the increasing rate of industrial recovery. The explanation of this is that recovery has greatly increased the demand for workers in communities where during the depression precious little new housing was built and precious little money was spent to repair or recondition slum properties. For two or three years now, the demand for housing of all kinds has been increasing faster than the supply of housing has been augmented by new construction. And of course all during the past seven or eight years boys and girls have come of age, got married, and had babies; and so the population has increased and will continue to increase even if we have to put the new families in trailers, tents, and wigwams.

Some studies recently made in the economics division of the Reserve Board give what I think most of you will regard as an extremely moderate estimate of the effective demand for new housing over the next five years, provided that prosperous conditions of business prevail. Measured by the long-term average ratio of vacancy to occupancy in non-farm dwellings, there is indicated by these studies a present shortage of some 400,000 to 500,000 dwelling units. The studies then indicate that if 800,000 new units are

averaged each year for the next five years, we shall have a reasonably comfortable housing situation as far as the number of housing units is concerned; that if the average is 700,000 units annually, we shall still have approximately the same shortage that we have now; but that if the average for the five-year period should be no more than 600,000 units a year, the shortage will then be acute and will be comparable with the worst period after the World War.

You have seen estimates of both the present shortage and the prospective demand that run a good deal higher than these; but, as far as I am aware, no one who has studied the matter has reached any conclusion other than that our main housing problem over the next five or ten years will be to avert an acute shortage. Last year's construction is estimated at only some 250,000 units; the estimates for the present year, I believe, generally run upward of 400,000, though whether these estimates are high, low, or moderate I am unable to say.

In these circumstances, it seems to me that a discussion of the benefits of slum clearance--benefits to be exacted as a condition of any public-housing program--is for the immediate future, at least, largely academic. We cannot have any nicely balanced program of so many slum families rehoused to so many slum units demolished until we begin to see our way out of this housing shortage.

It likewise seems to me largely academic to talk about pointing up the Wagner bill with refinements of detail that as a practical matter can be developed only by administrative policy and

regulation and then put to the test of operating experience. The United States is not a compact little industrial island like Great Britain, where uniformity of housing practice is possible. Ours is a country of continental dimensions, with great variations in climate, in the types of housing adaptable to local conditions, in accessibility to the different kinds of building materials, and in local or regional customs, occupations, living costs, income levels, rent levels, and racial groups. As some British observers of the American experiment in recovery recently put it on their return home, the United Kingdom is about equal to the combined area of the States of New York and Pennsylvania; each of nine States is larger than the island of Great Britain; and the distance from New York to Los Angeles is greater than that from London to Baghdad.

The problem of slum tenancy, like the problem of farm tenancy, is the result of long neglect and long waste of human, material, and natural resources. What the Wagner bill does--the most important thing it does, as I see it--is to put the study of slum tenancy on a permanent basis and to make slum rehabilitation the subject of long-range planning. It seems to me far more important to accomplish this than to try to spell out in a bill the precise manner in which public agencies shall construct housing, fix rentals, admit tenants, manage properties, and clear slums. I am purposely refraining from discussing the financial provisions of the bill because, as you know from press reports, these have been made the subject of official discussions that have not yet been

concluded.

Now to come back for a moment, in conclusion, to what I have asserted to be our main housing problem--namely, the avoidance of an acute shortage, with the rent crisis, the price inflation, the economic dislocation, the social distress, and the governmental intervention--local, State, and Federal--that such a shortage would almost certainly involve. The four-year program of housing construction contemplated in the Wagner bill, even if it should be fully availed of and completed within that period, would supply only a very small proportion--say seven or eight per cent--of the estimated requirements for new housing over those four years. On the construction side, then, the much larger question is what private industry can do or will do.

If the housing industry, in its numerous component parts, directs its energies mainly toward the building of small, inexpensive, and durable houses, there is a huge market ahead. There is also thus presented the opportunity for utilizing on a large scale new and less-costly methods of housing construction and mortgage financing; the opportunity also--I think you will not question this--to develop a more responsible construction industry than we had in the 1920's. The temptation is now strong, I concede, to go on the theory that high costs and high prices have never restrained house buyers from being foolhardy, have never arrested a building boom until supply had far outrun demand and smashed the market; and that the practical thing for the men who set the pace in the construction industry to do

is to push up prices and "make their pile."

But there is nothing foreordained or inevitable in this. We are only on the threshold of opportunity, not headlong into it, and the choice of ways and of markets is still to be made. We are at that juncture where long-range thinking on the part of the manufacturers of houses, and especially on the part of the manufacturers of the materials and equipment that go into houses, is our most urgent housing need. From the point of view of the professional, industrial, and financial groups that your committees represent, this is a much larger problem, I suggest, than is presented to you by the Wagner bill.

Some of you are frankly hostile to the Wagner bill, some of you feel that you ought to find a way to support it in principle; but among you this evening you have expressed such a variety and diversity of opinions as to what the bill should somehow contain and anticipate, that you would so load it with administrative restrictions as to render it unworkable. I would further suggest, then, that in whatever action your committees may take as an outcome of this meeting, you be less concerned with making the Wagner bill an instrument of perfection than with bringing forcibly to the attention of your constituent bodies the seriousness of the housing problem with which they themselves have directly to deal.