

**THE WHITE HOUSE  
WASHINGTON**

December 11, 1937.

**MEMORANDUM FOR MARRINER ECCLES:**

I wish you would look this over  
and let me have any comments you care to make.

F.D.R.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date December 13, 1937To Mr. Hersey

Subject: \_\_\_\_\_

From Miss Egbert

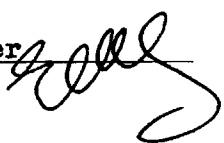
Mr. Eccles would like you to look over the attached letter and report received by the President from the National Housing Committee and give him a brief statement of what you think of the information. He would like to know if it appears to be reasonably accurate and a valuable contribution to the housing situation. If so, he would like a very brief digest of the problems raised and the conclusions which can be drawn from the report both for his own information and to send to the White House, if the information is of such value that it would appear advisable for Mr. Eccles to send such a memorandum to the White House. In any case a reply should be prepared for the President's signature. Mr. Eccles would like to have this by the end of this week or the first of next week.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date December 21, 1937To Chairman Eccles

Subject: \_\_\_\_\_

From Mr. Goldenweiser "The Housing Market"

The attached memorandum prepared in this Division is a brief discussion of the report of the National Housing Committee on "The Housing Market". It appears from the memorandum that the principal valid point of the report is that most people pay less rent than would be necessary to meet existing building costs. This point, of course, is familiar. It appears that the report is not reasonably accurate and contains no real contribution.

A proposed draft of a letter to Monsignor Ryan is attached.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date December 20, 1937To Mr. GoldenweiserSubject: "The Housing Market" -- SummaryFrom Mr. Garfield and Mr. Herseyand general comments*RG**ABH*

The report of the National Housing Committee on "The Housing Market" is an attempt to measure the demand for housing in different income and rental groups and in different regions of the country. The principal conclusions, stated or implied, are that most non-farm families pay less for housing than the current cost of providing new housing, that most of the new construction should be for these lower-income families, and that a large part of it should be in the South. The number of new dwelling units needed in each of the next two years is estimated at 1,500,000. Of these, 500,000 would be needed each year to take care of the increase in the number of families and of the replacement of houses demolished and houses becoming uninhabitable and 1,000,000 each year to make up the present estimated shortage by the end of 1939.

The general conclusion that most people pay less rent than would meet the cost of new housing is valid, and if the report, by calling attention to the limited incomes people have, stimulates efforts to reduce the cost of housing, it may prove useful. The report, however, can not be taken as a basis for working out a program because most of the conclusions are based on unjustified assumptions and unsatisfactory statistical methods. Recognizing this, at least three of the leading housing experts in Washington -- George Terborgh, Ernest Fisher, and David Wickens -- were unwilling to have their names appear in the list of consultants.

The total figure of 1,500,000 units per year is hardly realistic, as an indication of actual demand, being five times the number built this year and one and a half times the number built in 1925, the peak year. The regional distribution, showing, for example, that only 1.1 percent of the total ought to be built on the Pacific Coast, when this year over 15 percent are being built there, implies an extraordinary shift in building activity. The rent and income comparisons have been arrived at through uncritical use of existing data and are unreliable. The conclusion that most of the new construction should be for lower-income groups and that the amount of building for the higher incomes should actually be smaller than in 1936 assumes that a larger volume of new housing can be provided for the lower-income groups while the higher-income groups continue to live in existing structures. There is no discussion as to how the higher-income groups will be kept from bidding for the more modern units. It is possible that through large scale operations costs for modest units might be reduced or that through governmental subsidies, limited to families with low incomes, housing construction for these groups might be stimulated somewhat, but not presumably to the extent necessary to provide any such volume of new housing for the lower-income groups as is contemplated in this report. There is no discussion as to how far the present and future needs for low-cost housing can be met by construction of new dwellings and to what extent we can rely on a used-house and a used-apartment market as we rely upon a used-automobile market.

December 20, 1937

Draft of letter to Monsignor Ryan

Thank you for sending me a copy of the report on a survey of the housing market which the National Housing Committee has made.

The smallness of the rentals which so many people can pay is a very strong argument for more efficient and more economical large-scale production of housing. I believe it is becoming widely realized that revival of residential construction must be based on reduction of the costs of building and the payments for dwellings. The policy of this Administration in relation to housing recognizes this fundamental principle, as is evidenced by the amendments to the National Housing Act now under consideration and by the United States Housing Act which was passed at the last session of Congress.

One point in the introduction to your report seems to me important to consider carefully. I wonder just how far the present and future needs for housing can be met by construction of new dwellings for the groups whose needs are most pressing, and to what extent we shall need to rely for low-cost housing on a used-house and a used-apartment market as we have relied for cheap automobiles on a used-automobile market.

I have asked that your report be studied further by the agencies of the government interested in the housing problem.

December 23, 1937.

My dear Mr. President:

Herewith I am returning the Rt. Rev. Monsignor John A. Ryan's letter of December 9th to you together with the copy which he transmitted to you of the housing market survey report made by the National Housing Committee.

In accordance with your request for comments thereon, I am also enclosing a brief memorandum prepared by our Division of Research and Statistics, pointing out that while the report reaches a valid conclusion as to the high cost of new housing in relation to rents, in other respects it is not considered altogether reliable by some of the recognized housing experts.

In addition, I am enclosing a draft of a suggested letter of reply to Monsignor Ryan.

Respectfully yours,

M. S. Eccles,  
Chairman.

The Honorable  
The President of the United States,  
The White House.

enclosures

ET:b

My dear Monsignor Ryan:

Your thoughtfulness in sending me with your letter of December 9th a copy of the housing market survey report prepared by the National Housing Committee is greatly appreciated. As you know, I am wholly sympathetic with the objectives of your Committee, and I am fully in accord with your conclusions that the most acute shortages are in housing for the great mass of people with small incomes.

The pending housing legislation which I recommended to the special session of Congress is intended, as you are aware, to encourage private enterprise to make more adequate provision for all kinds of housing, both for sale and for rent, recognizing that this essential purpose cannot be accomplished without a reduction of the prohibitive costs which arrested the progress of recovery in this important field.

In helping to focus public attention on the housing situation and hence upon the importance of making adequate provision for decent dwelling places which will be within reach of the lower income groups, your report should prove valuable and useful, particularly at this time. I have requested that it be studied by the agencies of the Government which are interested in the problem.



MEMORANDUM ON HOUSING MARKET SURVEY OF THE NATIONAL HOUSING COMMITTEE

The report of the National Housing Committee on "The Housing Market" is an attempt to measure the demand for housing in different income and rental groups and in different regions of the country. The principal conclusions, stated or implied, are that most non-farm families pay less for housing than the current cost of providing new housing, that most of the new construction should be for these lower-income families, and that a large part of it should be in the South. The number of new dwelling units needed in each of the next two years is estimated at 1,500,000. Of these, 500,000 would be needed each year to take care of the increase in the number of families and of the replacement of houses demolished and houses becoming uninhabitable and 1,000,000 each year to make up the present estimated shortage by the end of 1939.

The general conclusion that most people pay less rent than would meet the cost of new housing is valid, and if the report, by calling attention to the limited incomes people have, stimulates efforts to reduce the cost of housing, it may prove useful. The report, however, cannot be taken as a basis for working out a program because most of the conclusions are based on unjustified assumptions and unsatisfactory statistical methods. Recognizing this, at least three of the leading housing experts in Washington--George Terborgh, Ernest Fisher, and David Wickens--were unwilling to have their names appear in the list of consultants.

The total figure of 1,500,000 units per year is hardly realistic, as an indication of actual demand, being five times the number built this year and one and a half times the number built in 1925, the peak year. The regional distribution, showing, for example, that only 1.1 percent of the total ought to be built on the Pacific Coast, when this year over 15 percent are being built there, implies an extraordinary shift in building activity. The rent and income comparisons have been arrived at through uncritical use of existing data and are unreliable. The conclusion that most of the new construction should be for lower-income groups and that the amount of building for the higher incomes should actually be smaller than in 1936 assumes that a larger volume of new housing can be provided for the lower-income groups while the higher-income groups continue to live in existing structures. There is no discussion as to how the higher-income groups will be kept from bidding for the more modern units. It is possible that through large scale operations costs for modest units might be reduced or that through governmental subsidies, limited to families with low incomes, housing construction for these groups might be stimulated somewhat, but not presumably to the extent necessary to provide any such volume of new housing for the lower-income groups as is contemplated in this report. There is no discussion as to how far the present and future needs for low-cost housing can be met by construction of new dwellings and to what extent we can rely on a used-house and a used-apartment market as we rely upon a used-automobile market.