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WESTERN UNION

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FIRST VICE-PRESIDENT

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Send the following message, subject to the terms on back hereof, which are hereby agreed to

December 11, 1934.

Hon. Franklin D. Roosevelt
Washington, D. C.

CONFIDENTIAL

Before you determine what shall be the Administration's policy in respect to both governmental and privately initiated construction, we request the opportunity to present the results of research about completed on this problem and its relation to other recovery efforts. This indicates:

- 1 - Building industries should employ normally from 20 to 25 percent of the nation's labor and consume from 20 to 25 percent of the materials produced, if building values were high enough to warrant new investment.
- 2 - Building with private capital cannot revive before there is a restoration of real estate values which will make new construction profitable. So long as existing buildings that have lost their value because of deflation are being forced by foreclosure into the market at less than cost of new building, new construction cannot be undertaken with profit. A building is a mass of stored commodities. Restoration of basic commodity prices is prerequisite to restoring value to buildings.
- 3 - Ample private capital is available to finance large-scale building revival if deflationary forces are removed. Real estate is subject to a natural cycle that completes itself in swings of 18 to 20 years. Increase in the buying power of gold and consequent fall in price of basic commodities carried real estate, which was already on its cyclic downswing, to abnormally low levels. Then nationwide unemployment, doubling up of families, and inability to pay even low rents further accentuated the real estate depression. As a result, new building has been for years at record low levels. If normal occupancy were restored, we would have now an actual shortage in housing.
- 4 - Large scale government building at this time would further depress real estate just when values are beginning to rise. Threat of future competition by the government in the housing field would tend to paralyze private initiative still longer.
- 5 - With a vast potential shortage resulting from years of under-building and a great accumulated reserve of delayed marriages, no government building program can meet future housing requirements. Only private capital and private initiative can meet this situation. A government building program could give only a small portion of the present needed reemployment. Therefore government construction, outside of such non-competitive fields as roads, grade crossing and public buildings, is likely to reduce rather than increase reemployment.

Revival of building being dependent on restoration of real estate values through higher basic commodity prices, the whole problem turns on monetary policy. Under present world conditions, only a higher dollar price for gold can raise the level of basic commodities in the United States.

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Nations that have kept their price of gold unchanged or low, still have almost complete cessation of building activity. Nations that have raised their price of gold adequately have greater building activity and some have actual booms.

England kept wages constant and expanded employment instead of raising the hourly wage rate as we have done. Thereby the Mother Country, largely the creditor end of the Empire, has been able to bring about greater economic balance than we, and great building activity. England has the same price of gold as we, but links it to a still higher price of gold for her "sterling area" agricultural and raw material producers, giving them a 20 to 35 percent competitive advantage over our basic producers.

Private initiative has created in four generations more new building in the United States than all European nations combined, with their enormously greater combined population. The United States building industry developed practically all the conveniences of modern living for our own people and for the world -- colonial architecture, steel construction, the elevator, locks, trim, ample windows, central heating plants, all sanitary home equipment, electrical household lighting, ventilation and air conditioning. The stove invented by Benjamin Franklin is still the most efficient heating unit in some European capitals and apartments are advertised as especially desirable because they have a Franklin stove or an American radiator.

For further technical improvement and development of low-cost modern mass production of housing, the driving power of private initiative is indispensable. If in the depression of 1907 the government had entered the automobile business with capital to create more jobs, would that industry have risen to give livelihood to more than 10 percent of our population?

Those countries which have restored their prices of basic commodities have overcome unemployment and at the same time restored normal values to their existing buildings. Brazil, Mexico, Argentina, Australia, Japan have building values high enough to make new construction by private capital very profitable. There the building industries are giving large scale employment without government help.

Your Administration's partial restoration of the price of basic commodities by raising the price of gold part way has already brought tremendous benefits. Raising it adequately as they have done will restore to American basic producers who, including farmers, comprise 55 million of our population, their \$10 billion of lost annual income. This restored spending power will lift industry to volume production and restore employment and the ability to pay normal rents. This will also restore to former levels the value of existing buildings and will make new building so profitable that private capital can operate with profit and give added employment.

We respectfully urge you to have the relationship of monetary action to the proposed building program thoroughly considered before a policy is determined. To that end we shall be glad to place at the disposal of those in your Administration charged with responsibility for dealing with this problem the results of research in this particular field.

JAMES H. RAND, Jr., Chairman
COMMITTEE FOR THE NATION

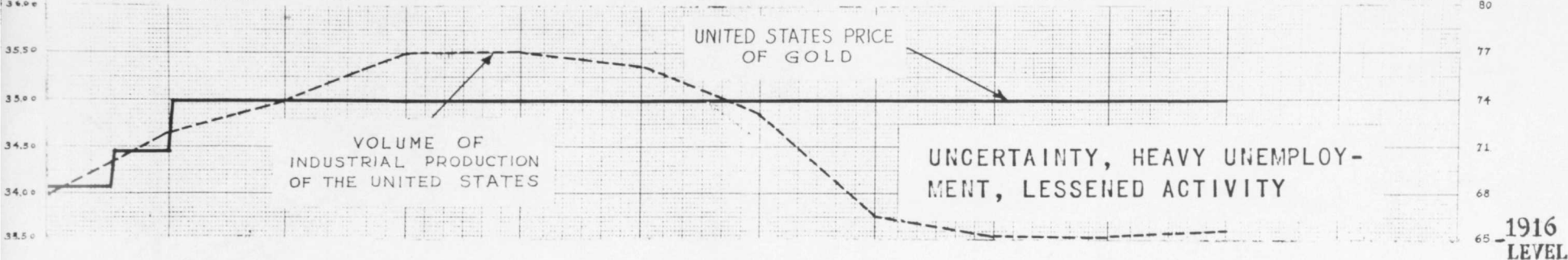
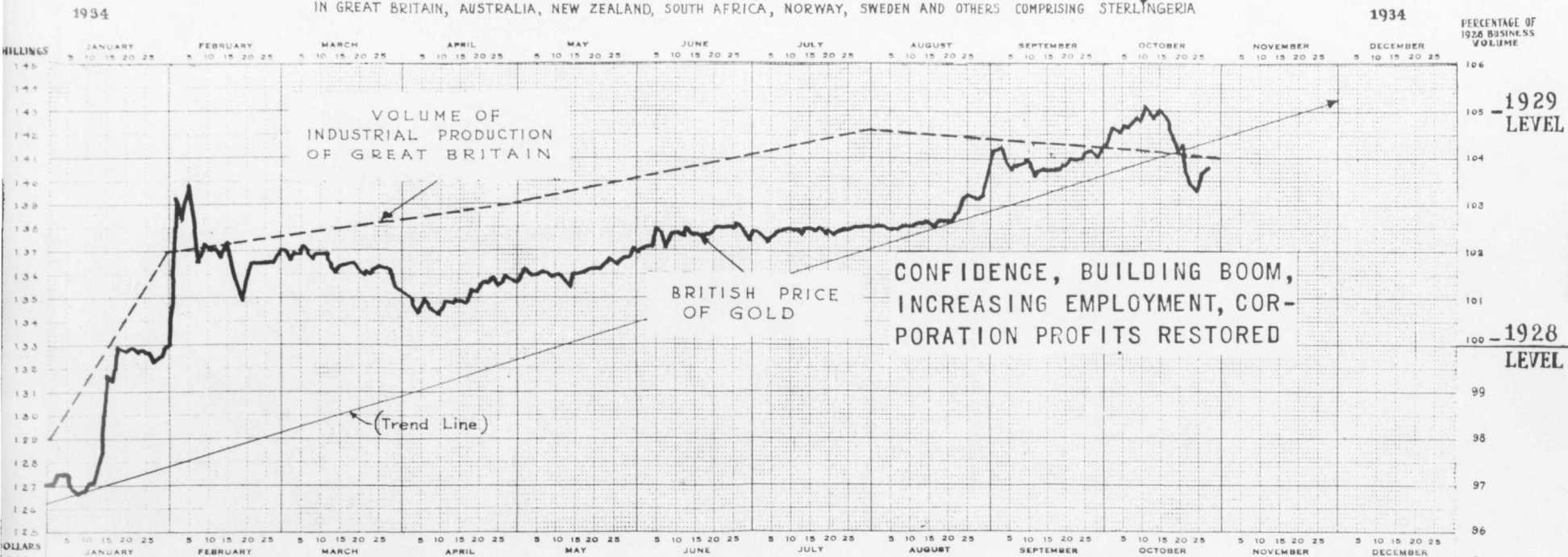
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(America Must Choose)

WHAT GREAT BRITAIN HAS DONE TO THE PRICE OF GOLD DURING THE PAST 9½ MONTHS

A PERIOD OF GREAT PROSPERITY, APPROXIMATING THAT OF 1929

IN GREAT BRITAIN, AUSTRALIA, NEW ZEALAND, SOUTH AFRICA, NORWAY, SWEDEN AND OTHERS COMPRISING STERLINGAREA



WHAT THE UNITED STATES HAS DONE TO ITS PRICE OF GOLD DURING THE PAST 9½ MONTHS

A PERIOD OF LESSENER BUSINESS ACTIVITY, BELOW 1933

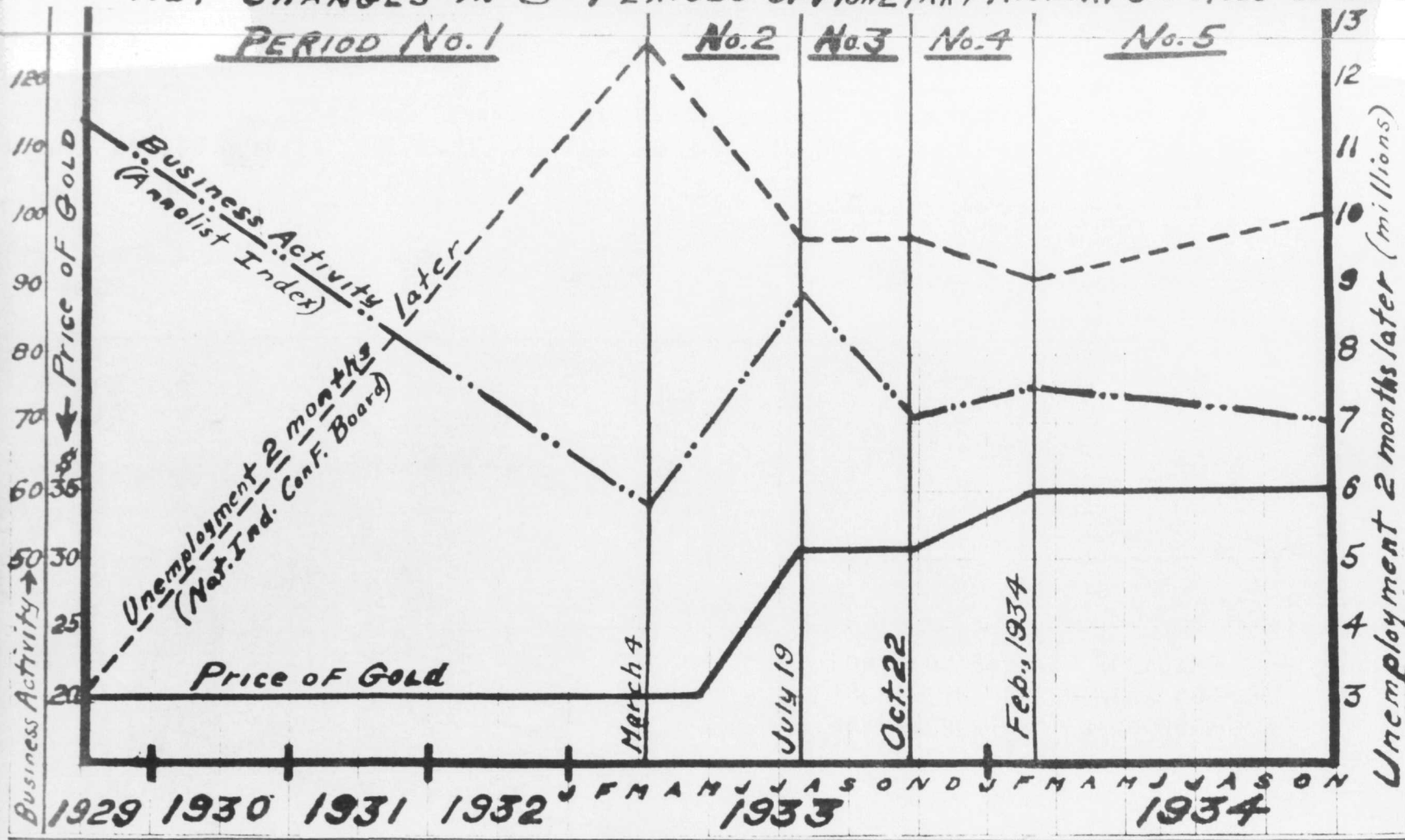
COMMITTEE FOR THE NATION
205 EAST 42ND STREET N.Y.C.

(OVER)

PRICE OF GOLD, BUSINESS ACTIVITY, and UNEMPLOYMENT

K.B. Walton
Brigantine
N. J.
Nov. 1934

NET CHANGES IN 5 PERIODS OF MONETARY HISTORY SINCE 1929



IN EVERY PERIOD SINCE 1929 IN WHICH THE PRICE OF GOLD HAS BEEN RAISED,
the United States has enjoyed
INCREASED BUSINESS ACTIVITY and A DECLINE IN UNEMPLOYMENT.

IN EVERY ONE OF THESE PERIODS IN WHICH THERE WAS NO NET INCREASE IN THE PRICE OF GOLD,
the United States suffered
A DECLINE IN BUSINESS ACTIVITY and NO CHANGE, or INCREASED UNEMPLOYMENT.

Does the United States want
UNEMPLOYMENT OR REEMPLOYMENT? BUSINESS ACTIVITY DEPRESSED, OR RESTORED?

The buying power of gold for basic commodities is now 150% greater than in 1929. The United States has only partially offset this by increasing

Unless the world value of gold falls, or the dollar price of gold is raised to close this gap, deflation, with lowered business activity,