

Office Correspondence

Date May 9, 1937To Mr. EcclesSubject: Suggestions for Secretary MorgenthauFrom J. M. Daigerregarding Housing and Housing Finance

G P O 16-852

This is the memorandum which you suggested that I give to you with reference to your proposed conversation with Secretary Morgenthau on Tuesday. Included in it are some suggestions made by Mr. Frank C. Walker in the course of a long talk that I had with him on Friday.

The Treasury and the Budget Bureau now have before them for review, in accordance with a procedure established by the President, several sets of legislative proposals relating to housing and housing finance for which the support of the President is being sought by the proponents of the legislation. All these proposals purport to deal with a common national problem, the remedying of which the President holds to be one of the major social and economic objectives of his administration.

The present legislative proposals, however, like others which have preceded them during the past year or two, are drafted without reference to one another, without regard to the total existing body of related legislation, without regard to the changing nature of the housing problem under the impact of industrial recovery, and without regard to the questions of fiscal, monetary, and credit policy which the Administration has to take into account in shaping its

housing efforts.

To put the matter another way, each of the proposals is drafted with exclusive interests in view rather than with a common governmental purpose in view. Each is prompted by pressure groups working to promote the aims of their own agencies or their own limited sphere of housing interest. I do not mean to imply that these pressure groups ought not to be represented in this manner, or that their special interests ought not to exert some influence on legislation; I mean simply to point out that neither singly nor collectively do these groups approach the housing problem objectively and comprehensively from the point of view of the Federal Government. Their current operations and proposed legislative changes do not make a mutually-consistent pattern of governmental policy and action.

In fairness to the so-called housing agencies, all of which were improvised during the depression, it needs to be observed that their separate and uncoordinated activities presented no very serious difficulties as long as housing and housing finance were being dealt with as a depression problem. The task of the agencies was to get housing and capital for housing by any practicable means that might contribute toward the revival of industrial activity and employment. Even now, with industrial recovery well advanced, the separate operation of the agencies would in all probability be far more efficient

than if their activities were consolidated in a single agency, provided only that they were now operating under an integrated program that was adapted to the industrial and financial conditions of the recovery period as distinguished from those of the depression period.

The essential problem of the Administration, then, in this matter, is not merely to point up or modify this or that piece of proposed legislation, but in doing so to initiate unobtrusively, and with an avoidance of internal controversy and confusion, a reshaping of policies and objectives so that the housing agencies and other governmental agencies directly or indirectly involved—Treasury, Commerce, Labor, Federal Reserve, FDIC, PWA, WPA, etc.—will not be working at cross purposes, but rather in conformity with a consciously-formulated pattern. The task of the agencies is no longer to "get housing" by one means or another; it is to avert a runaway rent and price situation in real estate, to prevent incipient local shortages of building labor from developing into actual and acute shortages, to induce a flow of industrial and residential construction away from the high-cost centers, to avoid the freezing of unemployment in those high-cost centers, and yet to bring about a sufficient volume of construction of low-priced and low-rent housing to take up a substantial part of the lag in national income and governmental revenue.

As a matter of practical procedure, what is first needed in these circumstances is a recognition by the Administration of the

greatly altered nature of the housing problem as between the depression period and the recovery period. The disappointments and vexations resulting from the failure to get a larger volume of housing construction under way in the early stages of recovery, and the attainment of a very large measure of recovery without the housing construction on which so much emphasis had been placed, ought not be permitted to obscure the fact that there is still a crucial relationship between unemployment and budgetary deficits on the one hand and arrears of housing construction on the other. At the same time, it is no less important to see that governmental efforts in the housing field ought to be readjusted in order to make certain, as far as may be, that the country does not now "get housing" in a way that aggravates the very conditions for which the delay in getting housing is largely responsible.

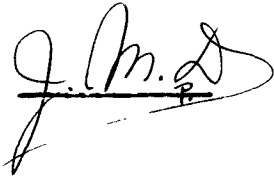
What is next needed as a matter of practical procedure is that some high-ranking official of the Administration shall be designated by the President to have a concern for housing in the present state of the problem as it appears from the governmental point of view. The designation of any one of the housing-agency heads, or the bringing of an outsider into a situation which the presence of a newcomer might further complicate, would obviously be impracticable. The designation of the Secretary of the Treasury would seem to be altogether

appropriate, however, not only because of his rank in the Cabinet, but also because he is the only official of Cabinet rank whose Department has a direct functional relationship with most of the agencies involved.

The third practical step needed is to adjust current legislative proposals to one another and to existing legislation, and to modify or amplify both existing legislation and new proposals with reference to the additional factors that now call for attention in a governmental approach to the housing problem. From this point suggestions might logically follow for readjustments of operating policy, and for means of dealing with important aspects of the problem that are now neglected because of the extreme specialization of the housing agencies.

I think that what I have outlined above would represent a concurrence of your views and Mr. Walker's, though I have not undertaken to earmark which are yours and which his and which mine. Mr. Walker regards an early revamping of the agency activities as highly important. From his personal observation, he thinks that some of these activities are leading to a repetition of the abuses and excesses of the 1920's. He says that he will be glad to second the proposal that you have in mind making to Secretary Morgenthau, and that he will get in personal touch with the Secretary and also with the President if you think that his doing so would be helpful. He would like to

see a quiet effort made to bring about a practical coordination of policy right now without any suggestion of changing the present administrative set-up.

A handwritten signature in cursive script, appearing to read "J. M. D.", with a horizontal line drawn underneath the letters.