

## Office Correspondence

Date September 25, 1937

From Mr. Eccles

Subject:

To Mr. Clayton

GPO 16 852

On the evening of September 24 I attended an informal dinner at the Shoreham given by Allie S. Freed in honor of Mr. John Laing of London, England, head of the J. L. Laing & Son, Ltd., said to be the largest and best building firm in England. First of all I noted from the discussion that Mr. Freed is himself now actively engaged in a low-cost project namely, Buckingham, on the Virginia side just west of Colonial Village. Mr. Freed's interest in housing therefore is personal as well as social.

There was a fairly representative gathering including Mr. Holden, head of F. W. Dodge Co., also the head of the Alley Dwelling Authority of Washington, and several officials from the Housing Administration including of course, Daiger. There was a very generous representation of the building and loan fraternity including Mr. Fahey, Horace Russell, the president of the Chicago Home Loan Bank, and Morton Bodfish.

Mr. Laing outlined in very clear fashion the development of the British housing program explaining that the fundamental conception of the British program is that the home is not only a desirable property for a person to own but that it is actually valuable in the social sense. Thus the subsidy part of the program is justified as a national investment rather than as a national extravagance. People in healthy homes as a rule require less police, health, fire and other protection which is furnished by taxation than do people in slums where both crime and disease breed rapidly. As to the line between the subsidy housing and the private housing, he thought it important that the subsidy be given only to provide housing for those of the really low income group. In England it is limited to those families whose weekly income is about \$25.00 per week or less, the housing cost being 25% of the income as a maximum, in other words about \$6.00 per week for the housing. Below that line is subsidy housing and above that line is private housing. Mr. Laing expressed surprise that in this country we expect the investor or mortgagor to receive 5% on a loan guaranteed by the government whereas in England the bulk of the private housing is done on a  $4\frac{1}{2}\%$  twenty year basis with the mortgage initially carrying 90% of the total cost. It was his feeling that the cost of the money should be about 3% plus  $\frac{1}{2}\%$  for management and  $\frac{1}{2}\%$  for the government guarantee, making a total of about 4%. In England the subsidy housing

carries only 3-7/8%. Even with this spread many prospective home owners prefer to pay 4 $\frac{1}{2}\%$  and deal with a private builder.

Mr. Laing brought out the fact that the housing program could not have been successful if building costs had been permitted to rise along with the general recovery movement. Through collaboration on the part of the government, the principal building firms, and representatives of the labor organizations, the continuity of construction was pledged, as a result of which the unit labor cost in England was reduced 33%. I asked Mr. Laing whether this was brought about through a contract between individual builders and labor and he advised no, it was simply a pledge to use the utmost efforts to provide steady work. It was his offhand estimate that the average workman in their employ was not off work more than two or three weeks out of the year and they kept the construction work going through the entire winter even though at times it was difficult to carry on, particularly on account of the wet. It seems that there is little trouble from snow and severe low temperatures.

Referring again to the importance of the low interest cost to the prospective home owner, Mr. Laing stated that in 1934 when construction was in a slump, the building societies dropped their interest rates from 5 $\frac{1}{2}\%$  to 5% and after a few months down to 4 $\frac{1}{2}\%$ , the present rate. According to Mr. Laing this lowering of the interest load made an immediate resumption in the building trades.

When Mr. Freed called upon several of the Americans present for discussion of the problem there was a succession of excuses or alibis for the failure of the American program. Bodfish claimed that the interest rate here was properly 1% or more higher than in England because under the laws of the various States the mortgagor had an additional risk in connection with repossession. In case of default it usually takes at least a year to get possession of the property and a legal expense of from \$300 to \$500. In England the time is much shorter and the legal expense much less. Mr. Holden pointed out that the American builder has not really specialized in housing the way he has in other types of outdoor construction. He pointed to the efficient handling of many outdoor projects such as dams, factories, etc. He admitted that there were no real builders of homes in the country, particularly in the low-cost field where the biggest potential volume lies. He stressed the fact that temperatures in this country were more severe than in England and that even with the best of effort it would be difficult to keep workers busy on outside construction more than eight or nine months out of the year. He admitted however, that the best of the American home builders did not keep their workmen busy more than 180 days out of the year.

One important fact brought out in the discussion was that the percentage of home ownership as against rental tenancy in this country had, prior to the British building boom, been considerably higher. Britain now approaches the American ratio and it was questionable whether the British program from here on would not encompass more rental buildings than heretofore and that the American program, if it gets under way, must likely encompass a great deal of rental housing whereas the program thus far has been aimed at individual home ownership. This, of course, substantiates what you have tried to get over in this entire problem, namely that capital will not flow rapidly into the construction field unless the entrepreneur is encouraged to build rental housing.

After listening to Mr. Laing's many interesting descriptions of the British building industry, it is very apparent that they have a tremendous advantage in having a relatively small and close knit country where the people habitually settle in one place for a long time, where the average home owner clings tenaciously to his property by avoiding default, and where the builders are large and old established firms of great experience and integrity. Mr. Laing said that there were at least fifteen or twenty firms whose actual capital investment was in excess of £1,000,000 and there were several firms whose capital was £2,000,000 or more. His own organization is set up with himself and two directors as a board. Under this board there are five regional managers located in various parts of the country, each with about 500 men under him. Thus the company has a crew of about 2,500 workmen who are steadily employed the year round. He described their personnel relations which were certainly well conceived and it was very easy to understand why they had little or no labor difficulties and a very small turnover.

After it was all over I wondered whether with our political and temperamental characteristics we can hope to follow the British example or whether we are going to limp along until our industrialists figure out a way to construct homes and factories as we do automobiles and deliver them on short order with only an assembly job to be done at the actual home site.

