

TO \_\_\_\_\_

FROM \_\_\_\_\_

REMARKS:

*Daiger*  
Copy of this was given to Daiger  
at his request so that he could use it  
in connection with compiling information.

# FEDERAL RESERVE BANK OF CHICAGO

November 6, 1937

Mr. Marriner S. Eccles, Chairman  
Board of Governors of the Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

Pursuant to your telegram and conversation with Mr. Daiger this morning, I have contacted Mr. Lewis, and there is enclosed a memorandum dictated by him relative to the matter in which you are interested.

If I can be of further service to you, I shall be glad to have you contact me.

Yours very truly,

  
C. S. Young  
Vice President

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Referring to the conference with Mr. Daiger in Chicago Thursday, particularly in reference to restraint of trade existing in Chicago and in many other large towns, the situation as I view it is about as follows:

Prior to the enforcement of the N. R. A., competition was keen between all producers of building materials and equipment entering into construction of buildings. This competition in many cases was not only from the standpoint of business but the personal element also entered into it, jealousies and ambitions to increase and develop various classes of business being the impetus for the tremendous development that occurred in the building trades over a number of years.

The compulsory association of the men described above brought about an immediate change in their viewpoint of methods of handling their business. Almost immediately all evidence of competition in most lines ceased. Many associations, societies, guilds, and other organizations were formed. These associations in every case appointed a competent secretary, executive board, etc. Rules governing the operation of these societies were quite similar, the usual procedure being for a material man or building contractor (such as plumbers, painters, steam heating and air conditioning, brick, tile, steel, hardware, and in fact everything entering into construction) would arrange to immediately notify the secretary of any bid made on any new work and any remodeling of any considerable size. Generally the first man filing a bid would be assigned that particular contract. Experience has shown that the person

expecting to build would seek other bids, in which event such bids would always be higher, as, for instance, if the amount bid by the original contractor was \$500, successive bids would be 10%, 20%, 30%, etc. higher. In most instances these quotations or bids would be made without the trouble of even figuring the plans and specifications. In the case of a small industry like pipe covering, where materials can be purchased at a price higher than is paid by the contractors, it has been found impossible to hire union help to apply such material. This applies also in the case of plumbing and to a greater or less extent to all of the other lines, this feature evidently being the result of agreements between the unions and the material men and contractors above listed and others in the building trades.

There is no question about the illegality of this, as it is clearly conspiracy. When associations of this kind were permitted, or at least tolerated, up to the decision by the United States Supreme Court some years ago in the celebrated Hardwood Lumber case, conditions were almost the same. On notification from the Attorney General of the United States to the hundreds of associations of this character that were in existence, there was an almost immediate cessation of their operations. Knowing the extreme ill will existing among contractors, supply men, etc., against being forced into these societies, it appears to me that an immediate stoppage of this practice would be easily accomplished. Personal contact with some of the members of these societies indicates that percentages demanded from the successful contractor often leave him without any profit. The former method of operation

frequently made it more profitable for certain of the members of these societies to do no business whatever, a greater profit resulting from their percentage of the higher prices received. Fair, open, unrestricted competition, with a few of the more important officials being proceeded against criminally, would stop this practice. While this condition exists to a vastly greater extent in the big cities, it is also in full force in the smaller towns, say from 15,000 to 50,000 population.

This condition not only exists in the building trades, but also in supplies purchased by the United States Government in connection with W. P. A. activities, the Government being mulcted for huge sums by reason of conspiracy among the suppliers to raise their prices to such an extent that it has created the impression that some of the Government officials have a financial interest in these amounts. This can be verified immediately and is an item independent of the desire to start building in a large way, but has a direct bearing on same.

I have the largest, best-located, best-kept, most desirable piece of land in Chicago for working men's homes, sixteen miles of improved streets, sewer, water, gas, pavement, sidewalks, trees, bushes, etc., and am stopped in my desire to furnish homes for working men at a low price. I established this great area with that thought in mind only and have no thought of any financial gain.

As to the probable reaction to stoppage of this practice, possibly through the office of the United States District Attorney here, I feel that it would have the hearty sympathy of all citizens, material men, contractors, as well as individual members of the unions.