

FROM: MR. DAIGER'S OFFICE

TO: Mr. Eccles

1/10/38

As I understand it, there will be a White House press conference at 10 o'clock tomorrow morning. I am accordingly sending to you herewith the question and answer that you asked me to prepare.

If matters continue to move as quickly this morning as they did on Friday morning, the conferees will in all probability have reached an agreement on all points in the bill by noon today. In saying this, I am assuming that we shall be able to get a unanimous agreement on the Lodge amendment as we have thus far on all other points of the bill.

J. M. D.

QUESTION AND ANSWER ON THE LODGE AMENDMENT

What do you think of the Lodge amendment calling for the so-called prevailing wage on housing financed under the National Housing Act?

I think that the amendment would nullify the entire legislative program on which industry, labor, and government are relying to stimulate housing construction by private means.

Where the Federal government is dealing directly with builders or contractors, and is disbursing its own funds for the construction of its own buildings, the prevailing-wage clause is put into contracts under the provisions of the Bacon-Davis law. A similar clause is embodied in contracts under which Federal funds are loaned for construction projects undertaken by State or local governments.

This is a very different matter, however, from applying the prevailing wage in the case of private loans to private builders and home owners. Here the question of wage rates and labor standards plainly ought to be determined by the regular methods of collective bargaining.

A great many persons fail to realize that the Federal Housing Administration does not itself make any loans or build any houses. The funds loaned under the FHA plan are private funds, and the houses are privately built and privately owned.

The effect of the Lodge amendment would be to make the mortgage-insurance contract between a private lending institution and the FHA invalid, unless the prevailing wage had been paid at the time the property securing the mortgage was built. As such a condition is one that private lending institutions have no practicable means of determining or controlling, the loans simply would not be forthcoming.

The persons who have most to lose by the enactment of the Lodge amendment are the building-trades workers themselves. Their real interest lies in recognizing the fact that the author of that amendment is opposed to the housing program, that he voted against it even when it included his amendment, and that the amendment itself does not mean and cannot mean what it ostensibly promises.