

Early this week I stopped at Savannah, Georgia, and inspected some twenty new homes built for industrial workers by George B. Clark of that city. These homes have been sold at prices ranging from \$2700 to \$3500. They are mostly two-bedroom and three-bedroom houses located on a good road, have wide lots, well landscaped, but they do not have basements. They are modern and well built in every respect.

We have in our files information concerning a number of other builders in scattered communities who are building and selling modern homes for \$3000, including the lot. I have turned some of this material over to Mr. Davison of the Pierce Foundation, who is at present studying it. Should you want to see this file later, I shall be glad to send it to you.

Naturally the question will arise in the minds of observers as to why it is possible to build and sell homes in some communities at \$3000 whereas in other places, especially the larger centers, the same home will cost fully twice that much, even if we eliminate allowances for higher land costs and taxes. This question has been asked by a great many people during recent months, and I have had the privilege of sitting in conferences of home builders and other groups where behind closed doors the matter has been discussed pretty frankly. The general conclusion that anyone who studies the question arrives at is that the tremendous differences in the cost of building an ordinary home result largely from certain bad and uneconomic

practices in the construction industry which obtain in some communities, especially the larger metropolitan centers.

Some of these practices are the result of collusion between associations of subcontractors and trade unions. For instance:

- (a) In two of our largest cities the master plumbers association has a clearing house to which all bids of their members must be submitted. This clearing house dictates just how bids must be prepared. If any bid is too low, it is thrown out. Most jobs are distributed by rotation to the members. This arrangement is enforcible because any contractor who does not submit to it finds that the plumbers union will not permit any of its members to work for him. Any contractor who is not a member of the association would have the same obstacle in getting workers. This arrangement, it is reliably reported to me, exists in both New York and Chicago and several other centers.
- (b) In the sheet metal industry, membership in the association of subcontractors is compulsory. If the sheet metal contractor will not belong to the association and pay the heavy dues, the sheet metal workers will not permit any of their union members to work for him. The business agents of the union, it is reported, collect from all sheet metal subcon-

tractors a fee of two per cent on their gross business.

Such collections are made in cash.

- (c) Painting contractors are also involuntary members of associations. In several cities each painting contractor must pay certain sums directly to the union--not to the association. These sums are called dues. If they are not paid, he cannot do business.
- (d) In the case of the glazers a similar practice obtains. The contractor must pay a substantial sum into the treasury of the union in order to be allowed the privilege of hiring union men. When he has been allowed this privilege, he cannot hire the men he desires but must employ the men which the union sends him, whatever their qualifications may be. Moreover the contractor must pay to the union a certain additional fixed sum per day in addition to wages for each man that the union permits him to employ.
- (e) In at least one city in the plumbing business there is maintained in addition to the trade association for plumbing contractors a so-called code authority which gets a fixed percentage on all the work done by plumbing subcontractors.

These are illustrations, which can readily be verified, of practices which are nothing more or less than racketeering and which can only exist by reason of joint action between the subcon-

tractors and the trade unions involved. To what extent these practices can be said to be illegal I do not know. Certainly they are unethical. That they greatly increase the difficulties of doing business and add to costs is apparent and is a matter of common knowledge.

Another bad practice which adds to costs in the larger centers where the trade unions have their greatest strength consists in union regulations adopted and enforced whose sole purpose it is to make work and thus increase the cost. Here are some examples:

- (a) In the lathing trade in Chicago no job can be started without the presence of seven lathers, all of whom must be paid for at least half a day. This is regardless of the size of the job. It would require at least a fifteen-room house to use seven lathers.
- (b) The setting of small iron beams which is occasionally necessary in a house must be done by expert iron workers. As a rule, this task consists of nothing more than merely lifting a beam and setting it on top of a wall and perhaps putting in a bolt or two. Ordinarily it can be done by any kind of unskilled labor. Iron workers must be called in, however, and must be paid for at least half a day, no matter how small the job is.

- (c) Tile setters are permitted to work only with helpers. For each tile setter there must be one helper. Thus if there are three tile setters there must be three helpers. This is in spite of the fact that one helper could do all of the incidentals for three or four journeymen. Moreover tile setters are in several cities allowed eight hours' pay for seven hours' work if a job is located more than a certain distance from the center of the city. This rule applies regardless of where the man himself may live.
- (d) Glazers may put in only a limited number of lights per day. If any pre-glazed sash of any kind is found on a job, even in such cases as factory-made garage doors, it becomes the glazer's duty to report this fact to the union and thereafter to remove the glass from the frame and then to reinstall it.
- (e) In carpentry the unions in several cities now require that all bridging used to reinforce floor joists must be laboriously cut by hand on the job. This is in spite of the fact that such bridging can be bought in any lumber yard ready cut to length and with proper bevels.
- (f) In the plastering trade there are many restrictions on labor-saving methods. Metal lath reinforcing for interior angles can no longer be used in certain cities. These reinforcing material strips must now be cut by hand by a plasterer with

a pair of snips and then bent to a right angle. This is absurd, of course, because it cannot be done on a job as well as in a factory where better tools are available. Also certain angles and corners in a room can no longer be done by a plasterer with a trowel but must be run with forms set on the wall and with special molding plaster.

- (g) Plasterers unions have also decreed in several cities that from now on all jobs must be three coats. It makes no difference what the thickness of the coats may be. In most places in the world two coats are regarded as adequate.
- (h) A number of the unions require their members to report each morning when the work day begins and each evening when the work day ends at the shop of the contractor instead of at the job. Thus if a job happens to be an hour's travel from the shop of the contractor, at least two hours of work time are lost which must be paid for.
- (i) Some of the unions have the practice of installing a steward on the job. This is an added man who must be paid for even though he is not needed.
- (j) In nearly all of the larger cities at present the contractor has no choice as to his employees but must take the men allocated to him by the unions regardless of their experience or efficiency. If such men do bad work which must be done

over again, there is no way of making the workers liable, but the entire cost must be paid by the contractor.

Examples of this type of compulsory waste and inefficiency legislated by unions against the public interest can be multiplied many fold. The situation at present is said by well informed persons to be worse than at any other time in our history.

There are also high costs which are due to undoubted monopoly practices carried on by certain trade associations. The Federal Government itself has objected to the tight price control arrangements of the cement manufacturers association. Recently the Federal Trade Commission issued a cease and desist order against the manufacturers of metal sash. How serious their price monopoly was is indicated by the fact that at present their product can be bought at 70% less than the former list price. There is little question in my mind but that similar practices prevail in the pipe and plumbing field and in many others. I believe the Federal Trade Commission has some data on this subject and that it would require only a word from an authoritative source to take further proceedings.

Of course, all of these factors add up to high costs, especially in the big centers. How much costs of residential construction could be reduced if they were eliminated is necessarily guess work. I have often heard the estimate of 30%. The sad part

of this picture is that the practices which I have described are at present destroying the building activity on which we were so well started two years ago and are taking their livelihood from tens of thousands of honest workmen who themselves object to these practices but who seem to be helplessly caught in the grip of organized practices which they cannot overcome. In fact, in the larger cities where the racketeering is worst, many of the honest trade union members do not even dare to protest in their own union meetings concerning these matters for fear of reprisals against them.

The man who undertakes to build homes is no longer the manager of his own enterprise. Different associations of contractors, subcontractors, and the business agents of trade unions tell him exactly how he must do his work and even, to no small extent, what materials he must use. Obviously neither efficiency nor low cost can be obtained under such circumstances. Unhappily also as a result of these conditions all of the best men are leaving the home building business. I can cite you many instances among men that I know who have thrown up their hands and have said that rather than submit to the restrictions and the outright racketeering to which they are subjected they would prefer to try for a livelihood elsewhere. There is no question in my mind but that this problem constitutes today a question of grave public

importance. As Professor Sprague and many others have said recently, home building alone could lead us out of the business recession if it were permitted to function. There is no question in my mind, therefore, but that it is the obligation and duty of the Federal Government to take action at once and of a most drastic kind. No one but the Federal Government can deal with the question. Local public officials, many of whom are cognizant of the facts, are afraid to move. Contractors and builders are in the same position. It would be business suicide for most of them to even make a public protest. The Federal Government, therefore, must act.

The Government has taken a great step forward in helping its citizens by reducing financing costs for homes. Everything that the Government has so far done in this connection is now being jeopardized and, in many centers, wholly nullified because of the vicious practices which I have outlined above and which have grown up very swiftly within the last two or three years. I hope that you personally can take an interest in this matter which so gravely affects the work of your own great agency. Please be assured that I will be glad to do anything that I can to be of help.