

FEDERAL HOUSING ADMINISTRATION
WASHINGTON

STEWART McDONALD
ADMINISTRATOR

August 21, 1940.

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

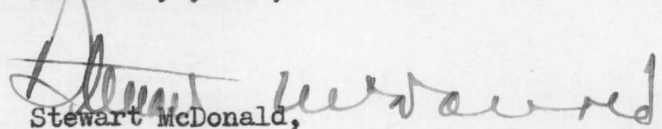
Dear Mr. Eccles:

I am enclosing a copy of a letter which I have just sent to Mr. Palmer.

While it is true that there will be a certain necessity for Government assistance in providing housing in connection with the defense program, I think there is a grave danger of throwing cold water on the large amount of privately financed construction now under way which it has taken the FHA several years to get established.

I regret the amount of publicity already given the subject as I am afraid the repercussions might tend to cause private capital to restrict their present activities and if you agree with me I would solicit your aid in seeing that any further publicity is curtailed.

Sincerely yours,


Stewart McDonald,
Administrator.

Enclosures

August 21, 1940.

Mr. Charles F. Palmer,
Defense Housing Coordinator,
Advisory Commission to the Council
of National Defense,
Washington, D. C.

Dear Mr. Palmer:

I enclose you herewith a chart showing the rate of construction of one and two family residences, which you will note at the present time is about equal to the 1928 rate.

We find all through the country the defense program is stimulating residential construction and last week new homes to be built under FHA inspections showed an increase of 40 per cent over last year.

Also, there has heretofore been a building slump which usually starts about the first of July but which the defense program this year has delayed. Naturally, real estate men, builders and others are anxious to take advantage of the defense program and build houses for sale or rent on property which they have been holding in the respective cities for some time.

We are having, however, some complaint not only from these operators but the Chairman of the Housing Committee of Los Angeles has expressed its apprehension that a great deal of talk in reference to Government participation in housing may very well indeed slow up the present activities of private operators. Mr. Ferguson tells me he sent you a copy of this resolution yesterday.

I noticed last week there were quite a few newspaper articles in respect to Government aid in defense housing, etc., etc., and I personally think that every effort should be made to keep items of this character out of the press.

In fact I cannot see how these articles benefit the defense program at all, but on the contrary they may be actually retardant as far as private capital is concerned.

As you know, private capital is very timid. A developer may well have plans ready to go ahead but he will change his plans and stop work

Mr. Charles F. Palmer

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immediately at the slightest intimation that the Government may construct housing.

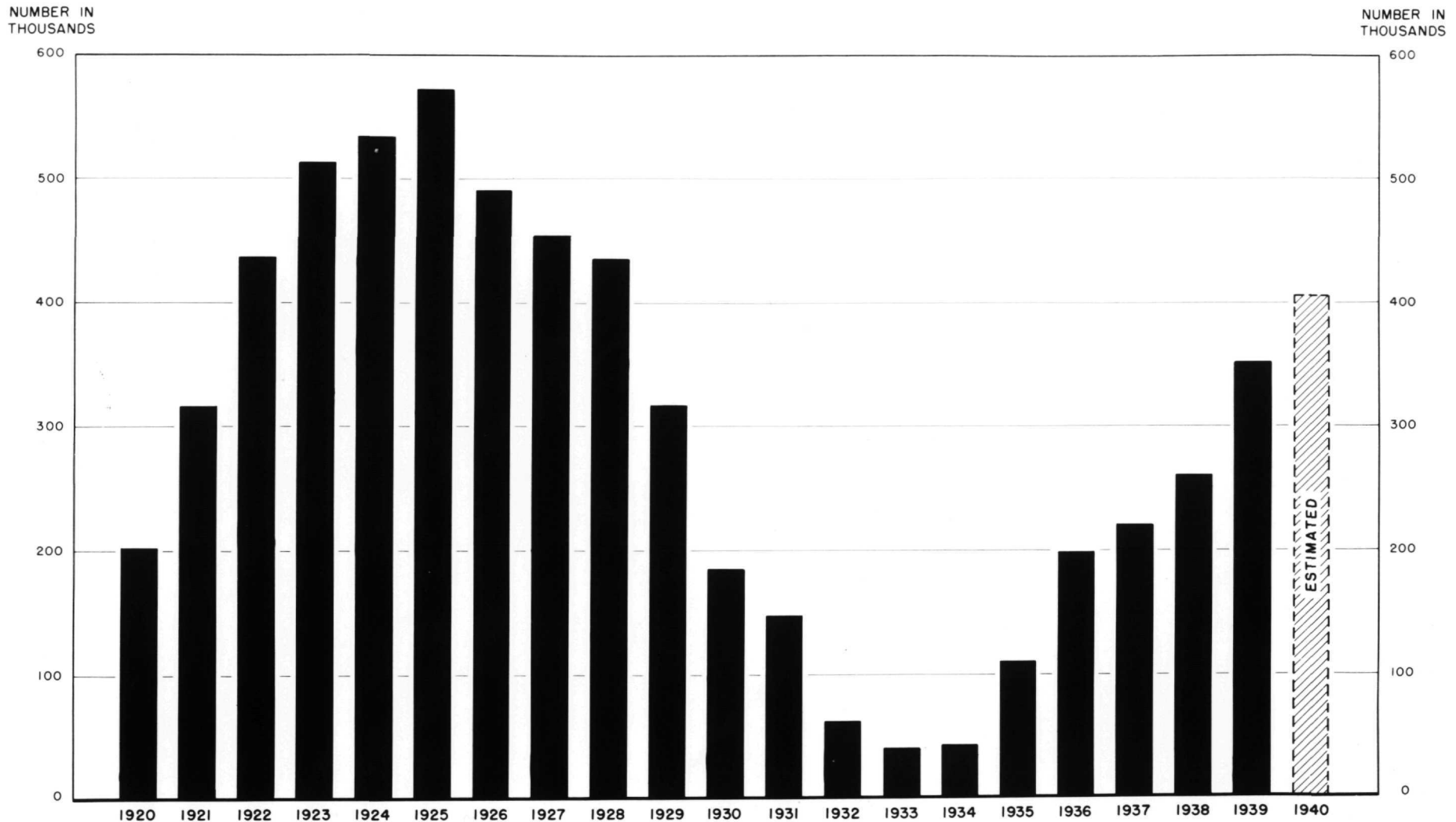
Inasmuch as the Federal Housing Administration is the largest motivating agency in the construction of homes in America, contributing as it does to at least 75 per cent of all the construction now under way, I think rather than menace or threaten this program it would be well that all releases or any other form of publicity in regard to defense housing be approved in advance by our division maintained for this purpose under the direction of Assistant Administrator Robert B. Smith.

Sincerely yours,

Stewart McDonald,
Administrator.

Enclosure

ESTIMATED NUMBER OF NONFARM SINGLE - FAMILY HOMES BUILT ANNUALLY



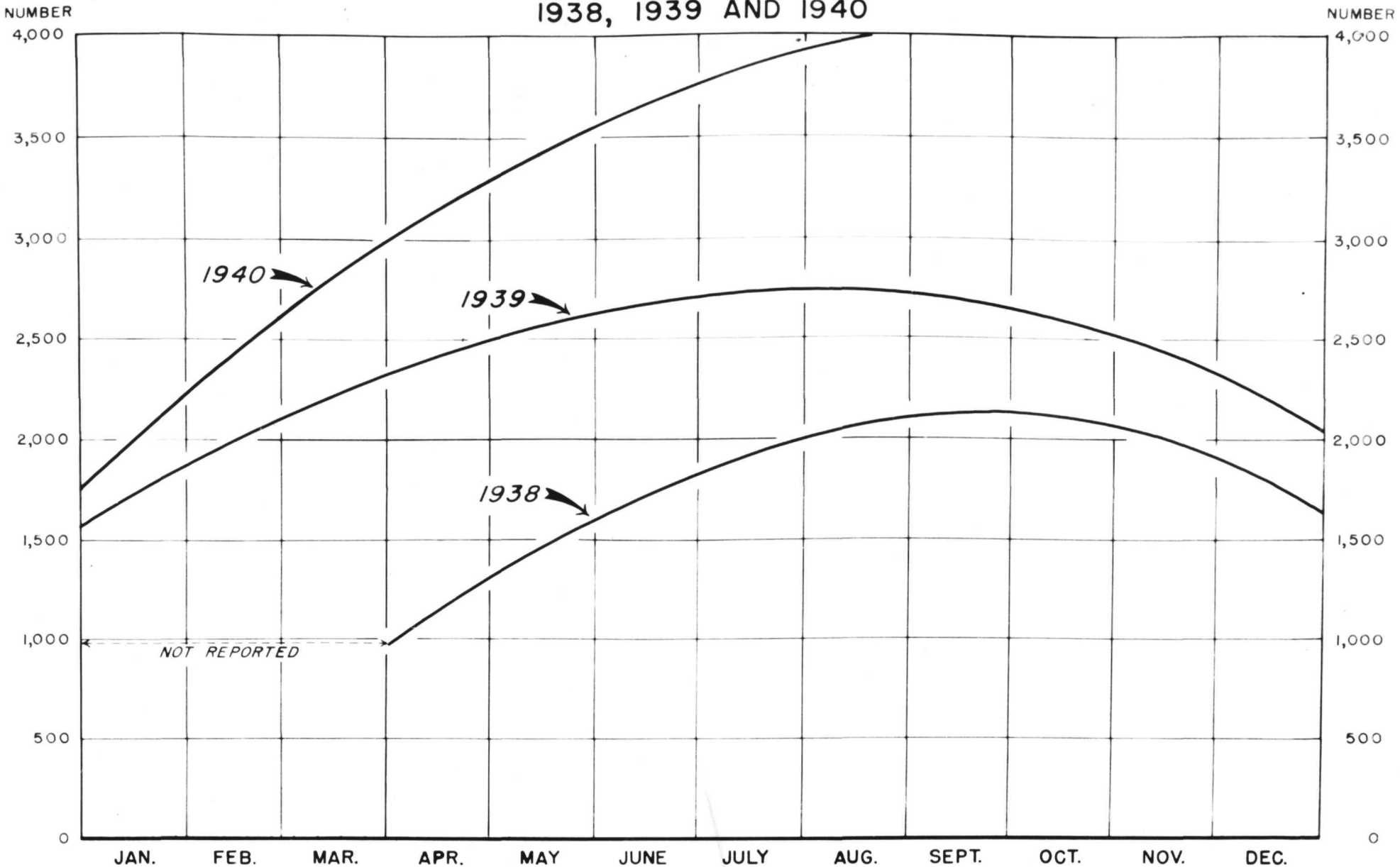
SOURCES

NATIONAL BUREAU OF ECONOMIC RESEARCH
 BUREAU OF LABOR STATISTICS
 FEDERAL HOUSING ADMINISTRATION

FEDERAL HOUSING ADMINISTRATION
 DIVISION OF RESEARCH AND STATISTICS
 CHART NO 554 A

NEW FHA HOMES STARTED WEEKLY

1938, 1939 AND 1940



FEDERAL HOUSING ADMINISTRATION
DIVISION OF RESEARCH AND STATISTICS
CHART NO. 272 T