



NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

HERBERT U. NELSON
EXECUTIVE VICE-PRESIDENT
1737 "K" STREET, N. W.
WASHINGTON 6, D. C.
EXECUTIVE 6250

December 13, 1947

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

Dear Mr. Eccles:

Some leaders in government today are saying that home buying, especially when the down payment is small or non-existent, is one of the inflationary factors that must be dealt with. I can't for the life of me see how this could be true.

It seems to me that when a man makes principal payments on a home and socks away his savings for 20 or 30 years to come in this way, it is decidedly deflationary. That money is immobilized. It cannot be used to bid up consumption goods. This would be true whether the price of houses were high or low.

I really want to see you about this because I think that the effort of government should be to shift public purchasing power into capital assets and durable goods and thus lessen the competition for the purchase of consumption goods and luxuries.

Building new homes at any price level does add to the more or less permanent wealth of the nation.

Moreover, if efforts are made now to discourage buying and the building of homes in any way, how in the world can we meet a housing shortage. We will simply aggravate it and this will certainly not result in any reduction of real estate prices. It seems to me the only cure for the housing shortage is to build as many houses as fast as we can by every means that we can. When the public demand is satisfied, we don't need to worry about prices. There is nothing that the government can do in this particular situation in which the cure is not worse than the disease.

Haven't seen you anywhere for a long time. Would like to run over and chat with you about this because I feel strongly that some of the leaders of Congress are off on the wrong foot in this matter.

Sincerely yours,

Herbert U. Nelson
Executive Vice President

NATIONAL ASSOCIATION
OF REAL ESTATE BOARDS

December 18, 1947.



HERBERT U. NELSON
Executive Vice President
National Association of
Real Estate Boards
Washington, D. C.

Mr. Herbert U. Nelson,
Executive Vice President,
National Association of
Real Estate Boards,
1737 K Street, Northwest,
Washington 6, D. C.

Dear Mr. Nelson:

I had intended to acknowledge your letter of December 13 before now but, as you know, these are days of exceptionally heavy pressures and I have been trying to put my desk in order so that I can leave to spend the holidays in Utah. If after the first of the year when I return you feel that it would be worth while to discuss housing matters, I will try to arrange a convenient time.

In the meantime, I will not undertake to go into the points you make in your letter, except to say what you already know, that I would be in complete disagreement, not for any theoretical reasons but based on my long familiarity and identification with large construction and lumber concerns as well as the credit side of the picture.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b

Received in
Chairman's Office

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Board of Governors
of the
Federal Reserve System