

December 20, 1937

Chairman Eccles

Next step in the Housing

Lauchlin Currie

Program

The members of the Industrial Committee of the National Resources Committee have urged me to represent to you the urgency and importance of securing price reductions in the monopolistically controlled building materials and equipment. They feel, and I fully agree, that this is the indispensable next step in the Housing Program, and that you are the person best qualified to induce the President to take action. Before taking this up with you, I drafted the accompanying two page memorandum with the idea that something like this might be presented to the President. I am also enclosing a rough pencil draft of a chart I am having prepared.

I know that you feel that reductions in hourly wage rates are as important as reductions in materials prices. This is something we can do little about in Washington, however; whereas if anything is to be done with building materials and equipment prices, it must be done from here.

NEXT STEPS IN HOUSING PROGRAM

I- Costs Must Be Lowered

The Housing Program is in grave danger of bogging down unless positive and vigorous steps are taken to ensure cost reductions.

II- Monopoly Elements In Building Field

Costs in the competitive portions of the building industry are coming down. Positive action, however, is vitally necessary to secure cost reductions in the more important monopolistic parts of the field.

Monopolistic elements in the building field can be roughly divided into those that are national, as in the case of many building materials, and those that are local, as in the case of labor unions and local collusive practices.

National monopoly situations can be only dealt with by Washington. Local monopolies must be handled primarily locally, with possibly aid from the Department of Justice in breaking up collusive local policies which are in restraint of trade.

III- Materials Prices

Material costs accounted for about 75 per cent of the rise in construction costs last winter and spring. (See table.) Many material prices not only are higher than in 1929 but exhibit almost unmistakeable evidence of being rigidly controlled. A few illustrations follow.

The price of plaster is 77 per cent higher than in 1929 and has not varied since February 1934. The chief constituent is gypsum, about 80 per cent of the output of which is controlled by the United States Gypsum Company. Prepared roofing shingles are 33 per cent higher in price than in 1929.

Structural steel is 17 per cent higher in price than in 1929. Cast iron soil pipe is 44 per cent above 1929. As a result of advances in prices it is now estimated that United States Steel Corporation has lowered its break-even point to approximately 40 per cent of capacity operations.

The price of cement is 4 per cent above 1929 and has not varied since April 1935.

Coal stoves are 21 per cent higher in price than in 1929.

The possibilities for success in securing lower prices are indicated by the private statement of one of the leading manufacturers of heating equipment that he would meet the prices quoted by any mail order house. There is pressure by buyers for a reduction in steel prices. Delay in bringing about reductions makes for uncertainty and postponement of building.

IV- Freight Rates

An advance in freight rates on building materials would be in complete conflict with the housing program, and should be avoided at all costs. A vigorous building revival, through its stimulation of traffic, would provide the solution of the acute railroad problem.

V- Controlled prices of materials and equipment can be lowered only through vigorous leadership by the Administration and the coordinated use of all the Government's powers and influences in this field.

It is, therefore, respectfully suggested that the drive for lower prices should be made the responsibility of an aggressive and informed man such as, for example, General E. E. Wood.

PERCENT OF RISE IN COMBINED COST OF LABOR AND MATERIALS DUE TO MATERIALS

June 1936 - June 1937

Indianapolis, Ind.	217
St. Louis, Mo.	117
Oshkosh, Wis.	114
Providence, R.I.	103
Nashville, Tenn.	101
Tampa, Fla.	94
Milwaukee, Wis.	89
Newark, N.J.	88
Wichita, Kans.	87
Grand Rapids, Mich.	84
Richmond, Va.	76
Cleveland, Ohio	76
Los Angeles, Calif.	75
Chicago, Ill.	74
New Orleans, La.	74
Portland, Ore.	69
Boston, Mass.	66
Houston, Tex.	62
St. Paul, Minn.	61
Albany, N.Y.	57
Birmingham, Ala.	56
Pittsburgh, Pa.	55
Philadelphia, Pa.	53
Detroit, Mich.	53
Spokane, Wash.	36

Source: Federal Home Loan Bank Board

WHOLESALE PRICES OF BUILDING MATERIALS AND HOUSEFURNISHING GOODS

	<u>Percentage change from May 1937 to November 1937</u>
<u>Building materials</u>	-3.6
Plumbing and heating	+1.1
Structural steel	.0
Cement	.0
Brick and tile	-2.2
Paint and paint materials	-2.6
Other building materials	-2.6
Lumber	-8.0
<u>Housefurnishing goods</u>	+1.2
Furnishing	+2.5
Furniture	-0.1

Source: Bureau of Labor Statistics

BUILDING MATERIALS AND HOUSEFURNISHING GOODS FOR WHICH
WHOLESALE PRICES REMAINED UNCHANGED FROM
MAY 1937 TO OCTOBER 1937

Building materials

Blocks, concrete
Brick, fire clay
 paving
 silica
Tile, drain
 roofing
Cement
Lath, Douglas fir
Lumber, cedar
 chestnut
 cypress
 maple
 white pine
Shingles, cedar
 cypress
Paint, prepared, enamel
 outside, white
 porch and deck
 roof and barn
 varnish, floor
Paint materials, barytes
 butyle acetate
 bone black
 carbon black
 lamp black
 prussian blue
 chrome green
 chrome yellow
 ethyl acetate
 putty
 whiting
Structural steel
Asphalt
Plaster board
Wall board
Plate glass
Pipe, sewer
Plaster
Slate
Crushed stone
Tar

BUILDING MATERIALS AND HOUSEFURNISHING GOODS FOR WHICH
WHOLESALE PRICES REMAINED UNCHANGED FROM
MAY 1937 TO OCTOBER 1937

Housefurnishing goods

Blankets, cotton warp
 wool
Comforters
Cutlery
Floor coverings, felt base
 linoleum
Irons, electric, nonautomatic
Ironers, electric
Oilcloth
Sewing machines
Shades, window
Stoves, coal
 electric
Dinner sets
Nappies, glass
Pitchers, glass
Vacuum cleaners
Washing machines
Mattresses
Kitchen, cabinets
 chairs
 refrigerators, electric
 tables
Living room, chairs
 davenports
 tables
Office chairs and desks

Source: Bureau of Labor Statistics

Wholesale Prices of Selected Building Materials

1929 = 100

CODER BOOK COMPANY, INC.

NO. 326. 20 DIVISIONS PER INCH BOTH WAYS. 150 BY 250 DIVISIONS.

