

National Conference of Executives of Smaller
"Business, Washington, 1938.

HOUSING

Washington, D. C.
February 3, 1938.

Report to the

President of the United States,
White House,
Washington, D. C.

My Dear Mr. President:

The following factors covered more fully in attached report were recognized through discussion and respectfully urged:

1. unquestioned need of new and adequate housing for sociological and humanitarian reasons;
2. tremendous economic benefits to trade and employment through a large scale housing program;
3. this committee fully endorses the Wagner-Steagall Housing Bill now awaiting your signature, with home-ownership for low income groups its goal;
4. upon its enactment into law that the greatest possible publicity be given by the Federal Housing Administration, The Home Loan Bank Board, The Reconstruction Finance Corporation and other agencies both public and private, to the widened possibilities of home ownership;
5. to insure low cost housing and to create employment this committee recommends interest as low as $3\frac{1}{2}\%$ on home mortgage funds advanced by government agencies to private enterprise through national mortgage associations, the unfulfilled Title III of the National Housing Act, possible under the Wagner-Steagall Act, and the development of suitable agencies to insure extension of credit in the form of long term loans to small business;
6. that real estate taxes be limited to 50% of community and municipal maintenance in order to balance shelter costs to its proper proportions in the average family's budget;
7. that in order to attract large private investment in housing operations some exemption be granted here for a time as to capital gains and undistributed profits tax;

8. research into lowering costs of residential construction through increased efficiency of operation and enlarged scale of production, co-ordinating all factors entering into construction; labor, materials, management, etc.
9. that public housing activities of the government be limited to actual slum clearance through the financial assistance rendered Local Housing Authorities by the U. S. Housing Authority, as housing operations are unsuitable for Works Progress Administration activities.

The Housing Group wishes to express its deep appreciation for its participation in this conference to our Chief Executive, to Mr. Roper, Secretary of Commerce, to Mr. Draper, Assistant Secretary of Commerce and to Mr. Lowell H. Chawner, Chief of Construction, for the valuable service rendered to our Committee.

Respectfully submitted,

D. E. McLaughlin
D. E. McLaughlin
Chairman

Thomas B. Sutton,
Secretary.

The members of the housing group at the President's Business Conference assembled in Washington on Wednesday, February 2 and Thursday, February 3, 1938, do hereby resolve:

1st:

THAT, surveys, analyses, and indisputable facts indicate the imperative necessity for the provision of new and adequate housing on a large scale for the people of the United States to provide necessary and desirable shelter and comfortable living conditions from a humanitarian and sociological viewpoint.

2nd:

THAT, the creation and prosecution of a program to provide the new housing facilities which are essential would enable the immediate employment of many thousand workers now unemployed; restore individual purchasing power to a countless number of our citizenry; and create a flow and circulation of local trade and money which would go far toward bringing about business and economic recovery.

3rd:

THAT, the best and most effective means of accomplishing these objectives is through the provision of individual housing in the form of dwellings for as many American families as possible by the employment of private capital made available to the people through local and national finance institutions on reasonable long term repayment plans with nominal interest and carrying charges and guaranteed through insurance sponsored and established by the Federal Government.

4th:

THAT, the factors of the housing group here assembled endorse heartily the existing National Housing Act and the new Wagner-Steagall housing legislation enacted by Congress during the present week and respectfully urge that the President approve this legislation so that it may become immediately effective.

Further, that the Administration give consideration to an interest rate as low as $3\frac{1}{2}$ percent in conjunction with such legislation; also that they consider the purchase of mortgages by the Rediscount Mortgage Companies established under the act for the full amount of the Federal Housing Act insurance commitment thereon.

5th:

THAT, the President, Administration, and Congress be requested to provide, in conjunction with the new housing legislation, adequate and sufficient appropriations to enable the Federal Housing Administration, through the proper use of such funds, to vigorously inaugurate and carry forward an educational, inspirational plan for the purpose of aiding and guiding the public into a nationwide movement, having as its purpose the provision of much-needed homes and shelter and the consequent tremendous improvement in the living conditions of the American people and,

FURTHER, RESOLVED THAT, American business as here represented stands ready to aid, sponsor, and support this great sociological and humanitarian movement.

6th:

THAT, to greatly encourage and hasten the successful culmination of the housing programs:

The Committee is of the opinion that Real Estate Taxation is a hindrance to the construction business, particularly as to residential construction.

They recommend that taxes to cover the costs of community and municipal operation and maintenance should apply to real estate only to the extent of fifty percent, based on the fact that real estate represents half of the wealth of the country. On averages, it is now bearing 85 percent, which is excessive and crushing.

The Committee also makes the following recommendations as to taxation:

That all business property be taxed on the basis of gross annual income,

That in order to encourage and hasten the successful performance of the small home building program and to attract the investment of private capital in a larger way,

That the President, Administration, and Congress be urged to adopt legislative action to exempt for a period of time such investments from Federal surtax and the conditions of the undistributed profits tax.

7th:

THAT, all factors in the building industry engage in a program of coordination of the various activities which compose the conception, planning, manufacture, distribution, assembly and erection of housing facilities for the purpose of bringing about a greater degree of efficiency and economy with the object of decreasing the total purchasing cost to the home owner or prospective home owner.

It is recognized that the greater part of the existing housing needs concerns those classes of our people who are in the lower income brackets, and that it is necessary to place it within their power to acquire adequate and modernized housing at a cost which is within their ability to pay and finance. There are a number of factors of cost involved in the provision of housing and building facilities, not the least important of which is labor. The factors in the building and construction industry must continue to make progress beyond that already made toward reductions in all of the cost factors involved and this can well be accomplished through the coordinated industry program for improved efficiencies and economies in each of the phases and by each of the factors. The aid of the Administration in accomplishing these improvements and economies in the cost factor involving labor would be very helpful. It is fully recognized that to be effective these reduced costs of housing must apply to all of the phases and factors and not to any one.

8th:

THAT, the class and type of housing facility to be provided is almost entirely a local problem, but that many recent developments have indicated the benefits of localized application of standardization of certain basic and integral parts of housing design and structure of all the local factors involved in the provision of housing facilities should in a coordinated and joint manner take advance of these benefits.

9th:

THAT, all of the factors engaged in the provision of housing facilities continue the investigation and development of improved efficiencies and greater economies in construction standards, practices and methods, as well as the usage of improved and modernized materials and that these efforts on the part of the various factors be coordinated into a joint program.

10th:

THAT, direct building activity of the Federal Government itself be confined to the construction of official Government buildings for occupancy by official departments of the Government; and through the clearance and improvement of actual and genuine slum areas under the auspices of the United States Housing Authority.

Further that the direct building and housing activities of the Works Progress Administration be confined solely to works utilizing a high proportion of relief labor and of a civic and State nature.

11th:

THAT, this body cordially appreciates the opportunity to discuss with the Federal Government its economic and business problems and the relationship and coordination which must necessarily attend the mutual efforts of both of these entities in behalf of a common cause.

Your Committees wish to express to the group assembled their keen appreciation of the responsibilities conferred upon them and for the consideration you have extended to them in the light of the rather complex problem they have had to consider in the short time allotted for the Committees' activity.

We further submit that it was a real privilege to review the many interesting verbal and written presentations from the members of the group, embodying the cross-section views of the many factors involved in the rather complex problem of housing in the United States.

Your Committees have conscientiously and carefully attempted to digest all of the presentations and the reports of the several sub-committees and as a result of this have prepared for your consideration the attached recommendation, including resolutions which we submit herewith, with the earnest plea that it be adopted by this body and transmitted in the proper manner to the general business conference as representing the unanimous view of the housing group.

The Housing Committee further wishes to express its extreme appreciation to Secretary Daniel C. Roper of the Department of Commerce and Mr. Lowell J. Chawner, in charge of Division of Economic Research and Chief of the Construction and Real Property Section of that Department, for their full and valuable cooperation.

The foregoing Report was approved February 3, 1938 at a meeting of The Housing Group which consolidates the reports of various sub-committees with the provision that the individual reports of the sub-committees shall be filed simultaneously with this consolidated report in submission to the President.

Committee on Rules, Procedure, and Scope.

T. B. Sutton, Chairman
E. H. Batchelder, Jr., Member
J. Hallman Bell, Member
J. P. Larson, Member
A. C. Pauly, Member

Committee on Taxation.

Irving Zeaman, Chairman
C. F. Hawn, Member
Sidney Grossman, Member

Committee on Financing as to Private Building.

James N. MacLean, Chairman
Wm. D. Vogel, Member
A. M. Kalling, Member

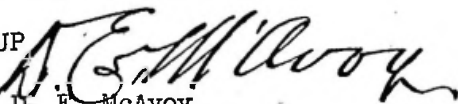
Committee on Financing as to Government Building.

P. O. Duncan, Chairman
Richard T. Allen, Member
J. Cloyd Byars, Member

Respectfully submitted for the Committee as a whole,

HOUSING GROUP

Thomas B. Sutton,
Secretary


D. E. McAvoy,
Chairman

REPORT OF COMMITTEE ON TAXATION

This Committee was created by the group deliberating on housing. The Taxation Committee, therefore, are obliged to confine their suggestions on taxation, as it affects housing and real estate.

The Committee is of the opinion that real estate taxation is a hindrance to the construction business. Real Estate represents approximately fifty percent of the wealth of the country, and real estate carries eighty-five percent of the municipal government expenditures. Real estate should carry fifty percent of the community burden only.

The Committee also makes the following recommendation:

That all business property be taxed on the basis of gross annual income.

In order to greatly encourage and hasten the successful culmination of the small home building program, as well as to induce the investment of capital in needed industrial and commercial buildings, that the President, Administration and Congress be urged to adopt legislative and administrative action which would exempt income invested in necessary new building work from Federal taxation for a temporary period.

SIGNED BY:

Irving Ziemann, Chairman,
Massachusetts.

C. F. Egan, Texas.

W. R. Carson, Ohio

Copies of [unclear] - 6/19/40

Report of Committee on Financing of Private Housing of Housing
Group of Conference of Representatives of Smaller Businesses

The Committee on Financing of Private Housing submits its report concerning the suggestions of members of the Housing Group, generally representative of all the States of the Union:-

It has studied each and all of the suggestions submitted, and offers for the further consideration and action of the Housing Group the following proposals:-

That the Federal Government (or agency thereof) purchase directly mortgages insured by the F.H.A. Mortgages to bear interest at a rate not to exceed $3\frac{1}{2}$ percent.

That mortgage loans on large-scale rental housing projects be granted by F.H.A. on the basis of 80 percent of their Capitalized Value, without regard to construction costs.

That the down-payment requirements on individual, owner-occupied homes be reduced to 10 percent of the purchase price up to \$6,000 and 20 percent of the price in excess of this amount.

That the F.H.A. charge mortgage insurance fees of $\frac{1}{8}$ of 1 percent per annum on the original face value of mortgages where said mortgage does not exceed 80 percent of the total value and $\frac{1}{4}$ of 1 percent per annum on the original face value of mortgages which exceed 80 percent of the total value and that the F.H.A. charge a mortgage service fee of $\frac{1}{10}$ of 1 percent per annum on the original face value of all mortgages.

NOTE: The foregoing proposals are to be treated in the light of the legislation just passed pertaining to the F.H.A.

That legislation be enacted similar in effect to the National Housing Act, Title one thereof, to make available insured bank credit to established builders, with good character rating, to pay for material and labor for small homes insured on F.H.A. plan to cost not in excess of \$6,000; that such insurance by the government agency be 20 percent of any loan.

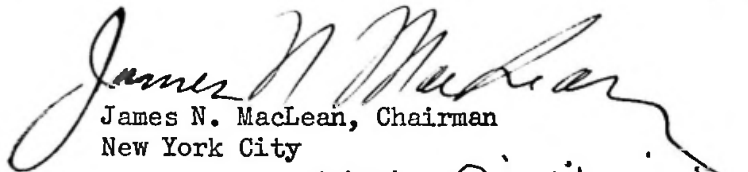
The government wants the private lending institutions to loan money at a low rate of interest, it is for Congress and the State Banking Department to change the Banking laws and make new regulations where the Banks would be compelled to pay 2 percent interest to depositors and restricting them from charging to lenders more than 3 percent or not to exceed $1\frac{1}{2}$ percent above what would be paid to depositors.

We submit for the action of the Housing Group the proposal that the rediscount mortgage companies, authorized under the amended National Housing Act, shall be required to purchase mortgages on detached individual-owner-occupied homes for the full amount of the F.H.A. insurance commitment thereon, and that the owner shall be entitled to deal directly with such mortgage companies.

Through the medium of the press this committee has learned that the National Housing Act has just been amended, and that the Federal Housing Administration will issue shortly Regulations interpreting the terms and provisions thereof.

Under these circumstances, and for the further reason that sufficient time has not been available to the Committee to obtain from members of the Housing Group considered expressions and suggestions, it is deemed politic not to make specific recommendations or suggestions until the receipt and examination of copies of the National Housing Act and the Regulations issued by the Administration.

Respectfully submitted,


James N. MacLean, Chairman
New York City

KAILING
Alexander M. Kaxling, *A. M. Kaxling*
Milwaukee, Wisconsin

W. M. Vogel
William D. Vogel,
Indianapolis, Indiana

E. Le Blanc,
Staten Island, N.Y.
E. Le Blanc

Charles E. Bentley,
Landover, Maryland.

February 3, 1938.

Committee to deal specifically with: Government Subsidization of
Building.

Wholly Government Financed building.

Your subcommittee of subdivision No. 7 of the conference group of small business men desire to respectfully submit the following recommendations:

(1) Because for years the government has constructed buildings of a Federal nature, such as post offices, this group feels that it should determine no new policy. We endorse a continuation of this procedure.

(2) We realize fully the emergency that resulted in the creation of the Works Progress Administration. We feel and strongly believe that now and in the future the Works Progress Administration should be restricted solely to works utilizing a high proportion of relief labor and of a civic and state nature.

(3) It is our understanding that the Rural Resettlement Administration has been terminated. We feel that regardless of the high social idealism that underlay the establishment of this Bureau, the past history of its operation has shown the inability of the Federal government to economically engage in large scale resettlement work.

We realize that the tremendous physical distress of people housed in slum areas caused the Wagner-Steagall Act providing for slum clearance in large units. We respectfully ask that this Act be used

only to clear genuine slum areas -- not to interfere with genuine home building for those who can and should pay their own bills. We feel, however, that slum areas in the country should receive the same sympathetic consideration as city slum areas once the Federal government engages in slum clearance as a policy.

Respectfully submitted

R. O. Duncan

Chairman

J. Cloyd Byars

Richard T. Allen

February 3, 1938.

To Hon. D. E. McAvoy, Chairman,
Housing Division of Smaller Business Conference.

SUPPLEMENTAL RECOMMENDATIONS

Believing that a general business revival must attend the proposed construction program, otherwise its early collapse is inevitable, the undersigned member of your subcommittee respectfully submits the following suggestions as a basis for permanent prosperity to industry and home building:-

First, about 99 percent of our troubles are financial.

Therefore, the solution of our financial problems will, to a large extent, solve our housing and unemployment problems.

Second, our financial system is or should be designed and operated to serve, not exploit, agriculture, commerce and industry, the wealth producing units of organized society.

Third, pending necessary financial reforms providing an adequate medium of exchange for home building and local industrial development the Federal Government should by liberalizing the policies of the Federal Reserve Banks and other Federal agencies make real estate securities as liquid as government bonds or listed stocks, - thereby enabling investment, State, and National banks to meet every legitimate demand for construction capital and permanent loans at reasonable interest rates.

Fourth, since State and local governments have no voice in determining the financial policies, which made possible existing deplorable conditions, they should not be expected to bear the full

burden of relief, slum clearance, or the eradication of disease due to undernourishment.

Fifth, Credit expansion is debt inflation. There can be no credit expansion without a corresponding increase in indebtedness, individual or national. Therefore, mere credit expansion, even though attended by maximum hours, minimum wages, planned production, and controlled profits, even the complete regimentation of agriculture, labor, and industry, will not solve our financial problems - certainly not our housing problems.

Sixth, since currency expansion has proven inadequate to meet the problems of unemployment and restore permanent prosperity, agriculture, commerce and industry, including all groups interested in the housing program, should demand controlled currency expansion as the one and only peaceful and orderly solution of the Nation's financial problems.

Seventh, currency issued in lieu of government tax-exempt bonds to meet the extraordinary expenses of government for relief and public works, to the extent of not less than \$100 per capita, I respectfully submit will solve our financial and housing problems.

J. Cloyd Byars,
Member of Subcommittee.

SUBMISSION OF RESOLUTION BY D. E. McAVOY OF NEW YORK, At THE NATIONAL CONFERENCE OF EXECUTIVES OF SMALLER BUSINESS, FEBRUARY 2, 1938, HELD IN THE DEPARTMENT OF COMMERCE AUDITORIUM, WASHINGTON, D. C., UNDER THE AUSPICES OF SECRETARY DANIEL C. ROPER, AT THE INVITATION OF PRESIDENT ROOSEVELT.

The cordial invitation by the Honorable Daniel Roper, Secretary of Commerce, to representative members of that phase of American business, which because of more independent and individual management, does not fall under the category of "Big Business", yet, in its importance and its aggregate, cannot quite accurately be designated "Small Business", is deeply appreciated by the writer, as it is, I am sure, by every business man present.

Surely, this Convention assembled of the EXECUTIVES of "Small Business" is a momentous event and will make history. It is, I believe, one of the most forward and significant steps in this Administration's valiant moves to restore prosperity to America, and to restore business welfare - both so sadly shattered by 1933. Certainly, nothing more important could be done for the preservation of democracy to America and, I believe, for prosperity, if this welcome and democratic move is carried a step or two further.

Gratified as the writer was to have received the honor of an invitation, a certain disappointment was felt when the program was announced, because the selection from the group, of those best qualified, apart from the honor of a conference with our President, would not be heard before the Senate Committee - as recently had been the leaders of gigantic industries - to preserve a record for legislative reference.

While the present program will undoubtedly be of great value, and while it will be interesting and instructive to such of us present who could easily afford the time and expense of attending, I do not feel that the pronounced, even though willing, sacrifice of both time and money by many of us has been effectively utilized by our Government unless there is a greater consolidation of the viewpoints and discussions than is possible under the general open hearing of a single day of such a vast group of individuals, bursting with experience, and armed with remedies that touch the problems of the whole country. Most are necessarily divergent, while some are common.

Therefore, the writer respectfully urges Secretary Roper - and his fellow business men present that the following resolution be adopted:-

RESOLVED, That President Roosevelt be respectfully asked to recommend a Senate Hearing for some forty or fifty men from among those who have attended Secretary Roper's conference. These men to be selected in some manner that will insure not only qualified witnesses, but a sectional cross-section of the country; to appear and testify at the Senate Hearings, just as the more widely known financiers and industrialists recently have; to be interrogated by Senators, with reported minutes, so that the testimony of these witnesses will be printed in the volume form usual to all important Senate Hearings, as well as the House.

These independent business men - the representatives of "Small Business", who will, apart from their own experience, have sounded and heard the views of the hundreds attending this meeting, will thus be enabled to present not only their opinions, but the consensus of the others, in a fashion that will be explicit, detailed and developed only as interrogation by experienced Legislators can do.

Such a vast subject, with countless ramifications, affecting 125 million people in 48 differing States, cannot be presented satisfactorily in unmixed volume form - contrasted to the effective manner that a Legislative hearing of a fair cross-section can present.

THUS, OUR HONORED AND RESPECTED PRESIDENT, HIS CABINET, THE SENATE COMMITTEE SURVEYING THE BUSINESS RECESSION - THAT OF THE HOUSE - IN FACT, OUR ENTIRE LEGISLATIVE BODIES, can deliberate and study the opinions of these independent, struggling business men, whose very independence places them and paradoxically keeps them, under present conditions of credit unfavorable to them, in the category of "Small Business". They have much of value to contribute, for the exigencies of their unprotected position has developed to the survivors the rounded ability and resourcefulness that has always been the very base of so-called "Big Business". Most every gigantic concern was founded on the genius and useful work of one man or his partners thirty, fifty, or a hundred years ago.

Thus would the myriad businesses representing the majority of the country, termed "Small Business", be placed on the same parity as that more articulate business minority termed "Big Business". I feel, if they are given this parity, they can furnish facts and suggestions that, through legislative wisdom, can solve, through real cooperation, this business recession that is leading to a vicious unemployment spiral. Its continuation, neither business nor our people can endure as they did after 1929, because, their credit and reserves exhausted, their morale, as yet unshattered, will, so unsupported, break.

In conclusion, I would further respectively suggest that, in order to better obtain this parity, both at Legislative Hearings and in the Press, that so-called "Small Business" should be characterized in another manner. I have suggested the "Independent Business" - as contrasted to the vast business organizations, which, in turn, I feel should have a different appellation than "Big Business". Both the terms "Small Business" and "Big Business" have been stigmatized by unpleasant generalities to a point where they are not truly descriptive of the respective talents and abilities that are encompassed by either.

Hopeful that our Honored Chairman, Secretary of Commerce Roper, and that my fellow business men, will favor the presentation of this PARITY RESOLUTION to our President, FRANKLIN D. ROOSEVELT, who has so honored us and so privileged us, I remain

Secretary,
Home Mortgage Advisory Bd.
President,
Queensboro Plaza Assn.
Chairman, Realty Relief Com.
Long Island Real Estate Bd.

Respectfully and cooperatively,

D. E. McAvoy.
Architect, and Home Builder,
Realtor, of New York City.

RECOMMENDATIONS TO BALANCE THE BUDGET THIS YEAR

(by J. Cloyd Byars)

To Hon. D. E. McAvoy, Chairman,
Housing Division of Smaller Business Conference,
Commerce Department,
Washington, D. C.

Believing that a general business revival must precede or be concurrent with the Administration's proposed construction program, otherwise its early collapse is inevitable, the undersigned member of your subcommittee respectfully submits the following suggestions as a basis for permanent recovery, industrial development and home building:-

First: About 99 per cent of our troubles are financial. \$50.49 per capita, approximately 6 billion dollars, now in circulation, is good pocket change but wholly inadequate to meet the demands of big or little business. Four-fifths (24 billion) of the 30 billion dollars pointed to by currency reform defeatists as bank deposits, is "fountain pen" money, there being only 6 billion dollars of actual currency in circulation. "Fountain pen" money wrecked industry in 1929 and the banks in 1933.

Second: Our financial system was intended and should be made to serve, not exploit, agriculture, commerce and industry, the wealth producing units of organized society. Therefore, pending proposed financial reforms to provide an adequate medium of exchange, the Federal Government should, by liberalizing credit policies of the Federal Reserve Banks and other Federal Agencies make real estate securities and long term commercial notes as liquid as Government Bonds or listed stocks, -- thereby encouraging existing lending agencies, State and National Banks, to meet the legitimate demands of industry for construction and operating capital and permanent loans at reasonable interest rates.

Third: Credit expansion, whether designated as "pump priming," "fountain pen" money, or what not, is debt inflation. Debt inflation is not the proper remedy for a people or a nation burdened with taxation and indebtedness beyond their ability to pay. Since Credit Expansion or "pump priming" has proven inadequate to end unemployment and restore prosperity, controlled currency expansion remains the one and only constitutional method whereby relief from admittedly serious and unjustifiable conditions may be had through peaceful and orderly processes. With 50 years work in sight, millions are idle, undernourished, poorly clad and badly housed.

Fourth: Controlled currency expansion to the amount of not less than one hundred dollars per capita of our population, issued in lieu of Federal Bonds to meet the extraordinary expenditures of Government for relief and public works will arrest the recession, end the depression and make possible a balanced budget this year.

This Currency Expansion program may be put into effect within thirty days and without the passage of another act, however important may be some of the remedial measures proposed.

Respectfully,

J. Cloyd Byars,
Member Sub-Committee.

Arlington, Va.
February 3, 1938.

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National Conference of
Executives of Smaller.
Report to the President
of the United States...

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