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UNITED STATES OF AMERICA

AND GREAT BRITAIN

SEP 22 1969

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PUBLIC HOUSING  
TO  
SUPPLEMENT PRIVATE ENTERPRISE

HOME BUILDING PROGRAM

OF

*The* COMMITTEE *for* ECONOMIC RECOVERY  
- - - 730 FIFTH AVENUE - NEW YORK CITY - - -  
NATIONAL HEADQUARTERS

DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

SEP 22 1959

LEVIN  
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Public Housing  
to  
Supplement Private Enterprise

"We, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defence, *promote the general welfare*, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this CONSTITUTION for the United States of America." —*Preamble to the Constitution*

"The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and *general welfare* of the United States . . . ."

—*Article I, Section 8  
of the Constitution*



The Committee for Economic Recovery believes the time has arrived to "go forward with the Constitution." The general welfare of the people of the United States is seriously menaced by housing conditions that are a discredit to our nation.

Immediate action is necessary if we agree with the President that, "Americans must live as Americans should." The Committee has already submitted a rounded-out housing program in which we definitely stated that public housing was essential. In this report we intend to develop more fully the basic principles, broad objectives and operative methods of an adequate public housing program.

Though the nation's housing situation has been the object of much concern, but few communities have gone beyond the stages of discussion and unthinking clash. This serious economic depression, with all its accompanying trials and tribulations has helped us to realize, though in too small a degree, that housing has become a matter of national concern.

Unfortunately, slum clearance, slum dweller re-housing, and low cost housing, have all become jumbled in a series of misunderstood moves. Objective and careful planning is now required if we are to unscramble the situation. Most of the activities to date have been part of an emergency plan. The federal government has experimented on this most vital and serious phase of American life, but has unfortunately attempted to solve a long term problem in terms of emergency. *Regardless of politics, the housing problem of the nation will be one of our most crucial and vital questions over the next decade. Its solution requires a nation-wide educational campaign, and cooperation from business, labor, civic, and social groups. It cannot be solved in an atmosphere of emergency aid or partisan politics.*

Private capital and private industry cannot solve this problem alone by reason of two important inter-related facts:

- 1) — Many American families have such small incomes that they can only afford the rentals charged for the lowest grade "hand-me-down" habitations.
- 2) — Many of the depreciated buildings are so enmeshed in blighted environments, over-capitalization and over-assessment, that their acquisition for purposes of demolition and replacement is extremely difficult under existing laws and economic conditions. Furthermore, they do not offer an opportunity of profit.

Thus it becomes the duty of the collective agencies of society, — federal, state and local governments, singly or in partnership, to assume the responsibilities of leadership in solving two inter-related problems, — the human and social problem of better housing for families unable to pay economic rent; and the real property problem of rehabilitating blighted areas, (slum clearance).

A public housing program must develop sufficient safeguards so that it will not interfere with the expansion of private home building. Private industry and private finance, have made recommendations that by their very nature render public housing well nigh impossible. On the other hand, those who believe in public housing are inclined to regard the social gain of public housing of such great importance that their recommendations would, if accepted in full measure, discourage private enterprise from going forward.

A careful study of the latest English program, which has proven successful for private and public enterprise, leads the Committee to believe that it is entirely possible to find the happy medium between these important correlated undertakings.

Public housing should always supplement private enterprise by providing only for those groups who cannot be served by an efficient private industry. Unfortunately, America has no adequate private home building industry nor a satisfactory home mortgage finance structure.

## Basic Principles of Committee's Program

### 1) — Reasons for Public Housing:

*The Committee believes that public housing is desirable. We have carefully studied the latest English program and find the results are most satisfactory and many of their methods worthy of emulation.*

The principal reasons for public housing are:

- A) — Unfortunately approximately 20% of the American families do not enjoy sufficient incomes to provide for decent living accommodations.
- B) — The housing usually available to these unfortunate people in the commercial rent market is not only of the obsolete "hand-me-down" type, but in many urban communities these under-privileged groups must live in an environment that is detrimental to health, morals, and social well-being.
- C) — Their limited incomes permit these people to have virtually no freedom of choice as to the physical and social environment in which they may live and rear their children. Under such conditions it is impossible for these victims of social and economic maladjustment to guard against the destructive influences of their surroundings.

### 2) — Differentiation Between Slum Clearance and Re-housing of Slum Dwellers:

*These two problems are often confused. A public housing program must provide for the destruction of slum areas and thereafter the most practical use of the land. The removed slum dweller should find his new life with as much independence as though he had never lived in the slum location. These results can be obtained by providing adequate accommodations in other areas.*

It is unfair to expect those who have lived part of their lives in a slum area to remain there forever. Rebuilt slums or blighted areas are often improper locations for their present occupants. In many cases the claim of these areas for residential occupancy lies wholly in the fact that they were well located a century ago.

The problem divides itself into two phases:

- A) — Low rent housing is required to offset the social disabilities of families who cannot pay economic rent for proper shelter under decent surroundings.

- B) — Slum clearance is required to rescue depreciated real estate from the unfortunate results of haphazard urban growth, suburban competition, unscientific land valuation, and tax assessment.

It is impossible, in many communities, to re-house the slum dweller on the site of the present slum, and at the same time —

- A) — Uphold the present inflated land values and assessments through re-occupancy by the present slum dwellers.
- B) — Reduce the density of occupancy.
- C) — Secure the new accommodations at a reasonable cost.

We disagree with the argument that these people insist upon living where they now struggle for an existence. They, or their fathers before them, left their native land and endured all kinds of hardships. Surely, they can now easily appreciate the advantages of other locations for their new life. If we provide more efficient transportation facilities, the somewhat greater time spent in travel to and from their occupation will be no great burden. With constantly decreasing work periods, such travel entails no serious hardship.

Much of the land reclaimed through destruction of slums can and should be put to use for parks, parking places, industrial, and many other purposes for which there would be justification. This is a local problem which should be solved by local authorities.

### **3) — Separation of Public Housing Program from Emergency Employment:**

Though a nation-wide program of coordinated private and public housing would go very far toward relieving unemployment, it must be recognized that the housing problem is mainly independent of the present depression and will require a long-range program for solution.

*The essence of a housing program must be housing, — not work relief.*

### **4) — Definition of Responsibilities of Federal, State, and Local Governments:**

The jurisdiction over tenure, valuations, and taxation of real property and rules governing transfer of titles are under state and local governments. We should therefore place the responsibility for legislation and programs for property rehabilitation and slum clearance upon these agencies and not on the federal government. The public welfare program, which should deal with the human and social problem, should be the joint responsibility of all agencies.

### **5) — Elimination of Competition Between Public Housing and Private Enterprise:**

*Public housing should provide accommodations only for those families who cannot pay sufficient rent to obtain decent shelter from private enterprise. Under no circumstances should public subsidy be permitted to create housing for rent or sale for any income group which can be served by private enterprise. Public housing must supplement and not compete with private enterprise.*

The Committee has already submitted a program for the development of a home building program by private enterprise. Under our recommendations private enterprise will ultimately provide, at a profit, adequate housing for families with incomes as low as \$1,000. a year. This figure is based upon the most unfavorable areas and should be adjusted downward in many sections of the country. Therefore, we believe that public housing should be limited to families with incomes below this amount.

*The Committee admits that the objective set for private enterprise has not yet been achieved and that it will not be attained immediately. But we contend that public housing should at least temporarily be limited to the above income group. The potential market represented by families with incomes ranging between \$1,000. and \$1,500. should be reserved to private enterprise until such time as it has been proven that private enterprise, under improved conditions, can or cannot attain the objective we set for it.*

Private enterprise should work as rapidly as possible toward reaching the above income group. Neither public housing nor private enterprise should, for the time being, attempt to serve this quarter. Surely these people would rather wait a little longer than accept, as inevitable, the necessity for public charity. This area should remain a sort of "No Man's Land", until we have a completely integrated private home building industry as recommended by the Committee in previous reports. Only then can we ascertain what income group private enterprise really can reach.

#### 6) — Importance of Family Income Limitations:

*A public housing program that provides for any income groups, except the lowest, is based on fallacy and subterfuge. We must face the problem squarely. The Committee's public housing program provides only for the lowest income groups, though they require a greater per capita subsidy than their more fortunate neighbors.*

Some public housing exponents have criticized the home building program of the Committee. They disagree with our limitation of public housing to families among those with annual incomes below \$1,000. They would instead have us include families with incomes up to \$1,500. Evidently, they do not consider the following important facts:

- A) — Even in 1929, 21% of our families were in this disputed income area, while another 21% received less than \$1,000. annum.
- B) — In 1933, although available figures are incomplete, approximately 70% of the American families had incomes of less than \$1,500.
- C) — We cannot preserve democracy if a large proportion of our people must receive their home accommodations through charity.
- D) — England faced a similar situation, but dealt with the problem most efficiently. English private enterprise provides for income groups as low as \$850. This was not true in 1930. Nor would it now be true if they had not adopted a plan similar in its broad principles to the Committee's Twelve-Point Home Building Program.

- E) — The lowest income groups have the greatest need for public housing. Of course, it is much easier to aid those with incomes from \$1,000. to \$1,500., than it is to aid the lower income group. But the Committee considers the problem too vital and important to adopt the easiest way instead of a real solution.

*Obviously, the lowest 20% are the most needy income group. Our responsibility dictates that careful selection be made from among these families for the use of public housing.*

7) — **Reasons for Rent Subsidy as the only form of Public Housing Subsidy:**

*The Committee, recognizing the necessity for the use of public funds in providing public housing, advocates a rent subsidy in preference to any other form.*

Under a practical rental subsidy plan based on the English Act of 1935, the re-housed family pays toward the "economic rent" determined by the Local Housing Authority, the amount which the Local Welfare Agency certifies that the family can afford to pay. To this amount is added the federal and state rent subsidies, each fixed in the original respective legislation. To the total of these three, the local community, whose Welfare Agency selected the family, adds the amount necessary to complete the economic rent determined by the Local Housing Authority. The economic rent should be the amount sufficient to meet the capital charges and operating expenses of the particular project.

This plan—

- A) — Places upon the local community the responsibility for economical operation and the financial burden or reward for inefficient or efficient management.
- B) — Applies all benefits directly to the most needy families.
- C) — Permits administrative authorities to taper off or discontinue subsidies to particular families as the need for rent assistance decreases.
- D) — Guarantees to low-rent housing projects sufficient income to meet its capital charges and operating expenses.
- E) — Requires only moderate outlays on the part of the federal government. Furthermore, it does not burden a short term or annual government budget with an expenditure for a long term objective.
- F) — Precludes the use of federal subsidy for needless facilities.

*No other form of subsidy provides the advantages indicated above in connection with the rent subsidy plan. Furthermore, the other forms of subsidy embrace the disadvantages which the rent subsidy plan avoids. This fact has been recognized in England, where the most recent legislation adopts the rental subsidy plan.*

## Public Housing Efforts of Federal Government

The following is a brief analysis of the Federal government's public housing experiments to date:

### 1) — Urban Public Housing — (Public Works Administration):

We wish to congratulate the administration on the prompt manner in which it has improved its technique by taking advantage of earlier mistakes. The limited dividend type of project has been abandoned as an instrumentality for public housing. The 45% capital subsidy and 55% loan type of project under Federal control has been limited to the 48 P.W.A. projects now under construction. From these experimental projects many lessons should be learned to the advantage of our future pattern of public housing.

Unfortunately, many of the cities in which public housing projects have been undertaken were not educated as to its importance to the community. An atmosphere of clash and strife has therefore accompanied these efforts on the part of the federal government.

The technique of the initiation of public housing projects by central Governments has proven unwise in England, as well as in America.

A great part of any future program should be based upon our own, as well as the English experience.

### 2) — Subsistence Homesteads and Rural Communities — (Resettlement Administration):

The Federal administrative policies toward subsistence homestead and rural resettlement projects must still be clarified on the basis of long range planning. The Committee has carefully studied these types of developments and believes there is a sound basis for future programs.

*Removal of stranded workers and rural inhabitants from areas that will never be rehabilitated, are enterprises worthy of national effort.*

The Committee recommends that every cooperation be given to the subsistence homestead and rural community projects now under way. Unfortunately, these projects were started without seeking cooperation from industry. The problem of finding work opportunities has therefore been added to the problem of providing decent housing. The Committee recommends the following:

- A) — An advisory committee should be appointed, composed mainly of business men to aid in the projects now under way.
- B) — If any more of these projects are attempted they should be started in cooperation with industry.

**3) — Garden Cities — (Greenbelt Towns)—(Resettlement Administration):**

*The Committee believes that a grave error will be committed if in the near term future garden city experiments are attempted as public housing projects. We have carefully studied the English garden city developments and believe that, in modified form, this type of project has excellent long term possibilities if undertaken by American private enterprise.*

*As strong advocates of both public housing and of garden cities, the Committee believes that these important movements will suffer irreparable harm by being combined at the present stage of our housing program.*

**We therefore recommend:**

- A) — That a public statement be made at the earliest moment, to the effect that no more of these projects are contemplated as public housing.
- B) — If all or part of these four projects now under way are to be continued, every effort should be made to make some arrangement whereby they can be turned over to private enterprise.
- C) — That the Resettlement Administration be instructed to formulate a program for federal cooperation with state planning boards or other state and local agencies in a joint attack on the problems of rural housing betterment and rural resettlement.

**4) — Appraisal of Public Housing Efforts of Federal Government:**

A fair appraisal of the efforts of the Federal Government in public housing shows that in view of the many obstacles accompanying such a program, reasonably satisfactory results have been attained. The monies that were appropriated were a part of relief and recovery appropriations. Pressures from all sides to make haste, to employ inefficient relief workers, and to develop an entirely new technique without sufficient time for planning, have all proven major deterrents.

There are two distinct lessons that stand out as a result of our public housing efforts. They are:

- A) — Public housing must be a permanent, and not a temporary procedure.
- B) — The central government must aid and not initiate local projects. The major responsibility for public housing must be with the community, and not with the federal government.

**7 Point  
Public Housing Program  
of  
The Committee**

After careful consideration, based upon the principles we have stated, the Committee offers the following 7-Point recommendations for a national public housing program to supplement the much larger responsibility of private enterprise:

**1) — Division of Responsibility:**

*Municipal and Local Housing Authorities should:*

- 1) — Be organized under state legislation.
- 2) — Be responsible for the initiation, financing, construction, and management of public housing projects.

*State Housing Authorities should:*

- 1) — Coordinate municipal and other local activities within their confines.
- 2) — Supplement the federal rent subsidy.
- 3) — With appropriate federal aid, assume responsibility for rural housing and rural resettlement problems.

*Federal Public Housing Authority should:*

- 1) — Aid and stimulate local initiative but never attempt to force public housing on unwilling communities.
- 2) — Make its sole financial contribution in the form of cash allowances toward paying rent for rehoused low-income families.
- 3) — Assist local authorities toward creating a market for their securities, until they have been able to establish their own credit.

## 2) — Municipal and Local Housing Authorities:

*Since we believe that all public housing projects should be initiated by municipal or other local agencies, we recommend that state and local legislation be enacted in conformity with the proposed federal legislation.*

It is recognized that local conditions might call for organization of local authorities on a county or even on a regional basis, rather than a strictly municipal basis. Such legislation should provide for a municipal, or local, housing authority which should—

- A) — Coordinate its activities with those of the local planning commission.
- B) — Prepare a long-term program for meeting public housing needs.
- C) — Adopt housing standards in accordance with local needs and conditions.
- D) — Develop facilities for the building of projects at the lowest possible cost consistent with proper standards.
- E) — Establish rent scales for dwelling units sufficient to cover costs of construction, financing and operation.
- F) — Issue and find a market for the securities required for financing projects.
- G) — Enter into rent subsidy contracts with federal and state housing authorities and with local governmental agencies.
- H) — Have powers of condemnation under proper safeguards.
- I) — Make every proper effort to secure substantial popular approval and support.
- J) — Be exclusively a planning and operating agency, and not a welfare organization.
- K) — Leave to local welfare departments or similar public agencies, the duties of:
  - 1) — Selection of public housing tenants.
  - 2) — Determination of rent paying capacities of selected tenants.

*We do not favor tax exemption for public housing projects, nor any other form of hidden subsidies. Methods of computing capital and operating costs of public projects should conform with those of private enterprise.*

### 3) — State Housing Authorities:

*Each state should, in addition to the enactment of legislation permitting the creation of local authorities, create a state authority, which would:*

- A) — Cooperate in the development of the type of projects initiated by municipal and local authorities.
- B) — Supplement the federal rent subsidy, in accordance with a definite schedule, and make contracts for payment of same.
- C) — Initiate and cause to be built projects in communities too small or too weak financially to proceed on their own initiative, or where it may not be feasible to set up a municipal, county or regional authority.
- D) — Aid in the betterment of rural housing, in cooperation with the state planning board, and the appropriate agency of the federal government.
- E) — Accept proper responsibility for assisting local governments without throwing the entire burden over to the federal government.

### 4) — Federal Public Housing Authority:

*Federal legislation, clearly stating the principles outlined above, should be adopted. It should define the relationships of the several authorities involved, and should include the subsidy schedule suggested below. The Federal Public Housing Authority created by such legislation, should—*

- A) — Be placed in the Department of the Interior and be the successor to the present Housing Division of the Public Works Administration.
- B) — Be empowered to enter into contractual obligations with state and local authorities for the payment of the federal rent subsidies in accordance with schedules provided by law. Contract should cover subsidy payments for a particular project during the entire period necessary to amortize the cost of the project. The rental subsidy should be made in proportion to numbers of families re-housed. The English system as provided in the 1935 Act, provides a model that can be adapted to American procedure. Under this Act the government subsidy is based upon a fixed amount per dwelling unit. The remainder is paid by the local communities. The rent subsidy system places upon the local community the responsibility of proper management, inasmuch as the deficits remaining after the fixed subsidies are paid by the federal and state authorities, become the liability of the local community.
- C) — Promote research in and disseminate information on standards of design and construction, public housing management, land usage, city planning, etc.

- D) — Encourage local chambers of commerce and other local non-political civic organizations to form committees to study local housing conditions and develop housing agencies and projects.
- E) — Secure cooperation of labor through the Department of Labor.
- F) — Cooperate with agencies in the private housing field to secure for public housing projects full advantage of all possible construction economies.

*The Federal Public Housing Authority should aid, advise, and stimulate public housing, but should not become a dominating paternalistic agency which dictates because of its financial contribution. This agency must be clothed with permanency and must not be a temporary undertaking.*

**5) — Financing of Public Housing Projects:**

*Financing of public housing projects requires funds for construction and rent subsidies in connection with their management and operation.*

The following method of financing should be adopted:

- A) — *Funds for construction of local housing projects should be obtained through the issuance of securities by Municipal or Local Housing Authorities as is practiced in England.*

The Committee recommends the creation of a security similar to the bonds of the Port of New York Authority. Such bonds should be tax exempt.

For a time it will probably be difficult to persuade private investors to accept a new type of security such as the one proposed. Consequently, it is necessary to provide a more definite market until these securities receive popular acceptance. The Committee therefore recommends that the Reconstruction Finance Corporation be empowered, for a limited period, to purchase a specified amount of the securities of local housing authorities, upon approval by the Federal Housing Authority.

- B) — *Rent subsidies should be provided for in appropriate legislation.*

We recommend that, in accordance with basic principle No. 7 stated on page 6 of this report both Federal and State public housing legislation include detailed schedules of rental subsidy payments, similar to the general outline of the English 1935 Act as adapted to our federal and state governmental limitations. The English plan was evolved after years of experiment and is based upon actual experience. Our plan should take into careful consideration the results of their experience.

**6) — A Federal Program of Housing Education and Research:**

*Proper educational and research machinery should be provided by the federal government in order to make the program effective on a national basis. A successful program must be coupled with efficient management, which can only result from education and research. Qualified personnel should be obtained without regard to political affiliations.*

In its educational and research activities, the Federal Public Housing Authority should place the greatest possible emphasis on the encouragement of studies and surveys by qualified state and local agencies, both public and private.

The types of projects that should be fostered would include:

A) — *Education in Public Housing Management:*

Since very few people in this country understand the problems of public housing management, the Federal Public Housing Authority should further develop the excellent management training programs started by the Housing Division of the Public Works Administration and the Resettlement Administration.

B) — *Real Property Inventories:*

The Federal Public Housing Authority should employ every means of encouraging continuous real property inventories. The Real Property Inventory of Metropolitan Cleveland has set a most desirable standard of procedure. The overhead expense of this project (which has been in existence since 1932) is regularly met by subscriptions of local business, real estate, finance, and public utility interests. Practically all of the field work is done by mail-carriers, at no cost to the project. The only other federal contribution consisted of lending a technical expert to assist in organizing the initial 1932 survey.

C) — *Institutes of Urban Research:*

The Federal Public Housing Authority should assist in the foundation or urban research institutes, (such as The Institute of Urbanism of the University of Paris), to study problems of building codes, community growths, community finance and community planning. Grants could be made, (from a research fund appropriated for that purpose) to selected colleges and universities, in line with precedents established by the federal government in furnishing financial aid to agricultural and military colleges. Grants to non-profit research institutes wholly independent of particular schools and colleges might also be made. The precedent established by the National Resources Board in making grants to state planning boards might also be extended to embrace a system of grants to regional, city, town, and community planning boards.

D) — *Coordination of Research Activities:*

In addition to encouraging local planning and research studies, the Federal Public Housing Authority should:

- 1) — Coordinate such research activities.
- 2) — Establish standards of accomplishment.

- 3) — Disseminate such information by making available to other communities the procedure and results of successful local programs.
- 4) — Suggest the initiation of programs in various localities and, where necessary, lend services of its experts for organizing local research projects.

#### 7) — Modernization and Rehabilitation:

*This field of operation lies more in the province of slum clearance, city planning, and property rehabilitation, than in the sphere of public housing.*

In working out actual local programs, however, modernization and rehabilitation will provide adequate housing in many cases for the lower income groups.

Entire block, district, or neighborhood rehabilitation under one agency, which may be in either corporate or trustee form, to include management and progressive development of the properties as a unit, may serve in many cases to prevent wholesale removal of tenants and consequent further blighting of areas, which have not yet reached the limit of permissible obsolescence. It may also permit the utilization of the residual values remaining in the better buildings of a district.

There are largely local problems to be dealt with locally, under such state enabling legislation as may prove to be necessary.

The Federal Housing Administration now extends financial aid to rehabilitation of individual properties, by insuring modernization loans. This could be extended to insurance of district rehabilitation projects, when local and state governments have provided the corporate machinery for such undertakings.

#### **In Conclusion:**

The Committee reiterates the statement it has repeatedly made:—that it does not put forward any program as the only possible method by which desired results may be achieved. Our program is a simple, practical outline of policies and recommended procedures to remove public housing from the fog of confusion and political conflict. Our efforts are directed toward a clear visualization of objectives in a desire for early action.

*We do hope, however, that when the nation finally adopts a long term public housing program, it will be designed as part of a complete home building program rather than another disjointed effort. Under a capitalistic democracy, public housing must always supplement the efforts of private enterprise. Competition by government in any field of economic activity will finally, even though the purpose be most worthy, retard more activity on the part of private enterprise than government, through competition, can possibly generate.*

# The Wagner-Ellenbogen Public Housing Bills

The recently introduced Wagner-Ellenbogen Public Housing Bills aim to achieve results that the Committee considers desirable. We deeply appreciate the efforts of Senator Wagner and Representative Ellenbogen in the cause of a sound national housing policy. We advocate, however, basic principles and methods of procedure which differ in certain respects from those embodied in the bills as introduced.

We agree on the importance of decentralization in public housing and the rights of the local or municipal authorities to determine the amount and type of housing to be provided. Likewise we agree on the need of careful selection of those to be housed and the necessity for providing public housing only for the lowest income groups. The bills, however, leave these important safeguards to administrative rather than necessary legislative control.

The Committee differs with the bills in three basic principles:

- 1) — *We are opposed to direct grants on any basis other than for rent subsidies.*
- 2) — *We are opposed to loans to private corporations for purposes of public housing.*
- 3) — *We are opposed to any demonstration projects on the part of the federal government, particularly in relation to so-called "public housing societies".*

Among our important reasons for disagreement are:

## 1) — **General Effects of Basic Principles Under Bills:**

These provisions will react adversely upon both public and private housing. They will permit and encourage the encroachment of federal authority upon the domain of the states and the municipalities. They will stop private enterprise from the development of a large scale home building industry, and also discourage the flow of funds into the field of home mortgage finance. Such facilities are indispensable to a real home building program for all income groups.

## 2) — **Undue Burden on Federal Government:**

These provisions serve to encourage the states and municipalities to avoid their proper responsibility in public housing. The vital needs of the people should be served by cooperative action of federal, state and local governments. The federal government alone should not be expected to assume the degree of responsibility provided by these bills.

**3) --- Disadvantages of Capital Grants:**

Capital grants have proven a failure in America as well as in other countries. Subsidies other than on a fixed rent basis result in waste and inefficiencies in the construction and management of the properties. The benefits of such grants are not extended to the families who are being re-housed. Our preference for rent subsidy is amplified in basic principle No. 7 of this report.

**4) --- Loans to Private Corporations:**

Our objections to loans to private corporations for public housing are partially derived from the utter failure of the limited dividend projects, financed by the federal government, to provide housing for the low income groups. Furthermore, such practice would cause all new large scale housing on the part of private enterprise to cease. Private interests cannot compete with the chosen few who would, under this provision, receive interest subsidies that are not otherwise available. Fear of this competition would undoubtedly stop projects that are now contemplated, particularly those fostered by the F.H.A. in their excellent large scale housing division.

**5) --- Federal Demonstration Projects:**

The demonstration projects authorized under these bills give the federal government authority to build and operate in any territory. The P. W. A. experience has proven that it is impractical for the federal government to undertake the construction or operation of housing. This provision will cause the existing clash between local communities and the federal administration to continue.

**6) --- Excessive Administrative Authority:**

The bills convey almost unlimited administrative power to the Federal Housing Authority with an absence of definite standards. For instance:

- A) --- Low income groups could, in many areas, even include families with incomes up to \$2500. per annum.
- B) --- A "public housing society" might be composed of three persons in a city of seven million. Regardless of the desires of the community, these three individuals with no financial responsibility could administer millions of dollars of federal funds.
- C) --- A "limited-profit housing agency" under the bills could build almost any type of private enterprise rental housing project.

**7) --- Creation of Separate Organization:**

The federal government already has too many agencies who report directly to the President. The public housing authority should be responsible to a cabinet member, preferably the Secretary of the Interior.

**8) --- Effect on Unemployment:**

The bills assume that their passage would mean increased employment. In reality, they would cause a net decrease in employment, due to the fact that private enterprise would contract its housing efforts at a time when it would otherwise expand. Such loss of employment would greatly exceed the purported gain.