

HH-2 homes *Russia Housing*
The Kind of America We Want
Caut Policy

Economics & Soc Philosophy

EXCERPTS FROM SPEECH OF SENATOR HUBERT H. HUMPHREY

DES MOINES HOME BUILDERS ASSOCIATION
DES MOINES, IOWA - DECEMBER 13, 1959

An Assobe
is the answer
to Big Business
John Sparkman

Small Business Counts

When we talk about housing, with all its implications for our cities, we are talking about one of the stubbornest and most urgent items of unfinished business on our national agenda.

The plain fact is -- and you can verify it by visiting almost any city in the U.S. -- the plain fact is that in the years since the war we have made too little progress toward ridding our cities of slums and housing our people -- all our people -- in "decent, safe, and sanitary housing".

Those last words constitute the minimum objective written ten years ago into the Housing Act of 1949 -- by none other than ^{the late} Senator Robert A. Taft.

Taft

Was that too radical an objective that Senator Taft wrote into the '49 Act? Are we prepared now, ten years later, to lower our sights? I say we are not.

When the last census was taken in 1950, it documented the shocking neglect of the housing supply in the U.S. Millions of our houses were dilapidated or lacking even the least of the amenities to which every American family is entitled. I predict that the 1960 census will show an even more shocking condition.

You home builders of America have ~~we~~ built 11 to 12 million houses in that

11 or 12 million homes since 1950

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D. Franklin

decade, and that is no small achievement. You have done it often in the face
of great difficulties, in the face of shortages of capital, in the face of
rising interest rates and rising costs. I want to pay tribute to ^{the} ~~you~~ home builders,
and also to the Savings and Loan Associations for their contributions to the
housing markets. (Independent Builders Partnerships etc)

Yet much remains to be done. There have been many competent estimates of the
rate of new building required to replace housing which is indecent, unsafe, and
unsanitary, and at the same time provide the increases in the housing supply
necessary for our growing population.

I know of no responsible estimate that places this need below 1 and 3/4
million a year right now, rising to 2 million and higher as the birth rates of
the past 20 years are translated into higher rates of family formation. And yet
in no year since the war has the construction of new homes exceeded 1 and 1/3
million, and in half of those years it has been not much over a million.

1 + 1 3/4 million a yr

My friends, we have ~~to~~ ^{to} do better ~~than that~~ -- much better.

What is it that stands between us and our goal of enough good housing for
the people of this country at prices they can afford to pay? It is not that
we lack the materials and the manpower. ^{the know-how!} It is not that we "cannot afford it",

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as some people say. An economy pushing close to \$500 billion a year, and growing, certainly can afford to invest \$10 or even \$15 or \$20 billion a year more than we are now investing in housing.

The obstacles are man-made obstacles -- obstacles of cost, of interest rates, of money markets, of mortgages and the means of financing them.

↳ Just as the problems are man-made, so too the solutions must be man-made.

I, for one, am convinced that we have the imagination and the resourcefulness to break through on this vital front of our domestic life -- if we have the will.

As of today, the most serious of these obstacles is the shortage of capital for home building. Only a few days ago, your own National Association, surveying the prospects for the next year, came to the conclusion that "the housing market, in 1960, will be characterized by tight money which will produce, in turn, a 10 to 12 percent drop in the year's volume of dwelling units to be built."

Another somber note was sounded in the November 9, 1959 issue of U.S. News and World Report: "For the U.S. as a whole, the average rate charged on "conventional" home mortgages on October 1st was 6.10 percent. This level, it seems, is high enough to discourage home building. With growing frequency, builders are reporting plans to reduce the scale of their activities."

↳ Home building, in 1960, instead of rising to a million and a half units, as

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it should, will once again fall below a million and a quarter, thus adding that much more to the accumulated housing deficit.

And why is this? Simply and solely because the Government has persisted in its tight money policy, deliberately creating a shortage of capital for such productive purposes as yours.

And even worse: having created the capital shortage, the Administration has made the housing industry the chief victim of its policies which would give to housing the priority it deserves -- considering the importance of housing among the country's needs -- it has left the housing industry to scramble for what it can get, at interest rates that are pricing more and more American families out of the market for new homes.

sharp No one in his right mind would plead for policies which would bring on inflation in this country. You and I need no lectures from Mr. Eisenhower, or Mr. Anderson, or Mr. Martin, or Mr. Mason, to realize the damage an inflation could do to this great economy -- and especially to an industry that depends on long-term financing.

You know better than anyone else what would happen to the mortgage market and the sources of capital for building homes if lenders lost confidence in the soundness of the dollar. But that is no reason for policies that stunt growth and

*Housing affects Every Industry
 lumber, Appliances
 Building Materials*

choke off the production of one of the most essential commodities -- housing --
 in the name of so-called "stability."

It is possible to be so "stable" that you just stand still, and that is exactly what the tight money policies of ~~this Administration~~ are doing to the country.

mmw I ask you: which is "inflationary" -- to build enough homes to satisfy the demands of a prosperous and growing population? Or to stifle home-building and perpetuate shortages and high prices? You know the answer.

Which is "inflationary" -- to provide a steady flow of funds at reasonable rates to finance homes at prices that people can afford? Or to allow high interest rates that add thousands of dollars to the cost of each home?

Just listen to these few figures, and figure out for yourself where the inflation has come from. Since 1952, interest payments alone on a \$15,000 FHA 25-year loan have gone up 42%. The increase in interest adds \$13.20 to the monthly payments.

The average FHA mortgage in 1958 was nearly twice the average of the 1952 loans -- with only a slight increase in the square footage of the average home. The average FHA mortgage soared from \$12,800 in 1952 to \$23,784 in 1958.

And even that isn't the worst. After jacking up interest rates in the money markets, the ~~Republican~~ Administration came crying to Congress to raise the ceiling rates on FHA and VA mortgages, on the plea that this was necessary to assure a flow of funds to the housing industry. Faced with this cruel dilemma, the Congress reluctantly complied.

And what happened? The interest rates have been raised, all right, but money is just as tight, or even tighter. According to latest reports, more mortgages are selling at discounts, the discounts are greater, and money is still scarce.

Of course, the question of mortgage money and Government bonds enters the picture at this point. Home builders and home owners are forced to compete for credit, of which there is manufactured scarcity. They have to compete for capital that finds most attractive the increasingly higher interest rates on Government bonds.

The truth is that the Government's so-called housing programs are no longer housing programs at all. They are not being run for the benefit of home builders and home buyers. They are not designed to promote more housing for the American people, but to promote scarcity and higher prices.

All this, you understand, is done in the name of fighting inflation. Nonsense!

It's the old story of keeping the supply scarce and the price high. What is more

inflationary than that!

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There is , and can be, no solution to the "housing problem" of this country except by more housing. Much more housing, and at prices people can afford to pay.

The easing of high prices and high rents waits on more housing, to take the inflationary edge off scarcity values.

The clearance of slums waits on more housing, to make room for the families displaced from the slums.

Urban redevelopment waits on more housing to replace the dwellings destroyed in the redevelopment process. *renewal* *Let's try private housing - Pilot areas! Demos!*

And most important of all -- the decent, safe, and sanitary housing of the American people -- of which Senator Taft spoke ten years ago -- waits on more housing. Much more. *Rural Housing Agric!!*

There is nothing impossible about this -- unless we have a government that makes it impossible. *policy*

The rising incomes of the American people are offering you an over-expanding market -- unless the market is eaten up by high scarcity prices and financing.

Your industry is ready and willing to supply the market -- unless it is choked off, as it has been in the past few years. *Home building*

I say it is time the government stopped over-feeding the banks and starving the housing market. It is time the government stopped pampering the lenders of

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money and started helping the buyers of homes.

Homes for Americans - this is Human Dignity!

In all honesty I must say I am afraid that a really vigorous, all-out attack on the housing shortage will have to wait upon a new government -- another election!

But that is no reason for us to sit back and wait. And ~~It is good to say~~ the Congress has not waited.

It was the Congress that initiated and rushed to passage the Housing Act of 1958 that gave the boost to home building that led the country out of the recession.

It was the Congress that passed not one but three housing bills this year. We had to pass three before we got one ~~small enough to suit the small minds and~~ *cut down to the* short sights of the Republican Administration.

Included in those bills ~~was~~ was one great step forward -- even if it was on a small scale: authority for direct government loans at low interest for housing for the elderly.

This should be an important step toward development of direct loan programs of housing for middle-income families -- the growing number of families who are being priced out of the high-priced ~~Republican~~ *Housing* market.

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This I say "should" be an important step, but I am sorry to say the Administration has made not one move to put it into practice.

It may be we will find that direct loans alone are not enough. We may need to experiment with interest rates on a sliding scale to bring housing within reach of more of the middle income families.

I am sure I need not tell you, of all people, about the need for a more effective secondary mortgage market.

Secondary mortgage mkt

The question of an efficient central mortgage bank remains still unresolved. I am happy to say that one of our leading universities is studying this question, and will lay its proposals before the Congress for consideration.

We must find ways to help the hard-pressed cities and states to extend the community facilities which are indispensable to the expansion of the housing supply, especially the water and sewer facilities. The Community Facilities Bill to grant Federal loans for these purposes passed the Senate this year and is pending in the House. If the Administration would so much as lift a finger in behalf of this bill, it could become law a few months from now.

Community Facilities

In our search for a steady flow of housing capital, we need to find means to tap new sources, particularly the vast pension funds that are accumulating and

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looking for productive investment.

Above all, we must keep in mind the social values of good, adequate housing.

These values make housing programs more than just another assistance ^{financial} program.

Good housing contributes to the spiritual growth of the nation, and therefore

requires special attention.

Good Housing helps build a Good America.

And now let me say one final word: as home builders, you have a special

responsibility. You have a responsibility to build for the ready markets that

that you have served in the past ten years.

But you also have a responsibility, as Senator Taft used to say, to make

every effort to "expand downward" the price of the homes you build -- to tap the

markets of those in the middle ^{income} incomes.

There is a responsibility on all of us to see that the problem of good housing

for those with low incomes is not neglected. If we are going to do this job of

cleaning up our cities and housing our people, we have got to do all of it. !!



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