

Can America Be Adequately Housed?

By EDWARD WEINFELD

THIS YEAR, the Congress of the United States enacted, and the President approved, a far-reaching national housing program which constitutes an important step toward meeting this grave national problem. The Housing Act of 1949 was finally adopted after attempts to establish a national housing policy had failed in four preceding years. The full story of the bitter struggle waged against this milestone of progress will some day be told. Few legislative proposals have been so overwhelmingly supported by the people of the country, and yet, until the present, so successfully withstood by small but powerful special interest groups.

The new program as enacted covers five major areas. First, the act declares that the national welfare and security require the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family. Second, it provides the authorization for federal financial assistance to communities for a long-delayed, but vitally needed start on the clearance of slums and blighted areas and their redevelopment, mainly by private enterprise. Third, it provides the authorization for a continuation and expansion of the program of federal financial assistance to communities for low-rent public housing for families of low income. Fourth, it authorizes a comprehensive program of federal research in housing aimed at relieving the many technical, social and economic problems which beset the whole field of housing. Fifth, it provides the authorization for a program of federal financial assistance for the provision of decent housing for those families who live and work on the farms, particularly for families of low income.

What is this housing problem that has caused such bitterness, and that has impelled the Federal Government finally to take such far reaching action? The housing problem is not merely a matter of shortage, something that will disappear automatically if we all have patience. It cuts deeper than that. A shocking fact has emerged from every serious inquiry into the subject. In America today, two of the essentials of life—food and clothing—are available in adequate supply and at prices within the reach of virtually all families. But in the third essential—shelter—the American economy is failing to meet the minimum required to sustain “the American standard of living” at all income levels. The top brackets are being served, as they always are. The failure shows as you inspect the middle brackets and the lower levels of the income scale.

This is a serious matter to the families whose basic needs are not being

satisfied. It is also serious to the nation. In the consumer's budget, the cost of housing and household operation is the second largest item, exceeded only by the cost of food. Housing accounts for about a fifth of the total consumption expenditures in the nation. From the standpoint of national economic activity, capital outlays for housing form a fifth of the total national capital expenditures.

Measuring the Inadequacy of Housing

IF THE ECONOMY'S PERFORMANCE in this respect is not satisfactory, how badly is it missing the mark? This matter of measuring the inadequacy of housing today is not simple, involving as it does the responsibility for defining what is adequate. There have been, however, some useful attempts to pin down the facts. The first major effort—and one that still stands as a benchmark in all discussions of this problem—was made in the decennial census of 1940. The census counted a total of 37 million dwelling units in the country. Of these, only 21 million were rated as in good condition or needing only minor repairs. A full 16 million appeared to the census enumerators to be so obviously deteriorated that they required extensive rehabilitation or outright replacement. Almost a fifth of the total were reported as in need of major repairs. Since modern plumbing facilities, with their contribution to sanitation, privacy and convenience, are now an accepted part of the American standard of living, they offer another key to the adequacy of existing housing. The census found that about 30 per cent of the units had no running water, about 40 per cent were without private flush toilets, and about 45 per cent had no private bath or shower.

The census data, of course, are now nearly ten years old. Undoubtedly there has been some improvement in the general situation since they were assembled, especially as repairs and improvements became possible again after the war. The new legislation makes a housing census a regular part of the decennial census. Certainly this is needed to fill in the gaps in our present sketchy information about the size and condition of the housing supply and to provide periodic checks on gains and losses in this vital field.

The condition of the housing inventory is only a part of the question. Existing housing must be suitable for decent family living, but it must also be abundant enough to provide for all families. The obvious fact that this goal has not been achieved has been reiterated so frequently in recent years as to need no laboring here. A dispassionate estimate of the extent of the housing shortage, however, does have value.

"Our present housing problem is of long standing," a Congressional committee observed in 1948. "While developments attributable to World

War II have contributed to the intensity of our present problem, the current shortage actually has been accumulating over a long period of years when the volume of new housing construction was less than the net increase in new families. In the spring of 1947 there were 2,800,000 families living doubled up with other families. The vast majority of these families have been forced to accept these unsatisfactory living arrangements because of the acute housing shortage. An additional 500,000 families are living in temporary housing, trailers, rooming houses, and other makeshift accommodations. Moreover, during the last year, even with the sharp expansion of home building, the net number of new families formed greatly exceeded the number of new homes provided. Finally, a very substantial proportion of our existing supply of housing falls far below minimum standards of decency."¹

More important than this laconic description of the situation is a computation made by the 1949 Senate Banking and Currency Committee of the additional housing needed to bring supply and demand into balance by 1960. On the basis of the analysis of need set forth below, the Committee concluded that the nation would need to produce from 16,741,000 to 17,741,000 units by 1960 to meet its housing requirements.

Table 1. Effective nonfarm housing inventory as of beginning of 1949

Total number of nonfarm dwelling units, April 1947, according to Bureau of Census	34,248,000
Subtract:	
Uninhabitable dwellings	137,000
Seasonal cottages, hunting lodges, etc.	991,000
Vacant units held off the market (boarded up mansions, units sold or rented but not yet occupied)	<u>391,000</u>
	<u>1,519,000</u>
Effective supply of housing to meet nonfarm needs as of April 1947	32,729,000
Add:	
Estimated additions to supply in 1947 and 1948 through new construction and conversion	<u>2,100,000</u>
Estimated effective nonfarm supply, beginning of 1949	34,829,000

Table 2. Nonfarm dwelling units needing replacement or rehabilitation (1947-60)

Urban and rural nonfarm units which were in need of major repairs and urban units which lacked private bath and toilet in April 1947	5,600,000
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¹ *Housing Study and Investigation*, Final Majority Report of the Joint Committee on Housing, Housing Report, No. 1564, March 15, 1948.

Suburban units lacking private bath and toilet and currently standard nonfarm units which will deteriorate by 1960	2,000,000
Estimated losses through disaster, demolition, etc.	520,000
Losses through removal of temporary housing	<u>350,000</u>
Total replacement and rehabilitation need	8,470,000
Table 3. Housing needs of the United States in 1969	
Number of nonfarm families which will require housing in 1940	39,500,000
Add: Allowance for 4 percent effective vacancy rate for rent or sale	<u>1,600,000</u>
Total effective supply of dwelling units needed in 1960	41,100,000
Subtract: Estimated effective supply, beginning of 1949 (from table 1)	<u>34,829,000</u>
Net additional number of units which need to be added to the supply by 1960 to keep up with rate of family formation	6,271,000
Add: Total replacement and rehabilitation need (from table 2)	<u>8,470,000</u>
Total nonfarm new construction conversion and rehabilitation need	14,741,000
Add: Total farm new construction and rehabilitation need	<u>2,000,000— 3,000,000</u>
Total United States housing needs to 1960	16,741,000—17,741,000

Can We Provide Essential Housing

THE QUESTION NOW BECOMES: can we do the job? Will our economy sustain the rate of housing production which appears essential?

A glib reply would be easy here. We are still dazzled by our wartime production achievements. We recall that President Roosevelt asked for 50,000 aircraft in his 1942 budget message and it sounded impossible. Yet two years later we produced more than 96,000 military planes. We recall that our gross national product more than doubled from 1940 to 1944—and this was done while maintaining a high civilian standard of living with 12 million of our best workers in military service fighting a global war. From this experience, we have derived a heady sense of power, a feeling that there are no bounds to our capacities.

The real lesson of wartime production, of course, was that we can vastly change and expand our capacity to produce—given powerful enough incentives, enough time and enough money. Undoubtedly we could wipe out the housing shortage and rehouse America in a relatively short period if we treated the problem with a warlike urgency.

There is no indication, however, that we intend to give the housing problem the miracle treatment. We came closest to that three years ago in the Wyatt program. The opposition to that aggressive plan of action apparently was more triumphantly belligerent than the program. Ever since the Wyatt program collapsed, our best efforts have produced nothing but a faltering, piecemeal approach to the subject—until the passage of the Housing Act of 1949.

Housing production remains a question of men, materials and money. Without the powerful incentives and overriding authority that supported war production, we must win our housing gains by balancing housing production with the other peacetime claims to the resources of our economy. Good housing is only one of the goals we must strive to meet.

In "America's Needs and Resources," the Twentieth Century Fund's monumental survey of our productive capacity,² an effort was made to answer the question of whether the housing job could be done. The survey staff estimated that the total cost of bringing the 1940 stock of urban housing up to standard by 1960 would be \$25.3 billion. Bringing the farm housing supply to standard would add \$3.7 billion to the bill. Adding in the required expansion of the housing supply, the total cost would run from \$26.2 billion to \$27 billion, depending on the standards adopted for rural nonfarm and farm housing. And this estimate is on the basis of 1940 prices, with a minimum standard urban unit priced at the now preposterous figure of \$3,500! At current price levels, the amount would more than double. The estimate also omits the costs of neighborhood changes—streets, parks, playgrounds—and tremendous costs which would be encountered in clearing urban slums and blighted areas.

In terms of 1947 dollars, it is estimated that it would take \$81.6 billion to get rid of all our city slums and blighted areas and to provide every one of our families living in towns and cities with a decent, minimum standard dwelling in a satisfactory neighborhood.

The survey reached some pertinent conclusions about our capacity to reach the consumption goals measured by these figures. The raw materials would be available, the survey said, if relatively free trade existed throughout the world to give us access to natural resources needed to supplement those at home. Inadequate industrial capacity could be overcome, in the opinion of these researchers, and could present no more than a temporary hindrance to fulfillment of future requirements. The third

² J. Frederic Dewhurst and associates, "America's Needs and Resources," New York, Twentieth Century Fund, 1947.

component of production is manpower. Further increases in output per worker and per manhour are essential to raise the production ceiling.

Another examination of the problem was made by the Federal Reserve System in 1946.³ Assuming that from 1.2 million to 1.5 new nonfarm housing units a year were required, this study noted that in the best year on record—1925—we produced only 937,000 units. In the best five years—1923 to 1927—we averaged only 872,000 units. Today the home building industry is talking with great pride about its "record breaking" productivity. The preliminary estimates of housing starts for 1948, however, set last year's output at 931,300 units, under 1 per cent below the 1925 level. The Federal Reserve study provides an appropriate comment on this: "Today the economy is much larger and more productive than it was 20 years ago and the record of the past makes an inadequate goal for the future."

On the production side of the ledger, then, the situation may be summarized by saying that there appears to be nothing in terms of available resources, organization and manpower to prevent building at the rate needed to achieve adequate housing within a reasonable period. Production has not attained this rate, however, and is lagging far behind the levels we might reasonably expect from our expanded economy.

Why Some Families Lack Adequate Housing

SOME CLUES to the reasons for the failure to produce enough housing for all can be gained by examining the distribution of housing. Even given adequate productive capacity, it is obvious that America will not be adequately housed unless it is possible for families in all income levels to obtain the housing produced.

The failure to provide for all segments of the population has been a long-standing fault of the housing industry. The existence of slums in every city is evidence of this phenomenon. The fact is that the lowest-income families live in slums because that is all private enterprise has made available within their means. Good housing in the past has come at prices that only the more fortunate could afford.

The spread between what housing costs and what American families can pay for it has increased since the war. This is not merely an aspect of postwar inflation. Building costs have been going up for a long time. The rise is apparent even when adjustments are made for the periodic shifts in the economic cycle. The declines which have come in times of

³ Ramsay Wood, "Housing Needs and the Housing Market," *Postwar Economic Studies* No. 6, Washington, Board of Governors of the Federal Reserve System, June 1946.

general depression have not brought costs down to their previous levels. The increase in building costs has been even greater than the increase in the general cost of living. From 1939 to 1948, the cost of living rose about 75 per cent, while building costs rose 129 per cent. The result is that it has become increasingly difficult for the public to get as much for its money in housing as it does when it buys other commodities.

The estimates of family incomes for 1947, recently published by the Bureau of the Census,⁴ shed interesting light on the ability of American families to buy or rent adequate housing. The median income for the 37,279,000 families in 1947, the report shows, was only \$3,000. According to the customary rules of thumb, a family cannot safely afford to obligate itself to purchase a home costing more than twice its annual income or pay more than one week's income for monthly rent. On this basis—and somebody would render us a great service by giving these formulas a critical examination to see if they are valid guides in terms of today's living standards—the average family could not pay more than \$6,000 to buy a house or expend more than about \$57 a month for rent.

An interesting commentary on this requirement of the average family is provided by the government itself. The Administrator of the Housing and Home Finance Agency recently asserted that "what this country needs is a good \$6,000 house." He has testified before a Senate committee that at present such a house is not a common reality. On the basis of the income data, even this ideal would produce a house which only half the population—the upper half—could afford. Furthermore, the government not so long ago launched a campaign to enlist the support of the home-building industry in producing in volume so-called economy houses in this general price range. Numerous builders expressed doubt about their ability to produce good houses at these figures, however, and the American Federation of Labor warned that the effort to do so holds the danger of reducing housing standards below those currently deemed adequate.

The distribution of family incomes is also relevant. The census data reveal that a full third of American families—more than 12 million of them—had incomes in 1947 ranging from \$2,000 to \$3,500. Under the rules of thumb, these families can buy houses priced at \$4,000 to \$7,000 and their rent paying ability ranges from \$38 to \$67 a month.

The moral is plain. Not only are the lowest reaches of the income level outside the market for housing today, but the great middle segment also is experiencing great difficulty in finding housing at prices it can pay.

⁴ "Income of Families and Persons in the United States, 1947," Current Population Reports Series P-60, No. 5, Bureau of the Census, Feb. 7, 1949.

Indeed, nearly 70 per cent of American families have incomes below \$4,000 a year, the amount needed to buy the cheapest of the housing commonly being produced today. This is the true measure of our failure to date to put housing production on a basis that will fulfill housing requirements within the foreseeable future.

All this points to the need for the aggressive, coordinated approach to the housing problem. The Housing Act of 1949 makes a start toward major goals. The first goal is to assure that every family has or can obtain living accommodations suitable to its needs and providing acceptable standards of decency, safety and sanitation. The second goal is to make it possible for as many families as possible to enjoy homes that are better than mere minimum requirements. Finally, the program should provide that the new housing produced would contribute to raising the general standard of American life.

These objectives are not utopian. The physical capacity to produce the housing the nation needs—the natural resources, the industrial facilities, the manpower—are either at hand or within our reach. The problem of distributing this potential output is the crux of the matter. Here an all-out effort to reduce the cost of housing to the consumer is indicated. No technological advance and no method of helping the consumer to fit the cost of housing into his budget should be spurned.

The way American families live is certainly a matter of general concern. The effects of bad housing are suffered by the community and the nation, not just by the individual family involved. The general welfare clause of the Constitution places a responsibility upon the government for action in this field.

The housing legislation just enacted by the Congress is addressed to various aspects of the problem. It makes a start in the direction of an urban redevelopment program, the term applied to the objective of clearing and replacing the vast slum and blighted areas now disfiguring every urban community. The public housing program will provide some relief to the lowest income families by a system of federal and local subsidies for publicly-owned housing to be rented at rates such families can afford. However, as the family income data show, there is another area of acute need affecting the middle income families. Here there is no established and tested technique. Yet this portion of the problem must be met squarely and soon if our housing goals are to be achieved.

These are the problems for which answers must be found if America is to be adequately housed. Solutions are possible to every one of them. The challenge of working them out and applying them in a bold and direct way presents one of the major opportunities of our times.