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PASSAGE by Congress of the "Emergency Relief and Construction Act of 1932" [1] just prior to adjournment in July has served to arouse widespread hope for a revival of the construction industry as a whole, and especially those activities of the industry that are bent upon producing new housing facilities. One of the provisions of the Act [2] authorized the Reconstruction Finance Corporation to "make loans to corporations, formed wholly for the purpose of providing housing for families of low incomes, or for reconstruction of slum areas, which are regulated by state or municipal law as to rents, charges, capital structure, rate of return, and areas and methods of operation, to aid in financing projects undertaken by such corporations which are self-liquidating in character." Thus, for the first time in the history of the country, except in a wartime emergency, the credit and funds of the federal Government are made available directly for financing housing enterprises.

The measure has been received with varying degrees of enthusiasm. Architects and contractors have almost unanimously hailed it as both a restorative and a permanent stimulant. Housing reformers have greeted it as the harbinger of a new governmental policy that will lead to more active and continued intervention in the whole problem. Real estate interests, on the other hand, have received it with misgivings so strong as to urge them to active opposition to operations under the Act.

The most serious criticisms of the Act from the point of view of housing reformers arise from the limitations put upon the Corporation in making loans. These limitations have caused the Act to be referred to as "a legislative straight-jacket." [3] The principal items that consti-

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[1] Pub. Act. No. 302, H. R. 9642, 72nd Cong. (1932).

[2] Tit. II, sec. 201, subsection (a), par. 2.

[3] See 23 HOUSING 179 (1932).

tute this straight-jacket are (1) the provision that corporations to qualify for loans must be "formed *wholly* for the purpose of providing housing," (2) the requirement that loans must be "self-liquidating," presumably within the lifetime of the Reconstruction Finance Corporation, which is limited to ten years, and (3) the stipulation that loans can be made only to corporations "regulated by state or municipal law as to rents, charges, capital structure, rate of return, and areas and methods of operation."

This last provision could be met at the time the Act was passed only by corporations in the State of New York, where a statute providing for such regulation by the State Board of Housing has been in effect since 1926.[4] Since the passage of the Act, however, two other States, Ohio and Texas,[5] have enacted legislation designed to provide the machinery which will enable corporations in the State to qualify. Bills have been introduced in two other States, Illinois and Pennsylvania, and will doubtless appear on a number of other legislative calendars when legislatures convene.

The opposition of real estate interests has been quite generally condemned by architects and other supporters of this legislation as arising solely from selfish and unenlightened motives. It is said to result from the fear that any building which might be stimulated by the legislation would produce facilities and accommodations that would compete with existing properties, cause further vacancies in these properties, and still further reduce values, to the detriment of present owners. This fear, the supporters of the legislation maintain, is largely unfounded, and even if valid must be discounted or ignored. The public interest involved in the creation of better and cheaper housing facilities is paramount to private interest, they hold, and opposition is therefore "unsocial."

The arguments presented by the real estate interests, however, are difficult to dismiss with a mere label. They may be summarized as follows: (1) Conditions imposed by the legislation practically restrict operations to limited dividend corporations. These cannot be organized in sufficient numbers to solve the entire problem. It must be solved, if at all, upon a sound economic basis by the operation of private initiative. (2) The proposed plan of operation overlooks the sociological problems

[4] N. Y. Laws, 1926, c. 823. As amended, N. Y. Laws, 1927, c. 35, and N. Y. Laws, 1931, c. 557.

[5] 23 HOUSING 165 (1932). Page's Ohio Cumulative Code No. 8, 1932, sec. 1078, p. 11.

involved. The housing problem is more than a problem of physical properties, and any proposal for its solution must encompass the development of a higher sense of community interests and an appreciation on the part of the people themselves of the significance of good housekeeping. (3) New structures cannot now be provided at prevailing costs, even by large-scale operations, for the people who are living in blighted, slum, or decadent areas. The result of new construction, therefore, will be to induce further changes in population distribution, with consequent disturbance of social and economic relations, and further deterioration of values. (4) Finally, the further extension of governmental supervision of and the introduction of governmental funds into the building industry are unnecessary and wrong in principle. They represent undesirable extensions of governmental functions that will introduce greater problems than they are designed to solve.[6]

The issue involved is one of major governmental policy. The provision of governmental funds might be considered as an emergency measure involving only temporary policy were the restrictions placed upon the loans so drawn as to enable retraction and withdrawal of governmental agencies when the emergency is passed. So far as the federal Government is concerned, this is the case. But the provisions of the Act are such as to force the enactment of state legislation contemplating one type of solution of the housing problem, namely, through the limited-dividend state-supervised enterprise, and establishing supervisory bodies which are far more likely than not to be permanent. These provisions are so detailed as to suggest that they were drawn with the New York law specifically in mind. Subsequent agitation carried on, particularly by architects,[7] for the enactment of state laws indicates that the New York law is serving as the model upon which such proposed laws are based.[8] The basis for all this agitation is, frankly, to enable municipalities to profit from a share of the federal funds available. Incidentally, also, architects and contractors may profit from the operations made possible, and a large number of the unemployed in the building trades may be put back to work.

Thus it seems apparent that, wittingly or unwittingly, the 72nd

[6] These arguments are summarized from a statement of Herbert U. Nelson, Executive Secretary of the National Association of Real Estate Boards, in 33 NATIONAL REAL ESTATE JOURNAL 18 ff. (1932), and the reports of the Committee on Housing of the same organization summarized in 23 HOUSING 171 ff. (1932).

[7] A description of the activities of the architects' organizations in behalf of such legislation will be found in 23 HOUSING (1932).

[8] See 23 HOUSING 163 ff. (1932).

Congress has passed a measure that may have far-reaching and permanent effects upon the direction which will be taken by state and local governmental policy in connection with the housing problem. It would seem apropos, therefore, to review the history of governmental policy, particularly federal and state, in connection with this problem.

FEDERAL INTERVENTION

War Emergency

The federal government embarked necessarily upon a program of housing as a part of the extraordinary activities connected with the war. These activities were exercised through the Shipping Board, the United States Housing Corporation of the Department of Labor, and the Ordnance Corps of the Army.

The Shipping Board operated on the basis of making loans to "realty companies incorporated by the shipbuilding companies . . . the losses being secured by blanket mortgages covering the land and improvements. It was expected that the realty companies would ultimately repay the loans and own the housing developments after the government had written off the excess war cost (not to exceed thirty per cent of the cost of construction). . . . The United States Housing Corporation, on the other hand, built and administered directly." [9] The Ordnance Corps of the Army also constructed housing facilities for some 45,000 people. But these facilities were all of a temporary nature and not of particular significance in connection with the housing problem. They consisted largely of barracks and other forms of temporary structures erected in conjunction with munitions plants and operations.

Altogether, $175,000,000 was appropriated by the Government for the use of the Shipping Board and the United States Housing Corporation for housing purposes. The Shipping Board used about $69,000,000, and the United States Housing Corporation $44,000,000. The armistice cut short the work of both groups. After that they immediately began to curtail activities, to cancel such contracts as could be cancelled without too great a loss, and to salvage as much of the Government's investment as possible. The records are not quite clear as to just what portion of this investment was salvaged. It is esti-

[9] EDITH ELMER WOOD, RECENT TRENDS IN AMERICAN HOUSING 68 (1931). Also, EDITH ELMER WOOD, HOUSING OF THE UNSKILLED WAGE EARNER 234 (1919). For a statement of the arguments for the methods used by the United States Housing Corporation, see 1 REPORT OF THE UNITED STATES HOUSING CORPORATION 16 (1920).

mated[10] that thirty-seven per cent of the Shipping Board's and forty-eight per cent of the Housing Corporation's expenditures were recovered. But it is not clear whether this estimate takes into consideration the discount of mortgages held by the Shipping Board which were "subsequently sold for cash," and other items of a similar nature. The point is not especially significant, as the whole undertaking was launched in full realization that a loss would result. Whatever the amount of the loss, it has to be considered as a part of the cost of winning the war. Likewise, the wisdom of this whole effort of the Government in housing must be judged from the point of view of its necessity in the face of the existing situation.[11]

Considerable criticism has been leveled at the methods and operations of both the Shipping Board and the Housing Corporation, particularly the latter. It is felt by some that the major portion of this criticism arises from prejudice against governmental action. Doubtless this contention is partly true, but it is not a sufficient explanation. It is questionable whether the elaborate and advanced standards adopted were justified in a strictly emergency situation. The attempt was made to provide, not the minimum housing facilities that were *essential* to the carrying out of governmental plans, but rather a type of housing facilities that would serve as models, that would not only satisfy workers but actually attract them. And, as a matter of fact, the developments planned and executed by the Shipping Board and the Housing Corporation still serve as models.

Here is one of the gravest dangers in governmental housing projects. It is argued by those in charge of such projects that the Government cannot afford to lay itself open to the criticism of providing facilities that are not altogether commendable and praiseworthy. It must be a standard setter, not an advocate of and a party to the promulgation

[10] EDITH ELMER WOOD, RECENT TRENDS IN AMERICAN HOUSING 80 (1931).

[11] It is difficult to see why workers in essential war industries had to be housed in accordance with the most advanced standards, in individual homes for the most part, when those who were engaged with the colors were camping in tents, herded together in barracks, or wallowing in trenches. But a similar criticism can be made of the relative wages of the two groups. One was a part of the military establishment, the other not. The mistake, therefore, appears to have been made in not militarizing the entire establishment and thus controlling workers in essential industries just as active soldiers were controlled. In the existing circumstances, it was probably necessary to initiate some sort of governmental activity that would provide housing facilities which would enable essential industries to secure and retain their workers.

The REPORT OF THE UNITED STATES HOUSING CORPORATION, vol. I, ch. I (1920), contains a good description of the situation in 1918 and proves the necessity for some sort of governmental action under the circumstances.

of anything short of the ideal. The result is that governmental projects tend toward the extravagant, or at least toward something considerably higher than the minimum.

The greatest single contribution of the government efforts consisted of a demonstration of the advantages to be gained by the correlation in a single enterprise of all the factors that affect the quality of housing. Operating for the most part on a large scale, the directors of these developments were able to unite the services of city planner, architect, landscape designer, engineer, and builder, and to fuse their efforts into a single result. That result was attractive, unified, consistent, and effective. It has consequently exerted a widespread and profound influence upon the thought and practice of the country, particularly among those whose professional activities are involved.

Nothing can be learned as to the efficiency of these governmental activities as compared with private enterprise. Private enterprise was not engaged in housing developments at the time, largely because of restrictions placed on building. The period was a very abnormal one, and the whole endeavor was one designed to meet an emergency. If it met the emergency, the question of costs and efficiency is wholly secondary or irrelevant, barring evidence of fraud or gross wastefulness. In such a case it would be futile to attempt to study the relative costs of governmental action and of private enterprise.[12]

Nor are these activities of any significance so far as the quantity of houses produced is concerned. Cut short abruptly by the signing of the armistice before their programs were even well under way, both the Shipping Board and the Housing Corporation were able to complete dwellings for only about 16,000 families.[13] These developments have alleviated the situation somewhat in some communities, such as Bridgeport, Connecticut, for example, but obviously made no impression upon the housing situation throughout the country as a whole.[14]

[12] The peculiar circumstances prevailing led even the United States Housing Corporation to report its costs *not* in terms of actual outlays in connection with each project, but in terms of "certain assumed unit costs identical for all the projects; not because these were the real costs, for they are not . . . but merely to serve as a unit of comparison between one plan and another. . . .

"The prices used by the Housing Corporation in estimating, as well as the actual costs of the work, are of no value whatever directly as data for future work, since the conditions under which they came about were very unusual, confused, and variable not only between one job and another but from day to day on the same job." 2 REPORT OF THE UNITED STATES HOUSING CORPORATION 77 (1920).

[13] This is the estimate of EDITH ELMER WOOD, RECENT TRENDS IN AMERICAN HOUSING 81 (1931).

[14] The federal Government also provides housing facilities for certain of the

Federal Financing Aid

The federal Government is taking a part indirectly in the housing problem through certain financing agencies. By the establishment of the Federal Farm Loan System and the Federal Home Loan System, the Government is attempting to make it easier for the farm or urban home purchaser to finance his purchase. The description of these systems would lead too far afield from the subject of this paper. It is sufficient to point out here that it is anticipated that the Government will retire from active ownership of stock in these systems, and exercise only a supervisory control over them. The furnishing of government funds was designed only to enable the systems to get started. It did not presumably involve the Government in any long-term commitment of capital that would represent the adoption of a new policy of active participation in the problem of financing housing. So far, the Farm Loan System has not succeeded well enough to enable government funds to be withdrawn, and it is too early to form any reliable opinion as to when, if ever, the government stock in the Home Loan System will be retired.[15] If any permanent policy of active intervention is involved in either of these systems, it is quite incidental and probably unsuspected by those who framed and enacted the legislation upon which they are based.

Research Activities

The federal Government carries on a number of peace-time activities that have an indirect bearing on housing. These activities are centered in the Bureau of Standards, particularly in the Division of Building and Housing. The range of these activities is wide, covering studies in city planning and zoning, standardization of building codes, stand-

government personnel, such as the army, navy, marine corps, and the diplomatic force abroad. This fact, however, obviously has no significance in connection with government policy.

[15] It has been reported in the press that the private subscriptions to stock in Federal Home Loan Banks totalled approximately $9,000,000, leaving $125,000,000, the maximum authorized under the Act, to be subscribed by the Government. The Act provides that one-half of the amount received by banks from subsequent subscriptions must be used to repurchase government-owned stock. If only one-half is used for this purpose, the total capital stock which must be sold in the future to retire the government investment will be about $250,000,000. If subscribing institutions utilize the privilege of borrowing in the authorized ratio to their stock, the loans made will equal $3,000,000,000, and the collateral deposited to secure these loans will amount to $5,000,000,000 before the government stock will all be repurchased. It is doubtful whether the system will attain the size such operations indicate within less than a considerable number of years. It would seem, therefore, that the stock owned by the Government will probably not be repurchased for a long period of years.

ardization of parts used in the construction of houses, and methods of eliminating waste in the building industry. Quite recently the Division has undertaken the compilation and standardization of building and real estate market surveys. A number of valuable publications touching various phases of home ownership and home building have been issued and circulated in large quantities.[16] These activities have been helpful and have produced widespread results. They are to be heartily commended.

Certain limitations upon this type of governmental activity, however, suggest themselves. The most important of these arises from the fact that any governmental activity must be so conducted as not to offend those who have vested interests. These interests always desire to maintain the *status quo*. In carrying out such activities, therefore, governmental organizations must necessarily restrict themselves to those aspects of the problem which will not arouse controversy or lead to a disturbance of the *status quo*. In a problem so surrounded with vested interests and antiquated and, in some cases, selfish practices and customs, this handicap may prove serious.

Governmental organizations, furthermore, are handicapped in approaching problems from the broad point of view of social policy. They do not stand in a position that enables them to determine or criticize policies either of the federal Government or other political units. Some aspects of the housing problem require courageous facing of facts that are not popular and the enunciation of principles that might well be controversial. These limitations, however, do not detract from the value of the work actually carried on by the Government; they merely limit the scope of its services.

Thus far, then, the federal Government has taken a direct part in the housing problem only in an emergency, and an indirect part in assisting the establishment of financing agencies and in controlling those agencies, and in carrying on research in certain aspects of the problem.[17] Certainly no objection can be raised to these activities; an extension of the Government's participation and intervention, if kept within the same general policies as heretofore, could not reasonably be opposed.

[16] JOHN M. GRIES and JAMES S. TAYLOR, HOW TO OWN YOUR HOME (1925); JOHN M. GRIES and THOMAS M. CURRAN, PRESENT HOME FINANCING METHODS (1928), and the list of other publications contained therein.

[17] Great impetus was given to interest in the housing problem when the President of the United States called, in December, 1931, a Conference on Home Building and Home Ownership. Publicity regarding the Conference made it quite clear, however, that this was not a governmental activity and the action of the President was taken as a

STATE INTERVENTION IN AMERICA

For the most part, state governments in America have followed the same policies as those of the federal Government in respect to the housing problem. They have intervened actively, however, in laying down legislation in the form of state building codes that restrict the type of structure that can be built. The purpose of such legislation is to insure conformity with certain minimum standards deemed essential to the public health, safety, and general welfare. Otherwise, with a few exceptions to be noted later, the States have not actively intervened in the problem.

Building Codes

General restrictive legislation in the form of state housing codes began in Pennsylvania in 1895 with the passage of a tenement-house law for cities of the first class.[18] New York followed in 1901 with a tenement law for cities of the first class,[19] and soon afterwards tenement-house legislation became quite popular, and has been enacted in some dozen or fifteen States.

For the most part, state housing legislation has been of the tenement code type, intended to prevent the creation of conditions typical of urban communities which accompany or cause the most deplorable housing conditions. This legislation, therefore, has to do with limiting the height and bulk of buildings in relation to the ground they occupy, with the provision of sanitary facilities and light and ventilation, and with the precautions that must be taken against the spread of fire in tenement or multi-family structures built in areas to which the laws apply. This step is undeniably a necessary one in housing reform. Unrestricted private interest cannot be left to build as it sees fit. Society must preserve its own interest by requiring that certain precautions against social dangers be taken.

The criticism that has been leveled at this legislation is that it is largely based upon the New York Tenement House Law of 1901,

leading citizen of the United States and not as the official head of the Government. The Conference, therefore, represents not a manifestation of governmental policy but an example of the type of leadership which a high government official can give as a private citizen to the nation.

[18] Penn. Laws, 1895, p. 178. See also Penn. Laws, 1885, p. 37. A summary table of state housing laws passed previous to 1919 will be found in EDITH ELMER WOOD, HOUSING OF THE UNSKILLED WAGE EARNER 80 (1919).

[19] New York Laws, 1901, c. 334. However, restrictive legislation had been previously enacted in New York, beginning with the Tenement House Law of 1867. See DE FOREST AND VEILLER, THE TENEMENT HOUSE PROBLEM 94 (1903).

which was designed to meet certain conditions which were very grave in New York City but peculiar to that city.[20] The slavish following of a code designed to remedy, as far as was at the time practicable, conditions that were peculiar to New York doubtless led to the acceptance of standards that were inferior to what should have been enforced in other communities.

This criticism is not valid as to some of the more recent legislation, such as the State Housing Code of Michigan,[21] which is based upon the Model Housing Law prepared by Lawrence Veiller and published by the Russell Sage Foundation in 1914. This newer type of code pays more attention to different kinds of houses and, generally, sets up standards that are higher than would have been wise in the New York law of 1901. In some cases it is probably true that the standards established are difficult to defend on the basis of public health, safety, or general welfare, and the provisions of some of the codes doubtless involve unnecessary expenditure which increases the cost of building.[22] But on the whole their influence has been very salutary, and the exercise of the power they convey is quite generally accepted as proper by public authority.

Direct State Intervention

Some of the States, notably New York and California, have intervened more directly in the problem. New York passed, in 1919, temporary or emergency legislation restricting rents and the rights of landlords to recover possession of their property from tenants.[23] The al-

[20] See CAROL ARONIVICI, HOUSING AND THE HOUSING PROBLEM, ch. 4 (1921). A comparison of conditions in New York and other cities is found in DE FOREST AND VEILLER, THE TENEMENT HOUSE PROBLEM 129 ff. (1903).

[21] Mich. Public Acts of 1917, No. 167; Mich. Comp. Laws of 1929, c. 54.

[22] Examples can be found of excessive requirements by comparing almost any local building code with the standard codes prepared by the committees of the Department of Commerce. The standards set up by these committees are, in the opinion of reliable authority, adequate, and any requirement in excess of these standards may be considered excessive and entailing unnecessary expenditure in building.

[23] Similar legislation was also passed in New Jersey, Massachusetts, Maine, Delaware, Illinois, Colorado, and Wisconsin (Laws of Wisconsin, 1920, c. 16) (See Marcus Whitman, "The Public Control of House Rents," in 1 JOURNAL OF LAND AND PUBLIC UTILITY ECONOMICS 343 (1925)), and in Washington D. C. (41 Stat. (Part 1) 298 (1919)). The law was declared unconstitutional, however, in Wisconsin (State ex rel. Milwaukee Sales & Investment Co. v. Railroad Commission, 174 Wis. 458 at 465, 183 N. W. 687 at 690 (1921)). The emergency situation in a number of cities was dealt with by informal organizations which brought extra-legal pressure to bear upon landlords and attempted to arbitrate difficulties.

See also E. I. Schaub, "The Regulation of Rentals during the War Period," in JOURNAL OF POLITICAL ECONOMY, pp. 19, 24 (January, 1920), and H. RASMUSSEN,

most complete cessation of building during the war, the growth of population in New York City, and the abnormally high cost of building that prevailed immediately after the war combined to bring about a marked shortage of habitable structures in that city. In these circumstances some form of social regulation of rents seemed inevitable. But such restrictions retarded building, and the only solution that could appear lay in securing the production of a large number of houses. But production was hesitant since the cost of production was abnormally high. As an inducement to production, the New York State Legislature passed in 1920 an act [24] permitting cities, counties, towns, or villages to exempt from local taxation for a period of ten years any new dwelling, except hotels, erected prior to 1922. This date was later extended until the exemption feature was applicable with some restrictions to dwellings which were begun previous to April 1, 1924. New York City took advantage of the act by passing a local law in February, 1921, granting the exemptions permitted.

An enormous boom in construction began in New York at this time, and it is the opinion of some careful observers that "tax exemption was the principal factor in breaking the deadlock in housing construction and in starting the building program which began in 1921 and which has increased in each succeeding year." [25] How great the boom was that began is indicated by the following figures:[26]

Number of Families Provided for in New Dwellings and Tenements in New York City, from 1920 to 1923, Inclusive

Type of Dwelling	Total, All Years	1920	1921	1922	1923
Total	279,438	14,323	59,078	99,838	106,199
Dwellings .	154,381	11,350	34,121	55,990	52,920
Tenements .	125,057	2,973	24,957	43,848	53,279

To what extent this boom was initiated by the tax-exemption legislation is, however, quite questionable. That it encouraged building is quite obvious. But the boom developed with almost equal rapidity throughout the country without the stimulus of tax exemption. No precisely comparable figures are available; but the records of building

REGULATION OF EXCESSIVE RENTAL CHARGES IN THE STATES AND CITIES OF THE UNITED STATES 1 (1920).

[24] New York Laws, 1920, c. 949.

[25] Report of Commission of Housing and Regional Planning, N. Y. Legislative Documents No. 78, p. 6 (1924).

[26] Compiled from Report of Commission of Housing and Regional Planning, N. Y. Legislative Documents No. 78, p. 10 (1924).

permits awarded, as compiled by the Bureau of Labor Statistics for 189 identical cities, are illuminating. In these cities building permits were issued for the erection of dwellings housing 76,034 families in 1920, and in 1921 for dwellings housing 142,365 families.[27] And from 1921 to 1923 the number of families provided for in 255 identical cities was as follows:

1921 . .	224,505
1922 . .	376,137
1923 . .	453,534

Thus, although New York was ahead in percentage of increase, it may be questioned whether tax exemption "broke the deadlock" or whether its rôle was the much less important one of stimulating a boom which was incipient at that time in New York as well as throughout the country.

Two very serious criticisms have been made of this tax-exemption plan in operation. The first is that its benefits, which are estimated to amount to between one-third and one-fourth of the capital cost of building,[28] were largely appropriated by speculative builders, many of whom built shoddily, and the majority of whom probably sold the houses they built at all the traffic would bear. The benefits, therefore, failed very largely to reach the people who purchased the houses. Those who built for themselves did receive at least the major portion of the benefits, but these were few. The financial advantage gained by the tax exemption, therefore, represented for the most part a direct subsidy to builders, most of whom were speculative builders. The legislation contained no sort of provision to discourage shoddy construction or to guarantee that ultimate owners of the properties would in any way benefit from it. To the extent that the legislation was designed to secure additional houses regardless of who received the benefits of the tax exemption feature, that is, to the extent that the purpose was simply to subsidize the act of building, the results cannot be called disappointing. But the intent of the legislation was probably broader than this.

Estimates of the cost of this legislation are based upon the loss of revenue as represented by taxes actually remitted on properties con-

[27] The original statistics were published in Bulletins of the Bureau of Labor Statistics. They are quoted here from Coleman Woodbury, "The Trend of Multi-family Housing in Cities in the United States," 6 JOURNAL OF LAND AND PUBLIC UTILITY ECONOMICS 227, 228 (1930).

[28] This is the estimate of the Commission of Housing and Regional Planning. See Report, N. Y. Legislative Documents No. 78 (1924).

structed. In 1922 and 1923 alone the loss in revenue is estimated at $6,755,000.[29] One author[30] estimates that by the time the exemption has expired the total loss of revenue will have amounted to $191,387,000. This sum represents an amount equivalent to approximately $900 for each dwelling unit constructed in the entire city from 1921 to 1924 inclusive.[31] Regardless of whether tax exemption "broke the deadlock," this cost is staggering. It is doubtful whether the results were worth the price.

In 1926 the Legislature of New York passed an act [32] establishing the New York State Board of Housing. This step was strongly advocated by the then Governor, Alfred E. Smith, and was part of a legislative program recommended by the Commission of Housing and Regional Planning. The program included also the establishment of a state housing bank, but this part of the program was not enacted into law. The establishment of the State Board of Housing was intended to furnish the leadership and supervision necessary to encourage the building of low-cost housing, particularly by limited dividend companies, for members of the lower income groups. According to the analysis of the situation made by the Commission in recommending the legislation,[33] there were two principal obstacles to the building of low-rental houses, particularly in congested urban areas; namely, lack of funds at low rates of interest, and the difficulty of assembling sites. The proposed legislation was designed to facilitate the raising of funds (1) by the issuance of tax-exempt bonds and other obligations by the State Housing Bank, (2) by encouraging the organization of limited-dividend housing companies through the offer of aid and supervision necessary to give confidence in the security and soundness of such undertakings. The difficulty of assembling sites was to be overcome by granting to supervised limited-dividend companies the privilege of exercising the power of eminent domain.

Although that portion of the legislation establishing the bank was not enacted, the State Board of Housing was created and given the

[29] Report of Commission of Housing and Regional Planning on Tax Exemption of New Housing, N. Y. Legislative Documents No. 78, p. 18 (1924).

[30] EDITH ELMER WOOD, RECENT TRENDS IN AMERICAN HOUSING 111 (1931). The State Board of Housing places the estimate at $191,174,552 in Report, N. Y. Legislative Documents No. 84, p. 34 (1932).

[31] Based upon estimates of the number of units constructed, published by the State Board of Housing in their Report for 1930, p. 54.

[32] New York Laws, 1926, c. 823.

[33] Report of Commission of Housing and Regional Planning, Submitting a Proposal for Permanent Housing Relief. N. Y. Legislative Documents No. 66 (1926).

power of supervising the operations of limited-dividend companies.[34] Certain limitations are placed upon the operations of the companies, the principal of which are: (1) the dividends of the companies are limited to six per cent per annum; (2) the maximum rents they are permitted to charge are fixed at $12.50 a room a month in Manhattan, $11.00 in other parts of the metropolitan area, and $9.00 in other parts of the State;[35] and (3) each limited-dividend company must have a member of the State Board of Housing on its board of directors.

These companies may be given exemption from state and local taxes for a period of twenty years for the buildings they erect provided they submit to the supervision of the Board and comply with the other provisions of the statute.[36] Thus they are given three benefits under the act: (1) the free advice and supervision of the Board; (2) the power of eminent domain,[37] and (3) possible tax exemption for twenty years for the buildings they erect; they are subject to two principal limitations or restrictions, namely, limitations of rent and of dividends.

The first of these advantages, the advice, assistance, and supervision of the Board, is a considerable one. The members and staff of the Board are experienced in real estate transactions and in construction. They have accumulated a valuable mass of data on costs and methods of construction, layout and equipment, sources and costs of mortgage money, and methods and costs of operation and maintenance. All of these data and this experience are at the disposal of companies that propose to build and operate low-rental properties provided they are willing to qualify under the act.

The power of eminent domain has proved more valuable as a latent than as an active right in actual operation. It serves to check effectively the owner who attempts to exact an unreasonable price for a piece of property that is essential to a development. As a matter of

[34] Two types of companies are recognized by the Act, the "public limited dividend company," and the "private limited dividend company." Only the "public" companies are given the power of eminent domain.

[35] It is commonly thought that these restrictions were placed upon rents by interests opposed to the legislation in the belief that they were so meagre as to prevent operations under the law.

[36] The exemption from local taxes is optional with local authorities and has been granted only by the authorities of New York City (under Local Law No. 9, approved by the Mayor June 22, 1927). The following discussion of this feature, therefore, applies principally to developments in that city.

[37] This power is restricted to the "public" companies and carries with it the further restriction that the company exercising the power shall not sell properties so acquired except to another public limited dividend company, and with the consent of the State Board of Housing. All the companies so far organized have been private companies.

fact, the power of condemnation has never been used; but without it, companies planning a development would frequently be blocked or forced to pay an exorbitant price for their sites. In the case of one development that was executed in a deteriorated area of one of the large midwestern cities, the cost of assembling the site without the power of eminent domain exceeded three times the value of the properties as appraised by competent parties before the enterprise was begun. This excessive cost was caused by selfish and stubborn owners who sensed the situation and demanded extortionate sums for their small but essential holdings. The right to condemn seems, therefore, a valuable if not an indispensable one to developments projected in congested areas. This is true because of the wide distribution of ownership in these areas and because of the necessity of operating on a fairly large scale in order to produce satisfactory housing facilities at reasonable costs.

Exemption of buildings from taxation even for a limited period of years is the most debatable advantage conferred on these companies by the act. It is urged by supporters that this exemption is essential to operation. Developments cannot be achieved to rent within the limits prescribed by the act at prevailing levels of land and building costs, it is maintained, without this advantage.

In practice the exemption amounts to a reduction in annual operating costs equivalent to between $15.24 and $38.16 a room, or $1.27 and $3.18 a room a month.[38] This exemption is in fact a subsidy to the tenants of the building, which operates as an abatement of rent. By its aid they are enabled to command a higher quality of facilities than they could without it for the same expenditure. By the supporters of exemption it is argued that exemption is necessary since so large a portion of the population for whom these facilities are designed are unable to pay more rent than the maximum established by the law,[39] and develop-

[38] The average for all the buildings supervised by the State Board of Housing is reported at $2.24 per room per month. (See Report, N. Y. Legislative Documents No. 84, pp. 34, 35 (1932)).

[39] But figures on incomes of families occupying one large tax-exempt improvement indicate that only about a fourth of the families had incomes of less than $2,000 in 1930, while approximately half had incomes of $2,500 or more. (See Report of State Board of Housing, N. Y. Legislative Documents No. 84, p. 52 (1931)). These figures suggest that the principal reason for the necessity of the tax exemption feature is to stabilize the earning power of supervised properties by giving them a competitive advantage which will insure low loss ratios from vacancies. The significance of this competitive advantage is indicated by the fact that taxes remitted to the companies would, if paid, increase operating costs on the average nearly twenty per cent, i.e., by $2.25 per room per month.

ments cannot be built at costs that will permit rents at these maximum figures without exemption. Without exemption, therefore, construction could not be carried on under the law, and the expected improvement in housing conditions for the poor could not proceed. The exemption feature thus seems to its supporters the *sine qua non* of the whole plan.

It is further argued that tax exemption merely shifts the burden of public services from those who are least able to bear it to those who are most able. By granting exemption to homes for the lower wage groups, the public services made possible through the levying of taxes are rendered practically free to those who secure the benefits of exemption, and the other groups of society must bear an additional burden to sustain these services. But, since these groups are better able to bear the burden, it is justifiable to shift it to them.

A number of arguments may be used against the exemption feature. The first is that the subsidy which tax exemption provides is a concealed one. While it is in effect no less a subsidy than a cash advance would be, it appears not to be one; consequently, it involves no sense of dependency or subsidization. In fact, being written into the law, it comes to be looked upon as a right, not a privilege. Those who are fortunate enough to receive the benefits of the exemption come to feel that the privilege of living in new and modern dwellings is one which *must* be provided by governmental agencies regardless of their own efforts and initiative. And it is probably not unreasonable to suppose that this attitude may be extended to other fields of economic endeavor such as the securing of adequate clothing and food. When people are no longer self-supporting and must be subsidized from the public purse it would seem desirable, first, that the extent of that subsidization be kept at a minimum so as not to encourage dependency; and second, that it be extended not as a concealed and semi-permanent subsidy, but quite openly and frankly as a temporary measure valid only until they regain their economic independence.

Tax exemption, furthermore, while designed to assist the lower income group, actually assists only a very restricted number in this group. In order to benefit equally the entire group, its advantages would have to be extended, not merely to new improvements, but to all buildings occupied by members of the group. The portion of the group which can be provided for in new improvements over any reasonable length of time will necessarily be small, and will always include not those whose need for better housing facilities is greatest and whose economic position is worst, but rather those of the group who are in

the strongest economic position.[40] These are best able to afford higher rents and are, consequently, the most desirable tenants for new structures. So long as the landlord has any control whatever, he will always tend to choose the tenant who is best able to pay his rent.

Another argument against tax exemption arises from its fiscal aspects. So long as the results of a tax exemption measure are relatively insignificant, their fiscal effects are negligible; that is, they have no serious effect upon the public revenues. But at the same time, unless they produce results in terms of new structures, such measures are futile and barren. But, the more effective they are, the more serious is their result in reducing the public revenues. If they should become genuinely and extensively fruitful, it is conceivable that their effects would be increasingly dangerous to the budgets of administrative units which depend upon tax receipts from real property to supply their income. Thus, from the point of view of improvement of housing conditions it is desirable that these measures should be successful, but from a fiscal point of view their unlimited success would bring a serious loss to public revenues.[41]

This criticism is answered by supporters of tax exemption with the argument that tax exemption for a limited number of years, instead of depleting the sources of tax revenues, actually builds them up. It is true, they maintain, that a period of waiting for these resources to come upon the tax rolls is necessary, but that without tax exemption they would *never* come upon it. Whatever revenue is received after the period of exemption has expired, therefore, is net gain to the public purse.

Some validity must be accorded to this argument. It rests, however, upon the assumption that no improvement would occur without the exemption. The validity of this assumption is dubious. There would

[40] This point is recognized in the Report of the Commission of Housing and Regional Planning, N. Y. Legislative Documents No. 66, p. 49 (1926). The report, Standard of Living of 400 Families in a Model Housing Project (Report of the State Board of Housing, N. Y. Legislative Documents No. 84, p. 47 (1931)), indicates that of the 390 families living in one of the developments benefitting from tax exemption in New York City, 120, or approximately 30 per cent, received in 1930 incomes of $3,000 or more, while 13 families reported incomes of $5,000 or more. It is difficult to see why families with incomes of $3,000 or more should be entitled to a subsidy through tax exemption that amounts to between $90 and $120 a year. It certainly is not because they cannot afford to pay higher rents. See also note 39.

[41] The fact that tax exemption is limited to twenty years and during that time no amount of property sufficient to cause violent shrinkage in governmental income could be produced does, of course, probably prevent any calamity, but the principle remains valid nevertheless.

undoubtedly be some improvement. Some of this improvement would occur in locations similar to those where tax-exempt structures are built, and some of it would occur elsewhere. The advantage given to tax-exempt properties undoubtedly checks the building of properties not tax-exempt that would have to compete with those that are. The net gain or loss from exemptions would be represented by the difference in the present worth of revenues resulting from the operation of alternative policies. This can never be known precisely; but it can confidently be asserted that just as taxes remitted do not represent entire loss, revenue received after the expiration of the exemption period does not represent all gain. And it seems likely that the policy of tax exemption does result in heavy losses.[42]

Another objection to tax exemption as it has worked out in practice in New York City is based upon consideration of its equitableness. The remission of taxes on improvements results, as has already been pointed out, in a subsidy to occupants of exempt properties. This subsidy is contributed in effect by properties which are not exempt and which, therefore, have to pay for the services of government for the support of which taxes are levied. The improvements which have been built under the exemption provide facilities that are certainly not, as one would expect, simple, but on the contrary, almost, if not quite elaborate. Tiled bathrooms, electric refrigeration, and other such facilities are the rule in these properties rather than the exception. It is, of course, desirable that new improvements should incorporate as much comfort and even luxury as possible; but it appears to be questionable policy to subsidize such comfort and luxury at the expense of the occupants of other properties, some at least of which do not provide even the essentials of health and safety. From a slightly different point of view, it may be asked whether the tax exemption is not in large measure actually necessitated not by the inability of tenants in exempt properties to support a decent and sanitary standard in the houses they occupy, but by their inability to command these luxuries and conveniences. And to provide the exemption, many who occupy quarters far inferior to those that are exempt must carry a part of the burden.

[42] The actual amount of taxes thus far remitted in New York City is estimated by the State Board of Housing at approximately $260,000 on buildings assessed at $9,912,000. In 1931 the amount remitted was $119,857. (See Report, N. Y. Legislative Documents No. 84, p. 86 (1932)). Assuming this amount to continue for 20 years, the total taxes remitted would be $2,397,180, and the present worth of the entire series at five per cent is $1,493,543. This is approximately equivalent to one-ninth or eleven per cent of the total appraised value of the buildings.

From a political point of view exemption represents a potentially dangerous policy. The larger the number of tenants in exempt dwellings, the more political strength they have in clamoring for the extension of their advantages. The twenty-year limitation is but little check to this tendency, for it is long enough to establish the feeling that the special advantages conferred are rights, not favors. Those who have benefited from these privileges are not likely to oppose any effort to extend them. Thus, as the privileged or once-privileged group grows in size, it is not unlikely that they will be almost a unit in supporting any proposal to extend such benefits, not only for a greater length of time but to other income groups and types of services. When a group thus favoring such extension of special privileges becomes strong enough politically, only the remote and dubious limitations of constitutions can prevent their securing their objectives.

Likewise, the limitation placed upon dividends is a very debatable feature of the law. It does not appear necessary even to justify the granting of the power of eminent domain. The objective of the law is to secure certain improvement in housing conditions. If commercial companies can produce this improvement and still keep their rents within reach of the groups whom the law is designed to help, it is difficult to see why their profits should be limited. A limitation on rents, coupled with provisions that would insure adequate standards of safety, health, and so on, would appear to meet the fundamental purposes of the law.[43]

A limitation of profits (or dividends) by public authority is likely to imply the support of public authority in maintaining profits at the figure agreed upon. It is very doubtful whether dividends could be maintained in supervised properties if, after these properties have been completed and are in operation, the costs of operation and maintenance should rise greatly or if other competing properties should be built at lower cost levels. Extreme pressure would be brought to bear upon the Board of Housing, and, if necessary, upon the legislature, to extend the tax-exemption period, or to grant other subsidies to enable the limited dividends to be earned. As a matter of fact, it is extremely doubtful whether the major portion of the huge quantities of capital invested in housing facilities by private enterprise during the decade

[43] The limited dividend company plays an important role in housing in England, Germany, France, Holland, and Sweden, but under conditions which are not precisely parallel with those in this country. An examination of these differences, however, would lead too far afield from the subject matter of this discussion.

1920 to 1930 will be able to earn during the lifetime of the improvements in which it is invested a return to exceed four per cent, and most of it will take even as low as one or two per cent.[44] Yet that portion invested in low-cost houses for lower income groups stands in a position to ask for a five or six per cent return, even at the expense of some form of public subsidy or special privilege. On the whole, therefore, the wisdom of the limited-dividend feature of the New York law may be seriously questioned.

From the point of view of quantity of housing produced, the establishment of the Board of Housing has been somewhat disappointing. During the first six years of its existence, from 1926 to 1931 inclusive, the Board had jurisdiction over developments which when completed would house 1,711 families, and the total expenditure for these developments exceeded $9,000,000.[45] This record represents an average annual addition of accommodations for less than 300 families and an annual expenditure of about $1,500,000. Most of the developments prior to 1931 were carried out by coöperative societies, but commercial builders were reported in 1931 to be evidencing more interest in the opportunities offered by the plan of operation. This interest may have been at least partly due to the decreasing costs of building and of land brought about as the result of the depression. Legislation authorizing the Reconstruction Finance Corporation to advance loans upon properties supervised by the Board, or any other similarly constituted authority operating under similar limitations, has caused a still further increase in this interest.[46] It may be, therefore, that the scope of the activities of the Board will soon be greatly extended.

The projects which the Board has sponsored have represented a very high standard of planning and construction. The facilities provided are in every instance complete, if not elaborate. The result has been a raising of standards of housing over large areas contiguous or adjacent to projects which they have sponsored. The Board has been patient and painstaking in gathering data covering a number of the problems involved in the provision and maintenance of low-cost hous-

[44] And, of course, some of it has already been lost because of the collapse of values.

[45] Report of the State Board of Housing, N. Y. Legislative Documents No. 84 (1931).

[46] In November, the Corporation was reported to have approved its first loan for a housing development. The enterprise was known as the Hillside Housing Corporation. Announcement of the approval of the application for a loan raised a storm of protest which led acting Mayor Joseph V. McKee to request that the loan be refused. (See New York Times, November 3, 1932, p. 1, col. 4.)

ing facilities. Thus, the results achieved by the Board are not to be judged solely by the number of enterprises which have taken advantage of its services.

The operation of the law as a whole likewise must be appraised from the point of view of its effect upon the whole problem and not solely on the basis of the net results accomplished to date. Such an appraisal must also consider the social desirability and necessity for the establishment which it created and the limitations it imposed upon the operations which it was designed to encourage. There is a question as to whether the end could not have been attained without official governmental intervention in a permanent form. Supporters of the plan emphasize that no improvement did come without intervention. But this contention may be answered by the fact that the period during which no improvement came was one of advancing costs and standards, when building activities were feverishly rapid, and when profits were greatest in enterprises developed for other income groups, when above all else land prices were forced to ridiculous heights by speculative frenzy that extended even to decadent and congested urban areas. The depression has changed many of these factors. Whether the same conditions will prevail in the future is questionable.[47]

Intervention in California

In California, active state intervention has taken the form of special legislation enacted for the benefit of veterans. Under the California Veterans' Welfare Act of 1921[48] a Veterans' Relief Board was established, and by the passage of the Veterans' Farm and Home Purchase Act[49] the floating of a $10,000,000 bond issue was authorized, the proceeds to be used as a revolving fund to purchase farms and homes, to be resold to veterans of the State on the installment plan. The issue was subsequently approved by public vote. In 1925 an additional $20,000,000 in the form of a bond issue was authorized by public vote, and another $20,000,000 in 1930. Thus, $50,000,000 have been authorized and bonds issued for this purpose. By June, 1930, 15,455 applications from veterans had been received and approved.

[47] No judicial decisions have been handed down by any of the higher courts on this legislation. A suit brought to enjoin the exemption of buildings from taxes was dismissed by Justice McGechan in a decision upholding the constitutionality of the law. Mars Realty Corp. v. Sexton, 141 Mis. 622, 253 N. Y. S. 15 (1931). No appeal was taken.

[48] Calif. Stats. of 1921, c. 590.

[49] Calif. Stats. of 1921, c. 519.

Under the operation of the Act, loans can be approved only for veterans of any war in which the country has been engaged who were citizens of California at the time they enlisted or received their commission, who have secured an honorable discharge, and who do not own real estate, including that intended for purchase, worth more in the aggregate than $15,000. The farm or home must be intended for personal occupancy, and urban homes must not cost more than $7,500. The State will advance toward a purchase not to exceed $5,000 for an urban home and $7,500 for a farm.

The properties are resold to veterans who are qualified to purchase under the Act on the following liberal terms: (1) the veteran must pay five per cent of the purchase price of an urban home, or ten per cent of the price of a farm, in cash (the purchase price consists of the price paid by the Board plus costs of appraisal, plus five per cent for administration); (2) the deferred balance may be paid in installments over twenty years, with interest at five per cent. During the period of ownership by the State, only the veteran's interest in the property is taxable, and $1,000 of this interest is exempt. The question of whether the whole value of the property can be assessed for taxes against the veteran, as an interest in possession, has not been finally determined.[50] In many local jurisdictions the property will doubtless be considered exempt until title passes to the veteran.

It will be seen that the principal benefits conferred upon the selected veterans who are assisted under the Act are (1) the assistance of the Veterans' Welfare Board in the selection of property and in the determination of the price; (2) a long-term loan of practically the entire price of the property on very favorable terms, as to both interest rates and repayment; and (3) probably partial tax exemption of the properties during the term of the contract.

The first of these advantages parallels very closely that offered to limited-dividend companies under the supervision of the New York State Board of Housing. There is something more paternalistic about the California plan inasmuch as the Veterans' Welfare Board actually purchases the property and resells it to the individual owner. This procedure limits the responsibility and initiative of the individual even more than does that of New York where the contact of those who are benefited by the Act is at least removed from the administrative authorities by the intervention of a corporation. The relationship of the California Board with the beneficiaries is a more personal one; in fact, the Board appears to be placed almost *in loco parentis*. Its guid-

[50] See Report of the Veterans' Welfare Board, as of June 30, 1930, p. 67.

ance and assistance are doubtless very useful, but it seems somewhat doubtful whether such paternalistic supervision of any personal economic problem can reasonably be considered the responsibility of the State. Most veterans, even, probably still feel fairly able to take care of their own business, at least with the advice and counsel of their bankers and other friends.

The second advantage, a long-term loan of practically all the purchase price of the property at favorable interest rates, is a very large one. It is pointed out by supporters of this plan that, while this advantage is great to the veteran, it costs the State nothing. The State really lends its own credit to the individual who pays all the costs. It must be pointed out, however, that in extending its credit the State undertakes the risk that contracts entered into with veterans will not be carried out and that upon their failure to be carried out the properties can not again be resold at such a price as to involve no loss. In periods of prosperity and rising prices of real estate, such as that between 1920 and 1930, this hazard was negligible, and in fact no losses were incurred during the early years of the plan. But the situation changed in 1930. By June of that year the Board had repossessed 246 homes and 34 farms. Upon the resale of these properties the Board realized a net profit of $10,506 ($7,134 on the homes and $3,372 on the farms). At the same date twenty-one per cent of all accounts were delinquent, and the amount of delinquent interest or principal payments was $125,469. Heavy delinquencies, however, did not come until 1932. In January, 2,895 home accounts were delinquent in the amount of $305,135, and by September, delinquencies were found on 3,833 accounts, and the amount of delinquencies was $410,780.

While this sum delinquent is not an alarming percentage of the $55,557,705 invested by the Board, the percentage of accounts delinquent must be cause for the deepest concern. The total number of homes purchased was 11,248 in July, 1932. With 3,833 of these accounts delinquent, over a third of the entire investment is jeopardized. With an average investment of $4,700 in each home, over $18,000,000 of the $55,000,000 are involved.

It may be assumed that a part of these delinquencies are caused by adverse economic conditions affecting the veterans' ability to pay and that some will resume their contracts upon the recovery of business conditions. But a large number of the contracts must be affected by the decline in real estate values that has accompanied the economic depression. Wherever the value of the property affected has declined to

such an extent as to wipe out the veteran's equity, there is little hope of securing a resale of the property without a loss. It must be that this situation prevails in a large number of cases when the value of residential properties in many communities has fallen as much as thirty or forty per cent. The situation, therefore, is grave; and it would not be surprising to find that the State will have to take a considerable loss before the bonds issued for this purpose are retired.

This is a contingency which was evidently not contemplated by those who sponsored, passed, and approved this legislation. It was considered a mere loan of the State's credit to the veterans who had supported her. But the extension of such liberal credit cannot be undertaken without at the same time undertaking the risks that are inherent in ownership. Such risks necessitate the accumulation of reserves to meet them.

The tax exemption feature is purely incidental to the California law and needs no special comment.

The experience of California may be summed up as follows: a sum of over $55,000,000 has been expended in purchasing over 11,000 homes and 446 farms, which have been resold to veterans. The State has advanced $50,000,000 which was raised by the issue of bonds that are direct state obligations. For several years no losses occurred, but in 1932 delinquencies became so numerous as to cause serious concern and to foreshadow probable losses. Of the 11,500 veterans who were assisted in purchasing homes or farms, it is impossible to tell how many would have been unable to make purchases without state aid; probably the percentage is high. Neither is it possible to tell how many were assisted toward an economically desirable end. If the result is that any considerable number lose their equity, the whole project will obviously have proved abortive and mistaken.

Other States

Other States that have intervened directly in the housing problem are Massachusetts, Wisconsin,[51] and North Dakota.[52] Massachusetts' intervention dates back to 1909 when the Massachusetts Homestead Commission was organized.[53] After several years of studies both in America and Europe and the publication of reports[54] upon a number

[51] Wis. Laws, 1919, c. 64cc, sec. 959-17i.
[52] N. D. Laws, 1919, c. 150.
[53] By Massachusetts Acts, 1909, c. 143, p. 921.
[54] A brief history of the Massachusetts Homestead Commission and its work will be

of aspects of the housing problem, the Commission moved in 1917 toward direct housing construction. In that year an appropriation of $50,000 was received to enable the Commission to purchase a tract of land near Lowell and to build on it a number of small cottages. A total investment of $43,255.54 was made by the Commission for land and the erection of twelve cottages. These properties were sold for $36,862.30, the major portion on the installment basis. By December 1, 1931, all the principal of these contracts had been returned to the State Treasury except $8,322.26. The experiment may, therefore, be considered as at an end. It was so limited in scope as to be of no social significance nor of any value in determining the soundness of the policy under which it was conceived and executed. The nature of the work of the Commission has completely changed and it has now become the Division of Housing and Town Planning of the Department of Public Welfare, with its efforts centered in town and city planning.

Likewise, the experiments in Wisconsin and North Dakota were isolated and represent only temporary policies that were effective for too short a time or too limited in scope to be of any value in determining the wisdom of embarking upon a different permanent governmental policy. The former applied only to a certain experiment in Milwaukee designed to enable laborers to purchase homes upon the coöperative plan, while the latter was one of the policies adopted by the ill-fated Non-Partisan League.[55]

It seems clear that in none of the States has a definite policy of direct governmental intervention become crystallized. With the exception of New York, no State can be said even to have a housing policy. The nearest approach to a policy is found in the enactment and enforcement of restrictive building codes, zoning legislation, and similar protective measures. The policy of New York is itself still in a formative or tentative stage with its effectiveness and wisdom still to be proved.

The passage of the Emergency Relief and Construction Act, however, by the restrictions the Act places on loans, furnishes the occasion for tremendous pressure to be put on state legislatures for the passage of legislation embodying the principal features of the New York law.

found in EDITH ELMER WOOD, HOUSING OF THE UNSKILLED WAGE EARNER 209-222 (1919).

[55] These experiments are described in some detail in EDITH ELMER WOOD, RECENT TRENDS IN AMERICAN HOUSING 240 ff. (1931). In the same book reference will be found to tentative housing projects or legislation in several other States, none of which is of permanent significance.

Such legislation carries with it also the adoption of a housing policy that marks a distinct departure for most States. The opportunity to share in federal funds furnishes an almost irresistible incentive for the passage of such legislation. Thus the Act, while passed as emergency legislation, will probably effect permanent results, both in influencing the policies of state governments and in creating governmental administrative housing boards. These results may be desirable in themselves; but in the eagerness of States and municipalities to share in the federal funds there is no opportunity for discussion of their desirability. It may, therefore, be seriously questioned whether these provisions of the Act were a violation of the spirit of the original Reconstruction Finance Corporation legislation.[56] The federal Government and the Reconstruction Finance Corporation can, of course, withdraw rapidly from the scene; but the agencies and policies which the recent Act will have created will probably be permanent. The passage of the Act may, therefore, mark the beginning of a distinctly new governmental policy in housing in America.

[56] Pub. Act. No. 2, H. R. 7360, 72d Cong. (1932).