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FINAL

TIME, INC.

MAY 3, 1976

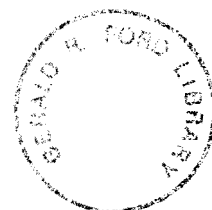
IN THIS BICENTENNIAL YEAR WHEN AMERICA HAS ONE FOOT IN HER PAST, WE CAN SEE BY HINDSIGHT, THAT BY TODAY'S STANDARDS, MUCH OF YESTERDAY'S HOUSING POLICY WAS WELL-INTENTIONED -- BUT WRONG.

RATHER THAN DWELLING ON HOW WE WOULD HAVE CHANGED YESTERDAY, IT IS FAR MORE USEFUL TO CONCENTRATE ON WHAT WE HAVE TO DEAL WITH TODAY.

SO, THAT'S WHERE I'D LIKE TO START.

THE ERA OF HISTORY WE ARE NOW MAKING, BEGAN IN JANUARY 1975, AS THE WORLD ENTERED THE FOURTH QUARTER OF THE 21ST CENTURY.

LET US REMINISCE NO FURTHER BACK THAN THAT, BECAUSE, FOR OUR PURPOSES, THE PAST YEAR PROVIDES US WITH THE BASIC ECONOMIC INFORMATION AND EXPERIENCE NEEDED TO CHART AN INTELLIGENT COURSE TO THE FUTURE.



IT SEEMS TO ME THAT, FOR THE FIRST TIME, THE NATION ITSELF BEGAN TO UNDERSTAND, AS A PEOPLE, THE DISTINCTION BETWEEN THE TWO BASIC FACTORS THAT SHAPE OUR NATIONAL HOUSING POLICIES.

ON ONE HAND: OUR CONCERN WITH THE ESSENTIAL ECONOMICS OF THE INDUSTRY, AS TRANSLATED INTO LEVELS OF HOUSING PRODUCTION. FOR, "PRODUCTION" PER SE, IS THE PRINCIPAL INDICIA OF THE INDUSTRY'S HEALTH IN ALL ITS PARTS -- MONEY FLOW, MORTGAGE RATES; SALES, AND MARKET MOVEMENT.

OF EQUAL CONCERN, TO ALL AMERICANS -- AND HUD AS THEIR PRINCIPAL AGENT -- IS THE ESSENTIAL SOCIAL FACTOR OF PROVIDING HOUSING ASSISTANCE FOR THE POOR.

AND, WHETHER SUCH ASSISTANCE INVOLVES NEW CONSTRUCTION, UPGRADING OF EXISTING STOCK, OR SIMPLY SUBSIDIZING RENT SO THE POOR CAN PAY FOR OTHER NECESSITIES THE SUCCESS OF OUR SOCIAL MANDATE, UNDER THE AMERICAN SYSTEM OF FREE ENTERPRISE, IS RELATED DIRECTLY TO THE STATE OF OUR HOUSING ECONOMY.

IN 1975, THE RELATIONSHIP OF THE TWO WAS CLEARLY EVIDENT.



OUR HOUSING ECONOMY ENTERED 1975 WITH A STAGGERING SET OF PRODUCTION LIABILITIES.

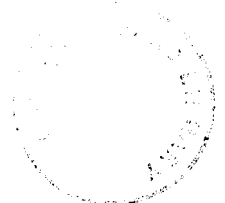
CLOSE OF BUSINESS, AT THE END OF THIS CENTURY'S THIRD QUARTER, SHOWED US WITH ANNUAL HOUSING STARTS AT THE RATE OF 880,000; PERMITS INTO THE FUTURE AT THE RATE OF 837,000; NET SAVINGS INFLOWS OF \$600 MILLION AND AN INTEREST RATE OF 9.37 PERCENT.

SALES OF SINGLE-FAMILY HOMES HAD REACHED THE LOW RATE OF 501,000.

THE STARTLING EFFECT OF THESE DISCOURAGING STATISTICS WERE EXCEEDED ONLY BY THE NUMBER OF CURATIVES OFFERED ON CAPITOL HILL TO OFFSET THEM.

THE "CURES" RANGED FROM A 5 PERCENT HOME BUYER TAX CREDIT TO AN OUTHRIGHT DOWN PAYMENT GRANT OF \$1,000 -- TO SUBSIDIZING MORTGAGES DOWN TO 6 PERCENT FOR SIX YEARS, OR 7 PERCENT FOR LIFE.

AS YOU KNOW, SOME OF THESE PROPOSALS BECAME LAW -- SOME, FORTUNATELY, DID NOT.



A QUICK EVALUATION OF ONE THAT DID -- GIVES US A PERSPECTIVE ON THE WISDOM OF TAMPERING WITH THE FREE MARKET. IN MARCH, 1975, CONGRESS PASSED LEGISLATION ALLOWING A TAX CREDIT OF 5 PERCENT -- UP TO \$2,000 -- ON THE PURCHASE PRICE OF A NEW HOUSE.

HUD'S STUDY FINDS THAT THIS "STIMULATED" A GRAND TOTAL OF 4,000 NET SALES -- BUT THE GOVERNMENT HAD TO GIVE UP \$2,000 IN TAX REVENUES FOR EACH OF THE 160,000 HOME PURCHASES COVERED TO GET THOSE 4,000 ADDITIONAL SALES. THE \$320 MILLION COST TO THE GOVERNMENT -- \$80,000 PER INCREMENTAL SALE -- IS QUITE A PRICE TAG FOR THE IMPACT MADE UPON THE MARKET.

IN JUNE, CONGRESS PASSED LEGISLATION PROVIDING FOR 6 PERCENT AND 7 PERCENT MORTGAGES AS WELL AS A SUBSIDY OF \$1,000 FOR DOWN PAYMENTS, WHICH THE PRESIDENT HAD THE FORESIGHT AND THE COURAGE TO VETO.

~~THE GOOD INTENSIONS OF THE LEGISLATION WERE SIMPLY NOT BASED IN ECONOMIC REALITY. THE RESULTS WOULD NOT JUSTIFY~~ *Even*  
~~THE COST WHICH THE PROPONENTS ESTIMATED AT \$1.5 BILLION.~~ *the cost*  
~~OUR BEST GUESS WAS THAT NEITHER PROPOSAL WOULD HAVE ANY SIGNIFICANT EFFECT ON NET SALES, BUT THAT EACH WOULD HAVE HAD A SUBSTANTIAL NEGATIVE EFFECT IN REQUIRING INCREASED FEDERAL BORROWING -- LEAVING THE GOVERNMENT WITH A LARGE BILL FOR SUPPORTING A MARKET THAT ALREADY EXISTED.~~

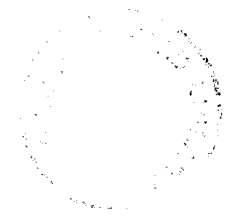
THE PRESIDENT'S FAITH IN THE FREE ENTERPRISE SYSTEM -- AND HIS PROGRAM OF USING FEDERAL STIMULANTS ONLY WHERE ABSOLUTELY NECESSARY -- WERE WELL REWARDED.

TODAY, HOUSING STARTS HAVE JUMPED 64 PERCENT TO AN ANNUAL LEVEL OF NEARLY 1.5 MILLION AND PERMITS ARE UP 38 PERCENT TO AN ANNUAL LEVEL OF NEARLY 1.2 MILLION. NET SAVINGS INFLOWS HAVE SOARED 517 PERCENT TO \$3.7 BILLION; SINGLE-FAMILY HOME SALES HAVE RISEN 29 PERCENT TO AN ANNUAL RATE OF 646,000; AND THE INTEREST RATE IS DOWN TO 8.93 PERCENT AND FALLING.

TO PARAPHRASE THE PRESIDENT'S RECENT COMMENT ON THE ECONOMY: "EVERYTHING THAT IS SUPPOSED TO BE GOING UP IS GOING UP, AND EVERYTHING THAT IS SUPPOSED TO BE GOING DOWN IS GOING DOWN."

THE BROAD LESSON WE LEARN FROM THIS NARROW SLICE OF TECHNICAL DATA IS THAT IN THE LONG RUN, THE ONLY GOVERNMENT PROGRAMS THAT REALLY WORK ARE THOSE THAT WORK WITH THE MARKET.

BUT THE FACT THAT THE LEVEL OF HOUSING PRODUCTION IS DETERMINED BY BROADER ECONOMIC INDICES DOES NOT BY ANY MEANS ELIMINATE THE GOVERNMENT'S ROLE IN HOUSING; IT ONLY SETS THE STAGE FOR FEDERAL HOUSING POLICY.



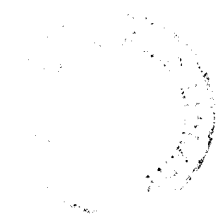
AS I SEE IT, THE PRIMARY FEDERAL ROLE -- ASIDE FROM HOUSING THE POOR -- IS TO HELP ASSURE THAT THE MARKET IS WORKING.

THE "CATCH 22" IN DESIGNING THE PROPER FEDERAL ASSISTANCE IN THE SINGLE-FAMILY MARKET IS HOW TO MAKE SURE THAT GOVERNMENT INVOLVEMENT ACTUALLY HELPS INDUSTRY -- WITHOUT RETARDING ITS NORMAL PRODUCTION OF UNASSISTED HOUSING OR RUSHING IN TO ASSIST HOUSING THAT WOULD HAVE BEEN BUILT ANYWAY.

A SUBSIDY, BY ITS NATURE, MEANS INCREASED FEDERAL BORROWING WHICH AUTOMATICALLY DECREASES THE AVAILABILITY OF PRIVATE MORTGAGE MONEY. AND IT IS ALL THE SAME, WHETHER WE'RE TALKING MORTGAGE PURCHASES, INTEREST SUBSIDIES, DIRECT LOANS OR CASH GRANTS.

AND, ALMOST INVARIABLY, THE RESULT IS HIGHER INTEREST RATES WHICH RETARD NORMAL, UNASSISTED PRODUCTION. FOLLOW-UP STUDIES OF PRACTICALLY EVERY PAST SUBSIDY TO STIMULATE SINGLE-FAMILY PRODUCTION SHOW A LEVEL OF PRODUCTION THAT WOULD HAVE OCCURRED WITHOUT THE SUBSIDY.

THE BETTER ALTERNATIVE TO FEDERAL SUBSIDIES IS FEDERAL HELP CREATE A MARKET ENVIRONMENT THAT IS SUPPORTIVE OF BUILDING SINGLE-FAMILY HOMES.



ONE ESSENTIAL, IS FINANCIAL REFORM THAT WILL MAINTAIN A STEADY FLOW OF MORTGAGE MONEY AND THAT WILL REDUCE CYCLICAL JOLTS IN PRODUCTION THAT SHOCK THE HOUSING INDUSTRY AND HURT THE CONSTRUCTION WORKER.

BOTH THE HOUSE AND SENATE ARE CURRENTLY WRESTLING WITH THIS PROBLEM.

THE ADMINISTRATION IS SPONSORING LEGISLATION THAT WOULD CUT THROUGH SOME OF THE OLD BARRIERS -- EXPANDING THE POWERS OF FINANCIAL INSTITUTIONS; ENCOURAGING GREATER COMPETITION; AND EVENTUALLY PHASING OUT REGULATION Q WHICH LIMITS THE INTEREST PAID BY SAVINGS INSTITUTIONS ON DEPOSITS.

THE ACTUAL EFFECTS OF REGULATION Q ARE IRONIC, BECAUSE IT WAS ESTABLISHED INITIALLY TO MAKE SURE HOUSING FUNDS WERE AVAILABLE. INSTEAD, IT HAS RESULTED IN MORE EXTREME FLUCTUATIONS. PARALYZED BY ESTABLISHED INTEREST CEILINGS, THRIFT INSTITUTIONS HAVE NO CAPACITY TO RESPOND WHEN GENERAL RATE INCREASES INDUCE SAVERS TO MOVE THEIR DEPOSITS TO OTHER MORE PROFITABLE INVESTMENTS.

THE ADMINISTRATION HAS PROPOSED -- AND THE SENATE HAS PASSED -- A MORTGAGE INTEREST TAX CREDIT FOR LENDERS TO PROMOTE INVESTMENT IN HOUSING.



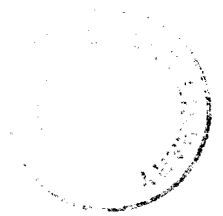
THE CREDIT WOULD BE AVAILABLE TO ALL LENDERS BASED ON THE PROPORTION OF THEIR PORTFOLIOS IN HOME MORTGAGES. ITS OBJECT IS TO BROADEN THE HOUSING FINANCE BASE THROUGH INCENTIVE -- PARTICULARLY TO COMMERCIAL BANKS.

WE ARE STUDYING CALIFORNIA'S EXPERIENCE WITH VARIABLE INTEREST RATE MORTGAGES, WHICH WOULD PERMIT LENDERS TO RAISE RATES ON EXISTING MORTGAGES WHEN THE MARKET RATE RISES. AND, WE ARE STUDYING THE EFFECTS OF OTHER INNOVATIVE DEBT INSTRUMENTS IN A SEARCH FOR MEANS TO STABILIZE THE SINGLE-FAMILY MORTGAGE MARKETS.

THE PROBLEMS OF RECOVERY IN THE MULTI-FAMILY MARKET SECTOR ARE SOMEWHAT DIFFERENT.

THOSE DIFFERENCES CAUSED HUD TO RECOMMEND IN JANUARY THE RELEASE OF A SHORT-TERM STIMULUS WHEREBY WE WILL PURCHASE \$3 BILLION OF MULTI-FAMILY MORTGAGES BEARING AN INTEREST RATE OF 7-1/2 PERCENT WHICH WILL ASSIST ABOUT 120,000 UNITS.

ALTHOUGH THE DRAMATIC JUMP IN MARCH IN MULTI-FAMILY STARTS WAS VERY GOOD NEWS, THE MULTI-FAMILY MARKET IS STILL IN TROUBLE BY ANY HISTORIC STANDARD.

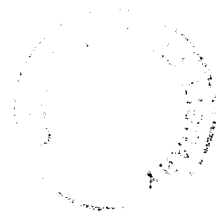


THE COMBINATION OF LAGGING PRODUCTION, IDLE RESOURCES, AND AN UNMET DEMAND FOR APARTMENTS MAKES IT CLEAR THAT THESE FUNDS WILL NOT DRAW MONEY AWAY FROM NORMAL PRODUCTION AND WILL NOT SUBSIDIZE APARTMENTS THAT WOULD HAVE BEEN BUILT ANYWAY.

ONE OF THE MULTI-FAMILY PROBLEMS, AS YOU KNOW, IS SIMPLY THE NATURAL MARKET RESPONSE TO OVER-PRODUCTION OF THE EARLY 1970'S.

VACANCY RATES ARE HIGH IN MANY MARKETS -- 15 PERCENT ON THE GULF COAST, FOR EXAMPLE. UTILITIES, TAXES, AND INTEREST RATES HAVE OUTSTRIPPED THE RELATIVELY LOW RENT LEVELS. IN THE PAST 15 MONTHS, OPERATING COSTS HAVE RISEN TWICE AS FAST AS RENTAL INCOME -- AND DEVELOPERS ARE LOOKING ELSEWHERE FOR MORE ATTRACTIVE VENTURES.

MEANWHILE, SOME RENTAL MARKETS ARE BECOMING TIGHT, BUT OVERALL RENTS ARE STILL TOO LOW TO PROVIDE ANY STRONG PRODUCTION INCENTIVE.



WE BELIEVE THAT IN THOSE MARKETS OUR MULTI-FAMILY SUBSIDY IS TIMELY AND WILL HAVE AN INCREMENTAL EFFECT. FOR BY THE TIME RENTS RISE ENOUGH TO INDUCE CONSTRUCTION IN THOSE MARKETS, IT WILL TAKE ANOTHER TWO YEARS FOR THE RESULTANT UNITS TO BE READY FOR OCCUPANCY. IN THE INTERIM, THE MARKET SUFFERS A SEVERE SHORTAGE OF AVAILABLE APARTMENTS.

HUD'S MORTGAGE INTEREST SUBSIDY HELPS TO FILL THE PRODUCTION LAG BY STIMULATING MULTI-FAMILY STARTS IN MARKETS WHICH ARE RELATIVELY TIGHT BEFORE THE APARTMENT SHORTAGE DRIVES RENTS TO SUFFICIENTLY HIGH INCENTIVE LEVELS TO CAUSE DEVELOPERS TO BUILD. AND, SINCE IT IS SHORT-TERM, IT WILL SPUR THE MARKET, BUT NOT SUBSTITUTE FOR IT -- BECAUSE FUNDS WON'T BE WASTED ON UNITS THAT WOULD HAVE BEEN BUILT ANYWAY IN THAT PERIOD OF TIME.

HUD'S PROGRAMS TO PROVIDE HOUSING FOR THE POOR ARE ALSO CONSTRUCTED WITH A VIEW TOWARD THE REALITIES OF THE MARKETPLACE. THE PROBLEM IN THE PAST WAS NOT A LACK OF DEDICATION TO THE RIGHT CAUSE, BUT IN THE SUPERIMPOSITION OF SYSTEMS THAT WERE ALIEN TO THE WAY THE MARKET WORKS.

HUD'S CURRENT PROGRAMS TO HOUSE THE POOR ARE BASED ON TWO BASICS OF THE AMERICAN MARKET: COMPETITION AND FREEDOM-OF-CHOICE.



OUR NEW SECTION 8 RENTAL ASSISTANCE PROGRAM IS DESIGNED TO HELP PEOPLE -- NOT STRUCTURES. FEDERAL RENT PAYMENTS AMOUNT TO THE DIFFERENCE BETWEEN LOCAL RENT LEVELS AND 25 PERCENT OF THE RECIPIENT'S EARNINGS.

THIS, IN EFFECT, PUTS LOW-INCOME FAMILIES ON A PAR WITH HIGHER-INCOME RENTORS AND MAKES THEM PARTICIPATING MARKET COMPETITORS FOR THE APARTMENT SUPPLY -- RATHER THAN CONSIGNEES TO "PROJECT" STRUCTURES.

HAVING THE "WHEREWITHAL" TO SHOP FOR A MODEST BUT DECENT UNIT, THESE FAMILIES CAN USE THE SUBSIDY FOR NEW OR SUBSTANTIALLY REHABILITATED HOUSING IN THE NEIGHBORHOOD OF THEIR CHOICE.

THE SUBSIDY WORKS WITH THE MARKET, AND NOT AGAINST IT, BECAUSE IT INCREASES DEMAND, WHICH IN TURN INDUCES INCREASED SUPPLY AS NEEDED, AND IT UTILIZES COMPETITION TO DISCIPLINE COSTS.

SIMILARLY, OUR SECTION 235 HOMEOWNERSHIP ASSISTANCE PROGRAM, WHICH WAS REVISED AND REISSUED IN SUBSTANTIALLY NEW FORM IN JANUARY, WAS STRUCTURED TO WORK WITH THE MARKET.



WE DID THIS IN TWO WAYS: FIRST, BY GEARING IT TO THE MARGINAL LOWER INCOME FAMILIES, CURRENTLY PRICED OUT OF THE HOUSING MARKET; AND SECOND, BY SCALING THE SUBSIDY TO AUTOMATIC PHASE-OUT AS THE FAMILY'S INCOME INCREASES, WE SOUGHT TO REACH INCREMENTAL PURCHASERS IN THE MARKET.

THE PRINCIPAL SAFEGUARD OF THE TAXPAYER'S MONEY IS A BUYER DOWN PAYMENT OF ABOUT \$1200, PROVIDING A PERSONAL INVESTMENT INCENTIVE FOR NOT DEFAULTING ON THE MORTGAGE. THE SHALLOW SUBSIDY, DOWN TO 5 PERCENT INTEREST BRINGS THE PAYMENT WITHIN THE FAMILY'S REACH.

IT ALSO CREATES AN INCENTIVE FOR MORE OF THE AVAILABLE MORTGAGE CAPITAL TO BE INVESTED IN LOWER-COST HOMES.

IN AGGREGATE THE PROGRAM SHOULD STIMULATE THE PRODUCTION OF 250,000 HOMES -- NEW OR SUBSTANTIALLY REHABILITATED -- AND CREATE 500,000 CONSTRUCTION JOBS.

BUT NOW THAT THE FEDERAL GOVERNMENT IS MAKING ITS HOUSING PROGRAMS -- ALL OF WHICH ARE STILL IN START-UP STAGE -- MOVE WITH THE MARKET, CONGRESS SEEMS ABOUT TO ENACT MASSIVE CHANGES WHICH, IN MY ESTIMATION, WILL SET HUD RIGHT BACK TO THE ERA WE HAD FINALLY PASSED.



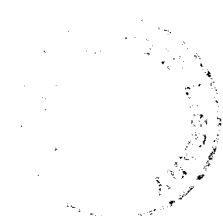
LAST WEEK THE SENATE PASSED A BILL WHICH WOULD COMPLETELY SABOTAGE OUR RENTAL SUBSIDY PROGRAM BY REACTIVATING THE CONVENTIONAL PUBLIC HOUSING PROGRAM AT THE HIGHEST LEVEL OF ACTIVITY IN 40 YEARS.

YET, ONLY TWO YEARS AGO, CONGRESS ITSELF, HAD DECIDED -- ON THE FACE OF IRREFUTABLE EVIDENCE -- THAT IT WAS PAST TIME FOR THE GOVERNMENT TO STOP BUILDING PROJECTS THAT CONCENTRATED OUR ECONOMICALLY DISADVANTAGED IN SINGLE BUILDINGS.

TRUE TO YESTERDAY'S THINKING RATHER THAN TODAY'S REALITIES, THE BILL TURNS ITS BACK ON THE PRIVATE MARKET AND PROPOSES A PROGRAM OF FEDERALLY GUARANTEED AND SUBSIDIZED PUBLIC BOND FINANCING.

ONE OF ITS MOST SERIOUS FLAWS IS THE TIME IT WILL TAKE AFTER THE BILL IS PASSED TO ACTUALLY HOUSE THE PEOPLE IT IS SUPPOSED TO HELP. OUR EXPERIENCE TELLS US THAT OCCUPANCY OF NEW CONVENTIONAL PUBLIC HOUSING TAKES TWICE AS LONG AS NEW CONSTRUCTION ASSISTED BY RENTAL SUBSIDIES.

BUT, IN THE FINAL ANALYSIS, THE BILL REPRESENTS THINKING AND PLANNING THAT FAILS TO RELATE TO URBAN NEEDS OF 1976;



TODAY, WE HAVE NO CHOICE BUT TO USE EVERY MEANS AT OUR DISPOSAL TO REBUILD OUR CITIES -- AND WE MUST DO SO WITH EVER-DIMINISHING RESOURCES. GOVERNMENT CANNOT DO IT ALONE. CERTAINLY, IT CANNOT BE DONE WITH CONVENTIONAL PUBLIC HOUSING PROJECTS.

WE CANNOT SUBSTITUTE MANDATED FEDERAL CONSTRUCTION PROGRAMS -- AS THIS BILL WOULD HAVE US DO -- FOR THE MARKET DISCIPLINE OF PROGRAMS THAT MAKE ALL OF OUR PEOPLE COMPETITIVE PARTICIPANTS IN THE ECONOMIC LIFE OF OUR CITIES.

THE BILL WILL THWART THE THRUST OF OUR RENTAL SUBSIDY PROGRAM, WHICH NOT ONLY HELPS TO PREVENT THE DECLINE OF OUR HOUSING STOCK -- THAT NOW REMAINS AS ONE OF THE CITIES MOST VALUABLE ASSETS -- BUT ALSO ADAPTS DIRECTLY TO THE NEEDS, THE SUPPLY, AND THE DEMAND OF PARTICULAR NEIGHBORHOODS.

SO, I DON'T THINK IT IS NECESSARY TO TELL YOU WHAT MY RECOMMENDATION WILL BE IF THIS BILL REACHES THE PRESIDENT'S DESK IN ITS PRESENT FORM.

AND THAT BRINGS ME FULL CIRCLE ON OUR HISTORY TO DATE -- AS I SEE IT -- IN THIS NEW ERA OF HOUSING:



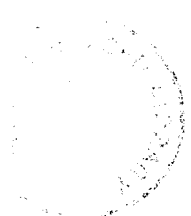
- WHERE WE WERE AS IT OPENED 15 MONTHS AGO.
- WHAT WE HAVE TRIED TO DO.
- WHERE WE STAND NOW -- INCLUDING THE VERY REAL DANGER OF NEW LEGISLATION THAT COULD CANCEL OUT OUR PROGRESS.

I WOULD LIKE TO CLOSE BY STEPPING BACK FOR A MOMENT TO LOOK AT THE THICKER SLICE OF TIME IN THIS NEW ERA: THE FUTURE.

WE HEAR SO OFTEN THAT AMERICAN FAMILIES HAVE BEEN PRICED OUT OF HOMEOWNERSHIP.

LAST MONTH'S FORTUNE PURSUED THIS THOUGHT IN SOME DEPTH -- POINTING OUT THAT THE AVERAGE MORTGAGE PAYMENT IN 1975 WAS \$269, AS COMPARED TO \$42 IN 1950.

THE ARTICLE CORRECTLY NOTED THAT THERE WAS A GREAT DEAL OF DIFFERENCE IN THE AVERAGE HOUSE OF THOSE TWO PERIODS. ABOUT HALF OF THE PRICE INCREASE IN THE 1975 HOUSE CAN BE ATTRIBUTED TO THE FACT THAT IT IS 75 PERCENT LARGER -- AND THAT IT HAS INNUMERABLE APPLIANCE "EXTRAS" THAT WERE NOT INCLUDED IN THE 1950 HOME.





THE OTHER HALF OF THE PRICE INCREASE IS DIVIDED BETWEEN HIGHER INTEREST RATES AND INFLATED COSTS OF BUILDING AND LAND.

THE FACT IS THAT IF THE TYPICAL 1950 HOUSE WERE BUILT AND SOLD IN 1975 -- SIZE, AMENITIES AND PROPERTY DIMENSIONS -- ALMOST 80 PERCENT OF AMERICAN FAMILIES COULD AFFORD IT.

NONETHELESS, THE FORTUNE ARTICLE ENDED WITH A GLOOMY PROGNOSIS FOR THE REST OF THIS CENTURY -- PHENOMENALLY RISING PRICES FOR 15 YEARS; ASTRONOMICAL DEMAND AND PRODUCTION, THEN AN ABRUPT DECLINE IN DEMAND WHICH HUD, FORTUNE PROPHESED, WOULD MEET WITH SUBSIDIZED HOUSING DEMOLITION. IT SEEMS APPROPRIATE, PARTICULARLY AT THIS CONFERENCE, TO DECLARE THAT HUD'S FORECASTS ARE MUCH MORE OPTIMISTIC.

WE SEE LACKING IN THAT UNHAPPY PROPHECY ANY ALLOWANCE FOR INCOME INCREASES TO MATCH THE PREDICTED ZOOM IN PRICES -- YET, HISTORICALLY, INCOME INCREASES HAVE OUTSTRIPPED HOUSING PRICES EVEN DURING PERIODS OF INFLATION. TRUE, THE RECESSION YEAR OF 1974 WAS AN EXCEPTION, BUT IN 1975 WE WENT BACK TO THE NORMAL PATTERN AND WE EXPECT INCOME INCREASES TO CONTINUE AHEAD OF HOUSING PRICES.



SECOND, WE SEE HOMEOWNERSHIP INCREASING AS THE TREND OF THE PAST 25 YEARS IS AGAIN RESUMED. TODAY, ALMOST TWO-THIRDS OF AMERICAN FAMILIES OWN THEIR OWN HOMES -- WHICH IS 16 PERCENT MORE THAN IN 1950. BUT, WE SHOULD ALSO KEEP IN MIND THAT THIS NATION HAD 65 MILLION FEWER PEOPLE IN 1950, SO THAT THE 16-POINT JUMP IN 1976 MULTIPLIES INTO EVEN MORE IMPRESSIVE OWNERSHIP GAINS.

THIRD, WE SEE IMPROVED TECHNOLOGY AS AMERICAN INDUSTRY REACTS TO THE PROBLEMS OF RESOURCE SHORTAGES AND ENERGY COSTS. WE ARE ALREADY ACTIVE IN SOLAR ENERGY DEMONSTRATIONS. THERE IS MUCH INDUSTRY ACTIVITY IN THE TECHNOLOGY OF MANUFACTURED HOMES. UNLESS AMERICAN INGENUITY IS A THING OF THE PAST, WHICH WE DO NOT BELIEVE, THERE WILL BE NEW CONCEPTS TO COME, IN THE NEXT QUARTER, THAT ARE NOT NOW EVEN IN THE THINKING STAGE.

AND I MIGHT ADD THAT ALTHOUGH WE TALK A LOT AT HUD ABOUT FUTURE TRENDS -- MASSIVE DEMOLITION IS CERTAINLY NOT ONE OF THEM.

SURELY, WE CANNOT PREDICT PRECISELY HOW THIS NEW QUARTER OF A CENTURY WILL END ON THE BASIS OF WHERE WE ARE TODAY. BUT WE DO KNOW THAT WE HAVE SAFELY TURNED ONE OF THE MOST DANGEROUS CORNERS IN OUR ECONOMIC HISTORY ON THE WAY TO THE YEAR 2,000.



IF WE HAVE THE FORESIGHT, IF WE HAVE THE GOOD SENSE TO CONTINUE ON THE STEADY COURSE WE HAVE SET IN THE FIRST 15 MONTHS OF THIS NEW ERA -- I THINK WE CAN LOOK TO THE BEST 25 YEARS IN THE HISTORY OF HOUSING.

IF WE DO NOT, WE'LL ALWAYS HAVE HINDSIGHT TO REMIND US OF WHERE WE WENT WRONG.

