

THE AMERICAN PUBLIC, FAMOUS FOR ENJOYING FRIENDLY DISAGREEMENTS, DOES NOW AGREE ON ONE MATTER: INFLATION IS THE BIGGEST PROBLEM NOW CONFRONTING THE AMERICAN PEOPLE.

THERE ARE MANY WHO SAY THAT THE RECENT CRISIS WE HAVE EXPERIENCED IN LEADERSHIP AT THE NATIONAL LEVEL HAS PROVED THAT OUR CONSTITUTIONAL SYSTEM OF GOVERNMENT IS ALIVE AND WELL. I AGREE; BUT I RECOGNIZE, AS I AM SURE YOU DO, THAT OUR SYSTEM OF GOVERNMENT IS TIED IRREVOCABLY TO OUR ECONOMIC SYSTEM AND BOTH MUST BE STRONG OR NEITHER CAN SURVIVE.

IN THE FIRST HALF OF THIS YEAR MORE THAN 5,000 BUSINESSES FAILED, LEAVING UNPAID DEBTS OF MORE THAN \$1.5 BILLION, ALMOST 50 PER CENT MORE THAN THE UNPAID DEBTS OF THOSE WHO WENT BROKE DURING THE SAME PERIOD LAST YEAR.

A MAJOR CASUALTY HAS BEEN THE HOMEBUILDING INDUSTRY.

EVERY NORTH CAROLINIAN OUGHT TO BE CONCERNED ABOUT THIS PROBLEM BECAUSE PRIVATE OWNERSHIP OF HOMES IS A VERY PRECIOUS PART OF OUR NATIONAL HERITAGE, A PART OF THE DREAMS OF EVERY YOUNG COUPLE IN THIS STATE AND NATION.

BUT MORE AND MORE IT LOOKS AS IF OWNING ONE'S HOME IN THE FUTURE WILL BE SIMPLY THAT — A DREAM — UNFULFILLED, AND UNATTAINABLE BY A GREAT MAJORITY OF AMERICANS.

IT IS JUST ABOUT IMPOSSIBLE FOR A FAMILY WITH AN AVERAGE INCOME TO PURCHASE A HOME THESE DAYS, WITH INTEREST RATES OF NINE OR TEN PER CENT ON MORTGAGE MONEY — IF YOU CAN FIND IT AT ALL. AS COMPARED WITH A YEAR AGO, THE AVERAGE PRICE OF A COMPARABLE NEW HOME IS UP 10 PER CENT, EFFECTIVE MORTGAGE INTEREST RATES HAVE RISEN FROM 7 3/4 PER CENT TO 9 3/4 PER CENT.

MORE THAN 60 PER CENT OF THE NEW HOMES BEING SOLD ARE PRICED AT \$30,000 OR MORE. IT TAKES A FAMILY INCOME OF \$18,000 OR MORE TO MEET THE HOME OWNERSHIP COSTS ON A HOUSE WITH A \$30,000 MORTGAGE WHICH EXCLUDES THREE-FOURTHS OF AMERICAN FAMILIES FROM THE NEW HOME MARKET.

AT THE TIME OF THE 1970 CENSUS, 63 PER CENT OF THE HOUSES IN AMERICA WERE OCCUPIED BY THE OWNERS. NOW, WE ARE TOLD THAT SKYROCKETING INFLATION HAS PUT THE AVERAGE NEW HOME OUT OF THE REACH OF THREE-FOURTHS OF OUR FAMILIES. IT IS OBVIOUS WHERE WE ARE HEADED AND WE MUST TURN THIS SITUATION AROUND, AND QUICKLY.

SOARING INTEREST RATES ARE A MAJOR STUMBLING BLOCK TO HOME OWNERSHIP. THIRTY-SEVEN CENTS OF EACH DOLLAR'S INCREASE IN HOUSING COSTS IS ATTRIBUTABLE TO MORTGAGE INTEREST.

A "TIGHT-MONEY POLICY" DICTATED AT THE HIGHEST LEVEL BY THE FEDERAL RESERVE BOARD HAS MADE MORTGAGE MONEY IMPOSSIBLE TO GET; AND IF IT'S AVAILABLE, YOU CAN'T AFFORD THE PRICE YOU MUST PAY FOR IT.

JUST RECENTLY, THE BOARD FINALLY HEARD THE HUE AND CRY WHICH WENT UP ACROSS THE LAND AND RELAXED CONTROLS ON THE FLOW OF MONEY A LITTLE, BUT NOT ENOUGH. EVEN SECOND DISTRICT CONGRESSMAN L. H. FOUNTAIN, A FISCAL CONSERVATIVE BY ANYONE'S STANDARDS, HAS BEEN CALLING ON THE BOARD ONCE MORE TO REASSESS ITS CONTINUING TIGHT MONEY POLICY AND COME TO THE RESCUE OF YOUR INDUSTRY.

IT BOILS DOWN TO THIS: WE MUST MAKE MORE CREDIT AVAILABLE FOR BOTH CONSTRUCTION LOANS AND PERMANENT FINANCING, AND IT MUST BE AT REASONABLE RATES. PRESIDENT FORD'S PROPOSAL TO PROVIDE \$3 BILLION FOR MORTGAGE PURCHASES TO FINANCE SOME 100,000 HOMES WILL BE A GREAT BOOST.

BUT ANOTHER WAY TO HELP IS TO GET THE FEDERAL GOVERNMENT OUT OF THE CREDIT MARKET.

FOR 18 OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE MONEY THAN IT HAS COLLECTED IN TAXES, THUS CREATING A HUGE NATIONAL DEBT. MORE AND MORE FREQUENTLY, WE SEE THE FEDERAL GOVERNMENT GOING INTO THE MONEY MARKET AND BORROWING MORE MONEY BY OFFERING SECURITIES FOR SALE WHICH ARE NOW PAYING AT LEAST NINE PER CENT.

DOLLARS INVESTED IN TREASURY NOTES ARE DOLLARS WHICH ARE NOT AVAILABLE TO FINANCE NEW HOMES AND THIS IS WHERE THE HOMEBUILDING INDUSTRY IS RECEIVING A DEATH BLOW.

NINE PER CENT INTEREST IS FAR MORE THAN SAVINGS INSTITUTIONS LIKE THE SAVINGS AND LOANS CAN PAY SO PEOPLE HAVE BEEN WITHDRAWING THEIR DEPOSITS FROM THEM IN ORDER TO INVEST IN TREASURY BONDS WHICH YIELD HIGHER INTEREST. THIS HAS THE DIRECT EFFECT OF DECREASING THE AMOUNT OF MONEY AVAILABLE FOR HOME LOANS, AND MORTGAGE MONEY HAS ALL BUT DRIED UP.

ONE OF THE EASIEST ECONOMIC LESSONS IS THAT A SHORTAGE OF GOODS PRODUCES HIGH PRICES. IT'S THE OLD LAW OF SUPPLY AND DEMAND. SO IT'S NO WONDER THAT EVERYTHING IS SKY-HIGH WHEN WE CONSIDER THE TREMENDOUS GAP BETWEEN DEMAND FOR GOODS AND PRESENT PRODUCTIVITY.

SOMETHING MUST BE DONE TO ATTACK THESE SHORTAGES WHICH EXIST THROUGHOUT THE ECONOMY, INCLUDING THE HOUSING INDUSTRY.

THIS NATION NEEDS TO CHANNEL ITS RESOURCES — AND ESPECIALLY ITS MONEY THAT IS AVAILABLE FOR LOANS — TO ESSENTIAL INDUSTRIES THAT CAN EASE THESE SHORTAGES.

THE GOVERNMENT SHOULD SIT DOWN WITH BANKERS, INSURANCE COMPANY EXECUTIVES AND PEOPLE FROM OTHER FINANCIAL INSTITUTIONS, AND URGE THEM TO DIRECT THEIR LOANS TO FACTORIES AND INDUSTRIES THAT CAN SUPPLY SUCH THINGS AS MORE HOUSES, MORE ENERGY AND MORE FOOD.

AS AN AID TO THIS SORT OF ACTION, THE CONGRESS SHOULD GIVE THE FEDERAL RESERVE MORE FLEXIBILITY TO GUARANTEE A REASONABLE AMOUNT OF MONEY TO ENCOURAGE HOME BUILDING, EXPAND MANUFACTURING AND TO HELP SMALL BUSINESSES. THIS WAS A MAJOR RECOMMENDATION IN THE RECENT REPORT OF THE JOINT ECONOMIC COMMITTEE OF THE CONGRESS.

ACCORDING TO REPORTS, AUGUST SAW A NEAR-RECORD AMOUNT OF SAVINGS WITHDRAWN FROM INSTITUTIONS WHICH SPECIALIZE IN HOME MORTGAGES AND INVESTED WHERE INTEREST RATES ARE HIGHER. CONTINUATION OF THIS TREND COULD SPELL DOOM FOR THE HOME BUILDING INDUSTRY AND THE DREAMS OF MILLIONS OF AMERICANS.

THE FEDERAL GOVERNMENT HAS ISSUED NEW REGULATIONS FOR ISSUING ITS NEXT TREASURY BONDS AND INCREASED THE MINIMUM AMOUNT ONE MUST PURCHASE FROM \$1,000 TO \$10,000. THOUGH THIS WILL STOP SOME OF THE FLOW OF FUNDS FROM THRIFT INSTITUTIONS TO HIGHER INTEREST BEARING TREASURY BONDS, IT HARDLY SEEMS FAIR TO PENALIZE THE SMALL INVESTOR THIS WAY.

THE ULTIMATE SOLUTION IS TO GET THE FEDERAL GOVERNMENT OUT OF THE CREDIT BUSINESS, BUT IN THE MEANTIME WE HAVE TO FIND ADDITIONAL WAYS TO HELP OUR SAVINGS INSTITUTIONS WHO SPECIALIZE IN FINANCING HOME PURCHASES THROUGH THIS CRISIS. PRESIDENT FORD, IN HIS ECONOMIC STATEMENT, MADE NO CONCRETE PROPOSAL TO MEET THIS PROBLEM, BUT SOME SUGGESTIONS HAVE BEEN MADE TO STOP THIS TREND AND THEY SHOULD BE CONSIDERED CAREFULLY. ONE WHICH DESERVES SPECIAL CONSIDERATION WOULD ALLOW TAXPAYERS TO ACCRUE \$1,000 WORTH OF INTEREST ANNUALLY ON DEPOSITS IN SAVINGS AND LOANS AND MUTUALS WITHOUT FEDERAL INCOME TAX LIABILITY.

THIS MAY NOT BE THE BEST ANSWER, BUT IT IS IMPORTANT THAT WE KEEP SEARCHING AND, EVEN MORE IMPORTANT, THAT WE STOP MERELY TALKING AND START ACTING TO RESCUE THE HOMEBUILDING INDUSTRY.

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TO ILLUSTRATE THE SEVERITY OF THE PROBLEM, LET ME SHARE WITH YOU SOME FIGURES FROM A RECENT ISSUE OF THE U. S. NEWS AND WORLD REPORT, (SEPTEMBER 16, 1974). IN JULY, 1973, CONSTRUCTION WAS BEGUN ON 2.5 MILLION HOMES. BY JULY, 1974, NEW CONSTRUCTION HAD DROPPED ALL THE WAY TO 1.3 MILLION.

THE RIPPLE EFFECT OF THIS KIND OF DECREASE IS ASTOUNDING.

CLOSE TO \$1.35 TRILLION NOW IS CHANGING HANDS ANNUALLY BETWEEN BUYERS AND SELLERS OF MERCHANDISE AND SERVICES. OF THIS AMOUNT, \$140 BILLION (10.5 PER CENT OF THE GNP) IS ATTRIBUTABLE TO NEW CONSTRUCTION, OF WHICH ALMOST ONE HALF IS IN RESIDENTIAL CONSTRUCTION.

CONSIDER THE ECONOMIC IMPACT OF ONE THOUSAND NEW RESIDENTIAL UNITS ON A REPRESENTATIVE COMMUNITY IN A ONE-YEAR PERIOD. THESE NEW RESIDENCES ENTAIL MORE THAN \$35 MILLION IN DIRECT CONSTRUCTION COSTS. SOME \$4 MILLION IS SPENT ON SITE IMPROVEMENTS OF THE LAND.

THE RESIDENTS OF THESE NEW UNITS SPEND APPROXIMATELY \$3 MILLION IN THE FIRST YEAR ON THE PURCHASE OF NEW APPLIANCES, RUGS, DRAPES, GARDEN EQUIPMENT, FURNITURE AND, IN MANY CASES, A NEW CAR.

THE RESIDENTS SPEND CLOSE TO \$4.6 MILLION MORE FOR REAL ESTATE TAXES, MORTGAGE INTEREST, PROPERTY INSURANCE, UTILITIES AND PROPERTY MAINTENANCE AND REPAIR.

THERE ARE OTHER ECONOMIC CONSIDERATIONS TO THE COMMUNITY. FOR EACH ONE THOUSAND NEW LIVING UNITS, MORE THAN TWO THOUSAND WORKERS ARE EMPLOYED FULL-TIME FOR ONE YEAR. EACH HOME PROVIDES A NEW MARKET FOR MORE THAN THREE THOUSAND SEPARATE PRODUCTS, OR MORE THAN THREE MILLION FOR ONE THOUSAND HOME AND APARTMENTS. THE HOMES OWNED BY FAMILIES WHO MOVE INTO THE NEW UNITS MUST BE SOLD STIMULATING AN EXPANDED RESALE MARKET FOR OTHER FAMILIES. (INFORMATION SUPPLIED BY N. C. HOMEBUILDERS ASSOCIATION).

IT IS EASY TO SEE, I THINK, WHY IN ATTACKING INFLATION AND THE PROBLEMS IT HAS CREATED THAT WE SHOULD GIVE SPECIAL ATTENTION TO THE HOUSING INDUSTRY.

WE MUST PUT OWNERSHIP OF A PRIVATE HOME BACK WITHIN THE REACH OF THE WAGE EARNERS OF OUR NATION. THE NATIONAL ADMINISTRATION HAS NOT FOUND THE ULTIMATE SOLUTIONS, THOUGH IT HAS EXTENDED SOME HELP FOR WHICH WE ARE THANKFUL. BUT MORE MUST BE DONE.