

Richard T. Ely and the Contribution of Economic Research to National Housing Policy, 1920–1940

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In December of 1931, 3,608 leaders of business, government, and civic affairs met in Washington, DC for the President's Conference on Home Building and Home Ownership. Thirty-one conference committees ultimately produced 11 volumes of reports designed to promote affordable, improved quality, owner-occupied housing in urban and rural areas.¹ An important feature of these reports was the extent of technical research utilised by the committees. Had the conference been held a decade earlier, far less scholarly expertise would have been

available. The organisation most responsible for studying the economic aspects of housing policy during the 1920s was Richard T. Ely's Institute for Research in Land Economics and Public Utilities.

Richard Ely founded his Institute in 1920 at the University of Wisconsin, moving it to Northwestern University five years later.² The Institute was an outgrowth of teaching and research on 'Landed Property and the Rent of Land' that Ely had been conducting for nearly two decades. Most of this early work focused on agricultural land economics,

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¹ All 11 volumes were edited by John M. Gries and James Ford, and all were published in 1932 by the National Capital Press, Washington, DC. The summary volume is *Housing Objectives and Programs*. For a list of the 31 committees and 557 committee members, see *The President's Conference on Home Building and Home Ownership, Directory of Committee Personnel*, Washington, DC: US Department of Commerce, 1931.

² The Institute's quarterly journal, founded in 1925, was called *The Journal of Land & Public Utility Economics*, which changed its name in 1948 to *Land Economics*, and is still published by the University of Wisconsin. I will refer to the journal throughout as *Land Economics*. For historical background on Ely's Institute, see Richard T. Ely, 'Research in Land and Public Utility Economics', *Land Economics*, 1, 1, January 1925; George S. Wehrwein, 'Development and Present Scope of Land Economics', *Land Economics*, 3, 2, May 1927; Morton Bodfish, 'Translating Research into Progress through the Journal of Land and Public Utility Economics', *Land Economics*, 18, 1, February 1942; Clarence A. Dysktra, 'A Quarter Century of Land Economics', *Land Economics*, 18, 1, February 1942; Coleman Woodbury, 'Richard T. Ely and the Beginnings of Research in Urban Land and Housing Economics', *Land Economics*, 25, 1, February, 1949; Michael W. Sedlak, *The Emergence and Development of Collegiate Business Education in the United States, 1881–1974: Northwestern University as a Case Study*, Ph.D. dissertation, Northwestern University, 1977, pp. 184–205. An important source on the Institute which predated the journal is the *Institute News*, a monthly newsletter published from May 1923 to March 1926. For background on Ely's long and productive life, see his autobiography, *Ground Under Our Feet*, New York: Macmillan, 1938; and Benjamin G. Rader, *The Academic Mind and Reform: The Influence of Richard T. Ely in American Life*, Lexington: University of Kentucky Press, 1966.

of which Ely and his students were influential American pioneers.³ Ely was also an urban scholar, having authored in 1902 the well-known book, *The Coming City*.⁴ Beginning in the 1920s he and his fledgling Institute played a leading role in creating the new sub-discipline of 'urban land economics'.⁵ The process of rapid and increasingly dominant urbanisation combined with the many institutional changes taking place in real estate development, finance, insurance, and sales methods provided a rich field of investigation for ambitious scholars, and Ely and his colleagues were quick to seize research opportunities.

The Institute staff studied seven aspects of urban development: 1) production; 2) utilisation; 3) valuation; 4) financing; 5) marketing; 6) taxation; 7) control. Two intellectual emphases of this research were: a) dynamic relationships, including the interplay of supply and demand factors in land markets, the impacts of population growth on housing supply, and the spatial arrangement of land uses;

and b) changing institutions, including the evolution of property and contract law, the role of mortgage instruments and financial intermediaries in providing capital for urban development, and the public and private regulation of land utilisation. Though Ely and his colleagues conducted studies of apartment construction, residential rents, and tenancy laws, the distinct bias of their research was toward a policy of promoting homeownership.⁶ Ely made his philosophy quite explicit in 1926 by explaining why the Institute was working with the City Housing Corporation of New York to study and publicise the innovative Sunnyside experiment in Queens (and later the Radburn, New Jersey experiment) in the production and sales of relatively inexpensive and well-designed dwellings in a carefully planned neighbourhood setting:

'It is evident that both the City Housing Corporation and the Institute start with certain assumptions regarding home ownership, which perhaps

³ Ely referred to his Wisconsin lectures on 'Landed Property and the Rent of Land' in *Ground Under Our Feet*, pp. 191-92, and in the preface to his classic work, *Property and Contract in their Relations to the Distribution of Wealth*, New York: Macmillan, 1914, Vol. 1, p.viii. His first major publication on this subject was 'Landed Property as an Economic Concept and As a Field of Research', *American Economic Review*, 7, 1, Supplement, March 1917. See also Richard T. Ely, 'Land Economics', *American Economic Review*, 18, 1, Supplement, March 1928. The broadest expressions of Ely's work in this field are contained in Richard T. Ely, George S. Wehrwein, and Mary L. Shine, *Outlines of Land Economics*, Ann Arbor, MI: Edwards Brothers, 1922; Richard T. Ely and Edward W. Morehouse, *Elements of Land Economics*, New York: Macmillan, 1924; Richard T. Ely and George S. Wehrwein, *Land Economics*, New York: Macmillan, 1940.

⁴ Richard T. Ely, *The Coming City*, New York: Thomas Y. Crowell, 1902. The early origins of urban land economics are reflected in that same time period in two other influential works by Ely's contemporaries: Richard M. Hurd, *Principles of City Land Values*, New York: Record and Guide, 1903; Adna Ferrin Weber, *The Growth of Cities in the Nineteenth Century*, New York: Macmillan, 1899. On America's increasing urbanisation, see Rosalind Tough, 'Growth of Urban Population in the United States', *Land Economics*, 1, 2, April 1925; Weber, *Growth*.

⁵ Ely, 'Research'; Wehrwein, 'Development'; Bodfish, 'Translating'; Dykstra, 'Quarter Century'; and Woodbury, 'Richard Ely'; provide background on the origins and evolution of urban land economics. The Institute produced the first two textbooks in the field; see Richard T. Ely, Mary L. Shine, G. B. L. Arner, Michael I. Rostovtzeff, and Ray H. Whitbeck, *Urban Land Economics*, Ann Arbor, MI: Edwards Brothers, 1922; Herbert B. Dorau and Albert G. Hinman, *Urban Land Economics*, New York: Macmillan, 1928. For general overviews, see Lloyd Rodwin, 'Land Economics in the United States', *Town Planning Review*, 21, 2, July 1950; Arthur M. Weimer, 'A Note on the Early History of Land Economics', *Journal of the American Real Estate and Urban Economics Association*, 12, 3, Fall 1984; Leo Grebler, 'History of Urban Land Economics in the United States', unpublished manuscript, March 1985.

⁶ My analysis of the urban land economics research of the Institute is based on a careful reading of a complete set of volumes of the *Institute News* (1923-26), *Land Economics* (the quarterly Journal, 1925-), the monographs and research reports published by the Institute in the 1920s and early 1930s, the Land Economics Series of textbooks edited by Richard Ely and published by Macmillan in the 1920s and 1930s, and books and articles published by members and former members of the Institute staff. One reflection of Ely's attitude toward homeownership was his placing of an article by John M. Gries, director of the Division of Building and Housing, US Department of Commerce, in the inaugural issue of the Institute's journal: John M. Gries, 'Housing in the United States', *Land Economics*, 1, 1, January 1925. The Division of Building and Housing was created by Secretary of Commerce Herbert Hoover in 1921. Hoover was passionately committed to advancing the cause of homeownership, as his President's Conference on Home Building and Home Ownership in 1931 made clear. See John M. Gries and James S. Taylor, *How to Own Your Home: A Handbook for Prospective Home Owners*, US Department of Commerce, Division of Building and Housing (Washington, DC, US Government Printing Office, 1923); John M. Gries and Thomas M. Curran, *Present Home Financing Methods*, US Department of Commerce, Division of Building and Housing, Washington, DC: US Government Printing Office, 1928; Gries and Ford, *Housing Objectives and Programs*, idem, (ed.), *Home Ownership, Income and Types of Dwellings*, Washington, DC: National Capital Press, 1932. For background on housing policy in the 1920s, see Edith Elmer Wood, *Recent Trends in American Housing*, New York: Macmillan, 1931; Gwendolyn Wright, *Building the Dream: A Social History of Housing in America*, New York: Pantheon, 1981; Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States*, New York: Oxford University Press, 1985.

should be set forth. The first and most evident is the social importance of home ownership as a basis of good citizenship. The slogan of the United States League of Local Building and Loan Associations is 'The American Home — The Safeguard of American Liberties'. But regardless of any sentiment attaching to such slogans, there is no question that home ownership is a safeguard against poverty, and it aids thrift and prosperity for the many. Indeed, a home owner is almost invariably a good citizen. In fact the social importance attached to home ownership is more than an assumption it is an axiom. On this basis the City Housing Corporation with the Institute co-operating in its own way, is making a valuable contribution to good citizenship and general well-being'.⁷

Richard Ely served on the board of directors of the City Housing Corporation, and the Institute's involvement with Sunnyside and Radburn was typical of Ely's action-oriented and pragmatic philosophy. In the inaugural issue of the Institute's quarterly journal, *The Journal of Land & Public Utility Economics* (now called *Land Economics*), Ely stated that 'Economic research is of no avail if its results cannot be brought to the attention of those who can use the results'.⁸ A year later he underscored this approach by asserting, 'In fact, the history of economic thought teaches us that the most worth-while theory has been a by-product of efforts to solve practical every-day social and economic problems'.⁹

Accordingly, Ely and his colleagues established strong ties with private firms and trade associations in housing-related industries, with professional and civic organisations, and with government officials.

Ely edited the Land Economics Series of textbooks published by Macmillan, a series that was co-sponsored by the Institute, the National Association of Real Estate Boards (NAREB) and the United YMCA Schools.¹⁰ He served as a consultant to NAREB, the United States League of Local Building and Loan Associations (USL), the National Association of Building Owners and Managers (NABOM), and the US Department of Commerce. Members of the Institute conducted research for these organisations, and faculty and former graduate students served as officers and staff of NAREB, NABOM, and the USL. Institute staff also played a prominent role in providing research support and policy guidance during the 1931 President's Conference on Home Building and Home Ownership. While the Institute was terminated due to budgetary problems in the early 1930s, many of its former members later served as leaders of such organisations as the Federal Housing Administration (FHA), the Federal Home Loan Bank Board (FHLBB), the National Association of Housing Officials (NAHO), the United States Savings and Loan League (USSLL), the American Bankers Association (ABA), the National Housing Agency (NHA), and a long list of state and local agencies and private groups.

Finance

The Institute's first major foray into urban land economics was *Mortgages on Homes*, a report prepared for the US Bureau of the Census in 1923. In his foreword to the report, Richard Ely argued for the importance of land economics and the need for further research, particularly into urban housing tenure and mortgage debt on urban real estate.¹¹

⁷ Richard T. Ely, 'The City Housing Corporation and "Sunnyside"', *Land Economics*, 2, 2, April 1926, p. 181. For background on the City Housing Corporation and Sunnyside and Radburn, see Alexander M. Bing, 'Community Planning for the Motor Age', and Henry Wright, 'How Long Blocks Cut down Street Costs, and other Economies of Modern Planning', in *Annals of Real Estate Practice*, Chicago: National Association of Real Estate Boards, 1929; Rosalind Tough, 'Production Costs of Urban Land in Sunnyside, Long Island, L.I.', *Land Economics*, 8, 1, February 1932, and 8, 2, May 1932; Henry Wright, *Rehousing Urban America*, New York: Columbia University Press, 1935; Clarence S. Stein, *Toward New Towns for America*, New York: Reinhold, 1957; Daniel Schaffer, *Garden Cities for Tomorrow*, Philadelphia: Temple University Press, 1982. Richard Ely was so enthusiastic about the City Housing Corporation that when he moved to Columbia University in the 1930s he bought a house in Radburn.

⁸ Ely, 'Research', p. 6.

⁹ Ely, 'City Housing Corporation', p. 179.

¹⁰ On the Institute's work with NAREB, the United YMCA Schools, and several other real estate industry trade associations on real estate education and the textbook series, see almost every issue of the *Institute News*, especially May 1923, pp. 1, 4; and November 1923, pp. 1, 4. See also 'Conference on Real Estate Education', *Annals of Real Estate Practice*, Volume 1, Chicago: National Association of Real Estate Boards, 1925, pp. 195-298 (includes Richard Ely's speech, 'Real Estate Education in the Future', and Ernest Fisher's report, 'A Review of Real Estate Literature'. Richard T. Ely was named an 'Economic Adviser' to NAREB in 1924. See *Institute News*, September 1924, p. 12.

¹¹ US Department of Commerce, Bureau of the Census, *Mortgages on Homes*, Washington, DC: US Government Printing Office, 1923, pp. 11-15. The following discussion is drawn from the general summary and interpretation of the data on pages 37-72.

The study found a modest increase nationwide in non-farm homeownership from 36.9 per cent in 1890 to 40.9 per cent in 1920. This overall increase was somewhat offset by declining homeownership and increasing tenancy in some larger cities, a trend which Ely found disturbing.¹²

The most marked trend, however, was the dramatic increase in the percentage of owned homes that were mortgaged, rising from 27.7 in 1890 to 39.7 in 1920. In the New England and Middle Atlantic states, more than half of all owned homes were secured by mortgage debt. The ratio of debt to total home value had also risen. More people were borrowing more money to buy homes, particularly smaller-sized, modest-priced homes.¹³ To the extent that the increasing availability of mortgage loans advanced the cause of homeownership, Ely regarded it favourably: 'The American method of acquiring a home is to buy the site, gradually pay for it, then to mortgage it through a building or loan association or otherwise, to construct the home with the aid of the mortgage and gradually to extinguish the mortgage'.¹⁴

Ely identified housing finance and the role of financial institutions in mortgage lending as a major area for academic and policy research. The second most important trend in mortgage finance was the tremendous increase in borrowing from financial institutions rather than from individuals. Another key finding of the Census home mortgage study was that 'The average rate of interest had decreased from 6.2 per cent in 1890 to 6.1 per cent in 1920, in the face of generally increasing interest rates on other securi-

ties. This evidently reflects a better money market, which improvement is partly due to the great increase and size of various organisations, such as savings and building and loan associations, which have made funds more readily available for those desiring to become home owners'.¹⁵ In 1923 the Institute also prepared a study for NAREB's Mortgage and Finance Division, entitled 'Real Estate Mortgages as Investments for Life Insurance Companies'.¹⁶ Analysing data on investments of 201 large life insurance companies from 1915 to 1921, Ely and the Institute found that real estate mortgages yielded a better average rate of return than corporate stocks and bonds. The study was accompanied by a companion report from NAREB that documented which life insurance companies were increasing their mortgage holdings compared to those increasing their holdings in corporate securities, suggesting that the former group was engaging in the wiser investment strategy.

Ernest Fisher and Arthur Mertzke, both Ely students and members of the Institute staff who became NAREB research directors, updated the studies of life insurance mortgage investments for NAREB throughout the 1920s.¹⁷ Mertzke later served as a researcher for the Committee on Finance of the President's Conference on Home Building and Home Ownership. The committee was chaired by Frederick Ecker, president of the Metropolitan Life Insurance Company, a leading home mortgage lending institution.¹⁸ Fisher went on in the 1930s to become chief economist for the Federal Housing Administration and a consultant to the American

¹² See also *Institute News*, May 1923, pp. 2-3; April 1924, pp. 2-3. For further research by Ely and the Institute concerning the issue of urban homeownership versus tenancy, see *Institute News*, May 1924, p. 4; February 1925, p. 31; April 1925, pp. 37, 39; Ely, 'City Housing Corporation'; Gertrude Harley, 'Multi-Family Housing Units and Urban Tenancy', *Land Economics*, 1, 3, July 1925; Dorau and Hinman, *Urban Land Economics*, Part IV; George S. Wehrwein and Coleman Woodbury, 'Tenancy Versus Ownership as a Problem in Urban Land Utilization', in Karl Scholz, (ed.), *Real Estate Problems*, *Annals of the American Academy of Political and Social Science*, 148, March 1930; Coleman Woodbury, 'Apartment-House Increases and Attitudes Toward Home Ownership', *Land Economics*, 7, 3, August 1931; idem, *The Trend of Multi-Family Housing in Cities in the United States*, Chicago: Institute for Research in Land Economics and Public Utilities, 1931.

¹³ US Census, *Mortgages*, pp. 45-46, 53-54.

¹⁴ *Ibid.*, p. 12.

¹⁵ *Ibid.*, pp. 48-49. Two other early institute studies on mortgage finance were: Clara F. Wigder, 'Farm-Mortgage Interest Rates', *Land Economics*, 1, 1, January 1925; H. Morton Bodfish and A. C. Bayless, 'Costs and Encumbrance Ratios in a Highly Developed Real Estate Market', *Land Economics*, 4, 2, May 1928.

¹⁶ Institute for Research in Land Economics and Public Utilities, 'Real Estate Mortgages as Investments for Life Insurance Companies', and S. S. Thorpe, 'Insurance Companies' Mortgage Loans', *Real Estate Finance*, Chicago: Mortgage and Finance Division, National Association of Real Estate Boards, 1923. See also *Institute News*, September 1923, p. 2.

¹⁷ 'Mortgage Investments of Life Insurance Companies, 1915-1925', *Annals of Real Estate Practice*, Volume 4, Real Estate Finance, Chicago: National Association of Real Estate Boards, 1926; Arthur J. Mertzke, 'Mortgage Investments of Life Insurance Companies, 1915-1928', *Annals of Real Estate Practice*, Chicago: National Association of Real Estate Boards, 1929.

¹⁸ John M. Gries and James Ford, (eds.), *Home Finance and Taxation*, Washington, DC: National Capital Press, 1932.

Bankers Association.¹⁹ The FHA mortgage insurance programme inaugurated in 1934 was a vital spur to financing homeownership, and particularly served as a significant incentive for increased home mortgage lending by commercial banks and life insurance companies.²⁰

The financial institutions that Ely was most enthusiastic about were the building and loan associations, which were specifically established to pool savings in order to make mortgage loans to prospective homeowners. Building and loans were granted certain tax and regulatory advantages by federal and state governments in recognition of the public policy favouring homeownership. Their savings deposits and mortgage loans grew enormously during the 1920s urban housing boom, with more than 15 billion dollars of new mortgage lending during the decade.²¹ Ely was a close adviser to the United States League of Local Building and Loan Associations, and one of the first textbooks published in his Land Economics Series was *Elements of the Modern Building and Loan Associations*. Ely arranged for the textbook to be written with funding from the American Savings, Building and Loan Institute, bringing its educational director, Frank Chase, to the Land Economics Institute in Madison to write the text together with Horace Clark, a research associate of Ely's. Ely's Institute staff provided full research support for the textbook preparation, a project that he considered very important.²² In Ely's preface to the book, he stated:

'Few people realise the economic significance or magnitude of building and loan associations as financial institutions. It has often been remarked that the American home, so largely owned by its occupants, is distinctive of our national life with its high standard of well-being. Yet it is not often

understood that building and loan associations have played a large part in giving this distinction to our American way of life. As financial institutions, building and loan associations have assets of some four billion dollars built up by the savings of over seven million members. As institutions in our economic life, they give people of moderate means an opportunity of periodic saving and gradual acquirement of home ownership'.²³

Two of the distinctive features of the building and loan associations were: 1) the long term of mortgage loans, often 11 or 12 years without renewal, and the amortisation method, whereby the principal of the loan was steadily reduced through regularly-scheduled principal and interest payments by the borrower. A typical bank mortgage in the 1920s, though generally charging lower interest rates than the building and loan associations, was a 1 to 5 year 'straight loan', with periodic interest payments and the entire principal due in one lump sum at term; 2) the second distinctive feature was the larger percentage of value of the mortgage loans based on careful appraisals and amortised repayment. Whereas the average commercial bank loaned 50 per cent of value, a building and loan association would loan from 60 to 75 per cent on a first mortgage, thus enabling the borrower to purchase a home with a smaller down payment and less additional borrowing through the use of second and third mortgages at much higher interest rates.

The most advanced system of building and loan financing was in Philadelphia, which was a leader among America's large cities in the percentage of homeownership and particularly in the percentage of owned homes that were purchased with mortgage loans. The Philadelphia building and loan associations, working closely with the city's real estate

¹⁹ Ernest M. Fisher, American Institute of Banking, *Home Mortgage Lending*, New York: American Bankers Association, 1938.

²⁰ See FHA, *FHA Homes in Metropolitan Districts: Characteristics of Mortgages, Homes, and Borrowers under the FHA Plan, 1934-1940*, Washington, DC: US Government Printing Office, 1942; successive *Annual Reports*, Federal Housing Administration, Washington, DC, 1934.

²¹ Morton Bodfish and A. D. Theobald, *Savings and Loan Principles*, New York: Prentice-Hall, 1938, p. 58. See also H. Morton Bodfish, *Money Lending Practices of Building and Loan Associations in Ohio*, Columbus: Ohio State University Press, 1927; *idem*, (ed.), *History of Building and Loan in the United States*, Chicago: United States Building and Loan League, 1931.

²² Ely was an official 'Economic Adviser' to the League, and a member of the Committee on Textbooks. See *Institute News*, September 1924, p. 12. For the story behind the Clark and Chase textbook, see *Institute News*, October 1923, pp. 2, 4; December 1923, p. 4; January 1924, p. 2; March 1924, p. 3; September 1924, p. 12; Bodfish, *History of Building and Loan*, pp. 257-58. After completing the textbook, Horace Clark was awarded his Ph.D. in economics from the University of Wisconsin and left Ely's Institute to join the staff of the American Savings, Building and Loan Institute. In 1926 he replaced Frank Chase as educational director, serving in this position until 1930.

²³ Horace F. Clark and Frank A. Chase, *Elements of the Modern Building and Loan Associations*, New York: Macmillan, 1925, p.xvi.

brokers, had developed the most extensive and affordable system of second mortgage financing in the country, such that the average homebuyer could purchase a home with a 20 per cent down payment and relatively reasonable financing terms. Ely's Institute published the first major study of this institutional arrangement, William Loucks' *The Philadelphia Plan of Home Financing*.²⁴ Loucks assembled the data for his analysis in 1927, just before the crisis in real estate precipitated a huge increase in mortgage foreclosures and building and loan association losses that exposed many weaknesses in Philadelphia mortgage lending.²⁵ Nevertheless, the relatively successful 100-year track record of the Philadelphia building and loan associations in promoting homeownership served as a model for the creation of the Federal Home Loan Bank System and the FHA in the 1930s.

Ely's Institute specialised in expertise on the 'thrift' industry (during the latter half of the 1930s most building and loan associations changed their name to savings and loans). Horace Clark became educational director of the American Savings, Building and Loan Institute. Two other Institute staff members, Morton Bodfish and A. D. Theobald, later served as executives of the United States Savings and Loan League. Bodfish, who was also a member of the Federal Home Loan Bank Board and head of the First Federal Savings and Loan Association of Chicago, was one of the leading national spokesmen for the 'S&Ls' in the 1930s and 40s.²⁶

Subdivisions

Whereas the main focus of the Institute's various mortgage studies was on the financing of the con-

struction and sale of houses, Ely and his research staff also had a strong interest in land subdividing and development as the vital first step in the creation of residential neighbourhoods and communities. Accordingly, the Institute published a landmark national study of subdivision financing, A. D. Theobald's *Financial Aspects of Subdivision Development*.²⁷ The important word in the title is 'Development', as Theobald was concerned with available financing for the installation of utilities and improvements so that subdivisions could be successfully developed with owner-occupied homes over the long term. Thus he distinguished subdivision development from the speculative merchandising of unimproved vacant lots that had often been a detriment to the process of successful housing finance, construction, and homeownership.

The desire by Ely and his colleagues to stop the excesses of premature subdividing and speculative market instability and replace this process with one of stable housing development for long term owner-occupancy extended beyond the study of financing to encompass many other aspects of real estate subdividing. The special preoccupation of Ernest Fisher was with market analysis, searching for methods of estimating the demand for actual property use by studying population growth and other factors and then suggesting that the supply of building lots be more closely limited to projected demand.²⁸ Fisher's work during the 1920s on subdivision market analysis, combined with research by other Institute scholars including Helen Monchow, Coleman Woodbury, Morton Bodfish, Herbert Dorau, Arthur Mertzke, Albert Hinman, Herbert Simpson, and John Burton, on subdivision markets, land valuation, and on relationships of land usage to

²⁴ William N. Loucks, *The Philadelphia Plan of Home Financing*, Chicago: Institute for Research in Land Economics and Public Utilities, 1929. See also *idem*, 'The Philadelphia Building and Loan Association Plan of Financing by Second Mortgages', *Land Economics*, 4, 4, November 1928, and 5, 1, February 1929; Samuel N. Reep, *Second Mortgages and Land Contracts in Real Estate Financing*, New York: Prentice-Hall, 1928, pp. 90-108.

²⁵ See Gries and Ford, *Home Finance*, pp. 82-91.

²⁶ Bodfish and Theobald, *Savings and Loan*; Morton Bodfish, 'A Sound System of Mortgage Credits and Its Relation to Banking Policy', *Land Economics*, 11, 3, August 1935; *idem*, 'Toward an Understanding of the Federal Home Loan Bank System', *Land Economics*, 15, 4, November 1939. Bodfish also edited, beginning in 1930, the important yearbooks, *Building and Loan Annals* (which became *Savings and Loan Annals* starting with 1939).

²⁷ A. D. Theobald, *Financial Aspects of Subdivision Development*, Chicago: Institute for Research in Land Economics and Public Utilities, 1930.

²⁸ Ernest M. Fisher, *Principles of Real Estate Practice*, New York: Macmillan, 1923; *idem*, *Advanced Principles of Real Estate Practice*, New York: Macmillan, 1930; *idem*, *Real Estate Subdividing Activity and Population Growth in Nine Urban Areas*, Ann Arbor: University of Michigan Press, 1928; *idem*, and Raymond F. Smith, *Land Subdividing and the Rate of Utilization*, Ann Arbor: University of Michigan Press, 1932; Ernest Fisher, 'Expansion of the Urban Land Area', in R. D. McKenzie, *The Metropolitan Community*, New York: McGraw-Hill, 1933; *idem*, 'Speculation in Suburban Lands', *American Economic Review*, 23, 1, Supplement, March 1933.

population changes, formed the basis for the more extensive studies on housing and real estate market analysis that Fisher, Homer Hoyt, and others helped pioneer in the federal government during the 1930s.²⁹

Another area of subdivision research that the Institute emphasised was private and public land planning and control of land development, sales, and utilisation. This work included the study by Helen Monchow, *The Use of Deed Restrictions in Subdivision Development*, which detailed the elements of private design and engineering, planning, and control exercised by successful large-scale subdivision developers, or 'community builders'.³⁰ The Institute's *Journal of Land and Public Utility Economics* published influential articles in 1929 by Wood-

bury and Bodfish arguing for greater public control of urban land subdividing, arguments underscored by Ely, Fisher, Simpson, and other senior members of the Institute.³¹ Indeed, two of the books published in the Land Economic Series were devoted exclusively to the subject of land planning and control, including urban land zoning and subdivision regulations. The Institute's journal, and its 1928 textbook on *Urban Land Economics*, also extensively discussed these issues.³² Coleman Woodbury, who was particularly interested in the role of public sector land planning to support housing development, later served as executive director of the National Association of Housing Officials in the 1930s and assistant administrator of the federal government's National Housing Agency in the 1940s.³³

²⁹ Helen Corbin Monchow, *Seventy Years of Real Estate Subdividing in the Region of Chicago*, Chicago: Northwestern University Press, 1939; idem, 'Population and Subdividing Activity in the Region of Chicago, 1871-1930', *Land Economics*, 9, 1, February 1933; Arthur J. Mertzke, 'Land Values and Population', *Land Economics*, 2, 3, July 1926; Coleman Woodbury, 'The Size of Retail Business Districts in the Chicago Metropolitan Region', *Land Economics*, 4, 1, February 1928; idem, and Orman S. Fink, 'Area Requirements of Cities in the Region of Chicago', *Land Economics*, 4, 3, August 1928; W. N. Loucks, 'Increments in Land Values in Philadelphia', *Land Economics*, 1, 4, October 1925; H. Morton Bodfish, 'Real Estate Activity in Chicago Accompanying the World's Fair of 1893', *Land Economics*, 4, 4, November 1928; idem, and Howard L. Shannon, 'Increments in Subdivided Land Values in Twenty Chicago Properties', *Land Economics*, 5, 1, February 1929; idem, 'Population and Peak Land Values in Business Districts', *Land Economics*, 6, 3, August 1930; Albert G. Hinman and Herbert B. Dorau, *Real Estate Merchandising*, Chicago: A. W. Shaw, 1926; Dorau and Hinman, *Urban Land Economics*; Albert G. Hinman, 'An Inventory of Housing in a Suburban City', *Land Economics*, 7, 2, May 1931; idem, *Population Growth and Its Demands Upon Land for Housing in Evanston, Illinois*, Evanston: Evanston News-Index, 1931; Herbert D. Simpson and John E. Burton, *The Valuation of Vacant Land in Suburban Areas*, Chicago: Institute for Research in Land Economics and Public Utilities, 1930; Herbert D. Simpson, 'Real Estate Speculation and the Depression', *American Economic Review*, 23, 1, Supplement, March 1933; Lewis A. Maverick, 'Cycles in Real Estate Activity', *Land Economics*, 8, 2, May 1932; idem, 'Cycles in Real Estate Activity: Los Angeles County', *Land Economics*, 9, 1, February 1933; idem, 'Real Estate Activity in California', *Land Economics*, 10, 3, August 1934.

At the same time that members of the Institute were conducting research on these issues, across town at the University of Chicago Homer Hoyt was writing his highly influential Ph.D. dissertation in urban land economics. Hoyt was familiar with the Institute studies by Herbert Simpson and John Burton, and he acknowledged them in his preface. See Homer Hoyt, *One Hundred Years of Land Values in Chicago: The Relationship of the Growth of Chicago to the Rise in Its Land Values, 1830-1933*, Chicago: University of Chicago Press, 1933, p.x. On Ernest Fisher, Homer Hoyt, and the FHA, see below.

³⁰ Helen C. Monchow, *The Use of Deed Restrictions in Subdivision Development*, Chicago: Institute for Research in Land Economics and Public Utilities, 1928. See also J. C. Nichols, 'A Developer's View of Deed Restrictions', *Land Economics*, 5, 2, May 1929; Charles S. Ascher, 'Reflections on the Art of Administering Deed Restrictions', *Land Economics*, 8, 4, November 1932; Joseph Laronge, 'The Subdivider of Today and Tomorrow', *Land Economics*, 18, 3, August 1942; Marc A. Weiss, *The Rise of the Community Builders: The American Real Estate Industry and Urban Land Planning*, New York: Columbia University Press, 1987.

³¹ Coleman Woodbury, 'Some Suggested Changes in the Control of Urban Development', *Land Economics*, 5, 3, August 1929; H. Morton Bodfish, 'The "Free-Lot" Subdivider: His Method of Operation and the Available Methods of Control', *Land Economics*, 5, 2, May 1929, and 5, 3, August 1929; Ely, 'Research'; Fisher, 'Speculation'; Simpson, 'Real Estate'. See also Weiss, *Community Builders*.

³² Frank Backus Williams, *The Law of City Planning and Zoning*, New York: Macmillan, 1922; Harlean James, *Land Planning in the United States for the City, State and Nation*, New York: Macmillan, 1926; Dorau and Hinman, *Urban Land Economics*, Part 3. Beginning with an article in the inaugural issue, Harland Bartholomew, 'The Prevention of Economic Waste in City Planning', *Land Economics*, 1, 1, January 1925, most issues of the journal contained articles, research notes, reports, and book reviews on urban planning.

³³ See Woodbury, 'Richard Ely'; David T. Rowlands and Coleman Woodbury, (eds.), *Current Developments in Housing*, *Annals of the American Academy of Political and Social Science*, 190, March 1937; Donald A. Krueckeberg, 'Between the Housers and the Planners: the Recollections of Coleman Woodbury', in Donald A. Krueckeberg, (ed.), *The American Planner*, New York: Methuen, 1983.

Property Valuation and the Use of Real Estate Appraisals by Mortgage Lenders

In the early days of real estate appraisal and valuation, market price and market value were considered to be identical, and appraisal was primarily a method of determining market value utilising current market prices as the best guide. This was sometimes called the 'comparison' method.³⁴ The Ely group largely dissented from the market price view, arguing that speculation could cause properties to be highly overvalued. Their concern for promoting stable and affordable homeownership led Ely and others associated with the Institute to argue that market prices and real estate values were somewhat distinct, and that over the long term, free of the effects of 'boom' psychology, misinformation, and speculative cycles, capitalisation of net income and replacement cost had to also be factored into a good appraisal.

Frederick Babcock, author of the basic appraisal textbook in Ely's Land Economics Series, was the most famous exponent of the theory of 'long-term warranted value' and the capitalisation of income method as the preferred calculation, rather than current market price.³⁵ Arthur Mertzke, who wrote *Real Estate Appraising* for NAREB, used the economic concept of 'normal value' and was the leading advocate of the reconciliation of the three approaches — market, income, and cost.³⁶ Horace Clark, in *Appraising the Home*, a textbook for the American Savings, Building and Loan Institute, criticised the market price orientation of contemporary appraisal practice, favouring ideas on real estate valuation similar to Babcock's. Clark, reflecting his building and loan background and foreshadowing

the sweeping changes of the 1930s, argued that the ability of the borrower to repay the mortgage loan is more important security for the lender than the appraised value of the property.³⁷

While the Ely group's philosophy cut against the prevailing grain during the height of the mid 1920s real estate boom, after the collapse of land values, the massive mortgage foreclosures, and the 'frozen' property sales market of the late 1920s and early 1930s, the Institute's views on real estate valuation began to gain a more respectful hearing. Probably nowhere was it more influential than in the Federal Housing Administration, whose chief underwriter, Frederick Babcock, and chief economist, Ernest Fisher, established a new and detailed 'risk-rating' system based on estimating long term demand for owner-occupied or rental housing, purchaser's and renters' current and future income, physical quality and cost of the housing, current and future property values in the surrounding neighbourhood, future employment and income prospects of the urban economy, and the ability of the borrowers to repay the mortgage loans. According to the *FHA Underwriting Manual*, 'The word *value*, as used by the Federal Housing Administration, refers to a price which a purchaser is warranted in paying for a property rather than a price for which a property may be sold, and is defined as: The price which typical buyers would be warranted in paying for the property for long-term use or investment, if they were well informed, acted intelligently, voluntarily, and without necessity'.³⁸

Appraisal practice in the 1930s emphasised the concept of the *use* of the property in valuation much more than in the 1920s. The NAREB-formed American Institute of Real Estate Appraisers, drawing on

³⁴ For historical background, see Arthur M. Weimer, 'History of Value Theory for the Appraiser', *Appraisal Journal*, 21, 1, January 1953; Paul F. Wendt, *Real Estate Appraisal*, Athens: University of Georgia Press, 1974.

³⁵ Frederick M. Babcock, *The Appraisal of Real Estate*, New York: Macmillan, 1924; see also his classic, *The Valuation of Real Estate*, New York: McGraw-Hill, 1932.

³⁶ Arthur J. Mertzke, *Real Estate Appraising*, Chicago: National Association of Real Estate Boards, 1927.

³⁷ Horace F. Clark, *Appraising the Home*, New York: Prentice-Hall, 1930.

³⁸ Federal Housing Administration, *Underwriting Manual*, Washington, DC: US Government Printing Office, 1938, Section 1005. See also Frederick M. Babcock, 'Influence of the Federal Housing Administration on Mortgage Lending Policy, *Land Economics*, 15, 1, February 1939; idem, Maurice R. Massey, Jr., and Walter L. Greene, 'Techniques of Residential Location Rating', *Journal of the American Institute of Real Estate Appraisers*, 6, 2, April 1938. Frederick Babcock, a Chicago realtor and appraiser, knew Ernest Fisher when the latter was NAREB's research director in Chicago and a staff member of Ely's Institute. Later, when Fisher was a professor of real estate at the University of Michigan business school, Babcock wrote a monograph for the Michigan Business Studies series. See Frederick M. Babcock, *Real Estate Valuation*, Ann Arbor: University of Michigan Press, 1932. When Fisher was hired in 1934 as FHA's chief economist, he recruited Babcock to be FHA's chief underwriter. See Miles L. Coleen, *A Backward Glance: The Growth of Government Housing Policy in the United States, 1934-1975*, Washington, DC: Mortgage Bankers Association of America, 1975, pp. 33-35.

Mertzke, emphasised the reconciliation of the three approaches.³⁹ The Society of Residential Appraisers, headed by Morton Bodfish and formed by the savings and loan industry, essentially endorsed Frederick Babcock's notion of long-term warranted value, and also utilised the correlation of the three approaches.⁴⁰

The FHA Synthesis

More than any other single institutional change, the advent of the FHA represented the policy fulfilment of Ely's homeownership vision. By introducing the mutual mortgage insurance system, FHA revolutionised housing finance and brought the principles of long-term amortisation of mortgage loans, and high loan-to-value ratios, both drawn from the building and loan associations, into the world of commercial banks, life insurance companies, mutual savings banks, and mortgage companies. FHA also went a step further than the building and loan associations by extending the first mortgage loan-to-value ratio to its highest leverage in history, by vastly extending the length of the repayment period, by eliminating second mortgages, and by significantly lowering interest rates and total loan costs. FHA rationalised, standardised and improved appraisal methods and practices, and universalised title insurance and other means of stabilising property transactions and mortgage lending procedures. The entire home mortgage lending system shifted from one of making straight loans for a low percentage of value based on the security of the property in the event of foreclosure, to making fully amortised loans for a high percent-

age of value based on the borrower's projected income and ability to repay the loan without foreclosure.⁴¹ This represented a major conceptual change, as Frederick Babcock explained in 1939

'For illustration, emphasis is now placed on risk instead of value. Practice very generally assumed that valuation and comfortably low loan-value ratios were the very essence of good lending policy. Regardless of the character of the borrower or the nature of the junior financial structure, the loan was considered sound, *ipso facto*, if it bore a low ratio to someone's appraisal of the property. This idea has lost much ground today. It is increasingly unusual to find lenders who will throw their entire reliance on valuations. We know today how inaccurate the best appraisal may be and, what is more important, we recognise that the relative safety of mortgage investments is measured by a number of factors which do not affect the valuation at all. The FHA risk-rating system is designed to measure risk of relative safety of investment directly.'

The relative importance of the borrower has increased. The decisions of lenders are now influenced considerably more by the characteristics of the mortgagor than formerly. We were once tempted to accept good real estate security as a substitute for a qualified borrower. This faulty emphasis contributed to the bad custom of Americans to overbuy, to bite off chunks too big for them to digest. Now we consider the amount, source, and stability of a family's income; we analyse the motivation of the borrower and his

³⁹ Harry Grant Atkinson, 'The Three Approaches' in American Institute of Real Estate Appraisers, *Real Estate Appraisal Text Material, Course 1*, Chicago: AIREA, 1938. The American Institute of Real Estate Appraisers (AIREA) was established in 1932 as an affiliate of NAREB. Harry Grant Atkinson was executive director of AIREA in the 1930s. As dean of the United YMCA Schools in the 1920s, he worked closely with Ely's Institute and with NAREB to establish the programme in real estate education and the Land Economics Series of textbooks published by Macmillan. See *Institute News*, May 1923, p. 1; Harry Grant Atkinson, 'How to Conduct a Class in Real Estate', *Annals of Real Estate Practice*, Volume 1, General Real Estate Topics, Chicago: National Association of Real Estate Boards, 1925.

⁴⁰ Society of Residential Appraisers, *Appraisal Guide*, Chicago: SRA, 1946; see also Arthur A. May, *The Valuation of Residential Real Estate*, New York: Prentice-Hall, 1942. The Society of Residential Appraisers (SRA) was founded in 1935 by Morton Bodfish, executive director of the United States Building and Loan League (soon to be called the United States Savings and Loan League). Bodfish also served as executive director of the SRA, which is now called the Society of Real Estate Appraisers (SREA).

⁴¹ See FHA, *FHA Homes in Metropolitan Districts*; *idem, The FHA Story in Summary, 1934-1959*, Washington, DC: US Government Printing Office, 1959, Mark I. Gelfand, *A Nation of Cities: The Federal Government and Urban America, 1933-1965*, New York: Oxford University Press, 1975; Gertrude Sipperly Fish, (ed.), *The Story of Housing*, New York: Macmillan, 1979; Jackson, *Crabgrass Frontier*. For accounts by participant-observers, see Miles L. Coleen, *American Housing: Problems and Prospects*, New York: Twentieth Century Fund, 1944; *idem, A Backward Glance*; Marriner S. Eccles, *Beckoning Frontiers: Public and Personal Recollections*, New York: Alfred A. Knopf, 1951; Charles Abrams, *The Future of Housing*, New York: Harper, 1946; William L. C. Wheaton, 'The Evolution of Federal Housing Programs', Ph.D. dissertation, University of Chicago, 1953; Nathaniel S. Keith, *Politics and the Housing Crisis Since 1930*, New York: Universe Books, 1973.

attitude toward this and other obligations; and we find ourselves vitally concerned with the long-range probabilities of satisfactory future income as indicated by the borrower's education, training, age, health, and numerous other factors which affect his employability. The cash equity or cash investment requirements of the FHA are not imposed primarily to do away with second mortgages. They are related more to the fact that a borrower must have sufficient motivation to hold him to the deal when the strain occurs'.⁴²

FHA also focused on the elements of subdivision development and housing construction financing that Richard Ely and the Institute maintained were so important to the supply side of the homeownership equation. The FHA 'conditional commitment' for subdivision developers and merchant home-builders enabled these entrepreneurs to obtain debt financing for large-scale production of new residential neighbourhoods and communities complete with finished houses and full installation of improvements, ready for immediate occupancy for moderate income homebuyers who purchased their houses and lots with FHA insured (and later Veterans Administration guaranteed) mortgages. This 'Levittown' model of development represented a dramatic advance over the subdividing of unimproved lots, often highly speculative and unrelated to demand for actual use, that was the common practice for preceding generations of urban development, most frequently in subdivisions that were advertised as being 'ripe' either for construction of modest dwellings or for outlying commercial uses.

FHA's Property Standards and Neighbourhood Standards emphasised upgrading the quality of the design, engineering, materials, equipment, and methods of land development and housing construction. FHA's Land Planning Division promoted both private planning by developers and builders and public planning by state and local governments to co-ordinate transportation accessibility, recreation facilities, utilities, services, and land uses through comprehensive plans, official maps, zoning and set-

back requirements, and subdivision regulations. The Land Planning Division played a key national role in reshaping the design of suburban housing tracts and in reorganising and extending the role of local public planning.⁴³

FHA's Economics and Statistics Division also introduced new methods of analysing market demand and of using the underwriting process to limit overbuilding and excessive subdividing. This element of market control, aimed at eliminating the 'curbstone' subdividers and 'jerry-builders', was a longstanding goal of Ernest Fisher, Morton Bodfish, Coleman Woodbury, and other members of the Ely group. The new analytical methods became necessary because of FHA's emphasis on long-term financing of large numbers of new housing units in newly-developed neighbourhoods. They needed to know before subdividing and construction commenced that there was a sufficient market of buyers for the houses and that the purchasers' incomes, market demand, and house values would either be stable or rise over the 25-year terms of the insured mortgages. FHA's 'risk-rating' system included consideration of such factors in housing supply and demand as urban employment patterns, income distribution, population growth, changes in the housing stock, household formation, residential neighbourhood location dynamics, and future land uses and values.

The introduction of location analysis, which was needed to predict long-term behaviour by the borrowers as well as the stability of future values, was used by FHA and by private mortgage lenders as a justification for insuring mortgages primarily on houses in newer suburban-style subdivisions. Frederick Babcock stated this approach quite succinctly in 1938: 'Neighbourhoods tend to decline in investment quality. The exception to this observation is partially developed new neighbourhoods. If such areas are well planned, favourably situated, adequately protected, and properly priced, they often improve for a period'.⁴⁴ FHA's policies of neighbourhood location rating, later referred to as 'mortgage redlining', were controversial, particularly during

⁴² Babcock, 'Influence', pp. 2-4.

⁴³ See the following FHA publications: *Operative Builders* (1934); *Subdivision Development* (1935); *Annual Report* (1934-1940); *Planning Neighborhoods for Small Houses* (1936, revised 1938); *Underwriting Manual* (1938); *Planning Profitable Neighborhoods* (1938); *Procedures for Operative Builders* (1938); *Proceedings of the Realtors' Housing Conference* (1938); *Subdivision Standards* (1939); *Successful Subdivisions* (1940). For a detailed analysis of FHA's role in private and public land planning and subdivision development, see Weiss, *Community Builders*, Chapter 6.

⁴⁴ Babcock, Massey, and Greene, 'Techniques', p. 134. For a complete description of FHA's risk-rating system, see FHA, *Underwriting Manual*.

the 1960s. In the 1930s, however, studying changes in urban structure, especially location behaviour in residential areas, was an essential prerequisite to the full comprehension of urban housing markets and a significant innovation in mortgage lending analysis.⁴⁵

In order to engage in research on the changing supply and demand factors and relationships in housing markets, urban land economists first needed to vastly improve the methods of data-gathering and establish new sources of statistical information. FHA staff, including Ernest Fisher, Homer Hoyt, Richard Ratcliff, and Arthur Weimer, worked on this important project along with many people from a large number of federal agencies including the Department of Commerce, Home Owners' Loan Corporation, Federal Home Loan Bank Board, Civil Works Administration, Central Statistical Board, National Recovery Administration, National Resources Planning Board, Works Progress Administration, Bureau of Labor Statistics, Census Bureau, Temporary National Economic Committee, Public Works Administration, US Housing Authority, and more.

Pioneering efforts such as the 1934 Financial Survey of Urban Housing conducted by the US Department of Commerce in 52 cities, the Real Property Inventories funded by the Civil Works Administration and completed in more than 200 cities during the 1930s, and FHA's early experi-

ments in housing market studies such as *Analysis of Housing in Peoria*, served as the inspiration for initiating the landmark national Census of Housing in 1940.⁴⁶ Many state and local government agencies, as well as numerous private organisations like the National Bureau of Economic Research, were also deeply involved in the task of collecting and studying urban real estate and housing market data.⁴⁷ As the FHA reported in 1938:

'No comparable field of inquiry has such a conspicuous lack of research materials as the field of urban real estate. Accordingly, the Division of Economics and Statistics has been compelled to utilise a considerable part of its resources in developing methods for obtaining this information. The Division has been able to obtain only a limited volume of preliminary data; but it has been able to determine what information is needed and how it can be assembled'.⁴⁸

By 1940, on the strength of such classic studies as Homer Hoyt's *The Structure and Growth of Residential Neighbourhoods in American Cities*, Hoyt and Weimer's development of economic base analysis, Fisher and Hoyt's research on real estate cycles, Ratcliff's research on urban real estate markets, and Hoyt and Badgley's *The Housing Demand of Workers in Manhattan*, FHA was able to report methodological progress in analysing housing market behaviour: 'During the past years, pro-

⁴⁵ On the history of FHA and 'redlining', see Calvin Bradford, 'Financing Home Ownership: The Federal Role in Neighborhood Decline', *Urban Affairs Quarterly*, 14, 3, March 1979; Kenneth T. Jackson, 'Race Ethnicity, and Real Estate Appraisal: The Home Owners Loan Corporation and the Federal Housing Administration', *Journal of Urban History*, 6, 4, August 1980.

⁴⁶ Ernest M. Fisher, Richard U. Ratcliff, and J. Bion Philipson, *Analysis of Housing in Peoria*, Federal Housing Administration, Washington, DC: US Government Printing Office, 1935; FHA, *Real Property Inventory for the District of Columbia, 1934*, Washington, DC: US Government Printing Office, 1936; Central Statistical Board, *Technique for a Real Property Survey*, Washington, DC: US Government Printing Office, 1935; Supplement, 1938; David L. Wickens, 'Further Results of the Financial Survey of Urban Housing', *Land Economics*, 12, 1, February 1936; idem, *Financial Survey of Urban Housing*, US Department of Commerce, Washington, DC: US Government Printing Office, 1937; FHA, *Local Residential Occupancy-Vacancy Surveys: A Suggested Procedure*, Washington, DC: US Government Printing Office, 1938; Howard Whipple Green, 'Origin and Development of a Continuous Real Property Inventory', *Land Economics*, 16, 3, August 1940; US Bureau of the Census, *Sixteenth Census of the United States: 1940. Housing*, Washington, DC: US Government Printing Office, 1943-47. For an overview of housing and real estate research during the 1930s, see Rowlands and Woodbury, *Current Developments in Housing*; Arthur M. Weimer and Homer Hoyt, *Principles of Urban Real Estate*, New York: Ronald Press, 1939; Colean, *American Housing*; Richard U. Ratcliff, *Urban Land Economics*, New York: McGraw-Hill, 1949; 'Symposium: Frontiers of Housing Research', *Land Economics*, 25, 1, February 1949, pp. 53-132; Leo Grebler, *Production of New Housing*, New York: Social Science Research Council, 1950; Ernest M. Fisher, *Urban Real Estate Markets: Characteristics and Financing*, New York: National Bureau of Economic Research, 1951; Chester Rapkin, Louis Winnick, and David M. Blank, *Housing Market Analysis: A Study of Theory and Methods*, US Housing and Home Finance Agency, Washington, DC: US Government Printing Office, 1953; Weiss, *Community Builders*, Chapter 2.

⁴⁷ For example, see David L. Wickens, *Residential Real Estate*, New York: National Bureau of Economic Research, 1941. In the 1950s the NBER produced a remarkable series of studies on the historical record of American housing finance and development. See especially Leo Grebler, David M. Blank, and Louis Winnick, *Capital Formation in Residential Real Estate*, Princeton: Princeton University Press, 1956.

⁴⁸ FHA, *Fourth Annual Report*, Washington, DC: US Government Printing Office, 1938, pp. 25-26.

cedures have been developed for surveying and testing local situations. As a result of such local studies, it is frequently possible to determine that a temporary saturation point has been reached in houses or apartments of a particular price range or type, or that there appears to be substantial unsatisfied demand elsewhere in the market. The facts obtained in such studies help to guide policies in mortgage insurance operations in the area'.⁴⁹

From Ely's Institute to the Census of Housing: The Role of Economic Research and Policy Analysis in America's Post-World War II Homeownership Boom

In the 1925 inaugural issue of the *Journal of Land and Public Utility Economics*, Richard Ely wrote: 'Economic research must, of course, be built upon facts found by research agencies, such as the 'plant' research of certain companies and the technical research which looks at land and public utility problems from an engineering point of view. But economic research does more than the other types of research agencies are in a position to do; it studies the fundamentals and relationships of all the complex problems of land and public utility economics. Its method of analysis are statistical or quantitative as well as qualitative'.⁵⁰

From the founding of the Institute for Research in

Land Economics and Public Utilities, Richard Ely had argued that urban land economics research could better inform public and private policymakers in their search for solutions to economic and social problems. In the field of national housing policy, Ernest Fisher, Frederick Babcock, Morton Bodfish, Coleman Woodbury, Arthur Mertzke, Horace Clark, Helen Monchow, A. D. Theobald, Herbert Simpson, John Burton, Mary Shine, Albert Hinman, Herbert Dorau, Rosalind Tough, William Loucks, Clara Wigder, and many other colleagues and students connected with the Institute collectively proved Ely correct. The Institute's 1923 Census monograph, *Mortgages on Homes*, the 1923 study for NAREB on real estate mortgage investments by life insurance companies, its 1923 work with NAREB, NABOM, the United YMCA Schools, and the US League of Local Building and Loan Associations in designing both an education and research agenda and the Land Economics textbook series, had all born fruit within two decades in the form of massive governmental policy intervention and private institutional restructuring. Together these changes helped facilitate a substantial upward shift in the percentage of non-farm homeownership: from 40.9 per cent when Ely founded the Institute in 1920, to 61 per cent in 1960.⁵¹ By the time Richard Ely died in 1943, he had clearly observed how the ideas and research he encouraged had helped to educate a nation.

⁴⁹ FHA, *Sixth Annual Report*, Washington, DC: US Government Printing Office, 1940, p. 15. See Homer Hoyt, *The Structure and Growth of Residential Neighborhoods in American Cities*, Federal Housing Administration, Washington, DC: US Government Printing Office, 1939; idem, and L. Durward Badgley, *The Housing Demand of Workers in Manhattan*, A Report to the Federal Housing Administration, New York, Corlear's Hook Group, 1939. Economic base analysis and the theory of real estate cycles are described in Weimer and Hoyt, *Principles of Urban Real Estate*. See also Homer Hoyt, 'Economic Background of Cities', *Land Economics*, 17, 2, May 1941; idem, *One Hundred Years of Land Values*. Hoyt utilised many of the analytical techniques he created for FHA during his tenure as research director of the Chicago Plan Commission in the early 1940s, and as a consultant to the Urban Land Institute. See especially three sophisticated studies: *Industrial and Commercial Background for Planning Chicago*, Chicago: Chicago Plan Commission, 1942; *Master Plan of Residential Land Use of Chicago*, Chicago: Chicago Plan Commission, 1943; Robert H. Armstrong and Homer Hoyt, *Decentralization in New York City*, Chicago: Urban Land Institute, 1941.

⁵⁰ Ely, 'Research', p. 6.

⁵¹ US Census, *Mortgages on Homes*, p. 39; US Bureau of the Census, *1960 Census of Housing*, Volume 1, Part 1, Table 2, p. 2. Both sets of figures are based on the number of owner-occupied housing units as a percentage of all occupied housing units (not including vacant units). The 1960 figure is my calculation, combining all 'urban' occupied units with 'rural' non-farm occupied units. This recalculation was necessary to determine the 1960 non-farm figure comparable to the way in which the 1920 figure was calculated. The percentage of all occupied housing units that were owner-occupied in 1960 is 61.9 per cent, but this includes housing units on farms.