**AFD Ep 402 Links and Notes - Bungalows & Workers Cottages [Bill/Rachel] - Recording Dec 5, 2021**

- Intro / This episode is going to tell the story of how the frontier family homeownership model (central to the US political economy) finally incorporated the American urban industrial working class, via mass-production kit houses and automobile access between factories and available land, and via the new finance products necessary to allow them to purchase those newly available things. Several weeks ago, we did a multi-part series on American money in the 19th century and our epilogue episode focused on early 20th century personal finance, from consumer payment plans to auto loans and home mortgages. This week's episode builds on that last point and focuses primarily on the early effects of new financial products on the physical design of single-family homes. As usual, we will also try to tie back to other episodes about how materials costs and physical innovations of the Second Industrial Revolution influenced design and lifestyle. The main sources for this week's episode will be once again Robert J. Gordon's densely researched 2016 book "The Rise and Fall of American Growth" (which we've now used as the jumping off point for a bunch of episodes of our show) and also a number of websites on historic housing stock in Chicago at the turn of the last century. As always, our notes will be posted as a PDF at ArsenalForDemocracy.com. So let's jump in starting with the workers' cottages that preceded the changes to American home finance in the period we're looking at this week, and then after we look at those financing changes, we'll look at the rise of bungalows as a response to that.
- [Rachel] Chicago Workers Cottage Initiative: https://workerscottage.org/whatis.html https://www.buildyourownchicago.com/BYOKC/WorkersCottage.html
    - The Chicago Workers Cottage was a type of housing built before the boom of the bungalow, from the 1870s to 1910s, as affordable housing for working- and middle-class homeowners.The houses are quite small and narrow, made to fit on a city lot, and feature a fairly simple rectangular footprint and a peaked roof. They are typically 1-½ stories tall, with a short upper floor which can be used as an attic or an additional bedroom. There were some modifications on this basic style available, such as a two- or three-flat cottages. These look like the basic cottage rectangle stacked on top of one another, with the peaked ½-story roof placed on top. Most were built as multi-family housing. Some models had a low basement, with the first floor raised slightly off the ground, and some had a basement on the ground floor, with the main entrance to the house a full story off the ground.
    - There were financing plans that made these houses very affordable to workers. In a page from the *Tenth Illustrated Catalogue of S. E. Gross' Famous City Subdivisions and Suburban Towns* (1891), the terms were spelled out: "Price $1,050 to $1,500; $100 cash, balance on long time and monthly payments of $9 to $11, same as rent." Samuel E. Gross built thousands of worker cottages in and near Chicago. Chicago was a prime location for growth because of its centralized location with access to natural resources, such as lumber from northern Wisconsin and Michigan.
    - While most houses featured the plain rectangular footprint, some mass-produced embellishments (such as stone and wooden ornamental details) were added to create visual interest and variety without significantly raising construction costs. Porches and bay windows were also common. Slightly wealthier homeowners would build Queen Anne style houses, with oriel windows and more complex roof structures. These were more expensive and were outside the price range of your average working-class homeowner. Another popular style was the Dutch Colonial, which featured a higher roof that provided extra storage space on the top floor, but was also pricier than the basic gabled roof.

        - Transition to Bungalows: *"By the end of the 1910s the era of workers cottages gradually came to an end and the new style of brick bungalows emerged as the dominant form of small single-family home in Chicago. The bungalow style incorporated new design ideas from high-end Prairie Style architecture on the exterior materials as well as a more open layout on the interior. New technologies of central heating and modern kitchen appliances made the workers cottage seem outdated and plain. The bungalow style is often identifiable by a low hipped roof and central dormer, but some early bungalows may look a bit like workers cottages as one style gradually gave way to another."*
        - However, the small city lots and need for affordable housing in the 1950s and 60s echoed the needs of the Chicago workers at the turn of the century. The ranch style houses of the time featured a simple rectangular footprint and low gabled roofs combined with the modern conveniences of central heating and updated kitchen appliances.
    - [Bill] Book pages from Robert J. Gordon's 2016 book "The Rise and Fall of American Growth" (pp.300-304 -- and pp.108-110 for Bungalows specifically)
        - Original model: *"The first provider of installment loans was the U.S. government. The Harrison Act of 1800 provided for the sale of public land to farmers for a down payment of 25 percent and three additional payments stretched out over up to four years. A total of 19.4 million acres of land in the Northwest Territories was sold in this way between 1800 and 1820. As early as 1890, census data show that 29 percent of homes in the United States had outstanding mortgages. For instance, in the Boston area, it was typical for a family to be required to save half of the purchase price – say $1,500 for a $3,000 house – and borrow the rest. Then a first mortgage would be obtained from a savings bank or mortgage dealer for 40 percent of the sales price ($1,200) at an interest rate of 5 to 6 percent, and a second mortgage was obtained from a real estate agent. Interest was paid semiannually over three to eight years and the lump sum of principal was due at the end of the loan period."* [This is the balloon payment method we discussed in an earlier episode on changes to finance.]
        - New financing model: *"The details of mortgage contracts differed between and within cities, with some loans extending for as long as twenty years. The largest holders of mortgage debt were individuals, savings banks, and* ***building and loan associations. The latter pioneered amortized loans, in which the monthly payment included both interest and repayment of principal, so that no lump-sum payment was due when the loan matured. Though the inclusion of principal repayment raised the size of the monthly payment, this was in many cases offset by extending the length of the repayment period. Amortized loans were a valuable innovation, for they reduced the risk for both lender and borrower. By the 1920s, they had become standard."***
        - *"In the 1890s, most houses in Muncie, Indiana were built for rental, but the Lynds estimated that in 1923, the rental portion had declined to only 10 percent. They attribute this change to the development of 'building and loan associations' after 1900, which made it possible for many members of the working class to consider homeownership. In the mid-1920s, fully 75 percent to 80 percent of new Muncie homes were built for owners, with mortgages provided by four associations, and a bank executive estimated that 85 percent of those purchases were 'working men.'"* [Gordon then discusses financing for apartment building development projects in the 1920s.]

- *“One reason homeownership rates soared in the 1920s as part of the massive building boom of that decade was a widespread loosening of credit conditions that allowed families to take out second and third mortgages. The value of outstanding mortgages soared from about $12 billion in 1919 to $43 billion in 1930 (i.e., from 16% to 41% of nominal GDP). [...] mortgage debt for structures during the 1920s was consistently seven times higher than for non-structures consumer debt. The longer view [...] shows that the value of outstanding mortgages was roughly 20 percent of GDP from 1900 to 1922.”*
- *“It was substantially easier to obtain credit for automobiles than for houses, because the collateral for the loan was moveable, and this helps to explain why automobile sales grew so rapidly in the United States compared to other countries. There are contrasting views on how difficult it was to obtain mortgage credit. The Lynds’ statement that 80 percent of Muncie homes built in the 1920s were sold to owners, and that many of these new owners were working class, conflicts with Wood’s unqualified remark that there was no mortgage finance available for families below the fiftieth percentile of the income distribution. [...] Overall, the most important support of the transition from rental status to homeownership was the evolution of credit institutions. Between 1890 and 1930 mortgages became easier to obtain, with lower down payments and more options for second and third mortgages. Homeownership rates crept up toward 50 percent in the nation as a whole. The positive stimulus from mortgage finance came at least temporarily to a halt as a result of bank failures in the early 1930s and revived somewhat in the late 1930s, then changed completely to a much easier financial environment after World War II.”*
- The Bungalow Movement: Gordon argues that the one-story or one-and-a-half-story single-family bungalows popularized shortly after the turn of the last century served as a critical transition phase for urban industrial working class families to become urban or inner suburban middle class families in the first half of the 20th century. They entered the US first in Los Angeles in 1905 and then took off in populous industrial cities like Chicago in the 1910s and 1920s. Bungalows were financially obtainable, emerging in tandem with growing availability of home financing products, and these little homes built up wealth through home equity over a generation or two. Gordon paints a picture in the book of bungalows as sturdy, reliable, durable single-family homes that nevertheless were not wildly expensive and with installment-based mortgages and other similar financial products for home financing, they were now within reach. He contrasts them with the late 19th century and pre-1910s Workers Cottages, which he describes as being lower-quality cheap housing that people were not keen to remain in nor trying to pass on to future generations. Chicago’s “Bungalow Belt” today still occupies around 75 square miles or so. 80,000 of these homes were built in the two decades from 1910 to 1930 within Chicago and another 20,000 were built nearby. They were relatively standardized in basic form – something we actually discussed on [our recently unlocked Forest Products episode]() when we brought up Sears Roebuck mass-produced kit home materials – but it was also easy to customize them, either initially or over time, with additions or dormers. Bungalows were clad on the outside in low-maintenance materials like redwood, brick, or stone, depending on the region of the US. Their square footage was about 1,000 to 1,200 on the first floor and 300 to 400 above that under the roof and depending on the dormer situation. They could be built for about $1 per square foot plus labor and the underlying land purchase itself, which was typically for a lot of just 25 or 35 feet across in street frontage. After World

War I, even with prices rising, a complete Sears kit would still run between just $750 and $2,000, and they assembled quickly. To save on interior space and costs, the front door entered directly into a combo living/dining room, without a Victorian vestibule, and that room was next to the kitchen. The standard kits even included wooden furniture, cabinets, and flooring. Laborers assembling them could also draw on a wide array of mass-produced customization features and decoration accents. Gordon notes that another design feature dictated by personal finance products becoming available in the 1910s and 1920s was automobile accommodation as auto loans revolutionized car ownership and facilitated rapid urban sprawl: *"all bungalows were built with garages in the back and every block was bisected by a service alley through which cars entered and from which garbage was collected. Poles for electric and telephone wires were all hidden away in the alleys, giving the Chicago streetscape a neat, clean look featuring landscaped parkways between the paved sidewalks and the street, with trees planted in the parkways."*

  - Gordon also notes outside of the question of home financing that the materials costs to build homes came down dramatically in the century prior to the bungalow trend, and he describes them as a "culmination" of those production factor cost savings. Not only were designs standardized and some fairly big components mass-produced by the 1910s, but even some very basic elements like nails and thin-cut lumber (i.e. 2x4s for a balloon frame instead of a heavy-timber frame) had become inexpensive and mass-produced. Cheap nails alone dramatically cut the cost of building single-family homes. One study cited in the book found that the price of nails fell by 90% in real terms between 1830 and 1930. We might circle back to this point, as another exemplary Second Industrial Revolution materials history topic for its own episode, but as a quick summary I will just briefly quote [the Wikipedia entry]() on the history of mass-produced and then automated nails, from the 1860s to the 1890s, as follows: *"With the introduction of cheap wire nails, the use of wrought iron for nail making quickly declined, as more slowly did the production of cut nails. In the United States, in 1892 more steel-wire nails were produced than cut nails. In 1913, 90% of manufactured nails were wire nails. Nails went from being rare and precious to being a cheap mass-produced commodity."* Additionally, Gordon notes that things like plumbing and heating equipment were finally mass-produced in factories and didn't require hand-crafting, which also represented a huge cost-savings for the production and assembly of single-family homes.

- **An important caveat we did not talk about on the recording (partly on the assumption that listeners already have a baseline familiarity with historic racial exclusion in American homeownership):** We are primarily in this period, especially in Chicago, referring to specifically <u>white</u> industrial workers buying homes. Black workers in Chicago were largely excluded from industrial jobs (let alone this type of housing/land) until WW1: http://www.encyclopedia.chicagohistory.org/pages/27.html When these new Black industrial workers attempted to move outside of Black Belt neighborhoods, race riots ensued, such as in 1919. It was not until after WW2 that some of the Bungalow neighborhoods began to see significant homeownership by Black industrial workers and their families. http://www.encyclopedia.chicagohistory.org/pages/1408.html Even after this, the Bungalow Belt remained a stronghold of white-ethnic homeowner support for the Daley Machine.