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*Last Updated: 11/26/2024*

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## RESIDENTIAL CONSTRUCTION INDUSTRY

### Current State of the Industry

- o The economic recovery in the homebuilding industry has continued to gain momentum in the past year, with housing starts in February up 29 percent from the February 1982 level. The seasonally-adjusted annual rate of housing starts in February was 2.2 million units, which was the highest rate since 1978. The upswing in homebuilding is taking place in all of the major regions of the nation, and among multi-unit housing as well as single-family homes. Building permits and sales of new homes are also up sharply, providing evidence of the recovery.
- o As a whole, building materials supply has been more than adequate to meet demand and price increases have been small. The Producer Price Index for all construction materials rose only 3.4 percent in 1983, and the February 1984 index was only 3.5 percent higher than it was a year earlier. The exceptions have been gypsum wallboard and interior wood doors which have been in tight supply in many parts of the country since last fall. Gypsum product prices, according to the Producer Price Index, were 34 percent higher in February 1984 than they were in December 1982.

### Outlook

- o Homebuilding will probably continue to be strong for the rest of this year, although the seasonally-adjusted annual rate of 2.2 million units probably cannot be maintained during the peak building season. For the year, housing starts will probably total 1.8 to 1.9 million units.
- o During the peak summer months homebuilding will probably be about 1.8 million units, at a seasonally adjusted annual rate, which would be slightly higher than the 1983 level.
- o The most serious bottleneck to the homebuilding industry is the supply of mortgage credit. Interest rates are expected to remain high and probably increase this summer, especially if homebuilding increases seasonally.
- o The outlook for 1985 is much less optimistic. Typically, homebuilding turns down before the rest of the economy as high interest rates "crowd out" mortgage borrowers. The size of the Federal deficit could thus have a strong influence on homebuilding in 1985.

Issues

- o Gypsum board prices and delivery delays are causing great problems to the homebuilding industry. A summary of the situation is attached.
- o The industry through the National Association of Homebuilders has initiated a membership drive to get the Administration and Congress to reduce the Federal deficit. The industry feels confident that 1984 will be a good year for homebuilders. They are concerned, however, that the size of Federal borrowing to cover the deficit will result in higher interest (mortgage) rates and a subsequent sharp downturn in housing sales and starts in 1985.

## GYPSUM BOARD

### Issue

- o The demand for gypsum board (also known as drywall or sheetrock) has increased substantially since late in 1982, and so have prices. In some East Coast and southern markets, prices reportedly doubled between late 1982 and early 1984. Over this period, delivery times have risen from just a few days to 10 or more weeks in some areas (the average is presently 3 to 4 weeks).

### Administration/Commerce Position

- o The Justice Department recently investigated the situation and determined that there was not enough evidence to indicate unlawful activities by the gypsum board industry. In the 1970's, several producers were charged with price fixing. An original conviction was overturned on appeal leading to an industry settlement with the Justice Department that set aside the criminal charges for the payment of part of the taxes that the industry would have owed if it had lost the case. Current administration policy precludes government price control or "jawboning" activities, as have been suggested by some board users.

### Congressional Position

- o To the best of our knowledge, there is no Congressional action pending on the gypsum board situation. Many Senators and Representatives, however, have referred constituent complaint letters to DOC and other agencies.

### Private Sector Positions

- o Gypsum board producers contend that they were unable to raise prices to cover higher costs in the early 1980's when demand was depressed, and that recent price increases are needed to put the industry back in a solid financial position. Industry spokesmen state that enough new capacity to meet peak demand periods cannot be added because of the high capital cost involved, and because of the huge fluctuations in demand which result in sizable excess capacity in recession periods.
- o The construction contracting industry (particularly homebuilders and drywall contractors) has charged that the board producers are withholding supplies to drive prices up, and, in some instances, are fixing prices. Some local and state groups are considering legal action against the drywall producers or are striving for some type of state or Federal government initiative. The National Association of Home Builders is involved in an extensive study to gather facts on local supply/demand/price situations.

### Background

- o Similar delivery delays and price rises for drywall were experienced in both high demand periods of the 1970's.

- o The February 1984 Producer Price Index for gypsum products was 34 percent higher than in December 1982, the last month before prices began to rise substantially.
- o U.S. gypsum board sales in 1983 were over 16.8 billion square feet, 29 percent higher than the previous year and about equal to the all time high annual level reached in 1979. We expect sales to grow to about 17.2 billion square feet in 1984, assuming housing starts of about 1.7 million units.
- o Regional gypsum board sales trends highlight problem areas. The following table presents regional sales volumes in 1983 compared to those in 1982 and compared to those in the previous peak year for that region. Those areas in which 1983 sales exceed or are about equal to the previous peak are experiencing the greatest problems with price escalation and product availability.

<u>Census Division</u>	<u>Sales Increase 1982-1983 (Percent Change)</u>	<u>1983 Sales Compared to Previous Peak Years Sales (Percent Change)</u>
New England	16	+ 4
Middle Atlantic	11	- 3
East North Central	28	-28
West North Central	28	-17
South Atlantic	35	+20
East South Central	35	- 7
West South Central	24	+30
Mountain	39	-13
Pacific	38	-19

- o Imports of gypsum board fluctuate with domestic demand levels. Imports, which were 86 percent greater in 1983 than in 1982 but still slightly under the 1979 peak, will probably increase substantially in 1984. Most will come from Canada, with a small but rapidly rising quantity originating in Mexico and destined for the South Atlantic and West South Central Census Geographic Divisions of the United States. Exports are minimal.
- o Although there is enough capacity to meet total demand, the various regional supply/demand situations are not in balance. There is sufficient capacity in western markets but not in the East. At the end of 1983, capacity was about 20 billion square feet, up from 18.5 a year earlier.
- o The gypsum board industry is highly concentrated; U.S. Gypsum, National Gypsum, and Georgia Pacific account for about 75 percent of all domestic production. The U.S. market is served by about 65 domestic drywall plants.

Q. Housing starts were surprisingly strong in January and February. Will this strength continue?

A. With mortgage rates edging back up recently, housing starts are likely to ease a bit this spring. But starts for the year as a whole likely will remain at a high level, exceeding last year's total of 1.7 million units.

Q. With a growth rate of over 7 percent in the first quarter, are you concerned that the economy is overheating?

A. No, I don't believe we have enough evidence to say so. The economy did begin the first quarter on a strong upbeat, but by the end of the quarter most economic indicators were settling down. Our industries are using 81 percent of their capacity and unemployment is 7.7 percent so we still have room to grow. Furthermore, capital spending is picking up and will be adding to our capacity later this year and next.



Q. Are you concerned that huge government borrowings will "crowd out" housing activity this year?

A. The less government borrows the more will be available for the private sector. But housing starts have had the best recovery in over 30 years, increasing 60 percent last year. Of course, we can't expect this kind of growth to continue, but we want to control Federal spending and make sure housing construction will continue at the recent levels.

Q. Are you concerned about the effect of recent interest rate increases on residential construction?

A. The increases which we have seen thus far are quite small and reflect the economy's strong growth in the first quarter. As growth slows beginning this quarter, the upward pressure on rates will ease. Furthermore, financial deregulation has allowed lenders and borrowers to write new kinds of mortgage contracts. These variable-rate instruments, which currently account for more than half of mortgage lending, have interest rates well below the rate on fixed rate mortgages. Financial deregulation has also opened up mortgage lending to potentially rich sources of new supply, notably pension funds.



# THE WHITE HOUSE

WASHINGTON

April 10, 1984

## HOUSING CONSTRUCTION SITE VISIT

DATE April 12, 1984  
TIME 9:00 - 10:00 a.m.  
LOCATION To Be Determined

FROM: FAITH WHITTLESEY *FW*

### I. PURPOSE

To highlight the positive impact of the economic recovery on the housing industry.

### II. BACKGROUND

While signs of the economic recovery are everywhere, there is no industry in which the rebound has been more dramatic than housing. In February, housing starts reached their highest level in 5 years. The progress made in bringing interest rates down and inflation under control has made the American dream of owning a home a reality for millions of Americans.

This site visit provides an opportunity to see, first-hand, the remarkable changes in the housing industry, and to meet some workers who are "building the American dream."

The Dallas area is leading the Nation in residential construction. This site is an example of productivity gains, efficiency improvements and cost savings that modern construction yields.

### III. PARTICIPANTS

Approximately 30 construction workers.

### IV. PRESS PLAN

Press pool coverage.

### V. SEQUENCE OF EVENTS

9:00 a.m. The President departs hotel for motorcade enroute to site.

9:30 a.m. The President arrives site, proceed to house under construction for brief tour.

At conclusion of tour, the President makes brief remarks to assembled construction workers.

9:55 a.m. The President concludes remarks and proceeds for motorcade. Depart.

Attachment: Talking Points

SUGGESTED TALKING POINTS FOR MEETING WITH  
CONSTRUCTION WORKERS AT HOUSING SITE

- It is a pleasure, and a learning experience, for me to be here today and to see the incredible progress of the housing industry during this economic recovery. The modernization, innovation, and productivity improvement is a far cry from the days when I was young and worked on a construction site.
- When I was fourteen, I had a summer job digging foundations in heavy clay soil. It was very hard work, and it brought about an incident which my father called, "the damnedest exhibition of laziness I ever saw in my life."
- My dad had come to pick me up for lunch just as the whistle blew. At that moment I had my pick raised in the air, and I simply opened my hands, walked out from under it, and let it fall. The pick dropped behind me and stuck in the ground -- about an inch or so from the toes of my boss who had been checking on me. He turned around and screamed to my father, "This kid of yours can get less dirt on a shovel than any human being that's human!"
- Well, the work in construction these days, with heavy earth-moving equipment, power tools, modular housing, and improved building materials, is very different from my old pick and shovel days.
- These advances have contributed greatly to keeping quality homes affordable for American families. But so has the skill and dedication of our construction workers.
- Thanks to your industry's efforts, housing sites like this are springing up all over America in record numbers.
- This economic recovery is providing new opportunities for Americans. And the progress we have made in bringing interest rates down and lowering that back-breaking inflation is enabling more and more families to realize the American dream of owning a home.

- But the progress we've made can't be taken for granted. We can't go back to the same taxing and spending patterns of the last decade and expect that we will not also fall into the pit of recession, inflation, and stagnation from which we are just now emerging.
- These deficits that you hear and read so much about have to be brought under control. But the answer to the deficit is not raising tax rates and pushing us back into recession. The answer is economic growth and a responsible program to control Federal spending.
- American workers like you have worked too hard for their money just to let Uncle Sam tax it away, or steal it away through the hidden tax of inflation.
- I'm going to do my part to keep this economic recovery going, building on our strengths and widening opportunities for all of us.
- I've interrupted your work long enough here, so thank you and God bless.

Ref: SS

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## THE WHITE HOUSE

WASHINGTON

April 10, 1984

### MEETING WITH REPRESENTATIVES OF THE HOUSING INDUSTRY

DATE April 12, 1984  
TIME 10:15 - 11:05 a.m.  
LOCATION Arlington Hilton Hotel  
Arlington, Texas

FROM: FAITH WHITTLESEY 

#### I. PURPOSE

To participate in a discussion of the economic recovery of the housing industry with representatives of that industry.

#### II. BACKGROUND

This panel discussion is being sponsored by BUILDER, the magazine of the home-building industry, to highlight the tremendous growth of the housing industry during the economic recovery. Panelists are local and national representatives of major segments of the industry, including building, realty, finance, and architecture.

The economic recovery has been very dramatic in this industry. New home starts and completions and the numbers of first-time buyers have reached records in recent months. The Dallas area is a leader in this phenomenon.

The major concern of members of the industry is the potential negative effect of Federal deficits on interest rates and taxes: is this growth sustainable? The answer is yes, by pursuing policies that encourage economic growth and discourage unnecessary Federal spending.

#### III. PARTICIPANTS

14 housing industry representatives (list attached).

#### IV. PRESS PLAN

Open press coverage.

#### V. SEQUENCE OF EVENTS

10:15 a.m. THE PRESIDENT arrives Arlington Hilton, is announced off-stage, and proceeds to seat at table.

10:20 a.m. Michael Wood, Publisher of BUILDER Magazine and panel moderator, introduces panelists, summarizes earlier presentations, and introduces THE PRESIDENT.

10:25 a.m. Remarks by THE PRESIDENT.

10:30 a.m. THE PRESIDENT concludes remarks. Mr. Wood introduces selected panelists for brief remarks by each:

SEQUENCE OF EVENTS (cont'd)

Mr. David Smith, Second Vice President and Secretary,  
National Association of Home Builders - remarks on  
housing starts.

Dr. Jack Carlson, Executive Vice President, National  
Association of Realtors - remarks on home sales.

Mr. Paul Prior, Chairman, U.S. League of Savings  
Institutions - remarks on housing finance.

10:40 a.m. Mr. Wood opens and moderates question and answer session.

10:50 a.m. THE PRESIDENT makes brief closing remarks. Mr. Wood  
summarizes and closes discussion.

10:55 a.m. THE PRESIDENT proceeds to holding room for photo oppor-  
tunity with panelists and members of the audience.

11:05 a.m. THE PRESIDENT completes photo opportunity and departs.

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Attachment: Background on questions and answers.  
List of panelists

## DISCUSSION PANELISTS

Michael Wood - Moderator  
Publisher  
BUILDER Magazine

Frank Anton  
Editor  
BUILDER Magazine

David Wilson  
First Vice President  
Shearson/American Express, Inc.

David Smith  
First Vice President  
National Association of Home Builders

James A. Rankin  
Executive Vice President  
Nutone Division of Scovill, Inc.

Merrill Butler  
President  
Butler Housing

Barbara Ann Kirk  
National Association of Women in Construction  
Partner

Vance C. Miller  
President  
Henry S. Miller Co.

Frank F. Burgen  
President & Chief Executive Officer  
Celotex Corporation

Paul Pryor  
National Chairman  
U.S. League of Savings Institution

Joe Howell  
President  
U.S. Development Corporation

Lloyd S. Bowles, Sr.  
Chairman of the Board  
Chief Executive Officer  
Dallas Federal Savings & Loan

Jack Carlson  
Executive Vice President and Chief Economist  
National Association of Realtors

Paul R. Seegers  
Vice Chairman and Co-Chief Executive Officer  
Centex Corporation

# MEMORANDUM FOR THE PRESIDENT

TO: ED ROLLINS *ER*  
THROUGH: FRANK J. FAHRENKOPF, JR. *FJ*  
DATE: APRIL 9, 1984  
FROM: WILLIAM I. GREENER, III *WIG*  
SUBJECT: TEXAS — POLITICAL BRIEFING

## STATE POLITICAL BACKGROUND

- 1980 presidential results:  
statewide: Reagan 55% Carter 41% Anderson 3%  
Dallas County: Reagan 60% Carter 37% Other 3%
- Electoral Votes - 29 1984 GOP Convention delegates - 109
- Republicans have won:  
-- only 5 of the last 28 presidential elections since Reconstruction  
-- a U.S. Senate seat only once since Reconstruction;  
-- the governorship only once since Reconstruction;
- A March Tarrance survey of Texas voters showed President Reagan with an approval rating in the state of 62% against a disapproval rating of 29%.
- A late-January Tarrance survey found 51% of the Texans polled felt the President should be re-elected, 33% did not want the President re-elected, and 15% were unsure.

## 1984 PRESIDENTIAL ELECTION

- Presidential primary: May 5, 1984
- Texas primary summary:
  - Mondale: Has picked up major support among the party regulars including U.S. House Majority Leader Jim Wright, San Antonio Mayor Henry Cisneros and ex-state Democratic Chairman Calvin Guest; the campaign has organizations in 125 of the state's 254 counties including the 50 which will send 80% of Texas' 200 delegates to the Democratic convention.
  - Hart: Is expected to receive up to 50% of Glenn's former supporters; U.S. Rep. Martin Frost is the state chairman and former Carter campaigner James Pouland is the state coordinator; since Hart's wins in New England, the campaign has set-up organizations in all of Texas' 31 senatorial districts; Texas' only black legislator, Sen. Craig Washington has endorsed Hart.
  - Jackson: Is again centering his organizational efforts primarily around church groups; state Rep. Al Edwards of Houston is statewide coordinator; has called for the abolishment of Texas' right-to-work laws.
- March Tarrance head-to-head survey:

Reagan	61%	Reagan	53%
Mondale	30%	Hart	39%
Undecided	9%	Undecided	9%

## STATE POLITICAL BACKGROUND

- The 1984 primary for federal, state and local elected offices is scheduled for May 5. If run-off elections are needed, they will be held on June 2.

## U.S. SENATE:

- Texas Republicans' most prominent officeholder, four-term Senator John Tower is retiring at the end of the year.
- Republican candidates for his seat are conservative U.S. Rep. Phil Gramm, ultra-conservative U.S. Rep. Ron Paul, Houston oilman and attorney Rob Mosbacher, and conservative former Houston state Sen. Henry Grover. The Democratic candidates vying for the nomination are moderate former U.S. Rep. Robert Krueger, liberal state Sen. Lloyd Doggett, and Boll Weevil U.S. Rep. Kent Hance.
- The March Tarrance survey shows Gramm leading among the GOP contenders and Krueger leading among the Democrats. In a head-to-head contest, Gramm led Krueger by a 46.1%-39.9% margin.

## GOVERNOR:

- In 1982, Democrat Attorney General Mark White defeated incumbent Republican Governor William P. Clements, Texas' first modern-day GOP governor in 100 years, by a 53%-46% margin.

U.S. HOUSE OF REPRESENTATIVES:      6 Republicans      21 Democrats

- Key 1984 congressional races:
  - **6th C.D. (Dallas - Fort Worth - Houston (suburbs) - Bryan):**  
Incumbent Republican Phil Gramm is running for the U.S. Senate. GOP candidates in this strongly Democrat district include former U.S. Department of Energy employee Joe Barton, attorney Robert Harris, real estate agent Mrs. Pat Friederichs, and lobbyist Max Hoyt. Democratic candidates are former state Rep. Dan Kubiak and ultra-liberal Sen. Hugh Parmer.
  - **19th C.D. (Northwest - Lubbock, Odessa):**  
Incumbent Democrat Kent Hance is running for the U.S. Senate. GOP candidates in this traditionally Democratic but conservative district are businessman and former assistant to Sen. Tower Larry Combest, CPA Ron Fleming, University of Texas (Permian Basin) professor Thomas E. Schaefer, and retired Air Force officer Richard Wilder. The Democratic candidates are agricultural economist Gary Condra and former state Rep. Delwin Jones.
  - **22nd C.D. (Southwest Suburban Harris County, Fort Bend and Brazoria Counties)**  
Incumbent Republican Ron Paul is running for the U.S. Senate. Six Republicans are vying for the nomination in this Republican district. There are three Democrats -- none are considered a substantial contender.

## STATE LEGISLATURE:

- |                |                |               |             |
|----------------|----------------|---------------|-------------|
| • State Senate | 5 Republicans  | 26 Democrats  |             |
| State House    | 36 Republicans | 110 Democrats | 4 Vacancies |

REPUBLICAN STATE PARTY OFFICIALS

STATE CHAIRMAN	George Strake, Jr.
NATIONAL COMMITTEEMAN	Ernest Angelo, Jr.
NATIONAL COMMITTEEWOMAN	Fran Chiles
REAGAN-BUSH '84 STATE CHAIRMAN	U.S. Senator John Tower
CO-CHAIR	Mrs. C. Frederick (Martha) Wiesend
FINANCE CO-CHAIRS	
Sam Barshop	William B. Blakemore, II
Robert H. Dedman	Michael T. Halbouty
Walter M. Mischer, Sr.	Mrs. William P. (Rita) Clements
Mrs. T. Boone Pickens, Jr.	



TOM COLEMAN (R-MISSOURI)

Congressman Tom Coleman is Chairman of the House Republican Research Committee's Task Force on Foreign Policy. In that capacity, he has established a Central America Working Group which has been very supportive in helping advance the Administration's policies toward Central America.

Tom Coleman represents the Sixth District of Missouri which encompasses the Northwestern quarter of the State, including part of Kansas City. A moderate Republican, he sits on the Agriculture and Education and Labor Committees. He is presently serving his fourth term in Congress.

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## THE WHITE HOUSE

WASHINGTON

April 11, 1984

### RECEPTION FOR NRCC'S REPUBLICAN CONGRESSIONAL LEADERSHIP COUNCIL

DATE: Thursday, April 12, 1984  
LOCATION: Residence  
TIME: 5:00 p.m.  
  
FROM: Margaret Tutwiler

#### I. PURPOSE

To show support and appreciation for the RCLC, the NRCC's major donor group.

#### II. BACKGROUND

The Republican Congressional Leadership Council is the only major donors program of the National Republican Congressional Committee. The group is comprised of 435 Republicans who contribute \$2,500 per year to the NRCC candidates' fund for direct cash contributions to GOP Congressional campaigns. Here for a day-long briefing, the RCLC members will have heard earlier in the day from Senator Paul Laxalt, Ambassador Jeane Kirkpatrick, Maureen Reagan, Congressman Newt Gingrich and NRCC Executive Director Joe Gaylord.

#### III. PARTICIPANTS

Approximately 150 RCLC Members and their guests  
NRCC Senior Staff  
Senior White House Staff  
Also scheduled to attend are several members of Congress, and speakers from the day's program.

#### IV. PRESS PLAN

No press coverage. NRCC Photographer and White House Photographer only.

#### V. SEQUENCE OF EVENTS

As outlined by the White House Social Secretary.

#### VI. TALKING POINTS

Remarks have been prepared by the White House Speechwriters.

SEQUENCE OF EVENTS:

RECEPTION  
National Republican Congressional  
Leadership Council  
Thursday, April 12, 1984

TIME:

4:30 p.m.

LOCATION:

State Floor

DRESS:

Business Suit

NUMBER OF GUESTS:

300

FROM:

Gahl L. Hodges 

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4:15 p.m.

Guests (on buses) begin to arrive the Diplomatic Entrance via the Southeast Gate and proceed to the State Floor via the Grand Staircase.

Refreshments will be served in the East Room.

4:50 p.m.

Guests are ushered into the East Room.

The following dais participants hold in the Green Room:

-- Representative Guy Vander Jagt  
Chairman, National Republican  
Congressional Committee

-- Mr. Richard DeVos, Sr.  
Co-Chairman, National Republican  
Leadership Council

-- Mr. Richard DeVos, Jr.  
Co-Chairman, National Republican  
Leadership Council

4:55 p.m.

Dais participants depart the Green Room via the Cross Hall enroute the East Room.

They take their designated places on the platform in the East Room.

THURSDAY, APRIL 12, 1984

5:00 p.m. THE PRESIDENT arrives the State Floor via elevator and proceeds to the East Room via the Cross Hall.

Announcement.

THE PRESIDENT proceeds to the platform in the East Room.

Remarks by THE PRESIDENT.

5:05 p.m. At the conclusion of his remarks, THE PRESIDENT proceeds to the Blue Room via the Cross Hall.

THE PRESIDENT takes his place in front of the fireplace in the Blue Room for the receiving line.

The receiving line will feed from the northeast door of the Green Room into the Blue Room, past THE PRESIDENT in front of the fireplace in the Blue Room, through the south door of the Blue Room into the Red Room, and back into the East Room via the Cross Hall.

5:20 p.m. At the conclusion of the receiving line, THE PRESIDENT departs the Blue Room via the Cross Hall doors enroute the elevator.

5:45 p.m. All guests depart the Residence via the Grand Staircase and the Diplomatic Reception Room enroute their buses on the South Lawn.

Favors will be given to guests upon their departure from the Residence.