CHAPTER FIVE

A Dream Denied

As the homes, so the state.
—A. Bronson Alcott, Tablets

Once a cornerstone of the government’s plan to ease the postwar housing shortage, during the summer of 1949 Lustron struggled to maintain its financial viability. On August 30, 1949, the RFC approved a seventh and final loan. The $2 million loan brought the company’s total indebtedness to $37.5 million, an amount representing nearly 10 percent of the total outstanding loans in 1949 made by the RFC to industrial and commercial enterprises. Like the three previous loans, it provided operating capital to assist a final push toward commercial production. The ever optimistic Strandlund told reporters that if Lustron could survive the winter of 1949–1950, it would have the opportunity to refine dealer relations, introduce a second generation of houses based on Carl Koch’s designs, and address weaknesses in the production system. Privately, however, Strandlund realized he was sitting on top of a powder keg. With operating losses exceeding $1 million for August, the company could not maintain the principal payment on the original $15.5 million loan. The RFC agreed to accept only the interest payment with the understanding that all the loans would be reconfigured once a final assessment of the company’s capital requirements could be calculated.

Lustron’s continuing dependence on RFC loans underscored its vulnerability to the political controversy swirling around the agency. The company’s association with the RFC had been controversial from the beginning. Each time the Banking and Currency Committees of the House and the Senate reviewed RFC lending practices, the Lustron loans received prominent attention. Congressional scrutiny and criticism touched off a cascade of negative publicity that frequently cast the venture as a government-sponsored boondoggle. Although the RFC survived another round of investigations during the summer of 1949, its board felt tremendous pressure to justify the agency’s existence and smooth over controversies regarding the administration of its loans.
Congress also questioned a recurring pattern of RFC personnel accepting employment with loan recipients. Lustron had welcomed a number of former government employees into its executive ranks, including several from the RFC. Given Lustron’s entanglements with the federal government, Strandlund saw these men as valuable additions to the firm and relied on them to help guide the company’s interactions with key federal agencies. He also recognized the danger of such associations. However, he found it increasingly difficult to oppose personnel suggestions from the RFC, especially as the company’s financial situation deteriorated. To his dismay, he found the RFC all too willing to attempt to control the selection of key personnel. As it became apparent that a faction within the RFC was targeting Strandlund personally, he began to see his dreams fade slowly away.

A Trojan Horse?

The continuing furor over the Lustron loans focused congressional concerns on potentially corrupt practices within the RFC. The Senate Banking and Currency Committee had expressed a desire since 1948 to implement a general reorganization of the RFC. The committee’s interest stemmed from a change in policy in 1947 that separated the RFC from the supervision of the office of the Federal Loan Administrator and allowed the RFC Board of Directors to make loans without formal oversight. The reorganization plan proposed vesting the management of the RFC in a single governor who would replace the five-member board. The committee observed that “the impairment of [the RFC] is the result of deterioration which has occurred in the Corporation’s top management structure . . . only a drastic action can restore the integrity of RFC.”

Personality also played an important role in the ongoing controversy over the administration of the RFC. J. William Fulbright (D-AK) assumed the chairmanship of the Senate Banking and Currency Committee after the 1948 elections and led the charge for reform. President Truman had a history of personal conflict with Fulbright. On the eve of the Republican sweep of the 1946 congressional elections, Fulbright told a reporter that Truman should appoint a Republican secretary of state, who would be next in line for the presidency since the office of vice president was vacant, and then resign. Truman scoffed at the suggestion, privately called Fulbright “an over-educated Oxford SOB,” and thereafter frequently questioned the judgment of “Senator Halfbright.” Undoubtedly Fulbright knew of Truman’s opinions.

As congressional investigation of the RFC proceeded, the Lustron loans received comprehensive scrutiny. Testifying at Banking and Currency Committee hearings in both houses, Strandlund presented the company’s view of its recent relationship with
In Strandlund’s opinion, the origin of Lustron’s problems with the RFC dated back to June 1948 when director Harvey Gunderson asked him to attend a meeting in the corporation’s Chicago offices. During the meeting Gunderson urged Strandlund to employ E. Merl Young, a loan examiner with the RFC, as assistant secretary of Lustron at an annual salary of $12,000. Strandlund agreed and installed Young in a Washington, D.C., office to serve as a lobbyist for the company. Considering Young’s background and connections, it seemed a logical assignment.

A native of Missouri, Merl Young entered government service in 1940 as an assistant messenger for the General Accounting Office. His wife, Lauretta, found employment as a stenographer in the office of the junior senator from Missouri—Harry Truman. After serving in the Marine Corps from June 1942 to October 1945, Young landed a job at the RFC as an “expediter” in the Surplus Disposal Branch. His wife followed Truman to the White House and served as an assistant to Rose Conway, a senior secretary.

Young soon became a close friend of Donald S. Dawson, RFC personnel director. Dawson and Lauretta Young had both been born in Cedar County, Missouri, and their families had a passing familiarity. In 1946 Merl Young won a promotion to the position of RFC examiner and in the following year became a senior financial examiner. In this capacity Young reviewed loan applications and advised the RFC Board on the advisability of acceptance or denial. Described as “brash but likable,” Young was extremely ambitious and often “talked up” his connections to the White House. He also intimated that he was related to the president because Truman’s mother’s maiden name was Young.

Young first crossed Lustron’s path during the application and review process for the company’s second loan. Apparently he had “concurred” with the loan request when asked by Gunderson to review the Lustron file. The motives for Young’s move to Lustron remain unclear. Was he to serve as an RFC insider and report on Lustron’s management team? Did his appointment simply reflect the classic Washington pattern of hiring former government officials as lobbyists? Or was it purely a patronage position? Strandlund’s ready assent in hiring Young also calls into question his motives. Records do not reveal that he was upset by Gunderson’s meddling at the time, and Strandlund probably saw the value of hiring such a “well connected fellow” as Lustron’s man in Washington. Further, Strandlund was undoubtedly reluctant to deny the wishes of an RFC director “whose integrity [he] never had reason to question” since he knew the company would require additional loans.
However, Strandlund's relationship with Young began to deteriorate soon after he joined the company. With Young in Washington and Strandlund in Columbus, Young remained free from close managerial oversight. Apparently, Young believed that his duties as assistant secretary of Lustron included working for Truman's 1948 reelection campaign. A publicity pamphlet published by the Democratic National Committee listed him as a "campaign assistant." Young also made a series of "political trips" to Texas, Illinois, Ohio, Michigan, New York, and Missouri during the campaign, and he joined Truman's whistle-stop entourage during the week before the election.

Soon after Truman's victory, Strandlund received a call from Harley Hise, chairman of the RFC, requesting that he join Hise and Young at the Statler Hotel in Washington. At the meeting Hise suggested that Strandlund promote Young to vice president at an annual salary of $18,000. Strandlund reported that Hise wanted to see Young "get something out of it," meaning Young's efforts on the campaign trail. Again Strandlund assented, and Young's promotion became effective in December 1948.

Another facet to the Young saga involved his association with the F. L. Jacobs Company, an appliance and vending machine manufacturer with several outstanding RFC loans. Rex Jacobs, president of the company, hired Young in December 1949 at $10,000 per year "to promote the installation of vending machines in the Washington area." Subsequent testimony revealed that neither Strandlund nor RFC officials knew about Young's "double-dipping." Strandlund claimed that he "would have taken measures to correct the situation if [he] had known" about the arrangement.

As a self-described "man with pretty close contact in high circles," Young may have also played a role in the selection of Walter Dunham, a Republican, to the RFC Board in February 1949. The RFC Act required that no more than three of the five board members belong to the same political party. With three Democrats already in place, administration officials naturally sought a liberal Republican, and Dunham seemed a logical choice. Interestingly, Dunham's closest White House contact during the interview process was Donald Dawson, the former RFC personnel director, then serving as a personnel assistant to the president. When Dawson asked Dunham if he "could work in harmony with the Democratic Party," Dunham replied that he "could work in harmony with anybody." After Dunham's appointment, Young commented to Strandlund that "his man" had been selected and that Strandlund should come to Washington as soon as possible to meet the new director.

When Strandlund, Young, and Dunham met in March 1949, Dunham informed Strandlund that he expected "to take a great deal of interest" in Lustron. Dunham further opined that the RFC had not treated Strandlund fairly and that "if [he] had been handling the case [he] would have given Lustron $50,000,000 and let the project go ahead without interference." Strandlund then invited Dunham to the plant for an "informational" tour, and on May 4 Dunham and Richard Dyas, chief of the
RFC Housing Branch, came to Columbus and told Strandlund that they were impressed with the operation and pleased with the company’s progress.18

Within a month, however, Dunham’s assessment had apparently changed. When he visited the plant on June 22, Strandlund reported that Dunham “had done a complete about face and reversed his previous appraisal” and “urged that practically all of the top executives in Lustron be fired.” In deference to Dunham’s suggestion, Strandlund fired sales vice president Richard Jones and agreed to hire V.A. McKechnie, a business associate of Dunham’s, as Lustron’s vice president of operations. “I learned thereafter that [McKechnie] was in almost continuous secret communication with Mr. Dunham,” Strandlund later told the Fulbright committee.19

During one of Strandlund’s frequent visits to Washington to testify before Congress, he met with Dunham and Young, who informed him that Rex Jacobs would visit the Lustron plant in July. On July 6 Jacobs came to Columbus. While he was in Strandlund’s office, Dunham called. Dunham asked if Jacobs was there and urged Strandlund to “talk freely” with him. After a plant tour, Jacobs offered a proposition. If Lustron would use the Jacobs Company’s washing machines in its houses, he would offer a $15 kickback per machine to Merl Young. Strandlund explained that Lustron had an exclusive contract with the Thor Corporation for the combination dishwasher/washing machine and that “the house could not stand the $15 extra charge for Young.” Jacobs asked, “what shall I tell Walter [Dunham]?” Strandlund replied, “tell Walter to keep his shirt on.” Recalling the incident several years later, Strandlund observed, “From then on I was in trouble.”20

Whether a cabal of RFC officials, with the help of Lustron “insiders” Young and McKechnie, attempted to engineer a takeover of Lustron remains unclear. Certainly this would have been the lesser of two evils for the RFC. Given the political climate, the agency could ill afford to see Lustron fail without evidence of “proactive involvement.” However, the limits of proactive involvement held dangers as well, for such interference would likely be cast as undue influence by congressional critics of the RFC. On the other hand, if a takeover succeeded and Strandlund’s management team was ousted, the RFC could claim that it was protecting the interests of the taxpayers by reorganizing the company. What is clear, however, is that Dunham, Jacobs, Young, and other representatives of the RFC began in earnest to pressure Strandlund to relinquish managerial control beginning in August 1949.

Boxing Carl

On August 15, as negotiations for the final $2 million loan proceeded, Strandlund again met with Dunham. Strandlund reported that Dunham “stated in threatening
language that [the RFC] would close down the plant, stop the operation, [and] consolidate it with some other enterprise, the identity of which he would not disclose," unless Lustron’s board immediately voted to transfer full control of the company to a management committee appointed by the RFC. Stunned, Strandlund met with RFC director Harvey Gunderson, who informed him that “no such action would be taken.” However, as a condition of the final loan agreement, the RFC insisted on a clause requiring Lustron to accept “a committee nominated by RFC with full powers of investigation, to confer and advise with borrower’s management and report direct to RFC.” On the same day, the RFC Board passed a resolution prohibiting Lustron from purchasing additional inventory without the specific approval of the agency.22

Strandlund’s furor over the attempt to “strangle Lustron’s operations” increased on August 31 when the RFC appointed Rex Jacobs and Edward J. Hunt, a former RFC employee then with the Chrysler Corporation, to investigate Lustron’s progress and prospects. On September 7 and 8, Jacobs, Hunt, Young, and Dyas inspected the plant and began compiling data for submission to the RFC Board. Interestingly, the Jacobs-Hunt report, as it became known, stated that Lustron’s operations were “sound” but recommended a wholesale change in the management structure with promotions for Young, to president, and McKechnie, to executive vice president.23 Apparently RFC chairman Hise agreed and telephoned Strandlund on September 14 requesting the resignation of all Lustron’s officers and directors except Strandlund himself. When Strandlund asked to see the Jacobs-Hunt report, Hise suggested that he come to Washington to discuss the matter before the entire RFC Board.24

Strandlund arrived in Washington on September 26 and found only Dunham and fellow director William E. Willett in attendance. Dunham reiterated the request for the resignations and also informed Strandlund that he would be required to relinquish control of 60,000 of his 86,000 shares of Lustron stock without compensation. The shares would then be distributed to the new, and as yet unnamed, management team. Again Strandlund approached Gunderson after the meeting. Gunderson assured him that he could retain his stock but offered no hope of forestalling a general reorganization. On October 4 Strandlund received a telegram from Hise informing him that the “resignations must be in our hands on next Monday, October 10, or it will be necessary for this Corporation to take immediate action designed to protect its interests.”25

On October 5 Strandlund wrote Hise a lengthy letter requesting a copy of the Jacobs-Hunt report and suggesting that the agency delay any action until the engineering consulting firm Booz, Allen & Hamilton completed its analysis of Lustron’s status and prospects.26 Due for completion in December, Strandlund promised to implement the suggestions contained in the Booz, Allen report. The next day Strandlund received a call from Merl Young “in which he strongly urged [him] to accede to Mr.
Dunham’s demands and stated that [he] would have nothing to fear from them.” Young apparently assured Strandlund that he could remain as chairman of the reorganized firm with a lifetime contract and a salary increase. Strandlund reported that he “could not find it in [his] conscience to accept such a proposal.”

As Strandlund and the RFC battled behind the scenes, the Lustron situation drew increasing attention in the House of Representatives as a number of Republican members took the opportunity to implicate the Truman administration in a scandal. On October 11 Representative Albert Cole introduced a resolution authorizing an investigation of the RFC and Lustron. His accompanying remarks offered a rationale for the inquiry:

The following questions should be answered. By what authority were these loans made? Can the experiment succeed? If it succeeds, will a private monopoly of the prefabricated housing industry be created? If it fails, will the Government take over and socialize the prefabricated home building?

Representative Charles Vursell (R-IL) rose in support of the resolution and offered a detailed account of Lustron’s history that focused on the origins of White House support, the lack of invested private capital, and the high cost of the houses to consumers. The only positive aspect of the entire episode, Vursell sarcastically noted, was that Wilson Wyatt “resigned, and at least that much was accomplished for the good of housing in the Nation.” Vursell also reached for an irresistible comparison of the Lustron venture with Soviet central planning when he stated that “these houses should go over big and be a luxury in Russia where the Government tells you where to live and in what type of house you shall live.”

Lustron again took center stage during debates on the floor of the House in early October over proposed amendments to Section 102 of the National Housing Act. One of the amendments included a provision authorizing $25,000,000 for marketing and financing assistance for dealers of prefabricated houses. The debate highlighted a frequent dilemma for critics of the company and evidenced the separation of “dealer interests” versus “company interests” in discussions about the future of Lustron. Many congressmen who found it easy to criticize the company became ardent defenders of the company’s dealers, who represented the archetypal virtuous small businessmen. Could the government so easily abandon them?

Representatives Cole, Jesse Wolcott (R-MI), Brent Spence (D-KY), and A. S. Mike Monroney (D-OK) engaged in a lively exchange in Congress and in the press during October regarding the efficacy of continued government support for prefabricated housing companies and their dealers. The debate illustrated various perceptions of the Lustron situation. Cole and Wolcott favored the immediate liq-
uidation of the company and the initiation of legal action against Strandlund. “Over $3,000,000 worth of houses are crated and stand forlornly on trailers at the Lustron plant, with no takers,” Cole said, and “the problem of sales and distribution of these houses is still . . . a mystery.”31 Both also argued that the $25 million on the table for prefab dealers represented another “subsidy” to Lustron that would effectively shut out dealers of “more worthy” prefabricated housing firms. Spence and Monroney countered that at least twelve manufacturers of prefabricated housing would benefit from additional funding for dealer financing and marketing programs. The money would “move the product, not aid in the manufacture of more product” and “put prefab dealers on a par with conventional contractors, who have access to interim financing,” Spence argued.32

Regarding Lustron, Monroney asserted that the government needed to find out whether marketing and dealer problems could be solved. “Like it or not, it has $37.5 million in government money,” he said, and apparently “cannot reach the market on account of lack of some type of financing which we are freely giving to the conventional builders all over the country.” Why squander the government’s investment without addressing dealer issues? If more funding will solve the problem, then Lustron could repay its debts. If not, at least the government retained its right to “salvage a portion of this investment.” Ultimately, Congress rejected Spence and Monroney’s arguments and withdrew appropriations for additional support of prefab manufacturers and their dealers.33

Meanwhile, an RFC report citing Lustron’s inability to make principal payments on any of its loans swayed many congressmen to consider “closing the book” on the company.34 In October, Lustron laid off over 2,000 employees, leaving barely 1,000 remaining from a high of 3,400 in June. Worse yet, the company owed over $20 million to the RFC in principal and interest payments that came due in January 1950. Lustron’s relationships with American Community Builders and the Galbreath Mortgage Company also came under suspicion when congressional investigators revealed that both firms held outstanding loans from the RFC. Galbreath denied drawing on the loan, and American Community denied that the intent of its loan application was to finance the purchase of 2,000 Lustron homes for the Park Forest project.35

Back in Columbus, Strandlund scrambled to regain control of his enterprise. His attention turned first to Merl Young. “I concluded that there was no doubt as to Merl Young’s disloyalty to our organization,” he said, but removing this “Trojan Horse” was fraught with danger. Rather than fire Young outright, Strandlund chose to relocate him to Columbus and assign him “duties in which he would be more useful to the company.” Strandlund informed Young of this by letter on October 10, and Young responded with a letter of resignation. Young related his regrets but indicated that he felt compelled to resign due to the company’s “failure to adopt policies of retrenchment” that
he had “urged for some time past.” This was news to Strandlund, who claimed Young had never discussed Lustron’s “retrenchment” with him. Curiously, Young’s letter set his resignation date at November 30, nearly six weeks hence. “It occurred to me that he may have felt that by November 30 there might be such changes in management as would permit him to withdraw his resignation before its effective date,” Strandlund surmised.36

Satisfied for the moment with the Young situation, Strandlund prepared a strategy to forestall what he believed was an RFC “takeover” of Lustron. The proposal, completed on October 24, called for a new board of seven directors, three selected by the RFC, three selected by shareholders, and the seventh chosen by the previous six. Further, Strandlund agreed to transfer control of his shares to a “voting trust” and included a provision giving the RFC the right to convert the amount of Lustron’s indebtedness into common stock with full voting rights if the company failed to meet a revised repayment schedule.37

RFC chairman Hise wrote to Strandlund on November 9 advising him that the RFC directors had considered the proposals and “did not find them satisfactory.”38 On December 18, Richard Dyas, assigned by the RFC Board as liaison for Lustron, asked the company to submit a more detailed reorganization proposal no later than January 6, 1950. If the company failed to devise an acceptable plan, the RFC would “give immediate consideration to the protection of the Government’s interests by other means at its disposal.”39 Clearly this meant foreclosure, and Dyas offered to come to Columbus and assist in the formulation of a revised proposal.40

Lustron submitted the revision to the RFC via messenger at 3 P.M. on January 6, 1950. A reorganized board headed by Phillip Klutznick, former FHA commissioner and president of American Community Builders, led the list of changes. Additional members of the board included Harley Hise; current member Howard E. Buhse, a partner in Hornblower and Weeks; current member Louis Leverone, president of the Automatic Canteen Company; Strandlund; and two members to be selected later, “preferably outstanding figures in the mortgage, building, or construction fields.” Next, the proposal called for the creation of the Lustron Development Corporation, a subsidiary headed by Klutznick, which would give “particular attention to distribution problems and to the promotion of rental and other projects utilizing Lustron homes.” Klutznick would receive 25 percent of Lustron stock, partly from Strandlund’s personal holdings. Strandlund, however, would remain as president of the Lustron Corporation.41

Perhaps the most significant aspect of the proposal was a request for an additional $3–5 million in working capital, “to be disbursed as needed.” The amount reflected Strandlund’s ever optimistic prediction of Lustron’s output during the first six months of 1950. He estimated that the company could produce—and, more importantly,
sell—2,800 houses, a conservative assessment in his opinion, considering “the very
real probabilities of project sales well in excess of 5,000 houses.” To support his claim
he submitted a list of twenty fleet sales projects in various stages of development,
eight of which were for military housing. The proposal also requested the resched-
uling of all of Lustron’s outstanding debt to the RFC to mature in 1958 at 4 per-
cent interest payable quarterly, “but only to the extent that net income provides funds
for that purpose.” In other words, until Lustron returned a profit, it would not have
to pay down its debt. Further, the plan provided for the removal of restrictions attached
to the stock owned by Strandlund and his wife and for the elimination of the per-
sonal guarantee placed on his assets, both requirements of the original $15.5 mil-

In Strandlund’s view these requests and the appeal for additional capital repre-
sented valid and necessary aspects of the reorganization plan. As he told Dyas, “the
likelihood of securing any substantial additional [private] equity capital for the com-
pany at this time appears extremely remote.” Indeed, on January 11 Strandlund
received a telegram from the RFC advising the company that the directors had “con-
sidered and declined” the proposal. In rendering its decision, the RFC relied heav-
ily on the completed report from the consulting firm Booz, Allen & Hamilton, which
offered few reasons to risk additional investment. Distilled to its most salient point,
the report stated that “Lustron . . . has produced a house which is in a price class in
which there is no real opportunity for large volume; yet the only hope for a prof-
itable enterprise, against this large investment, is a large volume.”

**Feeding Frenzy**

With appropriations for aid to prefabricated housing manufacturers and dealers eli-
minated by Congress and with an unfavorable report on Lustron from a respected con-
sulting firm, the RFC moved quickly toward foreclosure. *Newsweek* quoted an unnamed
RFC official who observed that Lustron’s proposed reorganization “wasn’t a reor-
ganization plan at all.” Since the company had defaulted by not keeping its loan pay-
ments current, the RFC could technically foreclose at any time by calling the loans.
The only barrier to immediate foreclosure was the desire of the Senate Banking and
Currency Committee to hold additional hearings to “get more light on what [was]
going on between Lustron and the RFC.” Chairman Hise agreed that further
inquiry by the Fulbright committee would bolster the RFC’s decision to end the
Lustron experiment.

The delay, however, also renewed Strandlund’s hopes of working out a new deal,
especially after an RFC official told the *Columbus Dispatch* if Strandlund walked in
with an acceptable reorganization plan “we would not arbitrarily tell him he is just too late.” But the company evidently squandered its “grace period” by offering no additional plans to the RFC. Apparently Strandlund refused to compromise since he believed he was being “railroaded” by the agency.49 Further, he remained confident in his ability to convince the Fulbright committee to halt the foreclosure. Yet after only three hours of testimony in executive session, the committee essentially washed its hands of the matter and “quickly turned it back to the RFC.” Fulbright said he “saw no reason to interfere” and believed the committee was “not in a position to override the RFC.”50 Lustron’s old friend Senator Ralph Flanders stood as the lone voice on the committee in defense of the firm. Flanders called the Lustron house “the best mass produced design for housing” and said that the company had merely “run into difficulties which beset all new businesses.”51

The specter of foreclosure set into motion a flurry of activity among Lustron’s creditors, dealers, and employees. Columbus banks took the precautionary measure of requiring the presentation of all Lustron checks at the bank on which they were drawn. This was an effort to prevent losses on uncleared checks, since in a foreclosure all corporate accounts would be immediately frozen.52 And yet, after the RFC rejected the January 6 reorganization plan, many dealers traveled to the plant with the intention of purchasing as many houses as possible. W.W. Lobdell, president of Lobdell Realty Company, the Lustron dealer in Rockford, Illinois, came to buy “all the houses Lustron will sell” to complete a 200-house Lustron subdivision. Other dealers also vied for remaining inventory. Quickly, the houses Representative Cole had said stood “forlornly on trailers at the Lustron plant, with no takers,” were gone. The company also received over 6,000 additional “firm” orders, defined as orders accompanied by a 10-percent cash down payment.53

Lustron employees agreed to keep “at the job” until the RFC ordered the company to halt production. Albert Henry and Betty Lintner of the Order Department reported that they were “busier than ever” and expressed confidence that the company could succeed if given more time and more money. “I don’t think a few more dollars would hurt,” Lintner said; “I think the company has shown enough progress that it is ready to go over the top.” Paul Valentine, president of the carpenters’ union local at the plant, pledged the support of the AFL to “stop RFC action and obtain more money for Lustron.”54

Despite optimistic outlooks and promises of action on the part of Lustron supporters, the only major decision left to be made was when and how, not if, the foreclosure suit would proceed. On January 17 the RFC Board ordered its legal department to prepare for court action and asked it to consider whether the next step should be “foreclosure, receivership, or some other legal action to seize the company’s assets.” A simple foreclosure and sale of assets would have been the easiest
course of action, but as Strandlund pointed out in the January 6 plan, it “would probably recover only five cents on the dollar.” RFC attorneys suggested that a better course of action would be to foreclose, appoint a receiver, and explore additional options. Chairman Hise, consulting with Defense Department officials, suggested that the plant could be used to produce badly needed military housing, since Lustron had an excellent reputation and record in this market. When Representative Cole got wind of the idea, however, he strongly objected at yet another attempt “to put the Government into the prefabricated housing business.”

Finally, on February 21, the RFC issued a press release announcing the foreclosure action: “We have withheld action for several weeks . . . nothing concrete has resulted . . . we can wait no longer.” The agency filed the suit in the court of U.S. Federal District Judge Mell G. Underwood. It claimed $22 million from Lustron and $15.5 million from Strandlund since he had given his personal endorsement as part of the original loan agreement. The suit also asked for the appointment of a receiver to oversee the disposal of Lustron’s assets. Depending on circumstances, though, a receiver could also choose to continue operations. During the foreclosure hearings, RFC lead attorney Frank Harrison argued for terminating operations. Already in default, Lustron was “in jeopardy of further loss at the rate of $35,000 a day,” he said. John C. Harlor, Lustron’s attorney, protested that the company was “at peak production and would be operating profitably within a year.”

Lustron’s dealers also emerged as important players in the foreclosure drama. Richard L. Krabach, the dealer in Lima, Ohio; Arthur Padula, the New Jersey dealer; and W.W. Lobdell had organized the Lustron Dealers Association in mid-1949. By February 1950 the Association represented 221 dealers. The original intent of the Association had been to increase communication among dealers and to serve as a clearinghouse for useful marketing and sales information. However, as Congress stepped up its investigations of the RFC-Lustron affair, the Association became more aggressive and politically savvy in drawing attention to the plight of Lustron dealers. The Association frequently contacted members of the Fulbright committee and other government officials to inform them of the dealer perspective on the Lustron saga.

After the RFC filed the foreclosure suit, the Association asked the Fulbright committee to convene hearings examining the implications of foreclosure and possible liquidation on the dealer network. On March 1 dealers and other Lustron supporters offered a number of arguments for “the maintenance of Lustron as a going concern.” Lobdell opened the hearings with the firm assertion that the majority of Lustron’s dealers believed in the company. He also claimed that if a receiver would permit continued production, dealers had customers waiting to purchase the houses. “We are right on the verge of really going to town,” said Lobdell. He told the
committee that Lustron’s dealers did not wish to interfere with the foreclosure suit but desired to publicize their interests and general optimism regarding the future of the corporation. After all, he argued, none of the dealers had ever been called to testify before a congressional committee investigating Lustron or the RFC. “We don’t care who the management is,” said Lobdell; “we are ready to go ahead and build the number of houses necessary to put Lustron back on its feet.”60

Several committee members questioned him about marketing difficulties. Lobdell admitted that his dealership had faced many challenges; excessive site assembly time of the first houses, problems with FHA guarantees, and building code restrictions, but he maintained that nearly all of the problems had been solved. With time, dealers could overcome every barrier to success. “People just didn’t believe it could be as good as it looked . . . because it is so radically different,” Lobdell stated. “Now FHA knows it is a good house . . . we have had wonderful cooperation [and] our sales are pyramiding.”61

Lobdell also explained that Lustron’s dealers had invested over $10 million in the enterprise and that liquidation of the company would cause severe financial harm to all but the most profitable dealers who had already paid off their debts. “If I thought for 1 minute that this house didn’t have a future, we would have quit a long time ago,” he told Fulbright. Lobdell then produced telegrams from ninety-seven dealers who had firm commitments for over 8,000 houses during 1950. Almost every dealer attached glowing comments from their customers about the Lustron house, and most blamed “stupid conflict” between the RFC and Lustron for negative perceptions in the press. “Ask the homeowners,” Lobdell urged.62

He then related an incident illustrating consumer loyalty that occurred during a meeting between Lobdell and a consultant from Booz, Allen & Hamilton who had been in Rockford to research marketing issues for the RFC report. The consultant refused to believe Lobdell when he claimed that customers loved the houses. The consultant said the customers would “talk them up, regardless, just to protect themselves.” Lobdell then put his telephone on speaker and began calling his customers: “I offered those people $2,000 more than what they paid for their house, and without exception everyone we called said: ‘We will not give this house up unless you can get us another Lustron house to move into.’”63

Lobdell also suggested that Lustron’s future could be guaranteed by continued expansion of military and rental project sales. He offered the committee evidence of the success of the Quantico project and the cost benefits of using Lustron houses rather than conventionally built houses in remote locations. The suitability of Lustron houses for rental projects also justified continued production, Lobdell maintained. “You don’t care how dirty the people are that live in the house. All you do is take a hose and wash it off,” he said.64
R. L. Krabach and Arthur Padula echoed Lobdell’s sentiments and reported much the same experiences in their territories. Padula was especially critical of the RFC’s rationale for foreclosure, charging that the RFC did not want to “get control of it,” but desired to destroy the company and close an embarrassing chapter in its history. Leo Goodman, director of the national housing committee of the Congress of Industrial Organizations (CIO), agreed and ended the hearings with an impassioned defense of the entire prefabricated housing industry. “We are seeking to urge the Congress to take steps to help establish an industry which, in the present complex production systems, cannot get off the ground by itself,” said Goodman. He based his argument primarily on the potential contribution of the industry to national defense. Firms such as Lustron, he claimed, would be able to produce a “large volume of homes, easily assembled, in a period when the possibility of attack is a real one.”

Goodman also compared the government’s “short-sighted approach” to prefabrication with the problems faced by early automobile manufacturers, who also found it difficult to deal with people “who failed to realize the tremendous financial potential.” Even if Lustron only served the needs of the military housing market, it would serve a vital national concern. Goodman concluded his testimony by charging that the RFC “was out to kill this industry.” When Fulbright asked for specifics, he raised the issue of “suicide loans”—the sixty-day term loans that gave Lustron little flexibility for repayment and whose default formed the basis of the foreclosure suit.

Apparently, however, the hearings provided Lustron’s dealers little benefit beyond the satisfaction that at least someone had listened seriously to their concerns. In Columbus on March 6, Judge Underwood granted the foreclosure decree to the RFC and appointed Clyde M. Foraker, chief of the Columbus field division of the Internal Revenue Service, as receiver “for a trial period of thirty days.” Judge Underwood also delayed any liquidation sale of Lustron’s physical assets for at least forty-five days and ordered the RFC to work with the company on alternatives to liquidation. Foraker immediately fired most of Lustron’s top management, including Strandlund. Only D.W. Boylan, corporate secretary and comptroller, and W.A. Matheson, general sales manager, survived the foreclosure.

Judge Underwood’s decision and Foraker’s house cleaning brought the main chapter of Lustron’s history to a close. The RFC gained control of the company and guaranteed that the agency would receive at least a portion of its investment. Even Lustron’s supporters agreed that Strandlund could not be a part of the company’s future, if indeed the firm had a future. Although the foreclosure decree ended Strandlund’s personal involvement in Lustron, he remained personally liable for $15.5 million of corporate debt. He felt betrayed by the RFC and believed that he was a victim of a conspiracy to destroy his company.

The March 6 foreclosure decree, the appointment of Clyde M. Foraker as
receiver, and the dismissal of Carl Strandlund and all but two of his management team ushered in the final chapter of the Lustron experiment. Instead of going gently into that good night, however, the company remained at the center of ongoing political and legal controversies. The taint of scandal also trailed the firm far beyond its commercial demise. With $37.5 million of government funds at risk, officious recriminations reverberated throughout Washington as the “blame game” swung into full force.

Requiem for a Prefabricator

Reactions to the plight of the moribund firm ran the gamut from glee, to anger, to despair. Other prefabricated housing companies wondered why Lustron had received a majority of federal funds allocated to aid the prefabricated housing industry. Congressional critics attacked the RFC for a lack of oversight, accused Lustron’s management of incompetence, and questioned the intent of federal support for prefabrication in general and Lustron in particular. Strandlund and his colleagues maintained that Lustron had been the target of a scandalous takeover attempt by a faction of RFC and Truman administration officials. Others believed that Lustron had been sabotaged right at the moment when it had overcome the inevitable birth pangs of a new enterprise.

Senior engineer W. V. Burnell of Stone & Webster, the author of several analytical reports on Lustron’s business, believed that the company had been “deliberately scuttled” to protect the tarnished reputation of the RFC. “Why in Hell can’t somebody in public life come out and say so,” he wrote to a former Lustron vice president. Whether additional time or capital would have produced a different outcome remains unclear. But the reality of foreclosure, bankruptcy, and liquidation initiated a variety of attempts to salvage something of value from the largest experiment in prefabricated housing in the history of the United States.

After accepting his appointment as receiver, Clyde M. Foraker began a search for companies or investor groups willing to purchase Lustron as a going concern. The RFC favored this approach because it offered the best way for the agency to recover its total investment. Reflecting the RFC’s desires as well as his own concerns for the best interests of the taxpayers, Judge Underwood on April 3, 1950, granted an indefinite extension of the thirty-day “trial period” of Foraker’s receivership. Judge Underwood realized that Lustron would be more attractive to potential investors while in operation, with numerous orders on the books from dealers who feared immediate liquidation.

Several possibilities soon emerged. The prefabricated housing firm Gunnison Homes
contacted Foraker but quickly withdrew from consideration after its board rejected
the purchase as excessively risky. Fruehauf Corporation, manufacturer of Lustron’s
delivery trailers through its Commercial Home Equipment subsidiary, also consid-
ered forming an investor syndicate, primarily to protect its $3 million investment
in Lustron. However, chairman Roy Fruehauf ultimately decided to write off
potential losses and keep his firm out of the economic and political vortex. Finally,
Phillip Klutznick, president of American Community Builders, approached
Foraker with a plan to purchase Lustron. Klutznick had been slated to become chair-
man of Lustron had the RFC approved the January 6 reorganization plan.
Klutznick’s syndicate included other merchant builders who wanted to use Lustron
houses for subdivision development. However, when the press reported their
plans, the Klutznick group withdrew its offer. The combination of financial risk and
potential association with the Lustron/RFC imbroglio effectively doused the
enthusiasm of each of the company’s potential “white knights.”

The failure to attract investors increased pressure on Foraker and Judge
Underwood. The RFC urged the judge to approve an auction of Lustron’s physical
assets to facilitate the agency’s purchase of the plant and its disposal on terms favor-
able to their interests. Underwood agreed, and on June 6 the RFC, the only bidder,
acquired the Columbus plant for $6 million at an auction supervised by the court.
RFC officials also announced their intention to continue the search for private investors.
At a separate auction on the same day, the Lafayette Steel Company of Detroit, Michigan,
outbid several other companies and purchased $1.5 million of high-grade steel in
Lustron’s inventory for $645,000.

Yet on the evening of June 9 events took a startling turn. Three Lustron deal-
ers from Illinois went to the Chicago home of U.S. Federal District Judge Phillip
L. Sullivan and requested an injunction to block the sale of Lustron’s plant to the
RFC. The dealers claimed that Lustron owed them a total of $4,842 and feared the
sale would preclude collection. Judge Sullivan issued a temporary injunction that
ordered Foraker to delay the transfer of deeds of ownership to the RFC. Michael
Gesas, an attorney representing the dealers, also requested that Judge Sullivan issue
an involuntary bankruptcy motion. Such a motion would place all of Lustron’s cred-
itors on an equal footing rather than permit the RFC to assume the position of a
preferred creditor to the detriment of all others. Gesas claimed that the Chicago
district federal court had superseding jurisdiction because Lustron was incorpo-
rated in Illinois. Further, Gesas argued that a bankruptcy motion took precedence
over a receivership, thus invalidating the actions of Judge Underwood in
Columbus. Joseph H. Schwartz, one of Lustron’s attorneys, supported Gesas and
filed a consent motion informing Judge Sullivan that Lustron’s officers and direc-
tors desired involuntary bankruptcy. Corporate secretary D. W. Boylan, resentful
of the RFC, believed that an involuntary bankruptcy initiated by Judge Sullivan and overseen by an Illinois bankruptcy court would provide the best protection for Lustron’s dealers.74

The emerging jurisdictional conflict left the company in limbo pending an appeal to the U.S. Circuit Court of Appeals or a negotiated settlement between the parties. Such a settlement seemed unlikely when neither judge indicated a willingness to retreat from his position. On June 14, Judge Underwood, ignoring Judge Sullivan’s temporary injunction, approved the sale of the plant to the RFC and the sale of the steel to Lafayette. On the same morning, Judge Sullivan ordered Lustron into involuntary bankruptcy and issued a permanent injunction barring the sale of Lustron’s assets. However, U.S. Marshall Harold Claypool, acting on Judge Underwood’s orders, formally transferred deeds of ownership to the RFC at 11 A.M. Judge Sullivan issued his orders at 11:20 A.M.75

Judge Underwood was furious. That afternoon he announced that unless the Department of Justice began an investigation of the entire Lustron affair, he would call a grand jury “to do the job.” Strandlund, following events closely from his Columbus home, issued a statement welcoming further inquiry: “Lustron has been smeared and slandered to the point where I believe it is time the public should know the true facts.” RFC director Gunderson responded that the RFC had kept the Department of Justice advised of all potential irregularities in the Lustron files. “I don’t know of anything of a criminal nature on the files,” he said.76 Following a conference on June 18 between Justice Department attorneys, U.S. District Attorney Raymond J. O’Donnel, and Judge Underwood, the Department of Justice pledged to investigate Lustron “without unnecessary delay.” Judge Underwood agreed to postpone impaneling a grand jury pending the results of an investigation. Justice Department attorney William Delaney then released a statement assuring the public that “all evidence indicating criminal aspects are going to be investigated fully and completely . . . in view of facts developed by Reconstruction Finance Corporation investigators and men associated with the receiver.”77

Pending an appeal to the Seventh Circuit Appeals Court in Chicago and the results of the investigation, each side could do little but assemble the necessary documentation to support its case.78 Meanwhile, acting on information uncovered by RFC and Justice Department investigators, the Senate Banking and Currency Committee convened hearings to explore the relationship between Lustron and the Commercial Home Equipment Corporation, a subsidiary of the Fruehauf Corporation that manufactured Lustron’s house delivery trailers. The investigation had uncovered financial inconsistencies and a potential conflict of interest between the firms. Testimony revealed that Commercial Home had overbilled Lustron approximately $500,000 for equipment that it never delivered. Paul Cotter, chief
of the RFC investigation division, said that under a 1948 contract Commercial Home agreed to rent tractors and trailers to Lustron and had failed to deliver, but not to charge, the company for forty out of 200 units. “The conclusion would appear to be inescapable that there was a fraudulent overbilling,” said Cotter. Records indicated that Lustron had paid nearly $3 million in rent for the trailers since 1948. Further, Cotter charged that Lustron officials had “looked the other way” because Paul O. Buckley, a director of Commercial Home, also served on Lustron’s board. In view of the interlocking directorate and Buckley’s “dual capacity,” Cotter asserted that “it is more than a possibility . . . that fraud has been committed against the RFC.”

The committee unanimously agreed, and on July 19 issued its report and recommendations to the Senate. The report criticized the RFC and Lustron officials and recommended a wholesale revision of loan oversight procedures. It concluded that the RFC had been “ineffectual in its supervision of the transportation phase of the Lustron operation” and that officials charged with protecting public funds loaned to Lustron “exhibited an inability to detect irregularities and an indifference to unbusinesslike procedures.” The committee also criticized Lustron’s management for financial incompetence and for allowing Paul Buckley to sit on both boards.

An end to the legal wrangling over Lustron’s demise appeared at hand when the Seventh Circuit U.S. Court of Appeals held a special hearing on the Lustron situation in October. Foraker asked the Court to approve back pay for the seventy remaining Lustron employees, who had been working without pay since the conflict began in mid-June. On October 23, the Seventh Circuit Appeals Court rendered its decision in two separate cases covering the RFC plant sale and the sale of steel to Lafayette. The Court upheld Judge Sullivan’s injunction against the sale of Lustron’s assets and declared that once Judge Sullivan had ordered Lustron into bankruptcy, the Ohio district court “lost all power to proceed in any respect with regard thereto without the consent of the bankruptcy court.” Thus the sale of the plant and raw materials were invalid and constituted a violation of the Bankruptcy Act because it placed the RFC in a preeminent position over all other Lustron creditors. The decision effectively terminated the receivership and placed authority to determine the settlement of Lustron’s estate within the jurisdiction of receivers appointed by the federal bankruptcy court in Chicago. The RFC and Lafayette Steel announced their intention to appeal the decisions to the Supreme Court.

Meanwhile, a final chance to preserve the company as a going concern emerged in the wake of the Truman administration’s desire to put the RFC situation to rest. Fed up with negative publicity and implicitly questioning the future viability of the agency, President Truman had submitted a plan of reorganization to Congress in May 1950. In June Congress passed Reorganization Plan No. 23, which transferred to the Housing and Home Finance Agency (HHFA) all functions of the RFC
pertaining to the financing of prefabricated housing. The objective was to place the administration of federal policy relating to the prefabricated housing industry within HHFA, which also held responsibility for the defense housing program. The idea of preserving Lustron to serve the military housing market now began to gain support in Congress.

The advent of the Korean War and the accompanying expansion of defense production again raised the issue of providing adequate housing for the military and for civilians working in defense plants. Lustron houses had already proven their stamina in this market, and procurement officers from each service branch testified to the efficiency and economy of the houses from Quantico to Ft. Dix to remote bases in Alaska. Old enemies now rallied around the idea. Ironically, Strandlund, Representative Cole, and the RFC now found themselves on the same side of the Lustron issue. The RFC favored the idea because it provided an opportunity to recover its investment. Cole and other congressional critics of Lustron admitted that serving the defense market was indeed one area where the company had achieved success. Further, they believed that it would be a “crime” to close down the plant when such an obvious need for military housing existed. Success in the military housing market would also lessen the sting of rationalizing $37.5 million in previous government investment.

Lustron’s deposed founder now saw an opportunity to revive and perhaps regain control of his company. In a letter to newly appointed RFC chairman W. Elmer Harber in December 1950, Strandlund reminded the RFC that “the President has pointed out the extreme importance to defense production of a program for prefabricated housing.” He also argued that Lustron houses met the diverse needs of the military housing market better than any other house, prefabricated or otherwise. It was a proven, successful product. “Under these circumstances, it is imperative that the Lustron operation and facilities be reactivated immediately,” he said. Strandlund then submitted a proposal for a “speedy reactivation” of the plant. Details of the plan included dismissing the foreclosure and bankruptcy suits and paying all unsecured creditors “to clear the slate.” Next, he called for the consolidation of all outstanding Lustron loans and requested an additional $3.5 million in government funds to provide working capital during the reactivation phase. Lustron’s access to external capital would also be facilitated by restructuring the company’s debt, which would remain subordinate to all capital acquired from private investors. This would offer an incentive for private investors, who could be assured that they would not have to “stand in line” behind the government to receive a return on their investment.

Realizing that a request for additional government investment in Lustron would be extremely controversial, Strandlund argued that it would provide the only way for the RFC to recover its entire investment. “Counsel for the RFC has repeatedly
stated that [the RFC] did not expect to realize more than Five Million Dollars from the forced liquidation of the Lustron Corp.—a direct loss of $31,500,000 to the government,” he wrote. However, a revitalized Lustron could quickly become profitable by serving the military because it would then face none of the vexing marketing problems that inhibited success in the general market. For a “nominal” additional investment of $3.5 million, the government could reap significant benefits. These included providing “urgently needed” housing at defense plants and military installations on a cost-effective basis, recovering the government’s “entire investment” in Lustron, and “the establishment of a new and needed industry for the essential benefit of the entire nation.”

In Congress, the idea of reviving Lustron for defense housing production received considerable support. Representative Pat Sutton (R-TN), citing Lustron’s excellent record in serving the military market, argued that “it is a proven fact that the type of house Lustron was building can be produced at a material saving over any other type of conventional house.” Why throw away such an opportunity just because of some “shady dealings” between several people at Lustron and the RFC, Sutton asked. “Certainly now is no time to destroy a plant that is considered one of the finest of its kind in the country” for the “measly sum” of $5 million to be recovered through foreclosure.” Representative Earl Wilson (R-IN) echoed Sutton’s argument and attacked the RFC and the Truman administration for its apparent unwillingness to follow through in its commitment to defense housing as outlined in Reorganization Plan No. 23. “Never was there a more crying need for housing facilities in view of our industrial and military expansion created by [the Korean War].”

However, administration officials, prompted by the Joint Chiefs of Staff, favored transferring control of the Lustron plant to the Navy, which planned to lease it to the North American Aviation Co. for the production of carrier-based aircraft. Congressman Wilson considered the plan further evidence of “the Truman gang’s waste and inefficiency” since North American was at least 1.5 years away from pilot production. “Mothers are writing to me about their sons . . . who are sleeping in tents in near zero weather,” he said, while the administration refuses to support the production of defense housing. North American also did not plan to use the entire factory, which would leave approximately 900,000 square feet permanently idle. Why not at least share the space? “It is almost impossible to imagine the stupidity of a proposal to waste this floor space when it could be used to produce desperately needed defense housing,” Wilson concluded.

In February 1951 a subcommittee of the Senate Banking and Currency Committee entered the controversy over the disposition of the Lustron plant. Opening the hearings on February 13, subcommittee chairman John Sparkman (D-AL) reminded his colleagues that the nation was “confronted with the problems of
getting housing during this mobilization period” and that he desired to “check out
the situation at Lustron” as a potential solution. Sparkman was concerned that the
transfer of the plant to the Navy was progressing with little consideration for its poten-
tial to provide defense housing. He did not deny the existence of sound reasons for
the transfer but argued that “it ought not to be converted [to aircraft manufacture]
unless the reasons were strong and overriding.”

Richard Dyas represented the RFC at the hearings and told the committee that
while the agency was “energetically pursuing every lead,” its hands were tied by the
bankruptcy injunction issued by Judge Sullivan and affirmed by the Appeals Court.
“If we had the property free and clear for disposal,” Dyas said, “it could be leased
on a basis which would provide a means of recovering the Government’s investment.”
He also asserted his belief that the legal problems surrounding Lustron could be rec-
conciled since most of the financial claims against Lustron’s estate were based upon
breech of contract arising out of the foreclosure action. If the RFC were free to act,
whether in selling the plant to another concern or reorganizing Lustron, Dyas believed
that the bankruptcy claims would be withdrawn on the basis of a continuation of
operations. However, irrespective of the financial interests of the RFC, Dyas
reminded the committee that the agency in January 1951 had referred the disposi-
tion matter to the Defense Production Administration (DPA). The DPA served as
an arbiter among conflicting governmental interests in the Lustron plant. On
January 30, the DPA ruled that the “defense effort would be better served if the
plant were stripped of its machinery and the buildings turned over to the Navy for
operation.”

The hearings on the disposition of Lustron’s plant provided a forum for supporters
of the company to voice their opposition to DPA’s plans and an opportunity for Republicans
to criticize Truman’s policies on the issue of defense housing. They accomplished lit-
tle more. Without evidence of overwhelming congressional opposition, Truman accepted
DPA’s suggestion prima facie. Indeed, despite a last-ditch effort on the part of Senator
Sparkman to encourage the president to delay his decision, Truman on March 27,
1951, ordered the transfer of the Lustron plant to the Department of the Navy. “I
am convinced that the decision was arrived at after careful study by all the agencies
immediately concerned,” Truman wrote in a telegram to Sparkman; “further delay
would seriously retard overall aircraft production schedules established by the Joint
Chiefs of Staff.” Any hope of salvaging Lustron as a going concern was lost.

In the aftermath of Truman’s decision, the judiciary resolved Lustron’s remain-
ning legal encumbrances. On March 12 the Supreme Court declined to review the
petition of appeal by the RFC and Lafayette Steel to overturn the decision of the
Seventh Circuit Court of Appeals. The denial affirmed the Seventh Circuit opinion
that Judge Sullivan’s Chicago federal district court held peremptory jurisdiction over
Judge Underwood’s Ohio federal district court. The Supreme Court’s action thus terminated the foreclosure action and paved the way for the resolution of Lustron’s remaining financial issues in federal bankruptcy court in Chicago.95

In July the court ordered the sale of Lustron’s unmortgaged assets to satisfy the claims of the three Illinois dealers who had filed the original bankruptcy petition. A 129-page catalog listed over 4,000 lots of finished inventory, raw materials, and tools available at the Columbus plant. BusinessWeek described the sale as a “windfall for some 400 bidders—purchasing agents, junk dealers, and housewives—who came from hundreds of miles around.” The auction took in approximately $430,000, and the three dealers received payment for their claims of $4,842.96

In a broader context, by the summer of 1951 the furor over the Reconstruction Finance Corporation had also played out. The Fulbright committee fell victim to internal division and astute maneuvering by President Truman. Truman’s Reorganization Plan No. 23 had addressed fundamental weaknesses in the RFC by implementing structural changes. A single administrator replaced the old board of directors, and the Plan established a Loan Policy Board to monitor the progress of firms receiving RFC funding. Additionally, in May 1951 Truman appointed Stuart Symington as RFC administrator, and Symington proceeded to “clean house.” He implemented a public relations program designed to revive the reputation of the agency, including the public announcement each week of the amount and recipients of all RFC loans. Thus the Fulbright committee never formally recommended to the Senate that the RFC should or should not be abolished. The agency survived until July 30, 1953, when President Eisenhower signed the Small Business Act that officially terminated the RFC.97

In the interest of tying up the loose ends of the Lustron matter, in January 1952 the RFC dropped its suit against Carl Strandlund claiming liability on his personal guarantee of the original loan.98 In 1953 Strandlund became president of Jerry O’Mahony, Inc., a manufacturer of “diner-type” restaurants. After several years there, he retired and moved to Florida. He spent the last years of his life in Minneapolis, Minnesota, and died there on December 24, 1974. His wife Clara told a MinneapolisTribune reporter some years later that “it was his dream that every Joe could have a house . . . a lot of people have this misconception that he milked the government out of all this money, but no one could start a business of this kind and have them call in a loan in two years. He actually died of a broken heart.”99