PSF Industrial Recovery = 1937–1938 Subject File Box 153-

BF
Industrial
Recovery

WORKS PROGRESS ADMINISTRATION
WALKER-JOHNSON BUILDING
1734 NEW YORK AVENUE NW.
WASHINGTON, D. C.

HARRY L. HOPKINS
ADMINISTRATOR

February 19, 1937

Dear Missy:

This is a report relating relief to economic recovery, which we get out for our own internal use.

In spite of the fact that we get it out, I think it is one of the best confidential memoranda prepared by any government agency.

I am particularly anxious for the President to see the Table following Page 2; although, I think he will be equally interested in glancing through the whole report, because it can be read in a very few minutes.

Very sincerely yours,

Harry

Administrator.

Miss Marguerite LeHand,
The White House,
Washington, D. C.

CONFIDENTIAL
Not for Publication

PSF
BK
155

WORKS PROGRESS ADMINISTRATION

Harry L. Hopkins, Administrator

2,200,000

REVIEW OF ECONOMIC AND RELIEF CONDITIONS

February 13, 1937

Corrington Gill
Assistant Administrator

Emerson Ross, Director
Division of Research
Statistics, and Records

Prepared by
Kenneth B. Williams
under the direction of
Arthur E. Burns, Assistant Director
Division of Research, Statistics, and Records

CONFIDENTIAL
Not for Publication

REVIEW OF ECONOMIC AND RELIEF CONDITIONS

Summary for 1936

Relief and Unemployment

At the end of 1936 there were 3.76 million unduplicated cases receiving relief, a decrease of 1.14 million from the 1936 peak, of 1.54 million cases from the depression high in 1935. Unemployment was estimated at about 9 million; a decrease of 2.6 million in a year, of 6 million from the 1933 high. The Works Program employed 3 million at the end of 1936, of which 2.2 million were on WPA. A year earlier 3.5 million workers were on the Works Program, of whom 2.74 million were on WPA.

Employment

At the end of 1936, estimated total employment amounted to 42.2 million workers, an increase of 2.2 million in one year and of 7.5 million from the depression low. Factory employment was 11 percent higher, payrolls 22 percent higher than at the end of 1935.

Production

The Federal Reserve Board adjusted index of industrial production reached a new high for the month at 121 in December 1936, an increase of 20 percent over the December 1935 level. Steel operations were at 69 percent of capacity in 1936 compared with 48 percent in 1935. Automobile output was up 13 percent to 4.5 million units. Residential construction increased 67 percent.

Trade

Retail sales, at an estimated value of $37.5 billion were 15 percent above 1935. Foreign trade was valued at $4.9 billion as a result of an 18 percent gain in imports, a 7 percent gain in exports.

Agriculture

Farm cash income, including benefit payments, aggregated $7.9 billion, an increase of 11 percent over 1935.

Prices

Wholesale prices rose 4.7 percent in 1936 and were tending up further. The cost of living increased 3.6 percent. Wholesale

prices at the end of the year were 15.2 percent below the 1929 average, the cost of living was 14 percent below.

Finance

Including refunding, new corporate security issues doubled last year to reach $4.6 billion. Issues for new capital purposes tripled to reach $1.3 billion in 1936. Corporate profits were up sharply, probably about 50 percent. Dividend declarations were 40 percent greater than in 1935.

The Situation in January 1937

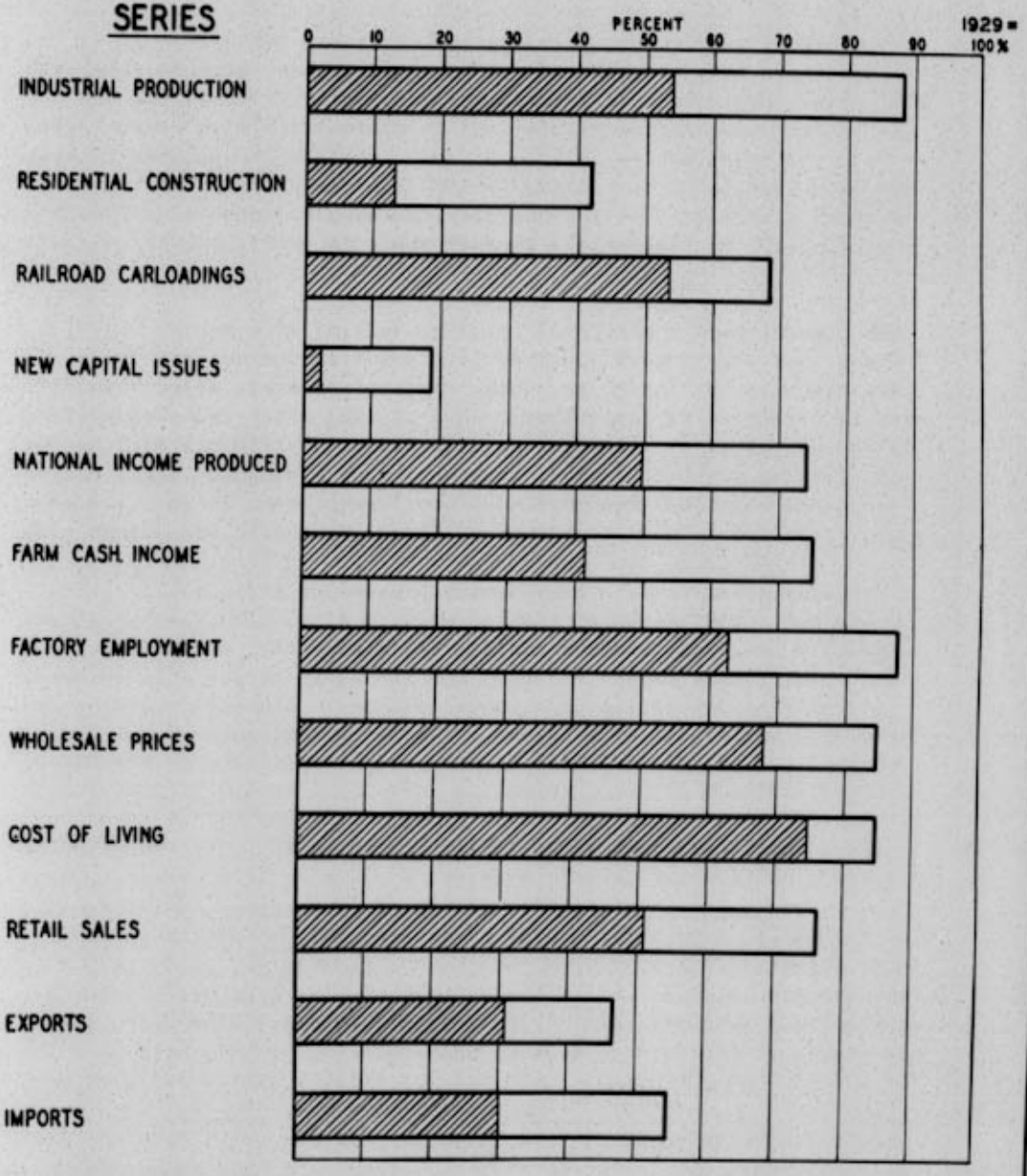
In most cases January statistics are not yet available. Incomplete reports and estimates are the bases of the following summary. Employment on the WPA and the Works Program continued to decline contraseasonally in January but the decreases totaled only about 100,000. Estimated total private employment declined and estimated unemployment increased during the month, although probably less than the usual seasonal amounts.

Industrial production, although below December, was markedly higher than in January 1936. The adjusted index of the Federal Reserve Board will probably be between 115 and 117 compared with 97 in January 1936 and 119 in January 1929. Steel operations were at 81.4 percent of capacity, 55 percent above the level of January 1936 and in terms of actual tonnage higher than in January 1929. Automobile production was sharply lower than in December but in spite of the General Motors strike, aggregated about 340,000 units or only about 30,000 units less than in January of last year.

Residential construction, measured by the reports of the F. W. Dodge Corporation, aggregated $78 million, an increase of 110 percent over that in the same month a year ago. Retail trade, although hampered by floods, strikes, and unseasonably warm weather, advanced substantially over the level of a year ago. The index of department store sales was at 92, up 11 percent from January 1936. Wholesale prices continued upward although after the middle of the month the index declined slightly. In the week ended January 30, the index stood at 85.4; up 0.8 percent during the month.

MEASURES OF ECONOMIC RECOVERY

DEPRESSION LOW YEAR* AND 1936 AS PERCENTS OF 1929 LEVEL



*SHADED PORTION OF BAR INDICATES THE DEPRESSION LOW YEAR FOR EACH SPECIFIED SERIES.

WORKS PROGRESS ADMINISTRATION 2255

REVIEW OF ECONOMIC AND RELIEF CONDITIONS

Relief and Unemployment

The marked recovery in industrial production, in trade, in dividend payments, and in employment, that has occurred since 1933 and the particularly noteworthy improvement that occurred during 1936 have focused public attention on the relationship between relief and general economic conditions. Much confusion exists regarding the nature of this relationship. Several factors of importance make the connection between business activity and relief less simple than is usually assumed. Some of these factors are evident in the following discussion.

Contrary to popular opinion, involuntary unemployment did not originate during the recent depression. Even in the boom year 1929, estimates place the average number of unemployed at about 1.8 million persons. From 1921 to 1928 unemployment is estimated to have ranged from 4.5 million to 1.5 million persons. These figures point to the significant fact that some unemployment normally exists. A complete lack of unemployment would be extremely abnormal and probably indicative of a most unhealthy boom condition of business.

During the depression unemployment is estimated to have reached a peak of over 15 million persons in March 1933. For the full year 1936 approximately 9.9 million workers, able and willing to work, were out of jobs. In the last few months unemployment has ranged from between 8.5 and 9 million. In contrast with these figures the net unduplicated number of cases on relief (excluding those on CCC and on some special programs of less importance) has varied from a peak of 5.3 million cases in January 1935 to about 3.76 million cases at the end of the year. From its 1936 peak in February to December 1936, the number of relief cases decreased from nearly 4.9 million to 3.76 million, a decrease of over 1.1 million cases. Estimated total employment in all industries in the same period increased from 39.4 million persons to 42.2 million persons, an increase of 2.8 million. Thus roughly 2.5 jobs in private industry were provided for every case removed from relief rolls. Similar comparisons confirm this relationship. In general, it has been true that between two and three jobs in private industry must be provided to remove one case from the relief rolls.

The fact that the number of workers reemployed in industry increases more than the number of cases on relief decreases requires further analysis. Basically there are two reasons which explain the

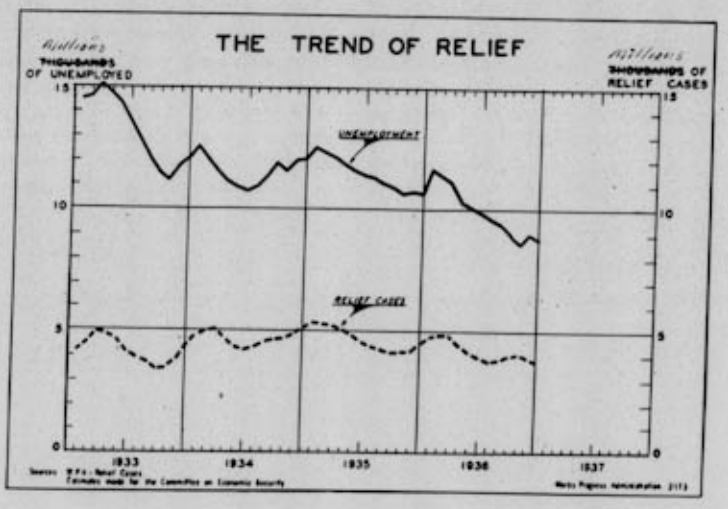
failure of relief to decline by the same amount that employment increases. The more important of the reasons is that relief has not been granted to all the unemployed. Probably never more than one-half and at times not more than one-third of the unemployed have received relief. This means that employers have had two sources of labor supply from which to choose their new employees. Employers are more likely to choose the nonrelief unemployed than the relief unemployed. The relief rolls are heavily weighted by workers whose age, occupation, degree of skill, and color make them less able to compete for the available jobs.

Over 75 percent of the WPA workers are unskilled. About one-sixth of all employable workers on relief have never held jobs in private industry. These inexperienced workers are mostly young people who came into the labor market for the first time during the depression. Thirty percent of all experienced workers on relief are in the age group 45 to 64 years. Practically 50 percent of all WPA workers in June were 40 years of age or older. Over 70 percent of those in the group 45-64 years are manual workers in nonagricultural occupations.

The age distribution of relief workers is extremely important in the light of prevalent industrial personnel policies. Many employers set the age limit for hiring new employees at 40 to 45 years. Such hiring policies are particularly applicable to manual workers. Thus, a large share of the unemployed on relief are economically, if not physically, unemployable. In addition to the economic unemployables, the State and localities are providing relief to a sizeable group, estimated at about one million cases, that is unemployable because of personal physical and social handicaps.

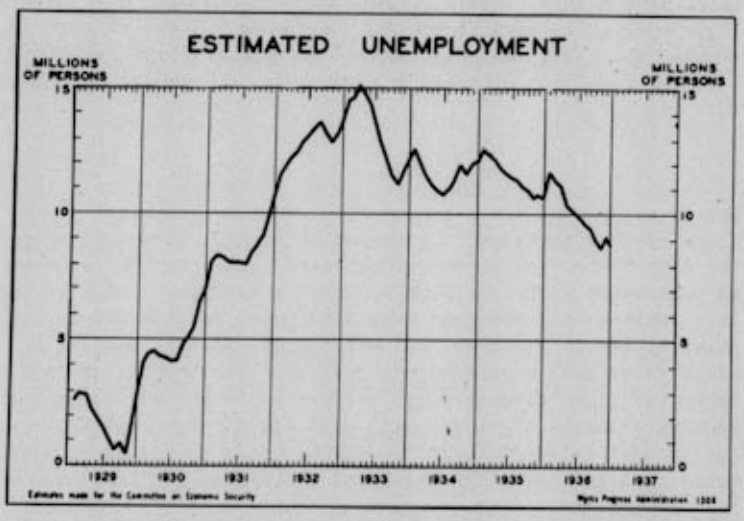
The other basic reason why relief fails to decline in the same amount as employment increases is the fact that our working population is constantly growing. From 1929 to 1936 our total population increased nearly 7 million. Unofficial estimates place the net addition to our labor supply at about 500,000 persons each year. From 1929 to 1936 this means a net increase of 3.5 million new workers seeking jobs. Some competent statisticians estimate the increase in the labor supply from 1929 to 1936 at 4.5 million. It is interesting to note that the net increase in the number of gainful workers from 1929 to 1936 approximates the number of workers employed on the Works Program. Other factors which exert influence on the continued high level of relief include: increasing productivity of labor; increasing average hours of work per week; drought, floods, and other irregular natural phenomena.

On the other hand, the trend of relief since 1933 corresponds more closely with that of unemployment than is usually realized. The correspondence between the movement in these series is especially pronounced since 1934 when the relief programs began to meet more adequately the need for relief. The following chart shows the parallel movements of unemployment and relief (including drought cases) from 1933 through December 1936. If the number of drought cases were excluded, the number of cases on relief would have been 69,000 less in August, 182,000 less in September, 319,000 less in October, 347,000 less in November, and 122,000 less in December 1936.



The amount of need for relief is influenced by seasonal as well as cyclical factors. Beginning in September and October and extending through February and March the need for relief increases steadily. At its peak month the seasonal index of relief is usually about 25 percent above its low month. The usual seasonal rise since October last year has been counteracted by the strong cyclical movement upward in private employment. However, it will require an unusual spurt in private employment to prevent relief needs from rising from December 1936 to March 1937. In evaluating month-to-month changes in relief relative to changes in unemployment and employment, it is worth noting that the seasonal fluctuations in relief are far greater than in the other two series.

There is little question that unemployment is the most serious problem of the year. The continuing nature of its seriousness needs to be reiterated to counteract the current opinion that the problem will shortly disappear. In November and December approximately 9 million persons were unemployed. This figure represents an increase of about 400,000 from the low of the year (October), a decrease of 2.6 million from the high in January 1936, and a decrease of 6 million from the depression peak in March 1933. Average estimated unemployment for the full year 1936 was over 9.9 million or about 20 percent of the estimated average labor supply. The Works Program is currently providing employment to 6 percent of the estimated total labor supply and to about 34 percent of the estimated number of unemployed. It is difficult to expect a decrease of more than 25 percent in average unemployment this year. Even if unemployment does average 25 percent less than in 1936, unemployment will still be around 7.5 million. If the unemployment estimates are accurate within a range of one million either way, it is evident that 1937 will not see an elimination of unemployment or of the need for the continuance of relief. The following chart shows the estimated number of unemployed since 1929.



At the end of December approximately 3,001,000 workers were employed on projects carried on through the Works Program. Of these, 2,188,000 were at work on projects operated by the Works Progress Administration. The table below indicates, in thousands, the significant changes in employment on the Works Program and on the WPA.

	Dec. 26, 1936	Feb. 29, 1936	Dec. 28, 1935
Works Progress Administration	2,188	3,036	2,740
Emergency Conservation Work	376	459	519
Other Works Program	437	355	252
Total Works Program	3,001	3,850	3,511

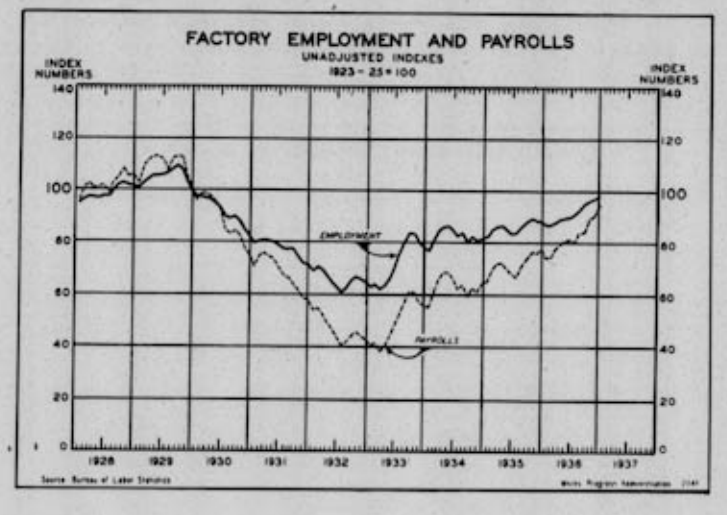
From the end of 1935 to the end of 1936 total employment on the Works Program decreased by 510,000 workers or 15 percent. Excluding workers employed because of the drought, the decrease was 567,000 or 16 percent. From the peak in February 1936 to December last year total Works Program employment decreased by 849,000 workers as a result of a decrease of 848,000 on the WPA, 83,000 employees on the ECW, and an increase of 82,000 workers on projects of all other agencies. WPA employment in December was lower than it had been at any time during the year. Included in the 2,188,000 workers in December were 39,000 certified drought cases. At the peak of drought employment in October more than 324,000 drought cases were employed on the WPA. Since October the number has been gradually reduced through the transfer of many drought cases to the Resettlement Administration.

Employment

Estimates of total employment in all industries in 1936 showed a remarkable degree of recovery. Excluding workers employed on work relief projects, total employment at the end of 1936 is estimated to have aggregated about 42.2 million. This represents an increase of 2.2 million over the figure reported for December 1935 and of 7.5 million over the figure for the low month of the depression in March 1933. If workers on relief projects were counted as employed and added to the above figures for regular employment, the total number of workers receiving income from their labor in December 1936 about equalled that in the early months of 1929. It is well to note, however, that our total population has increased at least 7 million since 1929.

The Bureau of Labor Statistics, the source of most of the statistics on employment, recently released its revised monthly series of factory employment and payrolls for the period since 1923. The re-

visions adjust the current reports to agree with the results of the 1933 Census of Manufactures and are of chief significance for the period since 1931. The revisions result in raising the average level of factory employment by 4 percent and the average level of factory payrolls by 3 percent above those heretofore reported for 1933. The following chart shows the revised indexes of factory employment and payrolls from 1928 through 1936.



On the revised basis, factory employment in December continued for the twelfth month the consecutive advances that it has recorded since the beginning of 1936. The increase was contra-seasonal since a decrease is usually experienced at this time of year. At 98.1 the index was 11 percent above that in December 1935 and 59 percent above March 1933. On a monthly average basis 1936 factory employment was greater than that in any year of the depression and slightly exceeded that of 1930.

The largest gains during the year were recorded in those industries producing durable goods. At 92.7 percent of its 1923-25 base, the durable goods employment index was 15.9 percent higher than a year earlier and was the highest since April 1930. Employment in non-durable goods industries during 1936 continued to record substantial, although less spectacular advances than those of the durable

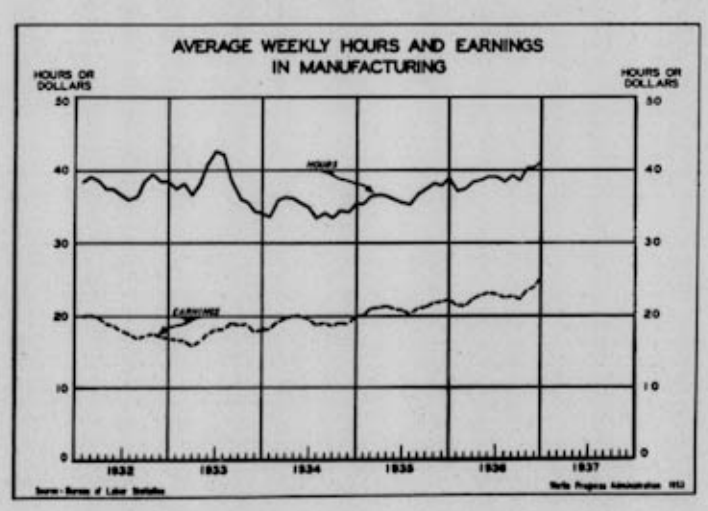
goods index. At 104.0 in December 1936 the index was 7 percent above that in the same month a year earlier and except for September and October, it was higher than at any time since the fall of 1929. In the full year 1936, non-durable goods employment averaged above that for any year on record except 1929 and it was within 6 percent of the 1929 average. The chart below indicates the proportion durable and non-durable goods industries contributed to the combined index of factory employment from 1928 through 1936. The wide fluctuations in the durable goods index during the depression stands in sharp contrast to the relative stability of the non-durable goods index. This divergence is of significant importance to cyclical variations in need for relief.

The index of weekly payrolls in manufacturing on the revised basis, reached 95.6 in December 1936; the index of payrolls in the division producing durable goods reached 94.0 and in the division producing non-durable goods 97.6. The gain over the year period since December 1935 amounted to 23 percent for all payrolls, 32 percent for payrolls in the durable goods group, and 14 percent in the non-durable goods group. Without regard to variations in the cost of living, weekly payrolls at the end of 1936 were on an approximate equality with those in May 1930. Increases in wages and year-end bonuses were unusually large in November and December 1936, largely due to the influence of the Federal tax on undistributed corporate profits but

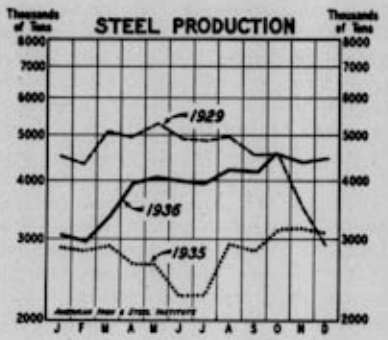
conditioned by the high level of business profits and the threatening belligerency of organized labor.

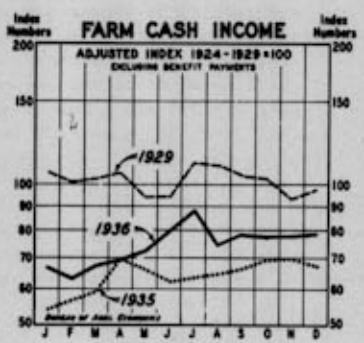
The length of the work week has important bearing upon labor income and upon the volume of unemployment. In December, average hours of work per week in manufacturing, according to the Bureau of Labor Statistics, were 41.3, an increase of 2.6 hours from December 1935. Since the low of 33.3 in September 1934, average hours have tended gradually upward although they are still well below their level of 1929. The increase from the low point to the end of 1936 was 24 percent. It is obvious that an increase in hours of work per week acts as a restriction on the immediate rate of reemployment of the unemployed and hence on the decrease in need for relief. The truth of this statement does not depend upon any particular view as to the optimum length of the work week.

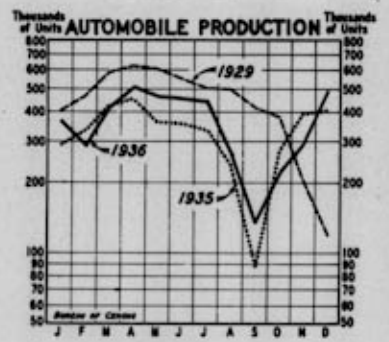
Average wages per hour in manufacturing at the end of 1936 were 59.4 cents, an increase of 2.2 cents over those in December a year earlier, and of 17.8 cents over those in the depression low month, June 1933. Average weekly earnings in December were $2.67 above December 1935. Since the depression low in March 1933, average weekly earnings have climbed $9.25 or 59 percent. In comparison the cost of living increased 20 percent since its depression low point. The chart below shows average weekly hours and average weekly earnings in manufacturing from 1932 through 1936.

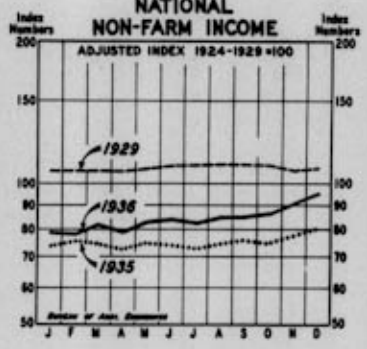


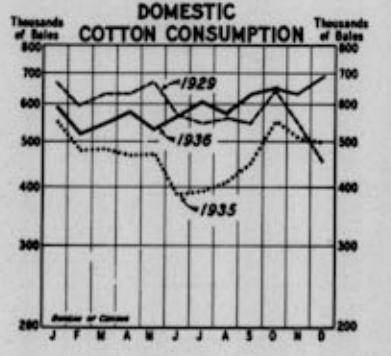
ECONOMIC INDICATORS

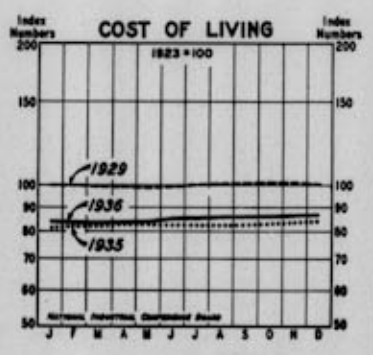












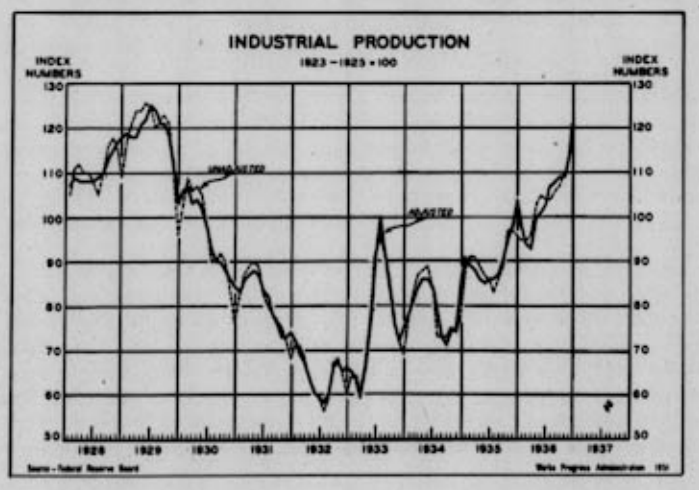
Works Progress Administration 2143

Production

During the depression, the peaks of industrial production attained in 1929 appeared to be almost impossible of reattainment. During 1936, those peaks were approximated with startling rapidity, withal the upward movement maintained characteristics of unusual stability. Since the low point of the depression in March 1933, industrial recovery proceeded erratically until the fall of 1934. Since that time, and particularly since the summer of 1935, the upward movement almost steadily gained momentum. At the end of 1936, industrial production, as measured by the adjusted index of the Federal Reserve Board, was 2 points above its 1929 average and within 4 points of its 1929 peak. From the year's low of 93 in March, the index moved up steadily to 121 in December. At 121 the index was 20 percent above December 1935, and even 17 percent above December 1929. In the full year 1936 industrial production averaged 105, above its 1923-25 base period for the first year since 1929. A comparison of production for selected periods indicates the emphatic nature of the recovery through 1936.

	1936	1935	1934	1929
December	121	101	86	103
November	114	96	75	110
Average for the year	105	90	79	119

The movement of industrial production towards prosperity levels is evident in the chart below which shows the monthly index of production, both adjusted and unadjusted, since 1928.



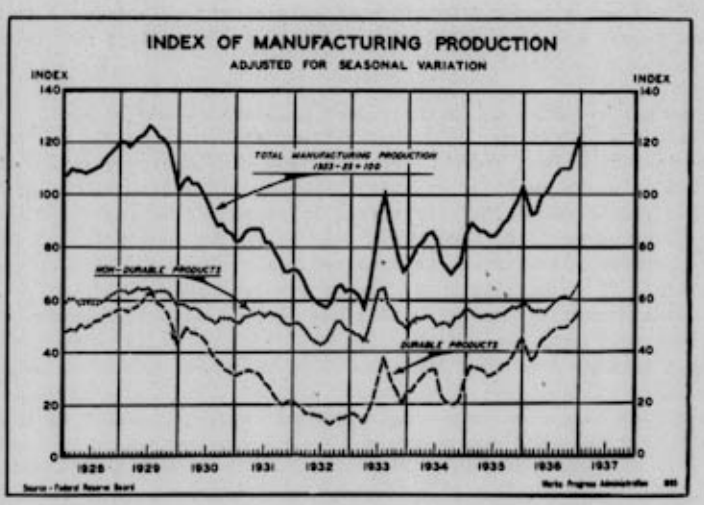
The outstanding achievement in 1936 was the broadening and advancing of the recovery movement into many diverse lines of production, heretofore only slightly touched. This was particularly true of the production of durable goods, particularly capital goods of a heavy nature. One indicator of such expansion is the performance of the steel industry whose products are basic to nearly all other heavy industries. Steel ingot production in 1936 totaled 46.9 million tons and operations during the year were at the average rate of 69 percent of capacity. In the last 3 months of the year operations ranged from 77 to 79 percent of theoretical capacity, higher even than in the closing months of 1929. This expansion of steel production is most significant when it is realized that in 1935 production averaged only 48 percent of capacity, in 1932 only 20 percent of capacity. Since automobiles accounted for only 21 percent of total output in 1936, it is evident that the maintenance of the high level of steel output was largely a reflection of a wide range of demand,--from builders, from railroads, from farm implement makers, from machinery manufacturers, and from numerous other buyers.

Steel ingot production in 1936 was greater than for all previous years except 1928 and 1929 and nearly one-fifth greater than in 1930. Although price increases, effective January 1, 1937, and fear of labor troubles undoubtedly impelled some anticipatory buying of steel, even with this factor discounted, the exceptional stability of production at 70 to 80 percent of capacity is a strong indication of fast returning prosperity levels of heavy goods production. Instead of the tremendous glut of steel making capacity which appeared to exist in 1933, the mills are now proceeding with huge expansion programs. U. S. Steel is spending $60 million for new plants and equipment. Other steel concerns are also expanding.

Other heavy industries to record marked gains in 1936 include cement, up 46 percent over 1935; new freight car orders, up 226 percent; lumber up 26 percent; and machine tools up 58 percent. Other capital goods as well as heavy consumers' goods including furniture, glass, automobiles, household equipment, and numerous others, likewise made marked gains in 1936.

The discussion above points to the unusual gains recorded by some of the capital and other durable goods industries last year. In understanding these comparisons it must be remembered that these products declined in the depression more severely and just as rapidly as some of them have recovered. The characteristic ability to defer demand for such products makes possible wide cyclical fluctuations in durable goods production. Non-durable goods industries declined less severely in the depression and relative to 1929 are further

recovered than the durable goods group. The relatively impermanent and in some cases necessitous nature of non-durable goods, as well as the fact that they are largely consumers' goods, has caused them to fluctuate less radically during the cyclical movement. During 1936, however, non-durable goods production continued its steady advance and averaged nearly 8 percent above 1935. In fact, output of lighter products in 1936 exceeded that for any year on record except 1927, 1928, and 1929. Durable goods production although increasing about 30 percent from 1935 to 1936 was still 18 percent below its average in 1929. The following chart shows the proportion durable and non-durable products contributed to the manufacturing production index from 1928 through 1936. The better balance existing between the output of durable and non-durable goods in the latter months of 1936 is one of the most favorable aspects of the industrial situation.



Automobile production in 1936 aggregated 4.45 million units, an increase of 508,000 units or 13 percent over 1935 and 2.6 million units over 1933. Last year's production exceeded that for any year since 1929. In 1929 5.4 million units were produced but a sizeable number of those were not sold and were carried over into 1930. 1936 closed with demand for automobiles strong and all indications pointing towards a higher output for 1937. Considering the average age of cars

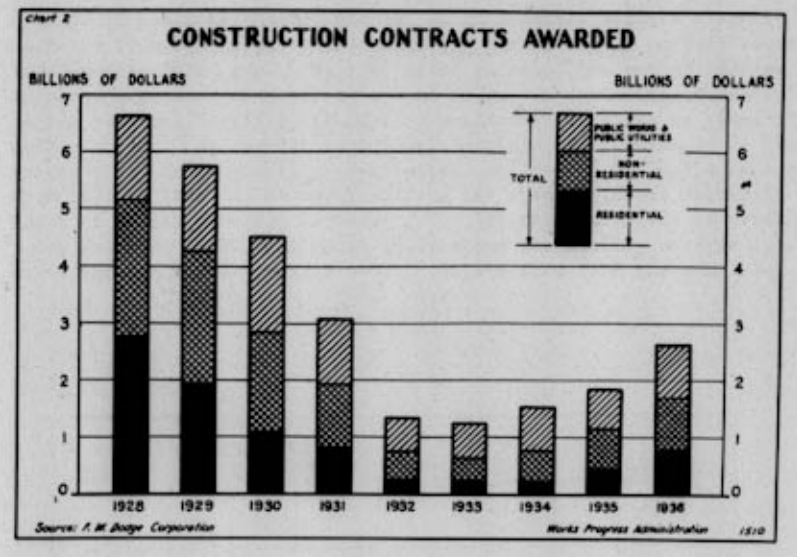
on the road, the backlog of demand which accumulated during the depression, and the level of per capita ownership of cars, it seems likely that automobile production is still far from the saturation point. Production last year, and schedules for this year reflect a strong increase of demand for cars in the higher and middle price classes.

Textile production in 1936 was outstanding in its contribution toward higher levels of manufacturing production. Domestic cotton consumption exceeded that for any year on record. In December, mill activity was at 134.5 percent of capacity, much greater than in the peak month of 1929 and higher than in the boom month preceding the adoption of NRA in 1933. Increasing prices and heavy backlogs of orders seem certain to maintain the current high level of output for several months. Rayon production in 1936 was exceptionally good, exceeding that in 1929. Wool production, although below 1935, was at an unusually high level. Silk activity, however, in 1936 was still at a relatively low level. Shoe production set a new all time record of 405 million pairs, exceeding by 28 percent the output in 1929.

One of the outstanding contributions to economic recovery in 1936 was made by the construction industry. Following a cycle of somewhat longer period than that evident in other series of business activity, construction volume was already on the down grade in 1929. Some authorities, on the basis of past events which may or may not be used as an indication of the future, claim that building activity follows a 15 to 17 year cycle. Residential construction volume, measured by the F. W. Dodge reports of contracts awarded in 37 Eastern States, reached its low in 1933 and 1934. In each of those years contracts were valued at only $249 million, or less than 9 percent of the value in the peak year 1928. In 1935 contracts awarded reached a value of $479 million. In 1936 the value of residential building amounted to $802 million, an amount which agrees well with our forecast made at this time last year. The percentage increase from 1935 to 1936 was 67 percent.

One of the strongest reasons for predicting further increases in total industrial production in 1937 rests on the fact that residential building even at the 1936 level was only 42 percent of that in 1929, and only 29 percent of that in 1928. For all construction, the gain from 1935 to 1936 was 45 percent but 1936 was still only 46 percent of 1929. Basic factors of rising rents, increasing national income, increasing business confidence, expanding population, rising marriage rate, availability of superfluous supplies of credit, and

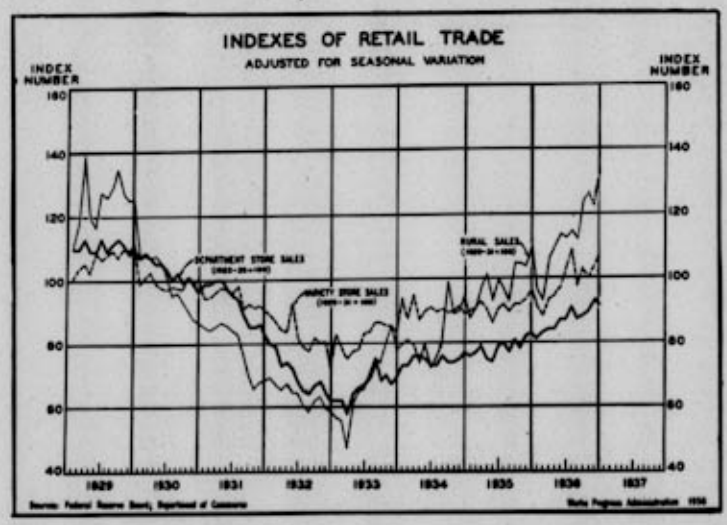
unusually low interest rates, contributed to the marked improvement recorded in construction in 1936 and will continue to contribute to the improvement almost certain to eventuate in 1937. The chart below shows the aggregates of construction volume by types of construction and by years from 1928 through 1936.



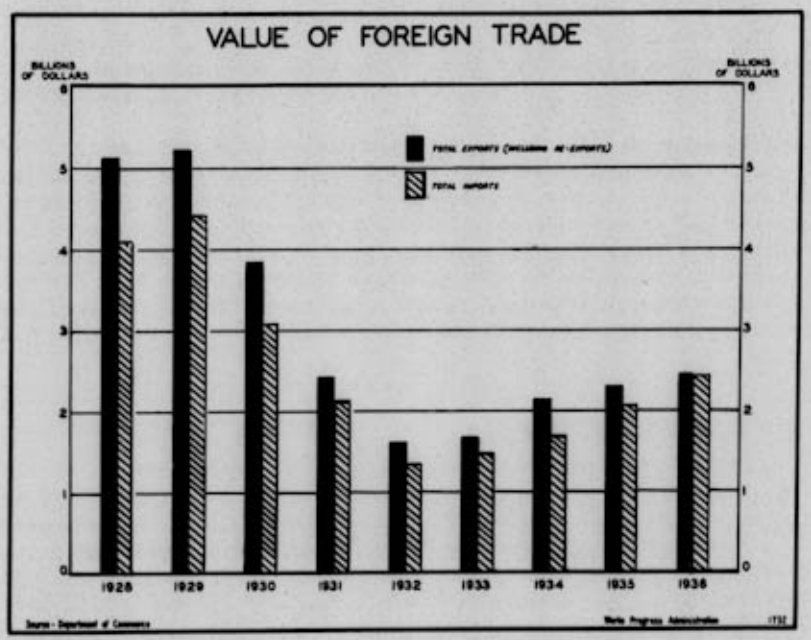
Trade

Retail trade in 1936, under the continued stimuli of governmental expenditures for relief and expanding national income as well as under the irregular but powerful stimuli of the veterans' bonus payment and the unusually large dividend disbursements and wage bonuses, climbed sharply upward. Total sales are estimated to have been approximately $37.5 billion, a gain of about 15 percent over 1935 and 50 percent over 1933 but still 24 percent less than the total sales in 1929. The largest percentage increases over the year period occurred in sales of durable and luxury or semi-luxury goods. The estimated sales gains ranged from 40 percent in lumber and building materials, to 33 percent in furniture, to 30 percent in heating and plumbing, down to 5 percent in groceries and meats.

Indexes of retail trade by type of outlet in 1936 indicate that the largest gain occurred in sales of rural retail stores. At its December level of 131 percent of its 1929-31 base, the adjusted index of rural sales was 19 percent above its level of December 1935 and with the exception of March 1929 it was the highest for any month on record. The Federal Reserve Board's adjusted index of department store sales, which in its general movement corresponds roughly to changes in national income, reached 92 in December 1936, a slight decrease from its level of the preceding month, but 11 percent above its December 1935 level. Variety store sales at the end of 1936 were 10 percent greater than at the end of 1935. In evaluating these series relating to sales, it must be noted that they are in terms of dollar volume. No completely adequate measure of the changes in the prices of goods at retail is available. An idea of the price change from 1929 to 1936 may be obtained from the changes in the Fairchild index of retail prices. On January 2, 1937 this index was 23 percent below November 1929. The chart below shows the monthly changes in sales through three types of retail outlets from 1928 through 1936.



Foreign trade in 1936 increased substantially from its level of 1935. Aggressive prosecution of reciprocal trade treaties by the United States in combination with improving world economic conditions was chiefly responsible for the advance last year. The greatest advance in 1936 occurred in imports, their total value of $2.4 billion, exceeding by 18 percent their value in 1935. Exports were valued at $2.5 billion in 1936, an increase of 7 percent. Although 7 of the twelve months showed net import balances, the year as a whole ended with an export balance of $34 million, the smallest export balance since 1895. In spite of the fact that total foreign trade in 1936 exceeded that for any year since 1930 it was still little more than half its value in 1929. Continued efforts toward more normal foreign trade relationships provide an opportunity for substantial improvement in domestic production and employment in 1937. The chart below shows the value of foreign trade by years from 1929 through 1936.



Agriculture

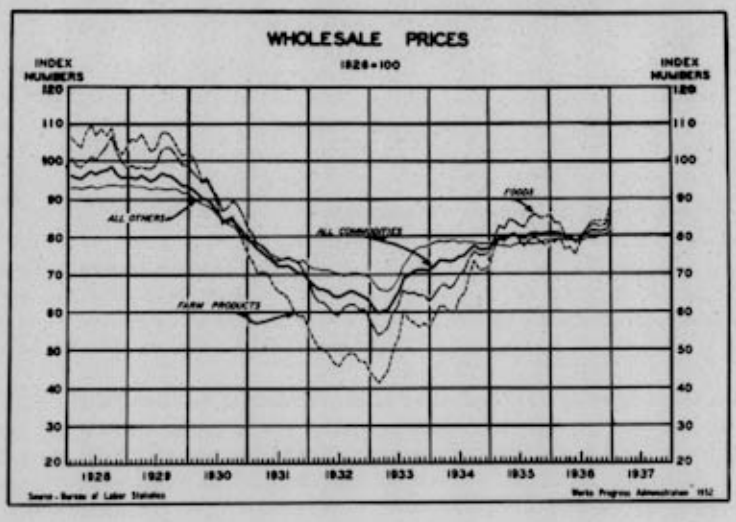
Farm cash income in 1936 is estimated to have aggregated $7.9 billion, an increase of $775 million over 1935, and $3.5 billion over 1932. Government benefit payments of $287 million in 1936, and $583 million in 1935, are included in the above amounts. The gain from 1935 to 1936 represented 11 percent and was, in general, due to the higher level of farm prices since the physical volume of output last year was only about 3 percent larger than the year before. Crop production was 6 percent smaller than last year but it was more than counter-balanced by an increase of 8 percent in livestock and livestock products. Corn production in 1936 was 1,524 million bushels, except for 1934, the smallest crop since 1881. Wheat production was 626 million bushels, only slightly changed from that in 1935 but it was the fourth successive year of small wheat crops and it was 27 percent below the 1928-32 average. The supply of all feed grains is about 77 million tons, 11 percent larger than in the drought year 1934 but 32 percent smaller than the 5 year average (1928-32). The cotton crop was estimated by the Crop Reporting Board December 1, 1936 at 12.4 million bales, an increase of 1.77 million bales over 1935 but a decrease of 2.26 million bales from the 1928-32 average.

The outlook for 1937 is for a large increase in wheat production and a decline in wheat prices; a probable increase in the cotton crop; an increase in the production of truck crops, probably with prices holding at their 1936 levels; an increase in the acreage planted to feed grains with continued high prices; small hog production and high prices; smaller cattle slaughter and higher prices. Farm cash income will probably increase substantially, probably 6 to 8 percent.

Prices

During most of 1936 prices remained relatively steady but tending slightly upward. The closing weeks of the year, however, saw the beginning of movement toward substantially higher prices at wholesale, at retail and of the cost of living. Wholesale prices, during the week ended January 2, 1937 measured by the Bureau of Labor Statistics' index of 784 commodities, reached 84.7 percent of their 1926 base. At this level, the index was 2 percent higher than in the same week one month earlier, 4.7 percent higher than in the same week one year earlier, and 8.5 percent above its 1936 low point in May. Obscured by the rise in the all commodities index, were increases of 14 percent in farm products, 4.8 percent in industrial

products, and 0.5 percent increase in food products over the year period. The greatest percentage advance occurred in the prices of raw materials, up 10.2 percent; semi-manufactured goods prices increased 9.4 percent; and finished products were up 0.8 percent from the end of 1935 to the end of 1936. Since the low point in 1933 the all commodities index has increased 40.8 percent but at the end of 1936, it was still 11.6 percent below its average level in 1929. The chart below shows the movement of the combined index of wholesale prices and its principal components from 1928 through 1936.



The drought combined with expanding consumer purchasing power was of prime importance in raising the level of farm prices to their recent highs. The extent of the rise may be clearly seen in the comparison of the prices of a few commodities (spot, New York) over the period from January 1936 to January 1937.

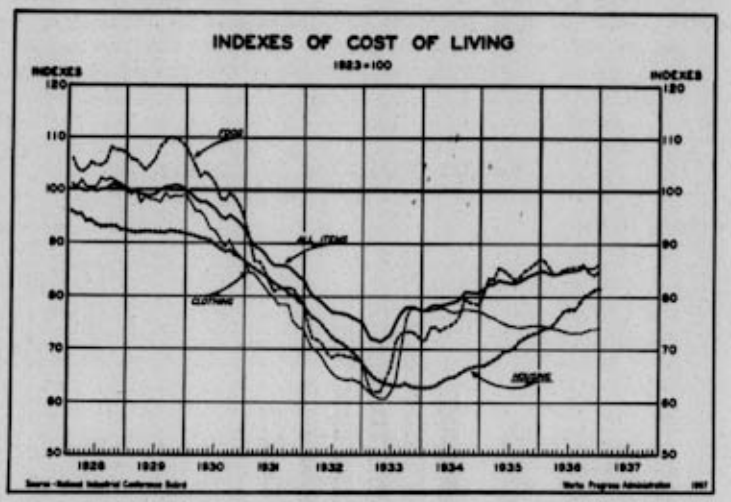
	January 23, 1937	January 25, 1936
Wheat, No 2, red, per bushel	$ 1.47	$ 1.175
Oats, No. 2, white, per bushel	.6325	.4375
Corn, No. 2, yellow, per bushel	1.255	.83875
Cotton, middling, upland, per pound	.1297	.1195

Other basic material prices increased rapidly at the end of 1936 and were tending up further. The summary below indicates the nature of some of these price changes. (New York spot prices)

	January 15, 1937	January 15, 1936
Copper, per pound	$ .13	$ .0925
Steel Scrap, per ton	18.17	13.42
Lead, per pound	.06	.045
Rubber, per pound	.22	.14375

A continuance of the advance in prices at the rate recently exhibited is certain to jeopardize the development of a stable prosperity. However, it is well to note that a period of rapidly rising prices has nearly always occurred in the past at that point in the emergence from a depression where stocks of goods change from a condition of plenty to one of scarcity.

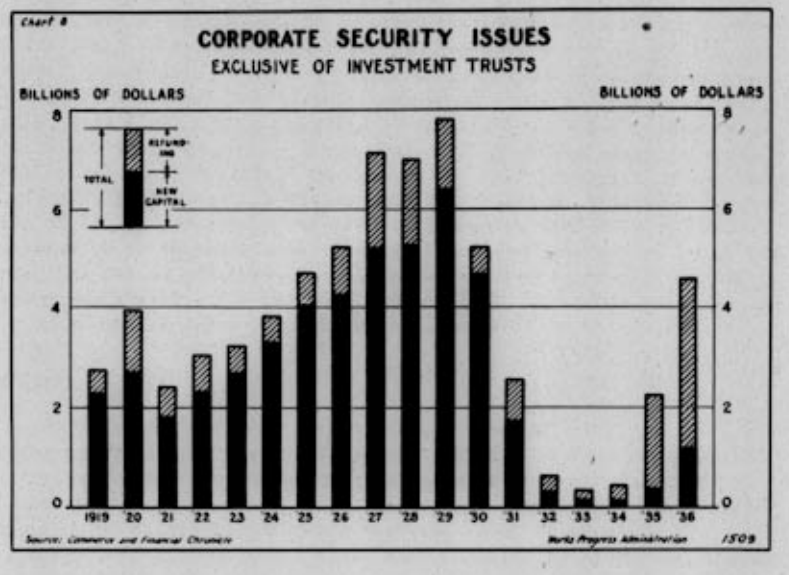
The cost of living in 1936 remained relatively stable until June. Beginning in June the index advanced slowly to the end of the year. At 86.1 percent of its 1926 base, the index of the cost of living in December was 3.6 percent above its level in December 1935 and 20 percent above its depression low in April 1933. The increase over the year period was chiefly due to an advance of 11 percent in rents and of 1 percent in food costs. Clothing costs declined slightly in the year and other items remained substantially unchanged. The combined index in spite of the recent advances was still 14 percent below its 1929 average. The recent rise in the prices of sensitive commodities and of commodities at wholesale, as well as the full effect of the drought are yet to be completely reflected in the cost of living. The chart on the next page shows the changes in the combined index of the cost of living and in its major components from 1928 through 1936.



Finance

The volume of new corporate security issues in 1936 provide further evidence of the revival of business activity and confidence. Total new issues, excluding investment trusts, amounted to $4.6 billion last year, an amount more than double that in 1935 and more than twelve times that in 1933. Compared with the issuance of $7.8 billion in 1929, financing last year was still in a seriously depressed condition. More important than the increase in total security issues, including refunding issues, was the larger flotation of securities for new capital purposes. Although issues for new capital purposes aggregated only $1.3 billion in 1936, or only about one-fifth of the amount issued in 1929, they were three times greater than in 1935 and eight times greater than in 1933 and 1934. As it returns to a more normal volume, corporate financing for new capital purposes may be expected to provide a substantial boost to higher levels of industrial activity. Returning business confidence, rising prices, expanding consumer purchasing power, and continuing low interest rates combined with a plethora of investment funds, as well as the development of new techniques of production and the accumulated obsolescence of present equipment, all point toward a much larger volume of new capital issues. It

is significant in judging future trends of business activity that the current high level of production was obtained with so little support from the new capital markets. The chart below shows the volume of corporate security issues from 1928 through 1936.



The larger volume of production and distribution, rising prices in most lines, and widening profit margins contributed to an unusually rapid rise in corporate profits in 1936. According to a compilation prepared by the Federal Reserve Bank of New York, net profits of 427 corporations averaged 48 percent higher in the first nine months of 1936 than in the same period of 1935. Statistics of the Fourth Quarter profits are not yet available but they will undoubtedly show a continuance of this rate of profit gains. The compilation above includes 144 class I railroads and 54 public utilities, as well as 229 industrial and mercantile concerns. If railroads and utilities are excluded, the gain in 1936 was much greater than 48 percent.

Reflecting larger corporate earnings and the influence of the tax on undistributed corporate earnings, cash dividend declara-

tions in 1936 exceeded $4.1 billion, an increase of nearly $1.2 billion or 40 percent over 1935. Nearly $1.3 billion of the 1936 total was declared in the last two months of the year.

Credit resources in 1936 were far in excess of the need for them. Reserves held by member banks of the Federal Reserve System exceeded required reserves by more than $3 billion at the beginning of the year. Effective August 15, the Board of Governors of the Federal Reserve System raised the legal requirements 50 percent, resulting in a decrease of excess reserves to about $1.9 billion, an amount still far greater than the potentialities of legitimate needs for credit would warrant. At the end of 1936 excess reserves were still close to $2 billion. On January 30, 1937 the Board of Governors, to forestall the possible development of inflation, ordered a further rise of 33 1/3 percent in reserve requirements. One-half of this increase is to become effective March 1 and the rest May 1. When the order has become effective, member bank reserves in excess of legal requirements will still be about $500 million, an amount large enough for any probable needs of legitimate business for bank credit.

Outlook for 1937

General economic recovery has proceeded, from the low point of the depression in March 1933 to the end of 1936, for a period of 45 months. Since the summer of 1935 the stability and the rapidity of the upward movement have been phenomenal. Since 1855 the average length of 20 expansion movements has been about 25 months. The longest previous advance was 36 months. Judging by historical analogy it would appear that to predict that 1937 will continue the upward movement of 1936 is foolhardy. This historical judgment is given added weight by the recent development of several unfavorable conditions. The sharp and rapid price rises, the employer-employee conflicts, the drought of last summer, and the floods of this winter, all are factors which might unfavorably influence the economic situation and make predictions of a continued upward rise in 1937 hazardous.

On the other hand, there are many favorable factors which in spite of floods, droughts, industrial conflict, and rapid price increases point towards the continued expansion of economic activity this year. The sheer momentum of expansion has reached the point where it tends to become cumulative. The indirect and direct effects of the expenditure of over $10 billion for relief during the past 3½ years, the effects of the payment of the soldiers' bonus last summer and the distribution of wage bonuses and extra dividends this fall,

will continue to stimulate economic expansion. Further, large relief and other governmental expenditures will continue to stimulate business activity in 1937.

The shortage of durable and capital goods accumulated during the depression, the relatively low level of foreign trade and of new corporate security flotations for new capital purposes, and the low level of residential and other construction activity, all indicate potential power of substantial improvement. In addition, credit supplies are more than adequate and interest rates are unusually low, factors of particular importance to the expansion of capital goods industries.

The prediction of a continued upward movement of general economic activity in 1937 is derived from studies of the probable course of particular lines of activity. Industrial production in 1937, chiefly through the influence of automobiles, steel, building, railroad equipment, electrical equipment, and other heavy goods industries, is expected to average 10 to 15 percent higher than in 1936. The index of industrial production of the Federal Reserve Board should average close to its 1929 level. Residential building construction, on the basis of F. W. Dodge reports of contracts awarded in 37 Eastern States, will probably increase from its $802 million of 1936 to $1.2 billion or $1.4 billion in 1937. Automobile production, if strikes do not interfere too seriously, will probably increase 10 percent to about 5 million units. Purchase of railroad freight cars will probably amount to about 80,000 cars, an increase to 60 percent over 1936 purchases. Steel production may be expected to increase 15 to 18 percent in 1937 with mills operating at an average rate of around 80 percent of capacity. The volume of retail trade may increase 8 to 10 percent. Wholesale prices will probably increase 5 to 7 percent. Total employment in 1937 should increase substantially, possibly 6 to 8 percent. Unemployment is expected to decrease correspondingly and to average close to 7.5 million for the full year.

March 11, 1937. PSF
Industrial Recovery

THE RISE OF PRICES AND THE PROBLEM OF MAINTAINING AN ORDERLY REVIVAL

The Problem

The recovery movement is now assured and requires no further positive stimulation by government. The problem now is to maintain the orderly character of the movement that prevailed throughout 1934-36. This problem threatens to be as difficult of solution as any we have faced. The danger spots are still localized and it would be most undesirable for the monetary authorities to adopt drastic measures, which,if successful, would result in keeping 9,000,000 unemployed. What is needed is a further increase in production and employment, while at the same time preventing inflationary developments from gathering headway in particular industries. This objective can be achieved only by the proper use and coordination of all the major activities of the Government affecting business conditions. Unless this is done there is grave danger that the recovery movement will get out of hand, excessive rises in prices encouraging inventory speculation will occur, excessive growth in profits and a boom in the stock market will arise, and the cost of living will mount rapidly. If such conditions are permitted to develop another drastic slump will be inevitable within three or four years, if not before.

Source of the Danger

Why the situation is more dangerous than that confronting us in any past revival is attributable to the enormous backlog of demand for the production of durable goods accumulated in the past seven years. At the present time capital facilities in many important lines and skilled labor

in others will be deficient to handle the production of durable goods necessary to meet normal growth requirements plus accumulated deficiencies. Steel and machine tool industries are already working at capacity and this is true of some other lines. It is estimated that the amount of housing that will be necessary each year in the next five years would require an annual amount of building three times in excess of the building in 1936. In many fields, on the other hand, the available supply of labor and plant facilities is sufficient to handle a greatly increased volume of production. The grave danger is that strategically situated industries and skilled trades will capitalize on the scarcity factor to secure excessive wage and price advantages. There is already abundant evidence that this is happening. This means redistribution of real income at the expense of agriculture, unorganized workers and fixed income groups.

Recent Price Advances

From 1934 to October 1936 industrial prices exhibited a high degree of stability. From last October to the present date, however, a broad upward movement has occurred, being particularly marked in certain important fields such as iron and steel, non-ferrous metals and building materials. These movements are illustrated in the accompanying charts. Further substantial advances in non-ferrous metals have occurred within the past few days. Current advances in the prices of raw and semi-manufactured goods may be expected to reflect themselves in later advances in finished goods and the cost of living.

Factors Entering into Price Advances

Broadly speaking, recent price advances are partly a reflection of increased raw material and labor costs and partly a reflection of unwarranted price mark-ups in highly organized industries.

(a) Raw material costs. There appears to be little reason to expect a further advance in the price of agricultural goods entering into industrial production, given more normal weather conditions. At the present price level agriculture will get satisfactory returns through an increased volume of production. There is a serious danger of further advances in the prices of those raw materials controlled by monopolistically-organized groups, both domestic and international.

(b) Labor costs. So long as an increase in hourly earnings or a shorter work week is offset by increased hourly output, labor costs per unit of output need not rise. When, however, wage rates rise more rapidly than productivity, unit costs advance. The recent broad movement in the direction of increased pay for shorter hours has outdistanced increases in labor productivity, with the result that costs have risen. A striking example of this point is the recent agreement in New York whereby plasterers are to receive $2.00 an hour for a six-hour day, with double pay for overtime. This amounts to $20.00 for an eight-hour day.

(c) Sellers' market. Monopolistically-organized industries are being able to capitalize on the insistent demand for their products by advancing prices out of all relation to the advance in costs. This is notably true in the case of copper and steel. Thus, in the fourth quarter of 1936 the United States Steel Corporation, after giving effect to a ten

percent advance in wages for half the quarter, and without benefit of any price advance for products sold in this period, earned $21.7 million as contrasted with $13.7 million in the preceding quarter and $6.3 million in the fourth quarter of 1935. Despite this showing, prices were advanced some 6 percent effective January 1st. In connection with the recent labor agreement in steel they were advanced still further. According to Mr. Lubin's preliminary estimate, the recent wage advance in steel will add only 4 percent to the cost per unit whereas prices were advanced 12 percent. Annual gross income will increase some $450 million while the wage bill will increase only $125 million.

There appears to be no justification, from the point of view of costs, for a further rise, or indeed for the recent rise, in the price of non-ferrous metals. The leading copper companies were making satisfactory earnings on nine cent copper. The price has now gone to 16½ cents.

The Necessity for Governmental Action

In view of the absolute necessity of maintaining the orderly character of the upward movement, of keeping down the cost of living and of ensuring a well-balanced distribution of income between all workers, agriculture, and property owners, it is imperative that government play a positive role in preventing excessive price advances, accompanied by speculative inventory buying, and excessive increases in profits, which would make for inflation in the stock market. If profits soar, stock prices will also soar regardless of increased margin requirements. This in turn would depress bonds and raise interest rates for farmers and home builders and impair the savings of depositors and policy holders.

What Can Be Done

There is no single instrument available to cope with the situation. What is required is that the Administration should let it be known that it does not propose to allow the prospects for stability to be jeopardized by excessive and unjustifiable price advances, excessive profits and unreasonable labor demands, and that it will use all the powers of government now available to it and will request additional powers, if needed, to control this unhealthy development.

(a) Labor costs. It should be recognized that the recent shortening of the standard work week accompanied by increased hourly wage rates in important sectors of industry has resulted in increased labor costs per unit of output and has contributed to the rise in prices, thus penalizing agricultural and other workers. The establishment of a standard work week by act of Congress substantially shorter than the present work week would unquestionably tend to raise labor costs and prices. If overtime were not permitted shortages of labor in various skilled lines would be intensified. If overtime were permitted labor costs would be further raised. It is suggested, therefore, that shorter hour legislation be studied with a view to its effect on prices and shortages. Rigidity in application should be avoided. Consideration might be given to a maximum work week of forty-eight hours with an average over a year of forty hours. Special care should be taken to avoid rigidity in the case of highly seasonal industries.

The Government can exert its influence in the direction of avoiding labor shortages and excessive labor costs in other ways. Throughout much of industry individual concerns are undertaking the training of unskilled

workers. It is in building, however, where the most serious shortages threaten. If we are to secure the volume of building we must have to avoid an acute shortage in housing with the resulting excessively high rents, it is imperative that the number of skilled carpenters, electricians, masons, plumbers, etc., be increased. The Government could help -

a. by instituting technical training on a broad scale in the CCC camps,

b. by tapering off all public work requiring skilled labor and materials that can be postponed,

c. by exerting pressure on other public bodies to do the same, and

d. by attempting to induce the skilled building trades unions to relax apprenticeship and membership requirements.

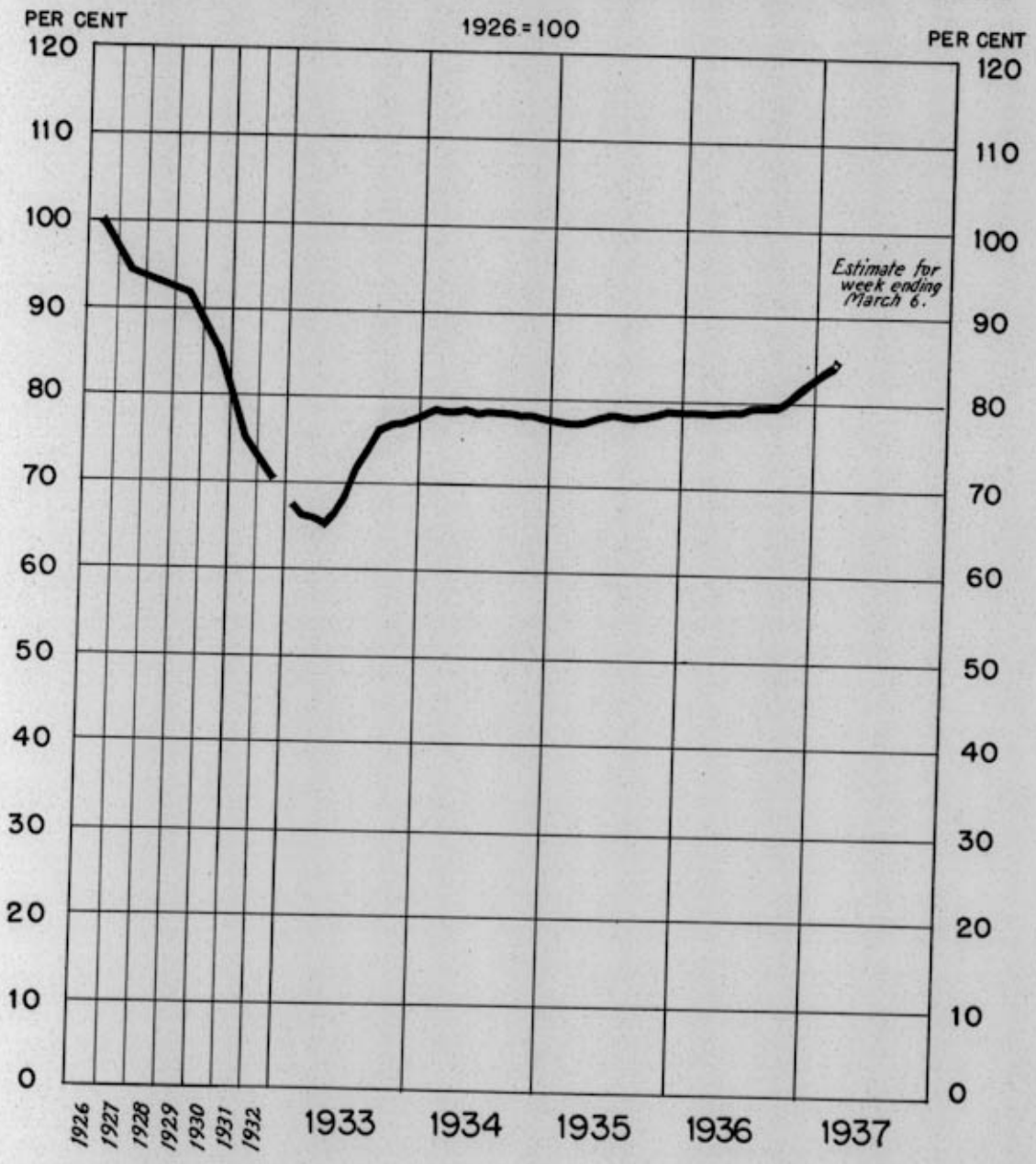
(b) Price advances resulting from a sellers' market. While the Government's power to fix prices is narrowly restricted it has various means at its disposal to restrain excessive price advances. Thus some business men will be deterred from advancing prices by the threat of tariff reductions. In connection with reducing tariff rates in trade treaties, which are generalized through the most favored nation clause, the President has wide discretionary power in effecting tariff reductions. Other price advances could be deterred by the threat of the unfavorable publicity attendant upon Department of Justice, Federal Trade Commission and Congressional investigations. The possibility of limiting the export of iron and steel and copper products for armament purposes might be explored. If the action and threats here mentioned should prove inadequate, consideration should be given to new legislation designed to cope more effectively with monopoly price policies.

These various suggestions are designed to cope with individual situations at particular times. It is believed that by and large there is sufficient capacity and sufficient slack in the labor market to permit a greatly increased production of goods with little advance in prices. The danger now is that excessive price advances in certain basic lines such as copper and steel may generate a rise all along the line. Should a general upward price movement get under way consideration should be given to a rise in the foreign exchange value of the dollar, tariff reductions, and increased income taxes on the $5,000-$50,000 brackets. As a final resort, a restrictive monetary policy could be imposed.

Immediate Steps.

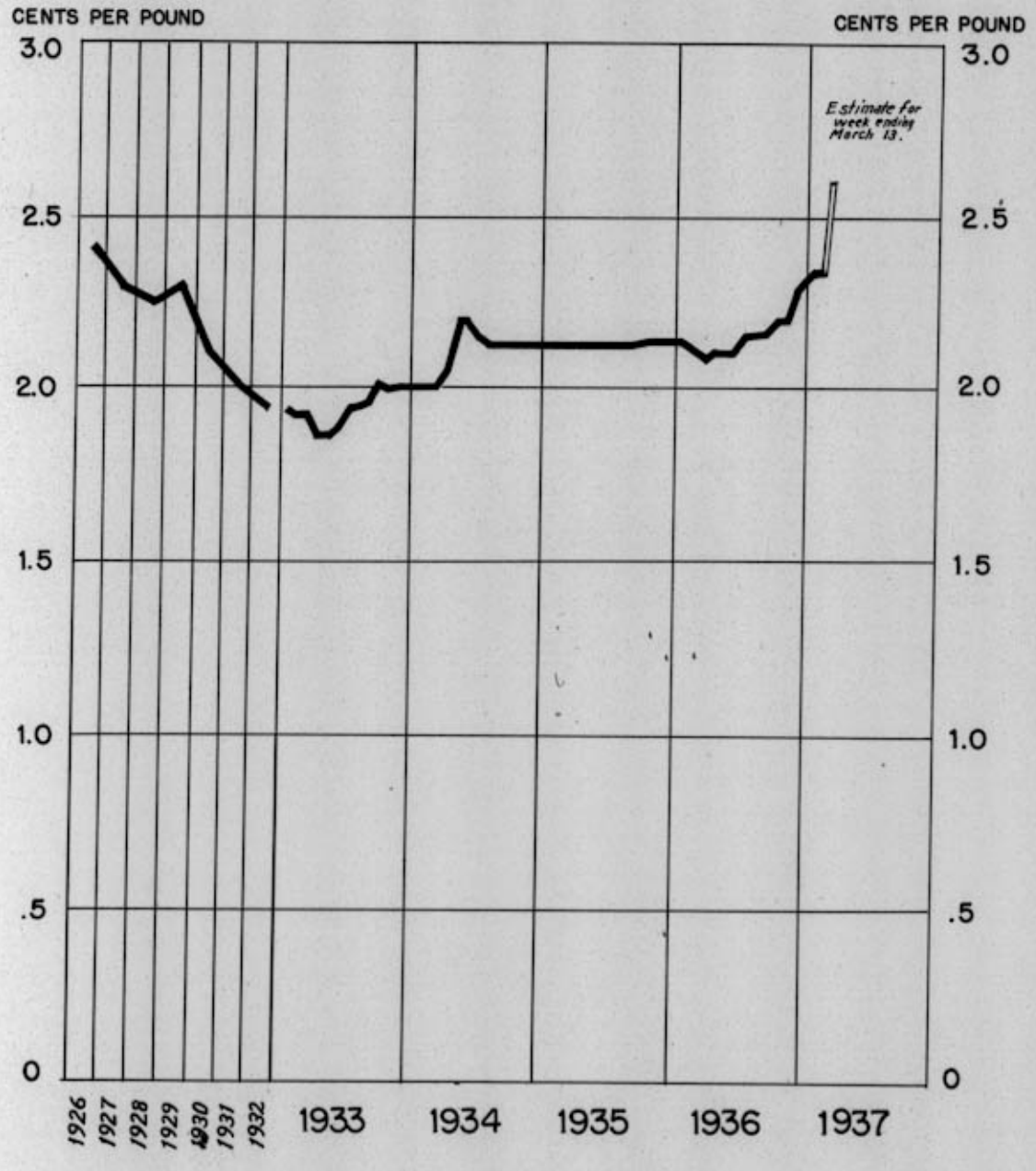
It would be very helpful if, through the medium of a press conference or a speech, notice could be served on industrialists that the Administration did not approve of the extent of recent price advances and proposed to study the development with a view to seeing what might be done to prevent unjustifiable price advances. Having done this the next step might be the establishment of a fact-finding and policy-making committee, which would investigate price advances in important fields and would make appropriate recommendations.

WHOLESALE PRICES
COMMODITIES OTHER THAN FARM PRODUCTS AND FOODS

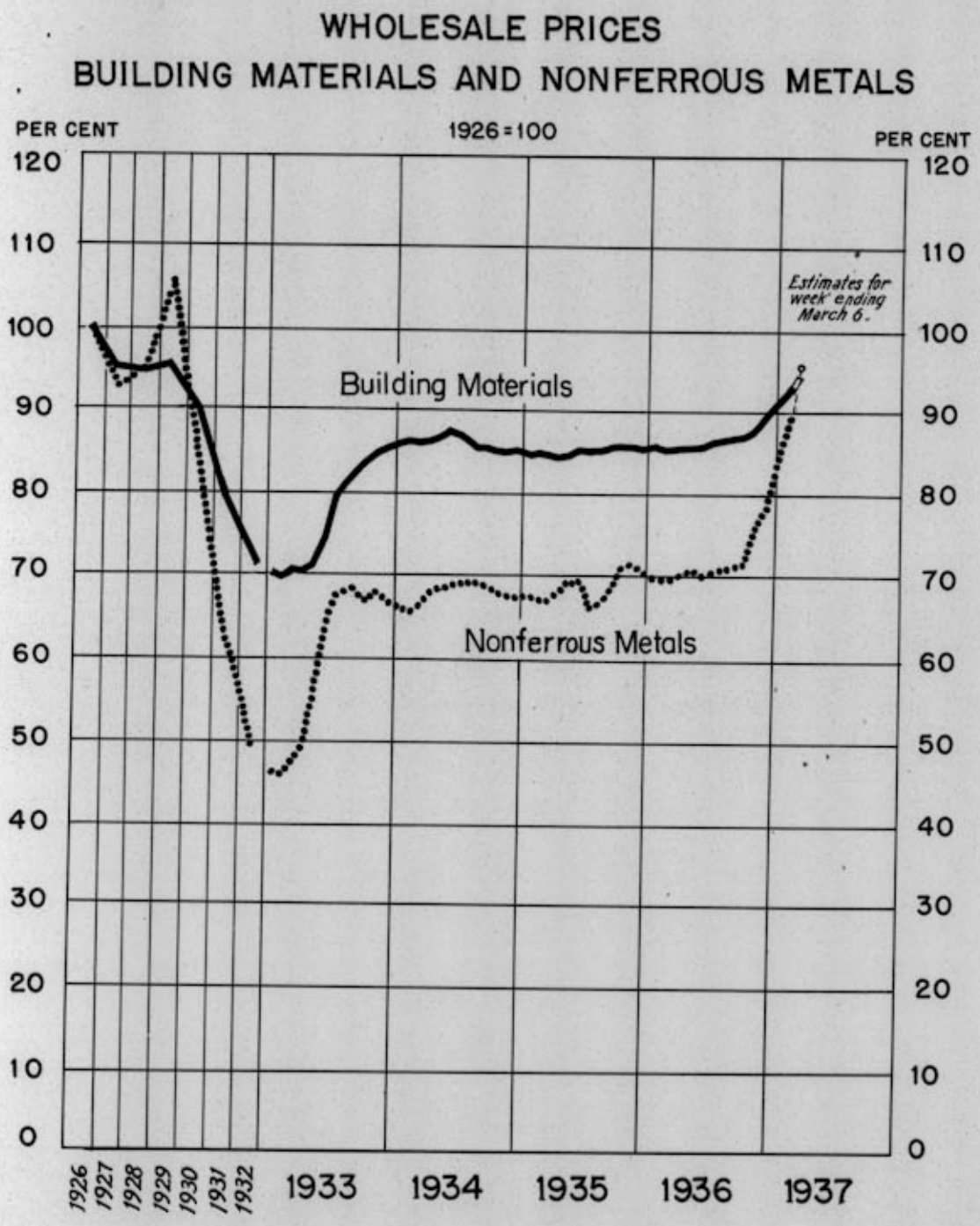


Source: Bureau of Labor Statistics

WHOLESALE PRICES
FINISHED STEEL



Source: Iron Age



Source: Bureau of Labor Statistics

ADDITIONAL PRICE SERIES

Lumber	Oct. '36	86.1	Feb. 27, '37	98.9
Copper	"	9¼¢	Mar. 10, '37	16¼¢
Lead	"	4.60¢	"	7.75¢
Rents	Jan. '34	62.7	Jan. '37	82.2

U. S. Steel shipments: last quarter 1935 2,030,076 tons
3rd quarter 1936 2,836,357 "
last quarter 1936 2,957,425 "

RSF
Industrial Recovery

This set-up does not interfere with the operation of the National Labor Relations Board.

It sets up a Labor Relations Coordinator with the mechanism to call a halt supported by public opinion to strikes or lockouts until an investigation of reasonable labor standards has been made.

It gives essentially the National Association of Manufacturers' recent plan in a form that would be acceptable to labor.

It gives the essentials of the Richberg plan to "use the pressure of public opinion" in the settlement of differences.

It does not place the Government in the position of autocratic dictator of labor and industry organizations.

The addition of this plan to our original proposed law makes a better general Act because it provides three Coordinators, one for industry, one for agriculture, and one for labor.

Finally, it restores the successful part of the NRA, namely, the cooperative effort under the President's Reemployment Agreement to adjust hours and wages.

The legal power to withdraw the privilege of use of the Board Insignia will be derived from registered copyright law.

PSF
Industrial Recovery

COORDINATOR FOR INDUSTRIAL COOPERATION
TOWER BUILDING 14TH AND K STS. N. W.
WASHINGTON, D. C.

March 25, 1937.

Honorable Franklin D. Roosevelt,
The White House.

My dear Mr. President:

You will recall my several references to a subject which I regard as being of first importance in America -- the establishment of a National Economic Board to deal with the establishment of stabilization as between agriculture and industry and supported by voluntary councils of industry and agriculture, which will act to the Board in an advisory capacity.

Perhaps one of the great and important factors in connection with this plan is that it will establish the instrumentality by which industry and agriculture can be brought together for the discussion of their respective problems, and thus make it possible for them to understand the inescapable community of interests between them.

The present situation in industry, it seems to me, makes the time appropriate for the consummation of the plan for a National Economic Board. The Board would not only consider the problems set forth in the foregoing, but would likewise have the authority to educate, mediate and compose differences arising in industry, prior to the use of strikes, lock-outs and similar measures by employees and employers. This objective, I believe, is in entire harmony and should be associated with an Economic Board which deals with the whole aspect of our economic life. Obviously, strikes and lock-outs and other forms of stoppage in business directly affects our economic life.

With the foregoing in mind, I have prepared a bill. It is unknown to the public and I am submitting it to you for your consideration, believing very genuinely that this is the answer to our present industrial problems, for this plan establishes a foundation by which we may intelligently discuss, formulate and apply a sound, well-balanced economic policy in America.

You have given this matter your sympathetic consideration in the past when I discussed it with you. My judgment is that a plan such as this will be welcomed by both agriculture and industry, because I have talked with leaders of both groups. The Board's broad

industrial powers, looking to the composing of the objectives of agriculture and industry will off-set any substantial criticism to the other phase of the bill, which purposes mediation and semi-arbitration in industrial pursuits.

The plan herein submitted, now meets in principle the approbation of employers who engage more than 52 percent of the total employees in the United States. With the exception of one national representative of the farmers, the plan has met with their approval. Thus it would seem to me that this is the time when with little or no difficulty and without any substantial opposition we can do both of the things contemplated by this bill. Frankly, I feel that it will be one of the greatest preventatives against the return of a depression which can be applied.

I have prepared this in anticipation of your return, and I hope you will peruse it before discussingit with representatives of the Congress.

With high personal regards, I am

Sincerely yours,

George L. Berry
Coordinator for Industrial Cooperation.

WASHINGTON DAILY NEWS
March 26, 1937

Nation-Wide System of Mediation Laws Urged by Richberg to End Labor Rows

By MAX STERN

A nation-wide system of Federal and state mediation laws, patterned on the successful Railway Labor Act of 1926, was urged today by Donald R. Richberg as a basis to end "the rule of tooth and claw" in management-labor relations.

The former NRA chief's "program of progress," outlined in an interview, is likely to receive serious consideration at the President's labor conference tomorrow. It is also likely to prove an antidote to much current talk of anti-strike and compulsory arbitration legislation.

As counsel for the 21 railway labor organizations Richberg framed and had a hand in passage of the railmen's mediation act 11 years ago, and is familiar with its workings. This act, he explained, has been unanimously upheld by the Supreme Court, and under it industrial peace on the railroads has reigned almost uninterruptedly.

AVOIDS COERCIVE ACTS

Based as it is on "a realistic understanding of human nature" the act avoids coercive steps, yet protects the public interest thru a routine of mediation and adjustments. Richberg stressed that thru all these steps the rights of both sides to bargain collectively and the encouragement of contracts are fundamental.

"It must be evident," he said, "that any machinery for maintaining tranquil and satisfactory industrial relations must be based on contract between responsible parties. It is appropriate, therefore, that it should be made a legal obligation upon the parties to exert every reasonable effort to make and maintain such contracts."

Richberg outlined the statutory steps in the railmen's act—reasonable effort to make and keep agreements, notice of demand for change in such contracts, conferences between contracting parties on demands; invocation of the services of the National Mediation Board, if conference fails; voluntary arbitration, if mediation fails; then only, if that fails, is a strike resorted to.

WORK GOES ON

In all this time work goes on and the old contract conditions prevail. The Government's part is to act as aide and peacemaker and use pressure of public opinion. The public has "no power to compel them to do anything except to make an honest effort to settle their differences peacefully."

"A similar national act," Richberg said, "could be passed by the Congress covering all industries and trades engaged in interstate commerce and subject to regulation by the Federal Government. Similar acts could be passed by the separate state legislatures covering all local industries and trades of sufficient size to affect public interest in case of industrial warfare.

"There would be no compulsion imposed on employers or employes by such laws, except those compulsions which every good citizen should be willing and glad to accept: the compulsion to make an honest effort to settle labor disputes by peaceful conference, the compulsion to permit impartial public officials to have an opportunity to bring about a voluntary decision of unsettled controversies, the compulsion to try every peaceful means to utilize every peaceful method of settling labor disputes before any resort to the arbitrament of force.

BACK TO MUTUAL RIGHTS

"On the basis of this program for industrial peace, we would resort again to that fundamental basis of all the important relations of man and man in organized society. That is the establishment of mutual rights and obligations by agreement and the maintenance and enforcement of such rights and obligations by law. It has been said that 'upon the slender thread of contract hangs all our civilization.'

"We cannot work together, live together, have freedom and security for all, maintain individual freedom to pursue happiness or the security of individual lives in modern society except thru establishing a multitude of intricate relationships upon a basis of contract. We cannot maintain law and order except by using the force of government to maintain the integrity of contractual relations, voluntarily established and protected from individual violence or mob disorder by the power of a government supported in the interest of the masses of the people in the maintenance of its authority."

Richberg warned that "industrial warfare today is a major menace to the welfare of all the people of the United States." A rising flood of big and little labor conflicts, he said, "may wipe out in a few months all the gains of the last four years."

WASHINGTON DAILY NEWS
March 22, 1937

Rail Act Mediation Technique Is Urged in Other Industries

New Deal Chiefs Reported Offering Plan Differing From Manufacturers' Proposal

By HERBERT LITTLE

Extension of the Railroad Labor Act's mediation technique to other industries is being suggested by some Administration advisers, it was learned today.

Their plan differs from the one put forward today by the National Association of Manufacturers. The N. A. M. plan calls for compulsory investigation of labor disputes, with strikes and lockouts prohibited by law during the inquiry.

The Railroad Labor Act merely makes it the "duty" of both sides to confer within 20 days on any major dispute over hours, wages or working conditions. This provision has the effect of preventing strikes during the 20-day period, but without compulsion. The plan [illegible] President C. M. Chester of the N. A. M. would forbid strikes until 30 days after publication of the report of a special presidential commission of inquiry.

PENDING IN COURT

The Rail Labor Act, first passed in 1926 and rewritten in 1934, outlaws company unions and requires majority rule in contests between rival unions. A challenge of its constitutionality is pending before the Supreme Court in a companion case to the five Wagner Labor Act cases.

No Administration legislation along this line is being prepared pending the Supreme Court's decision, which is expected to determine whether the Government has any power to safeguard labor rights in factories and mines.

The current discussions here are motivated by a desire to avert strikes and help the unions to keep their younger and [illegible] overzealous members in line.

Kansas tried 20 years ago to meet this problem by compulsory arbitration, along the "labor court" lines which have been successfully tried in Australia, but the Supreme Court killed that. Labor is unanimous against such plans in this country.

BASED ON RAIL ACT

The N. A. M. plan, according to President Chester, is based on the Railroad Act, but labor men pointed out that it really goes much farther. For one thing, Chester proposes that the Administration be given power to compel both sides to attend hearings and testify on the causes of disputes. A similar proposal by Secretary of Labor Perkins two months ago was buried under an attack made by the A. F. of L., which termed it an approach to compulsory arbitration.

Chester's proposal to "prevent any interruption of service or production, designed to interfere with commerce, during the investigation or for 30 days after the finding of facts is made public" might amount to forbidding a strike for several months. Congressional history indicates an unwillingness by lawmakers to impose

PSF
Ind. Rel

DEPARTMENT OF COMMERCE
OFFICE OF THE SOLICITOR
WASHINGTON

March 27, 1937.

Hon. Stephen Early,
The White House,
Washington, D.C.

Dear Mr. Early:

Attached hereto is a memorandum dated March twenty-sixth from Assistant Secretary Draper to Secretary Roper with reference to labor policy.

The Secretary has not seen the memorandum as he will not return to the city until March twenty-ninth.

As Mr. Draper's memorandum refers to the Rodgers Bill recently introduced in the Pennsylvania Legislature, I thought perhaps you might be interested in having his observations before you today.

Sincerely yours,

South Trimble, Jr.

South Trimble, Jr.,
Solicitor.

attachment

March 26, 1937

MEMORANDUM

To: Secretary Roper

From: Ernest G. Draper,
Assistant Secretary.

Subject: Discussion of a National Labor Policy.

So many requests from business men throughout the country, asking for information with reference to the possibility of improving our national labor policy, have been received by the Department of Commerce that we have been making an intensive study of the problem. After all, healthy labor relations are just as much the concern of management as of labor. On this account, the Department of Commerce feels that it has a responsibility in this matter which cannot be shirked.

The problem is so many-sided that it is not the purpose of the Department to advocate any definite plan. However, we see no harm in studying the problem at close range in the hope that some workable plan may be developed. In this connection, it has been brought to our attention that the activity of various groups in different states form the basis for a possible policy which might be adopted on a national scale. For instance, we understand that recently there has been introduced in the legislature of the State of Pennsylvania a Bill for the handling of labor disputes, called the Rodgers' Bill.

Although this Bill is designed to meet the needs in the State of Pennsylvania alone, there are in it many desirable features which might

be incorporated in a Federal bill. The emphasis of this Bill is placed upon voluntary conciliation, voluntary mediation, disciplined and responsible organizations of employees, disciplined and fair employers, the frank acceptance by employers of collective bargaining and the right of employees to join, free from coercion, organizations of their own choosing.

The spirit of the Bill indicates the necessity for a give-and-take attitude, in which the chief aim to be always held in view by both sides is fair play. The Bill follows closely the principles that have already worked so successfully in the railway field, but with the important difference that it is adapted for use by industrial companies rather than by great public utilities like the railroads, whose problems in some particulars call for a different type of treatment.

This Bill contains provision for establishing four different agencies, whose services may voluntarily be employed whenever an industrial dispute arises.

A State Labor Relations Board is provided for, consisting of five members appointed by the Governor. The services of this Board may be requested by either employer or employees, or the Board may proffer its services in connection with any of the following types of controversies:

(1) Any dispute as to who shall constitute the properly authorized representatives of employees;

(2) Any dispute arising in connection with the making or maintaining of an agreement covering wages, hours or working conditions;

(3) Any controversy concerning the application or interpretation of an existing agreement;

(4) Any other controversy which may lead to a substantial interruption of employment.

On questions of employee representation, the Board's procedure is to investigate the size of the employee group which has authorized representatives to speak for it. If necessary, a secret ballot may be conducted to determine what representation is desired.

In dealing with controversies over the making or maintaining of an agreement, the Labor Relations Board will act as a mediation board in its effort to bring about an agreement. If efforts to settle a dispute through mediation fail, the Board will then attempt to induce both parties voluntarily to submit their controversies to arbitration.

For arbitration purposes the Bill provides that a commission shall be appointed with three or six members. Each party to the dispute is permitted to have equal representation on the Commission of Arbitration and these representatives shall jointly select the neutral member or members. In submitting questions for arbitration, both parties shall agree that the award is to be final, valid and binding, and that whatever award is made will be faithfully executed.

In the event one or both refuse to submit their differences to arbitration, the Labor Relations Board is empowered to recommend to the Governor the creation of a special Fact-Finding Board. It then becomes the duty of this Fact-Finding Board to investigate all circum-

stances surrounding the controversy and to recommend the manner in which the dispute should be settled.

The Bill specifically provides that it shall be the duty of both employees and management to give these agencies an opportunity to complete their efforts to bring about a satisfactory settlement. No change is to be made in the conditions out of which the controversy arose except by agreement of all parties concerned until thirty days after a report is made by the special Fact-Finding Board. No individual employee, however, shall be required to render labor or service without his consent, nor shall the withdrawal of his labor be considered an illegal act. Provision is made, however, that it shall be the legal obligation of both employee and employer, after they have once voluntarily consented to invoke the services of the machinery established by this Act, to cooperate fully with these agencies in the manner prescribed before they resort to any arbitrary method or compulsory process to end the controversy or to obtain an advantage in its final determination.

A fourth agency is to be created when necessary for the settlement of any controversy over the application of an existing agreement or any grievance of any individual employee or group of employees. The Labor Relations Board is authorized to request the parties to refer a controversy of this type to a Board of Adjustment composed of equal representation of both parties. If the Adjustment Board fails to arrive at a satisfactory settlement, a neutral chairman may be appointed, in which case a decision of the majority of the Adjustment Board shall

be final and binding upon both parties. If desired, this Board may be established as a permanent agency for dealing with grievances as they may arise.

Should either party wish to alter an existing agreement, a thirty-day notice shall be given, outlining in the intended change. In the event a controversy develops, it can be referred for settlement to the Labor Relations Board acting as a mediator. If mediation fails, the controversy can then be referred to a special Fact-Finding Board which functions in the same manner as in the settlement of disputes over the making or maintaining of an agreement.

Whether or not there is in this Bill, or others like it, the seeds of a more satisfactory adjustment of labor disputes, the fact remains that the lines along which this Bill attacks the problem seem to be clear and free from undue favoritism either toward labor or toward management. It is for this reason that the Department of Commerce is particularly interested in its point of view and hopes that its major features may be brought to the attention of the President.

It is also hoped that, if the President decides to have informal conferences with Government officials about legislation of this character, the Department of Commerce be permitted to have a representative at these conferences.

Ernest G. Draper

E. G. D.

PSF: Industrial Recovery

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 29, 1937

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Selective Federal Purchasing and Allocation of Federal Projects.

SUMMARY

The competition provided by Government purchases in industries which in some cases have been unable to keep up with private orders, and in raw material markets in which prices have risen steeply, suggests the need for a general study of Government purchases and purchasing requirements, with the object of determining whether a better distribution of necessary purchases could be made in the public interest, and whether Federal emergency projects could be so selected as to shift material requirements more largely into industries where unemployment is still relatively high. Such a study should properly be extended to include a survey of emergency requirements by regions, to provide a basis for the distribution of Federal funds for work relief in relation to unemployment needs. This report provides a general picture of the ground which such a study might cover.

Direct Federal purchases come under three classifications: Regular departmental purchases, made through the Procurement Division; direct purchases for relief, made through the Procurement Division; and purchases by the Army and Navy. The indirect purchases, or those made by independent contractors on Federal projects, are more important in volume, and more adjustable, than are the direct purchases. Greatest possibilities therefore seem to be presented in the adjustment of Federal projects to accord with market situations and unemployment conditions in the industries supplying the various materials. It may also be found that a better distribution of direct purchases could be made to reduce competition with private industry.

The most important depressed industries at present, from an employment standpoint, are those relating to construction. Employment is particularly low in the industries producing lumber, cement, brick and tile, furniture, and heating equipment. The major industries operating nearest to peak levels are steel, textiles, and automobiles. The following three types of projects appear well adapted to present conditions: (1) Light construction; (2) road building; and (3) flood control. These would use a maximum amount

of labor, and of such depressed materials as lumber, cement, and brick, and a minimum amount of steel. They are also rather well adapted to shifting from region to region according to unemployment conditions.

Regional variations in unemployment are shown by data on employment applications and by indexes of farm labor supplies. While these indicate that the volume of unemployment in each region has been reduced during the past year, the per capita Federal emergency expenditures in each region have increased. Indexes of regional variations in purchasing power, as reflected in new car registrations and bank debits, also show a consistent increase in 1936.

A more detailed study covering the subjects touched upon in this report, in addition to whatever help it might give in suggesting improvements in purchasing policies, might also be of some assistance in the development of a policy for the distribution of Federal expenditures more adaptable to changes in economic conditions.

SELECTIVE FEDERAL PURCHASING AND ALLOCATION OF FEDERAL PROJECTS

Confronted with the following facts,-- (1) That production in certain industries has expanded to a point where manufacturers are unable to make near-term delivery on new orders, while other industries show only partial recovery; (2) that prices for certain products, under the temporary influence of urgent buying, have reached levels not likely to be maintained after production has responded to the increased prices; and (3) that the number of unemployed workers varies widely from industry to industry, and from region to region,-- it would seem advisable that the Federal Government adopt a policy of selective purchasing in filling its requirements for goods and materials, so far as practical, and adopt a policy of allocating Federal projects (1) by types of projects, according to economic conditions in the industries supplying materials for these projects and (2) by regions, according to regional unemployment conditions.

The adoption of a general plan permitting the shifting of Government expenditures from industry to industry, and from region to region, should benefit the nation in a number of ways: (1) By preventing a further congestion of orders in industries already crowded to capacity; (2) by stimulating lagging industries; (3) by providing employment in regions and in industries where unemployment is most serious; (4) by permitting buying in individual industries to be reserved, where practical, until such time as it may have a more beneficial effect; (5) in general, by furthering the policy of the Administration to bring about a well-rounded recovery and stability in all branches of the economic structure.

Extent of Government Purchasing

The United States Government stands far in the lead as the country's largest buyer, purchasing goods and materials for its own operations as well as financing the purchasing of a much larger quantity of goods and materials used in carrying out various recovery and relief projects. In the 1936 fiscal year, the Procurement Division reports a total of $47,903,069.47 purchased through that Division and by other Departments and establishments of the Government under term contracts executed by the Procurement Division, exclusive of a very large volume of extraordinary purchases for relief uses, and exclusive of Army and Navy purchases except for office supplies and equipment. A grouping of the Procurement Division purchases by classes, in order of importance, is shown in Table I, pages 15 and 16.

The table mentioned includes only materials used in the regular operations of the Government Departments, excluding most of the Army and Navy purchases. In the many classes of projects embraced in the Government's broad program for recovery and relief, a much greater volume of material is used, the purchase of which is indirectly controlled by the Federal Government in its selection of projects. The major part of these purchases is included in a tabulation by the Bureau of Labor Statistics, showing a total of $1,014,092,984 to have been spent for materials used on Government-financed projects during the year December 15, 1935 to December 15, 1936. A tabulation of these expenditures by groups of materials and by classification of projects is shown in Table II, pp. 17 and 18. Summarized, this table shows an allocation of the following sums to various types of industries:

Cement, stone, clay, and glass products	$ 304,895,000
Iron and steel and their products	254,979,000
Machinery, not including transportation equipment	140,685,000
Forest products	83,269,000
Textiles and their products	21,809,000
Chemicals and allied products	17,065,000
Nonferrous metals and their products	8,262,000
Motor vehicles, railway cars, and other transportation equipment	6,667,000
Miscellaneous	176,462,000
All materials	$1,014,093,000

In more detail, the figures show that in Federal construction projects during 1936, more than $10,000,000 was spent in each of the following 20 individual industries:

Structural and reinforcing steel	$ 103,071,000
Cement	99,228,000
Foundry and machine shop products	64,313,000
Sand and gravel	58,219,000
Lumber and timber products	41,372,000
Brick, tile and other clay products	39,740,000
Cast iron pipe and fittings	39,367,000
Concrete products	38,941,000
Electrical machinery and supplies	35,855,000
Paving materials and mixtures	34,976,000
Crushed stone	33,784,000
Petroleum products	32,328,000
Steel works and rolling mill products	25,511,000
Engines, tractors, turbines	24,229,000
Heating and ventilating equipment	23,589,000
Electric wiring and fixtures	19,544,000
Plumbing supplies	17,300,000
Marble, granite, slate, etc.	13,721,000
Planing mill products	11,028,000
Furniture and fixtures	10,552,000

The volume of Federal purchasing has without doubt been sufficient to influence appreciably the national level of business activity, and in some cases to lift certain industries out of depression conditions. Of the $1,014,000,000 spent for materials used on Federal construction projects in 1936, for example, $255,000,000 was spent for iron and steel products, not including machinery. This figure would equal 34 percent of the total sales of the United States Steel Corporation in that year. In 1934, approximately 76 percent of the output of the entire cement industry in this country was used in Federal-financed projects, and 57 percent of the output in 1935 was so used. In structural and reinforcing steel, 45 percent of the entire output of the industry in 1934 and 47 percent in 1935 was used on PWA projects. In cast iron pipe and fittings, 26 percent of the entire output in 1934, and 37 percent in 1935, was used on these projects. In the clay products industry, making brick, tile, and terra cotta used in building construction, PWA projects used approximately 26 percent of the output in 1934, and 38 percent in 1935. These figures illustrate the extent to which Federal funds have served to maintain employment in individual industries.

Recovery in Factory Employment not Uniform

Despite such assistance, however, the employment in certain industries has continued to lag, while most industries have gone forward to levels of employment closely approximating those of 1929. In Chart 1, attached, is shown graphically the employment situation in each of the important industrial groups as compared with employment in 1929.

Outstanding among the backward industries, it will be noted, are those related to light and heavy building construction. Employment is particularly low in the lumber industry, which, in 1929, provided work for an average of 419,645 workers in sawmills and 90,099 workers in millwork. Data for January 1937 indicate that employment in sawmills during that month was running at only 57.0 percent of the 1929 average, and employment in millwork at only 67.4 percent. These employment figures compare with an average percentage of 91.9 for manufacturing as a whole. A tabulation including other important industries related to building is presented below:

	Average no. of employes in 1929	Employment in Jan. 1937, % of 1929 1/
Lumber, sawmills	419,645	57.0
Lumber, millwork	90,099	67.4
Furniture	193,475	80.4
Brick, tile, etc.	93,422	57.9
Structural steel	54,933	65.6
Hardware	52,274	78.7
Heating equipment	39,571	83.0
Marble, granite, slate	37,802	43.6
Cement	33,321	77.5
Cast iron pipe	19,755	76.3
Total	1,034,297	65.5 2/

1/ Seasonally adjusted.
2/ Weighted avg.
Source: BLS

A view of the present employment situation in the more important of the backward industries, with a comparative view of the situation in all manufacturing industries, is presented in Charts 2 to 8, attached. These show trends of employment and payrolls by months over a 14-year period up to January 1937. The relatively slight improvement that has taken place since the low point of the depression in sawmills and millwork, cement, brick and tile, structural steel, and heating equipment, will be particularly noted. In contrast, the employment and payrolls for all manufacturing industries show an improvement to levels nearly equaling those of 1929.

In certain industries, on the other hand, the number of workers employed has expanded to near the limit of capacity, equaling or exceeding the 1929 levels. These include the three major industrial groups in the United States -- steel, textiles, and automobiles -- which largely account for the present high level of manufacturing activity as a whole. The trends of employment and payrolls in blast furnaces and steel mills, in iron and steel products, in cotton goods, in knit goods, and in automobiles are shown in Charts 9 to 13, attached. In these industries, obviously no Federal assistance is now needed for increasing employment. On the contrary, it would seem that Government purchasing in these industries should be deferred, where practical, until production has begun to recede, in order to avoid a further congestion of orders in competition with private buying, and a further boosting of prices.

The Situation in Prices

The recent sharp upturn in commodity prices, which has carried prices for certain commodities to levels apparently not warranted by the supply and demand outlook over the remainder of the year, gives greater importance to an investigation of possibilities in the distribution of Government purchases. Obviously it would not be in the public interest to add a large volume of Government buying orders, either directly or indirectly, to price situations that may prove to have been largely created by speculative buying, unless the urgent need for such purchases should outweigh other considerations.

A study of the causes of the rise in commodity prices apparently shows it to have been due largely to five factors, varying in their relative importance for different commodities: (1) Increased industrial demand; (2) war demands from foreign countries, affecting chiefly the metals; (3) reduced supplies for certain commodities; (4) speculative buying, either directly by the public, or indirectly through the building up of inventories in anticipation of future

requirements; (5) mark-ups in prices of industrial products, as in steel prices, due to increased operating costs. Evidence seems to indicate that actual price inflation, except in anticipation, has not been a contributing factor.

Whether present prices for various types of materials and commodities are high or low can be judged only in comparison with some selected level used as a standard. In Table III, page 19, two such comparisons are made for average prices during February 1937, for various commodity groups. One uses as a standard the general level of commodity prices, represented by the all-commodity index of the Bureau of Labor, and the other uses the average price in 1929 for the respective groups.

It will be noted that certain building materials, notably structural steel, lumber, and cement, stand relatively high in both comparisons. This may partly explain the low rate of activity, and consequently of employment, in the building industry. Metals and metal products during February were rather high in price as compared with the all-commodity index, but remained below their 1929 averages. The recent increases in steel prices, however, have placed them above their 1929 levels.

The more recent movements in individual prices are shown in Table IV, page 20, in which market quotations on March 25, 1937, are compared with prices a month earlier and a year earlier. The sharp upturns in the metals, and in cotton, hides, and rubber, are particularly noticeable.

If the upturn in commodity prices has not been due to price inflation, which appears to be the case, they are likely to become readjusted to lower levels when production responds to the influence of increased prices. Evidence that inflation has not been a factor appears (1) in the failure of many commodities to join the rise; (2) in the fact that statistical studies show that prices of commodities on the whole are apparently not out of line with present supply conditions; and (3) in the recent sharp increase in demand provided by heavy foreign buying, by domestic buying for inventory accumulation, and by speculative buying, which seems in the aggregate to have been of sufficient volume to completely explain the price upturn; and which, furthermore, seems largely of a temporary nature.

The prospect of increased supplies for a number of commodities during the coming months is a bearish factor in the price outlook. In cotton, private estimates of acreage for the coming year indicate an increase of 10 to 15 percent, and the new-crop deliveries in the

futures market are accordingly priced a cent a pound lower than current prices. Substantial increases in the acreage planted to wheat and other grains is also reflected in wide discounts on the new-crop deliveries in the grain market. In copper, the production is increasing steadily in response to high prices, while consumption has not increased for four months. The world production of refined copper equaled consumption last December, and has exceeded it during February. In tin, the recent price in British markets of £300 per ton, as compared with production costs estimated at £60 to £80 a ton would seem to guarantee an increased supply and lower prices. In the markets for pig iron, lead and zinc, the encouragement to increased production provided by the higher prices should have a visible effect on production statistics within a few months.

To the extent that buying in anticipation of speculative profits has been a factor in the price rise, whether done openly as a speculation or indirectly as a protection against inflation, a weak situation has been created in the commodity markets. Various indications suggest that the volume of speculative buying in commodities has been unusually large, and that it is tending to increase. A decline in prices initiated by increasing supplies might, under such conditions, last longer and extend further than could ordinarily be expected, while accumulated inventories were being used up and speculative commitments liquidated.

A Survey of Federal Purchasing Suggested

In view of the price situation outlined above, it would seem well for a careful survey to be made of anticipated Government requirements for all purposes for some time ahead, with a view toward adopting a purchasing policy for each of the major items on the required list of materials. Such a survey should provide answers to the following questions:

1. What materials will be purchased in sufficient volume to be an important factor in the market, and how much of each will be required?

2. What is the current and prospective market situation for each of these materials?

3. To what extent can purchases of each material be deferred or anticipated, and to what extent must purchases be made as needed?

Entirely aside from the possibility that such a survey might bring about a saving to the Government in the prices paid for materials, through suggesting a better distribution of purchases in the light of varying market conditions, it should serve the useful purpose of indicating when it might be in the public interest for the Government largely to remain out of the market, in order to avoid a congestion of orders in competition with private industry, to avoid unjustified increases in price, or to avoid the encouraging of speculative buying. Conditions favoring such a policy appear to exist today in the steel and textile industries, and in the markets for a number of raw materials. On the other hand, such a survey would serve to indicate when Government orders could be placed to good advantage for maintaining employment in various industries and contributing most to recovery.

These direct Government purchases are only a part of the total material purchases controlled by the Federal Government. A much larger quantity is involved in the purchases made by private contractors under the various recovery and relief projects financed wholly or in part by Federal funds. Through a provision in the Government contracts requiring a detailed statement of the quantity and value of each material used, the Bureau of Labor Statistics has been able to analyze each type of project in terms of material requirements. Reports have been completed for certain types of projects, and studies are in progress on others.

An analysis of possibilities in the distribution of Government-financed projects should therefore be included in the survey mentioned above. Such an analysis would be directed toward determining each year the types of projects that would make use of the maximum amount of materials from depressed industries, and the minimum amount of materials from industries in danger of over-production, or of materials that appear over-priced. In any project, of course, it is impossible to dispense with a certain amount of materials in the latter class. The problem is one of selecting projects that use them in smallest amounts.

During the current year, since the building industries are most depressed, the selection of projects should include those using a maximum amount of lumber, cement, and brick, and a minimum amount of steel and other metals. While the structural steel industry is depressed, the volume of orders for this type of building material should probably be held down for the present because of an over-supply of orders in the steel industry.

The types of projects which seem best adapted to present market conditions appear to fall in three groups: (1) Light construction and building repair, (2) road building, (3) flood control and erosion control. Low-cost housing projects should be well adapted to present

conditions. Road building and flood control projects -- if a national program can be worked out for the latter -- have additional advantages in that they require a considerable proportion of labor and can conveniently be shifted from one section to another according to employment conditions.

These projects, furthermore, seem well adapted to the occupations of workers now on relief. According to the U. S. Employment Service, "overalls workers" made up by far the largest total of applicants for employment, white collar workers were next, and skilled workers third. The groups of skilled workers were headed by carpenters, painters, mechanics, and foremen, in the order given.

Regional Allocation of Projects According to Unemployment Conditions

The tendency for the volume of unemployment to vary from State to State, and for the areas of serious unemployment to shift from year to year according to local economic conditions in industry and agriculture, makes advisable the organization of Federal projects on some flexible basis that will permit of their being shifted according to the urgency of unemployment needs in different areas.

Regional variations in the present unemployment situation are shown by data on the number of active applicants for positions on the rolls of the United States Employment Service. The table below, giving by geographical divisions, as of January 1, 1937, the total number of active applicants for employment, and the percent of the total population which they represent, provides some measure of the relative volume of unemployment in different parts of the country, largely as it relates to urban areas.

	Total active applicants	Percent of 1930 population
New England	506,035	6.20
Middle Atlantic	1,596,426	6.08
East North Central	1,128,402	4.46
West North Central	766,758	5.77
South Atlantic	652,946	4.13
East South Central	551,883	5.58
West South Central	519,574	4.27
Mountain	233,285	6.30
Pacific	355,852	4.34
Total United States	6,311,161	5.14

Regional variations in unemployment in agricultural areas, which also provide some measure of general unemployment in those regions, are indicated by reports of the Department of Agriculture on the supply of farm labor relative to the demand for farm labor in the various States. Data for January 1, 1937, with comparative figures for January 1, 1936, are shown in Table V, page 21. It will be observed that a favorable change has occurred in most sections during the past year, particularly in the industrial areas. Thus New England, Middle Atlantic, and East North Central States, as well as the cotton mill region in the South, have brought their supply of farm labor approximately into balance with the demand for farm labor. This bears out reports from industry, which show a heavy gain in factory employment during 1936.

Certain States, more purely agricultural, have been helped but little by the increased employment in industry. In these States the reported supply of farm labor remains out of proportion to the reported demand. These are largely States of the West North Central and West South Central districts, which were seriously affected by the drouth in 1936, and where industry provides very little outlet for surplus labor. In the West North Central region, comprising the States of Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas, the relative supply of farm labor was reduced in 1936 only from a figure of 140.5 percent to 136.9 percent, which is still far out of proportion to the demand for farm labor.

Regional Emergency Expenditures compared with Regional Unemployment

A general survey of Government emergency expenditures, with a view toward determining the most efficient use of Government funds for relief and recovery purposes, could well be extended to include a survey of regional expenditures in the light of changing regional unemployment conditions. Such a survey would be necessary, in fact, to provide a satisfactory and equitable basis for the regional distribution of emergency projects.

In Table VI, page 22, is shown a classification of Federal emergency expenditures for various purposes by fiscal years, 1933 to 1937, with the present fiscal year divided to show expenditures through February 28, and proposed expenditures March 1 to June 30. State details have been combined by regions and converted to a per capita basis, to provide a direct comparison of emergency expenditures per capita in various sections of the country. These figures are presented in Table VII, page 23, in the form of an index, in which the average per capita emergency expenditure for the United States as a whole during the three years 1934 to 1936 is taken as 100. The

unusually high per capita expenditures in the Mountain region is explained partly by the large sum being spent on the Boulder Dam project, in a region that is rather thinly populated.

To make an appraisal of emergency needs in the various sections of the country, and to determine whether expenditures are being equitably distributed by regions in accordance with these needs, estimates are needed of the changes in unemployment in the various regions. No such estimates have been published, but approximate figures may be derived by using private estimates of total unemployment (Nathan's estimates) distributed by geographic divisions according to the relative number of active applicants on the rolls of the U. S. Employment Service in each region. While the probability of certain inaccuracies in these figures is recognized, they should provide an approximate indication of regional trends in the percentage of the population unemployed. A supplementary index of regional trends in unemployment is provided by Department of Agriculture data on the farm labor supply, which tends to reflect employment conditions in the cities as well as on farms.

These two unemployment indexes, placed on a common base, are compared in Chart 14, attached, with an index of per capita emergency expenditures. The section of the chart entitled "U. S. Total" shows per capita expenditures in the 1937 fiscal year, for the country as a whole, at a new high level, slightly more than 20 percent above the average expenditures during the three years 1934 to 1936. Yet the estimated unemployment is shown to have declined on January 1, 1937 to about 75 percent of the 1934 to 1936 average, and the unemployment index based on the farm labor supply has likewise declined to about 75 percent of the 1934 to 1936 average.

A comparison of these charts by regions shows considerable variation both in unemployment and in per capita expenditures, with some consistency in the relationship between the two except in the Mountain and Pacific regions. The chart for the Pacific region shows per capita expenditures 60 percent above the United States 1934-1936 average, although the unemployment indexes are even slightly below the current average for the United States as a whole. The high per capita expenditures in the Mountain region, as previously explained, are due partly to the large sums being spent on the Boulder Dam project.

Outside of these regions, the highest per capita expenditures are in the West North Central region. In this area the figures show that unemployment is also highest, probably as a result of several years of drouth. The lowest per capita expenditures are in the South Atlantic section, where unemployment has been reduced to apparently the lowest level of any region, probably due to the high rate of activity in the textile mills.

A second method of determining relief requirements for the various regions is on the basis of regional changes in the level of business activity. Improvement in business should be reflected in increased purchasing power, and consequently decreased requirements for Federal relief expenditures. Bank debits and new automobile registrations have been selected as probably more indicative of purchasing power than any other business data. These have been converted into indexes, and in this form are shown in Chart 15, attached, in comparison with the per capita index of emergency expenditures by regions.

Business did show an actual improvement last year, as measured by these two indexes, in every one of the geographic divisions. As reflecting purchasing power, it is possible that the bank debits index may not be wholly accurate, since the increase may have been influenced by changes in price levels, which affect living costs, and to some extent by the volume of Government relief expenditures itself. The same cannot be said of the increased number of automobile registrations, however, which can hardly be interpreted in any other way than as reflecting an improvement in actual purchasing power.

One should theoretically expect relief expenditures to decline as new car registrations and bank debits rise. As shown in this chart, however, the reverse has been the case. Expenditures for the present fiscal year show an increase in all regions, except that in the New England and South Atlantic areas the increase has been negligible. The highest index for new cars registered last year was in the Pacific States, yet that region shows the highest per capita emergency expenditures, with the exception of the Mountain region, where the situation is abnormal. The highest index for bank debits, however, is in the South Atlantic region, which accords, as should be expected, with the lowest per capita expenditures.

An indication of purchasing power in the agricultural sections is provided by the Department of Agriculture in its published estimates, by States, of receipts from the sale of farm products. These figures for the various regions are shown in Table VIII, page 24, for the years 1932 to 1936. It will be noted that every region shows an increase in receipts from farm products except the West South Central region, which was seriously affected by drouth.

Conclusions

It would seem well to have a broad survey made of Federal expenditures used for the purchase of materials of all kinds, with the following objects: (1) To determine which materials are purchased in sufficient volume to substantially affect market conditions, and employment in individual industries; (2) to analyze present and prospective market conditions for these materials in the light of Federal requirements, to

determine a purchasing program most nearly in accord with the public interest; (3) to study the materials used in various types of Government-financed projects, with a view toward selecting projects each year that will best fit unemployment needs and market conditions in the industries supplying these materials; (4) to study business conditions and unemployment in the different sections of the country, to provide an equitable basis for the distribution of relief expenditures and for the shifting of them from region to region according to variations in emergency needs.

In such a survey, all Government purchases, direct and indirect, should probably be considered together. These would include: (1) Regular departmental purchases, through the Procurement Division; (2) Army and Navy purchases; (3) direct Government relief purchases, handled through the Procurement Division; (4) purchases by independent contractors on Federal projects, reported to the Bureau of Labor.

In addition to any tangible benefits that might be accomplished through such a study, a favorable public reaction toward the consideration of plans for distributing Government purchases more in accordance with industrial conditions can probably be expected.

Table I

Tabulation of Government Purchases by Classes
for Fiscal Year 1936 1/

Fuel; gasoline, coal oil (fuel)	$11,401,474.79
Office equipment, typewriters, etc.	9,882,074.44
Motor vehicles; accessories, etc.	6,915,461.23
Furniture	4,289,840.63
Electric apparatus and accessories	2,274,351.07
Stationery, bags, paper, books, etc.	1,803,268.50
Telephone service	1,608,398.76
Instruments of precision	1,396,200.73
Electric service	1,190,451.81
Dry goods; textiles, coverings, etc.	862,015.50
Foods; groceries, ice, provisions	807,366.91
Hospital-apparatus, accessories	506,318.66
Acids; chemicals, drugs, soap, etc.	504,866.53
Oils (illuminating and lubricating)	440,590.26
Lumber, barrels, boxes, etc.	368,157.73
Building material, brick, stone, etc.	357,619.36
Tools, machine	310,029.21
Machinery and equipment	288,461.96
Tools, hand	224,472.86
Rope, wire, and wire, bare	217,299.22
Paints; paint ingredients	211,536.72
Hardware (builders' general)	161,071.18
Railway, dock, yard, fire apparatus	153,914.72
Pipe, tubes, tubing (non-flexible)	150,247.40
Toilet articles and accessories	122,978.80
Forage; bulbs, trees, seeds	115,544.45
Books, blueprinting, maps, paper, etc.	110,102.17
Textile-clothing, knitted goods	107,874.90
Pipe fittings	105,585.53
Agricultural implements, parts	85,396.44
Miscellaneous services	83,069.20
Tableware-aluminum-ware, glass	78,940.68
Badges, insignia, metals, etc.	73,157.58
Metal in bars; metal in plates and sheets; metal shapes (angles and structural)	70,422.97
Leather; belting, harness, etc.	63,718.45
Bake shop, kitchen utensils	63,000.06
Cordage; hemp; jute; oakum; etc.	58,484.27
Gaskets, hose, packing, etc.	52,535.71
Brooms, brushes	46,590.39

Table I
(Continued.)

Vehicles (animal and hand drawn)	$	42,992.22
Athletic equipment		30,766.14
Duck, canvas, tentage, etc.		28,831.70
Caps, hats, gloves, women's furn.		28,648.46
Electric cable and wire (insulated)		24,271.00
Fire-surfacing and insulating material		18,226.63
Tobacco-products; and supplies		17,440.78
Bathroom-toilet fixtures; parts		16,297.95
Bolts, nuts, rivets, screws		15,695.14
Articles of special value; bullion, jewelry, etc.		13,218.16
Arms, small and accessories		12,399.24
Ammunition, blasting-apparatus		10,111.99
Flags, bunting		10,055.01
Pumps and their parts		9,525.25
Boots, shoes, leather and rubber clothing		9,223.90
Boats		9,135.00
Lighting apparatus (nonelectric) accessories, etc.		7,789.29
Boilers and engines (power-plant) (ship), accessories, etc.		7,652.52
Musical instruments, music and parts		6,467.21
Radio and sound signal apparatus, etc.		6,031.46
Ovens; ranges; and stoves; accessories		4,904.66
Drayage and hauling, freight		4,719.82
Engine room fittings, tools, etc.		2,017.36
Submarine material		1,004.50
Boat and ship utensils		822.19
Boat and ship fittings		558.00
Anchors, anchor chains, etc.		403.91
Blank forms		212.57
Boilers and engines (boat power) accessories, parts, etc.		212.14
Foundry-apparatus; accessories, etc.		167.64
Blocks; rigging; accessories, etc.		159.30
Livestock		73.00
Individual equipment (field and landing force)		70.00
Aircraft; aeronautic apparatus, accessories, etc.		35.00
Gyro-compasses, accessories		21.84
Mines; nets; torpedoes, etc.		17.71
Total		$47,903,069.47

1/ Includes purchases by Procurement Division, open market and contract, and purchases by other Departments and establishments under term contracts executed by the Procurement Division.

Source: Procurement Division.

Table II

VALUE OF MATERIAL ORDERS PLACED ON CONSTRUCTION PROJECTS FINANCED WHOLLY OR PARTIALLY BY FEDERAL FUNDS FROM DECEMBER 15, 1935, TO DECEMBER 15, 1936

(Subject to revision)

Type of material	Total	PROJECTS: Public Works Administration 1/	Reconstruction Finance Corporation 2/	Regular Governmental 3/	The Works Program 4/: Federal Construction	The Works Program 4/: Operated by W. P. A. 5/
All materials	$1,011,098,984	$601,348,634	$19,965,153	$172,818,699	$140,569,702	$279,406,796
Textiles and their products	6/ 21,809,904	439,134	30,543	111,539	135,657	6/ 21,089,631
Awnings, tents, canvas, etc.	78,416	39,255	379	10,958	27,824	-----
Carpets and rugs	57,968	57,968	-----	-----	0	-----
Cordage and twine	141,594	31,667	2,112	56,264	51,551	-----
Cotton goods	51,240	11,321	27,999	851	11,069	-----
Felt goods	34,360	22,462	101	5,533	6,264	-----
Jute goods	23,304	21,812	1	50	1,521	-----
Linoleum	300,239	245,617	151	25,855	28,616	-----
Sacks and bags	15,267	3,189	-----	5,203	6,575	-----
Upholstering materials, n.e.s.	4,253	4,058	-----	-----	175	-----
Waste	12,992	1,331	-----	9,845	1,816	-----
Forest products	6/ 83,268,708	30,773,970	663,934	6,685,420	14,634,424	6/ 30,570,958
Cork products	167,795	126,658	10,647	20,145	10,305	-----
Lumber and timber products, n.e.s.	41,371,928	22,015,953	657,378	5,465,104	13,253,513	-----
Planing mill products	11,027,820	8,520,333	15,909	1,115,052	1,368,526	-----
Window and door screens and weatherstrip	130,251	101,046	-----	25,125	2,080	-----
Chemicals and allied products	6/ 17,064,978	5,429,260	364,970	1,198,093	2,569,216	6/ 9,103,519
Ammunition and related products	75,940	75,917	-----	-----	23	-----
Chemicals, miscellaneous	536,753	72,016	140	50,658	413,939	-----
Compressed and liquefied gases	510,763	81,066	53,955	27,528	148,234	-----
Explosives	3,847,231	1,148,261	310,057	698,781	1,690,112	-----
Paints and varnishes	8,091,706	2,052,100	11,838	487,126	696,908	4,900,734
Stone, clay and glass products	6/ 304,834,697	115,292,726	5,263,064	50,531,509	39,474,895	6/ 94,158,503
Asbestos products, n.e.s.	216,678	173,894	31,436	9,742	1,606	-----
Brick, hollow tile and other clay products	39,740,356	23,066,069	65,189	1,599,081	1,555,161	13,516,856
Cement	99,206,368	30,037,847	4,732,629	23,573,436	16,358,436	24,526,038
Concrete products	38,943,245	18,932,017	134,019	1,354,296	4,622,909	13,898,004
Crushed stone	33,784,271	6,881,231	29,013	8,232,517	4,536,580	14,105,130
Glass	1,643,647	1,253,958	7,845	280,811	101,053	-----
Lime	319,259	248,506	681	19,421	50,851	-----
Marble, granite, slate and other stone products	13,721,239	8,925,817	6,378	2,833,911	1,957,133	-----
Minerals and earth, ground or otherwise treated	111,433	82,234	-----	19,187	10,012	-----
Sand and gravel	58,218,568	18,818,172	433,007	11,965,083	9,108,387	17,893,919
Tiling, floor and wall, and terrazzo	3,156,205	2,109,730	4,236	322,699	419,740	-----
Wall plaster, wall board, insulating board and floor composition	5,680,852	4,165,171	20,631	581,725	753,085	-----
Iron and steel and their products, not including machinery	6/ 254,978,516	130,441,535	5,660,994	32,176,270	33,840,366	6/ 52,899,351
Bolts, nuts, washers, etc.	2,353,227	1,242,109	18,339	478,770	611,009	-----
Cast iron pipe and fittings	39,366,603	19,234,930	269,518	1,274,860	1,260,302	17,326,993
Doors, shutters, window sash, frames, molding & trim (metal)	9,685,592	6,910,302	33,439	2,186,150	495,701	-----
Firearms	-----	-----	-----	-----	-----	-----
Forgings, iron and steel	3,797,658	1,274,377	7,805	1,758,917	756,559	-----
Hardware, miscellaneous	8,747,263	5,369,618	433,326	956,582	1,987,995	-----
Heating and ventilating equipment	23,588,583	16,573,863	68,803	1,242,699	851,274	2,651,944
Nails and spikes	1,344,080	798,774	9,534	122,544	413,168	-----
Nail fastenings, excluding spikes	917,051	878,970	4,757	31,792	1,532	-----
Rails, steel	2,695,795	2,397,374	52,401	23,942	40,076	-----
Springs, steel	16,779	16,672	-----	102	5	-----
Steel works and rolling mill products, n.e.s.	85,530,842	14,219,686	366,788	6,642,776	4,851,592	-----
Stoves and ranges, other than electric	33,182	26,245	-----	4,331	2,606	-----
Structural and reinforcing steel	103,071,395	51,046,679	3,689,306	14,358,941	19,671,376	14,305,093
Switches, railway	281,810	278,950	760	474	1,626	-----
Tools, other than machine tools	7,535,799	465,286	38,080	771,195	1,388,848	4,879,090
Wire products, n.e.s.	6,030,095	1,889,444	686,898	1,732,786	1,720,967	-----
Wrought pipe	6,568,533	5,824,336	1,838	389,609	353,750	-----
Nonferrous metals and their products	6/ 8,261,919	3,367,959	30,899	1,095,781	2,198,690	6/ 1,570,590
Aluminum manufactures	269,873	110,278	8,461	125,844	4,690	-----
Copper products	767,378	402,989	14,058	99,189	251,282	-----
Lead products	208,350	193,056	944	7,133	7,197	-----
Nonferrous-metal alloys and products, n.e.s.	1,109,553	462,063	536	617,353	29,601	-----
Sheet-metal work	4,351,154	2,195,919	6,900	246,884	1,905,451	-----
Zinc products	5,663	3,714	-----	1,458	469	-----

Table II (Continued)

Machinery, not including transportation equipment	1/ 140,685,140	32,641,428	5,721,295	58,576,741	17,191,410	6/ 10,554,568
Electrical machinery, apparatus and supplies	35,054,770	14,010,462	698,582	12,547,616	3,285,028	5,349,082
Elevators and elevator equipment	4,170,364	2,998,454	29,951	999,991	147,968	-----
Engines, turbines, tractors, and waterwheels	24,289,079	6,183,320	247,852	13,703,395	3,795,112	-----
Foundry and machine shop products, n.e.c.	64,312,864	22,839,676	4,702,479	22,877,676	9,103,813	4,789,220
Machine tools	1,957,578	1,091,538	15,760	622,390	227,890	-----
Meters (gas, water, etc.) and gas generators	453,714	439,042	2,712	8,143	3,817	-----
Pumps and pumping equipment	8,775,423	4,368,809	30,557	3,694,704	681,353	-----
Refrigerators and refrigerating and ice-making apparatus	515,382	386,127	-----	122,886	6,429	-----
Transportation equipment, air, land and water	6,666,991	2,851,803	136,909	198,630	2,352,767	1,126,882
Aircraft (new)	176,416	148,724	-----	27,692	-----	-----
Boats, steel and wooden (small)	153,000	2,173	-----	85,551	65,276	-----
Carriages and wagons	47,786	22,060	446	592	24,688	-----
Locomotives, steam	6,338	-----	-----	-----	6,338	-----
Motor vehicles, passenger	146,476	37,441	13,409	10,930	84,696	-----
Motor vehicles, trucks	3,942,573	447,903	123,054	73,865	2,170,869	1,126,882
Railway cars, freight	2,191,402	2,193,502	-----	-----	900	-----
Miscellaneous	176,462,431	62,104,699	1,870,747	26,303,650	27,786,337	58,396,998
Belting, miscellaneous	23,217	3,371	3,101	10,660	6,085	-----
Coal	2,256,549	200,070	4,123	320,407	395,976	1,335,973
Creosote	26,355	5,886	-----	474	19,995	-----
Electric wiring and fixtures	19,544,023	14,066,170	237,068	3,096,428	2,144,361	-----
Furniture, including store and office fixtures	10,551,826	5,229,292	3,409	1,643,524	366,229	3,309,372
Instruments, professional and scientific	450,375	224,776	108	132,969	92,522	-----
Mattresses and bed springs	44,010	42,846	-----	660	504	-----
Models and patterns	17,794	12,588	-----	4,688	518	-----
Paper products	61,832	48,666	470	4,952	7,744	-----
Paving materials and mixtures, n.e.c.	34,976,148	4,803,477	16,450	3,466,098	3,669,855	23,020,868
Petroleum products	32,327,842	7,244,852	483,761	8,725,162	9,765,631	5,911,436
Photographic apparatus and materials	62,062	44,490	1,051	2,415	14,106	-----
Plumbing supplies, n.e.c.	17,300,310	11,265,589	43,031	1,066,419	1,561,888	3,323,443
Radio apparatus and supplies	37,412	18,654	-----	3,275	15,483	-----
Roofing materials, n.e.c.	4,725,664	3,559,680	12,845	406,352	746,867	-----
Rubber goods	1,581,312	226,933	135,595	68,835	373,978	775,973
Steam and other packing, pipe and boiler covering, and gaskets	787,518	674,563	4,036	86,281	22,638	-----
Theatrical scenery and stage equipment	98,994	98,994	-----	-----	-----	-----
Window shades and fixtures	119,636	109,886	242	2,303	7,205	-----
Other materials	51,469,552	14,006,976	985,459	7,241,772	8,575,412	20,719,933

1/ Includes material orders placed on P.W.A. projects financed by the Emergency Relief Appropriation Act of 1935.

2/ Does not include material orders placed on projects for which contracts were awarded before March 15, 1934. Includes projects financed by R.F.C. Mortgage Company.

3/ Does not include material orders placed on projects for which contracts were awarded before July 1, 1934.

4/ Material orders placed on P.W.A. projects financed by E.R.A.A. included under P.W.A.

5/ Includes material orders placed to December 31, 1936. National Youth Administration projects include material orders placed to November 30, 1936.

6/ Includes material orders placed for projects operated by W.P.A. which are not classified in detail.

Source: Bureau of Labor Statistics, Division of Construction and Public Employment

Table III

Wholesale Commodity Prices

Commodities	Average price, February 1937	
	Percent of all-commodity index	Percent of 1929 average price
Building materials:		
Brick and tile	105.4	96.5
Cement	110.7	104.0
Lumber	114.7	105.5
Paint materials	96.6	87.9
Plumbing and heating	89.7	81.5
Structural steel	121.3	106.7
House furnishings	101.9	93.9
Metals and metal products:		
Agricultural implements	107.9	94.3
Iron and steel	106.6	96.9
Motor vehicles	107.8	87.2
Nonferrous metals	103.6	84.3
Textiles and clothing:		
Clothing	97.6	93.6
Cotton goods	105.3	92.4
Silk and rayon	39.0	41.9
Woolen and worsted	107.9	105.4
Boots and shoes	117.5	95.4
Miscellaneous:		
Hides and skins	133.1	102.0
Bituminous coal	112.9	106.7
Petroleum products	68.5	82.9

Source: Bureau of Labor Statistics.

Table IV

Commodity Prices

Commodities		Prices		
		1936	1937	
		March 25	Feb. 25	March 25
Textiles:				
Cotton, mid'g, Galveston	(Cents)	11.47	12.77	14.12
Print cloths, 38½ inch	"	5-7/16	7-5/8	8
Wool, territory fine, Boston		$ .93-.95	$1.12-1.15	$1.12-1.15
Silk, crack double extra		$1.82-1.87	$1.94-1.99	$2.03-2.08
Metals:				
Pig iron, no. 2 foundry		$19.50	$20.50	$24.00
Steel bars, Pittsburgh	(Cents)	1.85	1.85	2.45
Copper, electrolytic, Conn Valley	"	9¼-9½	14	16¼
Zinc, East St. Louis	"	4.90	6.80	7.50
Lead, pig, New York	"	4.60-4.65	7.00-7.05	6.95-7.00
Tin, Straits, New York	"	47½	55¼	66-1/8
Coal and Oil:				
Coal, bituminous, Pa., smokeless		$2.55	$2.45-2.60	$2.45-2.60
Petroleum, crude, Kansas, Oklahoma		$ .94-1.18	$1.06-1.30	$1.06-1.30
Miscellaneous:				
Hides, heavy native steers (Chicago)	(Cents)	13	16	17
Rubber, plantation	"	15-15/16	22	26
Moody's price index		169.6	207.8	224.2
Journal of Commerce index		134.5	163.1	175.0

Table V

Relative Supply of Farm Labor
January 1, 1936, and January 1, 1937 1/

Region	Jan. 1, 1936	Jan. 1, 1937
New England	122.4	106.1
Middle Atlantic	119.4	97.4
East North Central	119.3	100.8
West North Central	140.5	136.9
South Atlantic	116.5	99.2
East South Central	123.8	104.8
West South Central	144.5	129.9
Mountain	138.6	120.1
Pacific	122.1	111.8
United States	127.2	111.4

States reporting largest relative supply of farm labor, January 1, 1937:

Nebraska	182	Missouri	142
South Dakota	167	Montana	133
Oklahoma	162	Texas	132
Kansas	158		
North Dakota	152		

States reporting smallest relative supply of farm labor, January 1, 1937:

Michigan	89	New Jersey....	97
Ohio	93	Vermont	98
Pennsylvania .	94	North Carolina	99
South Carolina	96	Georgia	99

1/ "Relative supply" is a ratio of the reported supply in percent of normal to the reported demand in percent of normal.

Source: Crops and Markets, February 1937.

Table VI

Distribution of Federal Expenditures
by Fiscal Years,
1933-1937, inclusive

(in millions of dollars)

	1933	1934	1935	1936	1937			1938 Budget estimate
					July 1 to Feb. 28	Mar. 1 to June 30	Total	
Emergency conservation work	14.3	300.1	326.4	570.2	237.5	106.0	343.5	330.0
Public highways	163.3	221.6	274.7	224.3	264.7	91.1	355.8	289.9
Rivers and harbors	116.1	152.8	201.0	225.2	171.9	113.7	285.6	178.3
Public buildings	98.3	72.3	43.7	53.8	43.8	26.2	70.0	52.1
Reclamation projects	23.4	22.6	39.9	48.6	34.1	33.6	67.7	57.6
CWA	-	812.8	-	-	-	-	-	-
PWA	-	77.4	203.3	368.5	235.8	136.5	372.3	214.0
WPA	-	-	-	1,305.7	1,306.0	551.7	1,857.7	1,500.0
Agricultural payments	-	247.4	752.9	528.3	247.1	226.8	473.9	482.4
Resettlement Administration	-	-	9.8	10.0	3.6	102.1	105.7	30.9
TVA	-	13.4	37.5	54.3	32.4	16.3	48.7	49.0
FERA	-	740.5	1,857.5	476.8	3.6	-	3.6	-
Other	117.8	301.0	481.2	146.0	152.9	111.7	264.6	1/ 18.0
Total	533.2	2,961.9	4,227.9	4,011.7	2,678.7	1,515.7	4,194.4	3,066.2
Recoverable items	56.6	680.9	1,116.9	356.8	62.4	35.0	97.4	

1/ Excess repayments, deduct.

Table VII

Index of Per Capita Emergency Expenditures

United States average 1934-1936 = 100

(Fiscal years)

	1933	1934	1935	1936	1937
New England	10.14	64.96	74.06	100.15	101.78
Middle Atlantic	7.86	64.46	97.48	116.88	126.91
East North Central	10.99	84.86	82.69	100.46	116.30
West North Central	17.54	98.18	152.96	93.26	150.25
South Atlantic 1/	16.49	81.22	98.76	82.11	83.43
East South Central	13.40	83.08	120.71	89.01	103.14
West South Central	15.25	80.57	128.46	82.27	107.86
Mountain	52.19	166.71	303.29	257.80	267.63
Pacific	19.67	81.26	118.62	157.34	160.86
United States	14.13	81.80	111.61	106.62	122.69

1/ Excluding District of Columbia.

Source: Computed from data supplied from Division of Accounts and Deposits.

Table VIII

Receipts from Sale of Farm Products
including Rental and Benefit and Soil Conservation Payments

(in millions of dollars)

	1932	1933	1934	1935	1936
New England	145	147	167	178	202
Middle Atlantic	381	401	472	519	580
East North Central	787	881	1,059	1,317	1,508
West North Central	1,039	1,174	1,511	1,717	1,933
South Atlantic	401	514	718	735	746
East South Central	267	312	428	478	492
West South Central	509	690	772	821	796
Mountain	246	280	381	462	476
Pacific	460	473	601	713	773
Grand Total	4,235	4,872	6,108	6,940	7,507

Source: Department of Agriculture.

Chart 2

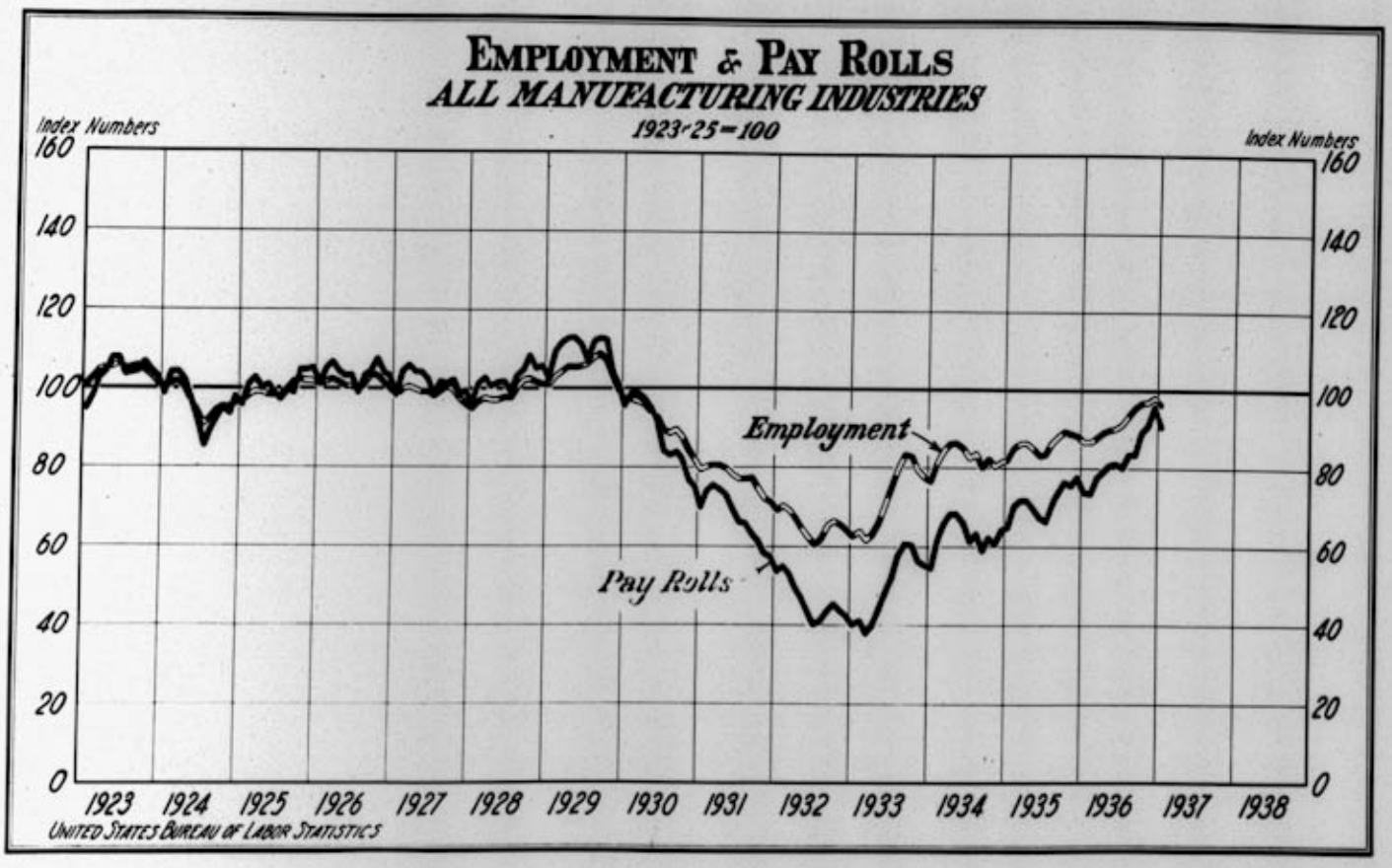

EMPLOYMENT & PAY ROLLS
ALL MANUFACTURING INDUSTRIES
1923-25=100
Index Numbers
Index Numbers
160
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 3

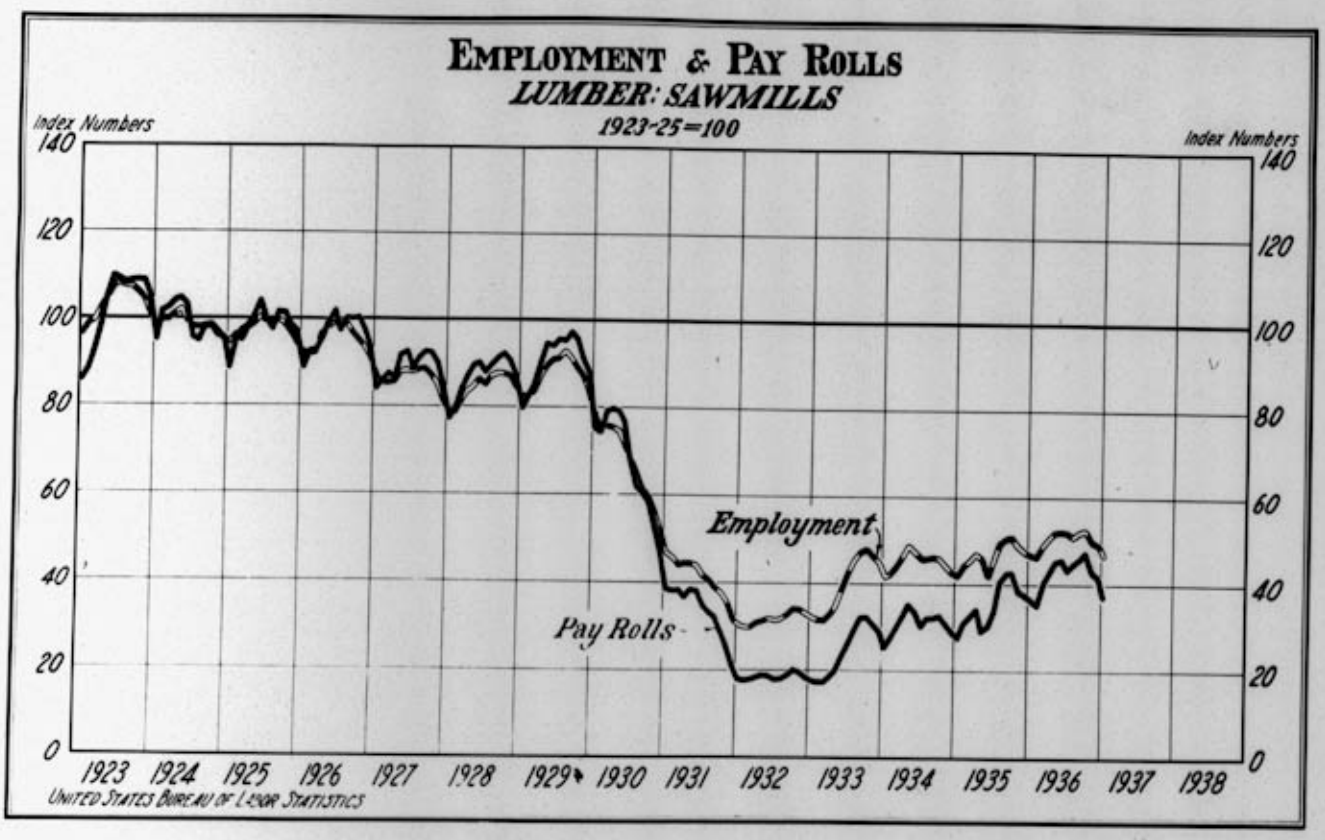

EMPLOYMENT & PAY ROLLS
LUMBER: SAWMILLS
1923-25=100
Index Numbers
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 4

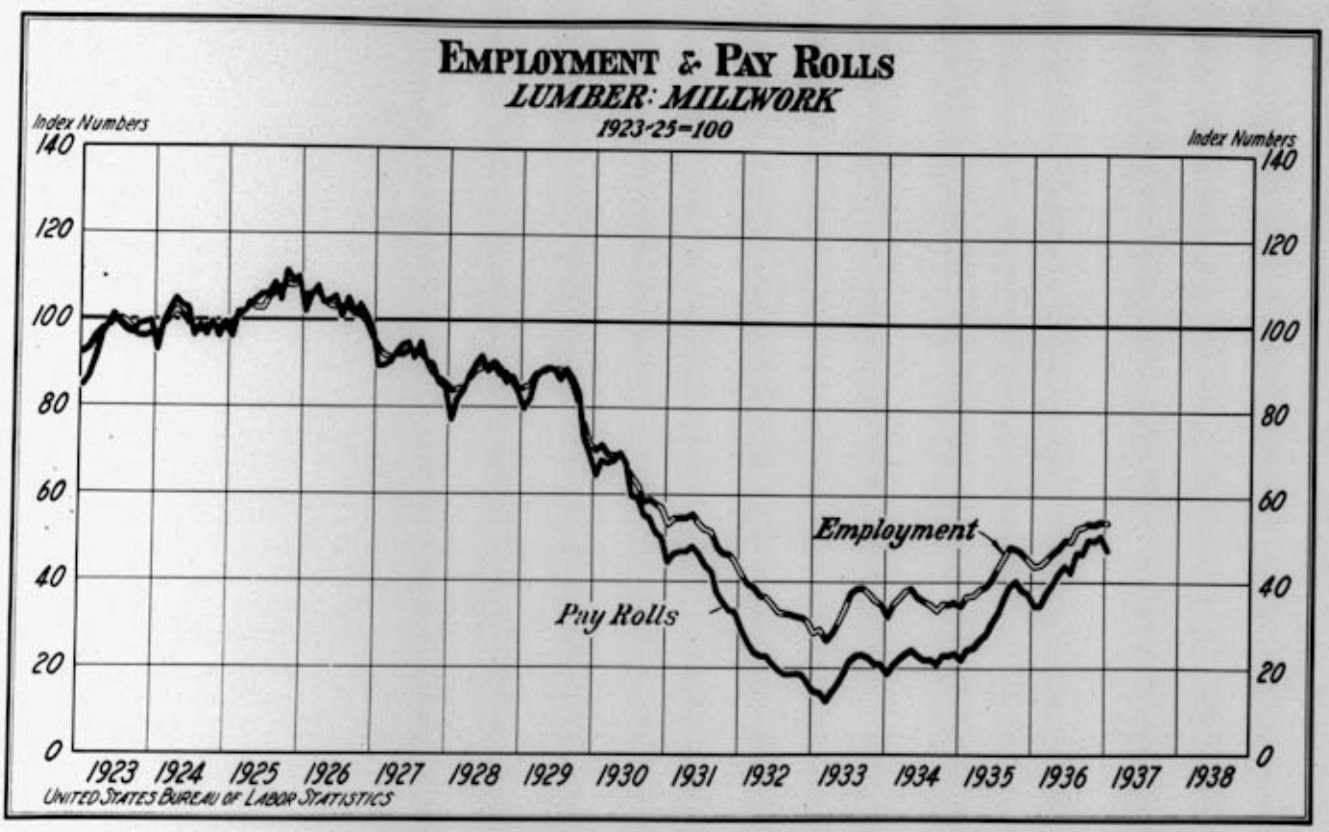

EMPLOYMENT & PAY ROLLS
LUMBER: MILLWORK
1923-25=100
Index Numbers
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 5

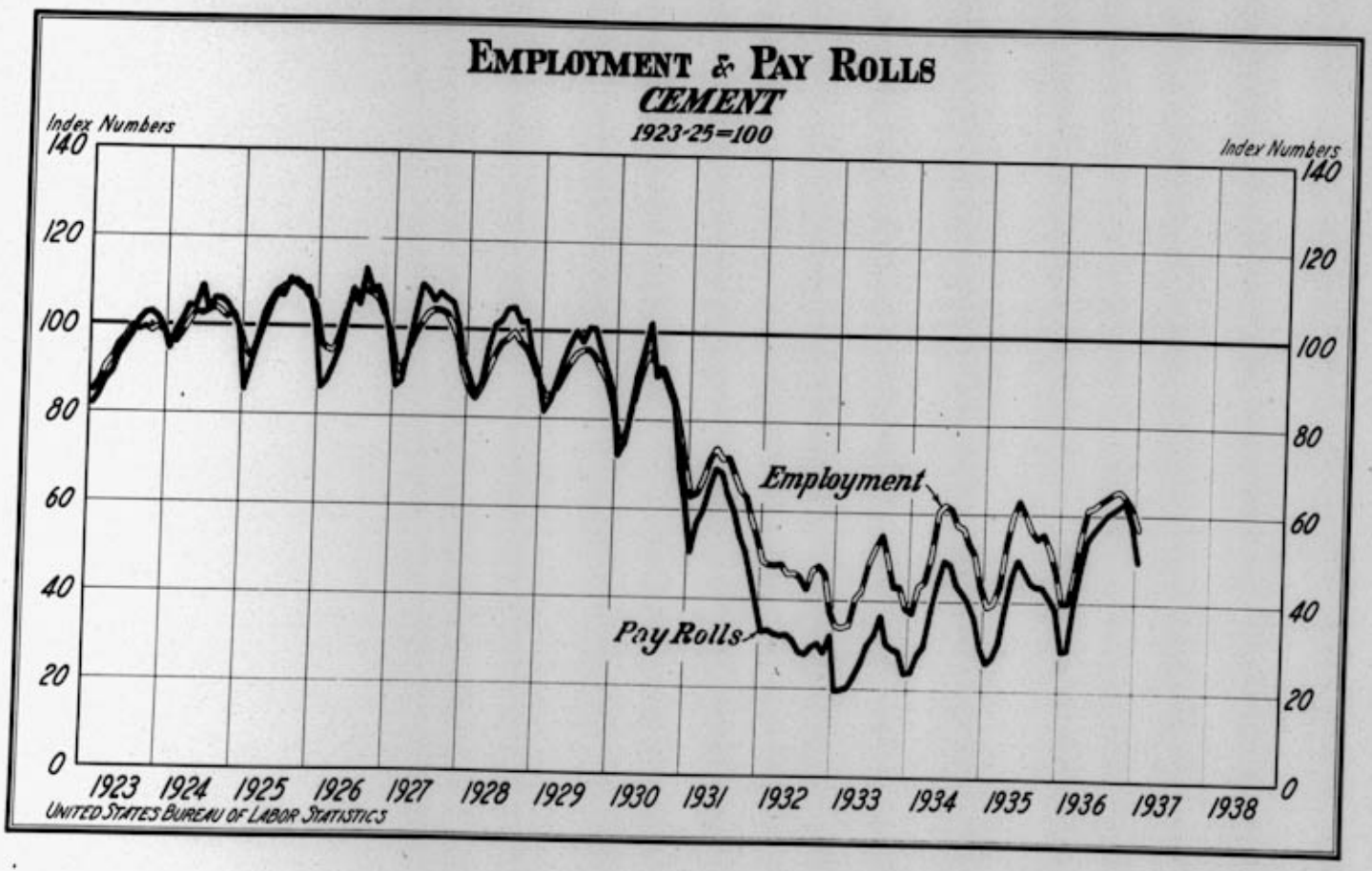

EMPLOYMENT & PAY ROLLS
CEMENT
1923-25=100
Index Numbers
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 6

EMPLOYMENT & PAY ROLLS
STRUCTURAL & ORNAMENTAL METALWORK
1923-25-100
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
UNITED STATES BUREAU of LABOR STATISTICS

Chart 7

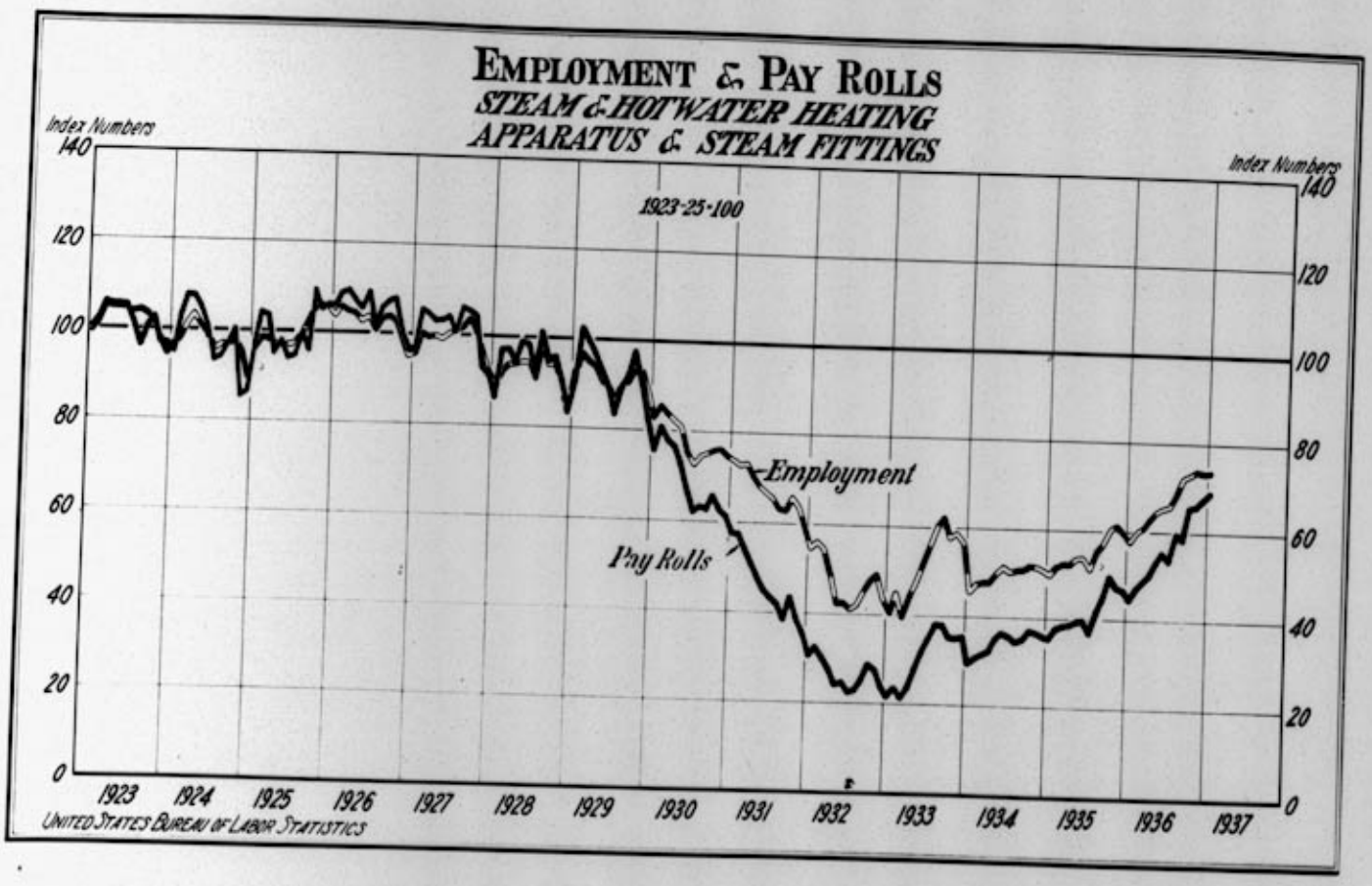

EMPLOYMENT & PAY ROLLS
STEAM & HOT WATER HEATING
APPARATUS & STEAM FITTINGS
Index Numbers
1923-25-100
Employment
Pay Rolls
140
120
100
80
60
40
20
0
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 8

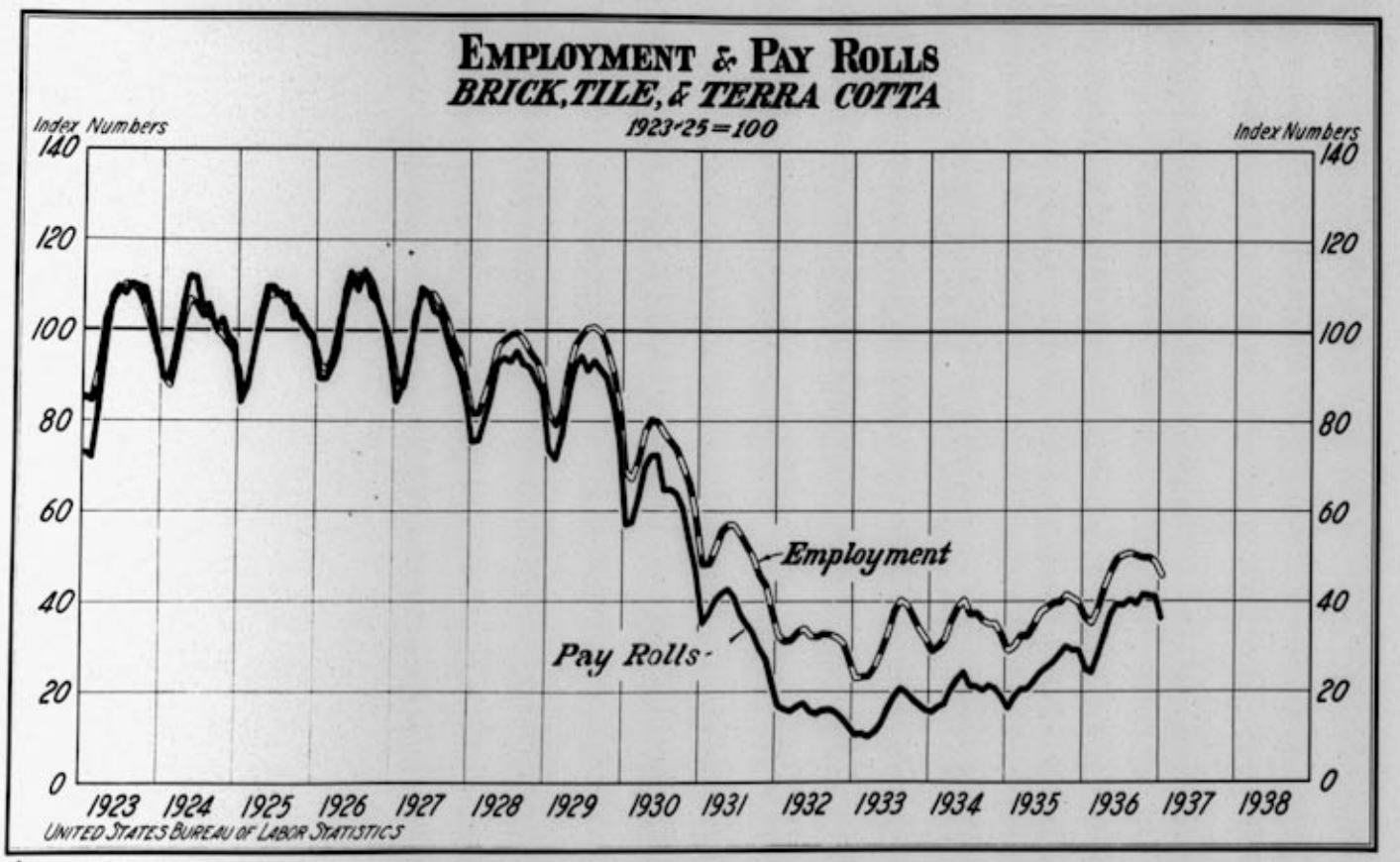

EMPLOYMENT & PAY ROLLS
BRICK, TILE, & TERRA COTTA
1923-25=100
Index Numbers
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 9

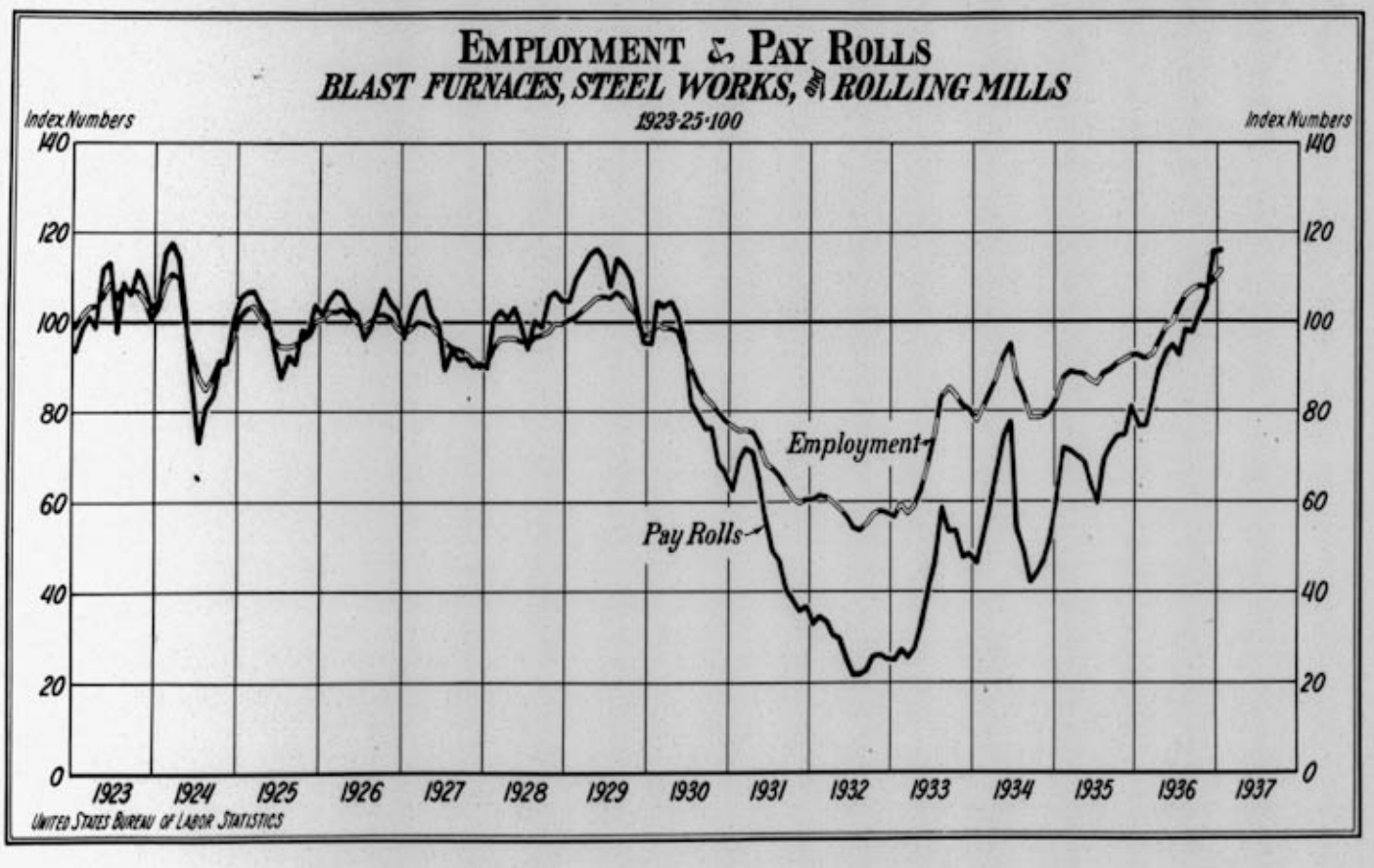

EMPLOYMENT & PAY ROLLS
BLAST FURNACES, STEEL WORKS, & ROLLING MILLS
1923-25-100
Index Numbers
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 10

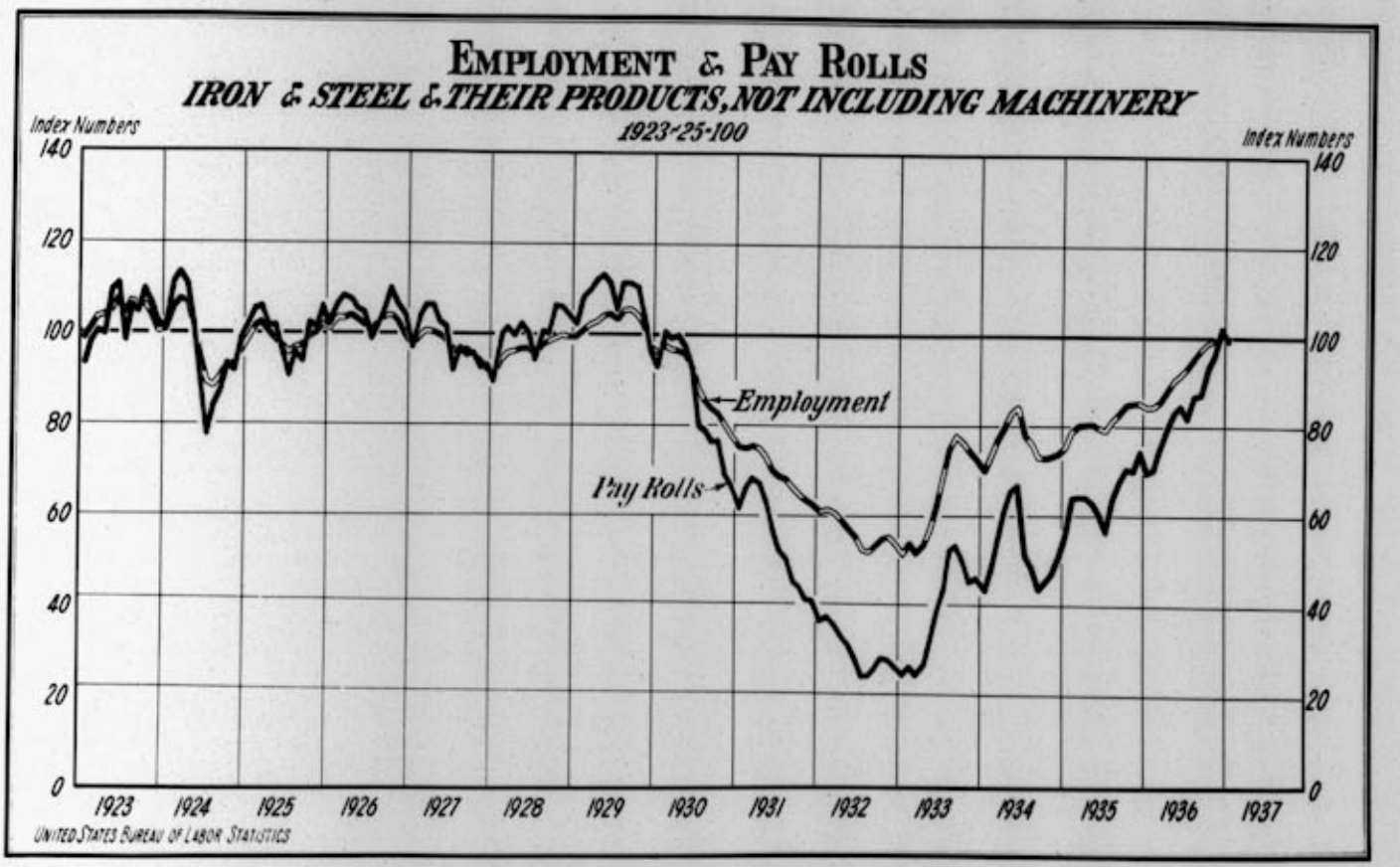

EMPLOYMENT & PAY ROLLS
IRON & STEEL & THEIR PRODUCTS, NOT INCLUDING MACHINERY
1923-25-100
Index Numbers
Index Numbers
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 11

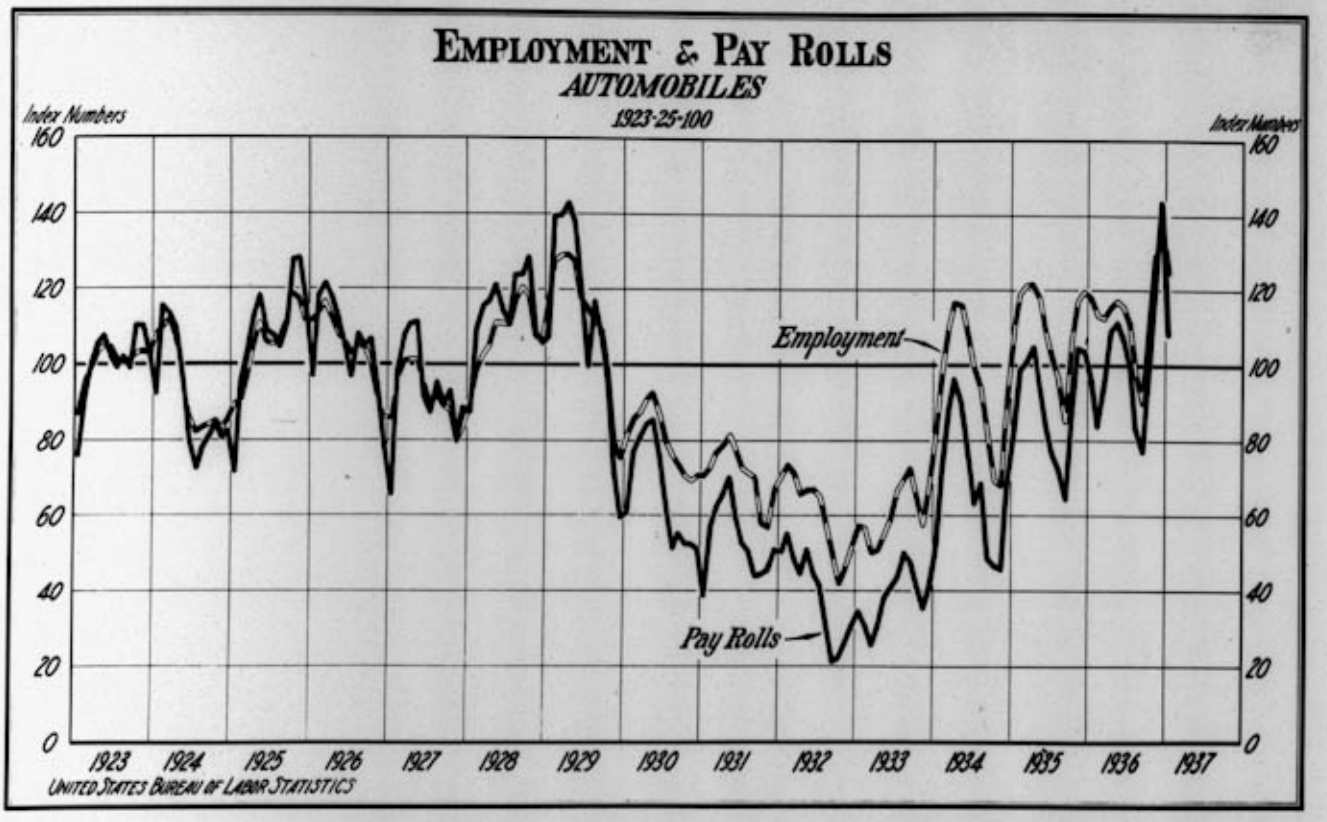

EMPLOYMENT & PAY ROLLS
AUTOMOBILES
1923-25-100
Index Numbers
Index Numbers
160
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 12

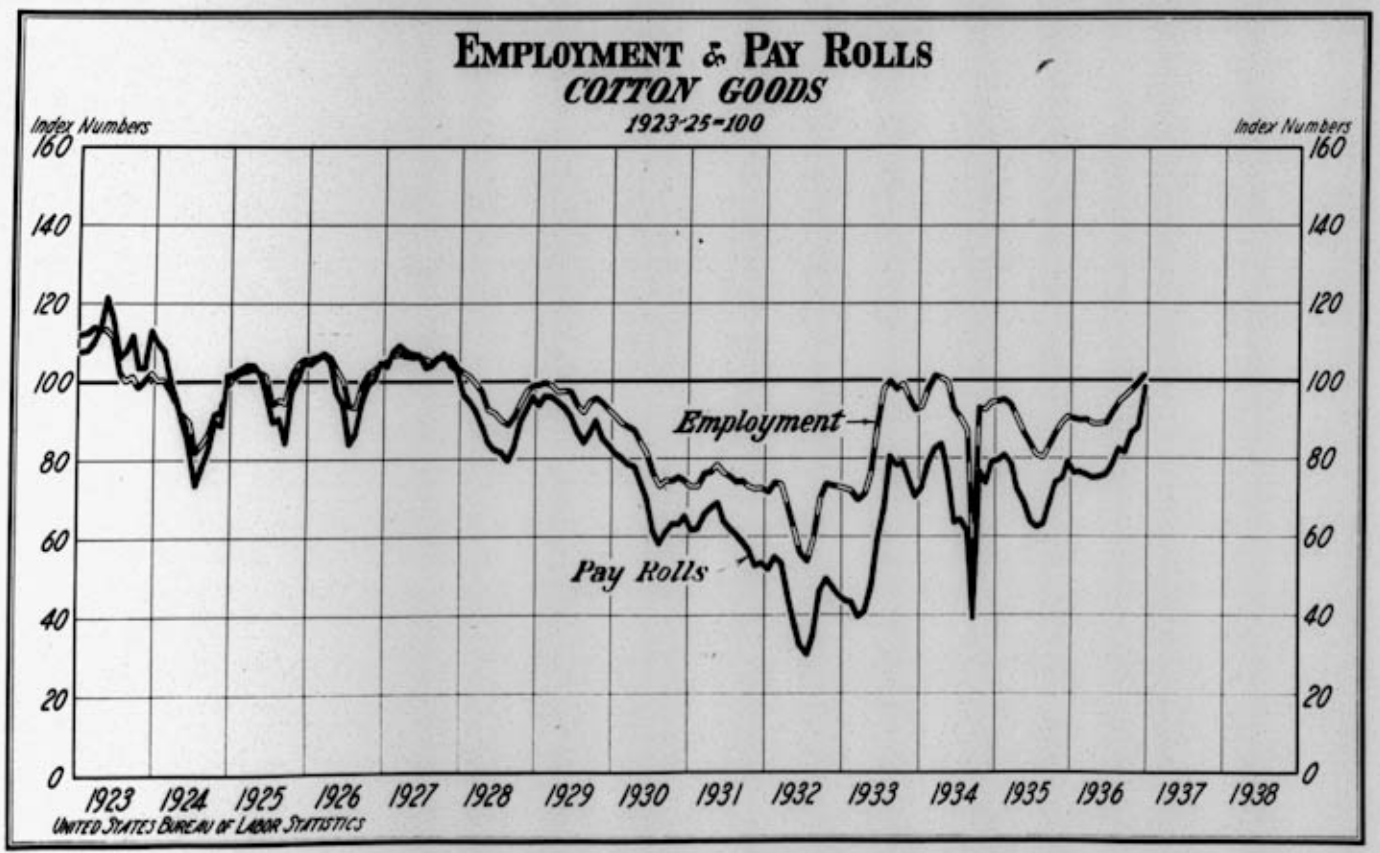
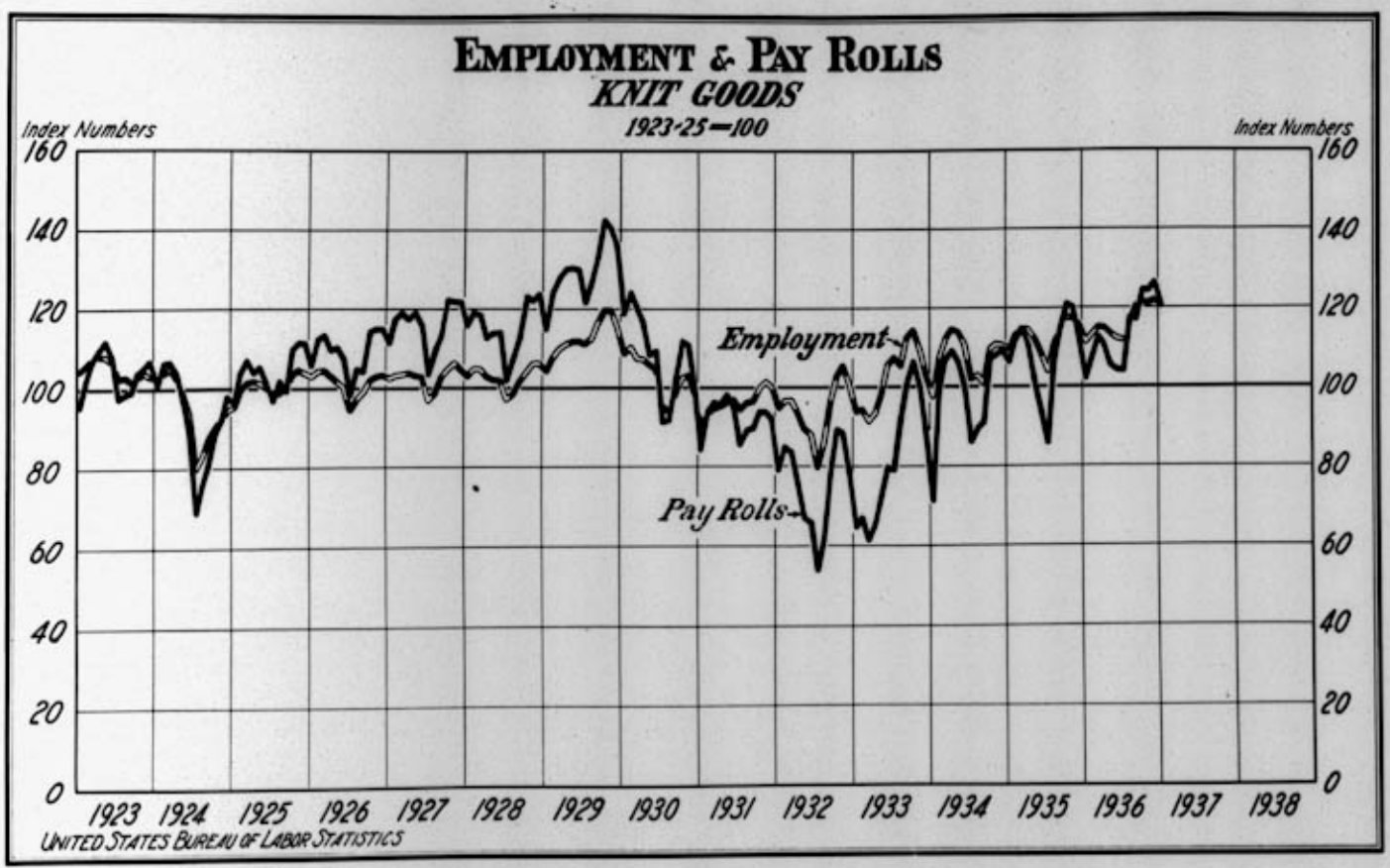

EMPLOYMENT & PAY ROLLS
COTTON GOODS
1923-25-100
Index Numbers
Index Numbers
160
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
UNITED STATES BUREAU OF LABOR STATISTICS

Chart 13


EMPLOYMENT & PAY ROLLS
KNIT GOODS
1923-25—100
Index Numbers
Index Numbers
160
140
120
100
80
60
40
20
0
Employment
Pay Rolls
1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938
UNITED STATES BUREAU OF LABOR STATISTICS

PSF: Industrial Recovery

Leon Henderson
3/29/37

BOOM AND BUST

A Summary Statement

The problem. What can be done to prevent or minimize the threatened boom and bust?

Are we really threatened? Yes. Recovery since 1933 has been characterized by sustained purchasing power arising from private and governmental sources. During 1935 and most of 1936, the price level remained almost unchanged, which permitted a most healthy recovery under a "moving equilibrium" of economic factors. Since September 1936 wholesale prices (B.L.S.) have risen almost 10 per cent. There is real danger of runaway prices. The effect of rises in wholesale prices will be strongly reflected in the cost of living within a few months.

Then, unless firm action is taken, will come the race between purchasing power (through farm, wage and relief income) and inflated prices,—a losing race since purchasing power can not keep up. The inevitable result is a shrinkage first of spending, then of production and employment.

If prices get alarmingly out of hand soon, the expected boom may never materialize. We may not witness a housing boom, for example, if building material and labor prices continue to skyrocket. (One index of building material prices stood at 97.6 in 1929. It was 108.8 two weeks ago.)

Many of these prices are being deliberately raised by monopolistic devices.

What can be done? Several alternatives are theoretically available, but actually the choice is limited. The Administration has taken credit for halting deflation in 1933, and for recovery to date. It is politically impossible to do a "Hoover" and let things take their course.

Among the possible lines of action are the following:

1. Let the boom ride but get ready for the bust by improving our relief mechanism. Widen the social security classes, improve the employment services, begin on a flexible works program fortified by further planning, etc. England's recent depression was not nearly so severe as ours, and credit is given almost entirely to its developed social insurance.

2. Use only the monetary controls but use these to the limit,--and if necessary, secure new powers from Congress.

3. Establish governmental price controls similar to those used by the War Industries Board during the World War.

4. Move in with all the executive and legislative powers and fight along the whole front to keep prices down and buying power up.

Which plan seems best? I am frankly pessimistic about all four possibilities. No change has been made in the factors which cause cyclical character of business. The severity of the 1929-33 depression was due to the deficit of purchasing power. This deficit in turn was largely ascribable to the ability of concentrated control over industry to draw off enormous profits, (some of which went to speculation and excess capacity), and to prevent lower prices and

higher wages from taking up the slack of technological advance.

Concentration of control has increased, not diminished, since 1929,--and the La Follette Committee has indicated how representatives of many of these monopolistic enterprises meet and agree on joint action. Keep in mind that there are high, controlled prices in steel, copper, lead, rubber, tin, aluminum, many building materials, many office and home furnishings, electrical goods, and the products of hosts of other key and basic industries.

Weintraub has shown a 20 per cent technological advance since 1929.

Prices, which reflect the degree of adjustment, are rapidly approaching the level of 1929, which was itself too dangerously high.

Profits, in 1936, were adequate. Earnings of large corporations in the last quarter of 1936 were higher than the last quarter of 1923, while many industries had higher profits than 1929, despite the lower level of business activity. Where will profits be in 1937?

Obviously the boom can not be ignored, so course number one is "out".

Governor Eccles, in his recent statement, indicated that the monetary devices alone could not do the job. I agree. Even if the price level were stabilized, the controlled monopolistic groups would draw off inordinate profits, and create unbalance.

Governmental price control must be avoided at all costs. Nothing in the war or NRA experience warrants belief that prices can be controlled within the democratic framework. Even in an authoritarian state the possibilities are limited. The very real danger lies in attempting price controls, which leads to more and more regimentation.

Since the President has promised to make repetition of 1929 impossible, some line of action should be quickly agreed upon. Nothing less than the full power of the government can help, I firmly believe. Incomplete action and panaceas should be rejected.

A possible frame of reference for governmental action. Several essentials seem to be plainly indicated.

First, the decision to act must be made soon, a decision to wage a continuous campaign, with attendant publicity.

Second, some mechanism must be devised for canvassing the situation and bringing together the knowledge which the various governmental agencies have of both the danger and the devices available for action. A cabinet committee will not be sufficient. Some staff, working for and reporting directly to the President, is needed. The National Planning Board concept, contained in the proposed reorganization, would be ideal.

Third, unified action far beyond anything exhibited recently by executive departments and agencies will be required to coordinate monetary and non-monetary activities.

Fourth, the campaign must develop all political symbols which will lead both to intelligent use of executive powers and also removal of conditions in our economic setup which, like concentration of ownership for example, accelerate booms and depressions.

The symbols are at hand. The public will support executive and legislative action directed to control or prevent

a. Higher cost of living

b. Inflation

c. Depressions

d. Technological displacement

e. Monopolistic practises.

All the above are involved in the present acute situation. If a campaign were built around these symbols, it would attract to it many senators and representatives, like Senators Borah, Nye and Wheeler, who are at odds with the Administration on the Supreme Court issue.

What weapons are available? Some of the price rises are due to monopolistic practises, some are due to shortages of supplies.

It would seem logical to try to affect supply and demand and also to work vigorously against controlled prices.

Many monetary weapons are at hand, and the fiscal officers know how to affect markets and price levels.

The Securities Exchange Commission has many unused powers for preventing excessive speculation.

Many extraordinary powers of executive agencies would be uncovered by a presidential study.

Three main sets of non-monetary considerations can be noted, as indicative.

First,--things not to do. The government obviously should avoid programs, such as armament, private ship building, and large public works projects which intensify the demand for basic commodities like steel and copper. Governmental purchases should be geared to its price policy.

Second,--devices for moderating monopolistic practises. The anti-trust acts come first to mind. But there is, for example, the power to cut tariffs up to 50 per cent. Many ingenious taxation schemes would help. There are available, too, yardsticks, encouragement

of cooperatives, R.F.C. loans to small competitors, R.F.C. stock purchases, special legislation and publicity. Nearly every agency would have information on monopolies and suggestions for combatting them. Then, too,--the source of monopoly power is frequently patents, and the patent law could be revised to protect inventors but to prevent monopolistic abuse.

Third,--fortification of purchasing power. Farm income needs guarding, and the Department of Agriculture knows well what instrumentalities it needs. Wages can be sustained and raised by (a) minimum wage legislation for sweated occupations and (b) strengthening of collective bargaining. Both of these require additional legislation. Finally, the buying power of 18 million persons now on relief can be sustained.

There should be a recognition of the continuing problem of relief. But more than this, the program should be of a type which would permit disemployed workers immediately, without waiting for pauperization, to go on Federal work programs. Money spent in the early part of a recession can maintain purchasing power of the masses, and prevent the snowballing of unemployment.

A Plan? A quick canvass of executive agencies and informed outsiders would indicate the rough outlines of the problem. This could be achieved by a White House conference.

The President could then appoint a council, with a small staff, to act for him in assembling (a) information as to crucial situations, (b) proposals by executive agencies for dealing with the situation, and (c) the necessities as to new legislation, particularly as to monopolies, holding companies, Federal incorporation, industrial

regulation, etc. The council could act, too, as a coordinating body, particularly for testing non-monetary proposals as to effect on monetary measures.

The government could let it be known that it was attacking the threat of high cost of living by attacking the monopolies which are raising prices, thus endangering further recovery. Publicity, publicity and more publicity would check controlled price rises until positive checks could be established.

The "council" could devise a workable index of consumer purchasing power, which would serve as a basis for governmental action on wages, farm prices, and relief expenditures.

By marshalling its full intelligence, government could control the price level through monetary powers, it could assist further recovery by cheap money, it could attack monopolistic high prices with many executive powers, such as tariff, taxation, security regulation, etc. At the same time it was hammering prices at the top, it could sustain purchasing power with adequate relief, and a flexible works program that had some permanence.

The funds for such a program could be obtained, and the budget balanced, by increased taxation, particularly of excess profits and higher income taxes on medium sized incomes.

PSF: Industrial Recovery

WORKS PROGRESS ADMINISTRATION
WASHINGTON

April 5, 1937

MEMORANDUM

TO: MR MARVIN MCINTYRE
THE WHITE HOUSE

FROM: KATHRYN GODWIN

This is Mr. Eccles' memorandum to the President which Mr. Hopkins has asked me to return to you.

K G.

Kathryn Godwin,
Executive Assistant.

How to Prevent Another 1929 in 1940.

On a reasonably optimistic forecast, industrial production will rise to 145 by 1940, compared to 116 now. With this industrial activity unemployment would be reduced to about 4 to 5 millions in 1940. (Figure 1.)

To provide work relief and direct relief to these still unemployed in 1940, and to carry forward the administration's program to raise the standards of living of those at the bottom of the heap, including action in the fields of social security, ever-normal granary, natural resource conservation, farm tenancy, and possibly public medicine and education, would require continued "emergency"expenditures of 4 1/4 billions in 1940, in addition to expenditures of about 3 1/2 billions for regular services. A Federal budget of 7 1/2 to 8 billions must therefore be regarded as normal during the years ahead. (See Tables 1 and 2.)

The millions unemployed will continue to object to starving on private or local charity. It will continue to be a practical political necessity to make adequate Federal provision for them. But unless Congress and the general public are brought to understand and agree with the need of continued heavy expenditures, the conservative pressures to reduce government expenditures will be always at work. These will aim first at reduced spending and next at reduced taxes on the rich. They produce Congressional sniping both at emergency expenditures and at regular governmental establishments. The cuts made in the Senate in the budget estimates for Social Security and the Central Statistical Board are illustrations. Unless it is checked, this will increase in intensity as recovery progresses.

Far more important than the political necessities, are the economic reasons why Federal spending must continue. These are outlined below. The

economic arguments may prove more persuasive with the general public than the political ones.

1. The budget will balance without reduced spending.

Federal revenues rise faster than business activity. If present tax rates are continued and recovery continues as forecast above, Federal revenues(other than Social Security taxes) will exceed expenditures in 1939; and will provide a margin of over one billion dollars for debt retirement in 1940. (Figure 2) (If Social Security taxes under the present law are included in the receipts, the excess of revenues over expenditures would be 1 1/2 to 2 billions in 1940.)

2. If present taxes and spending are continued, the next depression will be deferred or moderated.

Oversaving blows up the bubble for depressions to burst. Great increases in personal savings took place in 1922, 1925, and 1928. (Figure 3.) Corporation savings also made peaks in those years. Production of durable goods was overdone in 1923, 1926, and 1929, and each time a smash followed. (See Figure 4.) The amount of oversaving after 1926 was so great it spilled over into vast security speculation as well; this blew the 1928-1929 bubble still bigger, and helped make the crash more devastating.

Reductions in income taxes contributed to oversaving in the decade of the 20's. In 1919 and 1920, the Federal Government was taking 10% of national income. As business activity and incomes increased through the 20's, tax rates were reduced, until by 1929 only 5% of national income went to the Government. The margin for saving in the highest income groups expanded rapidly through the 20's, and oversaving, overexpansion of capital goods, and depression followed.

Durable goods have now caught up with consumer goods. Unless consumer goods speed up, continuation of the recent expansion in durable goods

will carry them above goods for consumers. In the past such an excess has led to depression in 12 to 18 months. (See figure 5.)

Continuation of present tax rates as recovery progresses will help prevent oversaving, will defer or moderate the expansion in durable goods beyond the capacity of consumers to buy their output, and so will defer future depressions or lessen their intensity. At the same time, continued Federal spending, both for transfer of incomes to low-income groups and for services for their use, will directly increase their ability to consume. Both the policy of taking income from the top, and the policy of injecting income at the bottom, contribute to stability and tend to prevent or moderate depressions. (See Figure 6 for the relative amount of this income transference.)

Suggestions on long-time Federal financial policies.

In view of these facts, it may be suggested that in discussing these matters with your financial advisers, the following elements of long-time Federal policies might be considered:

1. Maintain present rates of income and other Federal taxes.

   a. If found necessary to prevent oversaving by corporations, the present tax on undistributed corporate surpluses might be made still heavier on large or wealthy corporations.

   b. Existing progressive income taxes would be made still more effective in preventing oversaving if they were collected currently instead of a year late. (See figure 7)

2. Balance the budget by increasing revenues, not by reducing expenditures.

   As already pointed out, this can be done without any further increase in tax rates, and after 1938 Federal surpluses will be available for reducing the public debt.

3. Prepare plans, blueprints, and specifications for heavy public works; but during years of prosperity start only such works as are needed for immediate or emergency use (schools, flood-prevention, etc.); hold in reserve all works that can be deferred, ready to swing into fast action in periods of business recession.

> Cutting down public works as prosperity returns will help counterbalance the increase in durable goods resulting from private savings; expanding them in recessions will help check depression.

4. If world conditions force us to engage in a new armament race, reduce public spending on comparable heavy construction to the extent needed to balance the expansion in armament construction.

> Overexpansion in plant to produce steel and metals beyond the continuing needs of the country leads to great shock when the temporary needs are filled. If battleships and steel bridges are made alternates, this upsetting influence can to some extent be prevented.

5. Expand and explore the social services and contributions that increase the buying power and the consumption of low-income groups, especially in low-income areas.

> Modern society drains off income into industrial and metropolitan centers, and leaves people elsewhere unable to share in the product. Heavy and increasing Federal grants to old age and other pensions, soil conservation, ever-normal granary and A.A.A., tenancy reform, vocational and other education, public health and public medicine, etc., can correct this geographic maldistribution of income, and can improve both the consumptive power and the productive power of the underprivileged.

6. Readjust Social Security taxes so as to put less pressure on low-income groups.

> While other Federal financial operations take income largely from the top to redistribute at the bottom, Social Security as now set up would for many years take away more spending power from low-income groups than it returns to them. ~~(See Figure 7.)~~ In 1940, it would take millions from them, and return only millions to them (assuming that the final in-

cidence of payroll taxes is on wages.) Regular Federal taxation is ample to carry a good share of social security expenditures. As future modifications of the social security program are worked out, the current burden of their taxes on low incomes should be reduced, while current payments might be increased, so as to make this program too help spread more buying power at the bottom.

Selling points for Congress and the conservative public.

1. Stabilized prosperity is better for everyone than alternate feast and famine.

2. Stable moderate incomes leave large income-tax payers more net income than much bigger profits and losses.

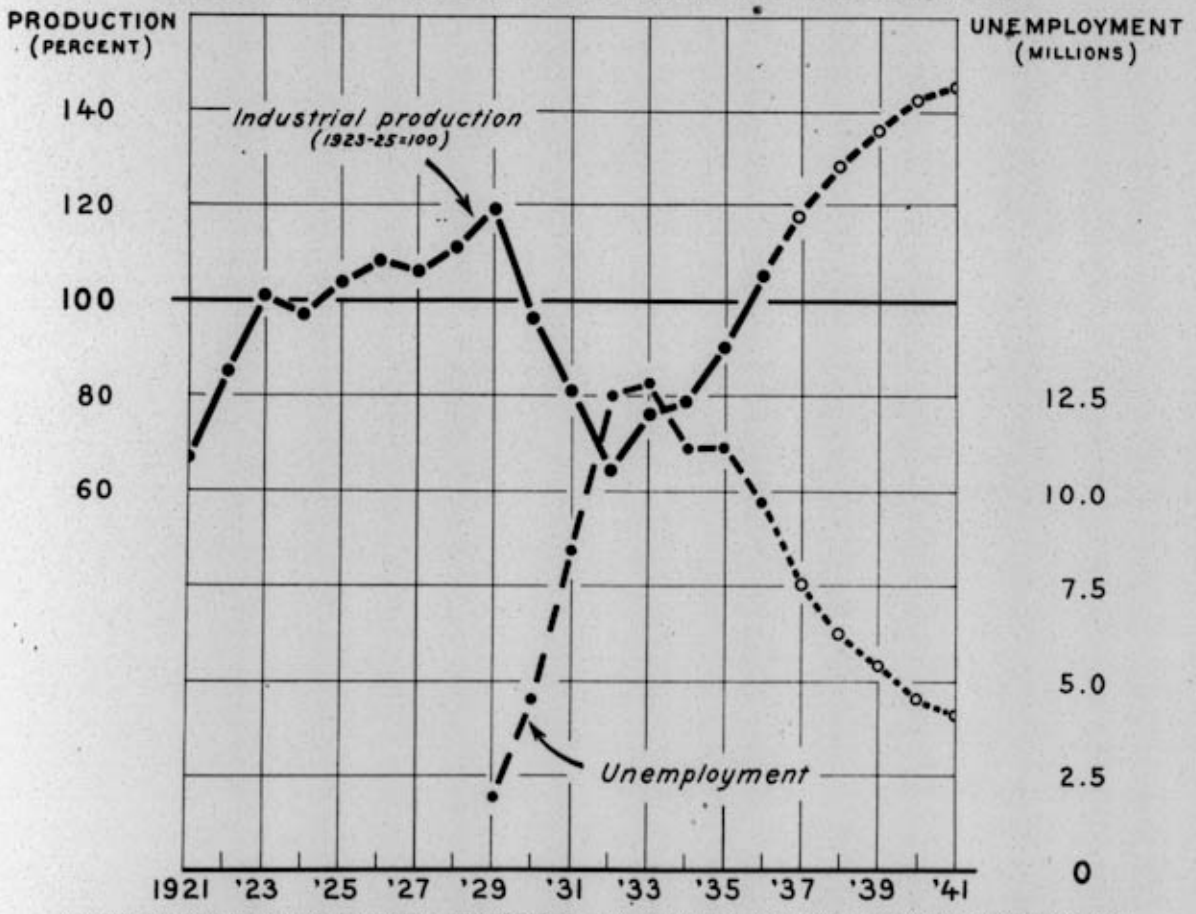
Uncle Sam takes a large slice of the takings in fat years, but pays back no refund on years of loss. An individual income averaging $500,000, but varying between $1,500,000 and a loss of $500,000, leaves the individual but half the average income after paying present income taxes that would be left by an income averaging $250,000, but varying yearly between $200,000 and $300,000.

3. Gradual progress without severe depressions will carry us to higher levels than could be reached with recurrent recessions.

The sustained higher levels of industrial activity and production will provide larger average incomes after tax for the upper groups than they otherwise could enjoy, and at the same time will provide the wherewithal for enabling the low-income groups to share in the American way of life, as promised in the President's Inaugural Address.

Fig 1.

INDUSTRIAL PRODUCTION AND UNEMPLOYMENT

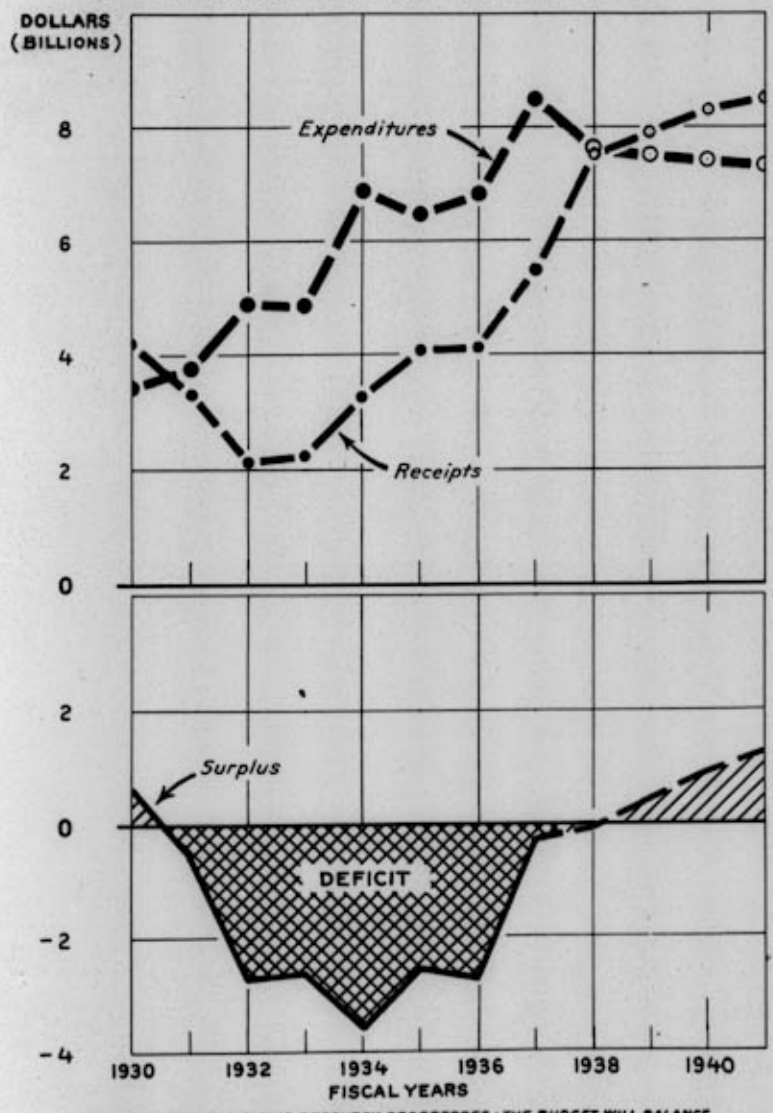


UNEMPLOYMENT FALLS AS RECOVERY PROGRESSES; BUT MILLIONS WILL STILL BE UNEMPLOYED IN 1940

NEG. 32207

Fig. 2

FEDERAL RECEIPTS AND EXPENDITURES

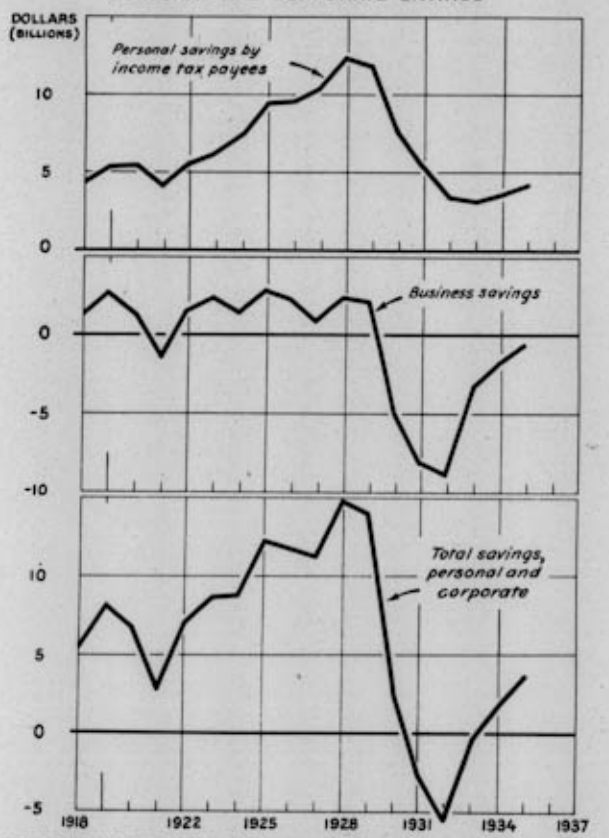


RECEIPTS RISE RAPIDLY AS RECOVERY PROGRESSES; THE BUDGET WILL BALANCE EVEN IF SPENDING IS NOT CURTAILED

NEG. 32208

Fig. 3

PERSONAL AND CORPORATE SAVINGS

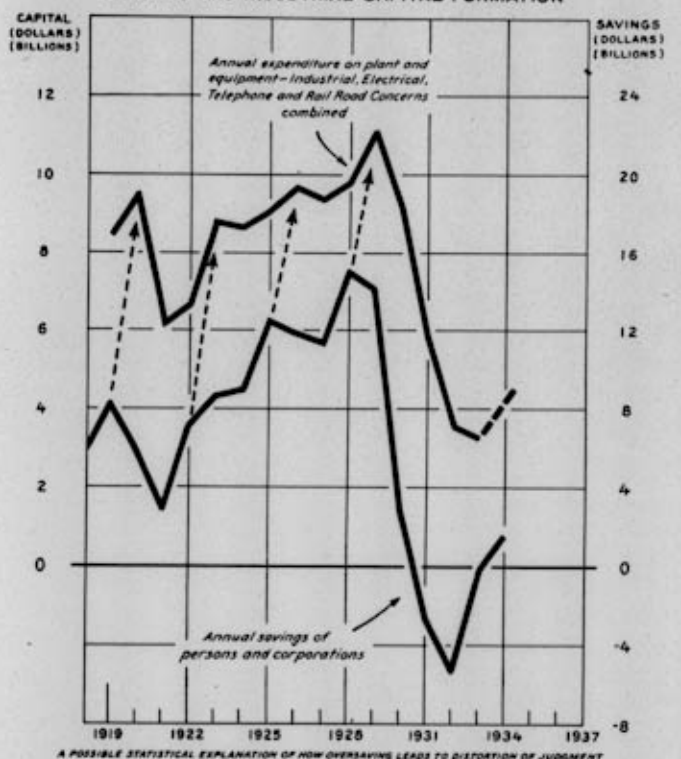


BOTH INDIVIDUALS AND CORPORATIONS SHOW THE BIGGEST JUMPS IN SAVINGS IN THE SAME YEARS -- 1919, 1922, 1925, 1928. IN EACH CASE, OVEREXPANSION AND DEPRESSION FOLLOWED.

NEG. 38209

Fig. 4

SAVINGS AND INDUSTRIAL CAPITAL FORMATION



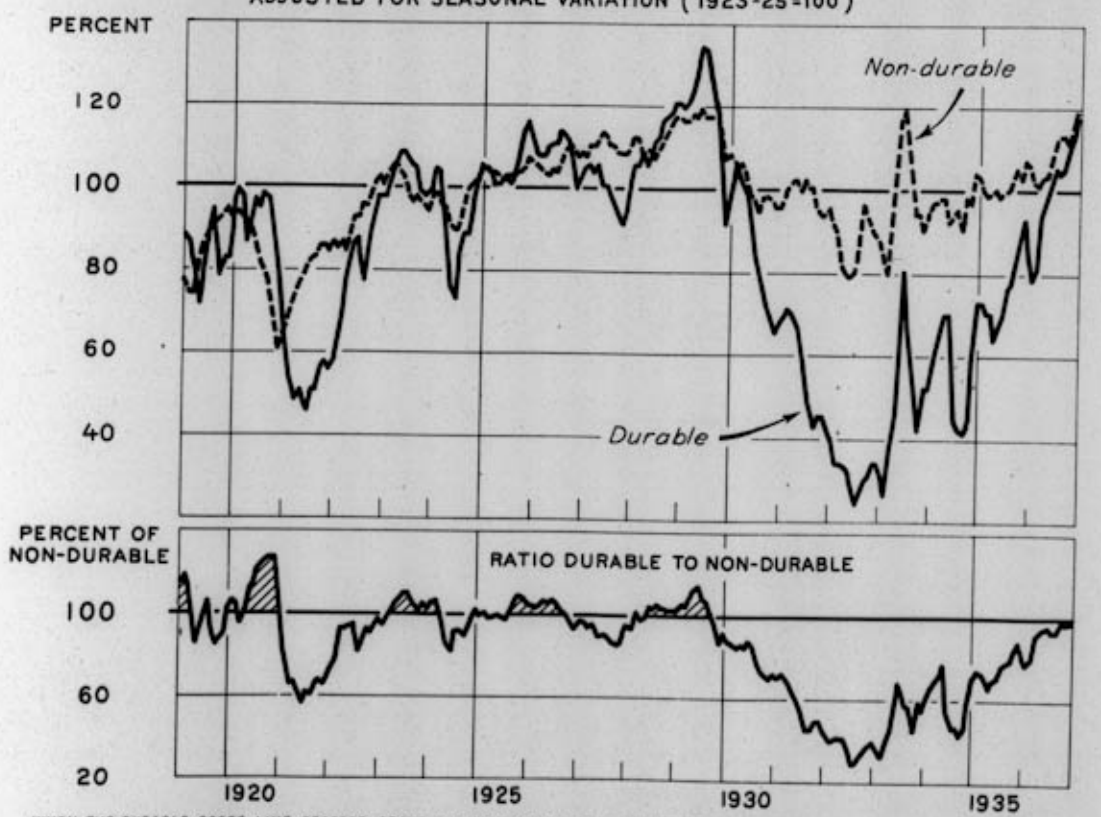
A POSSIBLE STATISTICAL EXPLANATION OF HOW OVERSAVING LEADS TO DISTORTION OF JUDGMENT IN THE FIELD OF DURABLE GOODS EXPANSION AND THUS PRODUCES INSTABILITY

REG. 32210

Fig 5.

FACTORY PRODUCTION OF DURABLE AND NON-DURABLE GOODS, AND RATIO OF FORMER TO LATTER, 1919-36

ADJUSTED FOR SEASONAL VARIATION (1923-25=100)

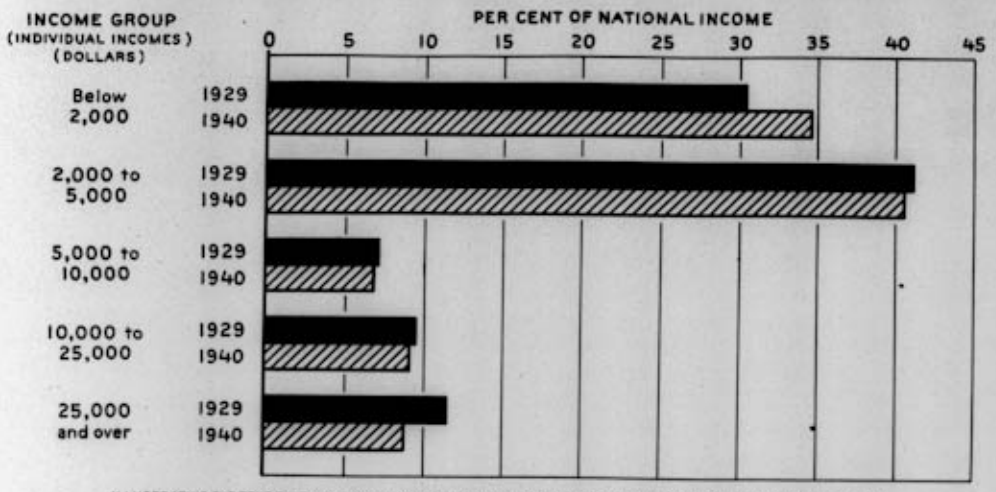


WHEN THE DURABLE GOODS LINE CROSSES ABOVE THE NON-DURABLE GOODS LINE, TROUBLE SEEMS TO BE AROUND THE CORNER

NEG. 20560

Fig. 6

REDISTRIBUTION OF NATIONAL INCOME, ACTUAL 1929, AND PROPOSED 1940

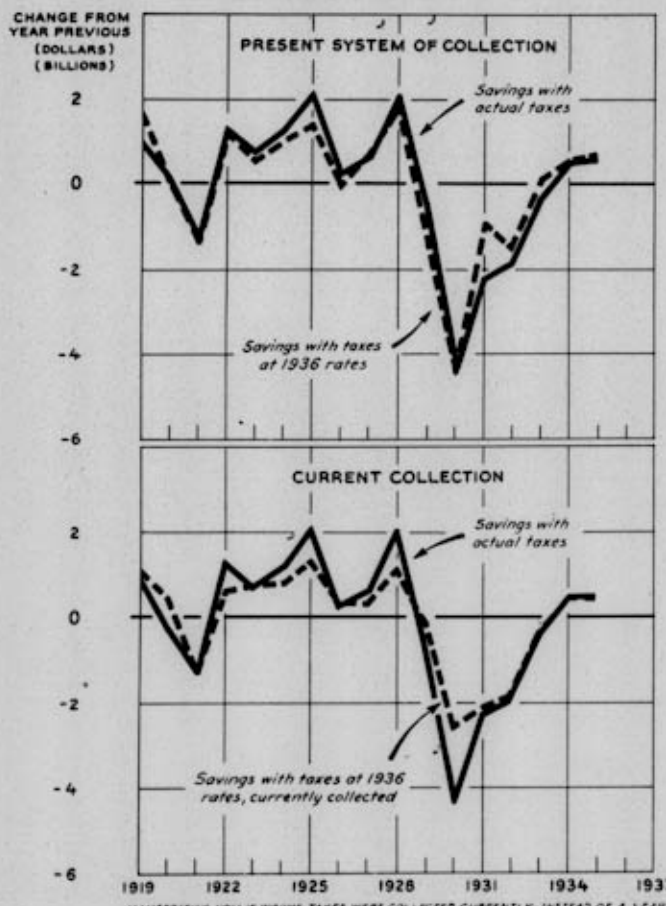


ILLUSTRATING THE TEXT THAT WHILE TAXATION LIKE MANURE SMELLS BAD, IT SERVES BEST WHEN HAULED OUT FROM THE PLACES OF ACCUMULATION AND SPREAD THINLY IN THE PLACES WHERE NEEDED

NEG. 32212

Fig. 7

CHANGES FROM YEAR TO YEAR IN AMOUNT OF PERSONAL SAVINGS



ILLUSTRATING HOW IF INCOME TAXES WERE COLLECTED CURRENTLY, INSTEAD OF A YEAR LATER, THAT WOULD HELP EVEN OUT THE YEAR TO YEAR CHANGES IN SAVINGS

NEG. 32213

Table 1

Estimated Recovery and Relief Expenditures (exclusive of expenditures by loaning agencies) for 1937-1940 on the Assumption of Continued Even Recovery.

	Calendar years			
	1937	1938	1939	1940
	(millions of dollars)			
WPA and PWA	2200	2000	1800	1500
Direct Relief	288	240	190	150
	2488	2240	1990	1650
Social Security: 1/				
Unemployment Compensation	--	250	500	725
Old Age assistance	385	410	450	500
Aid to dependent children	50	100	100	100
	435	760	1050	1325
Agriculture:				
AAA	500	500	500	500
Farm Security (Resettlement, etc)	250	250	250	250
Soil Conservation and Forestry	100	100	100	100
	850	850	850	850
CCC	480	390	300	240
National Youth Adm.	42	36	30	24
TOTAL	4295	4276	4220	4129

1/ These are rough preliminary estimates, subject to major revision on more detailed estimates.

Table 2.- Federal Receipts and Expenditures, to 1940
by Fiscal Years ending June 30.
(Millions of dollars)

Item	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
A. Receipts:										
Other than Social Security	2,006	2,080	3,116	3,800	4,116	5,503	7,300	7,900	8,300	8,500
Social Security taxes						325	635	865	1,100	1,400
Total receipts	2,006	2,080	3,116	3,800	4,116	5,828	7,935	8,765	9,400	9,900
B. Expenditures:										
1. Recovery & relief										
a. Thru loaning agencies(net)	768	1,277	1,558	177	5	1/145	1/200	1/250	1/300	1/300
b. P.W.A;W.P.A;AAA;Social Security,CCC,Resettlement, N.Y.A.			2,725	4,085	3,822	4,060	4,300	4,250	4,200	4,100
Total	768	1,277	4,283	4,262	3,827	3,915	4,100	4,000	3,900	3,800
2. Regular government service	3,973	3,404	2,462	2,541	2,977	3,597	3,500	3,500	3,500	3,500
3. Debt retirement	413	462	360	573	403	405				
4. Adjustment compensation					1,673	564				
Total expenditures	5,154	5,143	7,105	7,376	8,880	8,481	7,600	7,500	7,400	7,300

Preliminary estimates after 1937, subject to complete revision.

1/ Net recovery.

PSF
Ind. Rec

DEPARTMENT OF COMMERCE
OFFICE OF THE SOLICITOR
WASHINGTON

March 27, 1937.

Hon. Stephen Early,
The White House,
Washington, D.C.

Dear Mr. Early:

Attached hereto is a memorandum dated March twenty-sixth from Assistant Secretary Draper to Secretary Roper with reference to labor policy.

The Secretary has not seen the memorandum as he will not return to the city until March twenty-ninth.

As Mr. Draper's memorandum refers to the Rodgers Bill recently introduced in the Pennsylvania Legislature, I thought perhaps you might be interested in having his observations before you today.

Sincerely yours,

South Trimble, Jr.

South Trimble, Jr.,
Solicitor.

attachment

March 26, 1937

MEMORANDUM

To: Secretary Roper

From: Ernest G. Draper,
Assistant Secretary.

Subject: Discussion of a National Labor Policy.

So many requests from business men throughout the country, asking for information with reference to the possibility of improving our national labor policy, have been received by the Department of Commerce that we have been making an intensive study of the problem. After all, healthy labor relations are just as much the concern of management as of labor. On this account, the Department of Commerce feels that it has a responsibility in this matter which cannot be shirked.

The problem is so many-sided that it is not the purpose of the Department to advocate any definite plan. However, we see no harm in studying the problem at close range in the hope that some workable plan may be developed. In this connection, it has been brought to our attention that the activity of various groups in different states form the basis for a possible policy which might be adopted on a national scale. For instance, we understand that recently there has been introduced in the legislature of the State of Pennsylvania a Bill for the handling of labor disputes, called the Rodgers' Bill.

Although this Bill is designed to meet the needs in the State of Pennsylvania alone, there are in it many desirable features which might

be incorporated in a Federal bill. The emphasis of this Bill is placed upon voluntary conciliation, voluntary mediation, disciplined and responsible organizations of employees, disciplined and fair employers, the frank acceptance by employers of collective bargaining and the right of employees to join, free from coercion, organizations of their own choosing.

The spirit of the Bill indicates the necessity for a give-and-take attitude, in which the chief aim to be always held in view by both sides is fair play. The Bill follows closely the principles that have already worked so successfully in the railway field, but with the important difference that it is adapted for use by industrial companies rather than by great public utilities like the railroads, whose problems in some particulars call for a different type of treatment.

This Bill contains provision for establishing four different agencies, whose services may voluntarily be employed whenever an industrial dispute arises.

A State Labor Relations Board is provided for, consisting of five members appointed by the Governor. The services of this Board may be requested by either employer or employees, or the Board may proffer its services in connection with any of the following types of controversies:

(1) Any dispute as to who shall constitute the properly authorized representatives of employees;

(2) Any dispute arising in connection with the making or maintaining of an agreement covering wages, hours or working conditions;

(3) Any controversy concerning the application or interpretation of an existing agreement;

(4) Any other controversy which may lead to a substantial interruption of employment.

On questions of employee representation, the Board's procedure is to investigate the size of the employee group which has authorized representatives to speak for it. If necessary, a secret ballot may be conducted to determine what representation is desired.

In dealing with controversies over the making or maintaining of an agreement, the Labor Relations Board will act as a mediation board in its effort to bring about an agreement. If efforts to settle a dispute through mediation fail, the Board will then attempt to induce both parties voluntarily to submit their controversies to arbitration.

For arbitration purposes the Bill provides that a commission shall be appointed with three or six members. Each party to the dispute is permitted to have equal representation on the Commission of Arbitration and these representatives shall jointly select the neutral member or members. In submitting questions for arbitration, both parties shall agree that the award is to be final, valid and binding, and that whatever award is made will be faithfully executed.

In the event one or both refuse to submit their differences to arbitration, the Labor Relations Board is empowered to recommend to the Governor the creation of a special Fact-Finding Board. It then becomes the duty of this Fact-Finding Board to investigate all circum-

stances surrounding the controversy and to recommend the manner in which the dispute should be settled.

The Bill specifically provides that it shall be the duty of both employees and management to give these agencies an opportunity to complete their efforts to bring about a satisfactory settlement. No change is to be made in the conditions out of which the controversy arose except by agreement of all parties concerned until thirty days after a report is made by the special Fact-Finding Board. No individual employee, however, shall be required to render labor or service without his consent, nor shall the withdrawal of his labor be considered an illegal act. Provision is made, however, that it shall be the legal obligation of both employee and employer, after they have once voluntarily consented to invoke the services of the machinery established by this Act, to cooperate fully with these agencies in the manner prescribed before they resort to any arbitrary method or compulsory process to end the controversy or to obtain an advantage in its final determination.

A fourth agency is to be created when necessary for the settlement of any controversy over the application of an existing agreement or any grievance of any individual employee or group of employees. The Labor Relations Board is authorized to request the parties to refer a controversy of this type to a Board of Adjustment composed of equal representation of both parties. If the Adjustment Board fails to arrive at a satisfactory settlement, a neutral chairman may be appointed, in which case a decision of the majority of the Adjustment Board shall

be final and binding upon both parties. If desired, this Board may be established as a permanent agency for dealing with grievances as they may arise.

Should either party wish to alter an existing agreement, a thirty-day notice shall be given, outlining in the intended change. In the event a controversy develops, it can be referred for settlement to the Labor Relations Board acting as a mediator. If mediation fails, the controversy can then be referred to a special Fact-Finding Board which functions in the same manner as in the settlement of disputes over the making or maintaining of an agreement.

Whether or not there is in this Bill, or others like it, the seeds of a more satisfactory adjustment of labor disputes, the fact remains that the lines along which this Bill attacks the problem seem to be clear and free from undue favoritism either toward labor or toward management. It is for this reason that the Department of Commerce is particularly interested in its point of view and hopes that its major features may be brought to the attention of the President.

It is also hoped that, if the President decides to have informal conferences with Government officials about legislation of this character, the Department of Commerce be permitted to have a representative at these conferences.

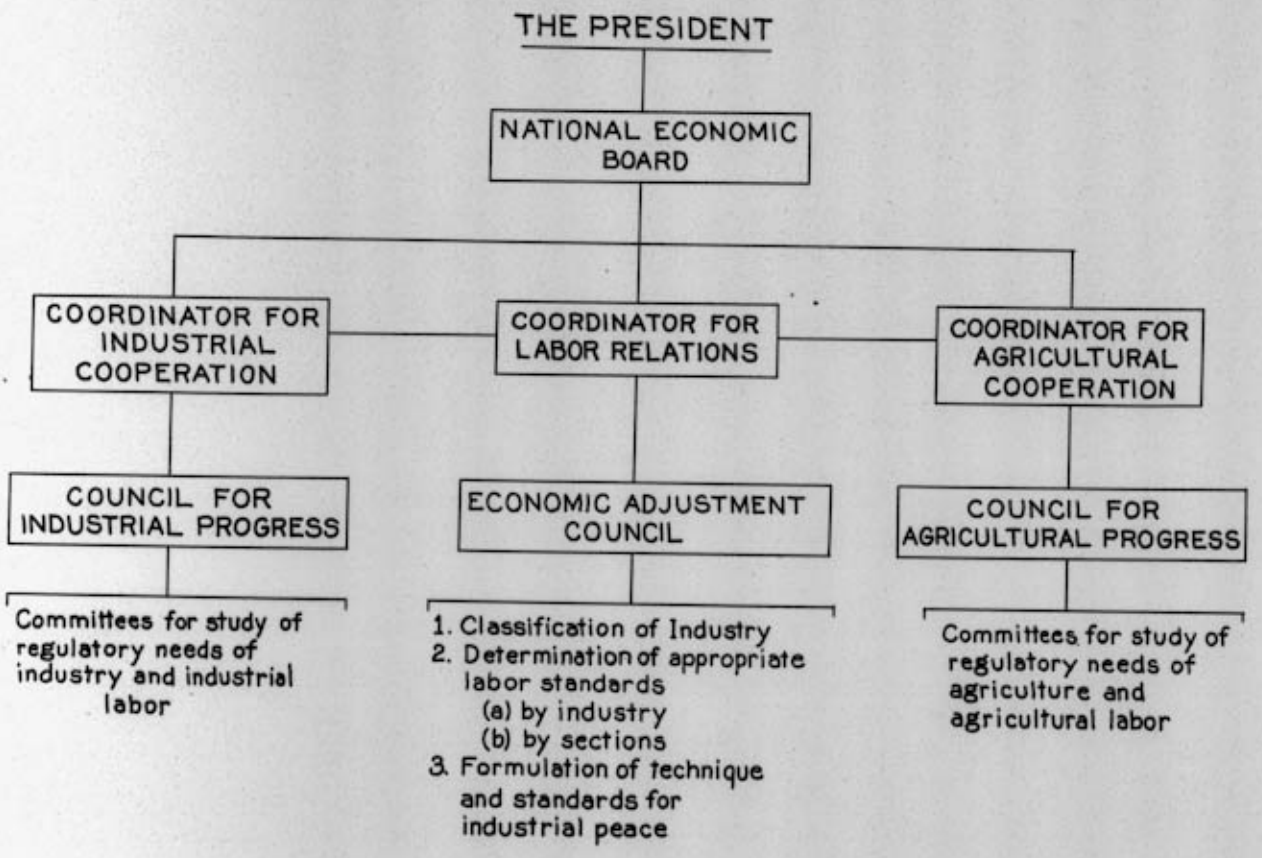
Ernest G. Draper.

E. G. D.

PSF
Industrial Recovery

PROPOSED LAW TO SET UP AN INSTRUMENTALITY TO INFORM THE PRESIDENT ON THE ECONOMIC STATE OF THE NATION AND TO PROMOTE INDUSTRIAL PEACE

George L. Berry


THE PRESIDENT
NATIONAL ECONOMIC BOARD
COORDINATOR FOR INDUSTRIAL COOPERATION
COORDINATOR FOR LABOR RELATIONS
COORDINATOR FOR AGRICULTURAL COOPERATION
COUNCIL FOR INDUSTRIAL PROGRESS
ECONOMIC ADJUSTMENT COUNCIL
COUNCIL FOR AGRICULTURAL PROGRESS
Committees for study of regulatory needs of industry and industrial labor
1. Classification of Industry
2. Determination of appropriate labor standards
(a) by industry
(b) by sections
3. Formulation of technique and standards for industrial peace
Committees for study of regulatory needs of agriculture and agricultural labor

A BILL

To formulate plans and procedures to promote the economic welfare of the Nation, including the broader diffusion of purchasing power for the general welfare of the people; the diminution of unemployment for the security of the Nation; to promote industrial and agricultural peace; and to enable the President to carry out more effectively his constitutional mandate to report on the state of the Union.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) in the Executive Branch of the Government a National Economic Board is hereby created which shall consist of nine members, including the Secretary of Agriculture, Secretary of Commerce, and Secretary of Labor, who shall be members ex officio, and six members appointed by the

President of the United States, with the advice and consent of the Senate. Two of the six appointive members of the National Economic Board shall be representatives of industry (including management and labor), two shall be representatives of agricultural interests, and two shall be representatives of the public interest.

(b) The six members of the National Economic Board appointed by the President and confirmed, as aforesaid, shall devote their entire time to the business of the National Economic Board and shall each receive an annual salary of $10,000 together with actual necessary traveling expenses.

(c) Of the six members thus appointed, one shall be designated as General Economic Coordinator and shall act as Chairman of the National Economic Board; one shall be designated as Coordinator for Industrial Cooperation; one shall be designated as

Coordinator for Agricultural Cooperation; and one shall be designated as Coordinator of Labor Relations.

DUTIES AND POWERS OF THE BOARD

Sec. 2. (a) The National Economic Board shall make recommendations to the President on the economic state of the Nation, in order that he may recommend to the Congress such measures as he shall judge necessary and expedient to promote the general welfare. The Board shall also seek the cooperation of the various elements of industry and agriculture in the setting of reasonable standards of work and working conditions. Meetings may be held at any time and at any place within the confines of the United States at the direction of the President, or at the call of a majority of the members of the Board.

(b) The National Economic Board shall make an annual report to the President upon the administration of this Act, and such report shall be printed as a public document.

(c) The Coordinator for Industrial Cooperation and the Coordinator for Agricultural Cooperation shall each, with the approval of the Board, establish a Council representative of the various elements of his economic sphere, and shall establish a Bureau of Planning for such sphere.

(d) The Board is authorized and directed to make a continuing study of the National wealth, the sources from which it springs, the channels through which it flows, and the uses to which it is put, with a view to formulating such plans and recommending such legislation as may be necessary.

(e) The Board shall appoint such personnel as it requires, provided that all such personnel be appointed in accordance with the Classification Act of 1923, as amended, and subject to the provisions of the Civil Service Laws, with the exception of such administrative and special experts, including attorneys, as shall be determined necessary to the Board. In addition, the Board may utilize and

authorize to be utilized such uncompensated advisory services as it may deem fit, and may authorize the employment of special experts or other temporary employees on a per diem basis not to exceed the requirements of existing rules and regulations governing the employment of such employees.

(f) The Board shall be authorized to call upon all other branches of the Government and all fact-finding agencies of the Government for such information as they may have available or which they may be able to supply with the personnel and facilities at their respective commands, and which information the Board deems necessary or proper in the performance of its duties. If statistical and other information is not available, the Board may suggest that facilities be provided in the proper Government agencies to obtain such data or information, but shall not establish within the jurisdiction of this Act any fact-finding agency which can be comprehended within the intent of any other regular Department of

the Government.

(g) The Board shall be authorized to call conferences of members of industry, agriculture, labor, and other elements within the respective economic groups, jointly or severally, nationally or regionally, from time to time, with a view to ascertaining the existing economic conditions in the respective industries, trades, or groups, and for the recommendation of appropriate standards of employment and trade practices, for the determination of industrial boundaries, and for the recommendation of legislation when deemed necessary.

(h) In calling conferences nationally or regionally for the formulation of programs for voluntary cooperation, for the determination of mediation standards, or for the formulation of suggestions for legislation with respect to a particular industry or industries, the Board may designate representative members of such industry or industries and of the employees thereof, not exceeding two from each group

interest, as per diem employees of the Board during the period of such service. Each such representative shall be sworn in as an employee of the United States for the period of service, not exceeding 30 days, and shall be entitled to receive traveling expenses and per diem compensation within the provisions of existing laws.

(i) The Board shall cooperate with Federal, State, and local officials insofar as such cooperation may be deemed necessary or helpful in the attainment of the objectives of this Act.

(j) The Board shall maintain its principal office in the District of Columbia, and shall have an official seal which shall be judicially noticed, and may designate appropriate insignia which shall be officially registered as the property of the United States, and which employers shall be privileged to display in their place of business or on their products if in voluntary compliance with standards approved by the Board.

(k) The Board is authorized and directed to make surveys, studies, and investigations of all problems relating to employment in industry, agriculture, and commerce in the United States with a view to formulating such plans and recommending such legislation as may be deemed necessary to obtain an economic balance.

(l) The Board shall make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for periodicals and books of reference, and for printing and binding) as are necessary to execute its functions. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

COOPERATION FOR INDUSTRIAL PEACE

Sec. 3. (a) It is hereby declared that in the interests of the general welfare and in the interests of the conservation and protection of the people of the United States for the common defense of the Nation,

no individual, corporation, or association shall employ another person for more than a reasonable work week nor for less than a reasonable minimum living wage.

(b) The Coordinator of Labor Relations shall, under the direction of the Board, set up a Labor Adjustment Council composed of an equal number of representatives of management and labor, respectively. The duties of said Council shall be to formulate and publish what it deems to be reasonable working periods, reasonable minimum wages, and reasonable working conditions in any industry or section thereof or geographic area wherein a dispute has arisen. In case of dispute or threatened dispute, the Coordinator shall fix a reasonable period of time, not exceeding ninety days, within which the disputants shall be requested to take no action of strike or lockout; and within which period of time said Coordinator shall investigate all the facts surrounding such controversy and make his recommendations for the peaceful settlement thereof.

(c) The Coordinator of Labor Relations, under the direction of the National Economic Board, is authorized to withdraw from any employer not operating in conformity with standards set up under this Act the right to use the Insignia of the Board, and is authorized to appeal to any District Attorney of the United States for the operation of this provision.

*****

1 PSF
... Chid.
Rec.
Bx 112

file personal

From a Wall St. friend

April 15 1937

As you know, I am not a politician and perhaps I am not familiar with the methods and tactics of the politicians. I am not familiar to what extent those parties can influence the majority of the American people, but I believe that I know something about the aims and methods used by the enemies. Yesterday I vaguely conveyed the rumors which are existing in Wall Street and I believe the rumors are well founded, and if those rumors are true you will understand why I am worried. The plan is the following:

They are anxious to create a few "black Fridays" and a few panics during the summer months for the purpose of damaging the Administration. It is an open secret that the public is already in the market and they are on the road to go to the sky's limit. Some of them don't sell their securities because they are worried they will have to pay heavy income taxes out of their profits -- others don't sell because they have a belief that "<u>everything is going up</u>." There can be no question about it that many pools are now operating in Wall Street and they are tipping off the investors in the same way as they used to do it in the olden days. It is true that they are handicapped by various regulations, but nevertheless they are active. It is also very well known that our securities have been bought in large quantities by foreign interests. Some of these foreign interests believe that our prosperity has come to stay, but the majority of them have invested their money here because they are afraid that their currencies are bound to depreciate sooner or later. The Wall Street manipulators are convinced that after the election in France the new Government will be compelled to go off the Gold Standard and that will mean the breaking down of the Gold bloc currencies. Once this is accomplished the foreign interests will no doubt commence to sell their securities and divert the proceeds to their own countries. If this should happen the boys in Wall Street will no doubt be ready for their plan of creating a panic.

As I mentioned above, it might only be a rumor, but from my negotiations with the "Big Shots" I feel that this rumor should be considered as a serious one.

The same "Big Shots" are hoping for a big crop not only in this country but everywhere else outside of America and should that happen the "Big Shots" will be in an excellent position to depress prices and to hurt the farmers. It is rather strange that in the olden days a big crop meant prosperity, but today a big crop unfortunately does a lot of harm. I personally have no idea or suggestions to make of how to protect the American investors against the ruthless manipulators, but I feel that somehow serious thought should be given to the possibility of such happenings.

I spoke to some of our friends on the subject and they are of the opinion that the investing public is stronger than the organized pools and that the "Big Shots" have no chance for the time being of creating any panics. I am inclined to agree with our friends to a certain extent that this is the case, but on the other hand should something unforseen happen in Europe I am reasonably sure that the "Big Shots" will be in a splendid position to do a great deal of harm.

April 15, 1937

: Industrial Recovery

MEMORANDUM ON THE ECONOMIC SITUATION

During the past five months, despite temporary interruptions because of strikes, American industry has been operating at a high rate. In terms of physical output of goods, production during the past five months has been almost as large as the average in 1929. The only important industries which are lagging to any marked extent are private building and some of the industries that make the materials used in building. It is obvious that private industry has attained considerable momentum.

(See Chart I)

Employment

1. The momentum attained by private industry has been reflected in the employment situation. Re-employment has proceeded rapidly. Total employment in all non-agricultural occupations (manufacturing, mining, transportation, public utility, professional service and service industries) is only about one million less at present than at the peak period in the spring of 1929. Since the trough of the depression in early 1933 it is estimated that about eight million workers have been re-employed in non-agricultural occupations. This is a minimum estimate.

Despite the re-absorption of this large number of workers, there is considerable unemployment due to the growth of the total population of working age since 1930, which is estimated to be approximately 3½ millions. Among the unemployed is a sizeable group of persons who are no longer employable in regular competitive industry. The result is the anomalous situation of shortages of skilled labor in certain mechanical trades and in building construction in some parts of the country, coincident with a large number of unemployed.

Production

2. Due to the fact that the population of the United States is now nearly 10 per cent greater than the average of the years 1923-1929 industry must now produce at a rate at least 10 per cent greater than in those seven years if the goods available per person is to be equal to the amount then available. Industrial production during the past four months has been at a rate which is about 10 per cent in excess of the average for the years 1923-1929.

(See Chart II)

This current high level of production comes at the end of a long depression period, during which important deficiencies accumulated in the nation's supply of goods. The accumulated depression deficiency in consumers' goods is very much smaller than in durable goods. Total production of consumers' goods between 1930 and 1936 approximated 94 per cent of the average for the seven years 1923 through 1929; while the production of durable goods was only 62 per cent as large. Meanwhile, a part of the existing supply wore out or became obsolete. Now demand is coming in with a rush. It is important to note, however, that this large demand became effective only very recently. This is particularly true in some of the durable goods industries.

3. Consumers' goods are being produced at a relatively high rate and for the most part the current larger needs of the nation are being met more adequately than are the demands for producers' goods. Some consumers' goods are now being produced at a much higher rate than in the decade of the 20's.

For example, during the last four months textile fibers were made into cloth at a rate at about 25 per cent greater than the annual average in the years 1923 to 1929. The output of shoes was 30 per cent greater, and the production of tobacco products was 35 per cent greater. Moreover, these industries operated at a relatively high rate during the past two years, and have probably gone far toward supplying such deficiencies as have existed.

The main exception to the high rate of production in consumers' goods for immediate use is food. Due to the drought and other crop limiting factors, the quantity of food produced for domestic consumption during the current crop year, as reported by the Department of Agriculture, is about 8 per cent less per person than in the average of the pre-depression years 1925 to 1929. In particular, supplies of meats, eggs and potatoes are smaller than in the 20's. The principal increases in the available supply are in canned fruits and vegetables.

4. Another group of consumers' goods that has been feeling the effects of recovery are certain durable goods, namely, automobiles, furniture, curtains, rugs, refrigerators, radios and household equipment. Most of these industries, with the exception of automobiles, produced a larger volume in 1936 than in the 20's. Their employment is at present near the highest levels on record. It does not appear that production of durable consumers' goods has yet supplied all necessary replacements and new demands. We have reason

to believe that the income of the wage earner and lower-salaried families will increase this year and that this will result in a further increase in the demand for these durable consumers' goods, as well as for clothing and other goods for immediate consumption.

Recent studies of family expenditures by the Bureau of Labor Statistics show that any perceptible increase in the income of the wage earner and lower-salaried city families means a proportionately larger increase in the demand for durable consumers' goods.

5. The increase in demand of the next few years should be most marked in housing. Recent figures of the National Bureau of Economic Research show that the total number of family dwelling units built in urban areas in the seven years 1923 to 1929, totaled nearly 5,700,000. In the first seven years of the present decade (1930 to 1936) only 1,100,000 dwellings, or less than one-fifth as many, were provided. Due to obsolescence it is quite probable that American families are not as well housed today as in the decade of the 20's.

The potential demand for durable consumers' and producers' goods, which should become effective in the not-distant future, has a definite bearing on the productive capacity of our factories and on the ability of the transportation and service industries to meet our needs.

Prices and Labor Supply

1. The factors in the present situation that might prevent maintaining production at a level which will make possible the replacement of the nation's depleted supply of goods are the price situation and the labor supply.

2. Although the aggregate supply of labor available is much larger than at any corresponding period in the past, certain bottlenecks will continue to appear unless apprenticeship and re-training is stimulated.

3. The present wholesale price index is approximately 8 per cent below that of April 1929. It is almost 50 per cent above April 1933. The prices of many individual commodities, however, are today higher than in 1929. (See Charts III and IV)

Although textile products are at 85 per cent of their level of the spring of 1929, woolen goods are above the 1929 level and cotton goods are almost as high. Both of these industries are producing at record levels. Many mills have orders booked for months ahead and profit margins are wide. Knit goods and silk and rayon prices, however, are much lower than in 1929. Metal products as a group are about 6 per cent below their 1929 levels, and their rate of output is also high and orders are piling up. Iron and steel prices are above 1929; steel sheets by 8 per cent, and steel scrap by more than one-third. Building material prices are as high now as in the spring of 1929. Lumber is at 108 per cent of the 1929 level, structural steel is at 118.5, brick and tile at 97, and cement at 103. These prices did not decline as much as others during the depression and building activity is still relatively low.

The marked increase in wholesale prices is the result of four factors: (a) a legitimate demand for the replacement of depleted stocks of goods, (b) speculative activity, (c) the inability of certain industries to expand output without resorting to the use of less efficient plants and equipment, and (d) wage rate increases. The situation has become particularly acute because of the fact that the unfilled demand in several industries appeared relatively suddenly during the past year. In the lumber industry, for example, the increase in demand has found the industry with negligible stocks of good quality lumber and consequently an inability to meet the requirements of the market. In the non-ferous metal industries the abnormal demand, arising in part from war needs, has created the additional factor of speculative buying and storage for future needs.

A particularly significant illustration of the price situation is steel scrap. Since the beginning of 1936 scrap prices have increased 63 per cent. This rise in price is due primarily to the increased domestic demand. However, foreign exports, although equal only to 13 per cent of total consumption of purchased scrap in the United States, have been an important factor in this price rise. Exports are now 3½ times as large as in 1929. The increased demand from abroad has come primarily from Japan, Italy and the United Kingdom. Higher prices for scrap affect especially a group of smaller steel producers who have no iron ore nor blast furnaces and who must buy scrap at moderate prices in order to operate at a

profit. It appears that there has been some speculation in steel scrap. During the past few days prices have weakened for the first time in many months.

4. The increase in wholesale prices has not yet been fully reflected in the cost of living. Between June 15, 1936 and the present time the cost of living has risen by only about 2.5 per cent. The increase in the cost of living has lagged because of the relative slowness in the advance of rents and the fact that many of the products purchased during the current months were purchased by distributors at the price level of the summer and autumn of 1936. Present indications are that rentals and the retail prices of clothing, household furnishings and furniture will be markedly higher in the autumn than at present.

This increase in the cost of living may have a definite bearing on the future of wage rates.

CHART I

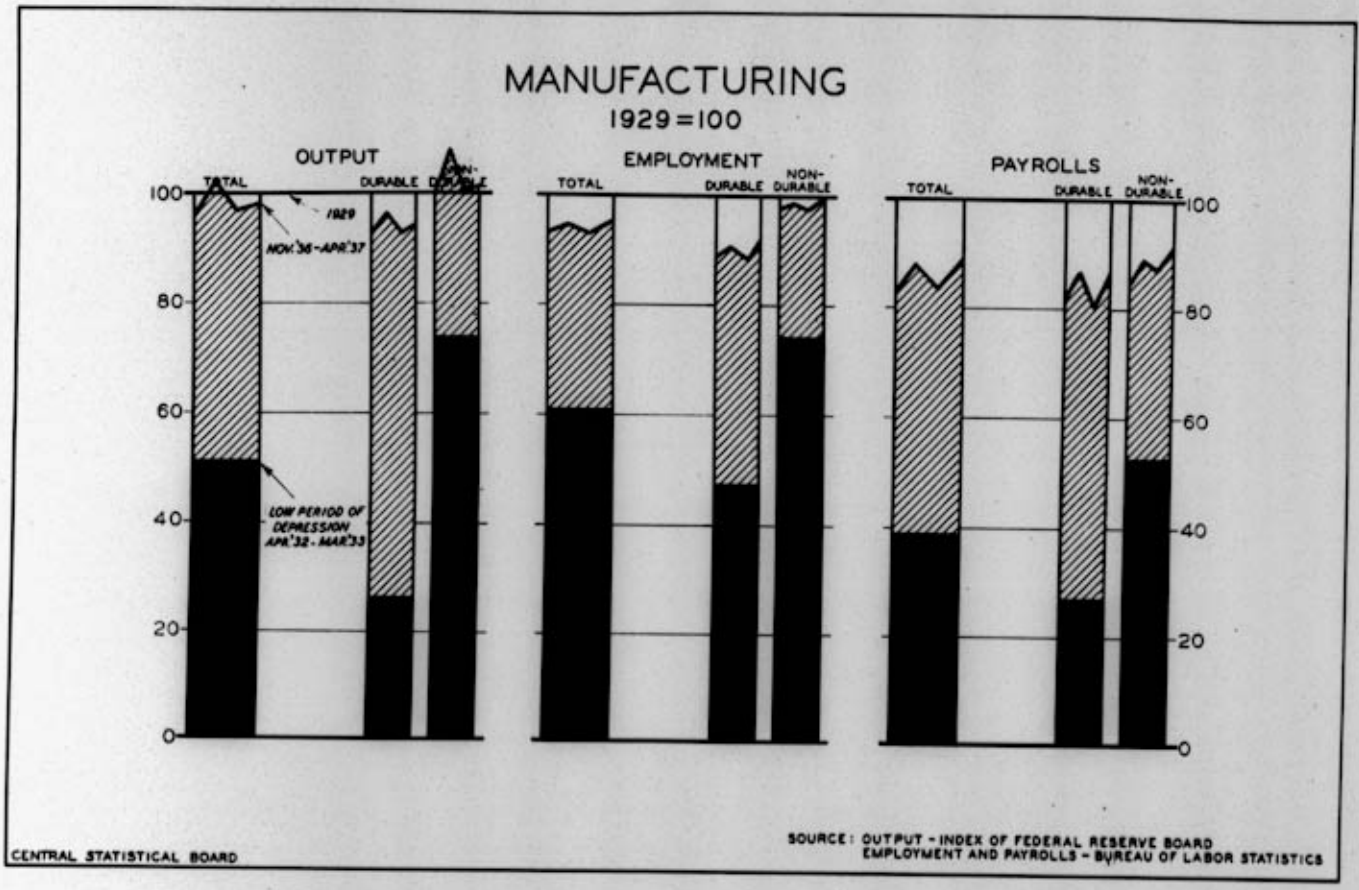
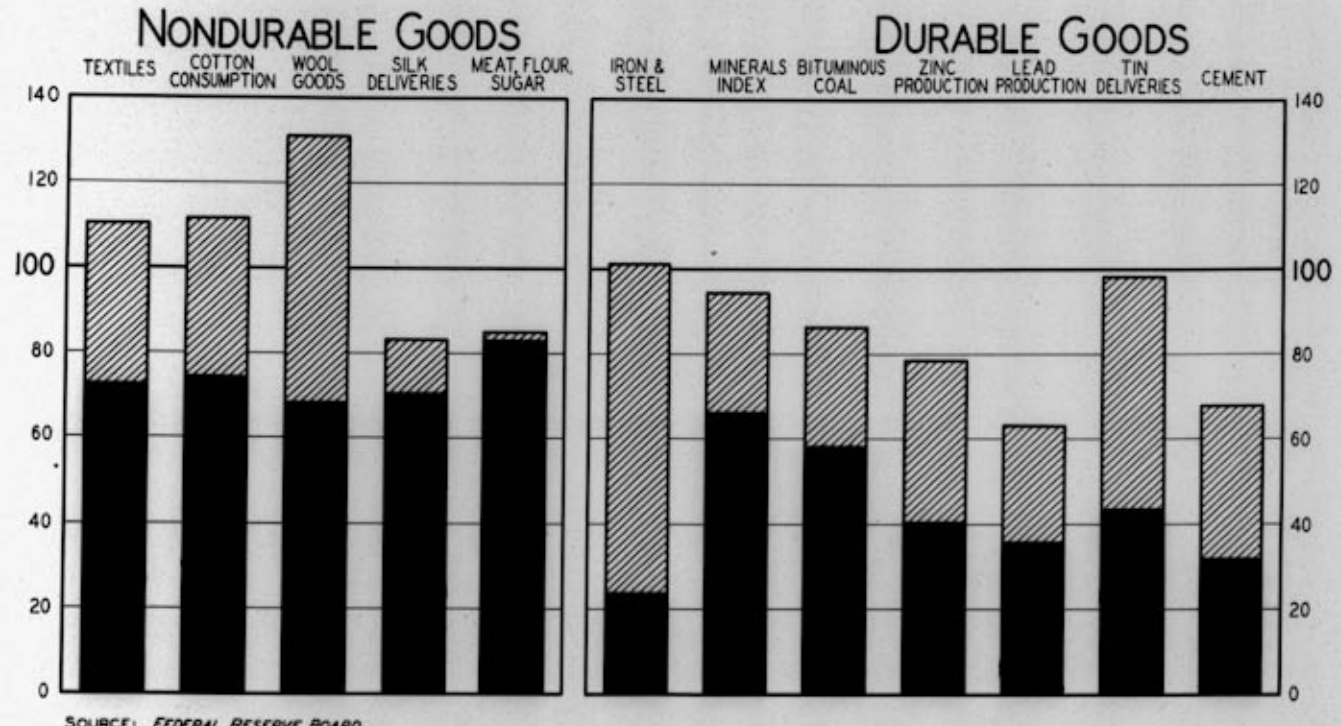

MANUFACTURING
1929=100
OUTPUT
EMPLOYMENT
PAYROLLS
TOTAL
DURABLE
NON-DURABLE
1929
NOV'36-APR'37
LOW PERIOD OF DEPRESSION APR'32-MAR'33
100
80
60
40
20
0
CENTRAL STATISTICAL BOARD
SOURCE: OUTPUT - INDEX OF FEDERAL RESERVE BOARD
EMPLOYMENT AND PAYROLLS - BUREAU OF LABOR STATISTICS

CHART II

INDUSTRIAL PRODUCTION

FEBRUARY 1929, 1933, AND 1937

FEBRUARY 1929 = 100

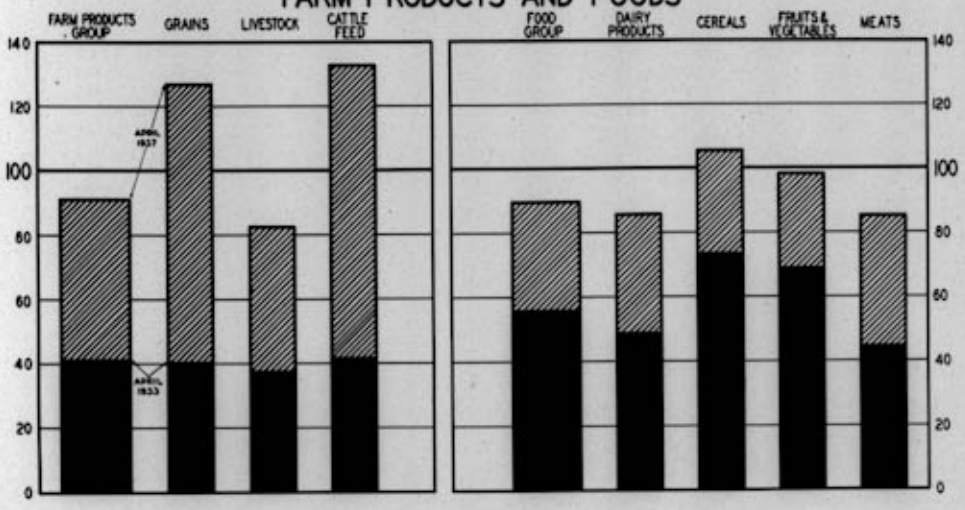


SOURCE: *FEDERAL RESERVE BOARD*

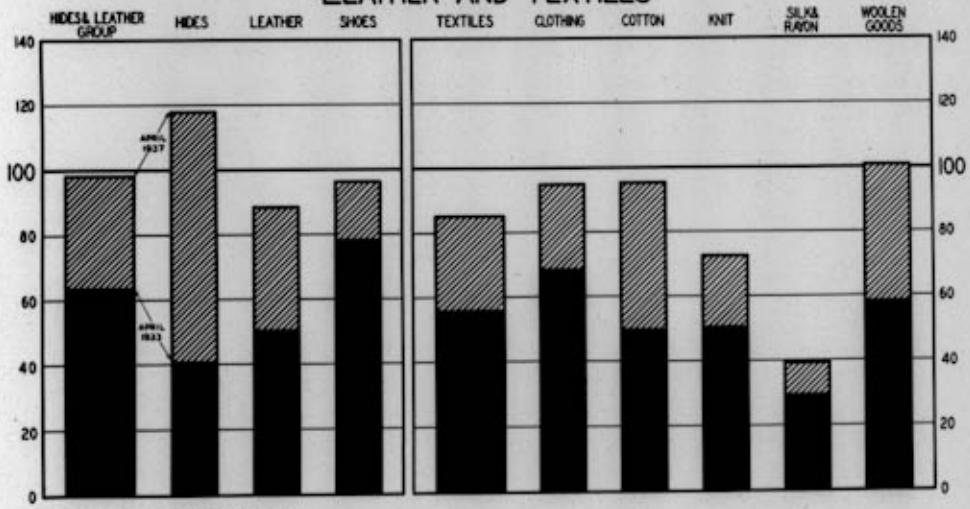
CHART III

WHOLESALE PRICES
APRIL 1929, 1933, AND 1937
APRIL 1929 = 100

FARM PRODUCTS AND FOODS



LEATHER AND TEXTILES

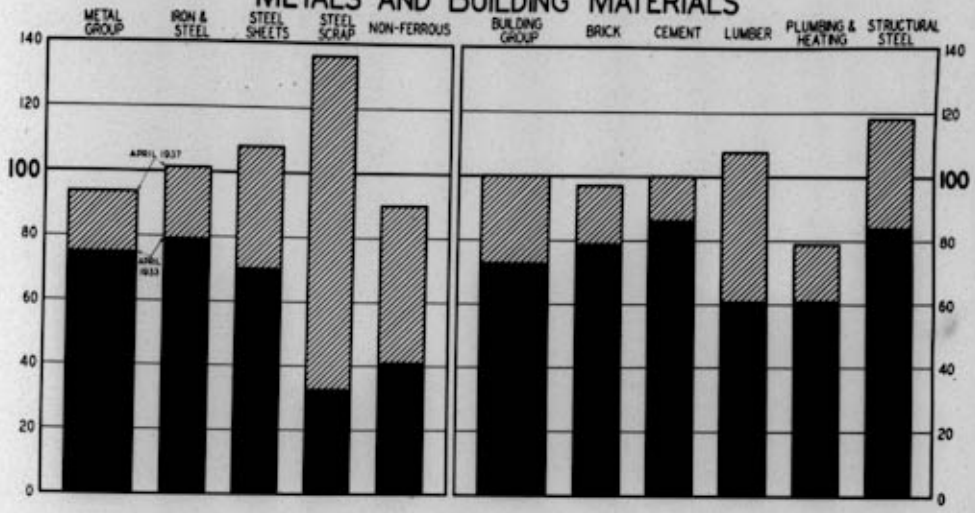


SOURCE: U.S. BUREAU OF LABOR STATISTICS

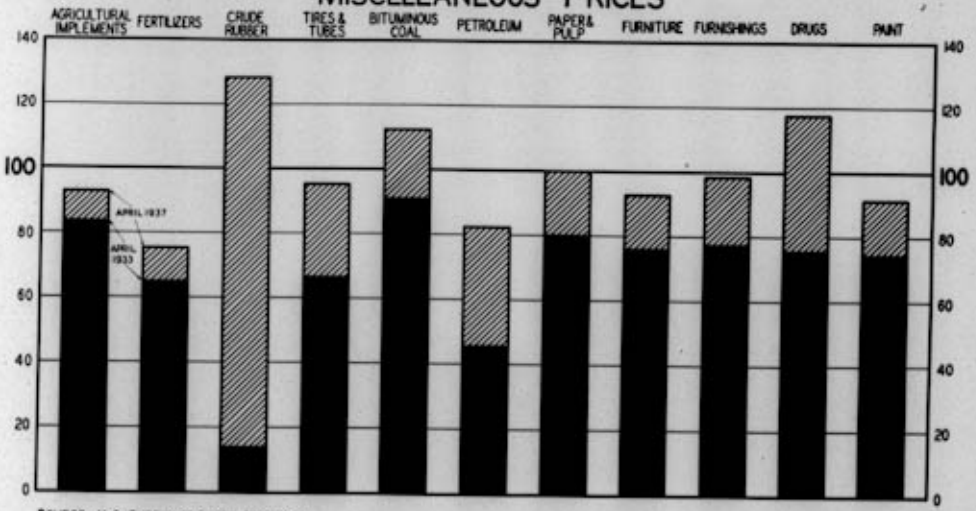
CHART IV

WHOLESALE PRICES
APRIL 1929, 1933, AND 1937
APRIL 1929 = 100

METALS AND BUILDING MATERIALS



MISCELLANEOUS PRICES



SOURCE: U. S. BUREAU OF LABOR STATISTICS

BSF (7)

Industrial Recovery

ESTIMATED FEDERAL REVENUE

(Exclusive of Social Security Taxes)

Fiscal Years	Revenue (In millions)
1937	$5,500
1938	6,500
1939	9,000
1940	10,700
1941	12,000

File Personal

PSF
Industrial Recovery

Bucharest, November 16, 1937.

Dear Mr. President:

I beg leave to enclose herewith three copies of a Memorandum but recently received by me from Mr. N. Raffalovich entitled, "The Recent Slump in America." You may recall the author, for I believe you received him late one afternoon in Washington in December 1935. He is a White Russian and has a cheery queer, round, squeezed up face and looks somewhat like a frog with a monocle. He has spent his life on monetary and financial problems both governmental and private and has one of the keenest, enquiring minds of any European economist of my acquaintance. Incidentally, Mr. Raffalovich is usually extraordinarily well informed on international affairs; he has a great admiration for America, visits it every year and is a popular figure in a wide circle of acquaintance. Among those in your Administration who have known him personally for a period of years are Wayne Chatfield-Taylor, Herbert Feiss and a former member Mr. Peek. He is known also to some members of the Federal Reserve Board.

When sending me a copy of his memorandum he wrote me no covering letter and I do not know to how many others he has sent it. Under the circumstances and as

I

The President,

The White House.

I have no authority from him to send it to you, I respectfully request that the authorship be considered confidential.

As you will see, if you have time to glance through it, he lays stress upon the artificial, alleged causes of the recent slump---apart from the inherent fact that there has been about two and a half years of consistent and sharp improvement, from the low point in September 1934 to the first months of 1937, followed by a levelling out but continuation at high levels right through into August. The second quarter of this year in fact averaging 116.7 according to the Federal Reserve Index of Industrial Production. The only period in our history in which production has been higher, I believe, was the boom year 1928-29.

There is much in the memorandum, interesting as it is, which I do not agree with. Mr. Raffolovich lays little or no stress (except by inference in figuring future recovery from these levels) on the disappointing records in 1937 of the building industry due to increased costs, shortage of skilled labor, slowing down of public works activity, etcetera; the relatively poor trend of retail sales; the fact that for six months there has been no gain in new passenger automobile registrations; that railroad traffic during the year has been disappointing and that railroad equipment buying has declined sharply from the last months of 1936; that operations in the steel industry have levelled out as they have; the beginning of

substantial

substantial curtailment in textile operations during the summer months; and the fact that the consumer in the past four or five years of recovery and increasing income has not only offset the bulk of his deficiency in clothes, household equipment, etcetera, but has probably gone somewhat ahead of his income through the use of installment purchases. Nor does he emphasize the declining rate of "business" spending by the Government, not to speak of the non-recurrent bonus expenditures. With regard to Government "business" expenditures for material in the third quarter of this year this was, as you well know, $250,000,000 below the third quarter of 1936 and this decrease was almost as large as the estimated second quarter increase in gross farm cash income of about $300,000,000. Making allowance for the fact that prices paid by farmers were up very considerably this year, this decrease in Government "business" spending in the second quarter, as I figure it, was probably $100,000,000 greater than the increase in the "real" gross income of the farmers. Incidentally, during this same quarter tax receipts increased by $550,000,000 so business activity was caught between the deflationary jaws of decreasing Government "business" expenditures and increasing taxes.

It would appear from this distance, if I may say so, that the most effective weapons of your Administration would be an eventual change in spending policies and a more conciliatory attitude towards business which would

tend

tend to break the present strike of capital. Whether we like it or not, there is no denying the fact that changes in the stock market have a substantial influence on our economic system---upon the buying psychology and activity of many individuals. And there is far more artificiality in the nation today than in 1924, for instance---when the trend of building was upwards and the world situation less unsettling---, the current level of business being greatly dependent upon artificial influences and stimulants, the new capital markets being very different, and the money and credit situation having already been eased to what would appear to be the limit. Whereas in the 1924 slump there was still room for an easy money policy to have considerable influence.

Please forgive my amateur economist views, Mr. President. I am taking these pains in the midst of the initiation of my work here only because I have the success of your Administration very much at heart and want to help, if only a little. There is so much that is normal in the present recession, responsive as it is to the immutable economic laws of supply and demand, that if enough time were given for the worst of the impact to expend itself and a way could be found then to resume Government "business" expenditures, I feel that hope would be revived if coupled with a benevolent attitude towards business in general.

Even though the trend of business will probably continue sharply downward, accompanied by a continued precipitous decline in industrial earnings through the first

first months of 1938, followed by the usual leveling out process, there would appear to be, nevertheless, a number of underlying favorable factors such as a high level of consumer income; a big pent-up potential demand for new residential construction to take advantage of low financing costs and reduced building costs when they come; improved foreign trade; an easy money situation; coming reductions in prices through competition, thus stimulating consumption and decreasing inventories, so that a resumption of Governmental "business" spending and other constructive action, which you will know so well how and when to take, coupled with the maintenance of a high level of consumer income and buying power and a rapid reduction of industrial inventories could easily reverse the downward trend of business by the early Fall of 1938. The stock market, as usual, would probably anticipate this.

I have always been in favor of a lowering of income exemptions and broadening the tax base, if only for the civic consciousness it would develop. One cannot expect the average man to study his Government and develop a civic sense if he pays nothing out of pocket for it. Some of Representative Vinson's "trial balloons" also are interesting and perhaps practicable. We have an almost inexhaustible reservoir of wealth practically untapped and the people will follow you anywhere you lead, Mr. President, without a quibble towards the balancing of both Budgets, the human and the national.

Believe me, dear Mr. President, with highest regard,

Yours very respectfully,

Frank Lundington

BF

Industrial Recovery

Bucharest, November 26, 1937.

Dear Mr. President:

Since writing you on November 16th, I have received a note from Mr. Raffalovich, dated November 16, enclosing an excerpt from a letter from "a very shrewd friend" of his written from New York. He does not tell me who his friend is. I respectfully enclose herewith as of possible interest a copy of the quotation. Mr. Raffalovich adds, by way of comment, the following sentence:

> "I personally think that the cooperation of the President with business in the sense of putting, as I always advised, recovery above reform and in the sense now of a revision in policies, will be simply forced by many reasons, in which financial reasons occupy the first place, because they will be compelling."

Now that I have made all of my official visits and got my work well started here, I propose to leave next week for the first of the visits you suggested, to Prague, for three or four days only as Delbos will shortly be coming to Bucharest on his much heralded round of the Little and Balkan Entente countries. I shall defer my visit to Warsaw for dessert. Poland would seem to be the crux of French political maneuvering, which resolves itself in the last analysis to pressure on that country to agree in advance to defend Czechoslovakia in the event the goosesteppers start marching in that direction.

To

The President,

The White House.

To the best of my knowledge to date, however, the Polish Government is not disposed to make any such commitment and is rather enjoying its present more cordial relations with Hitler's Government. Have heard from Tony Biddle asking us up there. When I do go I shall try to avoid any of the publicity which seems to attend the meanderings of Bill Bullitt.

The King invited me to shoot a few days ago. We were just ten guns in all. He does not invite Chiefs of Mission as such, though he may invite Secretaries from time to time if they shoot well. I understand that none of my predecessors were ever invited. My British colleague, Rex Hoare, has been here nearly two years and has never been asked. I understand that he is rather miffed at my having been invited so soon after arriving. Hoare shoots, but not especially well. I apparently shot creditably and the King has asked me to his shoot near Timisoara, the best he has, to take the place of a former Russian Minister Poklewski-Koziell who died last Spring. There is a long waiting list for places at this shoot.

Driving out to the first stand in a buggy with the Prime Minister he opened up on his work and difficulties here and inter alia commented upon your Chicago speech, saying that it was a great help to all European statesmen who were striving for peace. I asked him if he did not think that Normal Davis's opening address at the Brussels Conference was also to the point, and he answered that

he

he did. He subsequently said something jokingly about the Anglo-Saxon love of lecturing in public, but added that if it were to be done at all there was no time like the present. The Prime Minister is hard boiled, hard working and would pass as a "good egg" even with us.

He hinted for an expression of opinion so I told him that, as far as I was able so far to form an opinion after such a short time in the country, both his internal and foreign policies seemed to me realistic. He was very pleased; especially when I added that I did not consider that his foreign policy was too complex considering the difficulties. Realism today strikes me as the keynote of King Carol's policy. Geographically and politically he has to provide against all eventualities.

Inculeț, the Minister of Communications and former Vice President of the Council of Ministers, was also there, a former Russian subject, native of Bessarabia, educated in old St. Petersburg, becoming subsequently a professor of sorts, very Russian in type and considered, of course, by the élite here as a Bolshevik. He is a valuable addition in the Government because of his energy and the fact that he represents the younger element of the party which is trying to shoulder out the older ones, like the Bratianus, Angelescu, Costinescu, Sassu and Nistor. An awfully bad shot and a dangerous one as he shoots down the line when excited. The loader of a neighboring gun got a pellet in the neck at this particular shoot. But the King has to ask members of his own Government if they shoot and all the more reason,

therefore

therefore, that he should pick and choose as far as the Diplomatic Corps is concerned, to which he is under no obligation.

You may recall receiving in Washington Princess Martha Bibesco, the author and wife of George Bibesco, the President of the International Aeronautical Association. She was very pleased that you should have replied by telegraph to her cable of congratulations on your second election. Recently she gave me an interesting account of King Carol's marital difficulties and of the intrigues of old Bratianu which brought them to a head. If of interest I would report it to you and have made a memorandum of the conversation. She was in close touch with the whole affair and says she worked herself for reconciliation. But what I really want to tell you now is that the other night she dropped a hint that King Carol would like to be invited to the 1939 Exposition. I have no way of knowing whether the hint was inspired. I did not want to pursue the subject pending knowledge as to what our attitude will be and have written Summerlin to enquire. I know, of course, what our general attitude has always been re visits from Sovereigns. The question will probably come up from other directions in connection with the 1939 Exposition. King Carol has taken a great personal interest in the Rumanian show in Paris, quite often regarded as the best there. According to the press here Rumania has won 80% of the prizes. I saw it and it is really remarkable, covering a very wide range and extremely well presented. It seemed to please him

when

when I told him so.

I was sorry to read of your trouble with a tooth and hope that it is all over.

With highest regard, I am, dear Mr. President,

Yours very respectfully,

Frank Lausche

EXCERPT OF A LETTER RECEIVED FROM A FRIEND OF MR. RAFFALOVICH IN NEW YORK AND WHICH WAS FORWARDED TO MR. FRANKLIN MOTT GUNTHER, AMERICAN MINISTER AT BUCHAREST, RUMANIA.

With respect to our situation here, there is no question that we are in an important recession, serious in the extraordinary rapidity with which it has taken effect. In my opinion it will be some weeks before we can possibly judge its probable intensity and duration. It has come so quickly that no reports are available. One has to rely on what one is told about business from people who should know and from all the information we get the contraction in domestic business is tremendous and proceeding apace from week to week. From information I have today, it has, within the last week, hit retail business in New York City very substantially, whereas up until two weeks ago retail sales in New York were running ahead of last year. Many people of New York seem to think that it will be short-lived because Washington will do something. I am not so sure. It is conceivable that Washington may repeal the Undistributed Profits Tax and modify the Capital Gains Tax which, of course, would be sound policy and all to the good, but don't forget that when the iniquitous Undivided Profits Tax was passed, it was very bullish on stocks and sent them up higher on the expectation of very large dividends, so that when it is repealed it may work the other way. Also, while fundamentally sound, I am not sure that the modification of the Capital Gains Tax would be immediately bullish on stock prices because it might free for sale large blocks of stocks in the hands of strong investors purchased at much lower prices in 1932 and 1933, were

the

the tax penalty removed, if these investors are really pessimistic about the business situation. I know a few very important people who think that this is the beginning of the final day of reckoning for the New Deal and that terrible trouble lies ahead. I, myself, do not feel that way. I am convinced that the terrible say of reckoning must come but I think it is still a little time off. However, the best that I could hope for would be a recovery in business in the Spring or Summer of next year and not before. The contraction has been so drastic that no matter what Washington does, I don't think it can be turned around quickly, short of their playing the last card, namely, actual and deliberate currency inflation in order to create such a dread of the dollar that tremendous buying and building would be induced immediately. I doubt very much that this ultimate inflationary step will be taken at this time. As far as some more conversation and hocus-pocus about the price of gold or desterilization or reducing bank reserves, I doubt very much if it would be bullish for long because a wave of distrust in the Administration is sweeping the country and my own impression is that that kind of action would simply increase the distrust.

There are some very important things that Washington could do which might turn the situation and be very helpful, indeed, such as freeing the utility industry to go ahead and develop necessary plant capacity, stopping Government competition with all forms of private business, and decentralizing the administration of relief,

which

which would effect an enormous budgetary saving. I fear, however, that these things are politically impossible.

So you see that I am not very optimistic. I rather think, as I said before, that we will come out of this recession some time next year and have another good period of business, possibly coupled with some more inflation before the final smash, but I am more convinced than ever of the final smash.

November 5, 1937.

Industrial Recovery

File Bremond

Bucharest, December 9, 1937.

CONFIDENTIAL

Dear Mr. President:

I beg leave respectfully to refer to my letter to you of November 16th enclosing and commenting upon a memorandum received by me from Mr. N. Raffalovich entitled, "The Recent Slump in America." At the risk of seeming to endorse personally views with which, in fact, I am not in accord, I respectfully enclose herewith an excerpt from a letter addressed to him from New York from a former official of the International Bank of Payments in Basle commenting upon the above-mentioned memorandum.

In sending the excerpt of this letter to me Mr. Raffalovich says:

> ".....I do so not because of the praise it contains, but because of the additions he makes to the thoughts I expressed, which I think are very valuable.
>
> "I am fully convinced, and that is the reason for my relative optimism, that the Administration can not do otherwise, and has already started doing so, than follow the path advocated by me in my memorandum, and as a matter of fact in all my memoranda for the years past. Otherwise chaos, and especially financial chaos, as regards the Administration itself and its bond market, will follow. The problem is only if things will be done quickly enough, sufficiently, and not offset by steps or speeches in the wrong direction.
>
> "I

The President,

The White House.

"I happen to know that the English are urging Washington quite strongly to proceed in the right direction. Very much bad humor had been shown in London, and even in speeches of prominent members of Parliament, in regard to the economic policy of the United States which seems to upset the whole world. One conservative member of Parliament went so far as to call it "sabotage of our economic system", and Lord Winterton, representing the government, merely answered that it would be wrong for him either to oppose this statement or to acquiesce. When one knows the English and their parliamentary habits, this is very strong indeed."

With highest regard, I am, dear Mr. President,

Respectfully yours,

Frank Lundstrom

EXCERPT FROM A LETTER ADDRESSED TO MR. N. RAFFALOVICH FROM NEW YORK FROM A FORMER OFFICIAL OF THE INTERNATIONAL BANK OF PAYMENTS IN BASLE

I am greatly obliged to you for sending me your very comprehensive and, in my view, very excellent exposé of the reasons for our recent slump. With all you have to say, I believe I am in agreement. Perhaps I would have emphasized a little more the influence of the tax situation, including the undistributed profits tax, the Social Security income tax, which is having a deflationary effect, and the general increase in the tax burden everywhere, including the states and cities, with the consequence that initiative is being interfered with because many people consider that the game is not worth the candle.

Perhaps I should have emphasized somewhat more, although you have, of course, mentioned it, the attitude of the Government toward big business - more especially, the so-called monopolies, the public utilities, and the railroads. All these industries have a feeling that they are regarded as enemies of the public.

Finally, quite an important psychological factor is that no one knows what the Government may pull out of the hat tomorrow morning, with the consequence that there is a great tendency among business men to wait and see. Any rumor, however ridiculous and unreasonable, is nevertheless given some degree of attention because we fear that the experimenters in Washington will tell us that everything runs on a twenty-four hour basis and may, in fact, try out some novelty.

file personal

PSF: Industrial Recovery

April 27, 1938.

OUTLINE OF NEXT STEPS IN THE RECOVERY PROGRAM

The Outlook for the Next Six Months

1. No sign of an early upturn. When production was last at current levels (in 1931 and 1934) industrial maintenance and new plant and equipment expenditures were nearly $3 billion less than in 1937. No reason to expect upturn in railroad and utility expenditures.

Mildly favorable factors.

(a) Residential housing increasing but small and below last year. Contracts awarded in the first half of April 38 per cent below '37 corresponding period; building permits outside N. Y. in March 28 per cent below last year.

(b) Moderate increase in deficit but not substantial. W.P.A., C.C.C., roads, P.W.A., U.S.H.A., revenues.

Unfavorable.

(a) Inventories $5 billion higher at year end than in 1935.

(b) Dwindling backlogs of unfilled orders and uncompleted projects.

(c) Consumer credit liquidation

(d) Agricultural and foreign prospects

(e) Stock prices high in relation to probable earnings.

Necessary to speed up expenditures in next six months to prevent further deterioration.

1. R. F. C. Loans for R. R. equipment-- no legislation required.

(a) Up to January 1, 1939, equipment delivered before June or September 1939.

(b) 100 per cent of cost

(c) Long maturities as safe

(d) 2 per cent

(e) Interest beginning one year after date of loan.

2. Further Stimulation of Residential Construction.

W. P. A. common labor contribution to private builders -- requires legislation.

(a) 10 per cent of appraised value of new construction

(b) On housing units appraised at $5,000 or less

(c) Limited to contracts let this calendar year and started after May 1st

Socially beneficial, powerful stimulant, no cost to Government.

3. R. F. C. Loans for New Utility Expenditures - No legislation required

1. Favorable terms

2. Limited period

3. Assist in lowering rates for private financing and refunding.

4. No loan to municipal power plants

4. Speeding Up of Ordinary Government Spending after New Fiscal Year Starts

(1) Supplies
(2) Public buildings

(3) Armaments

Desirable because of critical business situation in summer and because other parts of program will be well launched in second half of fiscal year.

April 27, 1938.

NEXT STEPS IN THE RECOVERY PROGRAM

The Outlook for the Next Six Months

1. On balance the probabilities favor no significant upturn in the next six months. Unemployment is still increasing and retail sales are declining. The index of production remains below 80 as contrasted with the 1937 average of 110. When the index was last around 80, in 1931 and 1934, the yearly volume of maintenance and new plant and equipment expenditures of mining and manufacturing amounted to $3 billion, or $2.7 billion less than in 1937. Utility and railroad expenditures are being curtailed.

Residential housing expenditures are increasing but the magnitude is small. F. W. Dodge residential building contracts awarded in the first half of April were 38 per cent below the first half of April, 1937. The volume of new residential building permits outside of New York in March was 28 per cent below March 1937.

No significant increase under the present program in Government expenditures can be reasonably expected. W. P. A. has about reached its peak; C. C. C. and public roads expenditures will be maintained; P. W. A., depending as it does upon local initiative, will be slow in getting under way; the same is true of U. S. H. A. On the other hand, revenues will continue to fall off so that net expenditures will increase moderately, though not to the levels of 1934-1935.

As against the mildly favorable factors of housing and government expenditures must be offset the strong deflationary effects of

the process of working off inventories, of the completion of orders for heavy durable goods carried over from last year, of the liquidation of consumer credit. The agricultural outlook is depressing. The foreign economic situation is deteriorating.

Manufacturers, wholesalers and retailers entered the year with $5 billion more inventory than they had two years previously. Then sales were increasing; now they are declining. It will be months before inventories are worked down to comfortable levels for industry as a whole. Witness the automobile industry with its still large bank of parts. The process of working off inventories involves losses, involves a failure to pass along money received from consumers, and involves a stoppage of production and new buying by producers. The working off of a billion dollars of inventories subtracts as much from the money stream as is added by a billion dollars of new construction, the most we can expect this year.

Under the stimulus of reduced down payments and longer terms there is evidence that consumer credit reached a high level in late 1937. The process of working this off will be a drag throughout the year.

Stock prices are high in relation to probable earnings in 1938, This is a potentially dangerous situation as a further fall in stocks would have depressing psychological repercussions.

A survey of various important elements in the current and immediately prospective situation yields, therefore, no basis for easy optimism for prospects in the next half year.

2. In the light of the above considerations every effort should be made to increase the total volume of public and private expenditures in the next six months to prevent a further deterioration in the business situation.

How Additional Expenditures May be Made

1. R. F. C. loans for railroad equipment. The R. F. C. has the power to purchase adequately-secured equipment trust certificates upon such terms and conditions as it may determine. Loans made for maintenance or purchase of equipment need the approval of the I. C. C. as regards maturity, but do not require a certification by the I. C. C. that the railroad in question, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, as do loans to railroads for other purposes.

It is suggested that for a limited period the R. F. C. announce itself prepared to purchase new equipment trust certificates:

(a) covering 100 per cent of the cost of new equipment,

(b) maturing in twenty years in the case of freight cars, fifteen years in the case of steam locomotives and passenger cars, and ten years in the case of complete streamlined trains and Diesel electric engines,

(c) at a 2 per cent interest rate,

(d) interest beginning one year after date of loan.

Arguments in Support of Proposal

(a) An offer on less favorable terms would not interest the better railroads that can now sell equipment trust certificates on a 4 per cent basis or better. On an offer such as outlined above, they could hardly afford not to anticipate part of their future requirements.

(b) In the present conditions of railroad finances, equipment trust certificates constitute the most secure type of loan that can be made to the roads.

(c) In no other way could the Government induce as much total expenditure and employment at as little cost to itself. It has been carefully estimated that to handle the volume of traffic consequent upon full recovery in three years' time would necessitate the purchase of 2½ billion dollars worth of equipment.

(d) Any anticipation of these requirements would provide both employment and buying power now, and help mitigate the almost inevitable bottlenecks in the future.

(e) It is important to limit this offer to equipment purchased in the comparatively near future, as otherwise roads will hold back. The stipulation that the equipment must be contracted for in this calendar year to be delivered before June 30, 1939, in the case of freight cars, and September 30, 1939 in the case of locomotives and streamlined trains, appears to be reasonable. This type of work could be begun almost immediately, as contrasted with some other elements of the recovery program.

2. Further Stimulation of Residential Construction

The volume of private low-cost residential construction continues disappointingly low. If it is to grow to become a significant force

making for a sustained revival, additional stimulus appears necessary. This could be provided by an amendment to the Relief Appropriation empowering W. P. A. to supply W. P. A. common labor equal to 10 per cent of the appraised value of new low-cost residential building free to the builder. This offer should apply only to units appraised at $5,000 or less, the contracts for which are awarded between, say, May 1st and December 31st of this year.

This proposal would

(a) stimulate a socially desirable type of activity

(b) give a substantial fillip to private residential building expenditures this year, when they are most needed

(c) not involve any cost to the Government

The possibilities of aiding in railroad maintenance through the use of W. P. A. labor might be studied. A precedent exists in Canada.

3. R. F. C. Loans for New Utility Expenditures.

As in the case of the railroads, the R. F. C. could make loans for new expenditures for a limited period on very favorable terms. Although it is true that many operating companies are heavily bonded and that they are not now in need of new capacity, still an offer on favorable terms for a limited period should induce many companies to anticipate their future requirements and modernize or replace old equipment. Moreover, the offer by the R. F. C. to loan for such purposes at lower rates than now prevail should have the effect of bringing about a reduction in

the open market rates and hence permit private borrowing and refunding on more favorable terms. Refunding at lower rates reduces the burden of fixed costs, enhances the outlook for profits, and brightens the prospect for securing equity money, the greatest need of the utilities.

In addition to the considerations mentioned above an offer by the R. F. C. to loan money for new equipment for railroads and utilities on very favorable terms for a limited period would permit the replacement of obsolete and high cost equipment by modern low cost equipment. Psychologically, it should have the effect of strengthening the confidence of investors and of adding billions of dollars to the market valuation of the securities of railroads and utilities.

As a supplement to this program it would be helpful if it were announced that the P. W. A. would make no more loans for the construction of municipal power plants.

4. Speeding up of ordinary Government spending at the beginning of the new fiscal year.

Much can be done through the Director of the Budget, the Procurement Division of the Treasury, and the various Government departments to vary the rate of current expenditures and to anticipate the purchases of necessary supplies. Work on public buildings can be speeded up. There should be some possibility of concentrating a larger part of the armament program in the first half of the fiscal year.

Anything that could be done to throw ordinary expenditures into the first half of the fiscal year would be extremely worthwhile both because the business situation in the summer may be critical and because

the other elements of the program will result in a stepping up of expenditures in the second half of the fiscal year.