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WASHINGTON, D. C.

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Personal and Confidential

Mr. Marriner S. Eccles, Chairman
Board of Governors of the Federal
Reserve System
Washington, D. C.

Dear Marriner:

I would appreciate your reading
the attached memo. This is not officially
from the WPA but is my own brief on the
situation.

Sincerely yours,

A handwritten signature in black ink, appearing to read "H. O. Hunter", written in a cursive style.

THE WPA IN FISCAL 1941

With the money provided in the Budget the WPA can give jobs to an average of only 1,350,000 in fiscal year 1941.

At the present time nearly 2,300,000 people are on the program. WPA must drop 800,000 workers between now and June 30 to get by on its present appropriation.

This means 1.5 million on the program beginning July 1. To strike the necessary average for fiscal 1941 approximately 600,000 more must be dropped during the months July to November. After November some increases will occur because of greater need that normally arises during the winter.

The total drop between now and November will be about 1.4 million workers. Can this be justified in terms of decreased need and increased private employment? The answer is definitely No. Most of the 775,000 dropped from WPA last July and August are still in need, many are waiting to get back on the program. This new reduction will simply add more to the long list of destitute unemployed in need of WPA jobs.

Moreover, this cut in the purchasing power created by WPA will act as a depressing influence on business. You can't make business better by making its customers poorer.

Let's look at the facts of unemployment, industrial production, and WPA and review the prospects for next year.

To begin with, from 1936 through 1939 WPA employed an average of 25 percent of the unemployed. Right now the figure is about 22 percent.

Unemployment is increasing now, and industrial production has dropped 14 percent since December. The war boom is over - at least temporarily. We will begin fiscal 1941 with industrial production about where it was when the shooting began in Europe.

Even if another upsurge gets under way in late spring, unemployment in July will be about 9.5 million to start the new fiscal year. WPA will be down to 1.5 million, or 16 percent of the number unemployed at that time.

During fiscal year 1941 unemployment will average about 9 million. This estimate is not pessimistic - if anything it errs on the other side.

This estimate is based on the assumption that the index of industrial production will average about 125 in fiscal 1941. This compares with a probable 110 for the present fiscal year and an average of 10 million unemployed. It also assumes that private employment will increase 1.6 million over the average for this fiscal year. This increase would reduce average unemployment from 10 to 9 million and absorb the annual increase of 600,000 in the labor supply.

This increase in the labor supply each year is important. There are 6.6 million more workers looking for jobs now than in 1929. Next year this will increase to 7.2 million. Most of our unemployment is caused by our failure to keep production expanding in step with the labor supply.

It must be emphasized that an estimate of 125 for industrial production and 9 million average for unemployment is on

the optimistic side. An increase of 15 points (from 110 to 125) in the production index represents an enormous increase to an all-time high. Likewise an average increase of 1.6 million in employment is a huge rise. We can dismiss as wholly unrealistic the glib statements and vague promises of returning 3, 4, or 5 million to work right away, if ____.

Let's not forget that business might not do as well as we assume here. If peace is restored, or if the war continues on its present cautious basis, big exports abroad will not materialize. Exports in any case are a small part of our total activity. These high levels will depend upon expansion of consumer demand here at home. Curtailment of WPA and other public expenditures will curb consumers' demand.

These estimates of 125 for the production index and 9 million unemployed give us the best that we can realistically expect in view of the fact that a business recession is now under way.

What does this mean in terms of the WPA program? The proposed appropriation would permit the WPA to hire 1,350,000 - or 15 percent of the number unemployed. This compares with the 25 percent average for 1936-39, and 22 percent at the present time.

It must be remembered that the 1941 Budget figure was adopted last fall when business was booming. Presumably at that time the boom was expected to continue. The situation has changed - that boom is over. It is now time to get our

thinking back into line with the facts. A WPA program of only 1,350,000 doesn't come close to reality.

Right now WPA employment is too low. About 1 million unemployed now certified in need cannot be given jobs. If the WPA drops 1.4 million from its program over the next 8 months, a lot more will be in need with no jobs of any sort.

The WPA ought to give jobs to at least 25 percent of those out of work in fiscal 1941. This would mean an average employment of 2,250,000, or 900,000 above the Budget figure. This is based on the assumption that unemployment will be lower and business far better next year than now. If this optimism proves unfounded - and it may well be - a larger figure would be necessary.

There is no economic justification for cutting WPA employment. It is too low now in terms of need. The unemployed need these jobs and business needs the purchasing power. To cut the program means waste and idleness because business cannot give jobs to these people next year.