

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**Office Correspondence**Date March 21, 1940To Chairman Eccles

Subject: \_\_\_\_\_

From Emile Despres

Attached is a summary of Mr. Hunter's memorandum, using his figures and estimates. It seems to me that the increase in private employment of 1,600,000 which he associates with a rise in the industrial production index from 110 to 125 may be somewhat too low. If you propose to use this material yourself, I suggest that the optimistic forecast for industrial production in 1941 be lowered from 125 to 120. This seems highly optimistic to me and would, I think, correspond better with the employment and unemployment forecasts.

Attachment

*ED*

March 21, 1940

THE W.P.A. IN FISCAL 1941

1. An average of only 1,350,000 W.P.A. jobs were provided in the Budget recommendation for fiscal 1941 as contrasted with nearly 2,300,000 jobs at present. W.P.A. must lay off 800,000 by June 30 to keep within the current appropriation; 600,000 more between July and November to keep within the fiscal 1941 Budget recommendation and leave some room to meet winter needs.

2. The Budget recommendation for W.P.A. was prepared in the optimistic atmosphere of a business boomlet. This boomlet is now over, at least for the present, and we shall probably enter fiscal 1941 with activity about where it was at the outbreak of war. The adequacy of the initial Budget recommendation for W.P.A. in fiscal 1941 requires reconsideration.

3. In contrast to earlier hopes, it is now clear that at the very best industrial activity cannot average over 125 in fiscal 1941 as compared with about 110 in fiscal 1940. This means an increase in private employment of at most 1,600,000, and--after allowing for the annual expansion of 600,000 in available workers--a reduction in unemployment of no more than 1,000,000. At best unemployment will decline from 10,000,000 in fiscal 1940 to 9,000,000 in fiscal 1941.

4. The 1,350,000 W.P.A. jobs in the Budget for fiscal 1941 will take care of only 15 per cent of the unemployed as against the average of 25 per cent which prevailed from 1936 to 1939. To provide

for 25 per cent of the unemployed in fiscal 1941 requires at least 2,250,000 jobs even if the most optimistic forecasts regarding private employment are fulfilled. Sharp curtailment of W.P.A. rolls, with the loss of consumer buying power which it involves, is one of the surest ways to prevent fulfillment of such forecasts.