

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date March 14, 1940To Chairman Eccles

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

From Emile Despres

You may be interested in the attached two memoranda by Mr. Barton of this section on the current press controversy about unemployment estimates. It is planned to include the mimeographed memorandum in "Current Comments".

Attachments

*ED*

March 12, 1940.

ON UNEMPLOYMENT ESTIMATES

Dorothy Thompson's Figure Needs Examining

by  
Hu Barton

Dorothy Thompson has discovered that there are only 2 million unemployed.\* Current unemployment estimates, including those of the National Industrial Conference Board, whose employment figures Miss Thompson misquotes, are in the neighborhood of 9 million. They include - and Miss Thompson excludes - the 2 million on WPA rolls. I wouldn't dispute Miss Thompson's statement that WPA workers for the most part do work that needs to be done, but her contention that the work would be done anyway is much more doubtful, in view of the already strained condition of State and local budgets. Statisticians include persons on WPA among the unemployed because WPA jobs are a particular form of relief, and workers must prove that they are "unemployed" in order to get on the rolls.

As an explanation of the remaining discrepancy of 5 million, Miss Thompson says that many individuals included in the current estimates are "additional workers" of the type illustrated in the parable of Mr. Smith and his family, in which wife and children start looking for work when father loses his job. Current unemployment estimates may include as many as a quarter of a million of such persons, but estimates based on the Enumerative Check Census of 1937, which included all of them, would total about 12 million if brought up to date.

Miss Thompson also says that the estimates include unemployables like her alcoholic acquaintance, "Jack Fiske." Actually, the statistical methods used in estimating unemployment exclude nearly all unemployables.

How then does Miss Thompson get her 2 million figure? She takes the difference between the number employed in December, 1939, including WPA workers, and the number that would have been employed if the proportion of the total population working had been the same then as in December, 1929. Aside from actual misquotation of figures, there are two important errors underlying this computation: (1) employment in December, 1929, had already declined 3 million from the peak in the year, whereas Miss Thompson's method assumes no unemployment at that time, and (2) the number of people looking for work is dependent not so much on total population as on population of working age, and in the past decade the number of persons of

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\* "On Unemployment - The Figures Need Examining" by Dorothy Thompson, March 11, 1940. Arthur Krock also has a similar story in the New York Times for March 12, based on the same faulty data.

working age has increased from 65 to 68 per cent of the total population. The importance of these errors is illustrated by the following computation, which, except for these corrections, uses the same methods and basic figures as Miss Thompson's estimates.

	<u>Sept., 1929</u>	<u>Sept., 1939</u>
Population aged 15-64 (Census)	80,051,000	90,553,000
Number employed (Conference Bd.)	49,715,000	46,346,000
Per cent employed	62.1	51.2
Estimated full employment (62.1 per cent of pop. aged 15-64)	49,715,000	56,233,000
Estimated unemployment	0	9,887,000
WPA employment (Miss Thompson's figure)	...	2,305,000
Balance unemployed (as defined by Miss Thompson)	...	7,582,000

Thus, if full employment means that the same proportion of the population of working ages is employed as at the peak in 1929, we now have nearly 8 million people unemployed (excluding WPA workers) instead of 2 million as estimated by Miss Thompson. If WPA workers are included a figure of 10 million is obtained.

But Miss Thompson - or her Grouse - is self-contradictory a little later on. He says children, old people, and housewives constitute 57 per cent of the population; (that's about right for the total, though there are errors in his detail); that 37 per cent of the population is now employed; (correct if you count those on WPA); and "that's 94 per cent of the whole population accounted for now;" (too high - because some children, old people, and housewives - about a million and a half of them - are working and are therefore counted twice. But let us take his 94 per cent. That leaves 6 per cent of the population unaccounted for - 8 million unemployed - who are not children, old folks, housewives, or WPA workers. Even Miss Thompson probably wouldn't claim that all these people were unemployable.

March 13, 1940

Recent columns by Dorothy Thompson and Arthur Krock have purported to show that there are only two or three million people in the country who are unable to find work. This conclusion if true would be sensationaly good news, and it is, therefore, worthwhile examining the material on which it is based. Unfortunately, suspicion is immediately aroused by unmistakable evidence that both writers, in the one case directly and in the other perhaps only indirectly, were using a privately circulated, "confidential" memorandum prepared by the economist for one of our largest and wealthiest industrial dynasties. Miss Thompson is struck by the "amazing" similarity of her data with Mr. Krock's, which she says are "the Government's figures, not Mr. Krock's." Since she is now appealing to the authority of governmental statistics, it is high time to point out what Government figures really do show about the number of jobless people in the country.

About  $6\frac{1}{2}$  million people are now registered at public employment offices and this figure does not include many of the unemployed, particularly professional people, who ordinarily seek jobs through other channels. It also does not include those who live in areas not readily accessible to offices of the employment service.

The total number unemployed must therefore exceed  $6\frac{1}{2}$  million, though it is not known exactly how many more there are. The last comprehensive survey of employment and unemployment

was made in April, 1930, at which time there were about 3½ million out of work. Bringing this figure up to date involves estimating changes since then in the number employed and in the number available for work.

Estimates of this sort made for internal use in the Department of Labor, at Social Security, and at other agencies vitally concerned with the problem show from about 9 to 12 million persons unemployed. Included in these figures - and excluded by Miss Thompson and Mr. Krock - are the 2 million enrolled in the WPA. Allowing for this difference, the lowest Government estimates are 3 or 4 million greater than the figures used by the two writers.

The memorandum on which they relied contained figures for agricultural employment about 2 million above those compiled by the Department of Agriculture and figures for non-agricultural employment (excluding WPA and other emergency workers) 1½ million above those compiled by the Bureau of Labor Statistics. In addition to overstating employment in December, 1939, by about 3½ million, the private economist assumes that the number of people available for work is dependent on total population. Government statisticians, however, take into account the fact that in recent years the number of people of working age has increased much more rapidly than has population as a whole, and, mainly for this reason, their figure for the number of people available for employment is about 2½ million higher than the one obtained by the private

With a figure for the number employed about  $3\frac{1}{2}$  million lower, and for the number available for employment about  $2\frac{1}{2}$  million higher, Government unemployment figures are about 6 million above those of the private source on which the two writers relied. Government figures also usually include those on WPA, since these workers must prove that they are "unemployed" in order to be enrolled.

When necessary corrections are made in the data, and when the number on WPA rolls is added, the unemployment figures of Miss Thompson and Mr. Krock become 10 or 11 million, and are then consistent with the unemployment estimates of Government agencies.