June 6, 1939.

A PROGRAM

1. Public Works.

The continuation of a non-federal public works program is highly desirable. Ways and means to continue this program through financing methods that take the form of an annual subsidy of the servicing of non-federal obligations, rather than an outright grant of principal as at present, should be thoroughly explored. If this method proves feasible a program of $1 billion could be financed with only a $30 million annual charge on the budget.

2. Housing.

Upon the passage of the pending FHA amendments, reduce the maximum rate of interest on FHA mortgages from five percent to four and a quarter percent. This would mean an effective rate to the borrower of four and three-quarters percent, allowing for the insurance premium. Make this change effective by having the Federal National Mortgage Association purchase FHA mortgages to yield three and a half percent instead of the present four and a quarter percent. This would entail no additional charge on the budget.

3. Railroad Equipment.

Additional railroad equipment would be urgently needed in the event of further recovery or in the event of war. The supply of freight cars, for example, is nearly 700,000 below 1928. The potential demand could be made actual if:

(a) the loan authorization of the RFC for equipment loans were increased,

(b) the RFC would announce that, for a period ending June 30, 1940, on equipment to be delivered before June 30, 1941, it was prepared to make loans covering the full cost of equipment for long maturities and at a low rate of interest. For this offer, interest payments could commence on June 30, 1941.

Such loans would be financed out of the proceeds of RFC guaranteed obligations and hence would not be a charge on the budget. To the extent that increased expenditures were secured in this way, budgetary appropriations (e.g., for WPA) could be reduced without entailing a decline in the net contribution to buying power.

4. Farm Benefits.

Additional agricultural parity payments, going out in the spring of 1940, would be particularly well-timed from the point of view of other changes in the budget and of the requirements of recovery at that period. Additional payments could be coupled with increased income and estate taxes, and a net gain in consumption would result.

5. Public self-liquidating investments.

Capitalize various existing revenue-yielding assets of the Government and substitute guaranteed for direct debt. Finance current expenditures on self-liquidating projects through the issue of guaranteed obligations.

6. A Federal Toll Authority.

The development of self-liquidating tunnels, bridges, express highways, etc., along the lines worked out by the Bureau of Public

Roads, would afford a means of increasing buying power without increasing budgetary expenditures. While inevitable delays would be encountered in getting a sizeable program under way, nevertheless if the authority were secured at this time money would be getting out in 1940. There is urgent need of developing avenues for self-liquidating public investment, not only for immediate purposes, but as part of a long-range program.

7. Old-Age Security.

It is highly desirable for various reasons that expenditures on old-age security offset old-age payroll tax collections. It is believed that proposed appropriations for old-age security by both the federal and state governments are in the aggregate sufficient to finance an adequate national old-age pension program. It is strongly urged that an immediate investigation of the possibilities along this line should be undertaken.