

11/8/34
Administration

PUBLIC WORKS

Criticism of approach.

The general approach of the proposed public works program is unfortunate in that it involves a fixed annual volume of expenditure for a definite period of years. This indicates a failure to fully consider the objectives of such a proposal, and is applicable only if we are going to accept as inevitable a constant army of unemployed to be supported by the government and some form of work relief appears the least onerous method.

Issues and alternatives.

As I analyze the situation we have reached an impasse of circumstances that prevents an appreciable recovery of private business. At the same time there remains a large volume of unemployment with steadily growing numbers of people becoming more dependent than ever upon public relief. This relief is now upon an entirely inadequate basis to assure peaceful acceptance of the conditions by the unemployed for very long in the future. Thus the government must either continue with the defeatist policy of doling out larger and larger sums for relief, curtail operations and take the gamble that private investment will more than fill the gap left by decreasing government expenditure which now becomes income to the recipients, or start a really aggressive campaign of government spending to revive business. The latter is the only one of the three that, in my opinion, does not involve consequences which are distinctly dangerous to any administration.

Importance of a positive announcement of a program.

One of the most telling criticisms of the Administration is that it

lacks a definite and comprehensive policy and is aimlessly drifting along. This condition cannot long exist and retain public support. It is time that a positive commitment is made that the government intends to provide employment for those out of work and will aggressively carry out measures which attain this end. The following suggestions are offered as the skeleton contents of a bold announcement to this effect.

1. Our greatest national loss is the waste of human and material resources, which arises from unemployment and low production.
2. We must do collectively through governmental action what private business enterprises are unable to do individually.
3. Therefore, the government is adopting a far reaching program of expenditures upon desirable projects with the dual purpose of providing new employment and of reviving business activity from present low levels.
4. The money spent on such projects will be new income and as it moves back through industry there will be a multiple expansion of national income.
5. It is not the intention of the government to disturb or compete with private business. Federal spending will be decreased as soon as private business takes hold, and a fuller employment of labor and existing capital facilities is obtained.
6. With the expected increase in national income there need be no worry about a continued unbalanced budget because deficits will disappear and the public debt retirement begin.
7. Sufficient controls are available and will be applied to check an unwarranted boom.

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There are two parts of the proposed works program, (a) direct public expenditures in specified projects, and (b) private capital expenditures with government subsidy, guarantee, or sponsorship. Different administrative problems arise in each part if we seek to attain large expenditures rapidly.

(a) Direct public. The problem here is to have many different federal agencies carrying out appropriate programs either directly or in close cooperation with State authorities, with the emphasis being placed upon rapid dispatch. The C.W.A. was an example of what can be accomplished if speed is deemed all important. A central executive board should be set up to coordinate the program, and see that the individual agencies are keeping up to schedule.

(b) Private expenditures. Of foremost importance here is to adopt policies which will make expenditures highly profitable. At the moment high labor and other costs are an important factor in curtailing private construction. It is politically unfeasible to attempt to lower such costs. Therefore, we must attack the other side of the picture by granting substantial subsidies to draw in private capital. Moreover, the incentives should be such that various types of construction will be attractive to large numbers of individuals and business enterprises. Also, the prospect of loss must be small so that lending institutions will be anxious to place their idle funds in the hands of borrowers. In summary, the watchwords of the program should be profit, decentralization, and use of existing agencies.

AK,

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