UNEMPLOYMENT AND RELIEF

HEARINGS

BEFORE A

SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF UNITED STATES SENATE

SEVENTY-FIFTH CONGRESS

THIRD SESSION

PURSUANT TO

S. Res. 36

A RESOLUTION CREATING A SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF

VOLUME 2

FEBRUARY 28 TO APRIL 8, 1938

Printed for the use of the Special Committee to Investigate Unemployment and Relief

UNITED STATES
GOVERNMENT PRINTING OFFICE
40637 WASHINGTON : 1938

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SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF

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SENATE RESOLUTION 36, SEVENTY-FIFTH CONGRESS, FIRST SESSION

Resolved, That a special committee consisting of five Senators, to be appointed by the Vice President, is hereby authorized and directed to study, survey, and investigate the problems of unemployment and relief, including an estimate of the number of persons now unemployed by reason of the use of labor-saving devices, mechanical and otherwise, in operation in the United States, obtaining all facts possible in relation thereto which would not only be of public interest but which would aid the Congress in enacting remedial legislation. The committee shall begin its study, survey, and investigation as soon as practicable and shall continue such study, survey, and investigation expeditiously and with all possible dispatch and shall report to the Senate as soon as practicable with recommendations for legislation.

SEC. 2. For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate, during the Seventy-fifth and succeeding Congresses, to employ such experts and clerical, stenographic, and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, and to take such testimony and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per one hundred words. The expense of the committee, which shall not exceed $10,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

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UNEMPLOYMENT AND RELIEF

MONDAY, FEBRUARY 28, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Frazier, Lodge, Clark, Davis, Hatch, and Murray. Also Alan Johnstone, Esq., counsel for the committee.

Also present: Senator Pat Harrison.

STATEMENT OF HON. BERNARD M. BARUCH, NEW YORK CITY

The CHAIRMAN. The meeting will come to order.

Mr. Baruch, we have requested you to appear before the committee to get your views with reference to the matter set forth in the resolution on which this committee is acting.

In the letter that I wrote you advising you of our desire, I informed you of some of the subjects to which we wished you particularly to direct your remarks.

If you have prepared a statement in response to the invitation, we will be very glad if you will read that statement first, then the committee can interrogate you further.

We will be glad to have you proceed.

Mr. BARUCH. Thank you, Mr. Chairman, and gentlemen. I [1–1] am honored and privileged to testify from my experience on the problem of the economic system under which we live.

This system has been good to me and mine. My father, a [1–2] scientist, was an immigrant and a refugee from attacks on freedom in another country, to find himself fighting against what he regarded as oppression of the Confederacy in this country. My mother's people had been here since before the Revolution. They were both of a race and religion which have not always been granted liberty and equality of opportunity in other lands. I am as proud of one as of the other. For both of them, and for myself, I feel grateful to the political and economic system which has nourished and honored us, and so confident of its principles that I cannot agree with those who now seem to feel that because it has faltered, it has failed. I do not believe that in those essentials it should be condemned in favor of the unproved experiments we see going on in other and less liberal lands. From what I know of those alien countries and of this, I regard our own as the one hope of civilization in a troubled world.

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I have been among the first to urge that the lag of our eco- [1–3]
nomic and political systems behind the developing complexities and social necessities of modern life must be eliminated. I think I was as early as any to urge economic equality for agriculture, a floor under wages and a ceiling over hours, Federal assumption of a share of the cost of relief, especially by public works, the elimination of unfair trade practices, the principles of social security, and, in general, a point of view best expressed by Woodrow Wilson many years ago. [Reading:]

In these doubtful and anxious days, when all the world is at unrest and, [1–4]
look which way you will, the road ahead seems darkened by shadows which portend dangers of many kinds, it is only common prudence that we should look about us and attempt to assess the causes of distress and the most likely means of removing them.

There must be some real ground for the universal unrest and perturbation. [1–5]
* * *

The Russian revolution * * * was due to the systematic denial to [1–6]
the great body of Russians of the rights and privileges which all normal men desire. * * *

It is to be noted as a leading fact of our time that it was against "capital- [1–7]
ism" that the Russian leaders directed their attack. * * *

There are thoughtful and well-informed men all over the world who [1–8]
believe, with much apparently sound reason, that the abstract thing, the system which we call capitalism, is indispensable to the industrial support and development of modern civilization. * * *

Is it not, on the contrary, too true that * * * many fine men who [1–9]
were actuated by the highest principles in every other relationship of life seemed to hold that generosity and humane feeling were not among the imperative mandates of conscience in the conduct of a banking business, or in the development of an industrial or commercial enterprise?

And if these offenses against high morality and true citizenship have been [1–10]
frequently observable, are we to say that the blame for the present discontent and turbulence is wholly on the side of those who are in revolt against them?

Ought we not, rather, to seek a way to remove such offenses and make life [1–11]
itself clean for those who will share honorably and cleanly in it?

In other words, I agree that our system needs revision but [1–12]
I do not believe that it needs revolution, peaceful or otherwise, and I think there are a few fundamental general principles that should guide us in everything we do.

Since Mr. Wilson wrote that some 15 years ago, we have had [1–13]
an opportunity to study the workings of the Russian plan to do away with the profits system. We have also seen the Nazi and Fascist experiments. We have observed the backwash of these ideas flooding against the shores of the democracies—France, England, and America.

What have we learned from their attempts? I think that [1–14]
much of the Nazi and Fascist upheaval stems from the blunders of the Treaty of Versailles, particularly in its reparation clauses. To avoid facing grim realities, burdens were placed upon the vanquished which disregarded human equations and economic laws as immutable as the multiplication tables. Partly because of this impossible artificial forcing, both the Communist and Fascist systems also adopted measures equally inconsistent with the great natural laws of human and economic nature. In whatever direction we look, the result is not pleasing to observe.

So much of the peace and trade of the world as ever rested [1–15]
on good faith and solemn international agreement is gone. Much of the commerce among nations, where not dwindling, is stimulated by artificial uneconomic devices. Peace hangs by a thread. Whatever

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hectic activity may have been forced within the nondemocratic nations, externally they are nearly bankrupt. Both international and private morale are at a low ebb. I can see very little of their effect either within or without their own boundaries to recommend their systems to us.

What then have we learned from this history since its be- [1–16] ginning at Versailles?

Have we not yet learned that we cannot free ourselves from [1–17] the ultimate working of the natural economic forces or the inevitable human equations which govern mankind?

I think these experiments show the fundamental principle [1–18] that should lie at the bottom of everything that we plan or do in combating this depression. Every action should be designed not to attempt to repeal natural economic laws but to accommodate them to our uses and harness them to our needs. Every action should consider all human equations and not attempt to force divergent humanity into the rigid mold of some social or economic thesis.

From the time man appeared from primordial obscurity as [1–19] the commanding figure among living things, his existence has depended on his ability to accommodate natural laws—to prevail against animals and insects, starvation and disease, war and weather—and above all—his own incredible folly. The lesson that shrieks for recognition throughout all history is that, in solving this problem of existence, we do not oppose these laws. We apply them. We do not make them our enemies but our allies.

To sail the seas is not to obstruct the law that the "wind [1–20] bloweth where it listeth." It is to use the wind to take us where we will, no matter where it listeth. Savages crouched in terror before the lightning. Benjamin Franklin harnessed it. We have wisely used and adapted the laws of chemistry and physics but not so wisely have we managed laws governing economics and human nature.

LAW OF SURVIVAL OF FITTEST OBSOLETE IN SOCIAL RELATIONS

Much progress there has been. No longer do we countenance [1–21] the ruthless old law of survival of the fittest in social relations. Savages destroyed the weak and the aged. We have progressed from that. But, until a recent day, society was concerned with no more than mere alms to the unfortunate. We have made great strides away from this "little mercy of man." We recognize a responsibility of our national community for all its members. There are some who go much further and say that community responsibility is everything—individual responsibility nothing. That doctrine, I think, ignores the economic law that there is a limit to the burden a community can carry and the human rule that when relieved of individual responsibility man ceases maximum effort.

These are not limits of selfishness. They are limits of natural [1–22] effectiveness—limits beyond which the lack of responsibility among non-producers plus the burden on producers slows down all production and makes the real state of the whole community, including the less fortunate, much worse than it was before. I fear that in trying to amend our system we have attempted too much too hastily to keep within these natural limits.

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BUSINESS ECONOMICS

In the field of business economics, I sometimes wonder [1–23] whether we have even stopped to discover what the true governing natural law is. We are blundering among three separate and diverse ideas: (1) complete government operation of business as in the Fascist states; (2) a recognition that our economy has fallen naturally into great groupings and a determination to use them to our maximum advantage, regulating them to protect the public from exploitation and to prevent abuses; and (3) unlimited competition. The third idea, "survival of the fittest" remains here our law to the full extent of the jungle rule of tooth and fang. Like an ancient fly in amber, it is preserved from our elder day, in all the pertinent statutes on our books. Our antitrust acts are built on a mandate for ruthless competition as the perfect antidote for the social poison of monopoly. Yet in contemplation of 40 years of the practical application of this attempt to prevent concentrations of economic power which were a natural and unavoidable byproduct of our great growth, it seems a failure. Never in history has there been such a centripetal phenomenon as our modern concentration of business in a few institutions of overwhelming power.

I think that in this is revealed our backwardness in accom- [1–24] modating the natural laws which govern us to our developing necessities. Should we not reap the full benefits of our natural developments of mass production and mass distribution and by intelligent regulation prevent all abuses? We have not adopted this philosophy. We cling to the doctrine of unlimited competition.

Perhaps it is an aspect of another natural law—the principle [1–25] of the pendulum. Up to the end of the seventeenth century, there was an ancient and so-called "mercantile" doctrine growing out of the guild system of the Middle Ages. It permitted one form or another of regulation of nearly every business and labor relationship.

BIRTH OF LAISSEZ FAIRE

With the revulsion against regimentation of mind, body, and [1–26] spirit that came toward the end of the eighteenth century, this economic philosophy of the Middle Ages was also broken and the pendulum swung to the other extreme of the arc. The doctrine of laissez faire was born. Just as unlimited freedom of thought and political action was preached as the social salvation of mankind, so unlimited business competition was to be the sole solution of the economic problem of every nation. The doctrines of Dr. Quesnay and Adam Smith became an economic religion.

What is unlimited laissez faire? Is it more or less than a [1–27] complete surrender to the ancient animalistic natural law of survival of the fittest? Is it a doctrine more enlightened than that man can't adapt the law of the winds in sailing the sea? I think not, and yet I truly believe that it was the most effective doctrine in developing a country of continental extent, of boundless resource, and unlimited for individual initiative.

But that era ended at about the end of the nineteenth [1–28] century. In the industrial East, at least, individual initiative had begun to merge into corporate collectivism.

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MASS AND MACHINE PRODUCTION ASCENDANCE

As the years of the twentieth century advanced, our new [1–29] industrial engine became marvelously efficient. The motors of mass and machine production raced merrily in times of ascending activity to give employment and increased enjoyment of its products to all. But the engine had neither governor nor flywheel. It disgorged tons of output with little regard to the power of its human parts—which were its only markets—to consume its products. When the channels of production clogged with undigested surplus the whole machinery stalled. Its human cogs and ratchets had lost their individual self-sufficiency. When their jobs were gone, they could no longer trek westward. Not only had the old free West vanished, but, in their specialization, they had lost power to conquer it if it had remained.

The peaks of prosperity became higher and steeper but the [1–30] valleys of depression grew deeper and wider. The old cushions for depression—new horizons of free land—were gone. But we took little heed of this vast change. We clung to the doctrine of unlimited competition and individual laissez faire long after the conditions to which it was suited had vanished. We did not even attempt to adapt the underlying economic law to our new uses or our new uses to economic law.

The crash of 1929 and the lean years that followed it at last [1–31] thoroughly awakened this Nation and the world to the startling necessity to temper the raw doctrine of laissez faire with the age-old lesson of our race—that we must not lie down dumbly under the destructive effect of natural laws. We must stand up and apply human intelligence to their adaptation as mankind did to the glacial age, to flood, fire, famine, and pestilence—to storm, and drought, and earthquake.

Everywhere in the Western civilization this attempt is being [1–32] made in every guise from communism to fascism. As in all such periods of distress, the tendency is to go too far and at a pace too headlong. It is human nature to do this—to rush from a freezing at the ice of laissez faire—"regulate nothing"—to a burning at the other fiery extreme of "regulate everything." In our country, as I have said, we seem to be undecided whether to try to break our big units up into small ones, or to regulate everything.

WAR INDUSTRIES BOARD POLICY

To regulate everything in a country of the size and com- [1–33] plexity of ours is an infinite task for which there is little if any experience. Woodrow Wilson, in giving instructions for an immense industrial regulation under the stress of war, laid down a rule which at least worked, to leave alone what is being well done, to administer that which is ill.

I think that is a good guide. That seems to me to accord [1–34] more with natural law. Depressions start and grow from the too great submergence of particular economic areas. Booms burst from the too-great advance of others. The submergence of one area, such as agriculture, reduces its buying power and so restricts the principal consuming market of the industrial parts of the machine. Thus a decline begins which can only end with a restoration of balance—either by the elevation of the depressed part or a degradation of all else. Similarly, the too-great elevation of any economic area has a

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precisely equivalent effect. The price of its products gets beyond the reach of its accustomed markets and the only cure is recession until balance is established. Marked recession means misery to millions.

These exaggerated departures both above and below the [1–35] even line of normal balance, when at one moment we go through the roof and the next go through the cellar, I like to call "uneconomic" areas. It is to clear abuses of our economic power and to those extreme areas rather than to our whole business structure that I think we should apply our efforts.

If anywhere within our ingenuity there are means to prevent [1–36] abuses of private economic power and the recurrence of these wide swings—these peaks too high and these valleys too deep—can we be satisfied to sweat it out under the ancient doctrine of laissez faire? Every year it becomes more certain that we cannot leave the material welfare of 130,000,000 people to the vagaries of every economic wind that blows.

We have produced in the past 4 years some far-reaching pre- [1–37] scriptions on particular fronts, but have we done so wisely? Few indeed are the adaptations by man of natural laws that have sprung into being full-fledged. The skepticism of medicine toward any new nostrum may, at times, have been too conservative, but the scientist's approach is surely better than the witch doctor's.

Just as I believe that it is better to address only the "un- [1–38] economic" areas than to try to shatter this sorry scheme of things to bits and then mold it nearer to the heart's desire, so also do I think that we might take lessons from the patient study of the scientist, and fewer from the miracles of the magician.

I think that we could take a lesson from the British practice [1–39] of public hearings before nonpolitical mixed commissions addressed to a single subject before devising earthshaking changes in our economic and political systems. It has its disadvantages, among them being delay, but it seems preferable to the presentation to Congress of full-fashioned, far-reaching statutory innovations.

I do not undertake in this opening statement to talk about [1–40] specific applications of these generalized conclusions. I prefer to leave details to such questions as you care to ask, but I do want to emphasize one general guiding principle which all that I have said before was intended to develop.

PRINCIPLE OF INDIVIDUALISM

The moving forces of mankind are acquisitiveness, the urge [1–41] to function as an individual, a yearning for freedom in mind and body, and above all the constant quest of opportunity to advance. These are the attributes of individualism. Difficult as it may seem, I think that the only proper solution of our many problems is one which admits and adapts to our needs this inherent human force. The combination of these separate incentives of the workers among 130,000,000 people are the motors that run our economic machine. In correcting "uneconomic" areas and policing vast concentrations of economic power for maximum public service and minimum abuse we must preserve, to the utmost, individual initiative, individual freedom, and in the least possible degree, restrict opportunity for individual advancement. These have ever been, and ever will remain, the dynamos of all our progress. Recently we have taken too little care for this principle.

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For what is the alternative to the incentive of the hope of [1–42] individual gain and advancement? Clearly it is the fear of punishment—compulsion by the state. Perhaps that can make men work grudgingly to share a phantom of equality, but it can never make them work without stint or limit in the hope of getting ahead in life. It cannot possibly create the type and quantity of service and production that we must have to keep alive our body economic, social and political.

POLITICAL DOMINATION

To every ability, every investment, every effort, we can say, [1–43] "Yes, you can go ahead and do your best to earn but the state by regulation, restriction, administration or taxation, is going to take the fruit of your labors to give to others who through whatever cause—weakness, sloth, or misfortune—have not earned as much."

There is an idea abroad that this is a way to share our [1–44] wealth, but I say it is sharing our poverty, because it removes the steam from our engine of production—the hope of gain. When we have done that, there will be less effort and hence less output. There will be less to go around. The poor will be poorer and the rich less rich. I believe our whole system will collapse in political revolution and economic ruin because we shall have destroyed its dynamo through failure to recognize the economic and human laws that govern it.

To activate our economy, we can rely on the profits system [1–45] and the hope of gain, or we can try the new European ideas of state regulation and the fear of punishment. We can try either but we can't try both at the same time. The hope of gain demands more freedom from political domination than is consistent with any fear of punishment. On the other hand under any governmental domination, there can never be sufficient freedom and hope of gain to activate the production and reemployment that we must have. You can have either, but not both at the same time. "America must choose."

PROFITS SYSTEM WILL HASTEN RECOVERY AND REEMPLOYMENT

If it became clear tomorrow that America has definitely [1–46] chosen her traditional profits system, forces would be released that would rapidly hasten recovery and reemployment.

In stating these principles, I do not mean to convey any [1–47] idea that I am not in sympathy with most of the great social objectives for which I have myself argued for many years. I believe they can all be attained within these principles. I think, however, that we must cut the coat to suit the cloth. As I said earlier there is a limit in laying burdens on any economy beyond which you get a less rather than greater return by reason of the multiplicity of drains. It is called the law of diminishing returns.

I realize that political officials must do things politically. [1–48] I know that it is just as cogent for a politician to say of a businessman "he never had to win an election" as for a businessman to say of a politician "he never had to meet a pay roll." But there is surely a common ground of mutual sympathy, understanding, and compromise if both keep a clear recognition of essential principles from the violations of which, as I believe, our whole frustration stems.

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In this connection, I must frankly say that I do not believe [1–49] there has been a proper, or even a wise cooperation, of all those managing business with those who must finally enact and administer the rules governing the relationships in our complex life, which there must be between government, management, capital, labor, and agriculture. Of course, impossible experiments should be fought. But all approaches to a solution should be more sympathetically considered by those experienced in business who know what the practical workings and results would be. Furthermore, industry must help eradicate its own abuses in the field of finance, public utilities' speculation, and relations with labor and the consuming public. It has not done its full share there. If it does not help cooperatively, the job will have to be done by government alone, and far less well.

In the difficult tasks covering our whole national and inter- [1–50] national life in this changing world, our Congress representing all the people, and examining the recommendations of its executives, has a terrific unceasing task before it. A better mutual appreciation of that responsibility and also of the problems of business would go a long way toward a solution.

MEETING NEED OF UNEMPLOYED

Above all, we must work and will work to meet the emer- [1–51] gency and the needs of our unemployed. About 20 billions of dollars have been spent. This is a huge sum. Yet important as it is, after all it is wealth that can be remade and replaced. It will sink into insignificance if we have preserved to our people the morale and will to fend for themselves. It is that which has put America in the foreground of the world and it is that, and that alone, that can now pull America out of this new morass.

The CHAIRMAN. Mr. Baruch, a number of witnesses who have appeared have urged that there must be cooperation between government, capital and labor. You introduce a new formula, and you say that there must be more cooperation between Government and management and capital. What do you mean by the management as differentiated from capital?

Mr. BARUCH. There is a very important difference, Senator. [2–1] There is capital that goes into enterprise. And there is the management of the enterprise, which is chosen by capital or stockholders to run it. Usually, after this choice, the stockholders do nothing. In many instances capital or stockholders do not have much to say. At least they do not make themselves felt. Management really should represent everybody—capital, labor, and the public, its customers. The management should be watched by the board of directors, who really ought to be the balance wheel, and keep in touch with the needs of the economic, political, and social life of the community in which they live and which they serve.

I fear in most instances the directors and management repre- [2–2] sent themselves rather than the interests that they should. They feel that every change is a change for the worse and cannot be a change for the better. The management should bring to the board of directors what is going on in all the fields of economic and political life. Management should try to meet sympathetically what is being demanded of it in every direction. I think not enough emphasis has been put upon

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management, and too much upon capital, which is generally dormant or quiescent. It is the management which is very active.

The CHAIRMAN. There can't be any cooperation by capital without cooperation by management?

Mr. BARUCH. No, sir; because the management is directing [3] capital. It is a very important element.

The CHAIRMAN. I don't want to enter into a discussion of the general statement that you have been kind enough to present to the committee, but I did advise you that we would like to have your views with reference to the subject of taxation, as affecting this question of unemployment. You have referred to it in your general statement and we will be glad to have your views on that subject, on taxation.

TAXATION

Mr. BARUCH. In considering the application of the principles [4–1] I have stated in the beginning, we come to the problem of taxation.

I want to make it clear at the outset that I am not arguing [4–2] for lower Federal revenue until the Budget is balanced. But that is quite a different matter from saying that I believe that rates and forms of taxation cannot be reduced and readjusted with the greatest benefit to all. As I have suggested there is such a thing as the "law of diminishing returns" and I believe we have given it far too little thought in our tax structure. That law sounds pompous. It is very simple. It simply poses the question "at what point does a tax rate on business activity become so high that it retards activity and so diminishes revenue?" Where is the peak load that human initiative will carry?

Perhaps I can illustrate that best by an example. A fisher- [4–3] man makes a catch of, say, 12 fish a day When he comes in he gives two fish a day to the elders of the village for the old, lowly, and sick. He needs four a day for himself. He gives a fish or two to the man who thatches his roof and one or two to another man for meat, berries, or vegetables, or to the man who makes coverings for his body and feet.

Then the chief of the elders of the village asks him for three or [4–4] four fish. He does not like this, but he can get along with the eight remaining but he does not have as many fish to expend for thatching his roof, or to get vegetables and clothing. That immediately reduces the employment of the purveyors of both. Pretty soon he is asked to give so many fish, and can enjoy the uses of so few, that he will lie in bed until 10 o'clock and catch only what he needs for himself.

The CHAIRMAN. You mean to say that he just comes to the conclusion that he is going to stop catching fish for the village, and makes those boys down there get up and catch their own fish?

Mr. BARUCH. Yes, sir. The village elders get fewer fish, [4–5] and a lower standard of living will result for everyone. No one is helped. Weight a horse too heavily in a handicap and he will break down or, like Sarazen, sulk and refuse to run. Man is like any other animal. If you place too great a burden on him, he will not work. That is the law of diminishing returns.

I am having some studies made of the burden of all taxes. [4–6] That is, my own private study. A study of the price of a $1.50 shirt in Cincinnati shows that 31 cents of the price represents hidden taxes in its manufacture and sale.

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The CHAIRMAN. Have you that study?

Mr. BARUCH. I haven't it in front of me. There is also being [5] made a study of a man driving an automobile for a certain length of time, to find out what the hidden taxes are in the purchase and use of it. An automobile has become such a great necessity for the men in the lower brackets.

Senator CLARK. What do you mean "the hidden taxes," Mr. Baruch?

Mr. BARUCH. First of all, for instance, there are the process tax, [6] the State taxes, property taxes, unemployment insurance, and social security taxes and taxes of every form, that the purchaser does not see because they have been paid by others and included in the price of the shirt.

Senator CLARK. I was just trying to get your definition. I would rather that you go ahead.

Mr. BARUCH. I don't believe that real wages have advanced. [8] I think that they have declined. People have had to pay more for things. That is one of the reasons—but, if you will permit me, I will make a note, and we will come back to that.

Senator CLARK. I would be very glad to have you.

Senator DAVIS. Aren't there more than 50 different kinds of taxes on a loaf of bread?

Mr. BARUCH. I believe so. I have some men making some [9–1] more studies. I don't know whether they will be worth anything or not. I am sorry that I did not have them in time to present to this committee; but if I do get them before you make your report, I will be glad to submit them to the committee for what they are worth.

We have never approached our tax problem from the ques- [9–2] tion, "how can we get the greatest possible revenue with the greatest possible encouragement to production and business activity?" We have approached it recently with what seems like a precisely reverse purpose. And yet in increased business and production alone lies the solution of our unemployment problems, as well as of our Budget problems. I not only agree with the President that we need a national income of 100 billions a year, but I think it is well within our possibilities. But whether we get it or not depends altogether on a wise readjustment of our tax structure. The power to tax is the power to destroy. If you destroy the gains-incentive, you destroy both activity and revenue. Our need is for both.

I shall not elaborate the copious testimony that you have [9–3] had here on the necessity for modification of the capital gains and undistributed profits tax. Instead of encouraging expansion and activity which make for increased revenue, they have greatly repressed both. They are the outstanding instance of failure to apply the law of diminishing returns to our problems of revenue and taxation.

I would not completely repeal either tax. If the business [9–4] of a man is buying and selling securities, his profit from those transations is income and should be taxed as is all other income. But to tax as income in a single year the growth of capital through many years of work and risk, merely because it was realized in that year, and without regard to losses in other years, is not only unfair and unjust but it works to drive all capital, big and little, into unproductive investment and to take from expansion, increased production and reemployment, the very force which drives them.

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I agree completely with so much of the principle of the undis- [9–5]
tributed profits tax as prevents tax avoidance through the unproductive accumulation of surplus or the accumulation of surplus beyond the needs of prudent business administration. But that can easily be attacked without paralyzing the expansion of old business and the creation of new industries.

TECHNOLOGICAL UNEMPLOYMENT

One of our principal problems is technological unemployment [9–6]
and woeful lag of activity in the capital goods industries. That is where our greatest pool of unemployment resides. That there has been a vast replacement of men by machines is beyond argument. The only possible offset to that is the creation of new industries and the expansion of old ones.

The combined influence of high and unreasonable capital [9–7]
gains and unwise undistributed taxes has almost stopped the development of new enterprises. Financing of new developments is a very risky business. It usually takes a long time and a period of consecutive losses before there are any profits. Under the capital-gains tax the Government in effect is saying, "If you lose, you lose it all. If you succeed, we take most of it." Nobody wants to take such risks.

Another way to build a new industry is by plowing back its [9–8]
profits. Under the undistributed-profits tax that way is also almost completely closed.

The third and last way is to build by borrowing but that [9–9]
avenue is also barred if the borrowing must be paid from profits.

Considering all three effects together, these taxes close all [9–10]
three approaches toward a solution of technological unemployment, which I think is our greatest unemployment problem. Our prime necessity right now—the development of new industries—is slowed tremendously by these twin taxes. I think we should exempt small industries and new industries during development and also exempt all expenditures of any corporation for expansion of capital facilities or development of new products or for payment of debt incurred for the same.

The regular income-tax structure should also be given a [9–11]
thorough overhauling to discover its maximum revenue-producing efficiency under the law of diminishing returns.

In the State of New York the same source can be taxed not [9–12]
only by the Federal Government and State government for income but if you do not happen to come under the incorporated business, you have to pay an additional 4-percent unincorporated business tax. Thus, the maximum reaches as high as 91 percent. But with deductions for State taxes, it will be 85½ percent. That, of course, is outside of municipal levies and all other taxes.

It must be perfectly apparent that nobody will risk much [9–13]
money for the purpose of giving 91 percent or 60 percent or even 50 percent to the Government if he succeeds and cannot charge off his losses if he fails. It simply prevents money from going to work to put people to work and to restore the activity which we call prosperity, upon which we all rely. No man will use his money except upon a chance of profit commensurate with the risk involved.

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TAX REVISION

I am not too greatly impressed by the opinions of British [9–14] and other foreign economists. Many are most distinguished but their problems are not always our problems. On the question of budgets, taxation, recovery, and social security, however, the British experience is longer than our own. And on their application of the law of diminishing returns, I merely submit for what it may be worth, a chart which I have prepared comparing our income-tax structure with their own. (See p. 1640.)

In considering these charts, we may ask not only how our [9–15] rates in the higher brackets restrict our own activity but how also the relatively lower rate in Britain enables British capital to develop Britain's export trade when our capital is prevented from doing so by these taxes. What chance has an American exporter compared with other countries, which have lower standards of living and which in addition, have either subsidies or lower taxes—both income and death duties, with no gift tax—and particularly what chance has an American investor in export trade against an investor in England where there is no capital-gains tax? American export trade cannot live in such competition.

In our great need for revenue, the tax laws should be de- [9–16] signed for increasing employment and revenue and not for revenge, punishment, hatred, regulation or advancement of any social theory. It is my belief that if they were scientifically revised for the two purposes I mentioned—maximum revenue and maximum recovery—we could make a very great advance.

DEATH DUTIES

There is another field that merits most careful study. I [9–17] refer to death duties. Before I go further, let me say I am not for their repeal. It certainly does not make for expansion of private business or stability of prices and capital values to have liquid assets, and in some cases great industries, in a constant process of crash liquidation or facing it, or at least forced and rapid liquidation to pay death duties of various kinds. It creates a constantly caving market and a constant diversion of investment money into old rather than into new enterprises. I don't know how much reduction in capital values it has worked but I submit you figures on how much out of the savings of all people have to be collected in death duties.

According to the Standard Statistics, new money issues of [9–18] stocks and bonds in 1936 were $944,000,000. Total death taxes paid and which had to be raised in the open market in competition for liquid capital in that year, were $449,000,000, 47 percent of what was raised for new money.

In 1937 there were $1,369,000,000 of new money issues of [9–19] stocks and bonds. In that year $376,000,000 was paid against estates, about 25 percent of what was put into new money securities.

It is a great deflationary influence. I am not interested in [9–20] preserving any unearned wealth to a younger generation, my own or others'. But I do think our process of suddenly breaking up enterprises and turning them into instant cash, regardless of conditions, should be studied to find a way to prevent the tremendous retardation it imposes on recovery. After a certain point in developing enterprise

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curtailment to prepare for death duties sets in. Here we have a law of diminishing development. With the present death duties practically all classes of America's real-estate securities and every other form of asset are for sale.

All you gentlemen have to do is look in the towns and villages [9–21] in which you live.

TAX STRUCTURE REVISION

Revision of Federal and State tax structures for maximum [9–22] business activity and at the same time maximum revenue on the law of diminishing returns requires study. I am not here making specific recommendations except as to principles. But I believe that an open hearing in a deliberate inquiry by a mixed commission where economic as well as political tax experts could be heard, could make proposals much improving the present structure and it is hard to excuse our delay in doing that. It is a matter of public concern of pretty nearly first magnitude. If there is such a thing as science in government, this is where it should be applied. The Treasury is no place for the theories of political Messiahs.

I can't understand why nothing was ever done with the [9–23] President's request of December 1934, which asked for a general revision of the tax structure to prevent overlapping of levies by the States, the cities, and the Federal Government. I understand it is being studied, but how can we make an intelligent approach to this subject unless we have Federal, State, city, and all taxes other than real-estate taxes before us.

I am no Cassandra, but our need for a sane solution of these [9–24] problems is almost our greatest need in the interests of farmers, workers, and above all, the unemployed. We are so great a consumer that our depression depresses the world. The world's depression, in turn, will be a clog on the speed of any recovery for which we may hope.

It is my opinion, the new tax measure may be the leading [9–25] economic event of current history. If it indicates a move toward taking the shackles off of our traditional economy and giving our profits system some leeway to work and solve our problems in accordance with that economy, it will be a tremendous force for recovery—both here and abroad. If, on the other hand, it continues the influences that have retarded our recent recovery, we may push ourselves and the world to lower levels from which it will be difficult for us or any other nation to rescue them. I have been unable to figure out how any man under present taxes can live and save up enough to care for those dear to him whether he makes $1,000 a year or $100,000 or more a year.

SOLUTION OF UNEMPLOYMENT

I repeat with the greatest earnestness that I believe unemploy- [9–26] ment can be solved only by a proper readjustment of Federal policy and the tax structure for maximum business turnover and activity, both nationally and internationally. In this way you will get the the greatest Government receipts, the greatest amount of employment, and the greatest sum of money to be used for relief and necessary social work.

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I think taxes should be at the highest point possible to get [9–27] what we can, but that point must not go to the extreme of discouraging the doer, worker, or maker from doing, working, or making. Of course, we must search out and eradicate any device for tax avoidance. But we should not use tax avoidance by a few malefactors as an excuse for punishing our whole economic system.

It is interesting to note that the old fortunes vanish. New [9–28] ones come only because men venture. Old businesses disappear, and new ones must be started or we shall sink.

In reference to the income taxes there, I found out that for [9–29] income derived from stock dividends, the maximum in England is 41 and, I think, a quarter percent; and ours, of course, goes up to, or can go up above, 80.

The CHAIRMAN. Mr. Baruch, with reference to your statement as to the taxes, that you called death duties, have you ever given any consideration to the proposal which was made when the last tax bill was under consideration, that a man be permitted to purchase a life-insurance policy for such an amount as he estimated would be sufficient to pay those death duties, and make the policy, say, payable to the Treasury Department, insofar as the interest of the United States Government showed, and any balance would be paid to his estate, which would enable him during his lifetime to pay premiums to make possible the payment of insurance to cover his estate taxes and prevent the forced sale of property to which you have referred?

Did you ever consider that proposal?

Mr. BARUCH. Yes, sir; it is a very interesting one. Of course, [10] it has to be followed in all of its implications and into all of the avenues to which it may lead. I think that it has much merit to it.

The CHAIRMAN. One other question, before you go on. The statement that you made is that you think that with the unemployment situation, it is essential that the taxes be revised. Now, I am only wondering whether, as you talk of the effect upon business, that you are thinking only of the business situation, and I would like to know whether even unconsciously your views as to the results of high taxes would be affected by your own interests.

Mr. BARUCH. There are two questions there, and I would like [11] to answer one at a time.

The CHAIRMAN. Let me proceed. It seems to me that I recall that you were mentioned in the book that was given a lot of publicity, again, about "sixty families", and that might call me to ask whether you would be affected in any degree by the tax situation, and whether even unconsciously it might affect your views on the tax subject?

Mr. BARUCH. I don't think so, Senator. I think that I am [12–1] inclined rather to lean backward. It doesn't make any difference who says a thing or what the position of the man may be, the great question is, "Is he right, or is he wrong?"

I think that we ought to examine every statement that [12–2] is made by any individual, no matter who he may be, from that angle.

I have too much pride as a workman in anything that I may [12–3] say or do to make here a prejudiced statement. I want to be right. I would like to have the future justify me. I think it will.

If it does not seem too dramatic, I would like to say this: [12–4] If I thought that the laying down of every dollar in the world I possess in the middle of the table would cure the situation, I would gladly do it.

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You raise a point about my thinking too much about busi- [12–5]
ness. I can assure you that I am thinking principally about getting the tremendous number of unemployed people back to work. I do not know whether you gentlemen really know how bad the unemployment problem is. It is very bad. Particularly is it bad on men and women who, when 1929 struck us, were 35 years or more.

LOST GENERATION OF WORKERS

They are really a lost generation. It is very hard on them. [12–6]
Nine years have gone by. Those men and women are 44 and upward; some of them in the fifties, sixties, and seventies. What is going to happen to those people? I say this because I know so many of them personally.

I worry less about the younger ones than I do about the older [12–7]
ones. These men have had positions that are now closed to them. No one can be happy, even if he makes money, if everybody around him is unhappy and miserable. I do not think, Senator, that I am even subconsciously thinking about my own interest or the interest of business as such. I believe that my actions in the past, and my recommendations show this. I know that a man of my supposed wealth and background is open to that suspicion. You asked me to come here, and I shall tell you what I think. It may or may not be liked, but I know that what I say is true. I think the future will bear me out.

You referred to this book. I never heard of it until two dis- [12–8]
tinguished men of this administration referred to it. I was surprised that they did, because an examination of the book will show that it is not based upon fact, or truth. Much of it is fiction, and a jumbling together of names and of events. In a hurried glance through it—it makes it appear that 60 families are fooling President Roosevelt and running the American Government.

Well, I don't think they are fooling the President in any [12–9]
respect. Furthermore, I cannot speak for the other 59. They can speak for themselves. But so far as I am concerned, I have examined every statement that has been made regarding me. Practically everything that he says is untrue. In his opening statement he says that my wealth came from speculation. That is only partly true. It came principally from the development of enterprises which, I am glad to say, still stand the test of time.

As a South Carolinian, coming from your State, Senator, it [12–10]
saddens me to have to deny that I am one of the "sixty families" governing America. Nor can 60 families govern America. He talked about my having $37,500,000. That is sheer nonsense. If he will do the counting again, and he finds that I have one-half of it, I will give him one-third of that.

The CHAIRMAN. I regret exceedingly to hear that statement. I have had great pride from the fact that a native of South Carolina could make that grade, to get into the "sixty families," to remain a South Carolinian, and to remain a Democrat.

Mr. BARUCH. I have remained a South Carolinian Democrat, [13]
Senator, but in truth I must say that I am not one of the "sixty families."

The CHAIRMAN. I saw you had that book there, and I have read it. I asked the question because it might be suspected by some persons

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who have read the book, that anything that you said to the committee might be affected by the fact that you are identified as one of the "sixty families."

Mr. BARUCH. May I say something else about this book? He [14] refers to my activities in the war. He said I gave out $10,000,000,000 in contracts. I never gave out any contracts. It is full of misstatements like that. He does say one thing that is true, that I gave very largely to the Democratic Party. I do not deny that. I assert it, and I am very glad that I did.

The CHAIRMAN. And so is the party.

Mr. BARUCH. Then it is mutual.

There is one statement in the book that the Honorable Mr. [15–1] Pecora brought out—that I was on the favored list of J. P. Morgan & Co. and received 4,000 shares of some stock in which there was a profit of $1,000 on each 100 shares. Mr. Pecora never gave me an opportunity to say anything. It was ex parte assertion. It made very interesting reading, but it was untrue. The facts are these.

I did have 4,000 shares of a certain stock. I could have had [15–2] 40,000, because I had a large interest in a property that Morgan & Co. wanted to use in a combination. Upon inquiring of them what the circumstances were, they told me.

I made up my mind that it would be a good thing for me to [15–3] have them go ahead because it would give me an opportunity to sell out my interest.

I was asked if I would take some stock to show my interest [15–4] in it. I was not so keen about it. Finally, in order to show that I didn't entirely lack faith in it, I took 4,000 shares. But at the time that I took it I obligated myself to buy the stock at what was then the market price. The prices in the market of constituent units that went to make up the corporation of this stock I bought, were lower than the price I paid. So, they didn't do me any favor. If there was any favor in it I did them one. I didn't try to do them any favor, I was trying to help myself. I do not take favors. They are too costly.

In the great madness and delusion of 1929 people bought [15–5] everything and anything. They did not care what it was. Some people did make a profit. I did not make as much as others, because I knew that the boom was bound to break some time. Apart from that the facts are that I never got in to this deal as a favor from anybody.

The CHAIRMAN. Does anybody have any questions to ask about taxation?

BRITISH VERSUS AMERICAN TAX SYSTEM

Senator FRAZIER. You spoke about the British system of taxation. Isn't it a fact that in Great Britain the income taxes are higher than they are here in the United States?

Mr. BARUCH. No, sir. You must take everything into con- [16] sideration. Apparently up to $185,000 the British income tax is higher. But in Great Britain you are permitted to subtract the corporation tax from your income tax. Here we do not. In England there is no capital-gains tax. The death duties are lower. And I understand that there are no gift taxes under, I think, 3 years. You can give money away if not done in contemplation of death. These

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are very important items. I think a study of our system of taxes will show that it is greater than theirs. In England you have one tax. Here we have the Federal, the State, and sometimes city taxes. In England the highest the tax may go is 66¼ percent. Here it can go up to 85½ percent.

The CHAIRMAN. What has been the effect of the difference in the tax in England, and in the United States, with reference to our export trade? Have you seen any evidence of that affecting it materially?

Mr. BARUCH. No, sir; I do not think so, yet. I am saying [17–1] what finally must surely be the effect of the difference in the taxes. I will tell you what I have seen in the development of new ventures. For instance, 25 years ago some engineers started to develop a copper mine, on the island of Cyprus, that had been abandoned 2,500 years ago by the Phoenicians. Finally American capital went into it, and developed a very large copper property after 20 years. It has proven very profitable. If this had been undertaken by Englishmen, they could sell out, and would not have to pay any capital gains tax at all. When they get dividends they would be able to subtract from the income tax what the corporation paid.

I know of men who found a gold deposit in Guinea. They could get in there only by airplane. They even took dredges in there by airplane. There were Englishmen and Americans in it. The Englishmen could take a greater risk than the Americans because of the difference that I have reported.

I draw attention to this export of capital. It seems to me [18] that it must affect all export trade, whether it be of capital or manufactured products.

In following out the effect upon our export trade it is hard now, in the confusion to take any thread and lead it to its end.

The CHAIRMAN. From your experience, and from the information that you now have, what is your opinion as to the immediate future? Can you agree that we have about reached the bottom of this recession, and that we can hope for improvement?

RECOVERY OUTLOOK

Mr. BARUCH. I think that depends upon a good many factors, [19] but for the reasons that I have stated here, more upon what tax legislation you put upon the books now. If that relieves the burden, it will help get people back to work. This relief will get them busy and increase employment. If this is done I believe we have reached the end of it. If you do not relieve the burden upon personal initiative, I feel very dubious about the future.

Senator HATCH. There is one question that I want to ask you in connection with this thought which you have stressed, of putting men to work, which is, after all, the main purpose of the study of this committee, and your thought about the tax problem is that if these corrections are made, capital will expand, and men will be put back to work?

Mr. BARUCH. I think so, sir. [20]

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UNEMPLOYMENT RELIEF

Senator HATCH. Now, the question that I want to ask is, as a result of the studies that you have made, do you think it is reasonable to expect that there will be sufficient expansion in industry and business to reemploy the vast numbers now unemployed?

Mr. BARUCH. I do not know how many, but they will employ [21] a lot. Now I cannot tell how much or what other factors may come into the situation but as soon as you do that, you are going to set the energies of men loose. They are going to try to do things in their various spheres.

Senator HATCH. At least in your experience——

Mr. BARUCH. No one can give a guarantee. But it is one of [22] those things that an experienced man feels rather than knows. I feel so sure of it that if I were still in the money-making business I know what effect it would have on me.

Senator HATCH. I know that you can't guarantee that, but I was asking your opinion because I judged this——

Mr. BARUCH. I say yes, sir. [23]

Senator HATCH. You think that is the only way.

Mr. BARUCH. I know of no other, sir. Of course, we cannot [24–1] stop relief until business has taken up the slack in employment. I hope nobody will understand me differently. We have got to go ahead with relief. As I said, I am more concerned about the people of old age than the younger ones, because they are the lost generation. We must continue relief until we see what business does.

We must continue unemployment relief. The best hope [24–2] that we have is by decreasing burdens to start business and get a greater turnover. The result will be, I think, not alone that we will get more employment, and therefore less unemployment, but we will get a larger turnover of business. The national income will advance above the $50,000,000,000 it is now estimated it is going to drop to this year. Does that answer your question?

Senator HATCH. Yes; it is the point that I am particularly interested in, Mr. Baruch, because I judge from the long-range viewpoint you think it is possible for business to expand and develop to where we can reemploy the unemployed now, in gainful private employment?

Mr. BARUCH. Yes, sir. [25]

Senator DAVIS. Has there been any new industries developed during the last 6 years? I mean, industries of any importance?

Mr. BARUCH. I don't happen to know any, Senator. [26]

Senator DAVIS. I don't know. Do you think that that is—that the probabilities are that they haven't developed because of the fact that this tax rate is so high?

Mr. BARUCH. If they haven't, I am sure that that is the [27] reason.

Senator HATCH. In my State of New Mexico, we have developed a brand-new industry during the worst period of the depression which is employing practically 1,000 men, today, in the potash development, which I think you are perhaps familiar with.

Mr. BARUCH. Of course, that is a particular thing, Senator, [28] in view of the foreign situation. There is a possibility, for instance, in southern California, and perhaps in your State, of developing the growing of guayule rubber.

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TAX EXEMPTION

Senator DAVIS. Do you believe that we should exempt corporations, or individuals, that have great export trade—do you think that we should exempt them from any Federal taxes?

Mr. BARUCH. I didn't get that question.

Senator DAVIS. Those corporations and individuals that are in export trade: Are you of the opinion that we should exempt them from Federal taxation?

Mr. BARUCH. Oh, no, sir, not entirely. You might put them on [29] an even basis with their competitors, but I wouldn't exempt them.

Senator DAVIS. How could we do that?

Mr. BARUCH. Well, it would be easy enough to segregate [30] export trade, the part, for instance, of a corporation that has export trade. I would do it on the basis of not exempting what they are already doing. If they are able to compete in the present circumstances, we shouldn't take that revenue away from the government, but only exempt them to the extent that will permit them to compete with foreign capital on an even basis. It is Great Britain that we have to think about more than any other country because Great Britain and ourselves are the only two countries which have exportable capital.

Senator DAVIS. Do you consider the depression of 1929 due to any large extent to the foreign control of our markets, or of our gold supply?

DEPRESSION OF 1929

Mr. BARUCH. No. I think that the depression of 1929 was [31–1] due more to a world madness and delusion than anything else. It was somewhat similar to the Tulip Craze, the Mississippi Bubble, and the South Sea Bubble. The world seems to go mad at times, and has extraordinary delusions or crowd madness—as against witches. Or it may take the form of war. The Crusades were such a madness. Or it may take the form and generally does in modern times, of great speculative madnesses. I think much of the legislation to prevent incompetency and corrupt practices in the sale of securities and regulation of the exchanges is good. The laws ought to be strengthened that will protect the public when they are in these periods of madness such as 1929 and the Florida Boom.

That is going to be a difficult thing. But the world has been [31–2] struck with those things over and over again. Whenever it finds itself in that mess, it turns around to look for an alibi for its own weakness and its own mistakes. (I made some myself.) Then it also looks for a catharsis. But, going back to your question, I think that in 1929 the mad wave of speculation and overdevelopment——

Senator DAVIS. How large of an investment do foreign interests have in the United States at the present time?

Mr BARUCH. Sir?

Senator DAVIS. Do you know how large an investment the foreign investors have in the United States at the present time?

Mr. BARUCH. No, sir. [32]

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TECHNOLOGICAL UNEMPLOYMENT

Senator DAVIS. You discussed technological unemployment a moment ago. I know of a concern that reduced prices considerably because of new inventions, and they have reduced that price to the consumer of their product, and they have displaced probably 10,000 men, that are now past the age of—oh, most of them, I would say the majority of them, are around 50, some of them are over 50 years of age.

It is impossible for these men now to begin to educate themselves in a new trade, or to learn a new trade and the company has reduced the price to the consumer, and now what is the best to do, to reduce the price to the consumer, of this particular article, that only people that have funds can buy, that is, the great vast majority of these 50,000 that are gainfully employed, or to set that profit aside to take care of these men now that are unemployable?

That is, I mean, to develop new business by reducing the so-called price, or to take care of these men that are aged, and are unable to get other employment?

Mr. BARUCH. Well, I think that that is what we are trying to [33] do with the Social Security Act. If you recall, Senator, I said that those are the men who give me greatest thought and concern, those men who were 35 or over, who were unfortunately caught in the depression and who because they have become specialists in a particular job, where they have technological invention and improvements, lost their jobs. I think it is better to cheapen the product to 130,000,000 people.

Senator DAVIS. You think it is better to what?

Mr. BARUCH. I think it is better to cheapen the product for [34] 130,000,000 people, especially if they gave the savings to the 130,000,000 people and lay aside some funds to take care of those put out of employment like it is contemplated in railroad consolidation.

The CHAIRMAN. Mr. Baruch, I asked you to give us your views, particularly with reference to the question of unemployment, and I would be glad if you would do so at this time.

Mr. BARUCH. May I read a memorandum on that?

The CHAIRMAN. Yes; if you have a memorandum, read it.

Mr. BARUCH. I think that it will be shorter than anything [35–1] else.

UNEMPLOYMENT

The principal problem of Congress and the country is to [35–2] get people back to work again in normal jobs. The relief rolls are no solution of our unemployment problem. There will be no solution until the jobless are absorbed in private industry.

In line with my belief in moving against "uneconomic" [35–3] areas, I have always believed in a floor under wages and a ceiling over hours. The first plunge into depression is always accentuated by a lengthening of hours and a lowering of wages. That is deflationary. It is never sufficiently compensated by a lowering of prices to offset its deflationary effect.

If maximum hours and minimum wages are in effect and [35–4] equable through all industry, the effect on no single competitor is harmful. But if employers are permitted instantly to compete for

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dwindling business by slashing wages and lengthening hours, more humane employers have no alternative but to follow the same practice, or get out of business. This stabilizer of maximum hours and minimum wages on our economic engine seems to me a necessity of our times.

In the shortening of hours to spread work unless weekly [35–5] wages are maintained, I have never been able to see anything more than a forced contribution to unemployment relief by the class least able to stand it. Of course for limited periods, it is better than wholesale discharges but it is no cure for the unemployment problem.

I am opposed to setting up an administrative board with [35–6] power to fix maxima and minima in their discretion in different industries or different localities. I believe that Congress by its own act should set those limits, with reasonable differentials to cover established differences in various production areas. A board should then be permitted within limits laid down by Congress to vary the established hours and wages to cover emergencies and unanticipated cases of unusual hardship, and to give the flexibility that is necessary in the application of any set rule to the infinite variety of individual cases in a pattern so broad and complex as the industrial fabric of America.

I do not believe that a reasonable wages-and-hours law under [35–7] existing conditions would make a vast amount of reemployment. In the great coded industries under N. R. A., I am told that departure from the code wages and hours have been few and if intrastate commerce is excluded, the principal fields where reemployment could be made by a shortening of hours will also be excluded. But still I believe the principle should be observed as an insurance against "uneconomic" areas in labor.

I believe in the principle of collective bargaining and labor [35–8] representation independent of employer influence but I believe that the board administering this principle should be in all things judicial and impartial and never regard itself as a pressure bureau for any particular union or form of unionism.

I am not convinced that our Federal policies have been well [35–9] coordinated and synchronized to make for reemployment.

SOCIAL SECURITY PAY-ROLL TAX INCREASES TECHNOLOGICAL UNEMPLOYMENT

Take the Social Security pay-roll tax of upwards of a billion [35–10] dollars on pay rolls. In addition to deducting a tremendous sum from the direct purchasing power of the poorest classes, that tax is a powerful incentive to employers to replace men with machines wherever ingenuity can devise a way and modern ingenuity is particularly good at that. There can be no doubt of the effect of that to increase technological unemployment. I suggest that the whole social-security set-up be restudied and that a tax on machine hours or even on gross sales rather than on pay rolls would be more logical.

Now, there has never been any argument that automatic [35–11] machinery does not reduce employment except the argument that new inventions, new industries, and new uses take up the men rendered surplus in the old industries.

But when we come to examine the effect of the undis- [35–12] tributed-profits tax and the capital-gains tax on the creation and

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expansion of new industries, we find that the effect of them on new enterprises is practically to arrest them.

It seems to me that here is a complete stultification of reem- [35–13] ployment policy that should have your immediate attention. Its effect may be intangible but it cannot be otherwise than great.

Of course the solution of the real problem of unemployment [35–14] covers a far greater field than we have yet skimmed. In 1929 when all except a possibly permanent 3,000,000 were employed, at least fairly satisfactorily, the national income or turn-over was nearly 90 billions of dollars. Last year, it may have been over 65. This year it may fall towards 50. Yet on the normal increase with increased population from the 1927, 1928, and 1929 levels, our national income should now be nearer 100 billions than 90 billions and if it were 100 billions, unemployment would not be so great a problem as it is now.

I have seen figures tending to show that it would have to [35–15] be 120 billions to employ everybody but I think those were figures of advocacy. When prosperity is high the activity is so great that anybody who really wants to do so makes a living.

Certainly the real goal to shoot at in relieving the terrible [35–16] problems of unemployment is that gap between 50 billions and 100 billions of national income. Government expenditures of 2½ billions or even 4 billions for relief do not begin to cover the ground. I have heard much assertion that reduced Federal relief expenditures of all sorts in 1937 as compared with prior years brought this depression. Here are the figures:

1934	$4, 502, 404, 000	[35–17]
1935	4, 348, 941, 000	
1936	5, 725, 682, 000	
1937	4, 579, 197, 000	
Average	4, 789, 056, 000	

The total expenditure varied greatly only in 1936 due to [35–18] the bonus and then by less than 1.5 billions. As long as employment lags we must spend for relief, but government expenditure isn't the way to cure unemployment. There is only one way to do that—full private expenditure for consumption and investment in the normal proportions as between capital and consumers' goods.

In my judgment, this is not only the key to the whole [35–19] problem but it is a key that would be so easy to turn that it is a tragedy that it has not been done and that after almost 4 years we are not as well off as we were after the truly remarkable 1933 recovery as it stood on July 1 of that year.

There is ample money and potential credit in this country [35–20] to support a much greater activity than that of 1928 and 1929 and the whole basis for such activity is much sounder now than then—a greater shortage of goods, a larger population and demand, a lesser burden of private debt, and a far greater obsolescence and disrepair of every needful thing—enough idle money, idle labor, idle brains to produce plenty for everybody.

The single missing element in a great forward movement [35–21] is a feeling of security—a belief that money can be spent or invested without confiscation of reasonable profits by inordinate taxation, that American assets will not again be subject to some great arbitrary

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change in the value of money, that there are to be no further disturbing assaults on business either by some statutory change in the existing business pattern or a general governmental hostility or governmental competitive invasion of existing fields of private enterprise.

At the basis of business is stability of government fiscal [35–22] policy and of course this means an unmistakable trend toward an eventual balancing of the Budget.

To give the capitalist or profits system a chance to work [35–23] will require also a fundamental revision of the taxing system, planned not for regulation or punishment, but for raising revenue on the law of diminishing returns.

When I speak of this hesitancy or paralysis of spending and [35–24] investment I am not talking alone about the hesitation of important capitalists. I am speaking of the hesitancy of every small merchant and manufacturer to embark on more than a closely held program of merchandising or manufacture. I am speaking of the reluctance of every farmer and worker to spend for consumption more than for the most prudent provision of necessities.

It is the combination of millions of cautions that holds [35–25] back the spending and development which could do ten times more for reemployment than any government action or all the spending for relief in any year of this depression.

Of course all this depends on national policy. If it remains [35–26] what recently it has appeared to be, there is no hope of reemployment and substantial recovery. If it could be changed along the lines I have tried to indicate, I believe that we would have a rapid and immediate rise in all economic indexes.

I have recently heard some public men reproach business [35–27] for the alleged failure to step forward and employ the millions of jobless, and intimate that if business doesn't, government will. In addition to being illogical and unfair, that raises hopes that can never be realized and expresses a promise to unfortunates that never can be fulfilled.

I say it with regret but I would be less than candid if I failed [35–28] to express my opinion that unemployment is now traceable more directly to government policy than to anything that business could or should do and that if those policies are not changed, neither business nor government can ever solve this most terrible of all our problems.

That is more or less a repetition of parts of previous testimony.

The CHAIRMAN. You have particular reference, by that last statement, to what you have already said about the effect of these taxes?

Mr. BARUCH. Yes, sir. [36]

MACHINE-HOURS TAX

The CHAIRMAN. What did you mean, by the suggestion that there be levied a tax on machine hours, in connection with the Social Security set-up? Have you thought that out?

Mr. BARUCH. I have thought that over. It is something that [37] should be restudied before you change anything. You gentlemen understand what that means, a tax on the machine hours.

The CHAIRMAN. What you are asking, how would you levy the tax, on the hours of the machine?

Mr. BARUCH. On the hours the machine worked. [38]

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The CHAIRMAN. Instead of levying the tax solely on the man who works, you levy it on the machine that works?

Mr. BARUCH. I want to take the burden off the back of labor [39] so far as it is possible. I do not want to take it out of the man who operates the machine. It should come out of the profits of the manufacturer who has gained by the operation of the machines, and out of the consuming public who gets a lower price.

The CHAIRMAN. If a man installed machines, displacing labor temporarily, and thereby increases his profits it would cause him to contribute out of those profits to this Social Security, which Social Security organization has to look after the man who is displaced by these machines.

Mr. BARUCH. That is right, sir. I am not as expert on that [40] subject as I would like to be.

The CHAIRMAN. You have only suggested that it be restudied, and I wondered if you had given any study to it?

Mr. BARUCH Yes, sir. [41]

The CHAIRMAN. In reading this statement, or in answer to a question, did I understand you to say that you were no longer in active business?

Mr. BARUCH. Yes, sir. [42]

The CHAIRMAN. I have one other question. Wouldn't this tax on machines, would that have the effect of slowing up the installation of machines?

Mr. BARUCH. Well, I don't know. Some people think that [43] it would. I think it is worthy of study. I really haven't come to any conclusion. You notice in this statement I held it out as something that ought to be studied.

The CHAIRMAN. You wouldn't advocate anything that would prevent or materially slow up the installation of machinery that would enable us to produce this wealth that you say is so essential?

Mr. BARUCH. No; but when you make the incentive, to take [44] it out of labor all of the time, instead of taking it out of its own profits, you are bearing down upon the person who can stand it the least. And the more expensive you make labor by taxes the more rapidly you will replace men with machines.

The CHAIRMAN. That is a correct statement, I think, of it, and it would require some study.

Senator LODGE. Mr. Baruch, have you given any study to the administration of unemployment relief? The system of administration?

Mr. BARUCH. The Social Security Act? [45]

UNEMPLOYMENT RELIEF ADMINISTRATION

Senator LODGE. No; the system of administering unemployment relief?

Mr. BARUCH. No, sir. W. P. A., and so on? [46]

Senator LODGE. W. P. A. and so on.

Mr. BARUCH. I don't think that I could qualify as an expert, [47] and I wouldn't want to do so.

The CHAIRMAN. Have you got any opinions that you would like to express as to how it might be improved or corrected?

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Mr. BARUCH. Yes, sir; I have this feeling about it, that more [48] ought to be done by local communities, because the man in the local communities knows better than anybody else whether the man needs relief, and how much relief, rather than the central authorities. That is the principal thought that I have on the subject, sir.

The CHAIRMAN. Thank you. You mean that the local sponsor of a project should be made to contribute more substantially to the cost of it, so that——

Mr. BARUCH. I want—no—it is the man that I thought we [49] were talking about under unemployment relief, and not about public works, now.

The CHAIRMAN. Well, what the Senator suggested was——

Mr. BARUCH. You asked about unemployment relief; weren't [50] you talking about it?

Senator LODGE. That is right.

The CHAIRMAN. You did not have reference to Works Progress projects?

Mr. BARUCH. No, sir. [51]

The CHAIRMAN. All right.

Senator CLARK. Mr. Baruch, you spoke of a gross sales tax, in the statement which you just read: You mean a tax on gross sales of corporations as a whole, and not a sales tax in the ordinary acceptance of a tax which is to be paid directly?

Mr. BARUCH. The work as originated by the concern using the [52] machine.

Senator CLARK. Yes, sir.

TAX ON MACHINES AND TECHNOLOGICAL UNEMPLOYMENT

Senator DAVIS. Can taxation on machines be used as a mechanism to correct the effects of technological unemployment?

Mr. BARUCH. Well, I was just trying to say I think that it might [53] have a tendency to slow up whatever manufacturers try to do in the way of getting rid of some of their men.

Senator DAVIS. The reason that I asked you that question is because 15 years ago, nearly that much now, I began to advocate that we ought to tax the machines, to take care of the unemployed, and especially those who couldn't be employed because of age, and so forth.

Mr. BARUCH. The men who are put out of jobs, and who do [54] not know, and are too old to learn anything else, have to be taken care of somehow. We just cannot let them stay on the streets, starve, or die. They have never had an opportunity to save very much, and I do not know how they could be taken care of other than by a tax which has to come out of somebody or some thing.

Senator DAVIS. I have two trades myself that are good, and when I get out of this job I will have to go and reeducate myself to make my living with my hands, by learning another trade.

Mr. BARUCH. May I suggest to you, sir, that this is a very good [55] trade?

Senator DAVIS. The responsibility in this trade is very much greater than any of the others that I have ever had before.

Mr. BARUCH. All joking aside, I don't see how—— [56]

Senator DAVIS. While I sat at the other trade, I looked at this, and I said—I used to think, "My God, how easy it is for those fellows

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there"; and here seven men on this committee just racking their brains and would do just as you have said that you would do, give everything that they have got if they could settle this unemployment problem.

Mr. BARUCH. I often wonder, when I hear people criticizing [57] the Congress, if they realize that every Congressman and every Senator have problems that they have to see from every side of the economic angle and social viewpoint. The critics frequently have only an automobile or a tire or clothing, food or steel to sell. The lawmaker has innumerable ideas presented to him from all kinds of people, which he must study and finally put into law.

The CHAIRMAN. The automobile manufacturer, in selling that machine, does a pretty good salesman's job, doesn't he?

Mr. BARUCH. Yes, sir. Some of you gentlemen have done a [58] pretty good salesmen's job. You know what Lloyd George said, "You can't be a statesman unless you are elected "

Senator DAVIS. He is a very wise man. Mr Baruch, two members of the committee desire to ask you with reference to the statement that you have on the subject of agriculture, and the committee has to adjourn, and I would be very glad if you would come back tomorrow morning, and they also desire to ask you a few questions as to the subject of monopoly, and I have to be on the floor of the Senate, and the other members of the committee, at 12 o'clock, and therefore we will take a recess until 10 o'clock tomorrow morning.

(Whereupon, at 11:50 a. m., the hearing recessed until 10 a. m., tomorrow, Tuesday, March 1, 1938.)

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UNEMPLOYMENT AND RELIEF

TUESDAY, MARCH 1, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Clark, Frazier, Davis, and Murray; also Alan Johnstone, counsel to the committee.

STATEMENT OF HON. BERNARD M. BARUCH, INDUSTRIALIST, NEW YORK CITY—Resumed

The CHAIRMAN. The meeting will come to order.

Mr. Baruch, I asked you to remain over in order that the committee might ask you some questions as to, first, the subject of monopoly, and what effect, if any, it had upon the unemployment situation. I will be glad if you will so state.

Senator HATCH. May I ask the witness a question before he proceeds with this subject?

Mr. Baruch, in connection with your testimony of yesterday, there were several questions that I wanted to ask you. I wonder if you would prefer going ahead with your complete statement on monopoly and agriculture and then refer to the whole testimony at one time?

Mr. BARUCH. I would prefer that, sir, because some of [59–1] these questions may be answered by my written statement. I made a memorandum here, Mr Chairman, on the subject of monopoly. But before I read that I do hope that those who listen to my testimony will also have in mind my original statement because, tied up with it, it has a significance which it has not if it is separated from it.

(Mr. Baruch then read as follows:)

MONOPOLY

On the industrial and commercial side appear similar aspects [59–2] of applying the principles I stated at the beginning of my testimony. To the extent that there are abuses in big or little business, let us regulate and drive them out of existence. But to reach a few malefactors or a few chiselers who do not accede to the requirements of the general welfare, let us not throw away the benefits of our economy or burn our house down to kill a few bats in the attic.

For example, there are some holding companies that were [59–3] created to avoid taxes or to provide for what amounts to minority control of great operating companies. Were the Alleghany and

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Pennroad holding companies formed for necessary railroad activities or to avoid the rulings of the Interstate Commerce Commission? There are some holding companies in the utilities that resulted in overcapitalization or watering of values on which they endeavor to make the public pay. These things are abuses and should be ruthlessly regulated out of our economy. But there are other holding companies that were set up merely for convenient and legitimate management of purely legitimate business. Of course they should be supported and encouraged.

We have to distinguish between monopoly, which is such [59–4] control of price and production as exploits the public, and mere bigness which through mass distribution and mass manufacture has been one of our greatest blessings in low price, cheap service, and hence increased production and better standards of living than exist elsewhere on the globe.

Some monopolies are natural and unavoidable, like the tele- [59–5] phone and utility monopolies. Of course they must be regulated to prevent exploitation of the public. But since the Government has ample power so to regulate them directly, I have always doubted either the necessity or wisdom of the attempt to regulate them by having Government compete with them. The operation of business rather than the regulation of business smacks too much of what is going on in Russia and Germany. It is a violation of an essential of recovery, which is to activate our traditional economic system rather than to restrict it. It is bad from every American point of view. It is a retarder of recovery and reemployment of indefinite but immeasurable effect.

Even the natural monopolies seem to have a way of losing [59–6] their grip. When I was a boy the railroads were our greatest monopoly. They needed regulation more than any monopolies that ever existed. Here too, because the Government was inefficient in regulation, it turned to federally subsidized competition. It created artificial waterways. The studies of the Coolidge Transportation Committee on which I served showed that, except for the Great Lakes waterway, not one inland waterway stands on its own feet economically. They are principally devices for regulating rail rates—some carrying none or little traffic—merely maintained at public expense to do that which Government could do much more cheaply and effectively by direct regulation.

Yet in my long experience I find private competition always [59–7] catching up with monopolistic or uneconomic practice. Great copper companies controlling production maintained prices too high, thus liberally financing the opening up of African and other mines, which at a reasonable price could never have been developed but which now have broken the hold of the older companies by flooding their markets.

The railroads, resting too long and too indolently on their [59–8] monopolistic position, now find themselves confronted with the competition of the aeroplane, the bus, and the truck to a point that just now threatens most of our railroad system if that system does not adjust itself to the changed conditions.

Even the efficient and moderate operation of the necessary [59–9] telephone monopoly is being overtaken by radio, and it occurred to me recently that the much-discussed power and light monopoly, which

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now seems to be a matter of such concern to Government, may find itself regulated by an economic competition more effective than any government or law. The recently announced mass production of Diesel engines at a much cheaper price may make unit power and light installations cheaper for every factory and household than great hydroelectric installations.

As far as hydroelectricity itself is concerned, the march of [59–10] science and invention has made steam generation more economical in many parts of the country.

Coal used to be considered a monopoly-ridden industry. [59–11] Electricity, gas, oil, better combustion methods, and now perhaps Diesels have cut it down to a stature requiring Federal support to live. The exhaustion of oil reserves may revive it, but I am advised that if any such development gets the price of oil up to where it was a few years ago, gasoline can be more cheaply made by hydrogenation of coal, and the bituminous coal industry may revive through that alone.

Aside from the laws that man in his ignorance may invent, [59–12] there is a wonderful balance and protection in the laws that God in His infinite intelligence has provided.

On this whole question of monopoly, I cannot agree with a [59–13] campaign of attacking our existing business system on a broad front for the sole purpose of breaking it into smaller pieces. I think that will only retard recovery and do no good whatever.

I prefer precisely to define those practices which we regard [59–14] as monopolistic and then vigorously to prosecute all who overstep those rules.

If there are actual monopolies, they should be broken up. [59–15] If there are abuses, they should be punished and prevented. But if there are advantages in mass distribution and mass production, they should be pushed and encouraged.

Senator DAVIS. The statement that you gave to the committee is not in the record.

Mr. BARUCH. I have eliminated a part of the statement, that [60] part which I did not read.

And, incidentally, we seem to have in Mr Jackson a young man who probably knows what he wants to do and will know what monopoly is and how it is to be prevented.

The CHAIRMAN. Mr Baruch, I wish you would present to the committee the response to the other question on Agriculture that was submitted to you.

Mr BARUCH. Before reading these comments or suggestions [61] or criticisms on agriculture, I would like to say this.

For almost 20 years we have been talking about putting some farm legislation on the statute books. Like many men who voted for this bill and who have not liked some aspects of it any more than I do, I am glad that it is on the statute books. It is only by something written and direct, something actually in operation, that we can see how it works out. I am a little tired of talking about it for almost 20 years and not having anything done. So, as I said, I am glad that it is here. I hope that what I have to say will not be looked upon as being other than constructive criticism. I think you are very fortunate, gentlemen, in having Dr. Tolley run it. He is a very able man with the knowledge of a practical economist, and has thought about it a good deal.

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(Mr. Baruch read the following:)

AGRICULTURE

On the economic side our two principal problems are unem- [62–1]
ployment and agriculture. They are problems that must somehow be solved. We cannot go along with a lop-sided economy—half boom, half bust.

I have been giving my attention and effort to the farm [62–2]
problem for 17 years, ever since 1921, because it was quite as clear then as it is now that there was too great a disparity between farm and other income to permit a sound, balanced national economy.

We started the chain of events that upset that balance at [62–3]
our very beginning when we adopted a system of protective tariffs that was deliberately intended to subsidize our industry at the expense of our agriculture.

At first, with virgin soil, free or very cheap, agriculture [62–4]
could stand the burden and perhaps it was the best system. But even before the war our chickens were coming home to this roost.

We interfered with natural economic laws when we started [62–5]
this disparity There are only two possible solutions. One is to knock down the old artificiality of the tariff. The other is to build up a new artificiality to offset it.

Under existing world conditions, only the latter alternative [62–6]
is possible. That always happens when we begin to interpose man-made devices against natural laws. We have to interpose another new invention to save us from the effect of the old one.

The necessity here is to give a boost to farm income to per- [62–7]
mit the 40 percent of our market which is rural to consume the products of the cities.

After studying many methods and even tentatively approv- [62–8]
ing some, it seems to me that the best, simplest, fairest, and most logical way to do this is by a straight subsidy on the domestic consumption of farm products leaving marketing and production free.

In the presence of great gluts or surplus creating what I call [62–9]
an "uneconomic" area—an exaggerated low price for farm or other products—I would be willing to try loans on a scaled-down value to tide over an emergency, always keeping the amount of loans below the cost of reproduction.

As such a period approaches, some agency should either [62–10]
commence to buy commodities or lend money on them. This action would have a tendency to steady the entire structure and prevent the mass madness of panicky deflation. I think it advisable to include only raw materials because I am sure that such a stabilization would spread into manufacture.

COPPER PRICES

Let us take copper, for example. A good price for copper [62–11]
is 11 to 13 cents a pound. The "uneconomic" area in American copper would begin about 7½ cents. Some companies could make money at this price, but not many, and not much. If the price goes down to 7 cents, some Government agency should buy copper or lend to the producers at this price on a scale down, or encourage the lending and buying. There is always a certain portion of the output

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that will be consumed, and the Government operations would encompass only a part of the output. If the decline continued, the purchases or loans at 6½ or 6 cents should continue always operating at a less price as this uneconomic area progresses. In this way we would prevent a disastrously rapid decline, or, in other words, cushion the slump.

This would not mean repeal or obstruction of natural eco- [62–12]
nomic laws. This would mean working in cooperation with those laws. The law of supply and demand would work out in the end, because with lower prices, two forces would be set in motion—production would lessen and consumption would increase. In this way we would prevent havoc.

If copper went above, say 14 cents, then we would be getting [62–13]
into an uneconomic area at the top. As such peaks are reached, the Government should slow up its expenditure, call its loans, or sell its reserves. It could also use the pressure of the Federal Reserve System and the control of credit.

FARM PRICES

This is the principle I would apply to farm prices—say [62–14]
cotton. If the Government estimate should indicate a 17,500,000 bale crop and other world production considered with demand indicates a surplus, the price would break. We would be moving into an uneconomic area. The Government should prepare for action. When the price of cotton plunges the Government should buy or lend money on part of the crop, first at perhaps 9 cents and then, if the decline continues, down to 8 cents, 7 cents—always on a scale down. If the situation were extreme, it might be necessary for the Government to buy 5,000,000 to 6,000,000 bales in all on a scale down.

When the Government steps in and buys or lends at or [62–15]
below the cost of reproduction, it is safe and sound. This is not valorization. It cushions the drastic operations of the law of supply and demand. This could prevent the impoverishing of the South, the demoralization of planters and workers in the mills. The five or six million bales would have to be absorbed eventually, of course, when the price rises. They would still be a part of the available supply. They would help to prevent excessive planting the next season. They would stabilize an upward shoot.

What happens if you have another 17,000,000-bale cotton [62–16]
crop? The Government might have to buy another 5,000,000 bales but this time at a still lower price, moving always in line with the natural laws but never permitting destruction. The same method could be applied to other crops.

If the new farm bill applies this principle, I am in sympathy [62–17]
with it but I can not be sure from its context that this is its principle and I question its more ambitious attempts at all times to control price by controlling marketing and production.

The prices of our principal cash crops are not made in the [62–18]
American market. They are made abroad in world competition. Nothing that we can do here can control them. On the other hand, if by manipulation of production and scarcity we get our prices above the world price—as must happen if the plan is to succeed, we simply

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price ourselves out of the world markets for our surplus. We encourage foreign competitive production of wheat, corn (lard), and cotton. Those markets once lost are lost forever. I fear that we have already suffered greatly and permanently by these practices.

Furthermore, it is an untried plan of bureaucratic control [62–19] of the individual freedom and initiative of 6,000,000 farmers in the nature of valorization. It apparently violates every principle I tried to lay down in my opening statement of accommodating natural laws instead of trying to repeal them and of taking account of human equations in the solution of a great national problem.

As I have said earlier, a straight subsidy on domestic con- [62–20] sumption seems far simpler.

FARM INCOME

The proposed plan will not alone sufficiently raise farm [62–21] income by raising price. A processing tax for benefit payments is inevitable. The hope is of a higher farm income, partly through benefit payments by a processing tax and partly through attempts to manipulate production and marketing. What difference does it make to the consumer whether the higher price he pays comes from a processing tax or from a shortage of food artifically engineered?

I think most consumers would feel much safer and all farmers [62–22] more happy and comfortable if price, production and marketing were left free to operate under natural laws and the disparity in farm income made up by a direct tax on domestic consumption. For the nation, and for our political traditions and institutions, I am sure that it would be much safer and more satisfactory. I wish Secretary Wallace and Dr. Tolley the utmost success in trying to make the new farm bill work but I wish it were simpler and more certain.

There has been a suggestion by Senator McAdoo which has [62–23] been under consideration for a long time and has met with the approval of many practical men—that if we cannot sell our raw cotton abroad because of the use of other fibres, we should supply the excess at a lower price to American mills who will manufacture it and put it into the markets of the world in manufactured form.

Of course, there are many more problems in agriculture, [62–24] farm tenancy, soil conservation, and unwieldy debt but if the principal problem of price disparity could be solved, many of the others would become less severe.

Now, there is a very great difference between moving in [62–25] what I call these uneconomic areas in a commodity like copper and an agricultural product. You can stop the production of mines and you can start them up in a comparatively short time. But I think we ought to apply the principle there, because of the large number of workers whose lives and well-being depend upon it. In agriculture where the community some day will have to pay the price of insurance against shortages of food and clothing, you have a different situation. If it ever happens in this country that a shortage comes, the price of what we will pay for an ever-normal granary, as Mr. Wallace calls it, will, I hope, not be too high. I am glad to see it, the bill, so that we can all shoot at it and the problem.

The CHAIRMAN. Just one question. Notwithstanding your comments about the detail, I take it that you are glad that the Congress has passed the farm bill?

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Mr. BARUCH. Yes, sir. [63]

The CHAIRMAN. Now, reading the newspapers this morning, several of them had headlines which have interpreted your statement of yesterday [reading]:

"New Deal in Democratic Administration is Responsible for the Unemployment Situation of the Country" I recall nothing justifying a headline of that kind. Did you make such a statement or did you intend to create such an impression?

Mr. BARUCH. I do not think you will find in my testimony of [64] yesterday one single word about a repeal of one single act upon the statute books. The statement that could be so interpreted would be what I said—that a continuance of a lack of clear statement regarding monopoly and direction and attitude toward business, and a continuance of the present tax laws, would then place the Government subject to that.

The CHAIRMAN. Do you advocate the repeal either of the capital-gains tax or the tax upon surplus profits?

Mr. BARUCH. I thought I made it very clear yesterday that I [65] did not, but, a modification of them.

The CHAIRMAN. Do you know that the House has reported a bill modifying the existing tax laws?

Mr. BARUCH. Yes and if that modification is not done too [66] grudgingly I said if that modification is not done too grudgingly, and they will look upon the changes as a kind of lever to put gas into the car, as it is necessary, it will restore the initiative of the 130,000,000 people who have made America what it is. If they do this they will have done exactly what I have been advocating.

The CHAIRMAN. I simply want to know whether you urge Congress at this time in seeking a solution of this problem, to repeal any of the acts of this administration?

Mr. BARUCH. No, sir, I only suggested a modification of some. [67]

Senator HATCH. I wanted to continue just a minute along the lines Senator Byrnes interrogated about, in fact, he touched upon the thing that I wanted to ask about, but, adding to that just a little bit, I want to turn to your original statement, the first statement made yesterday, and observe on the first page you say this: "I have been among the first to urge that the lag of our economic and political systems behind the developing complexities and social necessities of modern life must be eliminated." And that is your thought?

Mr. BARUCH. Yes, sir. [68]

Senator HATCH. You further say: "I think I was as early as any to urge economic equality for agriculture." That statement is also in line with just what you have said about agriculture?

Mr. BARUCH. Yes. [69]

Senator HATCH. Recognizing the necessity for taking steps along the line which this administration has done to maintain the economic equality of agriculture, or rather to bring it about?

Mr. BARUCH. Yes, sir. [70]

Senator HATCH. And again, I notice you urge a floor under wages and a ceiling over hours, another objective which the administration has sought to achieve, whether the legislation has been wise or unwise, it is the objective you also seek; isn't it?

Mr. BARUCH. Only by trying, can we find out whether it will [71] work or not.

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Senator HATCH. Again, you stated yesterday, and you made very clear to me, that you think there is a Federal responsibility for relief and expenditures of that nature. As I recall, you made no definite criticisms of the relief administration at all, but did recognize the responsibility of the National Government.

Mr. BARUCH. I think they are learning how to do it better. [72]

Senator CLARK. About the only way they can learn is by experience; is it not?

Mr. BARUCH. The only way I know of. [73]

Senator HATCH. The elimination of unfair trade practices also was pointed out by you yesterday as another objective, and again you urged the principles of social security. As I construed your statement yesterday, Mr. Baruch, I saw nothing in conflict with the objectives of this administration, the things that the Democratic administration has sought to achieve.

Am I correct in that interpretation?

Mr. BARUCH. Yes, sir. [74]

The CHAIRMAN. Mr. Baruch, Senator Hatch made a statement, and one newspaper I saw quoted you as opposing the Social Security law. Are you opposed to that? Did you say anything about that?

Mr. BARUCH. Let us look at the record, as a distinguished [75] Democrat once said. (Mr. Baruch referred to his statement from which he read as follows: See [35–10]

"I am not convinced that our Federal policies have been well coordinated and synchronized to make for reemployment. Take the Social Security pay roll"—and so forth. I suggested that the whole Social Security set-up be restudied and that a tax on machine-hours or even on gross sales rather than on pay rolls, would be more logical. I did not advocate a repeal, sir, but only a restudy of it.

The CHAIRMAN. I thought the only suggestion you made was that the tax should not be levied on pay roll, and that you were suggesting a subject I have been very much interested in, that we might study levying a tax on machines when they displaced men from the pay roll.

Mr. BARUCH. I can cover the whole subject practically in a few [76] words. If the Government will proceed logically and wisely as they are apparently proceeding, I say apparently proceeding, in a revision of the tax law—having seen the undoubtedly depressing effect upon the activity of our 130,000,000 people—if they do that with every one of the laws, and do not make too grudgingly the changes that are demanded in the circumstances, there will not be much to complain of. But you must turn the energies of our 130,000,000 people loose; otherwise it will be justly said—and it can then be justly said—that the policy of the Government will be responsible for the continuance of unemployment. I think we must all agree on that. But evidently they have been studying particularly the depressing effect of taxation, and are about to make some change or recommendation, the nature of which I do not know If that is done with all the bills and all of the laws, we will pull through. It is only through experience, as the Senator said, that we can learn.

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The CHAIRMAN And you are not pessimistic about the immediate future so far as business is concerned, if the modifications that you suggest will be enacted into the law?

Mr BARUCH. Senator, I would like to make this statement. [77–1] I do not know whether it will be the closing statement or not. I do not retract anything that I said yesterday. Only I want everything that I did say to be connected with my opening statement about meeting the necessities that arise from our changing life and from the European experiments that are now breaking on our shores. I feel that—as I tried to develop—the success of the American system will depend upon turning loose its 130,000,000 people. If we do that in connection with the other thing that I spoke of—making clear what a man can do and cannot do—if we turn them loose by changing these tax laws, I do not know to what extent it will help.

That will depend upon how far you are willing to go in turn- [77–2] ing loose the pent-up energies of men. A lessening of tax burdens and a proper knowledge of what business can do and cannot do will let loose the natural urge to function. It will turn loose acquisitiveness. This will result in more business from the increase of old business and the starting of new enterprises. It will mean more employment, more men working on jobs. It will mean a larger turn-over in business. That will mean a larger revenue. It will mean that the increased business will furnish increasing volume of traffic for railroads, which in turn can employ more people and buy more supplies. Again this will make larger volumes of business. It will mean that men will be able to make more out of their jobs and out of their businesses.

It will give a great impetus to the housing program, concerning which we do not hear much at the moment. People will then have money with which to buy houses. If you have no job you cannot buy a house any more than you can buy an automobile. An increase in the housing program will turn a lot of other things loose.

You will find business after business increasing. The increas- [77–3] ing volume of business will result in a much larger revenue. At the same time there will be a lessening of men on our rolls for relief. That is what I believe. We may find ourselves able to approach toward the 80 or 90 billions of national income. Then if we proceed wisely with this, there are the other objectives of medical care [77–4] and education for those who are unable to obtain them, which will become possibilities without burdening us too much. If in addition—and I am allowing my imagination, gentlemen, to proceed—Secretary Hull and the President in their international policies can establish better good will among the people of the world so that there will be more international trade, then the lawless nations of the world will become less lawless, because they will have more business on account of the increased international trade and commerce.

We will have greater peace. Perhaps with an increasing [77–5] volume of national and international trade the million little cautions that I spoke of yesterday, with many of the fears and doubts will be dispelled. And perhaps the road that lies ahead of us will not be so dark nor overcast with so many shadows. Perhaps it will be a bright and sunshiny one. Those are the possibilities flowing from the action of the Government in the fields to which I have just referred.

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The CHAIRMAN. Mr. Baruch, there has been handed me a statement which I judge is responsible for the statement in some newspapers to which I have referred.

My attention is called to one paragraph in the statement you read yesterday on the subject of unemployment, and in which you said this:

> Of course, all this depends on national policy. If it remains what recently it has appeared to be, there is no hope for reemployment and substantial recovery. If it could be changed along the lines I have tried to indicate, I believe that we would have a rapid and immediate rise in all economic indexes.

As I interpret that, you were referring to the suggestions you made on the subject of taxes?

Mr BARUCH. More particularly I thought I answered that [78] question by what I said just now.

The CHAIRMAN. I simply wanted to call your attention to the language you used, and I assume that it is correct that that probably gave rise to the impression made upon some persons.

Mr. BARUCH. There is no good in our jollying ourselves about [79] this thing or sticking our heads in the sand. I keep repeating this; that if we do not change the policy of restrictions which we now have, and which I hope we have learned to be unwise, and which I think were not intended as restrictions, I do not think we will get the results I speak of.

The CHAIRMAN. What do you mean particularly by "restriction"?

Mr. BARUCH. Taxation, particularly. [80]

Senator HATCH. In your testimony yesterday I meant to point out that you did not present a one-sided picture, you did not lay all the responsibility to the Government. I observe on page 14 of your original statement, which I think is a very significant statement:

> Furthermore, industry must help eradicate its own abuses in the field of finance, public utilities, speculation, and relations with labor and the consuming public. It has not done its full share there. If it does not help cooperatively, the job will have to be done by Government alone, and far less well.

I merely pointed that out to show that you do recognize the responsibility of business and industry to cooperate with the Government, as well as the Government's responsibility to cooperate with business.

Mr. BARUCH. There is no question about it, Senator. If men [81] who know business and the effect of new laws upon business, do not come along, sit down with the Government and try to work out the law, whether it is a good one or a bad one, whether one side is stupid or the other is—business will not have done its share. That is all. Business has always held back. Particularly management has not met the Government and the changes that are desirable with the fullest cooperation.

The CHAIRMAN. I am interested in the statement about management because it has not been suggested by other witnesses. Your thought is that management must cooperate if there is to be any recovery at this time, management as well as capital?

Mr. BARUCH. Yes, sir; management may be hired by capital, [82] but the stockholders sometimes are so scattered that they do not have much to say about it.

The CHAIRMAN. They sometimes know very little about what management is doing?

Mr. BARUCH. Yes, sir.

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Senator MURRAY. Mr. Baruch, do you feel that the business [83] of the country showed a lack of good judgment in its attitude toward the labor relations law that was enacted?

Mr. BARUCH. I think they could have cooperated better, sir. [84] I think, if I may put it this way, there is enough fault to go around on both sides.

Senator MURRAY. Do I understand that you feel that there may be some criticism against the present pay-roll tax in connection with the Security law?

Mr. BARUCH. No; I said it had the tendency to drive them to [85] machines, and I think it ought to be restudied with that idea in mind.

Senator MURRAY Then, do you think a tax on machine hours would be an advantage over that?

Mr BARUCH. I offered that as a suggestion, but I have not [86] thought it out enough.

Senator MURRAY But it would be, I believe, obvious that a tax on payroll would be penalizing business into employing men. The more men they would employ the more tax they would have to pay, that a tax on machine hours would be an advantage over that.

Mr BARUCH. It would look so, but in the end somebody has to [87] pay. It is like all taxes.

Senator MURRAY Then it is then a matter really of study?

Mr BARUCH. Yes; it is a matter of study to see what the [88] simplest form of doing it is. I do not know enough about it to say more definitely now

Senator DAVIS. Did I understand you to say yesterday, Mr. Baruch, that you would give some consideration to the gross income of the corporation for taxes rather than the payroll?

Senator CLARK. I think you said gross sales, didn't you?

Senator DAVIS. Gross sales, I should say.

Mr BARUCH. I said perhaps you can levy a tax on gross sales for [89] social security. As Senator Clark said, you can get a tax on the gross sales of the concern that put into effect the labor-saving devices. Labor-saving devices come in in spite of us. But how are we going to take care of the men and women who are being displaced? They have to be absorbed and paid and given an opportunity by somebody or some tax, somewhere.

Senator FRAZIER. In your agricultural statement, you stated, as I understand it, that you think agriculture must be built up?

Mr BARUCH. Yes, sir.

Senator FRAZIER. To put it more nearly on a level with bus- [90] iness interests.

Mr BARUCH. Yes, sir

Senator FRAZIER. In that respect what do you think of the [91] reciprocal trade agreements that you spoke about in your comments a few minutes ago? Do you think reciprocal trade agreements have done anything to build up the agricultural situation?

Mr BARUCH. Well, if it can increase the trade and commerce [92] of the world; but if it does not increase it, it won't be beneficial.

Senator FRAZIER. If it brings in agricultural products in competition with what we produce here at home, it does not give any benefit to the farmer, does it?

Mr. BARUCH. No; but I do not expect that it will do that. [93]

Senator FRAZIER. I believe it has done that.

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Mr. BARUCH. Trial and error will work that out. [94]

Senator FRAZIER. Now, in your example of copper, you said if the prices go too high, the Federal Reserve Board should control the credit. You also spoke about becoming interested in the farm question in 1921. The Federal Reserve System controlled the credit at that time, in 1921. The deflation, that is what started the farmer on the down-hill grade—that is, more so than ever before?

Mr. BARUCH. I think there was an unnecessary deflationary [95] pressure at that time that I do not think was justified in the circumstances, and affected all trade and commerce as well.

Senator FRAZIER. It is all right for the Federal Reserve System to control the credit, but if history repeats itself, they do not always control it just right.

Mr. BARUCH. That is the unfortunate part of man. Some- [96] times he is carried away with general delusions of madness. I found in my 40 years' experience in Wall Street that the public is always wrong. They are always optimistic at the top and pessimistic at the bottom. I have yet to see the amateur who finally made any money.

The CHAIRMAN. How do they get to be professionals?

Mr. BARUCH. Just like we get to be professional, shall I say, [97] statesmen, Senator?

The CHAIRMAN. By trial and error?

Mr. BARUCH. Exactly, sir. [98]

Senator FRAZIER. You speak about some industries bending to the farmers to give them better prices, and also about the law of supply and demand.

Mr. BARUCH. Yes, sir [99]

Senator FRAZIER. Do you think the law of supply and demand can apply to farm products as long as the gamblers go in there?

Mr. BARUCH. I think you give an exaggerated importance [100] to those gentlemen. They do not last.

Senator FRAZIER. They last long enough for somebody to clean up a lot of money out of it.

Mr. BARUCH. I do not see any of them carrying this money [101] to their graves. The kind of abuses that we can justly complain of were things like the magic elevators in North Dakota where wheat went in one grade and came out a better one. The inequalities of the tariff are others—I do not think the gamblers could do much, nor do I think they affect much the commodity or stock markets. They are more often victims than they are gainers.

Senator FRAZIER. Yesterday you spoke about the depression or the panic starting in 1929. The Wall Street gamblers were the ones that brought on that depression?

Mr. BARUCH. I think they were the victims of the depression. [102] They got cleaned out anyhow. Everybody was gambling.

Senator FRAZIER. A lot of them made a lot of money out of it. They may have been cleaned out since or have been, but they are the ones that made the money out of the 1929 slump in the market.

Mr. BARUCH. My memory fails to recall one single one that [103] is solvent at the present time.

Senator FRAZIER. But not at the close of the 1929 depression?

Mr. BARUCH. Very few of them escaped with their lives or [104] fronts, or very few of them with their reputations.

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Senator DAVIS. Making a survey of the poorhouses of the country they have not found any Wall Streeters there.

Mr. BARUCH. Haven't they? [105]

Senator DAVIS. No.

Mr. BARUCH. You don't know—I do. There are plenty on [106] relief. I do not happen to be one of them, Senator.

Senator FRAZIER. You also spoke, Mr. Baruch, of keeping these loans below cost of production, and you state that the Government should always move within the natural laws but never permit destruction, well, anything below cost of production would be destruction for the farmer. You speak of Mr. McAdoo's farm bill.

Mr. BARUCH. That is an idea that he advocated on the floor [107] of the Senate. It has been suggested before.

Senator FRAZIER. He also advocated cost of production for domestic consumption of farm products, and if anything is going to bring prosperity to the farmers, it is to give them cost of production, and they cannot have prosperity any other way.

Mr. BARUCH. The only trouble is I do not know how to give [108] it to them. I would advocate it if I knew how.

Senator FRAZIER. The farmer should be given cost of production for home consumption. He is entitled to the American markets.

Mr. BARUCH. Yes; he is entitled to the American market but I [109] was suggesting giving it through the processing tax. You and I agree on that.

Senator FRAZIER. We tried that and we found that a good share of it was turned back to the farmer in the lower price he received for his products, so it did not work out very well.

Mr. BARUCH. I am not certain that it cannot work out. [110]

Senator FRAZIER. The Department of Agriculture admits that the farmer paid a large part of it in lower prices.

Mr. BARUCH. Somebody remarked, "Baruch, you seem to [111] be pretty sound on economics, but get cockeyed on agriculture".

Senator FRAZIER. I hope you study this cost-of-production feature of the farm bill that Senator McAdoo has. I think it is a big step toward a solution of the farm question.

Mr. BARUCH. Senator, you know, I was one of the first [112] advocates of the McNary-Haugen bill when it was not so fashionable as it is now to talk about the inequality of agriculture.

Senator FRAZIER. That is a mild proposition nowadays.

Mr. BARUCH. Now, I think the people who fought it would [113] have been glad to put it into effect instead of something else.

Senator FRAZIER. The McNary-Haugen bill was defeated by the business interests of the country, the chambers of commerce of the United States.

Mr. BARUCH. We got it passed twice in the House and the [114] Senate.

Senator FRAZIER. But they got it vetoed.

Mr. BARUCH. I think they were very stupid and I said so at [115] the time.

The CHAIRMAN. These statements that you have made, are they new thoughts of yours? You say you said so at the time. These statements you have made on several subjects, are they new thoughts of yours, or have you entertained them for some time?

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Mr. BARUCH. Those principles have been with me for a great [116] many years, Senator.

The CHAIRMAN. You have nothing else to suggest?

Mr. BARUCH. No, sir. [117]

The CHAIRMAN. You say they have been with you a great many years?

Mr. BARUCH. Yes, sir. [118]

The CHAIRMAN. And you are a South Carolina Democrat?

Mr. BARUCH. Yes, sir. [119]

The CHAIRMAN. That is all.

(See Appendix 23, pp. 1638–1643.)

STATEMENT OF ROBERT W. IRWIN, PRESIDENT, ROBERT W. IRWIN CO., MANUFACTURERS OF FURNITURE, GRAND RAPIDS, MICH.

The CHAIRMAN. Mr. Irwin, you are the president of Robert W. Irwin Co.?

Mr. IRWIN. Yes, sir.

The CHAIRMAN. Grand Rapids, Mich.?

Mr. IRWIN. Yes, sir.

The CHAIRMAN. I have asked you to give to the committee information as to the situation in the furniture industry today, and your views with reference to the unemployment situation in that industry.

If you have a prepared statement and prefer to read that first, you may do so at this time.

Mr. IRWIN. I have, Mr. Chairman.

The CHAIRMAN. Proceed, then.

Mr. IRWIN. Probably few, if any, industries were harder [120–1] hit during the 1929 depression than manufacturers of household furniture. The movement in furniture hit a low ebb during 1931–32 of not over 25 percent of predepression volume. While 25 percent was the average business, in high-grade furniture the volume receded to less than 10 percent. Medium grades were affected between these two figures.

As few excessively large stocks are carried by manufactur- [120–2] ers, it is fair to presume that the decline in employment was in full keeping with the decline in dollar production.

The mortality rate among furniture manufacturers has been [120–3] very high. There was listed in 1929, 3,778 firms manufacturing furniture, and at the present time it is estimated that there are not more than 2,400 concerns thus engaged.

Statistics show that 135,000 were employed in this industry [120–4] in 1929, and that there were 125,000 in 1937. Commencing in 1934, there was a gradual increase in volume. This upward movement reached its apex in July of 1937. It is estimated that the industry had attained a volume of $510,000,000 in 1937, which was 70 percent of the 1929 production.

There are no reliable figures available as to just what the [120–5] comparative volume is today with the same date in 1937. Judging from the experience of our company and the information which I have been able to gather from other manufacturers, I question if the volume today is, at the outside, over 33⅓ to 40 percent of what it was for the same period 1 year ago.

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The volume of business which moves in furniture is very [120–6]
closely allied to building activity. The records show that home build-
ing had, in 1933, reached a low point of 4 percent of 1927 figures. In
mid 1927, it had regained a rate of 25 percent of normal. Then some-
thing happened, and this activity hit the "skids."

One of the most important factors causing this reversal was, [120–7]
in my judgment, too rapidly increasing costs. I will deal more par-
ticularly with this matter later on in my statement.

President Hoover tried to stem the tide of the 1929 depres- [120–8]
sion, known as the Hoover depression, through conferences with leaders
of big business, but entirely without beneficial result.

They all volunteered cooperation and the expenditure of vast [120–9]
sums for plant expansion, and also agreed to hold up wages and to do
all of the things that it was thought would stem the tide of the reces-
sion. At that date it was called a "recession," but later it proved to
be the most severe depression this country has ever experienced.

Shortly after these conferences it was announced that [120–10]
prosperity was "just around the corner," but the corner that was seen
proved to be a mirage.

I predict that the same fallow results will follow the series [120–11]
of conferences held by the President with big business and little busi-
ness.

Business—big, medium, or little—did not create this depres- [120–12]
sion, and big business cannot stop it. Sixty families may have most of
the wealth of the country, and they may control a large proportion of
our industries, but they cannot make people buy goods when they
are not in the mood to buy, any more than you can make a horse drink
just because you lead him to water

We are only interested in what caused the present depres- [120–13]
sion that we may gain a knowledge as to what to do or not to do another
time.

There were without doubt many factors entering into the [120–14]
reasons for the present depression, such as some unwise legislation, the
relation of government income to expenditures, abnormal labor dis-
turbances, too rapidly advancing prices, all of which would have a
tendency to undermine mass confidence, an absolute prerequisite to
stable business conditions.

It is my judgment that we are in the midst of a serious [120–15]
depression, not a minor business slump which can be properly classified
as a recession

As I stated before, I feel that the causes of this depression [120–16]
are in part a combination of both price and political factors brought
about to a material extent by unwise legislation and government
policies. Prices have advanced too rapidly; too much price fixing
was continued during the period of our late business activity. Too
much monopolistic power has been encouraged and developed along
all fronts.

There is still an acknowledged shortage of homes. Why [120–17]
was building in this field which had such a fine start a year ago,
checked? I believe it is generally conceded that there was too rapid
advance in costs—advances which did not eventuate under the rules of
free competition. I assume that the committee has full statistical
information in reference to these advances. I have, however, a chart
in relation to building costs prepared by the Engineering New Record,

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which I understand is a recognized standard authority, that I will be glad to put into evidence if it is desired.

The new legislation for a more liberalized credit for home [120–18] building may help some, but I warn you that there will be no great increase in building until there is a confidence in prices—a confidence that they are being fixed both for material and labor, by the laws of supply and demand and not by monopolistic power or Government edict.

No man who has $1,000 saved is going to borrow $9,000 [120–19] and put it into a home unless he has confidence that the cost factors are in no way controlled by monopolistic powers.

There is another factor in connection with this legislation, [120–20] at least so far as our State is concerned, which may cause it to be disappointing. I have heard Michigan bankers say that a 90-percent loan is not feasible; that under the foreclosure laws of the State of Michigan the long period of redemption given to the owner, which I believe is 18 months, would make loans of this character unsound. As a matter of fact, I am informed that they are not loaning to the extent to which the Government would insure under the previous law.

In order that I may lay a ground work for some sugges- [120–21] tions which I hope may be constructive, I feel it necessary to deal somewhat with the basic economics which underlie our system.

As I stated before, business, big or small, has no power of [120–22] itself to increase employment except to a very minor degree. It will require more than investment in plant expansion and restoration of inventories to bring us out of this depression. It isn't existing business that is on "sit-down strike," and it isn't labor. It is the buyers of capital and durable goods, and it is to these classes that all attention should be directed. These two classes, and these alone, can restore business and labor to a normal activity.

It must be borne in mind that under a capitalistic economy [120–23] there must be a dollar spent for every dollar which is saved or accumulated if business activity is to be maintained. Too much thrift and failure to expend accumulated wealth, either in consumer, durable, or capital goods, will dry up prosperity.

The continuous investment of such funds, over and above [120–24] requirements for consumer goods, is almost entirely based upon confidence that conditions and governmental policies are to be such that the profit motive is to be retained; that prices are being fixed under the law of supply and demand, with free competition existing, and not by price-fixing means, either Government or private.

In other words, we will not have normal investment of [120–25] such funds unless there is a confidence in the price structure. It is not a question of whether prices are high or low as measured in dollars. There was never a time in the history of this country when prices were as high in dollars as they were in the period immediately preceding 1929, but there never was a time in our history when industrial prices were as low, measured in terms of what a day's work would exchange for in material things.

I therefore feel that one of the prerequisites of normal [120–26] activity and full employment is the eradication of any and all factors that may be artificially sustaining prices or costs of commodities.

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MONOPOLY

The one and only factor, aside from price-fixing legislation, [120–27] that is interfering with prices being fixed by the rule of free competition is the abnormal development of monopolistic powers in this country during particularly recent years.

As I see it there are four groups of monopolistic powers [120–28] which should be considered: (1) Public utilities. These are natural monopolies and in my judgment should be continued as such, but under proper Government supervision.

(2) Private industries which are operating with competitor agreements in violation of our antitrust laws.

(3) Some big businesses which by their size and market control have monopolistic powers.

(4) Labor in fields where under union power, rates of pay are obtained which are beyond those for like effort and skill in the fields of a free labor market.

SHERMAN ANTITRUST LAW VIOLATION

I have observed more evidence of what looks like violation [120–29] of the Sherman law during the past 3 years than any time in my business career, which goes back nearly 50 years. There is evidence on all hands that there are price agreements which are effective. I do not say that I can produce legal evidence supporting this statement, but I have with me a few examples which I believe go to substantiate what I say.

The Department of Justice has ample power to ferret out [120–30] these cases. Apparently comparatively little is being done by the Department of Justice to enforce the Sherman law. In fact, little has been done for many years in the way of enforcing this law. Its strict enforcement will eradicate much of the monopolistic power which is today being exercised by this group.

The Sherman law is not archaic. It lays down the only [120–31] true basis upon which free enterprise can be protected. Business can successfully operate with this law strictly enforced. Its enforcement is, in my judgment, as necessary to the protection of society as the enforcement of the law against counterfeiting, and it should be enforced in the same vigorous manner in which that law is being prosecuted.

ROBINSON-PATMAN ACT

I feel that the Robinson-Patman Act has been a material [120–32] factor in the development of a plan under which there is maintained a higher spread between cost and selling prices than there would be without the protection of this law.

I am in entire accord with the purpose of this law as [120–33] expressed in its title, "A law against unlawful restraint and monopolies." In effect, however, it has been a boon to the "open-price plan"—one of the most effective monopolistic plans known to industry. In addition to aiding in the operation of the "open-price plan," it affords a complete check system in connection with price agreements that may be in violation of the Sherman law. If manufacturers in any line get together and agree upon prices which they will ask

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for their products—which of course would be in violation of the Sherman law—and these prices are published, as they always are, it then becomes a violation of the Robinson-Patman law, punishable by fine or imprisonment, or both, if the prices agreed upon are broken without the fact becoming known to those who were in the original illegal agreement.

In my judgment the consumers of the country, because [120–34] of this law, have paid a heavy price for any benefits to small merchants in whose interest I understand it was enacted.

BIG BUSINESS EARNINGS VERSUS SALES

The curtailment of the monopolistic power of big business [120–35] which in no way may be violating the antitrust laws is quite another problem.

The enormous concentration of wealth in these institu- [120–36] tions, with the monopolistic power which thereby develops, offers one of the greatest problems confronting our Nation today. Reference to the percentage of net earnings to sales of some of these large corporations is, in my judgment, prima facie evidence that they contain within themselves, without any reference to violation of our present antitrust laws, monopolistic powers. Some of them have net earnings as high as 20 to 25 percent on sales, and I have no hesitation in saying that earnings of this rate are not possible where there is a complete absence of monopolistic power.

I disagree with the thought that the monopolistic prac- [120–37] tices of the two groups to which I have referred can better be controlled providing all those engaged in interstate commerce are licensed by the Federal Government. I fail to see wherein such legislation will in any way break down monopolies or monopolistic practices.

I believe that this type of monopoly could be controlled [120–38] through a tax on excess profits and a tax on excess size. An excess-profits tax will greatly supplement the Sherman law in eradicating the evils which grow out of monopolistic practice of group 3.

LABOR MONOPLY

The same fundamental principles that apply to groups [120–39] 2 and 3 apply to the labor group and should be given consideration in connection with labor legislation and Government attitude toward this type of monopoly.

Now as to what in my judgment Congress and Govern- [120–40] ment can do to aid in our return to normal business activity: The forces that will aid in the reestablishment of confidence are not necessarily entirely connected with new legislation. If we are to retain the economy of free competition, legislation can only have a beneficial effect upon our business activity to the extent that it lays down sound general rules compatible with that economy. Legislation which is inconsistent with the fundamental rules of this economy will harm, not help, our well-being.

I think it is generally conceded that a modification of the [120–41] undistributed-profits tax will be helpful. The detrimental effect of this legislation, as I see it, is not so much on big business which has a market for its securities, nor upon little business which is usually operated by the owner, but upon the concerns of intermediate size

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with a considerable number of stockholders and no open market for their securities. This type of concern must distribute all of its earnings or pay a heavy tax on undistributed profits, leaving no means for expansion or reserves to carry it through distressed business conditions.

Small- and intermediate-size business develops within [120–42] itself out of earnings and not through the open marketing of its securities. It has no market for securities, and if it is to develop at all it must come from within.

It goes without saying that sound fiscal policies on the [120–43] part of the Federal Government will be most helpful in the restoring of confidence, but I do not pose as an authority to say what is the safe maximum public debt that we can operate under. I have, however, no hesitation in saying that the Federal Government is no different than an individual. An individual cannot successfully carry a debt load beyond one which is in proper relation to income.

Legislation such as the proposed hours-and-wage bill is, in [120–44] my opinion, absolutely inconsistent with the philosophy which I am advocating and which I think is necessary to our recovery. While its objectives may be in part ideal, its enactment will cause a dislocation of industry in this country, especially small- and intermediate-size industry, the repercussions from which will be most serious.

Currently produced wealth comes entirely from the product [120–45] of labor. It is only when all are working that we can obtain the more abundant life, because then, and then only, will we have the maximum amount of wealth to distribute. Increased buying power can only come from increased production.

It seems to me that we must choose between becoming [120–46] more or less a regimented State under Government price fixing, or the return to the philosophy of free competition.

Price fixing, in my judgment, is a short-sighted policy. [120–47] It has always failed, and I believe always will fail. Free competition, with the elimination of monopoly, is the Governor which will automatically control capital's return.

Open trade to the channels of free competition and prices [120–48] will soon adjust themselves to the proper relation with costs. When this is done the confidence of the buying public will be established, and it will not be long after that, providing there is no unsound legislation passed, before we will be on the road to recovery.

If free competition is given an opportunity to operate [120–49] subject only to such rules as are necessary for the protection of the public, we will achieve in this country a higher standard of living for average man than has ever existed up to this time.

CAUSE OF RECESSION OF 1937

Senator FRAZIER. You spoke about the recession starting in the middle of the summer of 1937, or July 1937. You state that "something happened about that time when activity hit the skids"?

Mr. IRWIN. Yes, sir.

Senator FRAZIER. What do you mean by "something happening"; more definitely than you explained? What was the cause of that?

Mr. IRWIN. There was not existing at that time practically [121] any of the factors that usually precede a depression, and in my judgment it came about from too rapid advance in prices in this country.

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Senator FRAZIER. Do you mean they reached peaks too high at that time?

Mr. IRWIN. They went up too fast, went up too rapidly. [122–1] You must have, to preserve business activity, normal advance in price, but abnormal advances will have a tendency to check that activity. In addition to that, we had labor conditions and troubles which we all know about last spring, that I think, in a very large way, went to undermining confidence on the part of the investors.

In our State, for instance, there was absolutely, or prac- [122–2] tically, no protection to private property in connection with these disturbances. I say that did not make for the confidence that is necessary if our business activity and investment is to continue; and investment of accumulated wealth, in my judgment, is absolutely necessary if we are going to have a continuance of employment in business activity.

NATIONAL INCOME

I entirely agree with Mr. Baruch that $100,000,000,000 [122–3] national income is easily in reach of this country. I think the potentialities go far beyond that. Our national income in 1928 or 1929, if my memory serves me aright, was about $80,000,000,000, and at that time it was estimated that we were still about 20 percent short of our potentialities.

Now, during that time there has been an increase in pop- [122–4] ulation; there has been an increase in man's productivity, due to the technological development which, it seems to me, based upon the income of the past, would indicate at least $125,000,000,000 potential income, if all are working at the same rate they were working prior to 1929.

ROBINSON-PATMAN ACT

Senator FRAZIER. You referred to the Robinson-Patman Act, and stated that "it has been a material factor in the development of a plan under which there is maintained a higher spread between cost and selling prices than there would be without the protection of this law." Just what do you mean by that?

Mr. IRWIN. Well, I mean that it is an aid in what I call [123] price fixing, because prices, having been published, it becomes a violation of the act to sell unless it is for a quantity at lower than that price.

Senator FRAZIER. You then are in favor of fixing these prices?

Mr. IRWIN. I am not; I am not. I say that it is a great aid [124] to the maintenance of an illegal price fixing on the part of industry.

Senator FRAZIER. Doesn't this Robinson-Patman Act protect price fixing of manufacturers?

Mr. IRWIN. I fail to see where it does. The Robinson- [125] Patman Act calls for the uniformity of prices. It does not fix prices at all. It does not compel any manufacturer to sell at any particular price, but it does compel and makes it punishable by a fine, if he sells to one at less than he sells to another for the same quantity.

Senator FRAZIER. Yes; but I cannot quite get your point of view on that. You state in several places here that you are against price fixing, that there has been too much price fixing, then you uphold the Robinson-Patman Act.

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Mr IRWIN. No; I do not say I uphold the Robinson-Patman [126] Act. I said I uphold the principles as enunciated in its title, but I do not think it is having that effect.

Senator FRAZIER. Oh, I see; I did not get your meaning there. Now, you speak about getting back to free competition. How far back do you mean? I cannot recall, as long as I can remember, that we had free competition, what seemed to me to be free competition. I have been a consumer of these manufactured products, however, instead of the producer, and I cannot recall of any time when, in my opinion, there was free competition. There has been anything but.

Mr IRWIN Well, I have been a manufacturer, I think, prior [127] to the enactment of the Sherman law, which was done for the protection of free competition, and I have had rather an intimate contact with trade and with purchasing, and I do not know as there ever was a time when we had it 100 percent. I don't know as there ever was a time when there was not, even after the enactment of the Sherman law, some illegal price fixing; but I say, in my judgment, we had it to a far greater degree than we have today, a far greater degree.

Senator FRAZIER. Well, that may be.

Mr. IRWIN. And again, I say, that free competition is the [128–1] automatic wealth that will fix and regulate capital return. Now, wealth goes to three sources, primarily: It goes to the producer, one part; one part goes to capital; and a very substantial part goes to the cost of Government.

Now, the less that goes to capital and the less that goes to [128–2] the cost of Government, the greater will be the part which will remain with the producer for his material benefit.

I entirely agree with the homely illustration given by Mr. [128–3] Baruch yesterday of the fisherman with his 10 fish, giving so many fish to Government, and so many fish for that, and he only has 2 or 3 fish left. I do not agree, however, with his conclusions, that if he only has two or three fish left and it is not enough to support a life, he is going to become discouraged. It will only make him work all the harder, and he will have less for it, which of course, is not the desirable objective of any economy.

Senator MURRAY You think the discontinuance of all efforts to fix the prices or control prices would be an advantage?

Mr IRWIN Yes; I think it would be a great advantage [129–1] because one of the causes of depressions is the lack of confidence in a price structure. When the prices start to go down and you get a loss of confidence and people wait until they hit bottom, that is what I fear about this, being, as I say, a recession, but that it will turn into a serious depression. Prices have already started to slide.

Now, when prices start to go down the purchaser does not [129–2] buy liberally. It is only on an advancing market that there is liberal and normal purchasing.

Take in our own instance, because of that very fear, we [129–3] are buying from hand to mouth, and I know that our customers are buying from hand to mouth.

Senator MURRAY Has there been any effort on the part of some of the larger furniture manufacturing corporations to get together and fix or control prices?

Mr IRWIN. No, sir; there has not. [130]

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Senator MURRAY There is an article appearing in the New York Times in reference to the report of the furniture convention in which they mentioned the fact that some such effort as that was made early in January.

Mr. IRWIN. No; the full extent of any effort in reference [131–1] to the furniture business may be some kind of a meeting where everybody talks about "We ought to get more money for our goods," but as far as any practical sign of listing, such as in other industries, there is no comparison.

I want to give you just an illustration. I would prefer not [131–2] to use the names because, as I say, this is not legal evidence, but I want to give you an illustration of what is nearly price fixing. These letters will be available if you want them, but, as I say, I have not the means of knowing whether back of it is an illegal agreement, so I would prefer not to give the names, but, here is a certain line of commodity that we buy, and under date of September 29, from one corporation, we get a letter in which there is this paragraph:

> Due to the Social Security Act, to which we have already made one payment in the advance of interest for the 4th quarter and also the advance of labor and material, it becomes necessary that we advance our prices.

Under date of September 24, from another concern, there [131–3] is the following paragraph:

> Due to the Social Security Act, to which we have already made one payment, and the advances that have occurred in labor and materials, it becomes necessary that we advance our prices.

And from still a third concern, under date of September 7: [131–4]

> Due to the Social Security Act, to which we have already made one payment, and the advance of labor and material, it becomes necessary that we advance our prices.

And the prices from each one of the concerns on every item are absolutely identical.

Senator MURRAY. Obviously a concerted movement.

Mr. IRWIN. I would think so. I have other evidence of the [132] same character.

Senator MURRAY. And is it just that movement that brought on the recession that we are going into now?

Mr. IRWIN. I think it had a great influence in advancing [133–1] prices too rapidly. I do not think there is a question of doubt about it.

Now, take in our industry, it was necessary, our costs [133–2] advanced from 25 to 30 percent from August 1936, to May 1937, and it was necessary for us to advance our selling prices about 25 percent. That is in 9 months. I say that is too rapid, too rapid an advance, and it shakes confidence.

The same thing happened in the building industry. It is [133–3] well conceded, the President himself has said it, that prices have advanced too rapidly and that that would check what was a fine start, and I think everything leans to the support of my theory, that confidence in prices is an absolute prerequisite.

I cannot agree entirely with Mr. Baruch, I agree with 95 [133–4] percent of what he said, but I cannot entirely agree with him that the tax laws are entirely to blame for this recession. I do not doubt that they were a factor.

Senator HATCH. I don't think he meant that altogether.

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Mr IRWIN. He spoke of that.

Senator HATCH. Yes, he spoke of it.

Mr. IRWIN As being the one great thing that would interest [134–1] capital in going ahead in the capital-goods market. I think there are other factors besides that. You cannot go ahead in the capital-goods market until there is a full resumption in some of our basic industries, such as building. There is where, outside of this recession, where there was the greatest unemployment. There is a great lack of building and homes in this country. There never was a time when there was such a shortage, and if there could be a confidence that the price structure was sound, I think there would be resumption.

It is not a question of the dollar price. That means noth- [134–2] ing. It is a question of are the prices brought about by the laws of free competition without price fixing. Therefore, if they are, the probabilities are that values will be increasing rather than decreasing.

Senator HATCH. Now, right there, Mr. Irwin, the things that you have pointed out, these examples of price fixing, and the letters you have read which would create somewhat of a suspicion that there has been an agreement somewhere, the policies of the administration had nothing to do with that; did they?

Mr. IRWIN. Prior policies did, the N. R. A. law. [135]

Senator HATCH. But that is——

Mr. IRWIN. I know, but it is largely a result of that, it has [136] led out of that. There isn't anything that taught industry so much about price fixing as the N. R. A. That was the fundamental basis of the N. R. A., the artificial sustaining of prices, complete abolition of the application of the Sherman law, and they got together in pretty nice shape during the N. R. A., and in my opinion, it has continued. Your bituminous coal is an evidence of the Government's price fixing, the Guffey coal bill.

Senator HATCH. Regardless of who taught industry the lesson, which I think some businesses had learned long before the N. R. A., those practices——

Mr IRWIN I know that very well. [137]

Senator HATCH. Those practices, arbitrarily getting together and fixing prices, raising prices, as indicated by these letters, did have a material bearing in bringing about the so-called recession.

Mr IRWIN There isn't any question about it in my mind. [138]

Senator HATCH. Now, you refer to Mr Baruch's testimony, and you heard what he said about free competition; did you not?

Mr IRWIN I did, that is one phase of his testimony that I [139] do not agree with.

Senator HATCH. You were disagreeing with that law of the tooth and the claw?

Mr IRWIN. I do. [140]

Senator HATCH. Can you fix any definite period in the history of the country when free competition was eliminated and monopoly, monopolistic practices, grew up?

Mr IRWIN When it was eliminated?

Senator HATCH. Yes.

Mr IRWIN. It started probably prior to the time of the Sher- [141] man law and it was because of the development of monopolistic practices and price fixing that the Sherman law was passed. It was passed and designed to maintain free competition, and during the period from

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the passage of that law, I will say, up to the time of the depression in 1921, we had a very fair measure of free competition in industry. I wouldn't say that even in those days there was not illegal agreements which were not ferreted out by the Department of Justice, but we had a very large measure of free competition, of highly competitive conditions in industry, a measure far greater, in my judgment, than has existed during the last few years.

Senator HATCH. You said up to 1921?

Mr. IRWIN. I meant up to 1929.

Senator HATCH. You meant 1929?

Mr. IRWIN. Yes; I meant 1929; I am sorry.

Senator HATCH. You wouldn't say during the depression years 1929, 1930, 1931, along there, that monopolistic practices grew up?

Mr. IRWIN. Oh, absolutely under N. R. A. [142]

Senator HATCH. N. R. A. had not been passed then. I mean, during the depression, free competition rode rather high then, didn't it?

Mr. IRWIN. Yes, sir. [143]

Senator HATCH. And the sweatship was developed pretty highly during that period?

Mr. IRWIN. I made no study of that. [144]

Senator HATCH. I think you would find it an interesting study.

Mr. IRWIN. I believe it would make an interesting study. I [145] am pretty familiar with small-town manufacturing conditions, and in the few days when I am in my town, when I am not out in the factory, I observe conditions pretty closely.

Senator HATCH. Low labor prices, commodity prices, were extremely low during that period; weren't they?

Mr. IRWIN. Yes, sir. [146]

Senator HATCH. Free competition was wide open; wasn't it?

Mr. IRWIN. You have to bear in mind that you were in the [147] midst of a depression and these business cycles are just as natural to the capitalistic system, and you don't come out of it in a day.

Senator HATCH. I am bearing that in mind, but you are offering free competition as the solution of a depression.

Mr. IRWIN. Yes; but it did not have an opportunity. In the [148] first place, they started artificial means under President Hoover. They did not let natural forces work. They called the industrialists of the country down here and tried to stem the tide of the working of natural forces, and what did it do? It started things up, so by February or March, 1930, people thought we were out of the depression, but by May we hit the skids again, and went still lower. Then the next pulmotor that was brought into existence was the N. R. A., the National Industrial Recovery Act. What did that do? That started almost a complete price-fixing scheme. It increased the cost of commodities, at least 20 percent by one piece of legislation, that gave a little artificial stimulus to business for about 6 months, and then again we went down to still a lower level than either of the two former levels, and in my judgment, the reason that this depression went deeper than did previous depressions of which I have knowledge, and it goes back to 1893, is that these artificial means were used and they did not allow the laws of supply and demand and the natural psychological workings to take place without these artificial stimulants that they tried to give the patient.

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Senator HATCH. Mr. Irwin, I believe you are confusing the periods of recovery a little bit, but it is immaterial for this discussion, and I shall not go further with the questions except to ask this, and I do not want you to get the idea that I favor monopolistic practices. On the contrary, I do not, but I think it is a matter that should be understood and discussed thoroughly

You talk about these natural monopolies, business which, by itself, by its very nature, without any violation of the antitrust law, creates a monopoly itself. Now, what do you propose in reference to such?

Mr IRWIN. Now, Senator, I did not quite say that. I speak [149] of public utilities as natural monopolies.

Senator HATCH. Let me see:

The enormous concentration of wealth in these institutions, with the monopolistic power which thereby develops, offers one of the greatest problems confronting our Nation today.

Now, that is what I referred to, that group 3 there.

Mr. IRWIN. Yes; but that does not have to do with public [150] utilities.

Senator HATCH. You say: "Which in no way may be violating the antitrust laws." Now, all I want to get is your theory about that and what could and should be done.

Mr. IRWIN. I have here a statement. As long as you have [151–1] asked the question, Senator, but, if you don't mind, I would like to read it into the record because I think it gives much of what you speak of, and I refer to it as "Too great a concentration of wealth in industry."

Size in industry to the point of highest efficiency is undoubtedly of [151–2] social value, but, size carried beyond that point, has many doubtful complications. It tends to develop a monopolistic power. Such concentration of capital is often able to crush out weak competition, thus gaining a monopolistic power to obtain non-competitive prices for a product. It reduces the number of competitive units making price agreements far easier to accomplish. It tends to create self-perpetuating industrial dynasties which are bound to have inordinate control over too many lives.

Senator HATCH. I will renew the question, Mr. Irwin, in view of the explanation, and I think it is a very fair statement—what would you suggest, what methods should be used to eradicate the evils such as you have described?

Mr. IRWIN. In my statement, I refer to an excess profits [152] tax and an excise tax. I obviously would not want to offer, would not want to state, at this time, until I could go more definitely into it and lay down a couple of thoughts that I think might be studied which would have for its objective the solution that is desired.

Senator HATCH. Through the powers of taxation you think there might be a possible field where proper regulation could be exercised?

Mr. IRWIN. Excess profit tax, as I say in the statement, will [153] also aid, not in enforcing the Sherman Law, but somewhat in enforcing its principle, that is, if there was an excess profit, an abnormally high profit, due to the violation of the law, the top would be skimmed off under the excess profit tax.

Senator HATCH. You accept the theory that this is a natural condition that grows out of the size of a concern and the business in which it is engaged? You point out yourself that it would not be a violation of the trust law.

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Mr. IRWIN. That is it exactly. Now, do not misunderstand [154] me, that I am in favor of cutting down the units of mass production below the point of highest manufacturing and distributing efficiency, but I do not believe that one corporation has to embody, may I say, everything from automobiles to fly swatters, to make it the most efficient.

Senator HATCH. Mr. Irwin, the letters you refer to were interesting to me, and you said something about making them available. I wonder if you would object to filing them with the Committee? We won't have to include them in the record, but they might be filed.

Mr. IRWIN. I will be very glad to file these letters together with the other evidence of the same type.

Senator MURRAY. To what degree has your industry been affected by mechanization?

Mr. IRWIN. Not to any very great extent. The manufacture [155] of furniture does not lend itself to modern, what is known as, modern automatic machinery. It is still almost as large in percentage of hand labor as it was when I first went into business. There are some improvements, there are improvements, many improvements, in the type and character of the machines, but there are comparatively few operations which, during that long period, have been put under machine operation where 50 years ago they were hand.

Senator MURRAY. You do not feel, then, that your industry would be affected in any way by the Social Security tax which would compel the introduction of machinery, or encourage the introduction of machinery?

Mr. IRWIN. Well, we are affected by the Social Security tax [156–1] the same as all industries are affected. It adds to the cost of the goods, of course, as illustrated in these letters, it has to be added to the cost. It is a misnomer when you say the manufacturer pays the Social Security tax. He is merely a collecting agency from the public. He does not pay anything. The Social Security tax, after a reasonable length of time, so that you may have an opportunity to adjust it into your cost, is no different than an increase in the cost of raw material and is paid by the public.

I cannot entirely agree with Mr. Baruch that a tax on [156–2] machine hours to cover the, may we call it, social injustice, if you please, which comes out of the development of labor-saving machinery, would be any better than correcting it some other way. In the end society has to pay it, but the Social Security Act, of course, goes very much further in its scope than merely protecting the people who are among the casualties of technological development.

(Witness excused.)

Senator HATCH. The committee will be adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12 o'clock noon, an adjournment was taken until 10 o'clock, March 2, 1938.)

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UNEMPLOYMENT AND RELIEF

WEDNESDAY, MARCH 2, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Davis, Murray, and Lodge, also Alan Johnstone, counsel to the committee.

STATEMENT OF RALPH E. FLANDERS, OF SPRINGFIELD, VT., CHAIRMAN OF SPECIAL COMMITTEE APPOINTED TO PREPARE A REPORT FOR THE SENATE COMMITTEE

The CHAIRMAN. The committee will come to order.

Mr. Flanders, do you prefer to keep that chair that you have?

Mr. FLANDERS. Well, it is a good, comfortable one.

The CHAIRMAN. You will probably be more comfortable at the head of the table.

Mr. Flanders, you made a survey for the Business Advisory Council of the Department of Commerce; did you not?

Mr. FLANDERS. Yes, sir.

The CHAIRMAN. After you made that survey, the committee requested you to appear to present the results of your research on the questions involved in the resolution under which the committee is acting. I would be very glad if you would at this time make a statement with reference to that subject.

Mr. FLANDERS. I have, Mr. Senator, this Council report, and also further matters on which I was reporting personally at the suggestion of Mr. Johnstone. I will take up the Council report first.

The CHAIRMAN. I wish you would do that.

Mr. FLANDERS. Shall I do that?

The CHAIRMAN. If you will, yes.

BUSINESS ADVISORY COUNCIL

Mr. FLANDERS. My appearance before you is in two capaci- [157–1] ties. I am charged first with presenting to you a report adopted by the Business Advisory Council of the Department of Commerce which is herewith placed in your hands. (Appendix 25, p. 1654) In addition to this, I have certain statements to make with regard to the means for reviving investment and thereby increasing employment

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and business activity. This second part of my statement is given from my own personal experience and on my personal responsibility.

Referring first to the document from the Business Advisory [157–2] Council, it may be useful to summarize it in this statement. After listing the immediate and obvious causes of the present recession, there are pointed out certain fundamental conditions so serious as to have been effective in causing a decrease in business activity, no matter what immediate causes might have started the downturn. The underlying bad condition is the very low rate of turnover of the highest volume of bank deposits this country has ever seen. This high volume of deposits has been built up in the main by Government borrowing and spending. On the basis of all previous experience, these funds should have remained in active use, but unfortunately this has not been the case. The rate of turnover of these deposits, as measured by reference to figures for net demand deposits published by the New York Federal Reserve Bank, shows that the drift has been downward from the bottom of the depression in 1932. More and more funds have been provided by Government spending, but more and more has been the tendency to allow these funds to rest idle in stagnant bank deposits. There is the strongest evidence that the holders of these deposits are unwilling to spend and afraid to invest.

CAUSE OF STAGNATION IN SPENDING AND INVESTMENT

The Council document gives some data helping to answer [157–3] the question as to whose are the idle funds. Is the stagnation in spending and investment due to the idle balances of large business firms, or of large depositors of great wealth, or of the sum total of hundreds of thousands of small deposits? Evidence is given in the report to show that while the cash balances of industrial organizations are high, they have tended downward since 1929.

I would like to refer for a minute or two to this chart, be- [157–4] cause, on reading Governor Eccles' testimony, I find that he referred to the same data as are given on this chart (see figure No. 5, p. 1659), and he called attention to what is a fact, namely, that the cash and equivalent of all the industrial corporations in the country making regular reports are very much higher since 1929 than they were before. The additional point which I think should be mentioned, and which Governor Eccles did not bring out, is that while they are higher than they have been since 1929 and before, yet the tendency has been continuously downward, so that they were not building up any serious condition which came to a climax.

Now, the tendency has been downward and not upward, so [157–5] that whatever there may be of evil in the situation of cash reserves of industrial corporations has been lightening rather than becoming worse. There has been no increase in idle funds. It should be noted that these data are opposed—they are not opposed That is a misstatement. I am giving additional information with regard to the data to those given by Governor Eccles. It would seem to be important that the sources of the opposing conclusions be sought out and compared. Data are also given to show that a higher proportion of total earnings was paid out in dividends during this recovery than has been the case in any recovery period in the last quarter century.

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DIVIDEND PAYMENTS

For that information, if you will turn to figures 6 and [157–6]
7 in the Council Report (see pp. 1659, 1660) and examine the two curves there given, you will see the first one, on figure 6, is for the same 213 corporations that were given in figure 5, and a glance at the chart indicates that in the upturn from approximately 1922 to approximately 1929, the chart shows common dividends paid out is much lower in proportion to the total available for common stock than it was in the recovery period from 1934 on. 1936 and 1937, of course, they will have been affected by the undistributed-profits tax, but even 1934 and 1935 show a large percentage of net available paid out in common dividends.

Now, figure 7 carries the history back still further. For [157–7]
those 68 corporations whose records go back to 1914, and I think there, on the whole, the evidence is still more impressive, that an unusually large percentage of funds available for common dividends has been paid out in this recovery, more so than at any other period that the chart shows.

Now, I think I should add a word or two about that condi- [157–8]
tion beyond that which I have stated in the document here, and that is that in previous recoveries probably a much larger amount of the funds available have been plowed back into the company and reinvested, physically, reinvested. I do not mean invested in stocks of other corporations, but physically invested in the plant and equipment. That means that it has been put into circulation. That means that it has been spent for something, and the disquieting phenomenon of our present situation is the large amount of money that is not being spent for anything, and I am not sure that this curve for the past 3 or 4 years indicates that the great proportion of it has been paid out. I am not sure that that is a healthy sign. Perhaps we might have done better if more of it had been spent for internal physical investment in the companies instead of being paid out to stockholders.

On the basis of the Council's information, it appears the [157–9]
industrial corporations at least are not largely responsible for the unusual stagnation of deposits. For obvious reasons, we cannot look to find any greatly increasing volume of idle funds in the assets of railroads, merchandising organizations, and most other types of trade and industry.

We are led to conclude that it is probably personal ac- [157–10]
counts which are lying unused—either as individual accounts or as the accumulation of individual accounts in the cash balances of savings institutions and life-insurance companies. Data are given to show the very large proportion of corporate earnings that goes into the hands of the low-income classes, and the conclusion is drawn that the unwillingness to spend and the fear to invest is a very widespread phenomenon held by hundreds of thousands of individuals, rather than being a result of the fears or malevolence of a small financial group.

The data referred to is in the Council Report in which is [157–11]
given a table taken from Berle & Means' book, The Modern Corporation and Private Property, in which, in 1929, it was estimated that

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the corporate distributions, of the total corporate distributions, 26 percent went to those with annual incomes of less than $5,000; 25 percent to those with incomes between $5,000 and $25,000; 24 percent went to those with incomes between $25,000 and $100,000, and 25 percent to those with annual incomes of above $100,000, leaving only a quarter of the distribution to go to those with what we ordinarily consider to be high incomes. We have no means of knowing whether those percentages still hold.

The CHAIRMAN. Do they indicate the source of their information?

Mr. FLANDERS. They tell how their figures are arrived at [158]. At best, it is an intelligent estimate. It cannot be an actual, definite calculation.

The CHAIRMAN. I do not see how it could be, that is why I am asking you.

Mr. FLANDERS. The book explains the way in which they [159–1] arrive at the figures. If you want to use the word "liberal," the source is a liberal source, and I do not think it would be weighted disadvantageously in favor of the low incomes. You are right in questioning those percentages as thoroughly reliable.

Now, to get some notion of the size of these income causes, [159–2] we can look at the Brookings' Institution report on "America's Capacity to Consume," on page 54 of that book, and again, as of 1929, and again an estimate, the income classes from $3,000 to $10,000 included 5,297,000 families, in round figures; from $10,000 to $25,000, 471,000 families; $25,000 to $100,000, 136,000 families; and over $100,000, 24,000 families. Now, those figures are simply given as the best line we can get of the size of the income classes to which these distributions are made, and the inference we draw is that, first, that the stagnation in funds is attributable fully as much to provide deposit accounts as it is to corporate accounts, and, second, that the number of the private deposit accounts involved is probably very large indeed and not confined to a few large recipients of dividends.

What follows from this point is a personal contribution of [159–3] the presenter of this statement for which the Business Advisory Council, as a whole, or any of its members, cannot be held responsible. I address myself to suggestions for reviving investment, believing that the confidence which revives investment will likewise revive expenditures; and, by one or the other or both means, set the stagnant bank deposits to work building up employment, production, and consumption.

STAGNATION OF BANK DEPOSITS

I would like to stop the manuscript here just for a moment [159–4] and call attention to what seems to me to be the significance of the stagnation of our bank deposits. It means essentially that the only way we have been continuing our rate of business activity is by continuous borrowing and spending and that private business activity has not taken up the load, and that our prosperity has been maintained by governmental spending.

Now, that is the serious thing that is evidenced by the fact [159–5] that bank deposits tend to stand still and not be spent or invested.

I should like to be permitted to analyze the means by which [159–6] in this country new enterprises are started and older small enterprises are expanded to become large ones, with the results in both cases of

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increasing employment, production, and consumption. My presentation is drawn from personal knowledge of eight or more plants in four of which I have played an active part and have thereby gained an intimate knowledge of the process of expansion.

VENTURE CAPITAL AND BUSINESS EXPANSION

The old-fashioned and a still-continuing way of expanding [159–7] industry is by means of what may be called "friendly capital." A few tens or hundreds of thousands of dollars, drawn from friends and connections, are invested in a new enterprise whose sponsors possess the necessary experience and faith to persuade the friends of the worth of the new undertaking. In my experience the history of such ventures of "friendly capital" follows in most instances a pattern that is almost identical. There is first the initial period of enthusiasm and development; then come the critical years in which competition is being met and overcome bit by bit, but in which hoped-for earnings have to be diverted to further and unexpected development problems and to the strengthening of a too meagre working capital. This critical period may last for several years. Typically, the friendly stockholders become pessimistic and are resigned to what they conceive to be the loss of their money. Sometimes the investment is lost; sometimes it succeeds. Success results from the old American way of plowing back into the business every dollar that is squeezed out of it month after month and year after year until the enterprise is put on a solid earning basis.

This normal way of expanding business and employment has [159–8] been handicapped by the income tax. The business world accepts the income tax and accepts that handicap; but the new types of taxes, such as the undistributed profits tax, and the impending "third basket" of the new tax bill make the expansion of business and employment by these old-fashioned means inexcusably difficult. Under these conditions we cannot expect "friendly capital" to be as freely available as it was in years past. Nor can we expect the resulting volume of new employment on the same scale as would be the case if these taxes were eliminated.

Another type of business expansion is financed by what [159–9] might be called "venturesome capital." This type of development is more impersonal and on a larger scale than that just described. For generations past there have been men of means who found their chief interest in the searching out of hopeful new undertakings based on new inventions in machinery or processes, to which they applied the necessary capital to bring the enterprise through the development stage. Here again not all ventures were successful. Many of them failed. But in the long run the man with "venturesome capital" has played an important part in the expanson of employment, production, and consumption. This type of investment is handicapped in the same way as is "friendly capital," but is in addition oppressed by the capital-gains tax.

It is an essential feature of "venturesome capital" that it [159–10] is withdrawn from an enterprise after it is solidly established. The established enterprise is sold to the general investing public, and the returned capital again seeks new employment in another venture. The effect of the capital-gains tax is to make it unprofitable to with-

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draw and reventure. The capital remains in the old undertaking and, therefore, the amount of funds available for new enterprise is permanently diminished.

PUBLIC CAPITAL INVESTMENT

A third type of investment is by means of "public capital." [159–11] This has a very limited application for the completely new enterprise or for the small or medium-sized one. Public offerings of securities can only be made for established enterprises and with a minimum offering of securities of not much less than $500,000 at the most. This means of financing is still open, although rendered somewhat more difficult by the new complications of the Securities and Exchange Commission. Complete dependence on public capital in lieu of "venturesome" and "friendly" capital puts an arbitrary end to the old era of the development of small enterprises into large ones, for hopes of large profit from development are destroyed, and it is only the hope of large profit which entices savings into new enterprises.

The question may be raised as to whether we really need [159–12] much new investment. While it is admitted that our economy is geared up to spending a considerable percentage of the returns from industry on new machinery, equipment, and buildings, yet it has been urged that that proportion has been and now is too large, and that we should rearrange our machinery to operate on a permanently smaller amount of investment and an enlarged proportion of consumer expenditure.

Among the broad-scale influences which should be working [159–13] toward larger instead of smaller investment is the fact that we are not yet equipped for the new higher standard of living. If this Nation is to have more goods and services and work shorter hours in producing them, the great mass of worn-out and obsolete equipment in our mills and factories must be replaced with the best available. In no other way can we have the desired standard of living on the 40-hour week.

That we are under-equipped on the new standards is evi- [159–14] denced by the fact that in this recovery continuous two- and three-shift operation of factories became the rule where previously it was the exception, save for short peak loads of production. This is clear evidence of the inadequacy of our productive equipment for the new conditions and of the necessity for new investment to take care of the shortage. In the replacement of this shortage with new equipment lies the opportunity for many years to come to expand employment in those industries in which the decrease of employment has been most notable.

The CHAIRMAN. Do you use that as evidence of under-equipment?

Mr. FLANDERS. Yes; unless you are willing to consider night [160] work as a permanent part of our equipment.

The CHAIRMAN. I have known many cases where it was said that the purpose is to increase production without increasing overhead.

Mr. FLANDERS. Yes, it makes for better profit, but it was made [161] necessary without even the profit part of it by the fact that hours were shortened so that movement of working nights was made necessary by shorter hours.

The CHAIRMAN. I don't know. I know only about the cotton manufacturing industry and mills, whether they had old equipment

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or new equipment, went into two shifts or three shifts and made no more taxes off that building, they had the same accounts, the same expenses, the same overhead, and the production was equivalent to that of three mills instead of one.

Mr. FLANDERS. I would not want to say that industry was [162] dragged unwillingly into the three- or the two-shift operation. It was not dragged into it because it is more profitable, but it had to run two shifts where formerly they had not had to run but one.

The CHAIRMAN. Isn't it true that what happened in the cotton-manufacturing industry was that where some manufacturers went into the three shifts, it enabled them to produce more cheaply than their competitors and the other manufacturers were opposed to it but in order to compete they had to go into it.

Mr. FLANDERS. That is true. [163]

Senator DAVIS. Don't you find too that with a group of industries that are competitive, that when improvements are made in one industry, and one particular company, that the others have to follow suit?

Mr. FLANDERS. They do if the improvements are great enough. [164] Sometimes an improvement in machinery or processes is overcome by some other advantage in another company, either along the lines that Senator Byrnes just mentioned of running three shifts instead of two, or by a differential wage advantage, or by more skill in buying or selling, but, in general, any improvement in equipment or methods eventually has to be accepted by all.

Senator DAVIS. As an illustration, you take in the steel industry, an investment of $20,000,000 is made to establish a strip mill.

Mr. FLANDERS. Yes.

Senator DAVIS. For the manufacture of tin plate.

Mr. FLANDERS. Excellent example.

Senator DAVIS. It produces its plate at $15 or $20 a ton cheaper than in the old way The result is now that every other manufacturer of tin plate will have to put in that sort of machinery It is a large assessment of capital. For instance, one mill that is going up now costs about $40,000,000 but everybody has to get in line, every other company has to make these improvements, or else begin to reduce wages.

Mr. FLANDERS. No reduction of wages would have saved any- [165] body from the continuous strip mill as compared with the other because the improvement was so great. It is an excellent example of a process which had to be met by everyone who intended to compete in selling sheet to the automobile industry.

Senator DAVIS. They produce more in a day with this modern machine than probably five shifts would produce in a week.

Mr. FLANDERS. I don't know what the figures are, but they [166] are considerable.

Senator DAVIS. As the chairman of the committee has just said, it reduces overhead; it reduces the number of employees, and it reduces the capital structure.

Mr. FLANDERS. It increases the capital structure when the [167–1] older processes are replaced with new, unless they write down arbitrarily the old mechanism, the old investment. Now, one thing we want to keep clear with the strip mill as an example, and that is that the saving on labor is not clear saving. The strip mill, as you said, may be 20 or 40 million dollars, I don't know what the investment is for

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putting in one strip mill, but that has to be amortized over its life, and you get a new kind of cost instead of direct labor cost.

Now, that new cost is still labor cost, but it is labor cost [167–2] which is derived from the cost of manufacturing that immense piece of apparatus. Your labor has been moved somewhere else, with a net decrease in the amount of labor involved, but not as large a net as would appear on first looking at the thing.

Senator DAVIS. Yes; but it plays havoc with those who have followed that line of work, where they are of 45 or 50 years of age, it is difficult to adjust themselves to another industry

Mr. FLANDERS. All those improvements have made some [167–3] favorable results for society, although the results to individuals in many cases have been not so favorable. [Resumes reading:]

Among the constructive policies which the Government [168–1] has applied to this situation may be mentioned the effective efforts to establish a low interest rate. This is favorable to investment, if it can be applied to long-time borrowing, but its usefulness is very limited, as will be found by examining specific situations. For the purpose of examination let us take the three fields in which investment has been most needed and in which the failure has been most marked. These three fields are those of building, railroads, and utilities.

I have had the least personal experience with building so I [168–2] am not inclined to make positive statements. In general, we all know that building revives when a relatively rising level of rents passes a relatively decreasing cost of building. That condition was arrived at about a year ago, and the building outlook was hopeful. The slowing-off of business, however, at once restricted the rise in rents and the hoped-for building activity did not come to pass. It is, of course, the general opinion that building materials and wages are too high. Until these conditions are corrected, there is little that a low interest rate can do to help building activity, except to bring the time when the rising rent line crosses the building cost line a few months earlier than would otherwise be the case.

I am sorry, I may be trespassing on the next man's preserves in this.

Mr. HOUSTON. You are making an able presentation.

Mr. FLANDERS. The low interest rates can do little to help [168–3] the railroads. When the recent rise in wage rates diverted railroad income from needed capital expenditures into pay rolls, there was little that low interest rates could to to encourage investment in this field.

But this situation is worse than this even. While the road [168–4] that is bankrupt or steadily losing money finds it difficult to get funds for improving the right-of-way and replacing steel rails, it has always been possible under certain conditions for the losing or even the bankrupt railroad to obtain new capital for rolling stock through that mechanism of financing known as the equipment trust. In the case of locomotives, for example, if it could be shown in a given instance that a new locomotive would haul enough heavier loads at a lower fuel cost to repay its purchase price within a reasonable length of time, then it was possible to finance the purchase of such a locomotive through the equipment-trust method, which is simply that of placing a mortgage on the equipment bought, with provision for amortizing its cost over its useful life.

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Low interest rates help in this process, but when there appears on the legislative horizon such a bill as the threatened 70-Car Train bill, the very reason for purchasing the new motive power disappears completely and no interest rate, however low, would be attractive enough to railroad management to lead them to the purchase of a modern locomotive. Nor would investors risk their funds under these threatened conditions if railroad management urged them to do so.

So much has been said about the unwise vacillating and [168–5] threatening policy of the Government with relation to utilities that it is unnecessary to go into the situation in detail here. Suffice it to say that no interest rate, however low, would be of the slightest service to the utilities at the present moment. The risk is so great in view of the undefined yet ever-present threat of Government competition that scarcely any interest rate that investors might demand would be too high to insure against that risk. Truly the utilities situation is the "key log in the investment jam."

There is a final general effect of the prevailing low interest [168–6] rate, which is that the great mass of small funds out of which the investments of the people have been accumulated choose to remain as cash reserves. The low interest rates are not sufficient to coax them into dubious investments.

Now, Senator Byrnes, I want to say that in the next two or [168–7] three pages, I want it to be understood that I am speaking with seriousness, but not with bitterness. If you will just try to cast the serious atmosphere over the thing rather than anything else and understand my words in that sense——

The CHAIRMAN. And understand too that you are not speaking for the Business Advisory Council?

Mr. FLANDERS. That's right, sir, I am speaking for myself in these words.

The CHAIRMAN. I just wanted to know if you are speaking for the Business Advisory Council.

Mr. FLANDERS. I am not.

As against the constructive efforts of the Government to [169–1] revive investment by low interest rates, we have to balance the destructive policies already enumerated. The utilities policy has shut off what has been calculated to be an immediately available fund of at least a billion dollars which would be glad to flow into investment and employment if reasonable safety were assured.

Besides this, there are the three unwise forms of taxes: The [169–2] undistributed-profits tax, which kills or hobbles American enterprise; the capital-gains tax which keeps venturesome money from use; and the new "third basket" tax which strikes at owner management of the small and medium sized company—and by the way, by "medium-sized company," I mean one too small for public financing, and that means a company with a net worth of say $4,000,000 or $5,000,000—fosters absentee management, and gives the preference to the large company with its tens of thousands of stockholders.

It has been asserted that some or all of these ingenious taxes [169–3] are useful from the standpoint of assisting circulation of funds. They do tend to take money from corporate treasuries and put it either in the hands of the Government or in the hands of stockholders; but, as

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we have seen, the stockholders are less likely, if anything, to invest than are the corporations from whom the funds are taken. And the Government has proved itself powerless up to this time to get into active and continuous use the funds which it collects and spends. Something more and something different from any of these expedients is required to revive investment and employment.

Up until a year ago, it was my personal conviction that the [169–4] unfavorable sentiment which held back spending and investing was to be laid about equally at the door of industry and government. As one citizen among many millions, I have now come to the conclusion that the full measure of responsibility must be laid at the door of government for the state of mind which induces us to hold onto our money. The principal reason for this change of opinion lies in the fact that industry is now completely helpless before government. Government must, therefore, take full responsibility.

The CHAIRMAN. Why?

Mr. FLANDERS. It is helpless because the Government has [170] now entered and has its finger on and passes laws about practically every element in business activity.

The CHAIRMAN. What, for instance?

Mr. LANDERS. Well, selling, just some examples, selling, the [171] Miller-Tydings bill. I will not say whether they are good or bad.

The CHAIRMAN. Well, if, in your opinion, it is responsible for all the uncertainty, I want to hear what remedies you would suggest that Congress make.

Mr. FLANDERS. Taxation as a means to revising investments [172] is my most important recommendation.

The CHAIRMAN. I have been asking for some weeks men to name a law that they would repeal and the only answer I have gotten up to this time is taxation, and everybody who reads the newspapers knows that there is now pending in the House a bill for modifying the tax laws and it will be acted upon the next few weeks by the Senate as well as by the House. Now, having that for granted, what else is there that you say that Congress can do to remedy the unemployment situation?

Mr. FLANDERS. I have no personal interest whatever in utili- [173] ties, but it is exceedingly important that some more or less definite and long-time policy be established in utilities.

The CHAIRMAN. Well, what policy?

Mr. FLANDERS. Well, my best lead on that has come from [174] reading documents that Arthur Morgan has presented in the way of looking toward establishing fair values and fair arrangements as between Government-produced power and privately produced power in the same area. I cannot go into the details of the thing because I have not the documents with me. I think it was a report he made to the President, but I do have the feeling that if his ideas had been followed in the Tennessee Valley situation to date, that investments in utilities would still be an attractive and possible thing. They have been accustomed in years past to build a little bit ahead of their needs, and they are not doing it now. They have been accustomed to build to a considerable extent when business was not particularly good. They have not been able to do it now, even when business was exceedingly good, and it was a year or two ago. (See p. 1660.)

There are those two things.

The CHAIRMAN. You say that a year ago you thought any responsibility was divided between Government and business?

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Mr. FLANDERS. Yes. [175]

The CHAIRMAN. Now, you have come to the conclusion that it is solely Government. If you say that the trouble is that the man of low income has his money in banks throughout the country and will not invest, that he is afraid, if you were a man with small income and had money in the bank and all executives of big corporations were going around making speeches about how dreadful the situation was and that there could be no expansion and no recovery would you, Mr. Man-of-low-income, would you go and put your money in anything?

Mr. FLANDERS. As a man of low income my funds are prob- [176] ably in savings institutions or life insurance companies, but that does not change your question.

The CHAIRMAN. Well, you have said that you thought there was a lot of idle money throughout the country by men of low income.

Mr. FLANDERS. There is. [177]

The CHAIRMAN. Now, the man of low income who reads the statements of business executives that the policies of the Government are responsible for fear and that there can be no recovery, he doesn't go on and say that the only law he wants changed is the law of taxes, to change these two taxes, but he does not, he just says the Government is all wrong, and then when we cross-examine him and say: "Where," the only answer is to modify the capital-gains tax and repeal or modify the tax on surplus profits and that is all. There isn't any other answer that we can get from any of these people. If there is any other suggestion we can get from anybody who holds these views, I would want to know what it is.

Mr. FLANDERS. I am not prepared to say how to do it this [178] morning, because I did not prepare myself to speak on that subject; but I would want to add to that some reasonable solution, in the public opinion, as broadly viewed of the utilities situation; and I should also want to add to it eliminating the possibility of the decisive defeat of the 70-car bill as touching another large area of investment.

The CHAIRMAN. Yes; but you will admit that that bill has not been passed and therefore that has not contributed to this backlog of deposits throughout the country.

Mr. FLANDERS. Yes; but the fact that it is there and that such [179] bills seem to be favorably viewed is one of the factors.

The CHAIRMAN. Do you know how long it has been there?

Mr. FLANDERS. It is not a brand new thing, but it comes up [180] again and again.

The CHAIRMAN. It was not responsible for the boom back in '29; was it?

Mr. FLANDERS. No. [181]

The CHAIRMAN. Then, why would it be responsible for the depression of 1938?

GOVERNMENT TAX POLICY

Mr. FLANDERS. No; but there is something general I want to [182–1] speak of—the fact that we have one unfavorable tax situation about to be remedied and another one comes in. I am talking for myself now, and for nobody else. Another thing comes in every time an unfavorable thing is about to go out—every time we seem to be getting a gain and a correction, something else is about to come up that is

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going to kill it. I am discouraged; I become doubtful; it seems to me that even though we slow up our motion it is in the wrong direction. I am not talking for anybody else now.

The governmental attitude is wrong in many respects, but [182–2] most wrong it would seem in this—that these rapidly devised and ingeniously conceived expedients, such as the various types of taxes already described, are all aimed at trying to "get" somebody or some group. The price we have to pay for "getting" somebody is far too high. The price is paid in workmen laid off and living standards lowered. The Government itself loses from lowered taxes from lowered business profits.

Instead of following this policy, let the Government rest on [182–3] and improve its solid achievements. And I am one of those who believe the Government has some solid achievements to its credit. Among these solid achievements I would include the reorganization of the Federal Reserve Board (which needs consolidation and further experience before new ventures in this direction are tried); the Securities Exchange Commission (which is gaining wisdom with experience); and the whole social-security program whose purposes have been universally accepted and whose improvement and expansion should be the chief concern of governmental policy at the moment

REVIVAL OF DISTRESSED INDUSTRIES

These advances, and particularly those relating to the vital [182–4] problem of social security, can be supported in only one way—by encouraging business activity in the distressed industries. Instead of so doing, these new and unwise expedients in tax legislation actively throttle these industries. Our policies should be directed toward making more employment and higher taxable profits instead of diminishing them.

These are not minor recommendations relating to detail. [182–5] We cannot escape facing the fact that they mean a reversal of present governmental policy Nothing short of such a reversal will revive investment and employment, unless it be the undesired, artificial, and short-lived stimulus of warfare here or abroad. That, I think, is a real perilous possibility.

For the good of all it is necessary that the Government view [182–6] business activity and businessmen much as the dairy farmer views his herd of cows. By the way, I come from Vermont, and there are more cows in Vermont than there are people, so it is natural for me to talk about cows. If the Government wishes a bountiful supply of employment and taxable income, it must see that its herd is properly fed and that dogs and small boys are not permitted to run the animals ragged in the pasture. That is not the way to get milk. As with the dairy herd, so with our great Nation, there is no room for blind vindictiveness, or even for blind, though benevolent, experimentalism. It is astonishing how much we know about the health of business, and the well-being of those dependent upon it. It is even more astonishing how little of that knowledge we are using.

This series of blunders must cease if the American worker is [182–7] to have work and wages and high consumption, instead of trying to satisfy himself with the empty spectacle of political fireworks.

Gentlemen, your responsibility is great. You have full [182–8] power over industry. The Government now shares that power with

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no one. Its only restraint lies in the hard limitations set by the natural laws of the physical world and of human nature. May you and all of us have the wisdom and determination to meet your responsibilities squarely and well.

REPAYMENT OF ADVANCES TO DISTRESSED INDUSTRIES

The CHAIRMAN. Wouldn't you agree that it is encouraging business activity in distressed industry, while Congress may not have enacted any particular, specific legislation that you think should be enacted, that the Government, through R. F. C. has advanced about $4,000,000,000 to distressed industry, wouldn't you think that that was helpful?

Mr. FLANDERS. Yes, yes. [183]

The CHAIRMAN. So, the various railroads, banks, industries, have received substantial aid, in the sum of $4,000,000,000, wouldn't you say that?

Mr FLANDERS. Yes; but do we realize how difficult, on the [184] other hand, it is made to repay those funds?

The CHAIRMAN. By what legislation?

Mr FLANDERS. That again is tax legislation. [185]

The CHAIRMAN. That is it again?

Mr FLANDERS. Tax is the worst thing, and I would put utili- [186] ties as the second, and if those things could be fixed, I, for one, would feel a whole lot better.

Senator HATCH. I take it from your statements that while you refer to empty fireworks, that you are not in disagreement as to the efforts of this administration along the lines of social legislation.

Mr FLANDERS. I am heartily in sympathy with it. [187]

Senator HATCH. You are in sympathy with the efforts of the administration to preserve the rights of workers along labor relations lines, collective bargaining?

Mr. FLANDERS. I am heartily in sympathy [188]

Senator HATCH. You do not consider those empty fireworks?

Mr. FLANDERS. They are not empty fireworks. [189]

Senator HATCH. You would not repeal those laws?

Mr. FLANDERS. I would modify the Wagner Act greatly, but it [190] is not empty fireworks to help the worker in his efforts to organize for collective bargaining.

Senator HATCH. If those acts should be amended there would be plenty of support for those amendments?

Mr. FLANDERS. That is right. [191]

SOCIAL LEGISLATION AND BUSINESS

Senator HATCH. But hasn't it been true that throughout the course of all this type of legislation that there has been very strong antagonism on the part of business generally to it?

Mr FLANDERS. We have been dragged along a considerable [192] distance for our own good, but we have been dragged past that point, too.

Senator HATCH. I have been making some study lately of the different number of lawsuits that there has been filed against each type of legislation along this line and it is rather amazing, I am just

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wondering if there had been more cooperation along those lines and less antagonism, if we would have had a different picture today.

Mr. FLANDERS. I don't know. The secretary of the Business [193] Advisory Council is here, and I do not know how much I ought to say about the work of the Council, but that has been a consistent 5-year endeavor to cooperate.

Let us leave that whole thing off the record. I did not say it. I thought it, that is all.

Senator MURRAY. Mr. Flanders, during the period of 1921 to 1929 business had very little interference from the Government; did it not?

Mr. FLANDERS. It had what?

Senator MURRAY. Very little interference.

Mr. FLANDERS. No; and the things that I mention as really [194] of constructive results of the last 5 years, are enough, in my opinion, to control such a situation as ended in 1929 and result in the period following. It is in the Federal Reserve Act, in the Securities Exchange Act, and in one or two other things, we have the tools.

Senator MURRAY. You will recognize that during that period the evils that developed in this country were of such magnitude——

Mr. FLANDERS. They were.

Senator MURRAY. That it was absolutely necessary for the Government to become interested and undertake to control.

Mr. FLANDERS. I do. [195]

Senator MURRAY. Isn't that all the Government has been seeking to do at this time?

Mr. FLANDERS. No; I think it has been trying to do other [196] things and the other things have been unfortunate, but I think the Government has done well in those measures which, if wisely handled, can make the recurrence of that period of 1929 impossible.

Senator MURRAY. But no steps the Government has taken have met with the approval of business. They have opposed everything that has been sought to be done by the Government. Take, for instance, the labor relations legislation, they immediately announced to the public that it was unconstitutional and it was not necessary for any businessman to pay attention to it.

Mr. FLANDERS. The vocal ones——

Senator MURRAY. Was there any big-business man in the country that stood up and acknowledged that that was a move in the right direction and that they should sit in with the Government in an honest effort to bring about the reforms that were being sought?

Mr. FLANDERS. It was the fact that there was so little support [197] of those things that led to the formation of the Business Advisory Council in an endeavor to bring far-seeing and organized business opinion back of useful Government undertakings, and the members of the council have appeared individually in successive pieces of legislation in favor of a great deal of it. Many of us appeared individually in favor of the Social Security Act. I was one of those who did, and I think you can go over the roster of hearings after the first year or two and find much business support of most of the constructive pieces of legislation which have been put through.

Senator MURRAY. But you very seldom can read it in the newspapers.

Mr. FLANDERS. That is true. It does not make news. [198]

Senator MURRAY. And you say that the situation at the present time is largely due to the fact that there is a tremendous amount of

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money tied up, money belonging to the ordinary investor, and that he is afraid to undertake to invest——

Mr. FLANDERS. Yes. yes.

Senator MURRAY. Because of the fear that has been developed in his mind by this very propaganda you are talking about?

Mr. FLANDERS. Well, I am a party to that propaganda. I [199–1] think that the taxes not merely are a bogey; I think they are really something real. I think the utilities situation is not merely a bogey, but it is a serious fact. Now, that is not propaganda. Those are serious facts that an investor has to face.

Just let me again say that I think if we can keep in our [199–2] mind the notion that industry, working in its productive and useful capacities need not merely to be not hampered but encouraged, and if that is done, we will have the missing element required to make this administration's group of policies into a constructive direction.

Think favorably of productive business; think favorably of [199–3] it. On it we depend for employment, on it we depend for production, and on it we depend for the taxes to support the Government, and you are going to need a lot of taxes, and, I, for one, am hoping you are going to get them, but they want to be made on volume of business and volume of profits.

Senator HATCH. Let us not place all the responsibility on Government.

Mr. FLANDERS. I told you how I was feeling. Perhaps we can change our feeling.

(Witness excused.)

STATEMENT OF GEORGE F. HOUSTON, CHAIRMAN, COMMITTEE ON INDUSTRIAL FINANCING, NATIONAL ASSOCIATION OF MANUFACTURERS, AND PRESIDENT, THE BALDWIN LOCOMOTIVE WORKS

The CHAIRMAN. Mr. Houston, we have invited you to appear to give your views with reference to the unemployment problem, and will be glad to hear you at this time.

Mr. HOUSTON. Mr. Chairman, I have prepared a statement which I will read.

I want to reiterate the viewpoint so well expressed by Mr. Flanders, that this is the blunt statement of a businessman interested in finding the answer to a real problem. I am not a politician. I am not interested in politics. I am interested only in restoring prosperity to the country.

I will ask you to look at it in that spirit.

The CHAIRMAN. All right, proceed.

REEMPLOYMENT VS. UNEMPLOYMENT

Mr. HOUSTON. The underlying difficulty in the country at [200–1] the present time is unemployment. If normal employment can be created and maintained through the normal channels of private enterprise all other economic problems can be dealt with. Depression has well been defined as a condition in which those seeking gainful employment cannot find it, and prosperity a condition in which gainful employment is available for all desiring it. After having passed

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through years of deep depression, followed by partial recovery, we are today again in a period of diminishing employment, approaching depression levels. Reemployment and stabilized employment are among the most vital issues now before the country.

Reemployment must be found where unemployment now [200–2] exists. We cannot wait to create it in new fields of enterprise. It is generally agreed, I believe, that the bulk of unemployment has long existed in the activities concerned with the production of the facilities used in industry and commerce—namely, capital goods, including construction, and in the service industries related to them. The acquisition of these facilities is financed almost wholly out of savings of individuals and corporations, invested directly in such facilities or in the securities of corporations representing them. The whole period of the depression since 1929 has been characterized by a very great reduction in the aggregate capital resources of business. Until these resources are again built up by extensive individual and corporate savings invested in business, in the hope of gain therefrom, and until the spirit of forward looking enterprise is again revived, we cannot expect any very substantial revival in employment, except that created by Government spending, the effect of which will stop as soon as the spending ceases.

INVESTMENT TURN-OVER INCREASES STANDARD OF LIVING

Many people have the impression that capital, once invested, [200–3] is perpetual. Nothing, however, is further from the truth. Invested capital is constantly being consumed and destroyed in very large volume, estimated by the National Bureau of Economic Research to average, in the years from 1919 to 1935, nearly $8,000,000,000 per annum. (See exhibit No. 1, p. 1661.) This consumption of the capital of business, together with the additional capital needed to finance the growth of the country's facilities, required for an increasing standard of living for an enlarging population, must be provided, in our private enterprise system, by the savings of business and of individuals. In normal times, prior to the depression, American business accumulated savings constantly which were used for maintaining and developing the business structure. Since the beginning of the depression, however, business has not, in the aggregate, saved anything; on the contrary, it has paid out more than it has taken in by a very large amount, estimated to be in excess of $30,000,000,000. (See exhibit No. 2, p. 1663, on national income produced and distributed.)

The volume of savings of individuals invested in corporate [200–4] securities, can best be measured by the volume of new securities issued. During the decade of the twenties, new securities issued by domestic corporations, excluding refundings of all kinds, averaged about $3,600,000,000 per annum which may be said to be the normal volume of individual savings moving into incorporated enterprise. Since the beginning of the depression the volume of new securities issued by domestic corporations has been greatly curtailed, reaching the very low figure in 1933, of about $160,000,000, this being increased for the years 1936 and 1937, to about $1,200,000,000 per year, or say 33⅓ percent of normal. (See exhibit No. 3, p. 1664.)

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DEFICIENCY IN CAPITAL FORMATION

It will be seen, therefore, that while capital consumption has [200–5] continued throughout the depression at an accelerated rate, the process of capital formation has been greatly curtailed. The aggregate deficiency in business capital thus created, as compared with 1929 and without provision for the growth of the country, is very large, probably in excess of $50,000,000,000.

I would say that the sum total of the deficiency shown by those charts with respect to the losses of enterprise and with respect to capital consumption would indicate a substantial overlap. I am confident that the $50,000,000,000 estimate is on the low side rather than the high side.

Capital formation and investment in private business is the [200–6] very keystone of our private enterprise system. Without it private business cannot exist for any prolonged period. Until it is encouraged and stimulated to normal activity, reemployment of any large portion of those now unemployed will not be possible in that the only field in which extended reemployment can occur is the field in which present extended unemployment exists—namely, in the processes of rebuilding and developing the capital facilities of the country.

Curtailment in the savings of business has arisen partly from [200–7] a marked increase in the cost of doing business, particularly in taxation resulting in many lines of activity in reduced margins of profit; partly from decreased opportunity for doing business which keeps volume low, due to the unbalanced economic conditions under which we are at present living; and partly from various restrictive policies of Government which have discouraged and hampered enterprise. The initial curtailment in the flow of the savings of individuals into investment in corporate securities was brought about by the liquidation of the speculative structure created in the latter part of the 20's, but its recovery, which should have parallelled the general recovery of the country in 1935 and 1936, was retarded by restrictive public policies, entered into in an effort to reform our economic structure toward ends which, if generally understood would be rejected, and at the expense of recovery long and ardently desired by everyone.

DIVERSION OF NATIONAL INCOME FROM EXPENDITURE FOR CURRENT CONSUMPTION TO SAVING AND INVESTMENT IN CAPITAL FACILITIES

The reforms in question, with respect to the formation of [200–8] capital and the accumulation of corporate savings, have been advocated in part at least upon the theory that too large a portion of our national income has been diverted from immediate spending for the satisfaction of current wants, to saving and investment in capital facilities. Without going into the propriety of this theory, we do question the propriety of government, in a system of free enterprise such as we have enjoyed in America, undertaking to control, by taxation, regulation of the formation of capital, or otherwise, the manner in which the national income is used as between expenditure for current consumption needs and savings for investment in the permanent facilities of industry, commerce and living. We are convinced that a proper balance can be maintained in the use of the national income, as between these diverse purposes, only by the free exercise of individual judgment in the countless number of individual

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transactions involved in the carrying on of business in a free economy, and that any attempt to control this distribution by government will result in such a loss of confidence on the part of the individual with respect to forward commitments, as to bring about just the kind of slowing down of the entire economy we are now experiencing.

The public policies to which we refer as interfering seriously [200–9] with the accumulation of savings and their investment in business are primarily:

(*a*) The punitive taxation of undistributed profits of corporations;
(*b*) The present method of taxation of capital gains;
(*c*) The repressive regulation of the issuance of corporate securities and trading in them.

UNDISTRIBUTED PROFITS TAX

That the tax on undistributed profits was not intended [200–10] originally for revenue only, but rather for reform, is borne out by the testimony of an official spokesman of the Treasury who stated before the Ways and Means Committee of the House in the original hearings on the bill "That the greatest depression in the history of the country followed the accumulation of the greatest corporate surpluses in the history of the country." [1] It is further borne out by the testimony before the Senate committee of an official spokesman of the Treasury who stated "We also have some general grounds for suspecting that the accumulation of these very corporate surpluses assisted materially in causing the depression." [2]

This tax is having and will continue to have the effect of [200–11] forcing an imprudent and exhausting distribution of corporate earnings during periods of prosperity without the accumulation of the cash resources with which to continue such distribution during periods of depression. Instead of stabilizing security prices it will intensify their fluctuation by raising them excessively high during periods of prosperity and large dividends, and depressing them unduly low during periods of depression when dividends must be stopped immediately.

Senator HATCH. I just wanted to ask you, if you can tell us what the practice along those lines has been?

Mr. HOUSTON. I think that is answered very effectively by [201–1] the chart shown by Mr. Flanders here, "Net Available for Common Stock," figure 7 (see p. 1660). There it is shown how the dividend line was well under the earning line during periods of prosperity up to 1929, and that it was substantially over the earning line subsequently. Again, Chart No. 2 (see p. 1661) in my own testimony also presents data of the same character. It shows that the national income produced exceeded in amount the national income distributed, thus indicating accumulation of cash resources by corporations continually, from the year 1919 through 1929, but from the year 1930 through 1935, it showed the national income distributed as being substantially in excess of the national income produced, indicating loss of corporate resources.

The action of the Chrysler Co. in paying abnormally large [201–2] dividends in response to the pressure of the undistributed profits tax in 1936 and 1937, and then stopping them the moment earnings stopped in 1938, is a concrete illustration of that situation.

[1] House hearings, pp. 654 and 640.
[2] Senate hearings (unrevised printing) May 1, 1936, pt. 2, pp. 53–54.

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This tax discourages the reinvestment of any large portion of [201–3] corporate earnings in the development and growth of business; it is a positive retardant to the formation of capital by investment of savings of individuals for use in business; it adds nothing to the stabilization of business, but much to the causes of its instability; it places a penalty upon corporate conservation and thrift in the accumulation of resources for the payment of debt and for continued operation during periods of depression. This tax should be repealed in its entirety.

CAPITAL GAINS TAX

The tax on capital gains has been in existence for many years, [201–4] but not in its present form, which in effect is a capital levy and a drain upon accumulated savings. This capital levy frequently becomes so burdensome as to cause the taxpayer to refrain from selling securities, thereby throttling a free market for corporate securities. Nothing is more essential to the restoration of capital formation, in normal volume, than the maintenance of a broad active market for securities in which the market price will, as nearly as may be possible, reflect at all times the true asset value of the securities traded in. This tax should be amended (a) to segregate net capital gains in any year from ordinary income and tax it at a relatively low, flat rate, and (b) to permit of carrying forward a net capital loss in any year for offset against capital gains in subsequent years.

SECURITIES EXCHANGE ACTS

The issuance of corporate securities, both as new capital and [201–5] as refundings of existing securities, is now regulated by the Securities Act of 1933, as amended, which deals with the issuance and sale of new securities. The trading in the securities of business is regulated by the Securities Exchange Act of 1934 which deals with the registration of such securities and the subsequent trading in them upon the securities exchanges. The original Securities Act of 1933 was found to be so rigid in its structure and so drastic in its provisions as to be quite unworkable. As a result this statute was amended by a rider to the Securities Exchange Act of 1934, which modified certain of its provisions. While the amendments thus effected rectified certain of the inherent defects of the original act, this act as amended still constitutes a serious obstruction to the financing of business through the issuance of new securities.

The Securities Exchange Act of 1934 also contains defects of [201–6] the same general character. In addition, it has brought about such drastic regulation of the trading in securities as to curtail seriously the breadth and activity of the market for corporate securities.

Business has never denied the necessity for governmental [201–7] regulation of the issuance of corporate securities or of trading in them on the national exchanges. The chief objective of capital formation, however, is production and employment. Anything that interferes with these objectives is detrimental to the economy as a whole. These laws, although administered admirably by the Securities Exchange Commission, have proven to be detrimental in this particular and should be amended to encourage rather than repress the formation of capital in the form of corporate securities and the maintenance at all times of a broad and active market for such securities.

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Senator HATCH. Have you any specific amendment to offer?

Mr. HOUSTON. You probably have forgotten that in 1934, [202–1] when the Securities and Exchange Act was before the Congress, I spoke for industry as the issuer of securities, looking toward further amendments of the Securities Act of 1933 and modification of the Securities and Exchange Act of 1934. We finally had the amendment we sought introduced by Senator Walcott in the Senate the day the Securities and Exchange Act was passed, so you will find a complete statement of what we believe those statutes should provide in the Congressional Record.

I have also given Mr. Williams, of your committee, a copy of that statement.

I would say, however, that that was made in 1934, and [202–2] that those should be reviewed in the light of subsequent experience and the regulations issued by the Commission before stating that they are precisely the amendments we would advocate. They do cover the points we have in mind, namely, that the Securities Act of 1933, particularly, creates an undue burden of expense in the preparation of excessively detailed registration statements. It creates an undue liability for mistakes honestly made on the part of directors and officers of corporations, so much so that there is a very great hesitation on the part of directors and officers of corporations to go into the capital market, and, finally, I think it creates an unwarranted demand for publicity with respect to the holdings of major stockholders.

I, personally, have no objection to the demand for publicity [202–3] with respect to the holdings of officers, but I do not see any reason why, because a stockholder holds 10 percent of a corporation's securities he should be required to live in a goldfish bowl, as compared with a stockholder who holds 9¾ percent.

The Securities and Exchange Act follows, to a certain ex- [202–4] tent, those same defects, and it should be amended so as to parallel at all times the provisions of the Securities Act with respect to the issuer and the investor, but, more important than that, the great difficulty I see with the Securities and Exchange Act, is that it discourages trading in securities.

FUNCTIONS OF BUSINESS

I want to divert for a moment, gentlemen, to discuss what [202–5] business is for in our social order. As I see it, business should perform only three functions: Production and distribution of goods; the creation of gainful employment to those seeking it; and the creation of an opportunity for investment in procreative activities. Now, the emphasis placed upon each one of those functions by the social order will determine to a considerable extent the character of business. Undue emphasis placed upon investment and the perpetuating and safeguarding of investment will, in my opinion, create a static economy, create monopolistic conditions. Undue emphasis placed upon the conditions of employment will, in my opinion, hamper what I believe to be the ultimate objective of business, and that is to produce and distribute goods and services. In a dynamic economy such as we have had in America, I feel very strongly that our wellbeing lies in emphasis on production of the maximum quantity of goods and services at an ever diminishing cost, measured in human effort and the

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widest possible distribution. If we continue to emphasize that as the prime objective of business, I think we will need relatively little regulation of capital, regulation of trading in securities, and relatively little stringent regulation of conditions of employment.

Now, that is my personal philosophy and it is from that approach that I am talking today.

MALONEY BILL

The Maloney bill,[1] now before Congress, for the regulation of [202–6] the over-the-counter markets, if enacted at this time will constitute a further obstruction to the formation of capital.

I would like to say in that connection that when the Secu- [202–7] rities and Exchange Act was before the Congress, the durable-goods industry committee for which I was spokesman, called attention to the fact that Government was undertaking to regulate the purchase and sale of securities in private enterprise throughout the entire Nation. It was pointed out that that was not the case, that they were endeavoring to regulate only the purchase and sale of securities on national exchanges because of the speculative abuses that had grown up on the exchanges. We said at that time that when that regulation became established, further regulation would inevitably follow with respect to the several hundred thousand corporations whose securities are not listed on exchanges, and I want to comment at this time that the inevitable is coming to pass and that Congress is now being asked by the Securities Commission to consider the regulation of the purchase and sale of the securities of all corporations, no matter how small, where undertaken by an agent in the over-the-counter market anywhere, and, candidly, I think such an effort will result in a substantial slowing up of trading in such securities and correspondingly of their issuance, and correspondingly of potential employment created by their issuance.

SPIRIT OF ENTERPRISE FOSTERS GAINFUL EMPLOYMENT

American business has been carried on from the beginning [202–8] at a high cost in capital wastage. It has been accompanied, however, by a high rate of capital formation through individual and corporate savings, the net result being a rapid increase in national wealth. These conditions, coupled with the spirit of enterprise growing out of freedom of action on the part of the investor and the entrepreneur to risk, to hazard and to gain or lose thereby, have resulted in a high rate of production coupled with a more rapid turnover of capital goods than has ever been experienced in any other country for any substantial period of time. This in turn has resulted in a high rate of gainful employment and in keeping the country equipped at all times with adequate, modern, capital facilities. These processes must be restored if reemployment is to be expected at rates previously considered normal in relation to the total population. Until this restoration has been effected the country must make up its mind that the present rate of industrial employment is about all that can be supported.

[1] S. 3255, 75th Cong.

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CAPITAL GOODS REPLACEMENT

I was very much interested in the questions asked Mr. [202–9] Flanders, with respect to the rotation or replacement of capital goods. I would like to point out that except as capital goods are rotating, we cannot apply to our standard of living improvements in the arts used in the making of goods. Concrete illustration is the application of air-conditioning to buildings. There are a great many buildings in this country that are not susceptible to air-conditioning. Except as those buildings are replaced by new buildings, the people occupying them cannot enjoy the benefits of air-conditioning. I would also cite the instance of lightweight trains, and, except as the standard cars are replaced, the benefits of lightweight construction by the use of modern materials—aluminum, stainless steel—cannot be enjoyed by the traveling public.

Now, I, for one, am a firm believer in the principle of [202–10] rapid destruction of capital by obsolescence, its rapid replacement by savings, and the creation of a dynamic economy as compared with a static economy one such as we see in certain cities of the Old World that take pleasure in advertising the fact that there has been no new construction in their municipalities for a hundred and fifty years. I hold there cannot be much progress in such communities.

Opening up of the capital markets and encouragement to [202–11] the formation and investment of capital in business will not be effective, however, in bringing about recovery except as it is accompanied by a revival of the spirit of enterprise which has always been the motivating impulse of American business. This enterprise spirit is at present almost wholly lacking due to the repressive and discouraging attitude of Government toward business. The American enterprise system must be stimulated into action by hope of reasonable gain and assurance of the right to enjoy the use of the gains thus procured. The totalitarian states of the Old World are dominated by fear, but progress under the free institutions of America cannot be made in this way. The hope and assurance necessary for forward planning and for the hazarding of capital and managerial reputation in new enterprises has been destroyed by fear and uncertainty.

PARALYSIS OF ENTERPRISE BY PUBLIC POLICIES

Existing public policies, together with those now under [202–12] discussion by the Congress, have caused such serious dislocation in and obstruction to the normal processes of production and distribution as to paralyze enterprise and bring about the existing condition of unemployment. These policies have had for their objectives among other things:

Increased economic security for the individual.

A more equitable distribution of employment.

Increased participation by the individual in the gross proceeds of industry.

All thinking people are in hearty accord with the desire [202–13] to increase the economic security of the individual, but this objective cannot be attained by measures which discourage and diminish the overall volume of production, or so interfere with freedom of enterprise as to slow up the economic processes of the country. There always will be a portion of the employable population—small in

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normal times, large in times of depression—who suffer from the impact of the economy upon their personal affairs. The State should make proper provision for those who are thus unable to take care of themselves and who cannot be taken care of by private resources or by the resources of the local community. This should be done, however, without so burdening industry as to reduce its ability to produce and distribute freely.

An equitable distribution of employment among all those [202–14] seeking gainful occupation is an objective accepted by all, but it cannot be obtained by such rigidities of employment conditions, through governmental regulation or otherwise, as will prevent ready response and adjustment to changing economic conditions.

AMERICAN WORKERS' PARTICIPATION IN PROCEEDS OF INDUSTRY

Everyone is in sympathy also with the desire for the indi- [202–15] vidual worker to have an ever increasing participation in the proceeds of industry. The American worker has had an unparalleled experience in this connection, his participation in the proceeds of industry having increased from about 30 percent in 1850 to about 65 percent in 1929 and since. There is every prospect that this increase will continue, but at a reducing rate of increase, in that he is already getting two-thirds of all there is, and industry must make a large contribution to the cost of government and must also make sufficient return to capital to stimulate the maximum production and employment.

These objectives of government, desirable though they be [202–16] in themselves, are sought for by the adoption or advocacy of public policies so repressive to business as to constitute a vital obstruction to recovery. Among the policies referred to, in addition to those discussed with respect to the formation of capital, may be cited:

The vast system of unemployment relief developed by the [202–17] Federal Government and administered by the Works Progress Administration and other Federal agencies, carries with it many abuses and dangers to our institutions. Relief of distress should be returned to the States, assisted by Federal financial aid as found necessary but without Federal intervention in the administration of such relief.

SOCIAL SECURITY ACT

The Social Security Act, which assumes to create, by a [202–18] direct tax upon employment, vast reserves in the possession of the Federal Government, ostensibly for purposes of relief but actually used for financing the current expenses of government, should be amended to place the entire program upon a pay-as-you-go basis, financed by some form of taxation which does not penalize marginal employment. The effect of such penalty is not to convert marginal employment into regular employment, but rather to terminate marginal undertakings and with them marginal employment, with a net reduction in over-all employment.

Senator DAVIS. Mr Houston, it has been suggested that a study be made of the gross sales with a view to raising revenue for old-age security and social security. What do you think of that?

Mr. HOUSTON. Do you say a study be made?

Senator DAVIS. What would you think of a study being made?

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OLD AGE SECURITY

Mr. HOUSTON. I would be very much in favor of it. I am [203] anxious to get the best possible information on the subject, and, bear in mind, I am not speaking in opposition to the principles involved. I have never believed that depressional unemployment could be taken care of by such a procedure. I do not believe it is possible to project mass buying power through time. I do feel, however, that dismissal allowance is practical and feasible. I do believe that old age provisions are, but, candidly, gentlemen, I feel it is fundamentally unsound for government to take from its citizens reserves not required for current uses. Either those reserves must be invested by government in the facilities of business, in which eventually there would be developed a dangerous proportion of Government ownership, or, in Government debt, in which event they are not reserves.

Senator DAVIS. What you are referring to is that in 1980 we will have $47,000,000,000 in old age security. That study is being made by the Advisory Council of the Social Securities Board, and I called attention to the Senate that we increased the amount. I think Senator Lodge has introduced an amendment to the Social Security Act for the purpose of transmitting some of these funds to the State and only permitting a billion dollars to be retained by the Government itself.

Senator LODGE. And also reducing the tax from the workers' point of view.

Mr. HOUSTON. I am suggesting a somewhat different approach [204] to the problem. I am saying that government, which is all of the people acting jointly, should not take from individuals for purposes of creating unused reserves. Those reserves should be kept within the province of private capital in a private enterprise system.

Senator DAVIS. In other words, you want to get it on a paying basis?

Mr. HOUSTON. Absolutely If you are going to use those [205] reserves they should be used in one of two ways, either by investment by the Government in private enterprise securities, in which event you are converting your economy from one of private ownership of production and distribution into Government ownersip. In other words, you are changing to a condition of socialism, to which I am unalterably opposed; or else you must invest those reserves into obligations of Government which are not assets. They are only a participation in the right to tax the people in the future, and as such, they are not a proper medium for the accumulation of resources for relief for the future.

Senator DAVIS. May I ask you if you would make a study of your own institution, the Baldwin Locomotive Works, with its many subsidiaries, on this question of gross sales for revenue for the social-security program?

Mr. HOUSTON. Do you say would we?

Senator DAVIS. Yes.

DEMAND FOR CONSUMER GOODS FLUCTUATES LITTLE

Mr. HOUSTON. We would indeed, if you will let us know just [206–1] what you want to find, we will be very glad to do it.

Now, if I might take a minute, I would like to bring out [206–2] another aspect of this problem which has been in my mind for a long time. I have long held that production of goods and rendering of service divides itself inherently into two different types: One is pro-

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duction of goods consumed currently in the process of living; and the other is the production of permanent facilities for production and distribution, that is, capital goods, public property, and the permanent facilities of living. Now, the first is paid for out of current income as you go; the second is paid for out of the accumulation of debt through the expansion of credit and the investment of savings. Where debt is accumulated, it is liquidated by subsequent savings.

DEMAND FOR CAPITAL GOODS FLUCTUATES NORMALY UNLESS COERCED

Now, the demand for consumer goods is very uniform, but [206–3] the demand for new, durable goods, fluctuates greatly. That fluctuation is made up of very many variables acting together, such as the cost of new capital goods; such as the cost of capital involved in the purchase of new capital goods; such as the cost of the labor involved in the use of new capital goods; such as the technological developments involved in the construction of goods, and the functions they can perform and the technological development involved in the products they produce; sociological developments, such as the number of hours of work; the number of variables is infinite. We cannot, outside of a completely planned economy, which controls the balance of production with consumption, which means regimentation, we cannot, in my judgment, control the demand for new capital goods. They will fluctuate sharply. The more we penalize the production of capital goods by undue burdens, the more we are going to emphasize those fluctuations, because it means they will be purchased only at peaks of demand, while emphasis should always be to encourage their being purchased on a long-time planning basis by private business, easing up the valleys and the peaks, and tending to level them off. That cannot be done by coercion. It must be done by inducement, and I hold that any methods of social security relief should take those facts into consideration, otherwise the result will be to intensify depressional unemployment.

Senator HATCH. Supposing you leave this phase where you are, Mr. Houston. I observe there your criticisms as to the administration of relief. I infer you are criticising the entire policy of work relief. Have I gotten the wrong impression there?

Mr HOUSTON. You have the wrong impression there. I per- [207] sonally feel there is a very serious question to so-called work relief, which goes beyond the creation of public property, that I think it tends to compete with private enterprise. Work relief involved in the creation of useful public property, I am thoroughly in accord with. No; the abuses I speak of here are those which tend to tie relief into politics, and I say that the Federal Government should strip itself of any possible charge of that kind.

Senator HATCH. Do you think that would be helped by turning it over to the States?

DECENTRALIZATION OF RELIEF

Mr. HOUSTON. I think it would greatly clarify the handling of [208] problems of natonal policy by the National Government because abuses of that kind would be localized within, let us say, local politics rather than national politics, and I will say that when the Government is stripped of the type of patronage that arises from relief

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directly administered, the Federal Government in distributing its relief to the States, would be an impartial and critical judge as to the effectiveness with which the States function, or at least, more so than at present.

Senator HATCH. As I understood your suggestion, however, it was that the funds be turned over to the States for administering within the States by local authorities altogether.

Mr. HOUSTON. That's right. [209]

Senator HATCH. And thereby you believe you would escape, to a large measure, this political matter to which you have referred?

Mr. HOUSTON. No, I beg your pardon, I did not say "escape [210] it".

Senator HATCH. I think you will accentuate your problem right there.

Mr. HOUSTON. But, Senator, I think the greatest danger to [211] our American institutions in the relief situation to day is the fact that Federal relief may be used to control votes with respect to Federal policy, and I think it is an infinitely greater danger to our institutions than similar abuses within the structures of the individual States because you do have then the Federal Government that is free of it, and this country, in my judgment, will never cease to be individualistic by the action of State governments, but it may cease to be individualistic by the action of the Federal Government.

Senator HATCH. Your thought on relief, then, does not embody a direct dole or anything of that sort?

Mr. HOUSTON. Not necessarily. I, personally, believe that [212] there are aspects of relief that should be dealt with on a straight dole basis because I think that would be the quickest way, do the least harm to private employment, and the quickest way to restore private employment, but I am in accord with the principles of public works for the creation of employment if done along sound lines, but, gentlemen, I do not believe in the leaf-raking type of public works.

Senator HATCH. I think you also agree, from the explanation you have given me, that the responsibility is upon the National Government in connection with these unfortunate persons who cannot find gainful employment, and the thing you are getting at is more the method and the manner of administering that relief; is it not?

Mr. HOUSTON. I would want to amplify that a little bit. I [212] hold very strongly to the old Anglo-Saxon concept of local autonomy. I believe that the neighborhood under a municipality should not be relieved of responsibility. I believe that the State should not be relieved of responsibility. I believe that there should be an overriding responsibility on the part of the Federal Government to protect its aggregate citizenship from that degree of distress which would tend to break down and destroy our institutions in periods of great depression, but I believe that that should be assumed by the Federal Government only after the Federal Government has seen to it that the local and State facilities continue to function.

Senator HATCH. That follows the point I was seeking to develop, Mr. Houston, that when they face a condition that they cannot meet, as many of them did face, then you recognize that there is a responsibility upon the National Government?

Mr. HOUSTON. Without question.

Senator HATCH. All right. You may proceed.

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LABOR RELATIONS

Mr. HOUSTON. The regulation of maximum hours of work [214–1] and minimum rates of pay in all industries shipping goods in interstate commerce, as provided for by the Fair Labor Standards Act[1] now before the Congress, will create such rigidities in employment conditions and such economic dislocations as to require years of adjustment and much capital destruction before workable equilibrium can again be restored. This legislation should not be enacted.

The regulation of employment relations under the Na- [214–2] tional Labor Relations Act has created disturbances and inequities of far-reaching consequence. Business is quite in accord with the right of labor to bargain individually or to organize and bargain collectively through agencies of its own choosing, without coercion from any source, but the provisions of this law which deny the employer an equal right with the employee to seek the intervention of the National Labor Relations Board in the determination of unfair or discriminatory labor relations, and those provisions which prevent full judicial review of facts found to exist by the Labor Board at a hearing upon a complaint are economically unsound and contrary to American principles of justice and equity.

Senator HATCH. What provisions do you refer to there, right there? Which prevent a full judicial review?

NATIONAL LABOR RELATIONS BOARD FINDINGS

Mr. HOUSTON. There are two provisions in the act, one [215] under 1236 (referring to National Labor Relations Act) which states "The findings of the Board as to the facts, if supported by evidence, shall be conclusive." The other is at the end of 1237 (referring to Labor Relations Act), which states, "And the findings of the Board as to the facts, if supported by evidence, shall in like manner be conclusive."

Senator HATCH. Now, right on that point, I take it, Mr. Houston, because I have heard this discussion made before, that you assume from that statement in the act, that if there is any evidence whatsoever, the Board can take any arbitrary action whatsoever and the courts cannot review it.

Mr. HOUSTON. No, I have an opinion here from counsel to [216] the effect, and it is my own opinion, that they are estopped from making determinations based upon the weight of evidence or based upon the preponderance of evidence because the act only gives them the right to act in the absence of evidence. We hold that there should be no possibility of doubt as to the right of the appellate court to review all the facts. I, personally, would like to go further. I believe there should be an obligation upon the appellate court that if there is any question as to facts developed by the Labor Board in a hearing, that the courts should review the facts. I will say to you, Senator, that there is a very grave doubt, in fact, there is no doubt, in the minds of business, that many decisions of the Labor Board are based upon an incorrect statement of the facts, and that if the appellate court would go behind the statements of the Board and determine for itself the facts in accordance with the principles of jurisprudence

[1] S. 2475, 75th Cong.

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that have been customary in this country, that the statement of facts would not be those found by the Board.

Senator HATCH. I am quite sure about your statement as to the jurisprudence customary in this country. It is not an unusual provision for an administrative board to contain this language. In fact, I am told by Senator Wagner that the language you refer to was taken from the Interstate Commerce Commission. It might give you a grain of comfort that the decisions of the Supreme Court in the *Jones-Laughlin case*, by the words of Chief Justice Hughes, stated that he found within the act itself all the authority necessary for a judicial review to prevent arbitrary action on the part of the Board. That was the statement of Chief Justice Hughes.

Mr. HOUSTON. I am aware of that, but I still hold, and I hold [217] with respect to the Interstate Commerce Commission, and speaking as an individual, I hold with respect to any administrative law, that Congress should not permit anybody not a part of the judicial system of this country to make a determination of facts upon which penalties will be based, without the right of full review on the part of the litigants at interest.

Senator HATCH. I wanted to call your attention to just what the judicial opinions have been as to the interpretations.

Mr. HOUSTON. I have before me quite an elaborate study on [218–1] that subject by counsel quite learned on the whole subject, and I am expressing to you what I believe to be the general feeling of business, that that particular provision of the statute should be clarified.

What is the object of ambiguity? If it is the intent of Cong- [218–2] ress to give a full review on the part of the courts, if there is a question in the mind of either litigant with respect to the facts, why not say so? In the absence of clarity, the inference must be that it is not intended to give the employer that right.

Senator HATCH. The point I make is that the very ardent arguments you have made have already been answered by the Supreme Court.

Mr. HOUSTON. Well, we hold that time will tell. It may be [219] necessary for a good many of these cases to go up to the Supreme Court. We hold that Congress might, if it would, save a lot of time and immeasurably increase the confidence of business in the administration of this act, if they felt they had behind them the unqualified right of the appellate courts to review facts upon the request of a litigant who does not agree with them.

Senator MURRAY. If that were true, would it not be possible for the corporations to nullify the act entirely by appeals and by insisting on retrials of every case that came before the Board?

Mr. HOUSTON. Senator Murray, you are now advancing the [220] very point that I am raising. You say if that were possible, thereby inferring that it is not possible for a citizen of the United States to obtain just consideration by the judiciary with respect to an issue involving penalties to that citizen?

Senator HATCH. Just a minute, Mr. Houston. It is intended to hold another meeting this afternoon.

Senator DAVIS. I suggest that there are only two more pages here and that he continue.

Senator HATCH. Would you rather just insert this in the record?

Mr. HOUSTON. I can read it in 5 minutes, if you wish.

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Senator HATCH. Go ahead, then.

Mr. HOUSTON. The O'Mahoney-Borah Federal incorporation [221] and licensing bill,[1] now before the Congress, is startling in its implications with respect to the coercive control of business by government.

Senator HATCH. I would like to discuss some of these features with you, but we haven't time to do it this morning. I do not quite agree with you.

Mr. HOUSTON. I do not think you do. Its provisions alone [222–1] are sufficient to halt new enterprise and to stop the investment of savings in corporate securities. Congress should make clear to American business that it will not be subject to enactments of this character.

Government competition with private enterprise and the [222–2] frequent disregard of the rights of private citizens in the use of their property, evidenced by such competition, is another cause for present conditions. New undertakings of this character should not be entered into and Government should withdraw as rapidly as is practicable from those in which it is now engaged.

The rapid rise in the cost of government in America from [222–3] $850,000,000 in 1890 to nearly $15,000,000,000 in 1935,[2] together with the rapid increase in government debt in recent years, has enormously increased taxation and absorbed capital and credit in expanding government debt. The increased tax burden has been concentrated unduly upon certain parts of the economy. These conditions have contributed greatly to the paralyzing uncertainties of the present day It is appreciated that a balanced budget cannot be obtained immediately but it is held that the affairs of government, including relief of distress, should be administered with the utmost economy and that the tax burden found essential should be distributed broadly over all portions of the population in such a way that while recognizing the principle of taxation upon the basis of ability to pay, yet no portion of the economy is burdened to the point of repression.

There has been considerable discussion recently as to ways [222–4] and means of increasing the national income. The need for such increase is recognized generally but it is not so generally understood that this increase may be accomplished, not only by increasing the volume of production, but also by moving up the price level. While equilibrium in prices is essential so as to permit of free exchange between all parts of the economy, and while it may very properly be argued that the present price level is still too low in relation to the volume of debt and taxation, yet in the long run the most essential factor to be considered in raising the national income is to increase the aggregate volume of goods and services produced and distributed.

The spirit of enterprise can be revived; the formation of [222–5] capital and its use by private enterprise in the production of goods and the creation of employment can be resumed; and America can again enjoy the prosperity it has been accustomed to, but only by recognition by government of the conditions essential to the successful operation of the enterprise system. If recovery is not thus obtained, temporary relief may be found in renewed government spending but ultimately enterprise will have to be financed by government-owned

[1] S. 3072, 75th Cong.

[2] Source: Cost of Government in the United States 1925 and 1926 and 1934–36, National Industrial Conference Board.

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capital, raised through taxation, and controlled by government direction. In the long run this procedure will substitute collectivism for the individualistic enterprise system we have enjoyed in America up to this time. This program in turn will break down due to the unwillingness of America to be regimented, the enormous centralization that will result in the administration of affairs, and the incompetence of man to administer the great aggregates thus created. There is no way out for us in America except the revival of the American spirit of free enterprise.

That is the viewpoint I wish to present to you today.

(Witness excused.)

Senator HATCH. The committee will meet again at 2 o'clock this afternoon.

Mr. Levy will appear at 2 o'clock.

(Thereupon, at 12:15 p. m., a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was reconvened at 2 p. m.)

STATEMENT OF AUSTIN T. LEVY, PRESIDENT, STILLWATER WORSTED MILLS, HARRISVILLE, R. I.

Senator HATCH. We will be in order.

Mr. JOHNSTONE. Mr. Levy is the first witness.

Senator HATCH. I am sorry that we have not a better attendance.

Mr. LEVY. I am sure that if I can succeed in convincing you on this point that that is all that I need to do.

Senator HATCH. I don't know what the substance of your testimony is going to be. I have no idea. But I might observe that anything that pertains in this, to any tentative or suggested solution of the problem of unemployment is of interest, and I hope that you can give us something.

Mr. LEVY. Well, Senator Hatch, that is all that I am going to talk about, unemployment, and I haven't come down here to tell you what is wrong with our Government, and I am just going to talk about unemployment, and how, if possible, we may do something about it.

Senator HATCH. That, after all, was the purpose of this committee, and that is the study upon which we are supposed to be engaged, and you may be seated if you desire.

Mr. LEVY. I should prefer to stand if I may be permitted, [223–1] and I would like to say that I think that perhaps I represent a certain kind of American businessman. My forebears came to this country about a hundred years ago, some of them settled the Great West—and they hadn't much when they arrived, and out of these small beginnings they built up a family and in due course I came along, and I had small beginnings, and in common with most American businessmen who have more or less succeeded, what has been built up has been built up largely on individual effort.

I have had the good fortune to live in close association with [223–2] working people, and they are my neighbors, and my friends, and they live on both sides of me and across the street, and I know them socially, and I know their problems, and our company's whole business philosophy is founded on that knowledge, and on the belief that there is

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no success in any business enterprise that is not a success for all who are connected with it.

Five years ago, before President Roosevelt's first inaugura- [223–3] tion, I appeared before the Senate Judiciary Committee in support of Senator Black's 30-hour bill. I think that you were there, Senator Hatch.

Senator HATCH. When was that, Mr. Levy? I believe that you went back a little too far.

Mr. LEVY. In 1933—January, it was.

Senator HATCH. I wasn't here in January.

Mr. LEVY. Then you weren't there.

Senator HATCH. But I did hear you testify.

Mr. LEVY. Well, perhaps in some other matter.

Senator HATCH. On the Black 30-hour bill in 1934.

Mr. LEVY. Perhaps so.

Senator HATCH. Yes.

Mr. LEVY. Perhaps so, sir; but the first hearing on that was in January of 1932, and the Senate passed the bill.

Senator HATCH. And then it was after that, the bill was reintroduced, and we had further hearings, and you testified that time, and that was when I heard you.

Mr. LEVY. Thank you for correcting me.

In the intervening years, much energy and money have been [224–1] expended on the subject of the national unemployment, but unfortunately, the problem is quite as serious now as it was then.

During this period the Government's major attempts to [224–2] deal with the matter have been, N. R. A., the Wagner Act, the Black-Connery wages-and-hours bill, and the so-called pump-priming expenditures.

UNEMPLOYMENT

Senator Hatch, if you were engaged in some enterprise, and [224–3] one of your associates should come to you and say, "Senator, we need to find employment for a group of men," I believe that you would ask two questions before you could give the matter effective consideration. The first question would be, "How many men?" And the second would be, "Who are they?"

With this information, you could proceed to look for a solu- [224–4] tion in many different ways. Without this information, you could not do very much about it. At no time, since unemployment has been our No. 1 national difficulty, has that information been available.

Many statistics are published to indicate the state of our na- [224–5] tional well-being. Figures of carloadings, automobile output, electric power consumption, pay rolls, and others—in the larger sense, taken by themselves, these figures do not mean very much.

When unemployment is normal, everything is well. This [224–6] morning, I heard a definition of the objectives of business, and I should like to remark that I think that business is not in itself our prime objective. Our prime objective is living and business is merely incidental to living, whatever the myriad forms of business there may be, they are merely incident to living.

There is only one accurate index to our national well-being, [224–7] and that is the figure of unemployment. When employment is normal, everything is well.

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It is not generally understood that a wage earner conducts [224–8] a business. His skill and his health are his capital, his wages are his income, and the maintenance and education of his family are his expenses. It is a business that is subject not only to the hazards of the market for that which has to be sold, but it has added complications—periods of illness, and advancing age.

The initiative for finding a market is not in the hands of the [224–9] proprietor. Whether or not there is a market at all, or the extent of that market, are dependent to a large extent on the skill, integrity, foresight and financial strength of the wage earner's employer.

Employment and wages in any industry depend for their [224–10] continuance on employment and wages in other industries.

In common with all undertakings, there must be periods of [224–11] gain commensurate with the hazards. Heretofore these have seldom been present. The combination is extra hazardous as a source of family progress, and should be so regarded.

If the wage earner's business is profitable; that is, if his [224–12] capital is maintained intact, and his income is greater than his expense, he is a constantly recurring customer for all the things which he and other wage earners help to produce.

When we say that we have 10,000,000 unemployed in the [224–13] United States it is but another way of saying that national purchasing power is insufficient by an amount necessary to sustain the operations of 10,000,000 individual businesses; that these 10,000,000 businesses have therefore come to a standstill, and unless their operations can be resumed within a reasonable time, the only outcome for them is the receivership of public support.

Heretofore fluctuations in total man-hour requirements, [224–14] caused by changes in business activity, have been met by corresponding fluctuations in the numbers of people employed. Thus our whole business system is based on a philosophy of interrupted employment, and ever-present reservoirs of unemployed people, to be used as need may require. This is a fundamental error. We must evolve instead, a system of continuous employment. No business can endure, whether it be a wage earner's or any other, if its expenses are continuous and its income intermittent. Similarly no society can endure if the affairs of the great mass of its members are always conducted against unfavorable odds.

Every Commonwealth is limited as to the number of [224–15] employed persons which it can reasonably and comfortably sustain. That number should be estimated and stated; and subject to review, established as the normal of unemployment.

Employment for the balance of the working population [224–16] should then be continuous, only the extent of the employment of each individual fluctuating with the changes of business activity.

The following plan is suggested: I have used certain figures, [225–1] in this plan, and I don't care anything about the figures, it is the principle with which I am most concerned.

Normal unemployment by act of Congress for the United [225–2] States among people desiring work, exclusive of those confined in hospitals, asylums, prisons, etc., is placed at 3,000,000 persons between the ages of 16 and 65.

The 40-hour week having failed to reestablish a conditition [225–3] of general employment, a 35-hour week becomes effective in all busi-

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ness at once for a period of 60 days. If at the end of that time normal unemployment, 3,000,000 persons, has not been reached, a 30-hour week becomes effective for a period of 60 days. If at the end of that period unemployment still stands above 3,000,000 persons, a 25-hour week becomes effective for a period of 60 days.

The working week at which normal unemployment of [225–4] 3,000,000 is reached, will then constitute normal weekly man-hours for the workers of the United States.

The full time weekly wages which were in force on Janu- [225–5] ary 1, 1938, to be maintained during such successive reductions in working hours as may be required to arrive at normal unemployment; the wage rates being increased to the extent necessary to bring this about. Thus the full-time wages of January 1, 1938, would become actual basic wages, entirely divorced from the confusion of minimum-wage rates. No wage rates have any meaning unless people have continuous, full-time employment.

If the basic wages fixed in this way are not satisfactory to [225–6] either workers or management in any establishment, they may negotiate for such change as may be desired, in whatever way they choose. That can be by agreements or strikes or appeal to the National Labor Board, or any way that they want to, if it doesn't suit them and it should be left flexible, they must agree in the end.

When total unemployment is further reduced by the Nation's [225–7] needs to 2,800,000 persons, weekly man-hours may be increased not exceeding 5 hours per week above the normal. When unemployment is reduced to 2,600,000 persons, weekly man-hours may be increased not exceeding 10 hours per week above the normal. When unemployment is reduced to 2,400,000 persons, weekly man-hours may be increased not exceeding 15 hours per week above the normal.

The weekly pay to be increased in proportion to the increase [225–8] in hours above the normal.

When hours are reduced from some point above the normal [225–9] to which they have been increased in the foregoing way, the weekly wage to be reduced correspondingly.

Assuming, Senator, that normal unemployment occurs at a [225–10] a 30-hour week, and the man then, due to the operation of the plan which we will presently describe, requires that 40 hours of operation should take place, and then the pay would be increased from the basic wage. The difference between 30 and 40 or 33⅓ percent.

The plan does not attempt to set an arbitrary work week, or [225–11] a minimum wage. It differs in this respect from the wages and hours plans that have been considered, all of which have proceeded on the idea that there should be a floor for wages, and a ceiling for hours. I think this is a mistake, and that neither a floor for wages, nor a ceiling for hours is our primary objective. For one thing, no one would know where to place them. The one vital indispensible objective is continuous employment. For no floor for wages, or ceiling for hours is of any consequence or benefit, if there is no employment.

But once continuous employment has become an accom- [225–12] plished fact as provided for in this plan, then automatically the correct floor for wages, and the correct ceiling for hours will also have been established.

As a practical living something, I believe people will be [225–13] happier with a work week of 40 hours than with one of 30, but whatever

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the length of the week, that must be established by events themselves, not by the opinion of any person or group of persons. The man-hour needs of our country are by no means constant; they fluctuate continuously, and unless this fluctuation is recognized, and the means set up so that the matter can adjust itself to its own needs, we shall be unable to avoid such periodic dislocations as the one through which we have been passing.

The mechanics of administration are fairly simple: [225–14] (1) Every locality to maintain a registration office. (These now exist as relief bureaus); (2) no one to be employed who is not registered; (3) every person applying for registration to be registered; (4) and to receive a registration card; (5) at the time employment begins each person to surrender his registration card to the employer, who would endorse it appropriately and return it at once to the registration office. Therefore the number of registration cards outstanding would be an accurate record at all time of the numbers of unemployed persons who wish to work. Persons whose employment is terminated to resecure their registration cards and again surrender them when they are reemployed.

That, Senator, is of the utmost importance. We know [225–15] then the extent of our fever when we know the extent of our unemployment.

Senator HATCH. Would you require a person who works to register?

Mr. LEVY. That is right. [226]

Senator HATCH. With his local registration office?

Mr. LEVY. Yes.

Senator HATCH. Then when he procures employment his card is turned over to his employer?

MR. LEVY. Endorsed by the employer and sent back to the [227] registration office.

Senator HATCH. You have two kinds of cards constantly on file, the number of those employed and those unemployed?

Mr. LEVY. He may have a duplicate set, but the outstand- [228–1] ing cards would indicate that—I am just coming to that—therefore the number of registration cards outstanding, would be an accurate record at all times of the numbers of unemployed persons who wish to work.

The ones who found employment, those cards would come [228–2] back into the office, and the total number that were issued beyond that would constitute the number that were out, and it would, of course, be very simple to keep a duplicate set so that it might be known who those were, who were still out.

Senator HATCH. You have an accurate check on the unemployed and the employed both?

Mr. LEVY. Yes, sir. [229]

Senator HATCH. That is the point, isn't it?

Mr. LEVY. Quite so; yes. Persons whose employment [230–1] is terminated to resecure their registration cards, and again surrender them when they are reemployed. Provision to be made for cards of persons who die, or who cease to desire employment either temporarily or permanently; (6) registration offices in every locality to make prompt weekly reports each Friday to a central State agency, which in turn would inform the National Department of Labor, not later than the following Monday morning of the amount of unemployment in each State. Based on the information so received, the Department

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of Labor on the last Thursday of each month to make public declaration of the maximum weekly man-hours to be operated by business for the 4-week period beginning with the second following Monday morning.

Now, the business of finding out the extent of unemploy- [230–2]
ment is probably not very difficult. I have indicated one way, but I think that it is interesting to know that the Ministry of Labour in Great Britain publishes a gazette monthly, with quite precise information with respect to their unemployment in Great Britain. Their mechanism for securing this is something with which I am not familiar, but I am going to leave this with you, Senator, as something that may be of interest.[1]

Senator HATCH. I understand a little bit about the English system, they have a registration system, in each locality where the unemployed are registered, and they report each day, I think.

Mr. LEVY. That is what it should be, it should be a very [231–1]
accurate account.

There may be objection to such a plan, on the ground that in this free land of ours, it should not be necessary for people to register in order to have the right to work. As an abstract something, I will readily agree to this, but as a practical matter, people must register before they can exercise their right to vote, and a man's livelihood is quite as important to him as his vote. Furthermore, in our experience with relief, registration has not provided any difficulty. If the simple act of registration can assist in assuring economic independence, certainly it is much more valuable in that way, than as a means for meeting actual want.

This plan provides: (1) Constant employment of the popula- [231–2]
tion, excepting the established normal of unemployed. (2) Substantial reduction in the risks of the wage earner's business; (3) periods of relatively large gains as offsets for the remaining risks; (4) full-time wages of January 1, 1938, become basic wages; (5) removal of the cause for a large part of all of so-called "labor disputes"; (6) increase in purchasing power whenever production is increased, thus assuring consumption of the increase; (7) reduced cost of production through reduction of unit overhead costs as production rises, thus further safeguarding the increased production; (8) a quick curb on over production whenever overproduction occurs; (9) steady industrial operation—reduction of losses due to plant stoppage, or part-time operation; (10) a powerful influence on cut-throat competition and the related subject of price fixing, through curbing overproduction; (11) the equivalent of a large reservoir of additional trained people in every factory, in every locality, whenever required; (12) a great majority group of people who never cease to be cash customers, thus assuring liberal circulation of money; (13) accurate data on unemployment, which is quite as important as information on employment; (14) transfer of the burden of public support from Government relief to private industry; (15) return to normal taxes; (16) in every employer in the United States a keen self-interest in maintaining the maximum of general employment—the less unemployment, the longer he can run his plant; (17) a national income having a sound relation to the national productive capacity; (18) the plan would draw workers from slack

[1] The Ministry of Labour Gazette, vol. XLV, No. 6, June 1937.
In the October 1937 issue of the Ministry of Labour Gazette, p. 379, the revised procedure for counting the unemployed is fully described.

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industries to busy industries, which as a rule support the higher wage scales.

It should be noted that the average worker now has a much [231–3] wider field for his services than was formerly the case. Often years of apprenticeship were required for a man to become useful in any handicraft, but now that machinery imitates many of the motions that were formerly matters of a high degree of manual skill, the time required to make a worker useful in a new occupation is much reduced. Accordingly semitrained people can be absorbed from one functional group to another without much loss of time or great expense.

If there is doubt that a man may possess more than one kind [231–4] of vocational skill, the answer may be found in the life of every successful farm boy. Everyone knows of the wide variety of manual tasks in which every wide-awake farm boy has to make himself proficient, and until quite recently, without aid of automatic machinery.

Furthermore, it is a part of the business job to teach the [231–5] people the skills that business requires, and the cost of any amount of training would be insignificant as compared with the cost of 9 years of unemployment with which we have already struggled. In fact many concerns, my own among them, prefer to train their own employees, regardless of any inconvenience or expense such a policy may entail.

Here are some of the things the plan does not do: [231–6]

It does not create scarcity.
It does not limit production.
It does not dictate prices or encourage price-fixing agreements.
It does not fix wage rates.
It does not disturb existing differentials.
It does not provide for governmental participation in industrial relations.
It does not operate according to the opinion, estimate, forecast, or judgment of any person, or group of persons.
It does not decide—it allows events themselves to make the decisions.

Opposition to short hours and high wages arises from the [231–7] belief that they cause great and insurmountable additions to cost, thus discouraging consumption. This would be so, were it not for the offsetting effect of continuous technological progress.

The Stillwater Worsted Mills, with which I am associated, is [231–8] engaged in the manufacture of worsted textiles, and I propose to set before you some comparative figures of our company's actual experience in the years 1927 and 1937, which illustrate the point.

By the former year, industrial America was already far along [231–9] the road of technological progress, so that the figures do not reflect what happened during two different industrial eras; also, the years from 1927 to 1937 include both the period that antedated N. R. A. and the period of reduced man-hours and increased hourly rates that accompanied the advent of N. R. A.

The worsted textile industry may be said to be divided into [231–10] four major functional parts: They are: One, wool combing; two, yarn making; three, cloth making; and four, dyeing and finishing.

While our company carries on these four major functions as [231–11] a part of its complete processes, these four functions are oftentimes conducted as individual businesses, and I shall set before you the record of each as though it were a separate and independent enterprise.

I have before me a table showing what happened with [231–12] respect to costs and production in each of these separate businesses in the years 1927 and 1937, a 10-year interval, and, for a more expedi-

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tious understanding of the matter, I should like at this point to furnish the members of the committee with copies of this table.

WOOL COMBING

Year	Unit conversion cost	Average hourly wage rate	Length of working week, hours	Average full-time weekly earnings	Production per man-hour	Weekly production figure
1927	100.0	$0.531	54	$28.67	100.0	5,400
1937	99.1	.644	40	25.76	126.3	5,052

YARN MAKING

1927	100.0	$0.437	49	$21.41	100.0	4,900
1937	76.1	.506	40	20.24	155.3	6,200

CLOTH MAKING

1927	100.0	$0.54	52	$28.08	100.0	5,200
1937	82.5	.667	40	26.68	153.5	6,120

DYEING AND FINISHING, PIECE DYE, BASE

1927	100.0	$0.543	54	$29.32	100.0	5,400
1937	77.4	.626	40	25.04	141.8	6,280

The figures take into account all persons who were occupied [231–13] in connection with each complete functional operation.

This chart lists in progressive form, the unit-conversion [231–14] cost, the average hourly wage rate, the length of the working week, the average full-time weekly earnings, the production per man-hour, and the weekly production figure.

For the unit-conversion cost and for the production per [231–15] man-hour, the figure of 100 has been used for the year 1927 in every case, and the increases or reductions for the year 1937 have been calculated accordingly

For the average hourly wage rate and the full-time weekly [231–16] earnings, the actual money figures are used. Likewise, the length of the working week is what actually occurred.

The chart brings out the following points: First, there was a [231–17] reduction in the length of the working week in all four functions: Wool combing, 14 hours; yarn making, 9 hours; cloth making, 12 hours, and dyeing and finishing, 14 hours.

There was an increase in the average hourly wage rates, for [231–18] wool combing, 13 cents, or 20 percent; yarn making, 7 cents, or 16 percent; cloth making, 12.7 cents, or 23 percent, and dyeing and finishing, 8.3 cents, or 15 percent.

Here is precisely the situation which is the cause of so much [231–19] concern, the reduction of working hours and increase of hourly rates, as a means of increasing production costs.

But in spite of this reduction in working hours and increase [231–20] in hourly rates, the unit-conversion cost, instead of being increased, was actually reduced in all four functions. The wool combing, 1 percent. The yarn making, 23 percent. The cloth making, 17 percent, and the dyeing and finishing, 22 percent.

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The reason for this reduction in conversion costs in the face [231–21]
of higher hourly wage rates is the large increase in man-hour production made possible by technological developments. That is, for the wool combing, this was 26 percent; for the yarn making, 55 percent, and for the cloth making, 53 percent, and for the dyeing and finishing, this was 41 percent.

These gains in man-hour production were so great that the [231–22]
individual worker actually produced more goods in the 40-hour week of 1937 than he turned out in the 49- to 54-hour week of 1927.

I now call your attention to an interesting point disclosed [231–23]
by this tabulation. During this 10-year period, important reductions in unit-conversion costs took place and the individual worker actually produced more goods. But, notwithstanding the advances of 15 to 23 percent in hourly wage rates, the total weekly earnings, that is, the amount of actual money received by the worker, the money on which he must support himself and his family, decreased as follows:

For the wool combing, 10 percent; for the yarn making [231–24]
5 percent, and for the weaving, 8 percent, and for the dyeing and finishing, 14 percent.

INCREASED PRODUCTION WITHOUT INCREASED PURCHASING POWER

Please recall that we are considering the record of one of [231–25]
the highest wage scale companies in its industry. What we did, and the records show that this occurred in all lines of business, was to create more goods and, at the same time, provide less money to move them.

Senator Hatch, I have here a chart of the National In- [231–26]
dustrial Conference Board, dealing with this same subject. This chart is of a composite of the experience of a large number of concerns in many industries. The chart substantiates the specific case history of the operations of our own company which I have just given you.

Senator HATCH. Will you file that chart with the committee?

Mr. LEVY. I will be glad to, Senator.

Senator, that is something we cannot do We cannot create [232–1]
more goods and provide less money for their consumption, unless the money value of the greater quantity of goods declines proportionately. Whenever we increase total production, either in existing products or through the introduction of new ones, we must either produce the greater volume at no greater total cost than the lesser volume, or we must provide a corresponding increase in purchasing power.

Purchasing power is of two kinds, individual and total. [232–2]
Both kinds must be adequate to sustain any given economy. Whatever the extent of total purchasing power, it is of no avail as a guarantee of large-scale business turnover, unless individual purchasing power is large enough to assure consumption at such prices as exist. Increases in cost can be absorbed only if they do not exceed the abilities of individual incomes. Likewise, adequate individual purchasing power for part of the population will not avail unless total purchasing power is sufficient to sustain production.

PLAN FOR RECOVERY—FIRST PHASE

In discussing the plan which I have outlined, we may [232–3]
safely assume that all who are now employed do not average more than the equivalent of 4 days' work in a 5-day week. All people now em-

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ployed, in the United States, at this moment, are not averaging more than the equivalent of 4 days' work in a working week.

There are said to be in the United States, 45,000,000 em- [232–4] ployable people. It is estimated that some 12,000,000 are now entirely without employment, indicating present employment of 33,000,000. The plan contemplates continuous employment for 42,000,000 people. Thus the objective is the reemployment of 9,000,000 people. The 33,000,000 who are now employed are furnishing 1,056,000,000 man-hours weekly. If full-time wages average $25 per week, they are now earning an average not exceeding $20 per week. In that case, we are now creating a purchasing power from new wages of $660,000,000.

If the working of the plan resulted in establishing a 30-hour [232–5] week as the normal weekly man-hours, 35,200,000 people would be needed to supply the present total man-hours. At full weekly pay of $25, purchasing power from new wages would be $880,000,000, an increase of $220,000,000 weekly, or 33⅓ percent.

Such an increase in purchasing power must so stimulate [232–6] consumption beyond current demand as to then require the reemployment of 5,000,000 additional people to satisfy it. That is to say, 33⅓-percent increase in total purchasing power cannot fail to cause as much as 14⅔-percent increase in consumer demand. Thus total employment would rise to 40,000,000 people and new purchasing power through wages to $1,000,000,000 weekly. Due to this further increase in purchasing power of $120,000,000 weekly, the employment of the remaining 2,000,000 would follow automatically.

PLAN FOR RECOVERY—SECOND PHASE

The second phase of the plan would then begin to operate. [232–7] On the basis of our calculations the full-time employment of 42,000,000 people would be creating new weekly purchasing power of $1,050,000,000. These 42,000,000 people would be working 30 hours weekly, and it would then be demonstrated whether at any given stage of prices and of technological development they could produce enough in a working week of that length to satisfy the purchasing power of $1,050,000,000. If they failed to do this, additional people would be required, with the result that the number of unemployed in the country would fall below the established normal of unemployment. As soon as this occurred, the proper authority would announce the establishment of a 35-hour week.

If this group of people, working 35 hours a week, still failed [232–8] to satisfy the needs of purchasing power which would then have risen to $1,225,000,000 further reduction of unemployment below the established normal would ensue, and the working week would be increased to 40 hours—and total wages would rise to $1,400,000,000 weekly. It is quite conceivable that at certain periods of great demand, the working week might be as great as 45 or even 50 hours a week for short periods of time.

Heretofore when factory operation has been increased to [232–9] satisfy periods of great demand, the individual worker has not benefited, but under the plan, whenever great demand occurred both wage earners and management would benefit.

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Whenever the production resulting from increased opera- [232–10]
tion became too great for consumption, the sensitive figures of unemployment would so indicate, and the hours would be reduced.

I should like to call your attention to the amounts that we [232–11]
have been discussing. They range from a probable and assumed purchasing power through wages at the present time of $660,000,000 weekly to $1,400,000,000 with the plan starting from a 30-hour base and operating at an average of 40 hours per week throughout the year—a difference of $38,000,000,000 annually.

In these recent years we have made the mistake of believ- [232–12]
ing that we could support great bodies of unemployed people with money taken as taxes, and we actually allocated what seemed to be the huge and unheard of sum of $4,000,000,000 for this purpose. Of course, any sum of money is either large or small according to the purpose for which it is to be used, and if 12,000,000 people are to be supported out of the public funds, then $4,000,000,000 every year is totally inadequate for the purpose. If 12,000,000 unemployed people are paid relief, either directly or through the device of nonincome producing public works, an average payment to them of $10 per week, would come to $6,000,000,000 a year. An average payment of $15 per week would require $9,000,000,000 a year; and an average payment of $20 a week would require $12,000,000,000 a year.

Senator HATCH. In those figures you include nothing in the way of materials and things of that sort, to provide what we call work relief, and this is just your direct payment that you are talking about?

Mr. LEVY Insofar, Senator Hatch, as all materials are in [233–1]
some way compensated for by wages, the computation is correct. For instance, if we start a public building, it isn't only the wages of the people occupied on the building, it is the people in the granite quarry and in the lumber forest, and the transportation system, bringing this thing to the site, the architects and their assistants and everybody connected with it shares in that work, and it is pretty much all wages.

It must be fairly obvious that it would be impossible to [233–2]
collect taxes that would provide any such amount for this purpose. Even if that were possible, the individual incomes of this group would be insufficient to provide support for the kind of economy to which our country is committed.

Thus the whole policy of supporting great numbers of [233–3]
unemployed people by means of taxation must defeat itself.

So long as we live under the present American capitalistic [233–4]
system, the support of people must be provided by that system, and not by the Government. Under the plan, as I have indicated to you, an average 40-hour week, starting from a 30-hour base, would provide 38 billions additional purchasing power annually. This amount would be sufficient to accomplish what we need, and it would be supplied through the workings of the capitalistic system, and not by the Government. It is now quite clear that the national income must be increased to support the economy to which we are committed. I do not know whether 100 billions per annum or some other sum is the necessary amount, and I do not think any one else knows—but the workings of the plan will establish what the correct amount is, and furthermore, it will provide the money.

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TECHNOLOGICAL UNEMPLOYMENT

Little has been said or written about the reason for the [233–5] periodical reductions in the length of the working week that have occurred in our country. I believe that reason must underlie much of our thinking on unemployment.

Employment depends not only on total consumption, but [233–6] also on the relationship between the output of the individual producer, and the needs and purchasing power of the individual consumer. Stated another way, the matter is decided by the number of consumers that each producer is able to supply, and conversely the number of consumers required to keep one producer busy. To omit consideration of this is to disregard the whole development of the machine age.

In the year 1900, when the working week was 60 hours, a [233–7] weaver in the worsted business wove enough staple worsted cloth to supply the complete wool apparel needs of approximately 2,600 persons. In the year 1937, with a working week of 40 hours, a weaver of comparable skill is weaving enough staple worsted cloth to satisfy the needs of approximately 36,500 persons, or more than 13 times as many.

In the year 1900, a good weaver was paid $12 a week or [233–8] $624 per annum, so that the annual cost of his service to each of his 2,600 customers was 24 cents. In 1937, a good weaver earned $35 a week or $1,820 per annum, but the annual cost of his service to each of his 36,500 customers was only 5 cents.

But in 1900 the $12 wage was earned for 60 hours of work [233–9] or 20 cents per hour. While in 1937, the $35 wage was earned for 40 hours of work, or 87½ cents per hour. Thus, despite the fact that today's weaver commands more than four times the wages of his 1900 predecessor for an equal period of time, he is nevertheless supplying his service to his ultimate client at a saving of approximately 80 percent.

But, if our 1937 weaver now takes the place of 13, it is clear [233–10] the remaining 12 must find some other occupation. It is equally clear that they can do this only if there is purchasing power for that which they produce. Theoretically the saving which was accomplished by the very act of displacing these 12 weavers should provide the income to support them in some other occupation, or the saving should so stimulate the consumption of woven goods as to require the reemployment of some portion of these 12 in their old occupation. But these things have not happened—not all of the 12 men displaced by technological progress have found other employment—we have failed to establish a national income of sufficient size to accomplish this—and that is our problem.

EMPLOYMENT FACTORS

In a pecuniary society, employment of labor is composed [233–11] of the following factors:

1. The population.
2. Consumer requirements.
3. Man-hour requirements.
4. Money requirements.

These four factors must stand in some sort of relation to one another or a dislocated economy results.

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How can the desired arrangement be achieved? Certainly [233–12] not by any program that is based on the opinion, estimate, forecast, or judgment of any person or group of persons.

The matter is much too complicated and variable for that; [233–13] the only program that will succeed is one that is determined from day to day, and from month to month, by events themselves.

RECESSION AND HIGH WAGES

The statement has been made that high wages have been [233–14] partly responsible for the present recession, because they increased prices to the point of discouraging consumption. This may be true in isolated cases, but I believe it is not true with respect to the great variety of production that takes place in the United States, and I shall borrow once more from the records of our company.

A somewhat barometric article of commerce in the wool [233–15] textile business is standard 15-ounce blue serge cloth. At the depression low point in 1932 this cloth was sold for $1.14 per yard. At the high point in 1937, it sold for $2.20 per yard, an increase of $1.06 per yard. This was equivalent to an increase of $3.18 in consumer cost for the cloth in a suit of men's clothing.

The point of interest is, "What portion of this $3.18 increase [233–16] was caused by the several wage advances that took place between the low point of 1932 and the high point of 1937?"

In 1932 the average weekly wages for productive labor in [233–17] our company's plants was $14.90 for a 48-hour week; by 1937 it had increased to $23.80 for a 40-hour week. From 31.7 cents per hour in the earlier period to 59½ cents per hour in the latter period—an increase of 88 percent in the hourly rate.

But this increase of 88 percent in the hourly rate was by no [233–18] means reflected in the unit labor cost. The wage increases finally constituted only 16½ cents or 5 percent of the $3.18 increase in consumer cost, the remaining 95 percent being accounted for by increased raw material cost, increased profit, and increased taxes.

Higher wages are not prima facie evidence of higher costs. [233–19] Higher wages and lower costs often occur together, as indeed they should. That is the normal outcome of increased man-hour production. During recent years we have heard a good deal about this process—we have given it a new and highfalutin name, called it technological progress—but by one name or another it has been going on for a very long time—in fact ever since there have been men; and each generation carries on from the technological frontier that was established by the generation which preceded it. It is a process which becomes a serious problem only when its tempo is accelerated to a speed which makes it difficult for mankind to make the adjustments which must accompany it.

Man-hour production in the last 30 years has proceeded at [233–20] a tempo which so far outstrips any experience the world has had before, that we have not succeeded in adjusting our affairs and our thinking to this swift development.

TECHNOLOGICAL PROGRESS AND UNEMPLOYMENT

Recent newspaper issues contain the welcome news of an [233–21] expenditure of $80,000,000 by the United States Steel Corporation.

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This is indeed a great benefit at this time, but in connection with the point that I have just been making, it is interesting to observe—

1. That the expenditure is not to be made for increase of [233–22] plant, but for betterment and modernization of existing plant.

2. That in all probability the Steel Co. counts on making savings by reason of this expenditure, which will equal the expenditure itself in a period not exceeding 10 years. In other words, the expenditure of $80,000,000 is made in the anticipation of saving $8,000,000 year. Now with worker wages at $30 a week and with continuous employment, $8,000,000 a year represents the wages of over 5,000 workmen. Thus the saving will be made through the displacement of 5,000 men.

Now, there can be no criticism of this expenditure. It is [233–23] indeed most welcome at this time, and it would be difficult to find anyone who sincerely believes that technological progress should not continue. The point is this: Can we not recognize the fact that technological progress is continuing; that it must and will keep on continuing, and provide for the reemployment of this 5,000 men as and when the $80,000,000 expenditure brings their work to an end? In this way, technological progress will no longer be the doubtful blessing that it now is. It will resume its age-old and rightful place as man's most useful tool.

PURCHASING POWER AND STANDARD OF LIVING

To a considerable extent, every civilization is an expression [233–24] of population purchasing power, pecuniary or otherwise. The question that we must answer is: "What sort of purchasing power must we have here in the United States in the year 1938 in order that the kind of civilization on which we have embarked may go on?"

It seems self-evident that a civilization that intends to [233–25] provide all the things that science and invention have created must be based on purchasing power that is higher than the purchasing power that prevailed when these things did not exist. All classes, actuated perhaps by different motives, now insist that a certain so-called 1938 standard of living shall prevail among the people of our land.

This point is almost the crux of the whole matter It is [233–26] merely a statement that if an individual wishes to live on a certain scale, he must have an income that will support that scale. Likewise, if we wish millions of individuals to live on a certain scale, then these millions must have corresponding incomes. Thus far we have failed to create purchasing power sufficient to sustain a 1938 kind of civilization.

For instance, we cannot build an 1880 style of house, al- [233–27] though we can build it quite cheaply, but people do not want that kind of house. They want more house. When I say "more house," I mean a house that contains more cubic feet per person, more clothes closets, higher studding, central heating system, electric wiring, hot and cold water, bathrooms, sewage disposal, garages, hardwood floors, floor coverings, more and better furniture, and innumerable gadgets, and accessories that did not exist in 1880.

It is said that people are having too many things; that they [233–28] do not need them and that they would be better off without them.

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Without debating the propriety of this point of view, two facts stand out:

First, these things are here. They are part of our life, and [233–29] civilization may have recessions but they do not turn backward. The other is that if our people were to cease using all the things to which they have of later years become accustomed, and lead the kind of life that was current in our country 75 years ago, much of the business in the United States would be bankrupt, because so large a part of it depends on furnishing these very things which have only latterly come into the living of the people.

Those who believe that we cannot afford such a plan as [233–30] has been proposed would do well to consider the alternative.

And at this point, may I stop a moment to give you a copy [233–31] of something, Senator Hatch, which is a little too complicated to take in through the ears, and I think that you will do it more successfully at your leisure, and I shall place a copy in the record.

What I have given you shows that contrary to an increased cost, through the operation of the plan, that there is actually a saving as between the increased cost of the article of which that is an analysis, and the increased wages resulting from the plan. That is, the increase in family wages is greater than the increase in family expenses.

Let us see just what effect the plan would have on the cost of one particular category of consumer expenses:

A certain worsted textile factory employs 1,700 persons at an average wage of $24 for 40 hours of work. The annual pay roll is $2,121,600. The average output is 5,700,000 linear six-quarter yards. To produce this quantity in weeks of 30 hours instead of 40, the number of people would have to be increased to 2,267, and, at the same weekly wages, the annual pay roll would be increased by $707,616.

Five million seven hundred thousand yards is the material for 1,900,000 suits of men's clothing. Thus, the cost increase of $707,616 is 37.24 cents per suit. At its factory price, the cloth in a suit of clothes represents conservatively one-fifth of the retail value of the suit which is made from it, so that the total advance to the consumer, caused by the change from 40 to 30 hours in all the industries concerned, may be calculated at approximately $1.68 per suit, and, for the 1,900,000 suits, representing annual production, a cost increase of $3,534,000. This is the amount for which the operation of the plan must also compensate.

According to the Census of Manufactures published by the Department of Commerce, per capita production of wool and worsted cloth in the United States for all apparel purposes for the year 1933, which is the latest year of published record, was 1.98 linear six-quarter yards.

Assuming that per capita consumption in 1937 was equal to that of 1938, it would appear that 5,700,000 linear six-quarter yards produced by 1,700 people in the year 1937 supplied the wool and worsted needs for all apparel purposes for approximately 2,878,000 people.

Thus, the total increase of $3,534,000 would amount to a cost increase to each of these consumers of $1.23 per annum.

Bulletin No. 357 of the Bureau of Labor Statistics, bearing the title, "Cost of Living in the United States," was compiled in 1918 and 1919. This is a survey of 12,094 families, about 60,000 people. The average number of persons in a family at that time was 4.9; thus a cost increase of $1.23 per capita per annum would amount to a family increase of $6.03 per annum.

In this bulletin the expenditure reported for all of the items of wool textiles that are included in the linear six-quarter yardage tabulation therein set forth was an average of $68.34 for each of the 12,000 families, for the yearly period analyzed by the report. Against this amount an increase of $6.03 is 8.83 percent.

This figure of cost increase for this group of necessities may or may not represent the average increase on all the items that go to make up the cost of living that would accrue as a result of the plan, but, with respect to this particular category of expense, it is clear that the increase in expense of 8.83 percent is more than compensated by the 20 percent gain in income occasioned thereby.

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Then the operation of the second phase of the plan which increased the total income without increase in hourly rates becomes clear gain to management and workers, without additional cost of any kind to consumers, and with the possibility of lower prices due to increased output.

The United States still proceeds on a basis of family life, and, when employment is general, many families count on more than one income. If income from present 4-day employment stands at 80, income from full-time employment will stand at 100. If, in addition to this, average employment per family should increase only as much as from one to one and one-tenth, average family income would stand at 110, an increase of 37½ percent over income now accruing to a family having only one worker, employed at 4 days per week. Since there are many major items of family expense which do not increase commensurately or at all when the number of incomes in the family exceeds one, this item becomes an extremely important accession to family purchasing power.

UNEMPLOYMENT CURE BY BUSINESS TAX COSTLY

Those who believe that we cannot afford such a plan [233–32] as has been proposed would do well to consider the alternative. Surely the unsuccessful experience of the past years furnishes sufficient evidence that the cost of unemployment is far greater than the greatest conceivable cost of any plan that would successfully control it.

On a recent occasion, Mr. Robert H. Jackson, who has [233–33] since become Solicitor General of the United States made the following statement:

Recently two things have happened which promise to shock the citizen out of his complacency and make him really go to work to understand not merely his business but his world. One of these things is the permanent acceptancy by the American people of the idea that if somehow American business in general does not supply every man willing and able to work with a job which will enable him to live at the accepted American standard of living, that each businessman in particular will be taxed so that the Government can supply that job. There is a new and unwritten law in this country—and which probably affects businessmen more than any other law on the statute books—a law that fixes a liability without fault for inability without fault—a law which makes those who can afford to pay, underwrite a job for every willing person in the United States.

For 12,000,000 persons who are willing to work, unem- [233–34] ployment is not an academic something. It is stark reality, and in the existing circumstances, and in the absence of other means, it is difficult to see how Government can take any other position than that outlined by Mr. Jackson. But that is the most expensive program financially, morally, and spiritually, to which we can turn. Every aspect of it is admission of failure. It is not the answer that the situation requires. It is not the answer these 12,000,000 people want. It is not the answer to stimulate the constructive genius of a mighty people. In our American democracy, the only answer for unemployment is independent, self-secured employment.

Senator HATCH. Any other answer—for instance, the answer that Government must tax, and permanently support any great group of our citizens, be it 5 or 10 million people, that is an answer of failure, and an answer of defeat, is it not?

Mr. LEVY. Absolutely. [234–1]

PRICES AND WAGES EQUILIBRIUM THEORY REPUDIATED

On January 26, Dr. Harold G. Moulton, president of the [234–2] Brookings Institution, Washington, spoke before the Annual Meeting of the American Institute of Electrical Engineers. Because Dr. Moulton is to some extent the spokesman for those who share his

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point of view, I should like to discuss some of the things he said on that occasion, as reported by the press the following day. I quote:

> But during the period from 1929 to 1936, the productive expansion held in check by the forces of depression and with our per capita production reduced by more than 15 percent, the working week was reduced by approximately 20 percent below the 1929 level. We have more leisure but fewer goods to enjoy it with.

This statement is not correct. As Dr. Moulton says, [234–3] the working week was reduced approximately 20 percent during the period, but the per capita production was not reduced at all. According to the records of the National Industrial Conference Board, our per capita production in 1936 equalled per capita production in 1929, and in 1937 output per worker exceeded that of 1929.

I quote further: [234–4]

> It was apparent at the end of 1936, however, that forces were at work which threatened the equilibrium between wages and prices. Then in the first quarter of 1937, came the development primarily responsible for destroying the existing balance and altering the whole course of events. I refer to the aggressive labor movement which succeeded in obtaining for a large part of American workers a substantial reduction in the length of the standard working week and substantial advances in the rates of pay.

While, without doubt, the labor movement to which Dr. [234–5] Moulton refers did succeed in obtaining a substantial advance in the rates of pay, he is mistaken in saying that this was accompanied by a substantial reduction in the length of the standard working week for a large part of American workers. The records show that this was not the case.

But I differ further with Dr. Moulton's reliance on an [234–6] "equilibrium between wages and prices and the existing balance" between them. There is no equilibrium or balance, and there never can be, between wages and prices. "Equilibrium" signifies a fixed and equal relation between two or more forces. How would it be possible for the complicated thing which we call "wages" to be in equilibrium with the complicated thing which we call "prices"? For wages are not in themselves equal within a given country or within a given industry, or within a given craft within a given industry. And the prices for given articles are not the same in different localities, or in the same locality, nor do the changes which occur in prices occur in exact relation, or simultaneously with the changes which occur in wages.

Nor do the wages received for the support of a family of six, [234–7] bear the same relation to prices that are born by these same wages received for the support of a family of three. To attempt to think of these two matters as being in equilibrium is an impossibility.

But while there can be no equilibrium between wages and [234–8] prices, there is a relation between them, which however is never fixed. On the contrary, that relation is in a state of continual flux and is as restless as the motion of the everchanging seas. This continuing flux is the functioning of natural economic law which seeks to keep the swing of these complicated relationships within certain bounds. When prices become too high in relation to wages, the correction occurs either through reduction in prices or increase of wages. When prices are too low in relation to wages, the correction occurs through increased demand and increase in prices, or reduction of wages. When the scale of living outruns the income that supports it, the correction occurs through simplified living or increased income.

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It is when the relationship between the various factors becomes too distorted for easy self-adjustment that we suffer severely in reestablishing it. But Nature and economic law are no respecters of human comfort. They proceed to correct what we have managed to disarrange. All this, however, is the very opposite of equilibrium and those who seek to find the remedy for our national difficulties through some kind of static, unchanging equilibrium will fail.

To quote Dr. Moulton further: [234–9]

Reductions in wages, coupled with further increases in efficiency, appear indispensable to an expansion of production in some of the more important fields where these maladjustments have occurred, such as housing, where high wage rates defeat labor's objective of higher annual income.

HOUSING

It is true that there have been high wage rates in the [234–10] house-building industry in some localities, but there are other more important factors which have stood in the way of large-scale house production. While great technological progress has been made in almost every other form of enterprise, thus bringing about high wages and low unit cost at the same time, house building is one of the things that up to the present time has defied great technological progress. Weather interference plays an important part. For this and other reasons, the house-building industry has not succeeded in establishing itself on an annual operating basis, as many other industries have, and the high hourly wage rates that have been paid in some localities have nevertheless failed to provide satisfactory annual incomes.

This matter of house building is one of which I have some [234–11] experience. For almost 3 years now, our company has been working on mass production houses. We have invented a new method of construction for which the Federal Government has given us a number of patents. These houses contain the newest devices of every kind. Compared with small houses built years ago, they are distinctly "luxury houses," but 10 years hence they will not be so regarded. The whole effort behind them has been to create something to meet not only actual needs, but also the new conception of living of the great mass of our people. We have erected 29 of these houses, and have completed the organization of the enterprise so that we are now ready to go forward with such parts as are factory made in a mass production way.

In this building work we have had the advantage of steady [234–12] employment, and wages which are satisfactory to management and workers; from $5 a day for so-called unskilled workers to $8 a day for the higher skilled. And we are now able to state that our houses can be produced, under similar conditions, for a good deal less money than like accommodations can be furnished to the individual owner who has a single house built for him according to traditional methods.

Notwithstanding this economical result, with steady work [234–13] and reasonable wages as a part of the picture, the cost of the houses will be beyond the reach of the great body of wage earners of our land. And I should like to say that if it were possible to reduce the already reasonable labor costs in the construction of these houses by 50 percent, they would still not be available to families living on incomes of $20 to $30 a week.

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These houses will be available to the great mass of American [234–14] wage earners when one of two things happens: Either the standards of size, construction, and equipment which we have adopted will have to be materially reduced, or the average wages of American workers will have to be increased to bear a closer relation to the standard of living which these houses represent.

The first of these two things is not going to happen. Our [234–15] people are not going back to the living of other times. And we may not lose sight of the profound influences that have been exerted on this matter by the automobile, the moving picture, and the Sunday supplement. By the aid of these mediums, new and fascinating worlds have been revealed to great numbers of people who never dreamed of their existence, and they have come to know that their own living is out of step with modern times. It is but the assertion of human nature that our people are now determined to share in the comforts, conveniences, and beauty which each day, they themselves are helping to create. It is right that they should so share, and I hope they will never give up trying until they do. Our Nation will not build for the living of yesterday

It may be said that this all sounds very well, but that [234–16] it is nothing more nor less than encouraging our Nation to live beyond our means. What are our means? Our country has the means in physical plant to produce all the things that people can legitimately want, as well as the bare necessities; our country has the means in money to finance any series of operations, no matter how great, that enter directly into the living of the people; and lastly our country has the means in man power and in the will to do, to produce on any scale that may be required to employ our plant and our money, and to satisfy the new conception of living.

That the house problem will be solved, I have not the [234–17] slightest doubt, and it will be solved when as a nation, we agree that the things that are created in this world have no value except as they may be available for people to use, and that unless they are so made available, the business of this country will not be in sufficient volume to sustain our economy.

Let us be fair about this; let us not blame our present [234–18] plight on high wages.

WAGE REDUCTION AS RECESSION CURE OPPOSED

One word more and then I am done. A distinguished wit- [234–19] ness before this committee has given it as his opinion that the present recession is caused in part by high wages, and that he believes that a state of equilibrium, more or less, can be arrived at by reducing wages to the 1936 level. By what sort of clairvoyance does anyone know that the wages of the year 1936, rather than some other wages, are the correct wages for the United States? Furthermore, do those who would start a wage reduction to the 1936 level have any assurance that they will be able to prevent wages from going lower than that level once wage reductions are in full swing? For it is a fact that once wage cutting begins, each reduction begets another, with the necessities of competition as the excuse, and there is no end (already 33⅓ percent).

Senator Hatch, this Nation can make one mistake of graver [234–20] consequence than any other, and that is to convince ourselves that our

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condition will be benefited by reducing wages. I am not speaking now about the occasional wages to which we can all point as being out of reason. I am speaking of the wages and wage scales, that are the incomes of the vast majority of American working men and women.

I wish to recall that we made this same mistake in 1931. [234–21] Our depression did not really begin in 1929. What took place then was the collapse of a house of cards that had been built up by security and commodity speculators. But in 1931, it was said that security prices had been liquidated, commodity prices had been liquidated, dividends had been liquidated, and it was time for a liquidation of labor. It was then that our depression really began. One wage cut followed another, and everyone of them reduced our national purchasing power, and thus the scale of business operations.

It is my opinion that if we now make the mistake of cutting [234–22] the wages of the working people of our country, if we make the mistake of impairing the only support that we have of sufficient strength to maintain a critical but not hopeless situation, we shall bring on a situation of the utmost gravity. We must not make this mistake.

I beg that you will give serious consideration to the plan [234–23] that has been offered here today. Many reasons will be advanced against it, but I know of none that cannot be successfully answered. I am confident that the plan will work.

Senator HATCH. Mr. Levy, just a minute. I don't think that you stated your name and business.

Mr. LEVY. My name is Austin T. Levy. I live at Harrisville, R. I.

I am president and the largest stockholder in the Stillwater Worsted Mills, a corporation engaged in the manufacture of wool textile fabrics, manufacture and distribution of wool textile fabrics.

The corporation employs approximately 1,700 people, maintains seven plants in the State of Rhode Island, one in the State of Connecticut, and three in the State of Virginia.

Senator HATCH. If I recall correctly, your plant, or your corporation, is quite an old establishment?

Mr LEVY. Established in 1909, with a very modest capital, from which it built its own future.

Senator HATCH. Thank you, Mr Levy. We appreciate your thoughts that you have given us and especially appreciate the fact that you have discussed the question of unemployment.

(To Mr. Alford.) Again I apologize to you as I did to Mr. Levy.

(Mr. L. P. Alford was called as a witness.)

STATEMENT OF L. P. ALFORD, DEPARTMENT OF INDUSTRIAL ENGINEERING, NEW YORK UNIVERSITY

Mr. ALFORD. As to my record, I am chairman of the depart- [235] ment of industrial engineering, of the College of Engineering of the University of New York, and I am a consulting engineer.

Senator HATCH. You may be seated.

Mr. ALFORD. May I stand, with your permission?

Senator HATCH. Just as you prefer.

Mr. ALFORD. The occasion of my coming is a request or [236–1] invitation transmitted through Mr. Coyle, who is acquainted with research work which I have done in the field of industrial unemploy-

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ment and employment, and I shall discuss only one rather limited aspect of this problem. I am sure that it will not take very long.

Now, for a bit of my own background. My ancestry is [236–2] American Colonial, and my lineal ancestors came over in 1634, and members of my family have served the country in all of its major emergencies.

As a youngster in my teens I learned two trades, the trade [236–3] of house carpenter and the trade of machinist, and later attained my engineering education. I have spent my entire active life in various relationships in industry.

Now, in 1928, with an associate of mine, Mr. Joshua E. [236–4] Hannum, I undertook rather an extensive study of the performance of American industry, with the purpose of developing, if we could do so, a new attack, a new method of measurement of the various factors which enter into the operation of industry.

During the 7 years following 1928, we studied more than 12 [236–5] billion man-hours of work, and developed a method of attack or analysis which has now become pretty well accepted in American engineering circles, and is known by our names, as the Alford-Hannum method of analysis.

When we began this study, we turned to the national [236–6] measures of physical output of industry, but soon found that neither of these were satisfactory for our purpose and we therefore turned to a new measure, a measure based on the only common factor in industry, which is time, and this method which we evolved is known as the K. M. F., which is K man-hour or thousand man-hour method of attack.

Inasmuch as time is the only common factor, we relate all [236–7] the other factors, in production, industrial production, to this common base of time, and take as a matter of convenience 1,000 man-hours as that base, and in that study we explored more than 700 rates of production.

Now, in that connection, we studied this matter of tech- [236–8] nological change, and developed the fact from the information available to us, that the increase in the productivity on the average of the American industrial worker is of the order of 3½ percent per year, a truly astonishing factor if we spread that over a period of years.

We explored the relationship between wages and hours— [236–9] that is the change in wages and the change in hours, and of course, in general, wages have increased over a long period of time, and hours of labor have decreased, and in fact we carried our studies back into English history, going back into 1250 for a continuous record of wages, and back to 1550 in British experience for a continuous record of hours, and from that we established what we believe is the true relationship, and that is, that there is always a balance between wages and hours in the minds of working people, that is, as wages begin to increase the comfort of the worker increases, and when his comfort increases, he desires more leisure in order to make use of that comfort which brings about a demand for shorter hours, and so if we trace the history of the movements of those two factors of production we find that as hours come down, which means an increase of leisure, there comes a demand for more comfortable conditions, and those two apparently are in a rather delicate balance, under conditions which are not artificially controlled.

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In connection with——

Senator HATCH. Just a minute, there. I was just intrigued a little about that thought, if a man works long enough, you could get him practically for nothing, because he would have no idle time to spend his money.

Mr. ALFORD. That might be the extreme of that, to be sure. [237]

Mr. JOHNSTONE. It was so, in slavery.

Mr. ALFORD. It was so, in slave times. [238]

UNEMPLOYMENT STATISTICS

Now, in connection with our study of unemployment and [239–1] employment, we turn more particularly to the matter of employment. We are unable to find any satisfactory statistics or figures which we might use, and the same, of course, is true of unemployment, which is the antithesis. The only factors that we have which seem creditable to unemployment, are those of the National Industrial Conference Board, and the American Federation of Labor, which do not agree, that is the Federation's figures always being somewhat higher than the Conference Board figures.

We reached the conclusion that any statistics based on a [239–2] census of unemployed, the counting of heads, was unsatisfactory, and a discreditable factor to use.

Senator HATCH. It gives but very little real information?

Mr. ALFORD. That is true, Senator. We, therefore, turned [240–1] our attention to see if we could discover the possibility of developing some other factors, some other attack, a quantitative attack upon the matter of employment or unemployment.

The result of that study was this: Our approach was of [240–2] course the engineering approach. If you wished to control a situation and very evidently in this, the problem in this country today is to gain control of unemployment, so far as labor is concerned, we must have accurate information to begin with, and the answer to "How much," and preferably we must have a knowledge before the event of what is to occur, and also, if we can obtain a control of the factors as they move, as we say, the rate of change, we will control the end result, I think that that is perfectly obvious.

If you wish to drive 200 miles in your car in 4 hours, and [240–3] can develop a speed of or maintain a speed of 50 miles an hour, you have no need of following the elapsed time, you know that at the end of the 4 hours you will reach your destination, 4 hours away.

I think that that is an obvious method of control, and one [240–4] which we use a great deal in engineering.

Then the question arose as to how could we get a foreshadow [240–5] of an increase in unemployment, before the event, and my associate, Mr. Hannum and I turned our attention to that problem. We developed this suggestion, which we think is quite simple and we think is perfectly practical. It is impracticable to attempt to make a continuous survey of the entire operation of American industry, it is far too vast, but there is the method of sampling, which engineers use, and if you can obtain a representative sample, although a small sample, you can from that sample make a determination of the changes which are taking place or about to take place in the mass.

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If we can, therefore, obtain a knowledge of the change of [240–6] employment, of which unemployment is the antithesis, we can foreshadow to some extent the coming of unemployment, if it is about to come or there is about to come decreasing employment.

Therefore, to make the suggestion quite concretely, we [240–7] suggested that through some agency such as the Bureau of Labor Statistics, of the Department of Labor, that a return should be made from a selected group of industries, of plants in industries, on the first of every month, giving two figures.

First, the number of man-hours which had been worked, [240–8] during the preceding month, and second, the number of man-hours represented by the orders on the books of these concerns, at the first of the month, when the report was made.

Now, then, the number of man-hours which have been [240–9] worked is just a matter of the records from the books, and the number of man-hours represented by the orders on the books is something that any well organized industrial concern can easily compute, with a very high degree of accuracy

So, if it were a matter of practice, that a selected group of [240–10] industrial plants, in each major industry, should report on the first day of every month, to the Bureau of Labor Statistics, the number of man-hours which had been worked during the preceding month, indicating the level of employment, at that time, and then the number of man-hours represented by the orders on the books, we would have, if the sample was accurate, a very excellent picture of the activity of American industry, expressed in man-hours, which we believe is the only way that it can be expressed, to give us information of value, and also an indication as to whether or not in the immediately preceding period there was an increase in the level of employment represented by an increase in the number of hours, necessary to produce the orders on the books, or whether there was a decrease.

Now, then, I am quite sure, Senator, that those figures [240–11] can easily be developed by such an agency as the Bureau of Labor Statistics.

Mr. JOHNSTONE. Are you familiar with the fact that Dr. [241] Lubin is now developing such a system—I don't know whether it was a result of your suggestion or not.

Mr. ALFORD. We made this suggestion to the Bureau of [242–1] Labor Statistics, I think, about 5 or 6 years ago, and so far as I know no action was ever taken

Mr. Hannum and I developed rather a lengthy report which [242–2] was published by the Department of Labor and embodying this suggestion in rather more detailed form than I am presenting it this afternoon.

But that, Mr Senator, is the only contribution that I think [242–3] that I have to make this afternoon. We believe that that attack is a perfectly feasible one, that thereby we can get a knowledge of what is taking place in American industry and that we can foreshadow whether or not the level of unemployment is decreasing or increasing, and if that can be done it gives us an opportunity to apply remedial measures before the event.

Senator HATCH. That is a very valuable contribution, Professor, and, later on in the month—we will be having other hearings, and

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perhaps have a full committee—would it be possible for you to amplify your statement further along this line?

Mr. ALFORD. I should be very glad to appear again, and bring [243] with me the necessary documents, more particularly this report to which I have referred,which is a matter of 5 or 6 years ago, and to go into it in more detail if you would like to have me do so.

Senator HATCH. I am quite sure that the committee would like to have it and later on probably Mr. Johnstone will get in touch with you and let you know.

Thank you very much.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon an adjournment was taken at 3:30 o'clock, until 10 o'clock the following morning.)

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UNEMPLOYMENT AND RELIEF

THURSDAY, MARCH 3, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UMEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Davis; also Alan Johnstone, counsel to the committee.

Present also: Senator Herring, of Iowa.

STATEMENT OF JAY C. HORMEL, PRESIDENT, GEORGE A. HORMEL & CO., AUSTIN, MINN.

The CHAIRMAN. The committee will come to order.

Mr. Hormel, the committee has invited you to appear to make a statement to the committee, and Senator Hatch will interrogate you with reference to the subject in which we are interested.

Mr. HORMEL. Yes, sir.

Senator HATCH. As you know, Mr. Hormel, this committee is authorized to study the general subject of unemployment and relief. In going over matters relating to this subject, we ran across some magazine articles relative to the plan you have put into your plant in Austin, Minn., I believe, in which, to some measure, we believe you have solved the subject of seasonal unemployment. We were interested in it, wanted to know how the plan worked out, how satisfactory it was as to management, and also to the workers.

First, will you give your full name to the reporter.

Mr. HORMEL. My name is Jay C. Hormel. [244]

Senator HATCH. The name of your plant?

Mr. HORMEL. George A. Hormel & Co.

Senator HATCH. When was it established?

Mr. HORMEL. In 1892.

Senator HATCH. By your father?

Mr. HORMEL. Yes, sir.

Senator HATCH. It has been in continuous operation since that time?

Mr. HORMEL. Yes, sir.

Senator HATCH. What is the general nature of your business?

Mr. HORMEL. We started as a small town butcher shop, did [245] collateral slaughtering, and gradually grew into a pork-packing establishment, slaughtered very little beef or small stock until recent years, and finally got a volume of about a million hogs a year, and just a little less than 200,000 cattle, and about 600,000 lambs per year.

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Senator HATCH. How many men do you employ in your plant, Mr. Hormel?

Mr. HORMEL. Well, out total employment runs just a little [246] short of 4,000, counting in and out of Austin.

Senator HATCH. About four thousand?

Mr. HORMEL. A little short of that.

Senator HATCH. Now, when did you first become interested in this question of hourly wage, I will put it that way?

HOURLY VS. ANNUAL WAGE

Mr. HORMEL. Well, Senator, the first thing that caught [247] my imagination was when we had an efficiency expert come in, back in the early twenties, to point out to us that if we would measure time by the tenth of an hour instead of the half-hour, as we were doing, that we would save quite a lot on our pay roll, and this tenth of an hour seemed to be cutting it pretty fine to me, and the more I contemplated it the more I worried about it. I began to worry about where this hourly wage came from in the first place, because my great uncle, who was the closest I can remember to a grandfather, used to tell me about his first job being a dollar a month plus his keep, and went on to say how he progressed by getting more a month, and when my father started his first employment it was by the month or by the year, so I finally decided, being unable to find any evidence to the contrary, that the hourly wage must have been mostly for the purpose of casting the responsibility of fluctuations over to labor, and it did not seem to me that that was a desirable thing for labor; and it seemed to me that if our employment conditions could be improved, that we might expect better work from our workmen.

We worried along about it, afraid to try it, because it was unorthodox, and finally, in 1931, we did try it in a small department of 19 men.

Senator HATCH. You say you did try it?

Mr. HORMEL. Somewhat to our surprise and considerably [248] to our gratification, it worked.

Senator HATCH. What did you try then?

Mr. HORMEL. Well, really, that start was not an annual [249–1] wage in any sense; it was a weekly wage. All I was thinking of at that time was that people eat not by the hour or by the season, but by the week, and I was thinking merely of giving them a regular weekly check. As we thought about the subject, it began to occur to us that may be industry should go so far as to take some responsibility for maintaining employment for people that they hired.

In 1929 we came out with a brand new invention, which [249–2] was the canned chicken, and it seemed to catch everybody's imagination. They sold like hot cakes. We thought we were going to have a tremendously big chicken business. Actually what was happening to us was that the wholesalers were stocking up, and the retailers were stocking up, and perhaps your wife bought a couple of cans and put them on the pantry shelf for the unexpected guest, but until that guest came, she was not in the market for any more, and our sales suddenly fell off from this high peak, but we had gone out and hired a great many people to work on the canned chicken, and one fellow, in particular, when we told him we did not need him any

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more, said, "Well, you can't do that to me", and I said, "What do you mean—can't do what to you"? He said, "You can't turn me out in the street. You couldn't turn a horse out in the street. You can't do it to me." I said, "You can go back where you came from, can't you?" He said, "No, I had worked up a little peanut stand down in our small town of 1,200 people, and I was making $9 or $10 a week when you came along and said that would give me $20 a week, to help you can your chickens. I suppose you would keep it up. I didn't think you would keep me here a couple of months, ruin my business, and turn me out in the street."

That got me to thinking of transferring our plan into an annual wage instead of merely a weekly wage.

Senator HATCH. I believe you said at the beginning of your statement that you began then to realize that you had some responsibility for the workmen?

Mr HORMEL. Yes, it seemed to us that if we were in our [250–1] employment committing any crime, it was in the making of dislocations. This man I am talking about had gotten along all right before

I have another instance in mind of another fellow who [250–2] talked to us about the same time. He was living with his family and they could afford to carry him all right, but when he got his job they took the extra money to apply on some installment purchases that they wanted to make, and if he went back to them it meant they had to forfeit the things they were buying on the installment plan in order to carry him in the home again. I get from that dislocations, are an important curse to us.

Senator HATCH. And you thought your chicken business had more possibilities of dislocations in the lives of these men?

Mr HORMEL. Yes, and it really was trying to avoid those [251] dislocations that we finally went into the soup business, to get employment for the people that the chickens would not keep there.

Senator HATCH. If I understand that statement correctly, you developed a new line of business, the soup business, that you had not been engaged in before, in order to give employment to men?

Mr HORMEL. Yes. [252]

Senator HATCH. Was that successful? Did that work out?

Mr. HORMEL. We are still in it. [253]

Senator HATCH. And you retained these employees?

Mr. HORMEL. Yes, sir. [254]

Senator HATCH. Now, Mr. Hormel—with that start—that was in 1931; was it?

Mr HORMEL. 1931 that we first actually—this maintaining [255] employment for this chicken gang became a problem before we actually got it straight. We tried to work out that principle on the hourly basis, but we finally got to this annual wage idea in a small way in 1931. We put 19 men on the annual wage during 1931, and in 1932 we added 120, got the total number up to 139. The next year we got the total up to 164. In 1934 we kept it up to 164. In 1935 we got it up to 1,329. In 1936 we got it up to 1,779. In 1937, the close of last year, we finally had 2,373 on the annual wage.

Senator HATCH. Now, just how do you provide that annual wage? What plan do you use, Mr Hormel?

Mr. HORMEL. Well, in the beginning we merely set a straight [256] weekly wage and agreed to give each man 52 equal pay checks to go

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with vacation and sick leave, that is to say, his check continued through vacation and sick leave.

The CHAIRMAN. How much sick leave?

Mr. HORMEL. It depends on length of service, from 1 week [257–1] up to 3 weeks, and the minimum is 1 week.

And that worked out for a while until we ran into one [257–2] department where, well, I am skipping one part that you should understand, I guess.

On the weekly wage we do not keep any particular track of [257–3] their hours, except for information purposes. The idea is that they have the work to do in this department. They get paid so much for doing it and when the work is done they can go home. The result is that if they can do, say, 40 hours of work in 35 or 36 hours, they can have the 4 or 5 hours extra leisure, and our experience is that even departments operating on a chain, with some mechanical speed device, even such departments seem to have stepped up about 10 percent, whereas departments that did not have any mechanical conveyors, or contrivances, stepped up as much as 20 percent in their rate of production, and gained themselves that much leisure.

Well, one department in particular, which has stepped up its [257–4] rate of production something nearly 25 percent happened to enjoy an increase in business. We got to the end of 1 year and found they had done nearly 20 percent more work than we had paid them for. They had still worked less than the number of hours we had paid them for, but they had done substantially more work, so that was the start of a bonus system. We now budget the work in each department, where we can, and pay a bonus for any volume in excess of the budgeted tonnage, with the result that some of our departments have earned as high as 64 pay checks in 1 year.

Senator FRAZIER. What was that?

Mr. HORMEL. Sixty-four.

The CHAIRMAN. Suppose the men do not get through the work allotted to them in the 40 hours, do they work longer than that?

Mr. HORMEL. Theoretically, yes; but we never had any [258] department fail to do 40 hours work in less than 40 hours.

The CHAIRMAN. You budget the work then?

Mr. HORMEL. That's right. [259]

The CHAIRMAN. That they are expected to do in the 40 hours?

Mr. HORMEL. That is right.

The CHAIRMAN. And if they do it in less time, it is their leisure?

Mr. HORMEL. That's right. [260]

Senator HATCH. You say they have never taken more time?

Mr. HORMEL. No; never in any single instance has that hap- [261] pened. Of course, that budget and bonus angle is a complication that crept in later. The simple plan is that they have their work to do and we pay them so much a week to do their work, the same as you pay your office help or anybody that normally is paid on a regularly weekly check.

Senator HATCH. Who works out the budget for this work?

Mr. HORMEL. Well, we have some great times working out [262] those budgets. If you don't think that collective bargaining is interesting you should see us wrangling about these budgets.

The CHAIRMAN. It just occurred to me what the Senator asks, if you would fix a budget for 40 hours and the man works 35, would you decrease your budget then?

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Mr. HORMEL. That was the suspicion before we had been on [263] it long enough to gain confidence, that it would not happen. That was one of the difficulties with the budget idea. Although we are in our third year, there are still some skeptics that are afraid of that point.

The CHAIRMAN. That is a matter of bargaining?

Mr. HORMEL. Yes, sir, in order to get a satisfactory under- [264] standing, yes, but actually it is a matter of calculation.

Senator HATCH. Just for the benefit of the record, your plant is organized, that is, you have organized labor?

Mr. HORMEL. Yes, sir.

Senator HATCH. C. I. O.?

Mr. HORMEL. That's right.

Senator HATCH. It was organized before that?

Mr. HORMEL. They had an independent union until, I think, [265] about a year and a half ago. Then they got a C. I. O. charter.

Senator HATCH. All right, you may proceed with the further explanation of the plan.

Senator DAVIS. You stated here that you developed a new department, the soup department, as I understand it?

Mr. HORMEL. Yes, sir.

Senator DAVIS. Did you develop a new market, or did you cut into the present market of the soup makers, so to speak?

Mr. HORMEL. Well, I think that—I don't know where to get [266] statistics to prove this, but I think that probably the soup business has increased materially because of the two or three firms entering it and making that many more people conscious of the idea of canned soup. I am very sure that Campbell, who I am told had some 90-odd percent of the soup business prior to the time we entered it—I am quite sure that Campbell's business is at least as great, if not greater, than it was, in spite of the fact that there have been, in addition to ours, two or three others enter the business. I think that whenever you make products in more ways, more attractive ways, you increase the market.

Senator HATCH. You may go ahead.

HOUSING

Mr. HORMEL. Well, in that connection, it might be interesting [267] to you to know that the farthest afield we have had to go until now in order to maintain the annual wage of continual employment, is to go into the house-building business. Three years ago we got to a point where we just could not find any work in our own line of business to keep a certain group employed through the slack season, so we took our packing-house employees, in seniority order, and went into the house-building business, on a contract basis, and built 34 houses.

The CHAIRMAN. You did not run into a conflict with the men employed in the building trades?

Mr. HORMEL. No, sir.

The CHAIRMAN. But you built the 34 houses?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. You found employment for the men so you could continue to pay their annual wage?

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Mr HORMEL. Those men who were to be laid off on a seniority basis are still on the job.

Senator HATCH. Before you started this annual wage, Mr Hormel, your plant on the hourly wage basis, was that when there was no work for the men to do that they were dropped from the pay roll?

Mr HORMEL. That's right. [268]

Senator HATCH. And the men themselves sustained the loss?

Mr. HORMEL. That's right. We have one division that [269] used to run about 600 during the peak season and slightly under 300 during the dull season, and we have leveled that whole group out so that we carry them, not only through our seasonal changes but through the fluctuations in numbers of livestock available. You see, since we started this plan——

Senator HATCH. You carry 600 now?

Mr HORMEL. No, we are somewhat under the peak. Since [270] we started this, due to the lack of available livestock, we have had a fluctuation in the major volume of our plant from 100 down to 83, just almost even 83 percent of the volume for which the employees were hired, so that, putting it the other way, we had whatever 17 is to 83, we had that percentage of surplus employees, and that year this group who were employed for 40 hours a week, or paid for 40 hours a week, actually worked 31 hours.

Senator HATCH. Thirty-one hours?

Mr. HORMEL. Yes, sir.

Senator HATCH. That was their average, but they were paid for the 40 throughout the year?

Mr. HORMEL. Yes; we have had 3 years now, 86 percent [271] in 1935, 87 percent in 1936, 83 percent in 1937.

Senator HATCH. It was stated in one of the articles that I read that this plan has cost your company something like $300,000 per year in order to keep it going?

Mr HORMEL. Well, that is the way it figures out on paper.

Senator HATCH. It figures out on paper that way, but in our discussion in my office this morning, you told me something else about that. Will you please explain that to the committee?

Mr. HORMEL. I just had our people make that calculation and, [272] of course, we were somewhat shocked to think that we had thrown away $300,000. When we got an opportunity to compare our annual earnings with others in our business, we did not seem to be $300,000 short. It seemed to be made up some place.

Senator HATCH. But you had not lost that money?

Mr. HORMEL. The money was still in the till, although we had spent it.

The CHAIRMAN. How do you explain that?

Mr. HORMEL. I can only account for that by better workman- [273] ship and a lot of little collateral advantages. For example, if the department did save 10 or 15 percent in the time it takes to do the work, that is 10 or 15 percent on the electric bill and on the water bill, and I don't know, it just seems to——

Senator HATCH. Go ahead and explain about this cutting of the meat that you told me about.

Mr. HORMEL. I believe that a good part of it must have come [274] from that. For example, if you split the side of a hog into a fat back and a piece of bacon, there is a great difference in the value of the

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fat back as compared with the bacon, and if a man lays his knife just a shade over the wrong side, he has cut money away, and I cannot help believing that our people, feeling secure do things to maintain their security and are a little more interested in how they do their work.

Senator HATCH. You mean, in short, that these men who have the security of the annual wage, have developed a keener sense of responsibility for the business and a greater personal interest in it themselves; is that right?

Mr. HORMEL. I believe so. [275]

Senator HATCH. And, as a result of that interest, they have made substantial savings to the company by the method of doing their work?

Mr HORMEL. Yes, sir. [276]

Senator HATCH. That, in some measure, accounts for the fact that although you lost $300,000 you still had it at the end of the year?

The CHAIRMAN I believe I do not understand how you lost the $300,000 and you still had it at the end of the year, because, at the end of the year, when you balanced your accounts, were there any net earnings for the company?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. Then your balance sheet did not show a deficit of $300,000?

Mr. HORMEL. No, sir. What I mean, Senator, is this. [277] Well, taking last year's volume as an example, we only had 83 percent of the volume of the work for which we had contracted to pay the employees.

The CHAIRMAN. Nevertheless, as a result of the efficiency of the employees, there was no such corresponding loss in your net earnings?

Mr. HORMEL. That's right. [278]

Senator HATCH. Your bookkeeping shows that it cost you that much more, but the actual earnings show it did not?

Mr. HORMEL. That is correct. [279]

Senator FRAZIER. Mr. Hormel, you have quite a number of men still hired by the day or the week?

Mr. HORMEL. Comparatively few. We have two depart- [280] ments who have had a piece work arrangement of some 10 or 12 years standing, which they like and do not want to give up, and we have another department that has——

Senator FRAZIER. Does this plan of hiring a majority of the men by the year have any effect upon the daily workers or weekly workers?

Mr. HORMEL. Well, the only persons we have working by [281] the hour now are persons who are not interested in getting the annual wage. As I say, these piece workers were not interested, and we have one department which has such steady work that they have not suffered from irregularity, so they are not interested, and the only other employees we have are the extra people that we keep around to fill out for vacation or sickness.

The CHAIRMAN. Do you have to pay the person who works merely by the hour a higher hourly wage than you pay the employee who is given the assurance of the annual wage? Do you make any distinction because of the security that is given to a man by the annual wage?

Mr. HORMEL. No, sir. On the contrary, the hourly worker [282] receives his flat hourly rate, whereas the straight-time worker receives

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40 times that as his week's check, but he does not work 40 hours. so actually, the hourly rate, I have not figured it out here, but our average weekly wage in our plant last year was $28.85 a week. That happens to be just exactly $125 a month, and that is the average for men and women.

The CHAIRMAN. Do you pay all men engaged in the same character of work this annual wage?

Mr. HORMEL. Yes, sir. [283]

The CHAIRMAN. Then these men who are paid the hourly wage are engaged in different work?

Mr. HORMEL. Yes; they are in a separate department. [284]

The CHAIRMAN. If he wants to go on an annual wage, would you permit him to do so?

Mr. HORMEL. Yes; we have got to a point now where we are [285] willing to employ everybody on that basis. As I say, certain departments were not interested because the arrangement they had was satisfactory to them.

The CHAIRMAN. It would be very difficult to arrange it with some men in a department working on this annual wage and some not doing so.

Mr. HORMEL. That would be unfair to the hourly worker be- [286] cause you would depend upon the person with the annual wage to make the hourly fellow hustle unduly, without giving him any premium for doing it.

The CHAIRMAN. It would be impossible, wouldn't work at all.

Mr. HORMEL. Yes, sir.

Senator HATCH. After your first attempt to establish this plan, Mr. Hormel, the one you didn't go ahead with during the depression, somewhere I got the idea that the men requested at a later period that you continue with your original idea?

Mr. HORMEL. As I told you, we started out in 1931 by putting [287] 19 men on as an experiment and the following year we put 124 on and about the middle of 1933 I decided I was ready to put the whole plant on.

Senator HATCH. You decided what?

Mr. HORMEL. I decided I was ready to put everybody on, so [288] on big move, I applied the straight wage to the whole plant and it was badly misunderstood, and inside of two weeks we had to take it away again and go back to this system of letting it go a little at a time.

The CHAIRMAN. How much did you pay in bonuses last year as a result of that bonus system?

Mr. HORMEL. It ran some place in the neighborhood of [289] $70,000, I think. I have not the figure before me.

The CHAIRMAN. $70,000?

Mr. HORMEL. For work that exceeded the budget in tonnage in [290] some few departments.

The CHAIRMAN. The employees are satisfied with the plan you have so far as you know?

Mr. HORMEL. I am very sure that they are. [291]

Senator HATCH. When you discontinued it then, what happened when you put it back?

Mr. HORMEL. In 1933?

Senator HATCH. Yes.

Mr. HORMEL. Well, we went along until it came time to [292] reduce the force in one department, and then that department asked

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if we couldn't put them on the annual basis, then, we got around to reducing the force in other departments some months later, then, one by one, they applied.

The CHAIRMAN. When you first proposed it they were not very enthusiastic about it; were they?

Mr. HORMEL. No, we went along up to 139 men on an experi- [293] mental basis, moving in slowly, then we put the whole plant on at one big move and it was just too big a move, and it was misunderstood and they didn't know what it was or how it worked, and they weren't happy with it because they did not understand it, so we took it off again and started putting them on in small groups as we started out to do.

The CHAIRMAN. They became educated to it, to the new system, and were satisfied?

Mr. HORMEL. That is right. [294]

Senator HATCH. Could you go back to an hourly wage if you wanted to?

Mr. HORMEL. No, I would have our plant tied up in a strike [295] if I tried to go back on an hourly wage. They would want to quit, I am sure of that.

The CHAIRMAN. Has the number of employees increased as a result of the new system?

Mr. HORMEL. No, sir. Our number of employees now is [296] almost exactly the weighted average that we would have under the hourly system.

The CHAIRMAN. It has not increased the number but it has made those employees more contented, happier?

Mr. HORMEL. We do not have a peak point, of course, [297–1] just as we do not have a low point, so at one time of the year we have fewer employees and another time of the year we have substantially more employees, but our number on the pay roll now is just about the weighted average we would have if we were working by the hour. I think it would be interesting to the committee to know what some of the fluctuations are that we have gone through since the plan has been working. I have been told that this can apply only to a business that is reasonably stable.

Our hog operation involves substantially 1,200 people. [297–2] Our maximum last year was, maximum month, was 108,180, whereas, the minimum month was 33,767, that is fully three for one monthly fluctuation.

For weeks, our maximum week was 30,026. Our minimum [297–3] week was 6,437. That is almost five for one from top weeks to bottom weeks. As I pointed out to you before, on the annual basis we have had a variation from 100 down to 83. I hope it will go back presently. The plan has stood up through substantial fluctuation.

The CHAIRMAN. How large a town is Austin?

Mr. HORMEL. Fifteen thousand. [298]

The CHAIRMAN. Are the building trades highly organized there?

Mr. HORMEL. No, sir, very loosely organized. [299]

The CHAIRMAN. What other kind of work have you given to employees in the season when your operations were slack and you desired to continue them at work, besides building those houses?

Mr. HORMEL. Well, understand that house-building thing was [300] to take the place of some business that had disappeared. It was not to plug up a seasonal gap.

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The CHAIRMAN. It was to do what?

Mr. HORMEL. It was to tide us over until we could replace [301] some business that had disappeared. It was not to plug up a seasonal gap. So far, we have had no seasonal or annual fluctuations which we could not beat by averaging out. Under the N. R. A. our packing house code provided 53 hours maximum per week and we followed that limit along in working a maximum of 53 hours. For instance, our hog operations last year had a maximum of 53 hours a week, and a minimum week of 16½ hours.

The CHAIRMAN. What else, if you had a similar situation, what else could you do to employ the men? There aren't very many things that you could do outside of the particular line of business, are there?

Mr. HORMEL. I don't know, we have come somewhat to the [302] theory that our business may be not meat but employment. We have taken the attitude that we should develop some sort of business to take care of our employees and so far we have been able to do it.

The CHAIRMAN. And you still have that in contemplation that whatever is necessary to give employment to them, you are going to endeavor to arrive at?

Mr. HORMEL. Yes, sir; we haven't got so far yet that we have [303] given the employees that assurance. We have given the employees the assurance that we will give them one year's notice before we lay them off.

The CHAIRMAN. You mean the individual?

Mr. HORMEL. Yes.

The CHAIRMAN. You give the individual the assurance that he will have 1 year's notice?

Mr. HORMEL. Yes, sir; in the printed form that we use on [304] this straight time plan, we provide that.

The CHAIRMAN. I would like to see that. Does that mean this, that if your business falls off next year you are going to put out your chin and take that loss and keep those men for a year?

Mr. HORMEL. We have just kept them for 3 years. [305]

The CHAIRMAN. But you said you did not lose money last year?

Mr. HORMEL. No; we did not; but we did maintain—I don't [306] know how to express this most clearly—we had employees on the job to take care of a million hogs. Actually we got 830,000 hogs. We did not lay anybody off. We have had 3 years of similar shortage of work and nobody has been laid off, although we have not replaced persons who have disappeared.

Senator HATCH. You could carry that to a still greater extreme, could you not, that if some disaster happened to your business, instead of a million hogs, you only had 200,000, you still, under your contract with your workers, would carry them on?

Mr. HORMEL. That is what we do with our vice presidents. [307]

Senator HATCH. You don't lay off your vice presidents?

Mr. HORMEL. That's right, Senator. [308]

The CHAIRMAN. And you give your men the same treatment?

Mr. HORMEL. That is what we try to do. [309]

The CHAIRMAN. (reading from Agreement):

During any 1 fiscal year, this extra gang—

Mr. HORMEL. The idea is this: If some worker disappears, [310] now, we just had one department of 17 men busy at work which just completely disappeared. The commodity they are making just went

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off the market and we transferred them to what we call the extra gang, at the same rate of pay that they had been drawing on their old jobs, and we undertake, within a year, to find something for them to do. We promised them that we will at least keep them on their rate of pay for a year. At the end of the year we reserve the right to drop them, although it is our intention not to do so.

The CHAIRMAN. I have glanced at this enough to know that I want it printed in the record.

So this represents an agreement with the employees?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. As to sick leave and many other subjects?

Mr. HORMEL. We call it an arrangement rather than an [311] agreement. It really is not an agreement. It is just a confirmation of the arrangement.

The CHAIRMAN. It has on the sheet a place for the committee representing the employees to agree.

Mr. HORMEL. Yes; there is an explanatory sheet that goes with that that I haven't got with me.

The CHAIRMAN. You will supply it as part of this arrangement, to have it printed in the record? (See p. 1631.)

Senator HATCH. You had also some other statistical data that you desire to put in the record?

Mr. HORMEL. I think I have covered these statistics.

Senator HATCH. One of the newspapermen wanted to know about this, Mr. Hormel, he wanted some information on an item, and I will ask you this question: He wants to know what the average monthly salary of workers under your annual wage plan was, as compared to workers still on the weekly wage, or the hourly wage, the average monthly salary.

Mr HORMEL. Well, that is hard for me to answer because there have been changes in wage rates since we have had substantial numbers of hourly employees, that our average monthly income is just $125, and that includes women whose minimum pay is $20.40, and men whose minimum pay is $24.40.

The CHAIRMAN. Let's see if we can get at it this way. If this is your average, $125, average month of 4 weeks.

Mr. HORMEL. Yes.

The CHAIRMAN. That is the average amount paid to the employees. Those who are on this other scale of payment, that is, the hourly wage? What do they make per week?

Mr. HORMEL. We are paying what few hourly workers we [313] have comparable rates. The only difference would be the bonus, which would amount to, spread over the whole plant, the bonus on this amount, would amount to, say, 2 percent.

The CHAIRMAN. Now, this assurance as to 1 year's notice, that holds good as to this piece-time worker or hourly wage worker as well as monthly wage employees?

Mr. HORMEL. Yes; we have done that. [314]

The CHAIRMAN. Applied to all, then?

Mr. HORMEL. Yes; we do have some casual help who are not [315] recognized by the union as having seniority and whom we do not recognize as really being attached to our pay roll, I mean, people come along and we happen to have a worker who needs to be replaced, someone who is sick. We do not include them.

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The CHAIRMAN. When you first made this arrangement you said it was a union of your employees alone, and since that time they joined one of the national organizations?

Mr. HORMEL. That's right. [316]

The CHAIRMAN. Back in 1933?

Mr. HORMEL. That is right. [317]

Senator HATCH. I observed that this plan, Mr. Hormel, has caused you to have less trouble with your men, the men themselves now see that if a man is laying down on a job, he picks up and does it alone. It has taken that off of your mind?

Mr. HORMEL. That's right. I think one reason we did not [318] realize the theoretical loss that is involved is found in this: that since the men have taken the responsibility of getting the work done, the foreman has no other duty than control quality.

Senator HATCH. Than what?

Mr. HORMEL. Quality control. He is not worrying about how [319] long it takes to get the work out; he is worrying about how well the work can be done, and that may be partially why we did not realize the theoretical loss of it.

The CHAIRMAN. Is there any other company engaged in the same line of business that has undertaken to put this plan of yours into operation?

Mr. HORMEL. No, sir. [320]

The CHAIRMAN. Let me ask you this: Would it be possible for you to do the work if you were located in one of the large cities of the country, to follow this plan?

Mr. HORMEL. So far as I know; yes, sir. [321]

The CHAIRMAN. You think it would make no difference?

Mr. HORMEL. I cannot see what circumstance might arise else- [322] where or in another business that we have not met. That may be only because I do not know.

The CHAIRMAN. You do not see any reason why it could not operate?

Mr. HORMEL. So far as I know, we have had to meet just about [323] every circumstance that could come up.

Senator HATCH. Further than that, you have made some study of other industries in other businesses; have you not?

Mr. HORMEL. I guess I will say no. [324]

Senator HATCH. Just give us the benefit of your opinion. Don't you think this plan could be put into effect in other industries as well as in the packing industry?

Mr. HORMEL. I certainly hesitate to speak for somebody else, [325] but, so far as I can perceive, we have met all the problems that I know about coming up in anybody's business. I don't know any reason why it couldn't be applied elsewhere.

Senator HATCH. Well, in fact, the problems you have in your plant, your marketing, your sales, your labor, all those things, are just similar to the problems that arise in other industries, in other plants?

Mr. HORMEL. So far as I know. We have met seasonal vari- [326] ations. I have mentioned to you only the seasonal variation of this one major group of about 1,200 employees, but we had one department which went from 118 employees, peak employment, down to 14, minimum, and we finally got that leveled out.

The CHAIRMAN. Let me ask you this: Does this agreement, which I have put into the record, together with the statement that you

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referred to, as not being with you today, does that represent the entire arrangement between the company and its employees?

Mr. HORMEL. Well, the paper here provides—this is all that [327] we give the employees as their memorandum of what the arrangement is.

The CHAIRMAN. Yes.

Mr. HORMEL. Attached to this are four schedules which are [328] prepared with respect to a particular department, which are not general in their nature. The paper that is missing here is an explanatory sheet for the guidance of our own people in compiling these schedules.

The CHAIRMAN. I would like to have you send us two of those schedules.

Mr. HORMEL. I can send you a typical set of schedules; yes, [329] sir. (See p. 1633.)

The CHAIRMAN. So that I will have the entire plan between the company and the employees of a certain group, in a certain department, whatever it is, before me.

Mr. HORMEL. It will take me some few days to arrange that because the man who handles it happens to be on vacation now, but I will get that.

I have just this one observation that I really want to make on the subject.

Our town has just completely changed face since we have [330] gotten this straight-time plan really going. I cannot exactly explain it, but it certainly is true that people have been able to buy more automobiles and build more houses with the same-sized pay roll going on in this way than they were able to do with the same amount of money going out by accidental weekly check.

The CHAIRMAN, Don't you think if a man has the security and certainty of an income that he is more liable to buy a house or an automobile than if he is working from day to day and hour by hour without knowing if he is going to have a job?

Mr. HORMEL. He is able to plan better for himself, too. [331]

The CHAIRMAN. Of course.

Mr. HORMEL. But it is perfectly amazing the amount of [332–1] building that is going on in our town and the amount of furnishing houses since this thing started.

Now, it seems to me, from a broader aspect, the important [332–2] thing is to consolidate whatever position you happen to be in when we start and then try to make small gains from that point on.

As far as our national problem is concerned, it seems to me [332–3] that if we could just somehow get it established that there is no such thing as a panacea, and we just do one little thing after another and try to build up the mosaic, maybe as you call it a jigsaw puzzle, until we begin to get a satisfactory picture, we may hope to make some measurable progress over a reasonable period of time.

I think too many of the things we are trying to do are jump- [332–4] ing too far, and it seems to me if we could find some way of not losing the employment that exists today, if we could find some way of offering employers a premium for finding some means of retaining the employees that they do have, perhaps even attaching some responsibility to the employment of new people, so we never will do what we did with that chicken business—that is, to go out and dislocate some three or

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four hundred people for whom we only have temporary use—that would be a good thing to do. It seems to me something of that order would be part of the mosaic we should try to build.

The CHAIRMAN. Are there any other industries in Austin of any size?

Mr. HORMEL. No, sir. [335]

The CHAIRMAN. I was wondering whether in that community where they have had an opportunity to see that plan in operation, any other enterprises have resorted to the same plan.

Mr HORMEL. There is no other industry there.

The CHAIRMAN. The Hormel Packing Co. is Austin, then?

Mr. HORMEL. Yes, sir; just about.

Senator HATCH. Wouldn't it be the obvious conclusion, Mr Hormel, that if your plan has enabled your workers to go out and buy more automobiles and more furniture, build houses, and improve generally, that if other industries had a similar plan, their employees, in turn, could buy more sausage and pork products?

Mr. HORMEL. That's right. [336]

Senator HATCH. The year around?

Mr. HORMEL. That's right; yes, sir.

Senator HATCH. Do you have anything further, Mr. Hormel, that might help us?

Mr. HORMEL. I know of nothing. If there is any detailed infor- [337] mation anyone would like, I would try to supply it. One of our people prepared a description of this which was written for the purpose of meeting some more technical questions than are usually asked by interested people. Maybe you would like to have that in the record.

Senator HATCH. I believe we should put that in the record. There may be something there that we have overlooked.

Mr. HORMEL. It is just a mimeographed sheet that was pre- [338] pared to be given in answer to letters received. (See p. 1634.)

Senator HATCH. Have you had many inquiries from other industries about this?

Mr. HORMEL. We were trying to make a guess one day as to [339] the number of employees represented by the inquirers who wrote in, and we made a guess that it was practically 5,000,000 employees that were represented by the people who had written in wanting further information.

Senator HATCH. Do you know if any other industry has taken up the plan?

Mr. HORMEL. No, sir; I don't know of anyone who has [340] actually done it, although I do know several that are actually studying it at the moment. I don't know whether it is feasible for Government to offer some kind of a prize or premium to the business that does these things.

Senator HATCH. Do you have any ideas about something that the Government might do?

Mr. HORMEL. I could talk loosely about some form of tax [341] abatement, or something like that. I don't know.

Senator HATCH. I have heard people talk about that loosely several times.

Mr. HORMEL. It seems to me that the 7 years that we hesitated [342] after we had this plan in our heads—before we finally put 19 people on on a trial basis, and the 7 years that have passed since then—it

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seems to me that all those years might have been saved if there had been some premium available to us for undertaking the risk. We really did it more or less gratuitously, but if somebody would offer us a definite cash saving of some kind for trying something of that sort, I believe we would have done it more rapidly and perhaps a lot of people who are interested in the idea now and are hesitating to do anything of this sort would have their minds changed, if there was some tangible advantage in trying that plan.

The CHAIRMAN. If the employees had an organization of their own, and if they were so contented with it, why did the C. I. O. come in to organize them?

Mr HORMEL. The packing-house wage level is, I forget how far [343] below the automotive industry, for example, although our plant had an average wage of, I think it is, $1 70 and some odd a week higher than the average of our industry, although our industry is right on the nose with the average for all industry as published by the National Industrial Conference Board. Still there are some industries that are paying substantially higher than the average wage, and our people believe if they could have one strong organization throughout the packing industry they might be able to get the whole wage level raised. I would say in our plant their interest in the union is based on two things: First, the little petty grievances and petty tyrannies of foremen, and so on; and second, the broad picture of an industry-wide organization that might raise the whole industry income level.

The CHAIRMAN. Is the wage scale in the packing industry any different in small communities from large communities where the cost of living might be different?

Mr HORMEL. It so happens that with the packing industry, [344] organized as it is, with four big packers, that by and large, wages are pretty uniform. There is some difference between the East and the West, but in general it is pretty uniform.

Senator HATCH. As I understood your statement, Mr. Hormel, after the C. I. O. came into your plant you made no particular change. It had been done before?

Mr. HORMEL. That's right. [345]

Senator HATCH. That it caused you no particular labor troubles at that time?

Mr. HORMEL. Oh, the only difference between our union hav- [346] ing the C. I. O. affiliation and operating as an independent union, as it formerly did, is that we now have to excuse some four or five fellows now and then to go to some kind of a convention.

Senator HATCH. I think I have no further questions.

Senator Frazier, do you have any questions to ask? Senator Herring, although you are a visitor, we would be glad to have you ask any questions.

Mr. HORMEL. I certainly appreciate your courtesy. It has been very interesting.

Senator HATCH. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 11:15 a. m., an adjournment was taken until 10 a. m., March 4, 1938.)

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UNEMPLOYMENT AND RELIEF

FRIDAY, MARCH 4, 1938

UNITED STATES SENATE SPECIAL COMMITTEE,
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Murray, Davis, and Clark; also Alan Johnstone, counsel to the committee.

STATEMENT OF DR. ALVIN H. HANSEN, PROFESSOR OF ECONOMICS, HARVARD GRADUATE SCHOOL OF PUBLIC ADMINISTRATION, HARVARD UNIVERSITY, CAMBRIDGE, MASS.

The CHAIRMAN. Dr. Hansen, you are professor of economics at Harvard University?

Dr. HANSEN. Yes, sir.

The CHAIRMAN. We have invited you here to discuss the subject contained in this resolution under which this committee is acting, and particularly we would like to have you state your views with reference to residential construction at this time, and we would like to have your opinion as to the opportunity for reemployment offered in that field.

Dr. HANSEN. Mr. Chairman, if I may first begin with a very [347] brief general statement with respect to the character of different depressions.

The CHAIRMAN. Go right ahead, Doctor.

CHARACTER OF DEPRESSIONS

Dr. HANSEN. I think we are all quite well aware that there [348–1] are two types of depressions, minor depressions and major depressions, and if we go back over our history, one can quite easily point to one or the other. For example, we had a minor depression following 1900, and another one in 1904; then a major depression in 1907. Then a minor depression in 1910, and in 1914. Then a major depression in 1920. Then followed a minor depression in 1923 and 1926. Then a major depression in 1929.

Now, in general, it is quite well agreed by students of this [348–2] problem that the ups and downs of business consist mainly of fluctuations in the rate of investment. That is to say, to put it another way, in the output of durable-goods industries, of the capital-goods industries. And the fluctuation in the rate of investment can be divided into two parts: (1) The changes in investment of investors, in stocks

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of goods, commodities; and (2) changes of investment in fixed capital; and to a considerable extent, it is often true that the minor depressions are, so to speak, investor depressions.

There has been a piling up of inventories and there results [348–3] an inventory crisis, and there results a short depression which we get over once the inventory crisis has passed. But it is almost always the case that the major depressions, these long, deep depressions, are associated with a virtual cessation of output of fixed capital goods associated more intimately with fixed capital.

RECESSION OF 1937

Well, now, late in 1936, early in 1937, there was, I think, [348–4] primarily something equivalent to an inventory boom, and one can say that the present business recession is, in part, an inventory crisis. It is clearly the case that there was a kind of inventory inflation at the end of 1936, early 1937, and I think there are five main causes for that.

In the first place, the great demand for basic raw materials [348–5] arising from the great rearmament building program in Europe that particularly affected certain metal raw materials; second, the terrific agricultural drought of 1936 raised the prices of certain agricultural raw materials. Next, I think the soldiers' bonus distributed in 1936 was an indirect cause of the inventory inflation. It stimulated buying enormously and tended to make it easy for corporations and businesses to raise prices.

Next, there was the very rapid rise in wage rates at the [348–6] close of 1936 and early '37, an increase, as far as I can figure it, between 15 and 20 percent, almost of the same order of magnitude as the rise in hourly rates that occurred immediately following the introduction of the N. R. A. in 1933. After that the wage level ran along pretty smoothly until we got this sudden upward movement at the end of 1936 of a really spectacular sort, and that, in turn, also led to an upward price policy on the part of corporations.

And then, fifth, the fear that was rapidly growing, I think, [348–7] all over the world, at the end of 1936, of inflation. There was a feeling that inflation might really now be imminent, and all of these factors combined, did result in a sharp rise in certain commodity prices, particularly raw materials, and such a sharp rise of prices pretty regularly results in a large increase of inventories, piling up of stocks of goods.

So I think the present business depression is in part an in- [348–8] ventory crisis. But, if that were all there was to it, I think we could be pretty optimistic that we could work ourselves out of that fairly soon, and we would have quite a quick snap-back. My own belief is that that is not all there is to it. Therefore, I am not so optimistic as those would be who believe that the whole thing is just an inventory situation.

OBSTACLES TO RECOVERY

I believe that we are finding full recovery difficult because [348–9] there are certain obstacles to a rise in the rate of investment, investment in capital goods, and here perhaps I may refer to my brief written statement and read a part of it.

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I want to call attention to the volume of capital expendi- [348–10] tures on capital goods in the 7 good years, from 1923 to 1929, in order to indicate what seems to be approximately the level of capital goods expenditures which is necessary to sustain a national income of something like 80 billion dollars a year.

Income and capital expenditures, 1923–29

	Total for 7-year period	Per annum
I. Gross income		$85,700,000,000
A. Capital expenditures	$128,000,000,000	18,300,000,000
1. Business capital expenditures	68,000,000,000	9,700,000,000
2. Residential and public construction	49,000,000,000	7,000,000,000
3. Other (net change in inventories and foreign investments)	11,000,000,000	1,600,000,000
B. Consumption expenditures		67,400,000,000
II. Capital replacements		9,200,000,000
III. Net income (I–II)		76,500,000,000

In the period of relatively high prosperity, 1923–29, the [348–11] total volume of capital expenditures amounted to the vast sum of $128,000,000,000. Of this total one-half was expended on replacement and one-half for new capital formation.

The average annual expenditure on capital formation for [348–12] this 7-year period thus amounted to $18,300,000,000. The total national income in this period averaged about $77,000,000,000 per annum. These figures suggest that reasonably full employment and a fairly satisfactory national income level, such as we had in 1923–29, require a quite extraordinarily large volume of capital expenditures. It is the margin of income which is created by the capital-goods industries that fills the gap between prosperity and depression. No high level of employment or income has ever been achieved without a large outlay on capital formation; $18,300,000,000 of capital expenditures apparently was required to sustain $77,000,000,000 of national income in 1923–29. It is precisely because we have not been able, for one reason or another, to develop any such volume of sustained investment that we did not achieve a vigorous recovery in the last few years.

The total capital expenditures $128,000,000,000 for the [348–13] 7-year period 1923–29 were divided as follows: [1]

CAPITAL EXPENDITURES, 1923–29

(*a*) Business capital expenditures, comprising replacement and new investment in the plant and equipment of manufacturing, mining, transportation, public utilities, and commercial enterprises, amounting to $68,000,000,000, or nearly $9,700,000,000 per year, nearly $10,000,000,000.

(*b*) Nonbusiness capital expenditures, comprising residential and public construction, amounting to $49,000,000,000, or $7,000,000,000 a year

(*c*) Other capital expenditures, including changes in business inventories and foreign investments, $11,000,000,000, or $1,600,000,000 a year

[1] See S. S. Kuznets, National Income and Capital Formation, 1919–35.

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The striking thing to notice about the above figures is the enormous volume of nonbusiness capital expenditures. Residential and public construction amounted in the 7-year period to nearly 50 billion dollars compared with nearly 70 billion for business capital expenditures. It thus appears evident that the high level of income and employment of the twenties was sustained not alone by investment in business plant and equipment but was supplemented and reinforced by an extremely large expenditure of a nonbusiness nature. This one fact alone is apparently of quite extraordinary significance for an understanding of the prosperity of the twenties. [348–14]

The national income from moment to moment is determined by the combined volume of consumption and capital expenditures. An increase in consumption purchases will stimulate investment in capital plant and equipment and similarly an increase in investment, through the resulting rise in employment, will increase the total volume of consumption. [348–15]

Business capital expenditures are frequently made in direct response to a rise in consumer demand. But there are also business [348–16]

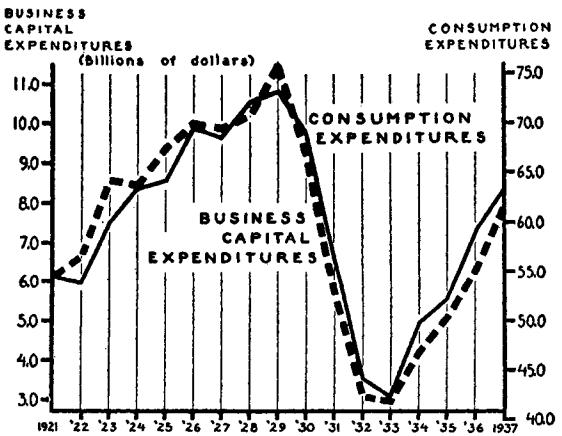


CHART 1

capital expenditures, of the forward-looking type, which have no relation to the current level of consumer demand. Forward-looking or anticipatory capital expenditures have frequently been made, particularly in new territory or in response to the development of a new product or the invention of new types of equipment. But much capital expenditure is made simply because the demand for the ultimate product is rising. Business capital expenditures and the total volume of consumption are so closely interrelated that it is very difficult frequently to determine which is cause and which is effect.

Nonbusiness capital expenditures—residential and public construction—are clearly less closely dependent upon the current volume of demand than are business capital expenditures. [348–17]

Chart 1 showing the movements of (*a*) business capital expenditures and (*b*) consumption expenditures discloses clearly the intimate interdependence of the one upon the other for the entire period 1921–37.[2] It is a striking fact that the relation of these two [348–18]

[2] Data are from S. S. Kuznets, National Income and Capital Formation, 1919–35; National Income, 1929–36, U. S. Department of Commerce; and some estimates by George Terborgh.

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curves has not altered substantially in this entire 17-year period. Apparently the behavior of business capital expenditure in relation to total consumption was not substantially different in the recent recovery from the prosperity of the 1920's. There is perhaps some indication that, on the whole, business investment led the way in the twenties, while in the recent recovery investment followed consumption. There is, moreover, the important difference that replacement counted much more heavily in total capital expenditures in the recent recovery than in the great boom of the twenties. This is quite understandable in view of the long and deep depression during which capital was not adequately maintained. Any recovery was bound to call forth a substantial volume of replacement. But new investment in the recent recovery was lagging.

BUILDING CONSTRUCTION LAG

Chart 2 shows the relation of nonbusiness capital expen- [348–19] ditures, residential building and public construction, to total consumption expenditures. The thing that strikes one most about this

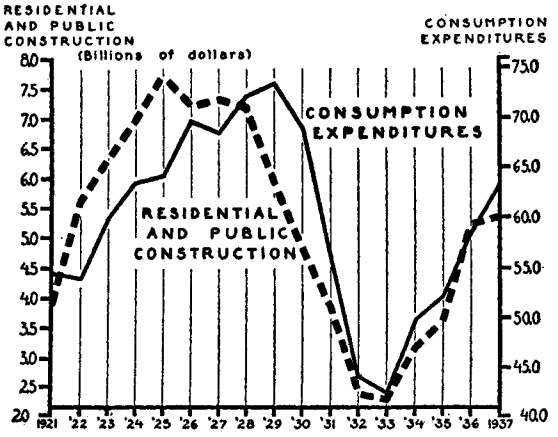


CHART 2

chart is the apparent fact that these nonbusiness capital expenditures initiated and led the recovery and continued to sustain the volume of employment and income until 1928. From 1928 to 1929, however, a sharp decline occurred, which doubtless played an important role in ushering in the great depression which began a year later. The chart also shows that no such initiating and sustaining influence came from residential and public construction in the recent recovery. This was of course notably due to the lack of residential building. As a matter of fact, in the years 1936 and 1937, public construction was about at the same level as in the late twenties. Federal construction, of course, was very much higher, but State and local construction were very much lower, and the combined public construction was about the same as in the latter years of the twenties, so that when the combined residential and public construction are shown to be lower in the recent recovery, that is, of course, due to the distinct lag of residential building. In all probability the cessation of Federal

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income-stimulating expenditures, the increasing saturation in the automobile market, and the inventory crisis would in any event have produced a recession in 1937. But had there developed a strong and sustained volume of residential building, the business decline would have been less severe and probably of relatively short duration.

There are two main reasons for the failure of residential [348–20] building to lead and sustain the recent recovery: (*a*) the rapid decline in the rate of population growth and (*b*) the sharp increase in production costs.

POPULATION GROWTH CHANGE

A very significant change has suddenly swept upon us with [348–21] respect to population growth. From 1916 to 1922 the population of the highly industrialized section of the United States (comprising Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Ohio, Michigan, and Illinois) increased 10 percent. From 1922 to 1928 there was a further increase of 10 percent. Then came with dramatic swiftness a change in the rate of growth. From 1930 to 1936, again a 6-year period, the population of this area increased only 3 percent. The increase was a little over 9 percent from 1922 to 1928; an increase of a little over 4 percent from 1930 to 1936, so when you take the whole population the figures are nearly the same. If one takes the population of the entire country into consideration the percentage increase from 1922 to 1928 was 9 percent, compared with only 4 percent from 1930 to 1936. Thus the rate of increase for the urbanized area is less than one-third of that of the twenties and for the entire country, well below one-half. During the great depression, accordingly, there did not accumulate any such back-log of housing shortage as had developed in the period 1916 to 1922, and there was not the pressure from a continued rapid growth in population, such as occurred in the period 1922–28.

HOUSING AND POPULATION PRESSURE

The "extensive" or expansionist outlets for investment in [348–22] housing, incident to population growth, are thus in large part gone. By extension or expansionist outlets, I mean that expansion in construction which naturally follows from a growth of population. In their place we need to develop "intensive" investment, by which I mean more and better housing per person. This, however, requires progress toward lower-cost housing. Yet, just when we need this most, high construction costs have well-nigh closed the door.

Adequate investment outlets are necessary to sustain full [348–23] employment and a satisfactory income level. But investment outlets are more difficult to find in a nonexpanding economy. We are living in a period which is in several important respects distinctly different from that of the nineteenth century. In my judgment, we are still thinking of economic problems in terms of the tradition of the nineteenth century, a rapidly expanding economy. We face today a different situation. It was one thing to find adequate investment outlets in a century quite unique in the world's history—a century with vast, rich areas inviting occupation and large capital investment, a century which witnessed a stupendous increase in population, calling for large capital outlays on housing and on manufacturing and transportation equipment. In such an expanding economy investment

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outlets were easy to find and indeed the main difficulty was a shortage of capital and manpower, a fifteenfold increase in our population in a hundred years; a fourfold increase in the population of England in a hundred years; a threefold increase in population in Europe as a whole in a hundred years.

Now, all this has changed and we are confronted with an economy with no large rich areas to be occupied and exploited and with a practically stationary population. Indeed, that is pretty true throughout the world. There was an important study made last year by Dr. Isaiah Bowman, of Johns Hopkins University, which shows, that there are no important areas any place in the world where there can occur any large settlements of population.

INVESTMENT OUTLETS

A second reason why investment outlets are now more [348–24] difficult to find is that we are developing an economy with an increasingly rigid cost structure. It must be evident that with "extensive" and expansionist investment outlets largely gone, it is necessary to develop "intensive" investment outlets. Continued technological progress could make possible an adequate reduction of price in relation to total income, and thus create an expansion of demand. The housing situation is a notable example. If investment outlets in housing are to play any important role in the future they must take the form mainly of "intensive" investment—better and more adequate housing for a stationary population. But this will not be possible unless we succeed in reducing construction costs and thereby develop an expanding demand for housing facilities. And the same holds true in the whole range of modern industry. If we succeed in achieving lower public utility rates, we can unquestionably expect a great expansion of demand. This in turn will open up investment outlets for public utilities, and all the related industries. I know there are a great many people who place the main emphasis in this direction upon confidence, and I, myself, would not at all wish to minimize the importance of this factor, but I believe it can be easily overstressed, and I think it has been overstressed in the public press. If costs are reduced, if you have expansion in demand, you will get from that an expansion also of investment, and I think that is the all-important thing.

The "extensive" investment incident to the development [348–25] of a new territory and the rapid growth of population is largely over. If we are to achieve full employment, sustained recovery, and a satisfactory income level, we must develop "intensive" investment outlets. This requires lower costs in order to develop an expanding demand. But just at this juncture in our history the "intensive" outlets are in danger of being closed by monopolistic corporate and labor policies which prevent adequate cost reduction.

Now, Mr. Chairman, that completes my formal statement.

Senator HATCH. Is there anything you would like to add to that statement, Doctor? I judge perhaps from your last statement that there might be something along that line that you would like to add, the very last thing you mentioned.

Dr. HANSEN. I think it is clear that we have to face the fact [349] that business investment is liable, in the future, business capital ex-

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penditures, are liable, in the future, to be less of a forward looking, anticipatory character than was formerly the case. You can easily have anticipatory investment when you have a great new territory to exploit. The building of the transcontinental railroads came before there was any large settlement. It anticipated a subsequent rise in demand, and that anticipatory investment created employment, created income.

Senator HATCH. That is also termed by some the venture type of investment; isn't it, Doctor?

Dr. HANSEN. Yes; I think there is a distinction, however, [350–1] between the two. You may have venture investment also in a non-expanding economy. However, there is a close relationship between the two.

Now, it seems to me we can rely less than formerly upon the [350–2] forward-looking anticipatory investment. It is therefore necessary to have a large outlay of capital expenditures in nonbusiness investments, residential building and public construction, and even in the twenties, as I have shown, these nonbusiness expenditures were quite extraordinarily large. Moreover, if business capital expenditures are not to be of the anticipatory type, to the degree it was true in the nineteenth century, it is necessary to stimulate demand, ultimate demand, and that, I think, can be done through proper price policy, through cost reduction. I have indicated certain directions in which that might be possible.

PUBLIC CONSTRUCTION

I think it is very important that we view our problem in [350–3] terms of this important shift from the conditions in an expanding economy to the conditions in an economy in which it is necessary to have adequate investment outlets to develop intensive investment.

Senator HATCH. In your comments about expenditures during the period from 1933 to 1937, you mentioned public expenditures, such as the P. W. A. projects, and things of that sort. What would have happened during that period if those expenditures had not been incurred, if the Government had not taken those steps?

Dr. HANSEN. Well, I think if there had been no increase in the [351] Federal public construction (let me again here call attention to the fact that it only filled the gap in the decline created by the reduction of State and local construction—there was no increase of public construction over and above the period of the twenties)—if there had not occurred an increase in Federal construction, we should have had, I think, nevertheless, a considerable expansion of business capital expenditures growing out of the mere fact of continued obsolescence and the need for replacement, but it would have come slower.

Senator HATCH. What I was thinking about is this, now that that form of construction has, in a measure, ceased, P. W. A. has been discontinued largely, can we look with any degree of certainty that there will be an expansion of business contruction to fill that gap?

Dr. HANSEN. No; I think we cannot rely wholly on business [352] capital expenditures. It has to be supplemented by residential and public construction.

Senator HATCH. What ideas do you have, Doctor, if you can give us any, as to how those expenditures can be promoted?

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RESIDENTIAL CONSTRUCTION

Dr. HANSEN. In the case of residential construction, the [353–1] first point I would make, and I have already made it, is, I think, the urgent necessity of getting construction costs down, and here I think the British experience is important. The British did bring their construction costs down very materially, very sharply, from 1920 to 1923, 1924. A part of it was simply the decline in prices and in wage rates. A part of it was a net gain in efficiency. There was a further decline, running through the twenties, so that there was a perfectly enormous net decline through the whole of the decade of the twenties in construction costs.

Now, that came in part out of the development of large-scale [353–2] constructional units in England, of a character that we have not developed in this country, large construction units that are prepared to construct several thousand units at the same time, which results in economies of various sorts, and this development of large construction units was fostered through a long period of definite government subsidy of residential housing. The government subsidy continued on quite a large scale from 1920 to 1929, but particularly from 1924 to 1929, and as a result of the stimulus to construction, fostered by the subsidy, large-scale constructional units were developed and costs were reduced, and following 1929 the efficiency of the industry was sufficient to permit private industry to go forward, without any substantial government aid. There was relatively little subsidy following 1930, except that there was a continuance on about the same scale of slum clearance, that type of government subsidy.

Senator HATCH. Now let me ask you this: I have not made any particular study of the price structure myself, but it has been frequently charged that during the period of public building, that we have just gone through, certain industries continued to raise their prices.

Dr. HANSEN. Yes, sir

Senator HATCH. Until it reached the point, as the saying is, where they priced themselves out of business.

Dr HANSEN. I think that is right. I think Professor Douglas [354] has some charts on that, and perhaps the definite questions may be postponed until he appears.

Senator HATCH. Do any members of the committee have any questions to ask Dr. Hansen?

Senator FRAZIER. You went into the fact that we have had periodic depressions.

Dr. HANSEN. Yes, Senator.

DEPRESSION CAUSES

Senator FRAZIER. Were the periodic depressions brought about by the same cause each time?

Dr. HANSEN. I would hardly say that. I think there are cer- [355] tain general causes that are more or less constant in all these depressions, but there are also certain special situations that one can point to in almost every depression. There are both certain general causes that are common to them all, and certain specific causes that vary.

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Senator FRAZIER. Well, in your opinion, does the amount of credit or the ease with which credit can be obtained have anything to do with bringing on depression or inflation?

Dr. HANSEN. Sometimes a free and easy money policy has [356] stimulated an abnormal boom, but that is by no means always the case.

Senator FRAZIER. Then, withdrawing the credit would have an adverse effect, bringing about a depression?

Dr. HANSEN. You reach a point then at which finally the [357] further expansion of credit cannot go on, because of the limitation of bank reserves, and indeed, if it did go on, you would get outright inflation, you would have to check it.

Now, I think some booms have developed to that stage in which credit expansion played a role, but frequently we have reached a crisis, a turning point, without easy money playing any very important role. For instance, in the recent recovery, surely while we had easy money, I think it is not the case that the recovery could be characterized as a credit inflation.

Senator FRAZIER. Do you think the change in amount of money in circulation, has anything to do with the changes in business conditions?

Dr. HANSEN. Well, it is not only the amount of money in [358] circulation, but also the velocity of the money in circulation, and you may enormously increase the amount of money in circulation, enormously increase the bank deposits, without increasing business activity very much, because if there is not abroad the spirit of enterprise, if there is no willingness to invest, the funds simply lie idle, and there is no high turn-over of money, no high velocity of money and, consequently the mere size or quantity of money or bank deposits is not in and of itself the main consideration.

SENATOR FRAZIER. Well, when money was plentiful or cheap, as we might term it, we always had good times, didn't we?

Dr. HANSEN. No; we had very cheap money in the recent re- [359] covery, but still not adequate business investment. There was no adequate disposition to venture forth.

Senator FRAZIER. I will put it the other way, then: Any time we have had good times we have had plenty of money and easy money, cheap money?

Dr. HANSEN. That is a matter of degree, I would say. Some- [360] times we have had good times with relatively fairly high interest rates. In the nineteenth century I think it was frequently the case——

Senator FRAZIER. Well, not always does the interest rate regulate the value of money. But does the change in the purchasing power of the dollar have anything to do with it?

Dr. HANSEN. Well, usually—I will put it this way—usually, [361] if you have a rapid increase in investment in capital expenditures that tends to increase activity for a while, it merely results in an increase in putput, but eventually, as the income rises more and more and as the possibility of increasing output becomes somewhat less, prices begin to rise, so the prices rise as a result of the expanding income. I would not say the rising prices are the cause; they are the result of the expanding income, which expanding income is the primary result of an increase in capital expenditures, the willingness to invest.

Senator FRAZIER. Do you think the Federal Reserve Board, with the power they have to control credit and the amount of money in circulation, could prevent panics and depressions?

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Dr. HANSEN. No; I myself think they can do something to [362] alleviate and moderate the situation, but I question that they can prevent depressions.

Let me cite one illustration: If you have a great new industry growing to maturity, like the automobile industry in the twenties, with all the accessory industries that were developing with it, it finally reaches something like a saturation point. Similar illustrations can be cited with respect to the building of the great railroads through the new territories, but when that great industry has reached something like a saturation point, you are going to have a cessation of the great level of investment in that industry, and I think that easy money would not stop it.

Senator FRAZIER. There is no question but that the Federal Reserve Board was responsible for deflation in 1921; is there?

Dr. HANSEN. Well, I would say there is a question about it [363] because I think that then we had reached the end of certain types of investments that were particularly incident to the war in a readjustment to a peacetime basis for a period, it almost of necessity created a serious maladjustment.

Senator FRAZIER. But the deflation did not start until the Federal Reserve took action, did it; the panic did not start until after, did it?

Dr. HANSEN. I would say there were nonmonetary causes that [364] were at work then, but that would be an illustration in which you had reached more or less the end of possible credit expansion without exhausting the reserves of the banking system, and that it was necessary to impose a check from the monetary side sooner or later, and it was a case where the monetary action played a part but I would not say the exclusive role.

Senator HATCH. Doctor, I do not want to intrude on Senator Frazier's thought, but I do want to ask you one or two more questions, and I am going to give you what I conceive to be the situation just now, and that is that there is not anything inherently wrong with this country of ours; we have plenty of capital; we have plenty of money in the bank; plenty of services; plenty of material, and everything to start us on the road perhaps to permanent recovery as nearly as that is possible; have we not?

Dr. HANSEN. Well, I think I would make a less optimistic [365] statement than that. I think there are some things fundamentally wrong.

Senator HATCH. Well, we have these fundamental things at hand that are necessary to start this expansion you have been talking about; haven't we? We have the money, the labor, and the material.

Dr. HANSEN. Yes; but that overlooks a very important fact, Senator.

Senator HATCH. All right; what is it?

Dr. HANSEN. Namely, the conditions obtaining in the price [366] structure.

Senator HATCH. I was going to lead to that.

Dr. HANSEN. Cost and price structure relationship. [367]

Senator HATCH. I gather that it is your thought, from your testimony, that when we start on this period of expansion, we will take building materials for example, and they begin to build and buy material and increase the output of those industries, if, instead of raising prices, they maintained a level or even better still, as their business

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increased, their volume increased, they even reduced their prices, wouldn't we then be well on the road?

Dr. HANSEN. That would help. [368]

Senator HATCH. That was your thought?

Dr. HANSEN. Yes, sir.

Senator DAVIS. How do you account, Doctor, for the fact that during the time when wages were the highest and building materials were the highest, we had the greatest building boom that the country ever had?

Dr. HANSEN. You were speaking of the period of the twenties, were you not, Senator?

Senator DAVIS. Yes, I was.

Dr. HANSEN. I have some figures with respect to the very rapid [369] rate of population growth in that period. In the first place, during the war, there was a virtual cessation of housing construction, and population in this highly urbanized area increased from 16 to 22 percent, with little or no building going on.

Now, there was a vast backlog of demand there which initiated and sustained a very high level of business construction, and even though costs were relatively high, it would be in such a situation quite possible to have a building boom. Again, in the next 6-year period there was a 10-percent increase in population in this highly urbanized area. Now, I think when you have rapid growth in population, you can overcome the obstacle of high cost and still have a building boom, but it is quite different when you have a virtual cessation in population growth. In the past I think it is true that building has been dominated more by the growth of population than by the cost situation.

But my point is that with the population nearly stationary, if you are going to have any adequate volume of residential construction, it is necessary definitely to tackle the problem, the construction problem in a vigorous manner to rationalize the industry and thereby make possible an expansion which is not due to population growth. You have a greater difficulty in developing an adequate residential boom in such a period as now. That is why I am now emphasizing the constructional cost.

Senator HATCH. Doctor, you said that I perhaps was too optimistic, thinking perhaps that I was overlooking the price situation, which I was not. But are you pessimistic about that price situation? Don't you think there is any remedy for that?

Dr. HANSEN I think there is a remedy. I am not certain how well the remedy will be applied.

Senator HATCH. What is the remedy?

Senator DAVIS. Yes; and how would you apply the remedy, Doctor?

Dr. HANSEN. Well, I think, in the first place, that it ought [370] not to be impossible for all the various industries that are involved in the building program to take an enlightened view of their own problem. It is quite true, as Professor Sprague notably has pointed out, that the price of a single product that goes into the building, a reduction in its price, has no appreciable effect upon the ultimate demand, but, if you begin so that all along the line there is a reduction, then you can have an appreciable effect upon the demand.

Now, I think there are various ways of bringing pressure to bear besides mere enlightened self-interest. In some of these fields I think

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the tariff could be reduced to bring pressure to bear on price reduction. I think also that it would not be impossible to combine Federal subsidy with low-cost housing, and, of course, Federal subsidy can only be justified for low-cost housing for the lower-income groups, to combine Federal subsidy with the requirement that there shall be an adequate reduction in price in order to obtain the advantages of such Federal subsidy.

Those are specific things I think can be done.

Senator DAVIS. You believe that Federal subsidies could be granted on the basis of reducing the wages of the building industry?

Dr. HANSEN. I see no reason why that could not be a condition.

Senator MURRAY. How would you enforce that condition?

Dr. HANSEN. Well, no subsidy would be granted unless [371] adequate reductions were made.

Senator MURRAY. The Senator was talking about wages.

Senator DAVIS. Yes; I was talking about the wage problem.

Dr. HANSEN. Well, there, I do think that an important [372] change could be made in reducing the hourly rate and giving assurance of a reasonably adequate annual rate.

Senator HATCH. Annual rate?

Dr. HANSEN. Yes, an annual rate.

Senator DAVIS. You mentioned a moment ago about the effect on low-cost housing by a reduction of wages in Great Britain, but that did not reduce the annual wage. The reduction did not reduce the annual wage. It might have reduced the hourly wage, but it did not reduce the annual wage.

Dr. HANSEN. I should say that the actual hourly wage reduc- [373] tion took place in England, took place mainly if not exclusively, after 1920. Following that the reduced cost came rather from greater efficiency in the development of these large-scale units and the savings that occurred thereby, rather than in a reduction in hourly rate, though there was, I think, some reduction in the hourly rate. I am not exactly sure of the fact. Professor Douglas can later give you those exact figures. I have the impression there was some hourly reduction also, especially in the building trades, so it was both a matter of hourly reduction and greater efficiency, and a higher annual wage because of constant employment. Some of these large producers, for example, by having many units going, were able to give constant employment to their employees by shifting them from one job to another, thus maintaining the annual wage.

Senator DAVIS. You could do that in London, and you might do that in those areas closely knitted together, but how would you do it in this country?

Dr. HANSEN. We have also large metropolitan areas that are [374] not so different from the London areas, different in degree, but not so different.

Senator DAVIS. But the wages in Great Britain, especially in the London area, have not been reduced. They have been increased since 1921 up to the present time.

Dr. HANSEN. I think, Senator, there was a general rate [375] reduction in England following 1921.

Senator DAVIS. But that wage has been restored, as I understand it.

Dr. HANSEN. Not to the 1920 level. That is not my un- [376] derstanding.

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Senator DAVIS. I was there 2 years ago, and they told me the wages were higher 2 years ago than they had been at any time during the building period in England.

Dr. HANSEN. That was referring then, you see, to the general [377] building period of the twenties, but not 1920. That was a very high point. That would refer from the period later, say, from 1923, on.

Senator DAVIS. That was coming from the war?

Dr. HANSEN. That's right. [378]

Senator DAVIS. How would you bring about the annual wage, Doctor?

Dr. HANSEN. Well, I feel, Senator, that is a question that [379] Professor Douglas knows more about than I do. It is his special field, and I would rather have him answer it.

Senator HATCH. We had a witness yesterday who told us how he handled the annual wage in his industry.

Senator DAVIS. You discussed here in your formal report technological unemployment, or, employment, as you might call it. We have a situation in our own community with what is known as the strip mill. It is for the making of sheets for automobiles, and for the making of plate for tin plate. That will now, as I understand it, reduce the price probably about between 10 and 15 dollars a ton in the way in which it is produced now in the still mills, but there will be dismissed from these particular companies now that are putting in this new machine 10,000 men who will probably be put out on the streets because of that change.

Now, there has been some passing of that technological change to the automobiles, for instance, I would say, $4 a ton; something in that neighborhood. I would like to get an expression from you as to whether or not the machine and the company that controls the machine, the parties that control the machine, rather—as to what they ought to do with these men who are dismissed, when they are past 45 years of age, 50 years of age, and they are rather late in life not to begin a new trade, and they find themselves dependent upon somebody else, or have to take some sort of menial job or depend upon the public to support them. Now, what do you think about the profits that have come in here? Don't you think that some part of that machine profit ought to go to these men that are 45 years of age, because the social security, old-age annuity and old-age assistance do not come due until that man is 66 years of age?

Dr. HANSEN. I think there should be in such cases a dismissal [380] wage.

Senator DAVIS. As we now have in the railroads. We have a dismissal or requirement wage in the railroads, with a year for the railroads to absorb the old employees as far as possible, but what is a worker to do at the end of a year if he cannot find employment?

Dr. HANSEN. Well, I think we make a mistake if we allow [381] ourselves to be frightened by this particular result of technological change. We cannot have progress unless we are willing to face technological change, but as to these workers, every effort should of course, be made to find employment for them elsewhere, and a correct price policy by corporations should facilitate re-employment, but, in view of the fact that we necessarily have unemployment, even in good times, a considerable amount of unemployment, owing to shifts from one region to another, or technological change, we do have to

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have ways of taking care of it, and I would enumerate, first, a dismissal wage; second, unemployment insurance; and then, of course, ultimate resort, if necessary, to relief, and I know no other solutions than those.

Senator HATCH. We would like to discuss this matter further with you, Doctor, but we do not want to delay Dr. Douglas too long.

Senator DAVIS. We could spend the rest of the year discussing this matter, and I don't believe we would get anywhere with it.

I think we ought to have these charts printed in the record.

Mr. JOHNSTONE. We are arranging for that, Senator.

(Witness excused.)

STATEMENT OF DR. PAUL H. DOUGLAS, PROFESSOR OF ECONOMICS, UNIVERSITY OF CHICAGO, CHICAGO, ILL.

Senator HATCH. Will you be seated, Doctor, and give your name to the reporter?

Dr. DOUGLAS. My name is Paul H. Douglas.

Mr. JOHNSTONE. I might say, sir, that Professor Douglas is professor of economics at the University of Chicago.

Dr. DOUGLAS. To save your time, I can begin and touch on the [382] charts which are being placed on the walls, as I go along.

Members of the Senate Committee on Unemployment, I should like to begin by saying that I do not pretend to know the full reasons for business depressions in general or this relapse in particular nor do I pretend that I have a complete prescription for pulling us out of the depression. Without being dogmatic, however, I think that certain causes of our difficulties are fairly evident and that there are promising lines of constructive action which may be taken in the present situation. I have brought down with me certain statistical material which I shall ask to have inserted in the record and which will serve as a background for what I have to say.

Senator HATCH. They may be inserted.

(See appendix 24, pp. 1644–1654.)

Dr. DOUGLAS. Very briefly, I regard the monopoly fixation of [383] prices as a major cause both of the present recession and of the 1929 depression. There is little doubt about the fact of monopoly control of prices over large areas of business. In a few industries, such as aluminum, one firm controls virtually the entire product and hence is able to set prices more or less by itself.

Senator HATCH. Would you prefer to go ahead and finish your statement, or shall we interrogate you as you go along?

Dr. DOUGLAS. Feel free to go ahead, Senator, and interrupt when you wish.

Senator DAVIS. But the prices of lumber have been reduced very greatly in the last 3 or 4 years.

Dr DOUGLAS. Well, Senator, I am not saying they have not [384] been reduced. I am simply saying that possibly they might have been reduced more if there had been competition.

Senator MURRAY. The fact that they are under control——

Dr. DOUGLAS. That is it; yes, sir. In other industries, we [385–1] find one or two companies exercising a dominant control over output with the result that other firms follow their lead in the matter of prices. Agricultural machinery, electrical machinery and equip-

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ment, heavy chemicals, cement and certain branches of the iron and steel industry fall, for example, within this group. Then there are more loosely organized industries which have their trade associations. Here amidst the haze of cigar smoke, manufacturers and dealers commonly reach understandings about prices, and despite all difficulties of enforcement, tend to fix them at higher levels than would prevail under perfect competition. It may be well to remember in this connection the shrewd remark of Adam Smith some 160 years ago when he wrote:

> People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices.

I know the defense which is made for both open-price [385–2] arrangements and the so-called basing point system. The experience which I had as a member of the Consumers Advisory Board of the N. R. A. convinced me, however, that in the majority of cases the open-price agreements were used as enforcing devices to prevent a given manufacturer from selling at less than a previously agreed price and that if he tried to do so, he would be threatened with reprisals. The basing point system can also be used as a means of fixing prices and is commonly an evidence of a lack of competition in establishing prices.

Finally we have a wide variety of trade-marked and branded [385–3] goods, the retail prices of which are fixed by the manufacturers and on which price-cutting is forbidden, I believe, by over 40 State laws and by the Tydings "rider" of last summer.

I am sorry to say that these tendencies have been increased [385–4] in the last few years. The farmers of this country became properly resentful at the way the prices of the goods they bought were boosted by the city monopolies and by the protective tariff while they were forced to sell in a competitive market. Instead, however, of adopting the long-run policy of restoring competition to urban industry and hence reducing the prices of the goods they bought, they sought immediate and short-run relief by asking that the Government extend the monopoly system to agriculture and by a general limitation of output to raise the prices of the goods they sold.

Senator HATCH. Just a minute there, Doctor, did they have any other recourse so long as nothing was done at the other end?

Dr. DOUGLAS. I don't blame the farmers. I think that once [386] you had the monopoly system and the protective tariff for manufacturing, and as long as the country was not willing to reduce the tariff or break up the price agreements in the cities that the farmers were forced into it, but I think it would have been better for a long-run policy, though difficult in the short run, had an attempt been made to enforce competition for the cities rather than extend monopoly to the countryside.

Senator MURRAY. That would have been a big task, wouldn't it?

Dr. DOUGLAS. Yes; it would have been a long task. [387]

Senator HATCH. The Government might have been charged with interfering with business.

Senator DAVIS. Have you any idea in mind how the tariff schedule should be changed? I mean, just one or two or three important ones.

Dr. DOUGLAS. Yes, Senator, I had always thought that the [388] tariff on iron and steel ought to be reduced.

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Senator DAVIS. I thought you would say that.

Dr. DOUGLAS. And textiles, too, Senator. [389]

Senator DAVIS. I expected you to say that, but today we have in our own city, because of the fact that the iron and steel tariffs are low and they are coming into this country, bread lines in our city a mile long, and we have got thousands upon thousands of people upon relief now. That is what they tell me.

Dr. DOUGLAS. I don't want to get into an argument, Senator——

Senator DAVIS. I don't want to get into an argument with you, either, but you gave one schedule. Is there another one?

Dr. DOUGLAS. Textile, I should say.

Senator DAVIS. Any others?

Dr. DOUGLAS. A large number of others; in fact, almost every [390] schedule could be cut.

Senator DAVIS. Then I gather you are more or less of a free-trader?

Dr. DOUGLAS. I am a qualified free-trader; yes, sir. [391]

Senator DAVIS. Then we won't go on with the argument.

Dr. DOUGLAS. Might I make one comment?

Senator DAVIS. Yes.

Dr. DOUGLAS. I think the tariff of 1930 increased unemploy- [392] ment in this country because, in reprisal against our tariff, European countries raised their tariffs and shut off our exports and shut off employment here at home.

Senator HATCH. Doctor, so that you won't feel lonely, some of us have those ideas, too.

Dr. DOUGLAS. I get consolation from that, Senator.

Senator DAVIS. You certainly have a great friend in the Secretary of State.

Dr. DOUGLAS. I don't know the Secretary of State, but I [393] heartily approve of his policies.

Senator DAVIS. Fortunately, all you professors and fellows in colleges seem to be in sympathy with that line of reasoning, but we fellows that have to stand in front of the furnaces and receive pay don't agree with you.

I might say that the committee is in full accord with you on the monopoly side of things.

Dr. DOUGLAS. This general limitation of output to raise the [394–1] price of the goods they sold. This is after all the essence of the A. A. A. and if I understand it correctly of the present ever-normal-granary law. Then the N. R. A., which the President designed as a measure to increase real wages, was largely turned by the leaders of that organization into a means of enabling employers to combine together to raise prices. And while the N. R. A. as such has disappeared, many of the trade associations which it hatched out continue to function under private auspices. Then the Tydings rider to which I have referred put Federal support behind controlling the retail prices of trade-marked and branded goods. There are as I have said many State laws of this nature. These and other developments, such as the various milk laws, have served to keep prices much higher than they would otherwise have been.

But now you may ask, what has all this to do with the depres- [394–2] sion? Simply this. By the boosting of unit prices, the sum of the price tags on the mass-production goods has been made greater than the total monetary purchasing power available in the pockets of the

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consumers for these goods. The result is that as long as these prices are maintained and the monetary income of the consumers is not increased, there is not enough monetary purchasing power to buy the actual or potential output of American industry and agriculture at the prices charged.

Senator HATCH. I think that was the exact point, Senator Frazier was getting at awhile ago. As long as these prices are high, it was probably his suggestion that the monetary circulation would have to be increased.

Dr. DOUGLAS. Yes.

PRICE MAINTENANCE AND UNEMPLOYMENT

If these prices are rigidly maintained, the only result can [394–3] unemployment. The failure of industry to absorb more than half of the unemployed in its upward swing from the spring of 1933 to the summer of 1937 was largely due, I believe, to these ceilings which were placed on production and which consequently checked consumption and prevented full reemployment. The downward movement of production in the last 6 months has been largely caused by the same factor. I know that there will be some who will question this point of view and who will insist that it is impossible for a disparity to exist between total consuming power and total prices charged. The monopoly profits, this group will insist, will go into the hands of the owners of industry and will be spent by them so that all that is paid in prices will ultimately flow back to the market in purchasing power. This contention has however a vital flaw. The monopoly profits however, because of the relative concentration of ownership go to a comparatively small fraction of the total population. They are either (*a*) spent on luxuries, which will give employment to labor although not devoted to the most social productive purposes, and (*b*) saved. If these savings are invested in industry, they will also of course give employment to labor. But after a time will the monopoly industries want more buildings and machinery? The ultimate consumers of the mass-production industries are the wage earners, white-collared workers, and the farming population. The wealthy invest in mass-production industry but do not consume much of its products. They buy instead specialized and more handmade goods.

In view of this fact, if the monopoly prices are so maintained as to limit the consumption of these goods by the masses, it is obvious that after a time industry will not want more machines, and so forth. For in restricting consumption it will also be restricting production, and this in time will cause a decrease in the demand for capital goods. This will throw men out of employment and help to precipitate a recession.

CUMULATIVE EFFECTS OF RECESSION

But a recession once started has cumulative effects. Men [394–4] thrown out of work buy less and hence cause trade and industry to produce and sell still less, which throws more men out of work, and so on. There are many ways in which a recession can thus grow into a depression to the harm of all. In view of this, the natural question arises, Why should not monopolies, big business, and the trade associations generally see this fact and avoid collective disaster by reducing their prices to bring them within the range of the consumer's

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pocketbook. This would stimulate demand, production, and employment, as Professor Hansen has well said, and increase the national income of goods and services.

There are, I believe, three factors which are preventing this. [394–5] The first is the obsession which so many business men and even some union leaders entertain concerning unit prices. There is a common tendency for these men to think an industry is stabilized if it can maintain its prices, or its rate of wages, even though this results in greatly reduced production and employment and in a very much reduced total income. If men would think more in terms of total profits, or total annual earnings, they would see that in many cases greater gains could be obtained through lower prices, and in all fairness I should add in some cases, although not in all by any means, through lower hourly wage rates as well.

Senator HATCH. Right there, I want to ask this question: Speaking of wages and the desirability to maintain the higher wage rate rather than to have the certainty of a better total annual income, has labor ever had the chance to make the choice there?

Dr DOUGLAS. Very seldom, Senator. It has been told that [395] if it will take a lower hourly rate, it will probably get a higher annual income, but it has never been given a guarantee, and a little later I am going to make a proposal for a guarantee for the building trades.

Senator HATCH. All right.

Dr. DOUGLAS. The second barrier to lower prices is the fact [396] that if prices are reduced, in many cases buyers will for a time actually buy less, in the belief that if they hold off prices will later be reduced still further This fear, to be sure, lasts for only a short time and after a brief period the lower prices induce purchasers to buy more. But the immediate hurdle frightens many

The third obstacle can be illustrated by an example drawn from the building industry, to which Professor Hansen has already referred, and I may say, he has anticipated my remarks to a great extent, and I am delighted to see that we are in agreement.

Senator HATCH. We don't want you to omit what you were going to say.

BUILDING COSTS

Dr. DOUGLAS. The price of nails form, for instance, but a [397–1] minute fraction of the cost of building a house or a factory building. Therefore even if a great slash were made in the price of nails, it would have but an insignificant effect on the price of housing. There would be consequently only a very small increase in the demand for housing and hence in the demand for nails. The nail industry would therefore lose much more by its reduction of unit price than it would gain from any increase in the quantity of nails sold. It would not pay the nail industry therefore, if taken by itself, to reduce prices if the other parts of the building industry maintained theirs. Nor would it pay the lumber industry by itself, nor the brick industry, nor plumbing, nor electric lights and fixtures, nor plaster, nor paint, nor any of the material trades.

In a similar fashion, each set of building craftsmen, such as [397–2] plumbers, electricians, carpenters, painters, and so forth, realize that if they alone take a cut in wages, it will not reduce the cost of building appreciably. Nor would it cause any real increase in the demand for

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their services. It is to the interest of each of these groups therefore when taken individually to keep up its prices and wages. But the result of having all the groups follow this policy is to keep building costs pegged at almost precisely their 1926 level while the index of wholesale prices is 19 percent below the average for that year. And if you will look at chart 4 (p. 1645) there you will see the movement of building costs.

The heavy black line is the movement of hourly wage rates of union labor, and there are now, on the basis of the May 1937 scale, approximately 16 percent above 1923–25. Building materials are about 8 percent below 1923–25, and giving materials a weight of 60, and union hourly wage rates a weight of 40, we get a combined index which is approximately the same as 1923–25, although the level of wholesale prices for the end of the year is 19 percent below. So here we have building costs held up with the general price level, however, 19 percent below. The costs are indeed pegged at so high a figure that construction is largely choked off and unemployment in the building trades is widespread. By following in isolation their own self interest, these groups have therefore collectively almost succeeded in killing the goose that lays the golden egg.

And yet if these same groups would only collectively and [397–3] in concert reduce all their prices, together with the wage rates for the skilled craftsmen, the result would beyond doubt be such a slashing in building costs as a whole as would greatly stimulate private construction and lead to an increased real income for materialmen, contractors, and building workers alike. A little later I shall make a concrete suggestion whereby this may be done.

And what is true of the building industry is true also of [397–4] many other industries as well. Machines form but a small fraction of the cost of production in the consumers goods industries and hence many manufacturers of those machines feel justified in keeping up their prices. The costs added at any one stage to our basic raw materials as they move through the processing and fabricating sequences are also only minor and each group feels justified in standing pat and holding tight.

But the result is none the less universal stalemate and con- [397–5] fusion. Each monopolistic group by trying to increase the relative proportion of the whole which it receives is really reducing the size of the total industrial pie. Taken in the large, their furious struggles for comparative advantage are collectively self-defeating.

EXPANSION: BUSINESS: GOVERNMENT

How then may we get united action to deal with these prob- [397–6] lems? I wish we might expect it from the leaders of business. If they would take the lead, it would be much simpler. But the record of the past 15 years has shown, I am afraid, that they are so absorbed in the success of their individual industries that it is almost impossible for them, barring certain honorable exceptions, to see the welfare of the whole to say nothing of working effectively for it. If a central policy of expansion is to be carried out, it must, I believe, be fostered primarily by the Government as the body which alone has powers of compulsion.

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GOVERNMENT POLICIES (A) PUMP PRIMING

What then are the possible lines which the Government [397–7] might follow? As I see it, there are three possible sets of policies. The first would be to make little or no effort to reduce monopoly prices but to try to pump out more monetary purchasing power so as to bring the contents of people's pocketbooks up to the price level. This is in the main what the administration has tried up to the present. It has pumped out about 16 billions of dollars of purchasing power in the form of relief, W. P. A., Public Works, and Army and Navy expenditures.

This blood transfusion has alone kept the economic system running, but it has done so at the expense of increasing the national debt to thirty-seven billions of dollars, and while we have not yet reached the danger mark by any means, it is obvious that there are distinct limits to any such policy And as long as widespread monopoly prices are maintained the system can apparently only be kept running by a continued transfusion of still more purchasing power, since if this is stopped, a further relapse is probable. The rapid tapering off of Public Works and W. P A. expenditures, for example, in 1936 was partially responsible for the present decline. Added to that was the fact that the creation of installment credit for consumptive purposes reached its peak in the late spring and early summer and no new credit was issued to sustain the continuing volume of production. This drying up of public and private credit for financing current consumption made it impossible for all the goods priced at monopoly levels to be bought. I take it, however, that while the pumping out of more purchasing power to balance prices may give us, as it has, a temporary breathing space and may be necessary at the time, it is nevertheless no permanent solution and cannot be continued indefinitely.

GOVERNMENT POLICIES (B) PRICE DECREASE

The second policy would be to decrease prices so as to [397–8] bring them within the reach of our pocketbooks. This involves a series of steps such as (*a*) reducing tariffs in order to bring foreign competition into the field against our domestic monopolies. Under such a plan, Secretary Hull would include under his reciprocal trade agreements, products which are characterized by a large degree of domestic monopoly or price fixing. (*b*) Revising our patent system so that it would favor competition instead of monopoly. At present, a company by buying up a patent can in many cases control a product and fix a monopoly price. This was not intended by the original patent laws, which were designed to protect the inventor. This is a proper purpose, but could it not be accomplished by providing that anyone could use the invention provided he paid the inventor a uniform fee. This would prevent one firm from sewing up the market and would introduce a greater degree of competition and, I believe, lower prices. (*c*) Waging vigorous war upon the price-fixing policies of trade associations disguised, as these often are, under so-called open-price agreements and basing-point systems. I am not certain I start by (*d*) but I want to suggest it, possibly imposing a progressive tax upon the proportion of the output of an industry which is controlled

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by one concern. Under such a plan a firm with a 100-percent monopoly would pay a larger tax than one turning out 50 percent of a particular product, and this in turn would pay more than a concern producing only 25 percent, and so on. In other words, the proportion of the output of an industry that a firm controls is frequently not always because of efficiency, but through control of patents, size, and so forth.

Senator CLARK. You mean, the manufacture of aluminum goods is largely controlled by one concern, for instance?

Senator DAVIS. The bituminous-coal industry was a very highly competitive industry and there was a time when they agreed on a stipulated wage and then began fighting for the market to cut prices, until the further south you went, southern West Virginia, Kentucky, Tennessee, Alabama, the wages went down until they were $1.50 a day, then working only 3 days a week and fighting for their very lives. It got so that there was no purchasing power in the bituminous-coal industry, from the workers' point of view, and up until you reached my State, where they got $6 and $7 a day, they were lucky to get $3, and only half-time work at that, in that great competitive industry with probably the largest supply we have of any of our natural resources. Now, can you explain that to me?

Dr. DOUGLAS. You mean, whether the blessings of competition [398] are as blessed as I have represented them to be?

Senator DAVIS. They have a stabilized wage and for the last 2 years they have been moving along, and there has been more purchasing power in that industry than there has been in 10 years before.

Dr. DOUGLAS. It is possible that you might make an excep- [399] tion for bituminous coal, because of the fact that coal-mining operations are carried on in small towns and labor is not mobile and it is difficult for them to move out, and it is possible that capital is not mobile as well. It is possible you might have made an exception. I don't know what I would have done with the Guffey bill, but the purchasing power of the coal industry has been drawn from other industries.

Senator DAVIS. In my opinion, you wouldn't need the Guffey bill if all the operators had operated with the workmen, but I don't believe you can get along very well paying $1.50 in one town or $2 in another and still other towns expecting to get $5.

Dr. DOUGLAS. I do not only believe in collective bargaining [400] but I believe in national unions with minimums for the industries as a whole.

Senator DAVIS. I don't believe I would have voted for the Guffey bill if it had not given the men the right of collective bargaining.

Dr. DOUGLAS. I am now coming to a point that might shock some of you, but I will go along with it.

Senator DAVIS. My only reason for bringing up the bituminous-coal industry was to see if we could get something helpful.

Dr. DOUGLAS. I would hate to see the principle of the Guffey [401] bill extended to other industries, Senator.

Senator DAVIS. I don't know but what I agree with you.

Dr. DOUGLAS. (*e*) Finally, in order to restore competition in [402] some industries, it may well be necessary to have some Government and cooperative plants, as in the case of electricity, which will themselves reduce prices and also act as yardsticks to force down prices of private industry. In other words unless private monopolies reduce their prices, it may be necessary for the Government and for coopera-

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tives to go into business in order to reestablish competition, which the spokesmen of private business say they want, but, which they do so little to obtain. Of course, in all this correct accounting principles should be followed and the cost of the overhead should be charged to the product.

COST ACCOUNTING IN GOVERNMENT ACTIVITY

I don't want to get into a T. V. A. argument, but, as a general thing, the cost of the overhead in all industries should be charged to the product.

Senator CLARK. You mean, if the Government goes into business, it should have a cost-accounting system as private industry does in order to know what it is costing them to operate, so that if the Government wants to engage in business, and has to pay the price, they can do it, but Government ought to know what it is costing to engage in business.

Dr. DOUGLAS. That's it; but, lest I be thought to reflect on the [403] T. V. A., I hasten to add that there are peculiar problems there, in that the dams are multiple-purpose dams.

Senator CLARK. It happens that I have introduced a bill for cost accounting in Government activity, such as munitions manufacturing and shipbuilding, in which it is possible for the Government to pay an additional price, in order to keep them from being gouged in other ways, but the Government ought to know what they are paying and be able to charge the overhead and so forth, as private industry does.

Dr. DOUGLAS. We are in complete agreement, sir. [404]

MONOPOLY PRICE REDUCTION PROGRAM

Now, I recognize that any such program of reducing monopoly prices will necessarily take time to effect and that while we should move toward it as rapidly as possible supplementary measures will be needed to cure the present relapse. I should like, therefore, to propose as an immediate measure a program designed to stimulate housing construction by a combination of both the first and second methods, namely, to create more purchasing power and at the same time reduced costs. I should like to propose in brief (*a*) that the Government should make available for housing an additional sum of from one to five billion dollars which would be devoted to decent housing for the low-income groups but to make such funds conditional upon (*b*) an appreciable reduction in the prices of materials, contractors' percentage charges, and in the hourly rates of skilled labor but with a guaranty of an adequate yearly wage to the craftsmen involved.

Senator HATCH. Do you discuss later how that guaranty is to be made?

Dr. DOUGLAS. Yes, sir. We have seen the need for such a [405–1] concerted and simultaneous reduction in building costs and the impossibility of obtaining it if we depend on the voluntary action of individual groups. Under such a program, the President would call representatives of all groups together and inform them that there would be large sums available for housing if they would slash their costs, but that if they didn't there would be no more money forthcoming.

The Government should also ask as a part of the bargain that burdensome union rules and regulations be suspended and that

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jurisdictional disputes be largely eliminated and on its loans reduce the rate of interest on any money loaned to only a little over the interest rate which it would have to pay on Government bonds plus, of course, an allowance for depreciation of the buildings. If all this is done, I believe the jam would be broken. For if all would cut rates, all would prosper and only by this method would we get the simultaneous reduction in costs which is needed.

This plan is not difficult to work out. In the first place, the [405–2] authorized representatives of the parties could quickly be assembled. For example, a relatively few companies could speak for the plumbing, electrical fixtures, paint, glass, cement, and certain other industries. Trade associations would have to be called in to represent others, such as lumber, bricks, and so forth. The building-trades unions could be asked to represent labor, although because of the decentralized government in these trades, it would be desirable to get local as well as national representatives of the craftsmen. Full information on costs and rates should, of course, be prepared in advance of such a meeting so that the Government may know how much of a decrease it should ask for. It is my own opinion that on the average it should be close to 20 percent.

There will be some difficulty, of course, in the fact that [405–3] some material prices have been reduced in recent weeks, notably lumber, and it would be unfair to ask lumber to take a further reduction in cost equal to the prices of material and labor that have been kept up.

Senator DAVIS. I presume you would have the tariff taken off lumber, too?

Dr. DOUGLAS. You can't do everything at one time, and while [406] I am a professor, I try to be a practical man, too, and I don't want to tie the tariff up to this building program. We will take the tariff some other time.

Senator DAVIS. I might say to you that the Democratic platform promised a reduction in tariff, and they have not introduced a tariff bill since they have been in in 6 years.

Senator MURRAY. It would be foolish to introduce a tariff bill.

Senator DAVIS. I mean, in the regular, legal way, according to the Constitution of the United States.

Senator CLARK. I would suggest that I would be very glad to debate that question with the Senator from Pennsylvania in the Senate at any time, but I am interested in what Professor Douglas is saying at the present time.

Senator HATCH. No one can charge the Senator from Missouri in being dilatory with his attacks on the tariff.

Senator DAVIS. I think the Senator from Missouri, every time he has an opportunity, takes a crack at us.

Senator HATCH. Go ahead, Doctor.

CONTINUOUS FLOW OF WORK IN BUILDING INDUSTRY

Dr. DOUGLAS. There are, of course, a number of allied prob- [407] lems connected with any such proposal which need to be worked out. The amount of public or publicly aided building in a locality should be enough to keep a balanced force of workers busy throughout not only the ordinary building season, but an even longer period. The time of starting construction on the various project units within a

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city or town should be so staggered that one group of craftsmen such as bricklayers, carpenters, and so forth, may move from job to job and thus obtain continuous employment. In order to effect this, the subcontractors should either bid on the projects within a locality as a unit instead of on particular parts, or should agree to take over the working force of craftsmen from other jobs. These craftsmen should, if possible, be guaranteed an annual wage which by its greater volume of employment would permit annual earnings to be appreciably more than now even though the hourly rate is less. I want to emphasize that point. I am not proposing that the yearly income of workers be reduced. On the contrary, I think they should be greatly increased. It is my judgment that the high rate of materials is standing in the way of higher yearly earnings, but my purpose is to increase yearly earnings.

Senator CLARK. Then your proposition is this: that if you were sufficiently to reduce building costs, both by reduction of price of materials and of hourly wages, to bring about a tremendous enlargement of building activities in the country, that you would, without causing labor to work unduly long hours, or anything of that sort, by providing more constant employment, bring about, in the end, a much larger and a steadier yearly income for the laborer than is possible under the present situation; and also increase profit for the materialman by increasing the demand for material, thereby increasing their turn-over, and enabling them to make not so large a profit on each operation, but a larger aggregate profit?

Dr. DOUGLAS. That's right. [408]

Senator DAVIS. Do you contemplate a reduction of wages for the workers in material industries, to get a lower price?

Dr. DOUGLAS. That might be necessary in some cases, although [409] you will find that the wage rates in the material industries are by no means as high as in the production industries.

Senator HATCH. You would be willing to carry your same thought to the workers in the material industries, by providing a guaranteed annual wage for them?

Dr. DOUGLAS. Yes, they would have to be given a guaranty, [410] and I might say, you cannot approach labor and say, "Take this cut," unless you force material prices down, too, and unless you give them some guaranty.

Senator HATCH. All right, Doctor.

Dr. DOUGLAS. If I may develop one point. I think in the [411] northern cities it would not be unreasonable to guarantee building labor $1,400 a year, which would be the equivalent of 35 weeks of 40 hours.

Senator DAVIS. How much a year?

Dr. DOUGLAS. It would not be unreasonable to guarantee them $1,400.

Senator HATCH. At least $1,400?

Dr. DOUGLAS. Yes.

Senator HATCH. Which is a substantial increase over the present annual wage?

Dr. DOUGLAS. That is right. For instance, if you take my [412–1] own city of Chicago, the prevailing rate of the skilled craftsman in the building trades is approximately $1.50 an hour, with some crafts going to $1.62½, and some going to $1.75, if you guaranteed $1,400,

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then, at an hourly rate of $1.25, they would get a yearly guaranty of $1,680 which is appreciably more, very appreciably more than the average workers are now receiving, and that is a relatively low volume of employment, $1,400.

This annual wage will naturally vary as between different [412–2]
sections of the country, but it should net an adequate living. Then as each worker is paid his weekly earnings, a sum should be put into an impressed fund for guaranteeing the yearly minimum. If at the end of the year, the total earnings of a worker are less than the guaranteed minimum, then he is to be paid the difference out of this impressed fund. If his earnings are equal to or are greater than the minimum then of course no added sum will be paid. Any balance in the impressed fund should be returned to the guarantors minus possibly a commission to any group managing the system.

Thus far I have spoken of housing which was either exclu- [412–3]
sively financed by Government funds or subsidized by them for low-income groups. I have not committed myself on this. If costs can be forced down in this fashion. I see no reason why such investments should not be in large part self-liquidating, and hence constitute no permanent addition to the national debt. Unless the costs are reduced, however, the Government investment will largely be sunk so far as a financial return upon it is concerned. For it is virtually impossible for laborers earning 40 cents an hour or less to meet the cost of housing constructed of high-priced materials, and erected with labor costing $1.50 or so an hour. Government subsidies under those conditions, that is without reduction in cost, would be given not only to the poor families who lived in the buildings, but also to the high-priced and high-rate groups who constructed them.

KRAMER PLAN

The problem of stimulating private construction for the [412–4]
more highly paid manual workers and the middle class is undoubtedly more complicated since the direct control of a Government grant cannot be exercised. But a progressive young Chicago businessman, Mr. Ferdinand Kramer, who is himself in the real estate business, has made suggestions on this point which seem highly practical to me. These would call (1) for the same extension of lower material costs and lower hourly rates as in public construction and for the abandonment of hampering union rules; (2) with this pledge of reduced costs, the various local committees would be set up all over the country and would carry on a campaign to get contractors, private builders, and so forth, to pledge an assured volume of construction at the prices charged; (3) the order of building would be settled by drawing lots, and this is an important point—and the builders would pledge themselves in advance not to beat the gun.

Senator CLARK. What do you mean by that?

Dr. DOUGLAS. I mean, if you have a pledged volume of con- [413–1]
struction, but no order of construction, then each contractor would try to get his houses up for his people as quickly as possible, and you might find at the first part of the year there would be a great demand for bricklayers, then the demand for bricklayers would fall off in the latter part of the season, and then there would be a demand for car-

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penters, which would fall off, then you would have these bottle-necks, but if you could move in sequence, you could move about from job to job, just as you would under public construction.

(4) Under this plan of staggered and orderly construction, [413–2] the craftsmen would move from job to job, and thus be assured of full employment. (5) Whether or not an impressed fund to guarantee annual earnings should be set up for private building is a matter upon which Mr. Kramer and I are not in complete agreement. He is afraid that it would create another hurdle for the private contractors and builders to jump and might well discourage them from coming under the system. I am afraid on the other hand that if such a guaranty is not given it will be very difficult to get union labor to agree to a reduction in the nominal hourly rates. If any such fund were set up, any local residues should of course be distributed back to builders in the ratio of the dollar volume of construction.

Summing up I should say, Government in short, holds a [413–3] strong hand of cards in the form of funds with which to finance a much needed housing program. It should play them to effect a much-needed reduction in unit costs.

Senator HATCH. Any questions by the committee?

Senator DAVIS. I would like to say that what I had in mind was some literature that was sent to me on aluminum the other day, in which it pointed out that originally aluminum cost several dollars a pound, and that now it is only 20 cents a pound. That is what I had in mind.

Dr. DOUGLAS. Certainly, Senator.

Senator DAVIS. That is what I meant, when I interrupted you, on that aluminum question.

Dr. DOUGLAS. No; you did not interrupt me, but my only [414] reply on that was if we had several companies producing aluminum, it might be less than 20 cents a pound.

Senator DAVIS. It might be more than several dollars, too, but I am for getting the lowest possible price.

Dr. DOUGLAS. I am in favor of inventions, but the point on [415] the patent laws is that by the ability of a company to buy up the patents, it has control over prices.

Senator CLARK. I think the subject of restraint on patents is one of the most interesting laws, and I was glad to hear you bring it up, because certain industries exist almost exclusively on their control of patent articles.

Senator DAVIS. And if I may judge from the mail that I am receiving from my own State and people from other parts of the country, this particular question is going to be one that is going to be seriously discussed in the next year or two, and I think it ought to be discussed.

Dr. DOUGLAS. I think the patent issue is very important. [416]

Senator HATCH. Senator Clark, I don't know if you were present when the doctor discussed his method of protecting inventors?

Senator CLARK. Yes; I was.

Senator HATCH. Thank you very much, Dr. Douglas.

The committee will stand adjourned until Monday, March 7, 1938, at 10 a. m.

(Thereupon, at 12:15 p. m., an adjournment was taken until Monday, March 7, 1938, at 10 a. m.)

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UNEMPLOYMENT AND RELIEF

MONDAY, MARCH 7, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Murray, Davis; also Alan Johnstone, counsel to the committee.

STATEMENT OF ROY FRANKLIN, BUSINESS AGENT, LOCAL 183, UNITED PACKINGHOUSE WORKERS UNION, AUSTIN, MINN.

The CHAIRMAN. The committee will come to order.

Mr. Franklin, you are business agent of Local 183, of the United Packinghouse Workers?

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. In Austin, Minn.?

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. Last week we had before the committee Mr. Hormel, and inquired of him with reference to the arrangement under which you were working at this plant. He told us substantially what the agreement was, and then left with us a copy of the arrangement, in which we were very much interested, and we would like to have you state the attitude of the employees of that organization toward that arrangement; what is your ideas as to that plan, how it is working; how the men feel about it. We would be glad to have you tell us that.

Mr. FRANKLIN. Well, we find——

The CHAIRMAN. You can keep your seat, sir.

Mr. FRANKLIN. I would just as soon stand.

The CHAIRMAN. All right.

Mr. FRANKLIN. We find that the majority of employees con- [417] sider the plan very good; first, because it gives them a guaranty of a weekly wage. They can make definite plans on budgeting of purchase; and I think that most of our organization, the bulk of the town, and the financial standing of the employees demonstrate that it is a good plan, so far as it does guarantee a weekly and a yearly wage; but we also feel that if there was not strong unionization that the plan would be a detriment.

The CHAIRMAN. Why?

Mr. FRANKLIN. Because the plan in itself is a speed-up sys- [418] tem; first, through the management; and second, from the employees

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themselves being paid on a 40-hour basis. They have so much work to perform in that period; when the work is completed, they go home.

The CHAIRMAN. Well, the speed-up then is entirely optional with the employee. If he speeds up he goes home earlier?

Mr. FRANKLIN. In that particular plant that is true. If the [419] employees desire to finish their work in as short a time as possible, but if there was not effective organization on the part of the employees we could not possibly hope to maintain the schedules that we now have.

The CHAIRMAN. Now, you mean—let me understand. We understood that by agreement there was a budget of labor, of work, so much work to be done in 40 hours, say, and then, should the men finish their work earlier, that the time was theirs, any time they saved out of the 40 hours. Is that a fairly correct statement of it?

Mr. FRANKLIN. That is true in some parts of the plant; it is [420] not true in all parts.

The CHAIRMAN. What is the arrangement in other parts of the plant, then?

Mr. FRANKLIN. Well, in certain parts of the plant they have [421] a plan that calls for 40 hours' pay for 40 hours' work, with no budget. The company's contention is that they have no way of measuring the actual volume that passes through the particular departments. Those people work 40 hours a week for 40 hours' pay. In other departments, in the slaughtering departments, sausage-manufacturing people have a tonnage or a head budget. Those people do know exactly what they are to produce in a year, but the people employed in departments where they have a 40-hour pay for a 40-hour arrangement have no effective way of measuring the production.

The CHAIRMAN. Well, there is not any question of speeding up there. There is no budget, and the man just works 40 hours and he gets paid for 40 hours. How does the speeding up affect that.

Mr. FRANKLIN. Well, when the plan first started they paid [422] these people 40 hours' pay, for what they considered 40 hours of work; but as this plan has gone on, we find that in these departments that ordinarily worked 40 hours in the past without a budget, that they are now doing that work in approximately 35 or 36 hours.

Now, for that reason we feel that if we did not have organization, that the employer would be in a position to take advantage of the employee. If the employee, in his anxiety to go home, cuts down time of operation, that means he does the work in less time. The plan has brought about a closer cooperation of the employees. They work more as a unit under the system.

The CHAIRMAN. But all that you say is that you fear that in some portions of the plant it would not work so well if you did not have a strong union; but you are unionized.

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. There is not any complaint between employer and employee about that?

Mr. FRANKLIN. No, sir. [423]

The CHAIRMAN. Suppose, Mr. Franklin, you go back and tell us about the history of it. How long have you been with the company?

Mr. FRANKLIN. Since 1930.

The CHAIRMAN. Well, when did you start in with this new plan?

Mr. FRANKLIN. The plan was first started with the weekly [424] wage rather than on a yearly basis, in 1931; just a small group of

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people, possibly 20, started it, but then there were small groups added; but in 1933 they started taking larger numbers of people from the hog-slaughtering departments and put them on this yearly arrangement. Then, again, in 1935, they put, I believe, about 800 people on this yearly arrangement, and the thing has grown that way until now there are probably 350 people in the entire establishment who are not on this yearly wage.

The CHAIRMAN. Only 350 of how many?

Mr. FRANKLIN. Out of, oh, I would say, very close to 3,000. [425]

The CHAIRMAN. When it was first proposed it was not entirely satisfactory; is that right?

Mr. FRANKLIN. It was not. [426]

The CHAIRMAN. What did the employees do?

Mr. FRANKLIN Well, as the plan was first proposed it was [427] proposed as a weekly wage rather than a yearly wage, and along with the plan went a pay-roll deduction of $1.20 a week for an old-age-pension fund. We had a number of employees who were drawing very low wages, and felt that they could not afford to lose $1.20 a week, so we had a strike.

The CHAIRMAN. Did the employees go out, or stay in?

Mr. FRANKLIN. What was that?

The CHAIRMAN. Did the employees go out or stay in?

Mr. FRANKLIN. Well, part of them stayed in; at least, enough [428] of them stayed there so that the plant was effectively closed.

The CHAIRMAN. That was really about the first sit-down strike, wasn't it?

Mr. FRANKLIN. I think possibly it was. [429]

The CHAIRMAN. What year was that?

Mr. FRANKLIN. 1933.

The CHAIRMAN. 1933?

Mr. FRANKLIN. That is right.

The CHAIRMAN. Well, as a result of the strike, what occurred?

Mr. FRANKLIN. Well, the old-age-assistance fund was abol- [430] ished, our organization was recognized as the bargaining agency, the Governor of the State of Minnesota acted as mediator of the strike, and since that time we have been working under a decree from the State industrial commission, governing relations between employer and employee.

The CHAIRMAN. You had a local organization among the employees prior to that time?

Mr. FRANKLIN. That's right. [431]

The CHAIRMAN. When did you become affiliated with the national organization?

Mr. FRANKLIN. We affiliated to the C. I. O. last April. [432]

The CHAIRMAN. Last April?

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. But prior to that time, at the time of this strike, it was a local organization of employees; is that right?

Mr. FRANKLIN. Yes, sir; independent. [433]

The CHAIRMAN. Now, getting back to the arrangement, regardless of what the men thought of this prior to that time, it is a fact today that they think well of this cooperative plan?

Mr. FRANKLIN. That is true. [434]

The CHAIRMAN. If you had to go back to the old plan, would you be willing to go?

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Mr. FRANKLIN. As an individual, yes; because of the sen- [435]
iority arrangement I would be assured of work the year around; but the younger employees would lose employment; so, speaking for the organization, no. But as an individual, yes.

The CHAIRMAN. Just because seniority would work in your favor?

Mr. FRANKLIN. Seniority would protect me as an individual, [436]
but it would mean the loss of someone else's job.

The CHAIRMAN. It would mean that many of the men now in the organization would not have work, the younger men?

Mr. FRANKLIN. That is true. You will find that in the sum- [437]
mer season our membership probably goes down to 1,700 people from approximately 2,900.

The CHAIRMAN. Now, you are guaranteed for how many weeks' work in the year?

Mr. FRANKLIN. Fifty-two. [438]

The CHAIRMAN. With that security the men as a rule are happy because of the knowledge they have of 52 weeks' work?

Mr. FRANKLIN. That is correct. [439]

The CHAIRMAN. It was called to our attention in the arrangement that if they wanted to dismiss a man they have to give a year's notice, as I recall it. Is that correct?

Mr. FRANKLIN. No; that is not correct. [440]

The CHAIRMAN. What is the fact?

Mr. FRANKLIN. The arrangement that they have with the [441]
employees governs their employment for the period of 1 year. At the expiration of the contract, if the contract is not renewed, then you are subject to lay-off or dismissal at any time.

The CHAIRMAN. If the contract is not renewed.

Mr. FRANKLIN That is right.

The CHAIRMAN. But, if the contract is renewed, and is in existence, could they lay off the men without giving them that notice.

Mr. FRANKLIN. No. [442]

The CHAIRMAN. And as long as this contract is in existence, this arrangement, a printed copy of which we have here in the record, it is a fact that before they can dismiss you from your job, they will have to give you a year's notice?

Mr. FRANKLIN. That's right, at least to the end of the con- [443]
tract year.

The CHAIRMAN. Oh, I see. The point you make is that if the contract was not renewed, then it would not be in effect any time longer than the existence of the contract?

Mr. FRANKLIN. That's right. [444]

The CHAIRMAN. The contract is only for a year?

Mr. FRANKLIN. That is right.

Senator DAVIS. What did you say the total number of employees was?

Mr. FRANKLIN. Well——

Senator DAVIS. In the busy time?

Mr. FRANKLIN. Well, the only ones we have a check on are union members. This excludes the office pay roll.

Senator DAVIS. How many are there that belong to your organization?

Mr. FRANKLIN. Two thousand nine hundred and twenty- [445]
three.

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Senator DAVIS. How many of those 2,923 are individualists such as you are? You mean to say, from an individualistic point of view, you would rather see it on the old basis because you would have seniority rights?

Mr. FRANKLIN. Well, there are possibly 1,700 people who [446] could remain on the pay roll the year round. The rest of them suffered loss of employment in periods ranging from 3 to 7 months of the year.

Senator DAVIS. Well, if under the National Labor Relations Act you had a vote that would control and would give you a majority for that plant, if they expressed themselves in the ballot as you expressed yourself here today, I mean, if they had expressed their individual rights, and the benefits that come to them as individuals rather than under the collective system, you could tell.

Mr. FRANKLIN. That is true, although there is no question [447] now in the minds of the employees I represent as to the desirability of this plan. I believe I can safely say that 95 percent of the people are very much for the plan.

Senator DAVIS. What I had in mind is that you express yourself as an individualist, you would be better off because of your seniority rights?

Mr. FRANKLIN. No; if I made that statement I did not intend [448] to do so. The thing that I wanted to say was that even though they had no yearly wage plan, that it would not affect me.

Senator HATCH. You mean simply this: That your seniority is such that you are not benefited by the plan directly yourself?

Mr. FRANKLIN. That is correct. [449]

Senator HATCH. But there are some 1,000 or 1,200 employees at that plant who are benefited by it?

Mr. FRANKLIN. That is right. [450]

Senator HATCH. And you are willing to, and anxious to, look after the interest of the group rather than the individuals?

Mr. FRANKLIN. That is correct. [451]

Senator HATCH. Does that bespeak the sentiment of the employees of your plant, 95 percent of them, I believe.

Mr. FRANKLIN. Fully 95 percent of them. [452]

Senator HATCH. Your thought, Mr. Franklin, about the plan not working in a plant which was not organized, I want to pursue just a little bit further. I judge from what you say that you think perhaps it will enable the management to make it a simple speed-up system.

Mr. FRANKLIN. That is true. [453]

Senator HATCH. And in budgeting their work they would so budget it that all the time would be used up and the increased speed with which they work would inure to the benefit of the management and the men would not get any leisure time from it.

Mr. FRANKLIN. I believe that is correct. [454]

Senator HATCH. Through your organization you work with the management in making these budgets; do you not?

Mr. FRANKLIN. That is true. [455]

Senator HATCH. And protect the worker against an excessive budget for the year's work?

Mr. FRANKLIN. That is true. [456]

Senator HATCH. That is where you think your organization does its greatest good in making the plan a success?

Mr. FRANKLIN. That is true. [457]

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Senator HATCH. But as it does work in your plant with your organization and everything, you think it is an entire success and much better than the hourly wage rate for the great mass of the employees; is that right?

Mr. FRANKLIN. The only thing that we can see that it does is [458] that it eliminates casual labor.

Senator HATCH. It eliminates casual labor?

Mr. FRANKLIN. Practically, with very few exceptions, casual labor is eliminated.

Senator HATCH. What is your thought on that? Is that a good thing or a bad thing?

Mr. FRANKLIN. Well, it no doubt is a good thing for the [459] 2,900-some-odd people who have work; naturally the person without a job does not think it is so good, but we find under this arrangement that since 1933 the number of employees has grown each year, with one exception, and we find that in the past where we had a high of maybe 3,300 and a low of 1,700, we now find that we carry approximately 3,000 the year round.

The plan, I think, has worked out very well for the employees that I represent. They have been able, through budget buying, to provide themselves with automobiles, homes, and so forth, that the average packing-house worker does not enjoy in other packing places.

Senator HATCH. Mr. Hormel told us that there had been quite an improvement in the city of Austin generally through this plan, better homes, newer homes, improvement and furnishings, automobiles, and things such as you have been describing. Is that pretty general throughout the city?

Mr. FRANKLIN. Well, it is. In 1936 there were 259 houses [460] built in the place, the population being 16,000 people. We believe that is exceptional. In 1937 they had I think about 169 homes that were built there. Every year, during the depression, construction in the town was far ahead of any neighboring place, and one thing that we find is that about three out of every five employees that work at Hormel's have a car.

The CHAIRMAN. Three out of how many?

Mr. FRANKLIN. Three out of five. So we believe that with effective unionization, that the plan is very good.

Senator DAVIS. Are there any of the employees on the board of directors of the company?

Mr. FRANKLIN. There are not. [461]

The CHAIRMAN. Mr. Franklin, one thing that interests me is your statement with reference to speeding up the work. Is that done under this budgeting plan solely on the determination of the employees themselves? When so much work is budgeted under the 40-hour plan, is it left entirely to the employees to say whether they will work that 40 hours, take 40 hours to do that work, or whether they will get through it in 38 hours?

Mr. FRANKLIN. Well, in the majority of departments it rests [462] solely with the employee, but then we have departments that take their work off of mechanical conveyors, who are governed by some department ahead of them, so they have no effective way of controlling their production.

The CHAIMRAN. They have to keep up with the production in the department which has speeded up from 40 to 38 on their own motion?

Mr. FRANKLIN. That is right. [463]

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The CHAIRMAN. In other words, if you, in your department and a group get together and decide you want to go to a ball game at the end of the week, to make up a few hours, and speed up the work, and send that stuff up to my department, I have to make the same gait whether I want to go to that ball game or not?

Mr. FRANKLIN. That is true. [464]

The CHAIRMAN. The thing that caused me to revert to it is this: Does that make it difficult for you then, when you go into a conference with the management thereafter, as to the amount of work to be budgeted for 40 hours, and you contend that if the management seeks to increase the work from 40 hours, and you say that it cannot be done, and the management says, "Well, Fred, I want to show you here that you did do it, and you got through in 35 hours instead of 40 hours," does it make it difficult for the employees to put up an argument? Have you had any trouble along that line?

Mr. FRANKLIN. Not to any great extent, petty quarrels with [465] minor officials of the company rather than with the president of the company.

The CHAIRMAN. Well, the company has not endeavored then to increase the budget from 40 hours work solely because the employee the previous month or previous year got through that 40 hours work in less than 40 hours?

Mr. FRANKLIN. Possibly with one exception. [466]

The CHAIRMAN. Well, there is a lot of human nature in that, and I can see the opportunity for trouble in bargaining, and you have had only one exception? Was that settled satisfactorily?

Mr. FRANKLIN. It was. [467]

Senator DAVIS. If there was not that one exception you would not have anything to bargain about; would you?

Mr. FRANKLIN. Oh, we have plenty of things to bargain [468] about.

Senator HATCH. But that is the point you are bringing out, that the organization is able to protect the men against that very thing?

Mr FRANKLIN. That is true, we are confronted every time [469] an arrangement comes up, and arrangements are made by departments or divisions of the place rather than by the entire plant at one time. We find that each time that we go to negotiate an agreement, that we are confronted with figures that people have produced 40 hours' work in 30 hours, 32 hours, 34 hours, 36 hours, and 38 hours, but——

Senator DAVIS. When one department speeds up to go to the ball game, the other department has to speed up with it. Are they asked to continue to work after they have finished the work that has come to them?

Mr. FRANKLIN. The employees perform only the work of their [470] particular department. If people are working on conveyors, when that particular job is done, they are through for the day.

Senator DAVIS. If this department speeds up, causing the other department to speed up, when they finish that work, both departments go home and the work is completed; is that it?

Mr. FRANKLIN. That is true.

Senator DAVIS. Then you have the organization to protect those men so that they are not assigned other work to do?

Mr. FRANKLIN. That is right, we have that agreement. [471]

The CHAIRMAN. That is all, Mr. Franklin, then. Thank you.

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STATEMENT OF ERNEST E. JACOB, PRESIDENT, LOCAL 183, UNITED PACKING HOUSE WORKERS, AUSTIN, MINN.

The CHAIRMAN. Mr. Jacob, you are president of the local of which Mr. Franklin is the business agent?

Mr. JACOB. That is right.

The CHAIRMAN. How long have you been—first, how long have you been connected with the packing company?

Mr. JACOB. November in 1928.

The CHAIRMAN. Mr. Franklin has described to us this arrangement, as he sees it, and has told us his viewpoint, and we would like to have your view with reference to the arrangement under which your employees are working.

Mr. JACOB. Mr. Chairman, I think Mr. Franklin has covered [472] the question very nearly correctly.

I think he has covered the sentiment of the employees working for the company, and I do not know whether there is much to——

The CHAIRMAN. Do you agree, that under the arrangement today, that 95 percent of the employees would prefer to continue under this arrangement rather than to abandon it?

Mr. JACOB. Yes; I believe that is nearly correct. [473]

The CHAIRMAN. The statement of Mr. Franklin with reference to bargaining is that the plan works because the employees are organized, and therefore can better protect workers in such things as the budget for the 40 hours. Is that correct?

Mr. JACOB. Yes; that is correct, through a strong organiza- [474] tion and the employees being educated, they can figure out for themselves just exactly, or approximately, what the budget should be for a year Then they know about what they want, and of course, when the new agreement is presented, why, then, knowing just about what they want, and they can negotiate along those lines. So far the employees have come to satisfactory settlements since this yearly wage plan was put into effect, that is, since 1933.

The CHAIRMAN. Have you, in any renewal of the contract, increased the work budget for 40 hours by reason of the fact that experience had shown that the work could be done in 32 or 34 hours instead of 40? Do you remember any such occasion?

Mr. JACOB. Well, there is one particular case, but the [475] company contends that it is not on account of the speed-up system that the employees have gotten out the work in 34 or 35 or 36 hours, but that it is because they put in more efficient machinery, and that was the reason why the budget was raised for the coming year, and that is only in one case that I know of.

Senator HATCH. Well, in that case, just a minute. Didn't management and employees reach an agreement on that question and make some concessions, the working men, on account of the more efficient machinery?

Mr. JACOB. That is true. They came to a satisfactory [476] settlement and this same department is still on a straight time plan.

The CHAIRMAN. It looks to me as if that would be necessarily a subject for discussion. The budget of work for the 40 hours was arranged first, and an agreement made. Then the men completed that work in 32 or 34 hours, let us say. When you next met, did the employer use that as an argument to increase the work?

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Mr. JACOB. No, sometimes he uses it, but I think he uses [477] it more for what we call trading horses.

The CHAIRMAN. Trading purposes?

Mr. JACOB. But he never stressed the point very much.

The CHAIRMAN. Suppose he argues that that was an estimate, but the actual proof was that it could be done in 32 or 34 hours instead of 40 hours, and the men argue that they put on extra steam and speeded it up because they had some desire to shorten the work-time for that week?

Mr. JACOB. That is correct.

The CHAIRMAN. I suppose that is good debate.

Senator HATCH. Do the men ever go into those conferences with any idea as to the horses they want to trade?

Mr. JACOB. It is just like going into a civil court case. You [478] ask for more than you expect.

The CHAIRMAN. Is there anything else?

Mr. JACOB. I think the committee wanted to know why we [479] affiliated with the C. I. O.

The CHAIRMAN. Yes.

Mr. JACOB. Yes, sir.

The CHAIRMAN. I understood you first had a company union.

Mr. JACOB. I object to the word "company union." [480]

The CHAIRMAN. Well, it was an organization among the employees?

Mr. JACOB. Yes, it was an independent organization, [481] strictly run by the rank and file.

The CHAIRMAN. The company did not interfere or have anything to do with it?

Mr. JACOB. Oh, no; nothing whatsoever. [482]

The CHAIRMAN. All right.

Mr. JACOB. Well, the reason why we affiliated with the [483] C. I. O. was we knew that we, as an independent organization, had come almost to the end of our rope of getting more wages and better working conditions from Hormel Co., and so with the C. I. O. we knew it was an industrial organization and it was something that we would set up on the same line, and we felt that by affiliating with the C. I. O. we could organize, or help organize other packing industries, and through that we could help build up the rest of the packing employees to a better standard of living, more wages, and collective bargaining, and we felt that when we could get that through other packers being organized, then we could go further. If we are getting better conditions, if we are better off, than the other places around Austin, we have to put the brakes on because we are so far ahead of them that we have to wait until they catch up, and feel we should help organize these other packing industries. As, possibly, most of you know, in September, in Chicago, the national committee of the C. I. O. formed a packing house workers organizing committee for the definite purpose of organizing all packing house workers in the United States. Well, since that time, the first day of November, I was appointed as a subregional director for the packing house workers organizing committee to help organize other packing centers. I have a district to cover, and great progress has been made organizing other packers. We feel that the quicker we can get them organized for collective bargaining and all that, the further we can go.

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The CHAIRMAN. That still does not prevent you from continuing your services at the packing company?

Mr. JACOB. No; I had not worked at the packing house since [484] November 1, 1937, but still, if I ever leave the employment of the C. I. O. I can return to my job at the packing house, my regular job, at my regular rate of pay. We have what we call a leave of absence in our agreement or our decree between the industrial commission and the company. Any employee that is hired by the union to do union business automatically gets a leave of absence and retains his rights at the plant, and whenever you are through with your employment with the union, why, you go back to your regular job.

Senator HATCH. I wanted to ask you if, in your work with these other packing plants, if you are urging the advantages of the annual wage?

Mr. JACOB. No; we are not urging that because what we are [485] urging is getting all the employees organized. Of course, we stress to these employees the benefits of organized labor and what they can get by getting organized and bargaining collectively.

Senator HATCH. That would come later, these advantages you would bargain for?

Mr. JACOB. You see, we do not deal with a company only to [486] gain collective bargaining, in some instances trying to negotiate a contract.

The CHAIRMAN. Don't you think what the Senator is asking, if the plan is so satisfactory to 95 percent of the employes in giving them an annual wage and security, that it might be good to suggest to them, too, to urge the adoption of this plan so that they too, might be as contented and as fortunate as this crowd is?

Mr. JACOB. Well, as Mr. Franklin, stated if it were not for [487] effective organization that we have there in Austin, it possibly would not work out so well.

Now, in these other packing houses where they are not organized as yet, the company officials could discriminate against the employees if they had this.

The CHAIRMAN. When did you start this thing in Austin, this plan?

Mr. JACOB. The yearly wage plan?

The CHAIRMAN. Yes.

Mr. JACOB. Well, he attempted it in 1931 and put the small [488] gang, on and then, in 1933, as Mr. Franklin stated, he tried it again, by deducting $1.20 off for old-age pension, and that, of course, caused a rebellion in the plant, and it eventually led to a strike, and, of course, that was abolished, that $1.20 a week, and then I think it was in 1934 that it really went into effect in most of the places.

The CHAIRMAN. Well, it went into effect in 1934 and worked through the organization of your employees to which you referred; the C. I. O. did not come in until the fall of 1937?

Mr. JACOB. That is right [489]

The CHAIRMAN. So it did work under your organization from 1934 to 1936, and I was just wondering if you would not think it was a good thing to suggest to plants where they have such organizations as you had prior to 1936, and give to those employees the security of an annual wage instead of this hourly wage. You haven't thought it wise to make that fit in these other plants?

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Mr. JACOB. In other places there never was an independent [490] union that was set up as militant as ours.

Senator HATCH. Let me ask you this: If I get you correctly, that these other plants are not organized now to the point where you believe they could adequately protect themselves against whatever might be the defects of the system, your plan now is, first, to secure strong organizations in other plants?

Mr. JACOB. That is correct; that is correct. [491]

Senator HATCH. Thereafter organizations are formed, the improvements will then be taken up one by one; is that right?

Mr. JACOB. That is right. [492]

The CHAIRMAN. How many packing plants are organized except yours?

Mr. JACOB. Well, there are other packing plants organized, [493] but you see, most of the other packing plants are chain plants, and they have plants all over the country, and so you have got to get the whole of Armour's, take, for instance, Armour's or Swift's, who have a whole string of plants, and they have to be organized, the whole chain of them, before you could come to an effective settlement. Then you have to bargain for a national agreement.

The CHAIRMAN. Is either Armour or Swift organized?

Mr. JACOB. Well, Armour's, at the present time, is fairly well [494] organized, and the C. I. O. is about ready to start negotiations on a national contract, but they are not strong enough as we were as an independent plant in Austin, Minn., and I think the time will come when these other plants are fully organized and they will possibly lead into that.

Senator HATCH. One more question that I wanted to ask you, Mr. Jacob, when Mr. Hormel was here, he testified about the increased efficiency of the workers under this plan, that the efficiency of the work increased and resulted in a saving of money to the company, perhaps, sufficiently to offset the increased cost of the plan. Do you think that is correct?

Mr. JACOB. That is very true. That is very true, because [495] you will have to class him as a prizefighter, or any athlete. If he does not keep in practice, he just can't do the work. You take a butcher, why, if he is working every day as a butcher, he doesn't get out of stride. You take a man that lays off from a particular skilled job for any length of time, why, he loses the touch, as we call it, of skinning a cow or splitting a cow, or butchering a hog. He loses that.

The CHAIRMAN. Like a prizefighter: His timing is bad?

Mr. JACOB. That is correct, they may miscut if they don't [496] stay in practice, and they can ruin a loin or a ham or a beef. It doesn't take much to spoil the sale of a beef, and especially if they cut a hole in the hide, it knocks the price of the hide a cent or two a pound, or whatever it is.

The steady work makes a man more efficient and he can get his work done faster and make a lot better looking job of it.

The CHAIRMAN. All right.

(Witness excused.)

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STATEMENT OF CORRINGTON GILL, ASSISTANT ADMINISTRATOR OF WORKS PROGRESS ADMINISTRATION

The CHAIRMAN. Mr. Gill, you are Assistant Administrator of W. P. A.?

Mr. GILL. Yes, sir.

The CHAIRMAN. We have asked you to appear this morning to hear your views with reference to programs of relief in rural areas.

If you have a prepared statement, we will be glad to have you read it if you wish to do so, first, and then we will interrogate you.

Mr. GILL. I understand that the committee wishes me to [497–1] testify, not as an expert in agriculture but as to the relief needs and the operation of relief programs in rural areas. For the purpose of the following discussion we have followed the census definition of rural as including all persons living outside incorporated places of 2,500 and over. This includes the village as well as the farm. The two are interrelated; often retired farmers move to the village, seasonal farm laborers live in the village in off seasons, and the fortunes of the agricultural village follow closely the fortunes of agriculture. There are other villages, however, which follow industrial trends. These are the small communities dependent on textile mills, mines, lumbering, and other rural industries.

RURAL REHABILITATION

The facts presented herewith are based on the special [497–2] studies of the Works Progress Administration. For purposes of analysis we have periodically secured detailed reports from 385 counties and townships carefully selected as a sample of the rural United States. These reports enable us both to keep up with trends and also to contrast many aspects of relief in the villages and the open country with those in urban areas.

The collapse of agriculture in the early 1930's was due only [497–3] in part to the impact of the depression following the crash of 1929. Agriculture had never fully recovered from the postwar collapse of 1921. From 1929 to 1932 gross farm income dropped from 12 to 5⅓ billion dollars, returns on investments largely vanished, land values dropped, bankruptcies and tax sales rose, and farmers were unable to pay for hired help.

Added to the effects of the depression were the devastating [497–4] results of drought. As a result hundreds of thousands of farmers have become destitute during the past 5 or 6 years and entirely dependent on public relief. Other thousands while not actually forced to apply for assistance have used up all of their resources in their struggle to remain economically independent.

Meanwhile, the nonfarming rural groups dependent on the [497–5] farmer for marketing their goods and services have seen their livelihood largely vanish and have also become dependent on public assistance in large numbers. Other nonfarming rural workers have been victims of depression unemployment, especially in such important industries as mining, building, steam railroads, road construction, sawmills, and clay, glass, and stone. Depletion of natural resources and technological improvements had reduced employment opportunities in mining and lumbering long before the depression.

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STATE AND LOCAL RELIEF FOR RURAL NEEDY

Local and State provisions for caring for the needy in rural [497–6] areas were even less adequate than those in urban areas at the onset of the depression, and the limit of assistance that they could extend to rural families was soon reached. While rural areas have shared in the general programs for public assistance developed within the last few years, including the Reconstruction Finance Corporation, the Federal Emergency Relief Administration, the Civil Works Administration, the Works Progress Administration, and the Social Security program, other Federal programs have been inaugurated, designed to alleviate the special problems of farm distress. Among them have been farm-loan banks, cooperative-selling agencies, the Agricultural Adjustment Administration and its successor the Soil Conservation and Domestic Allotment program, and the Federal Surplus Relief Corporation, now the Federal Surplus Commodities Corporation. The rural-rehabilitation program established by the Federal Emergency Relief Administration in 1934, later transferred to the Resettlement Administration, and now administered by the Farm Security Administration, has been a large-scale attempt at differentiating the needs of one of the various groups represented on rural relief. Both its loan and grant programs have been developed to care for destitute farm families. The new Farm Tenant Act represents the most recent development of the Farm Security Administration to help needy farmers.

NONFARM NEEDY IN RURAL AREAS

There have been no comparable special programs to aid [497–7] the large nonfarm relief population in rural areas. This group has been cared for under the general programs designed for urban and rural areas alike.

During the first 9 months of 1932 the estimated number of [497–8] rural cases receiving assistance under the terms of State poor laws was fairly constant at little over 100,000, amounting to less than 1 percent of all rural families in the United States. This figure does not represent the total volume of need at this time, however; State and local relief funds were grossly inadequate in many areas, and the number of needy rural families who were unable to secure assistance was undoubtedly several times as great as the number receiving relief. After Federal funds became available in the last quarter of 1932, rural relief loads rose rapidly to a million and a quarter cases by March 1933, when one-tenth of all rural families in the United States received relief. The upward trend in volume of case loads continued with minor interruptions over a 2-year period. It reached a peak in January 1935 when nearly 2,000,000 rural families were receiving general relief, amounting to one out of every six rural families in the United States. Another half million rural families were receiving partial support through the earnings of a son in the Civilian Conservation Corps, old-age assistance, or rehabilitation loans. During the remainder of 1935 the number on general relief declined rapidly with the improvement in economic conditions and as the rural rehabilitation program and the Works Program, reduced the load. Final Federal grants for emergency relief were determined in December 1935, and general relief again became entirely a State and local responsibility. General

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relief loads declined rapidly in rural areas throughout 1936 and most of 1937, so that by November 1937 only about one-fifth as many cases were receiving public general relief as in November 1935. Part of this drop in general relief cases has been due to the fact that many of the poorer rural States have been unable to assume the full burden of the relief of unemployables. Not only are the cases extended local poor relief stringently limited in number but the amount of relief extended per case is a mere pittance in many rural areas. In December 1937 general relief grants averaged less than $10 per case in eight rural States.

Coincident with the decline in general relief, the number [497–9] of cases cared for under the Social Security programs of aid to the aged, to the blind, and to dependent children has increased rapidly in rural areas since early in 1936.

In November 1937, excluding Farm Security loan cases, [497 10] C. C. C. cases, and cases receiving surplus commodities only, and not allowing for duplication, approximately 40 percent of all rural families receiving aid were employed by W. P. A., 6 percent received Farm Security grants, 39 percent received aid to the aged, to the blind, and to dependent children, and 15 percent were on State and local general relief.

DROUGHT RELIEF

As early as September 1933 a special relief program was [497–11] developed for rural areas which were devastated by drought, and funds for drought relief have been advanced by the various agencies from time to time as needs became more acute. Crop destruction from drought, more or less localized in 1932 and 1933, became widespread in 1934 and again in 1936. While not approaching 1936 in extent, localized areas likewise experienced almost complete crop failures in 1937. For example, in the fall of 1936 W. P. A. employment was expanded to care for more than 350,000 emergency drought cases. From the beginning work projects developed in the drought areas have emphasized water conservation and road work. To indicate the effect of drought on relief loads I have appended to this statement a table showing the trends in amount of relief extended in 57 sample drought counties.

RATIO OF RURAL TO URBAN RELIEF POPULATION

Throughout the depression, a smaller proportion of the [497–12] rural than of the urban population has been on relief. The rural population comprised 42 percent of the total population in 1930, but the rural relief population never amounted to more than 40 percent of the total general relief load. In especially affected areas, however, the percentage of rural families on relief has considerably exceeded the national average.

Since November 1937 the rural trend of W. P. A. employ- [497–13] ment has again been upward. So far as the nonfarm group is concerned the length of time they will need W. P. A. earnings is directly associated with the seasonality of much rural employment and the general trend of business. Most farm families who apply for W. P. A. jobs this winter will probably need to be carried on the rolls until they can begin to realize from their 1938 crops. This creates a definite

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problem, as W. P. A. employment should not interfere with work on the farm. In some cases, however, the farm work does not consume all of the operator's time, and many farm families contain additional workers who can do the bulk of the farm work.

The CHAIRMAN. Do you prefer to go on and finish your statement, because I want to ask you a question?

Mr. GILL. If you do not mind I will finish reading, if I may.

The CHAIRMAN. All right.

Mr. GILL. In forecasting future needs for work relief in [497–14] rural areas it should be borne in mind that unemployment insurance does not apply to the farm population, and that it will cover many village industries only to a limited extent.

ONE-THIRD OF RURAL POPULATION UNDERPRIVILEGED

While the tremendous numbers of rural families who [497–15] have been dependent on relief grants or W. P. A. earnings at any one time are incontrovertible evidence of the extent of rural distress, the heavy turn-over in rural cases reveals destitution to be even more widespread. Economic conditions and opportunities fluctuate rapidly in rural areas. Families that are able to support themselves one month are destitute the next. Other destitute families sell produce, find jobs, or otherwise become self-supporting for a brief period. As a result, general relief in rural areas is characterized by a rapid movement of families on and off the rolls. In terms of turn-over at least 3,500,000 families or more than 1 out of every 4 rural families in the United States has received public assistance at some time during the depression. While the great majority of these families are no longer receiving public assistance, many of them are still not far above the level of destitution. There is no question that at least one-third of the rural population is ill-fed, ill-clothed, and ill-housed.

The problem of rural destitution can be fully understood [497–16] only by analyzing it in terms of its major aspects. The primary division, as has been indicated, is between the rural-farm and rural-nonfarm population. Rural need has too generally been construed in terms of farm need alone. In February 1935, however, when 1,900,000 rural cases were being cared for under the general relief program, nearly a million of them, or about half, were nonagricultural. A recent study disclosed that the principal relief problem in rural areas of four out of seven States surveyed was nonagricultural.

RURAL-NEED AREAS

Rural relief needs vary widely by areas. In mountainous [497–17] sections of West Virginia, North Carolina, Tennessee, Kentucky, Missouri, and Arkansas and in the cut-over forest sections of northern Minnesota, Wisconsin, and Michigan—areas in which self-sufficing and part-time farms predominate—rural relief rates have been consistently above the United States average. As has been mentioned, relief rates have also been unduly high in the drought areas. By that, I mean the percentage of population on relief. While actual relief rates have not been so high in the cotton South, except in localized areas, social and economic indices clearly reveal the poverty-stricken condition of a large proportion of its rural population. These large problem areas continue to be focal points of rural need and to demand

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intensive study as a basis for permanent measure for social and economic reconstruction.

After having made great strides toward recovery, many [497–18] rural areas are again experiencing a sharp upturn in relief needs. The effects of the current business recession have by no means been confined to the cities. Farmers and village wage-earners are applying for relief or W P. A. employment in large numbers. In many rural areas the need for aid has increased faster than State and local relief agencies have been able to provide assistance, with the result that large numbers of rural families are experiencing serious privation. The need is very acute in the cotton States, where it is estimated that 200,000 destitute rural cases are receiving no form of aid. The chronic high relief needs in the Appalachian and Ozark areas have increased slightly during recent months. Relief needs have been increasing in the drought States also, but the extensive Farm Security program and the expanded W. P. A. program are largely meeting the situation in this area.

COUNTY SURVEY OF 1938

A survey of 21 counties in 10 States, made in January [497–19] 1938, affords information on the emergency conditions that exist in numerous rural areas. The amount of need, as estimated by local officials, varies widely; very little is reported in the better counties in Iowa and Wisconsin, whereas in the South the number of families who need relief but are not receiving it in many areas is larger than the number who have been granted assistance. While approximately two-thirds of the unassisted needy cases are farm tenants, croppers, or laborers, reports indicate that few of them can meet present requirements for standard loans from the Farm Security Administration.

Some seasonal increases were expected during the period [497–20] September 1937 to January 1938, but the deluge of applications was without precedent except during the depths of the depression.

In most of the counties surveyed the problem of meeting [497–21] rapidly increasing needs has been left largely to the W. P. A. General relief, except for a relatively small number of unemployables, is practically non-existent in half of the counties studied, especially those in the Southern States. On the other hand general relief has absorbed a major portion of the increase in some of the Western States. Increases in old-age assistance were reported in some States, where the Social Security program is expanding rapidly.

MISSISSIPPI DELTA AND ARKANSAS SITUATION

The Mississippi Delta offers an example of the severity of [497–22] current need in many areas of the South. The unemployment situation in the Delta is more critical at present than it has been at any time within the past 3 years. Many industrial workers are only partially employed, and great numbers of timber workers are entirely unemployed. The farm laborers who usually get some work clearing land during the winter months cannot obtain work this winter because farm owners are not having any land cleared. Also, many transient cotton pickers have been left stranded after the cotton-picking season. Craighead County, Ark., is broadly typical of this plantation section in this country. There were between 1,000 and 1,500 needy unem-

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ployed families at the turn of the year; 300 of these were in a critical situation. The resources of W. P. A., the local welfare department, and the Farm Security Administration have all been overtaxed. Thus in one of the most fertile areas of the world, both agricultural and nonagricultural, sources of livelihood have proved to be inadequate to support the population. Many other local situations of extreme need could be cited. Unless the general economic situation improves their number will multiply.

In large areas of North Dakota and northeastern Montana [497–23] where drought again brought crop failures, farmers' incomes for 1937 were estimated at less than 25 percent of "usual," according to the Department of Agriculture. Many other areas in the Great Plains also experienced partial or total crop failures this past year.

Comparing the current rural situation with that of the [497–24] early depression years, we find that some of the same problems still confront us and some of them are increasing in severity. While not as serious as in 1933, the present decline in farm prices is an important factor. The displacement of farm labor by mechanization has been increasing rapidly during the past 2 or 3 years as the more successful farmers have again been able to purchase tractors and other machinery. Moreover, the farm laborer group is being augmented by farmers from the drought area. The surplus of rural youth, already a major problem in 1930, is even greater today. Drought continues to devastate large areas of the Great Plains. Added to these are the indirect as well as direct repercussions of the present industrial recession.

The welfare of the urban and rural segments of the popula- [497–25] tion is so inextricably related that severe unemployment in urban areas causes and intensifies rural need. The interrelationships between industrial conditions and the farm situation are not sufficiently recognized. While primary attention has been given to the effects of the current recession on urban areas, the rural population has also been hard hit, through decreased employment, lessened opportunities for the migration of surplus workers, and sharply declining prices caused by reduced industrial demands for raw materials and curtailed consumer purchasing.

MIGRATION FROM DROUGHT AREA

The CHAIRMAN. On your last page, Mr. Gill, you refer to the farm labor of groups being augmented by farmers in the drought area. Do you mean they are going into other States from the Dakotas?

Mr. GILL. Yes, I do. There has been a very heavy migration [498] from the northern and central drought States to the west coast, chiefly to California, Oregon, and Washington.

The CHAIRMAN. Any other States?

Mr. GILL. I believe the majority of those that have migrated are going to those three Western States.

The CHAIRMAN. Do you believe that in California we should increase their relief allotments, for instance, because of farmers going there from the Dakotas, and I am wondering how many are left in that drought area at this time, what percentage of the farm laborers have left, and if so, how many have we got left in the Dakotas to take care of.

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Mr. GILL. There are a good many left. I would not venture [499] to guess the proportion that have migrated.

The CHAIRMAN. Of the grants under the Farm Security Administration, what percentage has been to those two States, North and South Dakota?

Mr. GILL. A heavy proportion of them in the Dakotas running [500] on down to Oklahoma, Arkansas, to northern Texas.

The CHAIRMAN. Is it as much as 40 percent in those two States to grants?

Mr. GILL. About 40 percent in 1937. [501]

The CHAIRMAN. That was last year?

Mr. GILL. Yes, sir. [502]

The CHAIRMAN. How much the year before?

Mr. GILL. It was also a large proportion then. [503]

The CHAIRMAN. What I am wondering about is the statement that you quote from the Department of Agriculture that—

> Farmers' incomes for 1937 were estimated at less than 25 percent of usual in North Dakota and northeastern Montana.

What years were included in "usual"?

Mr. GILL. Previous to 1929. [504]

The CHAIRMAN. But from 1929 to 1938 that presented a problem?

Mr. GILL. Yes, sir.

The CHAIRMAN. Every year?

Mr. GILL. For some time; yes, sir. [505]

The CHAIRMAN. And you say that notwithstanding the migration there are still a large number, so large a number that 40 percent of the direct grants last year were necessary to relieve the distressed in those two States.

Mr. GILL. I imagine that most of the grants were given to [506] farm owners who were the last to migrate.

The CHAIRMAN. Because they owned the land?

Mr. GILL. Yes, sir.

The CHAIRMAN. What is the amount of the grant?

Mr. GILL. About $20 a month, average. [507]

The CHAIRMAN. An average of $20 a month?

Mr. GILL. Yes, sir.

The CHAIRMAN. Well, they have been attempting to farm; have they not?

Mr. GILL. Oh, yes. [508]

The CHAIRMAN. Have they been given any other assistance besides the $20?

Mr. GILL. Of course, they sometimes make allowance to a [509] farmer where they think they can rehabilitate him on his ground, loans that will enable him to get a mule or a plow or whatever may be necessary.

The CHAIRMAN. What suggestion have you, from a long-time view, as to what should be done to assist the farmers of the Dakotas.

Mr. GILL. Of course, I am not an expert in agriculture, as I [510] said, Mr. Chairman.

The CHAIRMAN. This is relief. If from 1929 to 1938 the conditions were such that they have observed this unfortunate financial condition, it presents a problem. I am wondering whether you have been giving consideration to what is best to be done. Is it best to continue

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direct grants or has some other plan been thought out in view of these expenditures?

Mr. GILL. Well, that is being handled by the Government in [511] several different ways:

First, of course, is the agricultural-adjustment and soil-conservation program. The relief programs are tiding many people over the worst periods of distress. Thousands of W. P. A. projects for water conservation, such as check dams, well digging, watering ponds, and erosion prevention, are being operated. W. P. A. and other Federal agencies are conducting reforestation projects and projects for the eradication of destructive insects and plant diseases. Agricultural research and demonstration work to promote sounder farming practices is being carried out.

The CHAIRMAN. In addition to grants and loans to farmers, W. P. A. has been rendering assistance?

Mr. GILL. That's right. Of course, it is a major catastrophe [512] because of the two droughts following each other in rapid succession, 1934 and 1936. I understand that farmers generally can stand one drought, but where two follow each other closely, it practically wipes them out.

Senator MURRAY. Have not these recurrent droughts in that section of the country demonstrated the fact that it is going to be impossible for them to continue to attempt to farm on those lands and it becomes a problem of relocating these farmers.

Mr. GILL. Relocating them, also changing their crops so that [513] the land will maintain a subsurface moisture during the good years, and a more diversified crop.

Senator MURRAY. Yes; in other words, in large areas in the drought sections it will comprise land of a character that never should have been cultivated, it should have been retained as grasslands for grazing purposes. The problem now it to get those farmers to get off those dry lands and put them on irrigable tracts which can be easily developed, and that is the only way that the problem is going to be met. Isn't that true?

Mr. GILL. I believe that is one of the major ways, Senator. [514]

Senator MURRAY. All over eastern Montana there are sections where, with the development of water, they can put those farmers on tracts upon which they can be self-sustaining, whereas if they continue to allow the problem to drift as it has been doing, it will be necessary for the Government to continue these relief activities year after year?

Mr. GILL. Of course, there are some major irrigation projects [515] going on out in that area.

Senator MURRAY. They are attempting to do it now, but it has to be done on a much larger scale if they are going to accomplish anything.

The CHAIRMAN. Doesn't relief in furnishing W. P. A. jobs tend to keep men on land that the experience of years proves just cannot be done successfully; that they cannot farm successfully?

Mr. GILL. They did farm successfully. [516]

The CHAIRMAN. When? I can tell you, if you don't know. You must have heard of these loans for years and years. It was started in 1920 when I was a Member of the House and it was introduced by Congressman Carl W. Riddick, of Montana, and from that day to this it has been going on. They took it up in the South in some sections. That was when it originated; after a drought. It is a problem that

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the Department of Agriculture has known from that time to this date. In reducing the problem it seems to me that these gentlemen who are charged with the duty of devising a plan ought to take into consideration the suggestion that was made by the Senator from Montana.

Do you know what percentage was paid last year? Exceedingly small. Direct grants, W. P. A. jobs, all tend to keep men on lands that the Department of Agriculture knows from its own records, cannot be made to produce successfully, and it will be an exceptional year that those unfortunate persons that own that land can stay there. What would be the effect on those people of living year after year as a result of relief grants from the Government? What effect will it have on the boy who becomes of age if for 10 years he has been seeing his family receive aid from relief of some sort? It won't make him the very best farmer; will it?

Mr. GILL. Secretary Wallace, as I understand, is going to [517] testify later both on farm security and on that.

Senator DAVIS. Wouldn't it have the same effect upon those people in the drought area as it has had on coal miners who had not worked, in Wales, for the last 20 years, that is, they will forget how to do it?

Mr. GILL. The immediate problem is that they are there and in [518] need and something has to be done about it.

Senator MURRAY. Of course, the Government has already made a start in that problem, of solving that problem. I understand that several hundred thousand acres of this submarginal land has already been taken up by the Government and that these farmers have been relocated to a considerable extent on irrigable tracts on which in the first year after they were located there, they were able to sustain themselves and began to pay back to the Government the cost of establishing them on those tracts, which, by demonstration, is the solution of the problem.

Mr. GILL. A great many thousands have been so relocated. [519]

The CHAIRMAN. With reference to the Arkansas situation, you say "Transient cotton pickers have been left stranded after the cotton-picking season. Craighead County, Ark., is broadly typical of this plantation section in this country. There were between 1,000 and 1,500 needy unemployed families at the turn of the year; 300 of these were in a critical situation." What have they been doing all the years that have passed, after they were through picking cotton?

Mr. GILL. Well, they were probably stranded in those years, [520] too, to a considerable extent. It just happens that this is a worse condition; probably worse than it was.

The CHAIRMAN. Why?

Mr. GILL. The immediate cause, of course, is the decline in [521] agricultural prices. However, there are several other important reasons which in general underlie the whole agricultural problem. Among these are misuse of land and consequent gradual depletion of soil resources; reduced opportunities for part-time or seasonal non-farm employment in mining and lumbering or small-scale manufacturing; increased mechanization in agriculture; increase in farm tenancy; and over the recent past, the return of large numbers of urban dwellers to the farm which has also intensified the problem.

The CHAIRMAN. Well, but a fellow picking cotton in the South got paid, while the fellow whose cotton he picked did not get anything for

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the cotton. There was more cotton to pick. He gets paid according to how much he picks, but the fellow who had a lot of that cotton and couldn't get a price for it was seriously hurt. But, do you think that the transient cotton pickers who had more cotton to pick than ever before were in any worse fix than in the previous year?

Mr GILL. It has been serious for some time. [522]

The CHAIRMAN It is a peculiar situation, but I am just wondering what they have been doing heretofore. I cannot believe that when they finished picking cotton at the end of the cotton picking season, that they just quit work and waited until next fall to go to pick cotton. They must have had some other occupation during the rest of the year.

Mr GILL. Of course we have learned more about the extent [523] of rural poverty in the last 2 or 3 years than we ever knew about it before. (See Appendix 12.)

The CHAIRMAN. Of course, that is true. Of course, you have had a lot of assistance people advising them, "Why don't you ask for relief. Everybody else is getting it," and fellows that never have thought of it get the suggestions, and it is a very welcome suggestion.

Another thing, what is going to be the policy, in referring to the statement that "Most farm families who apply for W. P A. jobs this winter will probably need to be carried on the rolls until they can begin to realize from their 1938 crops." Were you referring to the cotton section, that means, the early fall? Is it your intention to carry them on the rolls there until they sell cotton next fall?

Mr. GILL. Unless they are needed locally to plant the other [524] crops.

The CHAIRMAN. Well, of course, in planting crops, I recognize it is a very difficult problem to help those who are in need, but if we carry them on W P. A. rolls, they get about how much?

Mr. GILL. $21 a month in the rural areas of the South. [525]

The CHAIRMAN. For how many hours of work?

Mr. GILL. That is common labor, it will run 130 or 140 [526] hours.

The CHAIRMAN. A month?

Mr GILL. Yes, sir.

The CHAIRMAN. 30 hours a week?

Mr. GILL. Approximately. [527]

The CHAIRMAN. And the rest of the time can they work on the farm?

Mr. GILL. They can; yes, sir. [528]

The CHAIRMAN. But, as a matter of fact, the complaint being made to us is that they will not.

Mr. GILL. These complaints have been investigated, Mr. [529] Chairman, and there were a few cases where the complaint was found to be justified, and in those cases where, for example, there was a county where they needed farm laborers, we closed down projects.

The CHAIRMAN. Well, of course, that is different.

If you took the laborers on the cotton farm and paid them $20 a month for working for 30 hours a week, do you think you could get any others of the same class of laborers to get up at 5 o'clock in the morning as is the custom on a farm, and work 10 or 12 hours a day for 6 days for $20?

Mr. GILL. Well, they often do. Under many circumstances [530] they would rather keep their private jobs than work with W. P. A. even though the cash pay is less.

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The CHAIRMAN. That is a splendid tribute to them, that they are willing to work on their own for 6 days for 12 hours when another man on the farm goes off and says, "I will get just as much money for 30 hours a week while you fellows work", and it is a fine tribute.

Mr. GILL. Yes, sir; it is a fine tribute. [531]

The CHAIRMAN. It is a fine tribute but, as a matter of fact, you do try to solve that through the administration in the various States by stopping the projects and encouraging them.

Mr. GILL. That is right. In the orchard country, for example, [532] we close projects in the season when they need these people for picking fruit, and we do the same thing, where necessary, in the cotton region.

The CHAIRMAN. With reference to that wage, let me ask you, who fixes that wage?

Mr. GILL. The wage was fixed by an Executive order of the [533] President, stating the regions and the wages for the different types of labor, that is, common, semiskilled, skilled, and so forth.

The CHAIRMAN. Now, that is fixed for a region. Take the cotton States—Virginia, North Carolina, and South Carolina—I understand they are in the same region, when you fix $20, is it?

Mr. GILL. $21 for unskilled work. [534]

The CHAIRMAN. For common labor?

Mr. GILL. Yes.

The CHAIRMAN. Does that govern the entire State or is that for the rural areas or for the cities?

Mr. GILL. That is for the rural areas in the State. It is higher [535] than that in the cities, the rates for which vary according to the extent of urbanization or size of the city. The unskilled rate for the largest cities in that area is $35 per month.

The CHAIRMAN. Is that determined by some commission within a State, then?

Mr. GILL. The hourly rate is determined locally. [536]

The CHAIRMAN. How?

Mr. GILL. After the passage of the Emergency Relief Appro- [537] priation Act of 1936, which provided that prevailing hourly rates should be paid on W. P. A. projects, our State administrators were instructed to make a thorough investigation of each local situation and to consult with other Government boards and agencies which dealt with similar problems. Interested parties such as labor organizations and business groups were given the opportunity to present data or other information concerning local wage rates in the various trades. After completing the investigation for each community, the State administrator established a schedule of hourly rates to be paid for the various occupations on W. P. A. projects in each locality.

The CHAIRMAN. But they must take the base of $20 fixed in the Executive order for the lowest wage?

Mr. GILL. That is the security wage that the men receive per [538] month, but how many hours they work is determined by the prevailing hourly rate of pay in that community for that particular type of work.

The CHAIRMAN. Well, now, the common labor in the rural area is $20?

Mr. GILL. That's right.

The CHAIRMAN. How about the common labor in the city?

Mr. GILL. He works about the same number of hours over [539] all.

The CHAIRMAN. But he does not get any more money?

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Mr. GILL. Yes, common laborers in New York City, for [540]
example.

The CHAIRMAN. I am talking about a city within a State.

Mr. GILL. A common laborer in a medium sized Southern [541]
city would get $25 or $30. Common laborers in the city of New Orleans——

The CHAIRMAN. Let us take South Carolina. Farm labor is $20 in the farm area, and the city of Charleston or Columbia——

Mr. GILL. I think Charleston and Columbia are the same, [542]
and I think in both cases it is about $33 a month.

The CHAIRMAN. Who fixes that difference?

Mr. GILL. The general schedule of monthly security earnings [543]
was established by an Executive order.

The CHAIRMAN. Between the rural areas and the cities?

Mr. GILL. Yes, sir.

The CHAIRMAN. Have you any classification as to the population of a city where the rate changes?

Mr. GILL. Yes, we have. I will be very glad to file with the [544]
committee the whole schedule of labor.

The CHAIRMAN. I am just interested to know how it is fixed because of the complaint that is often made with reference to a different scale of wages within a given State.

Senator DAVIS. How many transient workers are there? I mean, to do the harvesting of the cotton and wheat, and so forth, from Texas to the Canadian border.

Mr. GILL. I do not know the total number, Senator.

Senator DAVIS. I think it runs into the thousands.

Mr. GILL. There were a great many of them, yes, sir. [545]

Seantor DAVIS. I recall a report to the Labor Department from the Employment Service many years ago. The transient harvest hands moved from the Texas border practically to Canada, and at the fall of the year they quit. It was impossible to get many of them to do any other work at all, and so they moved on into Chicago, into Minneapolis, St. Paul, and into Kansas City, and so on. They would be up in Alaska, and from Alaska they came down to San Francisco, Seattle and the "flop houses," were filled with them during the winter time. It was difficult to get them to do any other work because they had saved up $150 or $200 and, I noticed in the report, as much as $450, and they came in and lived in those 10-cent lodging houses for the winter and lived there in what they thought a fashionable sort of way, and wouldn't do anything until they got out the next year to follow up that same work.

Now, does that condition still prevail in the country?

Mr. GILL. Undoubtedly there are certain individuals who fol- [546]
low that course of action.

Senator DAVIS. Are those people encouraged to take relief?

Mr. GILL. No; they are not encouraged to take relief, and, as [547]
a matter of fact, I would say it would be pretty difficult for them to get relief because they would have to go into a local relief office and prove their need, and if they have that much money or any money——

Senator MURRAY. Also, they have to prove residence.

Mr. GILL. That is right. [548]

Senator DAVIS. How can you tell how much money they have?

Mr. GILL. We can't, we depend on the local relief agencies to [549]
make that investigation. These people have to be certified to us by

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the local relief agencies after they have made an investigation. We act only upon certification of the local relief agency, and those agencies are not going to give them relief, certify them to us, unless they are destitute.

Senator MURRAY. They have to be residents. They could not come down from Alaska, for instance, and say they live in any of these cities.

Senator DAVIS. But they are permanent residents in that city. They register and vote in San Francisco, for instance, and a man working in a canning factory in Alaska can be a resident of San Francisco. They have their homes in Denver or San Francisco or Seattle or wherever they are, and they claim those are their homes. You will find them on the polling lists and they exercise their rights of citizenship.

Mr. GILL. Of course a lot of these people make a good living [550] while they are working, but three-fourths of the year they are destitute and entirely in need of help.

(Witness excused.)

(Mr. Gill submitted the following tables to supplement his statement:)

Estimated number of rural [1] cases receiving relief, by type of assistance, March and November, 1933 through 1937

[In thousands]

Month and year	Total households (unduplicated) [2]	W. P. A.	General relief	Aid to the aged, the blind, and to dependent children	Farm Security grants
November 1933	1,379	.....	1,333	58	.....
March 1934	1,473	.....	1,414	74	.....
November 1934	1,832	.....	1,753	98	.....
March 1935	1,962	.....	1,858	132	.....
November 1935	1,418	600	957	163	37
March 1936	1,619	1,070	389	167	150
November 1936	1,511	900	245	388	85
March 1937	1,721	790	317	464	323
November 1937	1,322	560	212	559	83

[1] Exclusive of persons living in centers of 2,500 and over.
[2] The total is less than the sum of the individual case loads due to the elimination of duplication between types of assistance.

Public assistance cases in 57 selected drought counties of the Great Plains area, May and November 1934–37

Year and month	Total	General and veteran	Aid to the aged, the blind, and dependent children	Emergency grants	W. P. A.
1934					
May	32,595	32,017	578	.....	.....
November	50,645	49,893	752	.....	.....
1935					
May	49,700	48,082	1,698	.....	.....
November	46,090	29,326	1,987	3,248	11,529
1936					
May	35,173	9,777	7,942	4,050	13,404
November	60,290	8,536	11,479	5,718	34,557
1937					
May	58,296	8,818	15,869	18,644	14,965
November	47,297	7,240	19,077	8,408	12,572

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STATEMENT OF RUPERT B. VANCE, PROFESSOR OF SOCIOLOGY, UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL, NORTH CAROLINA

The CHAIRMAN. Professor Vance, you are professor of sociology of the University of North Carolina?

Professor VANCE. I am, sir.

The CHAIRMAN. We have invited you here to present your views with reference to rural problem areas, and we would be glad if you would proceed.

Professor VANCE. That unemployment, poverty, and the [551–1] need for relief should exist in the open country even in depression seems strange to the average city dweller. Yet when the Relief Administration came to check up on their relief loads, they found six great rural problem areas. (1) The Lake States cut over, (2) spring wheat and (3) winter wheat areas in the short-grass country, the (4) western cotton area, the (5) eastern cotton area and the (6) Appalachian-Ozark Mountains areas.

RURAL-PROBLEM AREAS IN SOUTHERN STATES

I wish to limit my remarks to problems in the South, the [551–2] Appalachian areas and the Great Cotton Belt.

High relief loads early developed in the Appalachian [551–3] Mountain areas where small subsistence farmers depended on supplementary employment in lumbering and mining to carry them through. There were 29 counties of highest relief load (36 percent or more of population on relief) in 1933–34 (fiscal year, June 31, 1933–July 1, 1934). Twelve of these counties fell in the mountains of eastern Kentucky and West Virginia (Goodrich, Persons on Relief). Already certain areas—the eastern Cotton Belt, noticeably South Carolina, southern Alabama and Mississippi were beginning to stand out as high relief areas.

The public by now, however, is aware that serious prob- [551–4] lems of relief, poverty, and unemployment (underemployment also) exist in these areas. What we all would like to know is why these problems exist and what changes may we expect?

HIGH-BIRTH RATE IN PROBLEM AREAS

First, I should like to point out that the most rapidly in- [551–5] creasing population in the United States is found on these areas with birth rates that were once characteristic of our pioneer forefathers. There are five counties in the Appalachians that at the 1930 rates, without migration, would multiply two and one-half times within a generation. There were, in 1930, 113 counties in the United States that, under these conditions, would double their population in a generation. Fifty-nine of these, or more than half, were in the Southeast, and thirty-four more were in the wheat-growing areas of the Northwest. With only 22 percent of the Nation's population in 1930, the 11 States of the Southeast were furnishing almost 36 percent of the Nation's population increase from 1930 to 1935.

We could contrast with that, of course, the great cities of [551–6] the United States. I believe there are 300 cities of a population of

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100,000 or over, and only 81 of those cities are not replacing themselves at a projection of their present rate within a generation.

FERTILE LAND AND MARKETS INCOMMENSURATE

Now, neither in the Cotton Belt nor in the mountains is there [551–7] land enough, good enough, or markets enough to hold the population at home. They have always drained off to the cities and to industry until they were stopped by depression. At that farms have continued to grow smaller and mountain dwellers have been pushed out of the more fertile river valleys further back upon the ridges—ridges that erode within 3 to 5 years after they are put under the plow.

These facts can be indicated by the small value of products [551–8] grown on farms in the Southeast. In 1930 the agricultural census was so arranged that we can determine kinds of farms and gross value of total products per farm. Nearly one-half (48.8 percent) of our [illegible] produced products (sold, traded, or used by family) worth less [illegible] half furnishes less than

farms produce [illegible]
than $1,000 gross. This less-productive half [illegible]
eleven (10.8) percent of the commercial crop production of the Nation (see chart p. 1139). Here is where these farms were located (see chart 1 p. 1554) mainly in the mountain areas and the tenancy of the Cotton and Tobacco Belts. Over two-thirds of all United States farms that produced less than $1,000 gross value of produce were located in the South and two-thirds of all farms in the South produced less than $1,000 worth of products. If these farms were all taken out of production, it would lower crop production less than did the great drought.

Senator DAVIS. I did not understand you there.

Professor VANCE. If what they produced were taken off the market, it would lower crop production less than did the great droughts.

The CHAIRMAN. You mean, all in the shaded areas [referring to chart]?

Professor VANCE. Yes; the 50 percent that produced less than $1,000 gross value of their products.

Well, you see, of course, the joker to that is that these [551–9] people are feeding themselves partly, but they are not sending money into the stream of commercial production.

"LIVE AT HOME" AREAS

Now, what that means is that the large-scale commercial [551–10] farms serve as efficient producers of farm products, and it is from the small family-sized farms that the Nation's children are coming. Remember when we say gross value of products that we have no way of determining net value—what the farmer really cleared. And also that sharecroppers and tenants give from one-half to a third or fourth of the products in rent to the landowners. The landowner in turn may give a sizeable share of his annual income to pay interest on mortgage debt.

Part-time farmers where the farmers worked more than 150 [551–11] days off the farms are most numerous in the Appalachians (see chart p. 1555) where farms are small, land is hilly and soil often poor Many farmers before the depression supplemented their incomes by employment in mining and lumbering. The plight of this area is further indicated by the location of the so-called self-sufficing or bare-

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subsistence farms where the products sold are of less value than the products consumed by the family. Here the Appalachians stand out as the area of "live at home" and "live hard" (see chart 3 p. 1555).

APPALACHIAN FARMERS

During 1929 the value of farm products sold, traded or used [551–12] on the farms was under $600 for 50 percent of the farms in the Appalachians. Annual incomes were quite frequently under $100 after farm expenses were paid. This year the average Appalachian farmer worked 53 days off his farm for wages. It was the loss of this outside employment that finally forced many on relief. The main reasons given for going on relief were "farm too small", "loss of supplementary occupation", and "poor land." This, of course, indicates the danger of a part-time farming economy based on exploitative industries like mining and lumbering, that are likely to run out in time.

The sober conclusion of the W. P. A. survey of Appala- [551–13] chian areas is that the resident population is already too large to permit an adequate standard of living and is increasing rapidly. "It is difficult to see how, under any program of rehabilitation or reemployment, all the manpower of this area can be absorbed in any industrial or agricultural employment possible at the moment."

THE COTTON BELT

The situation in the Cotton Belt grows out of the long [551–14] existent poverty of the tenant population and is dependent on what is happening to the plantation, to cotton prices, to world cotton markets, and to the whole trend of cotton production.

Suppose we take a glance at the cotton plantation during [551–15] one of its best recent years, and these people were not out on relief. A W. P. A. study of 646 plantations operating in 1934 by 5 or more families showed an average cotton plantation to consist of 907 acres and to be worth $28,700. Forty-four percent of harvested cropland was planted to cotton.

The average gross income from the plantation was $9,500. [551–16] Of this $7,000 came from the sale of crops, $900 from A. A. A. payments, $200 from land rented, and $1,400 from home-grown food and supplies. The net income per plantation amounted to around $6,000; of which $2,600 went to the landlords and $3,400 to the tenants and hands. The owner's share was sufficient in 1934, a good year for prices, to pay him 6 percent on his invested capital and $850 labor income for his year's work. The tenants had an average net income of $309 per family or $73 per person for the year's work. Sharecroppers received $312 per family or $71 per person while wage hands had a net income of only $180 per family. Income for croppers ranged from $38 to $87 per person. These figures can be made more real by pointing out that $38 per year is slightly more than 10 cents a day.

These figures it will be realized are from the large planta- [551–17] tion, the more efficient units in cotton cultivation, and represent a favorable year. Other periods and less efficient units would undoubtedly give much lower returns.

Our picture, however, is not complete until we consider [551–18] the credit and interest charges which loom large for both planters and

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tenants. Nearly one-half the landlords had long-time debts, averaging over 40 percent of the appraised value of their land, buildings, animals, and machinery. In addition 52 percent of the owners had short-term debts to meet current expenses on the crop. The average amount borrowed here was $2,300, just about half the sum necessary to meet annual expenses. On those accounts the interest was high; 10 percent on Government loans, 15 percent on bank loans, and 16 percent on merchants' accounts. For landlords the combined interest on loans and mortgage debt amounted to almost as much as his net labor income, $850 a year.

Senator DAVIS. What is the rate of interest they paid on their loans?

Professor VANCE. This study showed 10 percent on Govern- [552] ment loans, 15 percent on bank loans, 16 percent on merchants' accounts.

Mr. JOHNSTONE. What do you mean, 10 percent on Government loans?

Senator DAVIS. The average amount borrowed, of course.

Professor VANCE. Frankly, I cannot answer that. I took [553–1] that from a report of the study. I realize that is above certain legal requirements. Against the base.

TENANT FARMING

On a different level the credit problems of the tenants are [553–2] equally serious. If the landlord struggles to stay in business, the tenant must struggle to stay off relief. The high interest charges that tenants pay on their advances, their "furnish" or line of credit at the store, depress their living standards and retard their advancement. The amount advanced tenants averages $12.80 per month and runs over a period of 7 months. Another study of 112 croppers in North Carolina in 1928 showed that advances mostly in cash amounted to over 63 percent of the cropper's cash farm income, while the interest paid amounted to more than 10 percent of their total cash income.

What we have in the tenancy system of the Cotton Belt [553–3] is an inheritance from slavery that we have never outgrown or improved. The planter and the ex-slave started behind scratch and they have never caught up. After abolition, a "land poor" class, possessing nothing but lands met a servile population, possessing nothing but the labor of its hands. A system was arrived at whereby "labor was secured without money wages and land without money rent." This is the famous sharecropping system where the labor pays a half of the cotton or cash crop for rent. If he has no tools or animals, possibly a third or a fourth if the laborer can furnish his own work stock or equipment. Accepted as a temporary arrangement it ended by becoming a permanent system. Its success was so great as to be disastrous. But that wasn't all. The tenants had nothing on which to live while the crop was being made. His half of the crop then had to be mortgaged before it was grown for food and the necessities of life. Here was a risky business and the credit merchants came to set high carrying charges and interest rates. This process was completed when the necessity for credit forced the planter to mortgage his lands to bankers and outside financial interests and mortgage companies.

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Then, of course, there was a change in the ownership [553–4] of plantations, too. More and more merchants and professional men who grew up in towns came to invest in plantations and to be absentee landlords who lived in town and went out to supervise. Then, the effect on the whites.

Congregated on the fringes of the plantation system, the [553–5] "poor white" farmers poured into the new tenancy scheme until now the white farm tenant families exceed Negro tenants in the South two to one, 1,202,174 to 629,301.

What of the future?

Whether it is done through depression and price failure, [553–6] loss of foreign markets, or by crop restriction, the fact must be faced that thousands of families once employed as cotton croppers cannot get a crop to tend. Youths coming of age on the farm now have little opportunity either to enter cotton farming as tenants or to migrate to cities in search of jobs in industry. There can be no doubt that the displacement of tenants and croppers is an important factor in the rural relief situation. Shifts from tenancy into the ranks of casual wage hands have reduced many families to the relief level.

CROPPERS, TENANTS, AND RELIEF

In the eastern cotton areas former croppers and tenants in [553–7] June 1935, accounted for 20,000 families on relief, or 37 percent of the agricultural relief cases. Average per capita relief expenditures have been lower in the Southeast than in any other parts of the country. Yet more than $287,000,000 were spent in seven Southeastern cotton States during the 33 months from January 1933, through September 1935. This means an expenditure of $17.49 for every person living in these States in 1930. This is 56 percent of the per capita figure for the country as a whole.

Senator MURRAY. Does that conclude your statement?

Professor VANCE. Yes, sir.

Senator MURRAY. Well, the bell has rung, so I suppose we will suspend here.

Are there any other witnesses?

Mr. JOHNSTONE. None this morning.

Senator MURRAY. Do you care to ask him any questions, Senator Davis?

Senator DAVIS. I appreciate that splendid report you made on the general conditions of the South. That situation, to me, coming from the North, stands out just like a sore thumb, and the way you put it to us, impressed me that we ought to do something. What that something is, I do not yet know, but if you will make some recommendation as to what it is, I am sure this committee will give it most careful consideration.

I am sorry that we haven't got the time here to go into the matter further because the call has come to go to the Senate, but I would like very much, as far as I am personally concerned, if you would file a brief and make such recommendations as you deem worthy.

Professor VANCE. I will be glad to file an additional state- [554] ment. (See p. 1556.)

Senator MURRAY. In your survey you say that the W. P. A. has made a survey of the Appalachian areas, and that it is difficult to see

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how, under any program of rehabilitation and reemployment, the situation is going to be met.

Professor VANCE. Well, the land is simply not there. That [555] is one of the most densely settled agricultural areas in the country.

Senator MURRAY. And yet there is no other place in the country where we are going to be able to settle these families.

Professor VANCE. Well, there is better land possibly even in [556] the South, outside of those areas. There are plenty of farmers, no doubt, in the mountains, that are on good land and fertile river valleys, but they have been forced, more of them, to go back up on sloping land where it is really dangerous to expect to cultivate and stay there. The land washes away too quickly, too great a slope.

Senator MURRAY. So it is a very perplexing problem.

Do you think they will be able to work out some solution of it?

Professor VANCE. Well, of course, the immediate thing that [557] occurs to anybody that faces that problem is the chance for migration to cities and industries. That has always occurred until the recent depression has slowed it down. If that should open up again part of the population will be drained off.

Senator MURRAY. Senator Bilbo, from Mississippi, during the anti-lynching debate, suggested a proposal to transfer the Negro population of the South to Africa. I do not assume that is a real solution of the problem.

Professor VANCE. I don't think so. [558]

Mr. JOHNSTONE. That was tried, you know.

Senator MURRAY. Well we will be glad to have you submit any additional statement or brief that you think might be a solution to the problem.

Thank you.

(Witness excused.)

Senator MURRAY. We will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12:15 p. m., an adjournment was taken until 10 a. m., March 8, 1938.)

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UNEMPLOYMENT AND RELIEF

TUESDAY, MARCH 8, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Murray, Davis, and Lodge; also Alan Johnstone, counsel to the committee.

STATEMENT OF T. J. PRIESTLEY, JR., PRESIDENT OF THE PRIESTLEY PRINTERS, PHILADELPHIA, PA.

Senator DAVIS. The committee will come to order.

Take the stand, Mr. Priestley, and give your name to the reporter.

Mr. PRIESTLEY. My name is T. J. Priestley, Jr.

Senator DAVIS. Your business?

Mr. PRIESTLEY. I am the president of the Priestley Printers, and I am likewise the owner of the Priestley Engineering Co.

Senator DAVIS. Where do you live?

Mr. PRIESTLEY. I live in Yeaden. My business is at 323 South Juniper Street, Philadelphia.

Senator DAVIS. You may go on and make such statement as you care to on this question now pending before the Committee on Unemployment and Relief.

Mr PRIESTLEY Mr Chairman, your committee will deserve [559–1] the praise of the Nation when you have successfully completed your task.

As I understand it, your duty is to find the cause of mass [559–2] unemployment and relief, and the effect of labor-saving devices on this problem. You are to find all the facts possible and present them to Congress in order to have the Congress enact remedial legislation.

That does not look like a strenuous undertaking, but I am [559–3] sure that it will take every ounce of your statesmanship to put into words the correct solution for the depression.

There are thousands of honest persons, each with a different [559–4] view as to the cause of the depression, ranging from the World War to monopolies. Many advocate for the cure, palliatives ranging from W P. A. work to agricultural adjustment acts.

I know that in your wise judgment you must separate the [559–5] true from the false.

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My idea is that the first depression, which is still with us, [559–6] is caused by unemployment and unemployment is caused by too much being produced by the few and too little being produced by the many. As paradoxical as it may seem, if the many produce much, in order to exchange their production for purchasing power, the few may likewise produce more. The logic of this assertion is found in the illogical Agricultural Adjustment Act [1] wherein the larger corporate farmers were paid over $2,000,000,000 to produce less so that the smaller farmers could produce and sell more.

In reference to relief: The many billions that have been [559–7] wasted were spent on palliatives meant to alleviate the distress caused by unemployment, but not one cent has been spent to find the cure for the depression excepting the $10,000 appropriated to defray the expenses of your committee. The whole Nation hopes for your success. So I wish to spend most of my time in explaining what I believe to be the only cure for unemployment. In reference to labor-saving devices, there is no doubt that science and labor-saving devices have caused mass unemployment. These devices, too, have caused the greatest advancement in civilization and made possible man's fullest enjoyment and happiness, and at the same time caused much misery, despair and even human destruction.

Labor-saving devices are to the manufacturers what the [559–8] sun and rain is to the farmer. God's goodness made possible such an abundance of everything that not one person in this country should be ill fed, ill clothed, nor ill housed, but only by science and the use of labor-saving devices can monopolies control production and restrict each field of endeavor in this country according to our present economic set-up.

We know now that unemployment is a national menace. [559–9]

We know now that we cannot continue to enact palliatives [559–10] in place of sound laws in order to forestall increasing unemployment.

We know now that this Nation cannot continue much [559–11] longer as a democracy if the way we are now going is not soon corrected by the science of democracy as laid down by our Constitution.

The Declaration of Independence is as pertinent today as it [559–12] was in 1776 wherein it declared the right of each individual to life, to liberty, and the pursuit of happiness—happiness through industry, happiness in the sale of his time and production, happiness in the attainment of the things desired in exchange for that production.

The cure: The cure lies in taxing equitably each business [559–13] progressively in fair proportion to the total volume of business done in each line through a "step-rate sales tax" or "a graduated gross business tax," or call it what you may. This will force the return of our citizens to the Nation's unrestricted field of endeavor and return the unemployed to their legitimate jobs.

The President on January 3, 1938, stated: [559–14]

> It is human nature on the part of those who pay graduated taxes to attack all taxes based on the principle of ability to pay. These are the same complainants who for a generation blocked the imposition of a graduated income tax. They are the same complainants who would impose the type of flat sales tax which places the burden of government more on those least able to pay and less on those most able to pay.

[1] Public Act No. 10, 73d Congress, approved May 12, 1933.

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This Government, that is all the people, through the science [559–15] of democracy and invention should increase production and consumption to the point where all could be profitably employed.

The first principle of the science of democracy is the equality [559–16] of opportunity for each individual.

Supreme Court Justice Brandeis, according to late press [559–17] reports, believes that trusts cannot be frustrated by any better method than the progressive rate tax, and that trusts are industrial combinations not a legal or a natural monopoly which seeks to escape the restraints and avoid the wastes of competition by absorbing, controlling, or forcing out of business its would-be competitors, or acting in concert with them in fixing prices or regulating outputs.

Former Senator Couzens believed in my idea of taxes. [559–18] Many engineers, professional, and businessmen wonder why this tax has not been enacted into law long before this. The uniqueness of my plan is in establishing fair amounts for the purpose of taxation. It is the only possible way that Congress can enact an equitable tax bill which the Supreme Court can pass as constitutional.

By the use of the science of monopoly and through mass [559–19] producing labor-saving devices, large corporations by too keen competition forestall the sale of the production of smaller corporations and farmers to the point where unemployment has become a national menace, and unless promptly corrected by a fair and equitable graduated tax on gross sales in each individual line of business, our employment problem will grow progressively worse as evidenced by our economic maladjustment during the last 7 years.

Mr. Chairman, I want now to talk only about the first [559–20] depression—that is, the depression which was not fostered by either the Hoover administration, nor by the present administration. It is the depression which has been growing more rapidly and progressively worse during this generation.

While past administrations have made feeble and illogical [559–21] attempts to cure this depression with antitrust laws, it behooves this administration to find a logical and sound cure to forestall the downfall of our Democracy on account of mass unemployment. We cannot much longer put off the day of reckoning. Mass unemployment is caused by the mass slaughter of small businesses, and these small businesses are the backbone of industry by virtue of the purchasing power given by them in wages to their employees.

Kill them and you have mass unemployment. Mass unem- [559–22] ployment causes the lack of purchasing power, and the lack of purchasing power kills big business; so that if small business is killed by too keen competition with monopolies and big business seals its own doom thereby, it is the duty of Government to handicap big business in favor of small business, or in favor of a better balance, to the point where all of the unemployed can be absorbed. To that end fair taxation should be based on gross sales as the basis for benefits received and the ability to pay.

This tax should replace all other business taxes, such as [559–23] capital-stock tax, excess-profits tax, undivided-surplus tax, and the 63 other business taxes imposed by city, State, and Federal authorities. Fifty percent, or some such percentage, of the graduated gross sales tax should be returned to the States from which it originated in order to sustain the States and cities. This percentage could be found by

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comparing the normal Federal expenses with the normal States' expenses.

A fair method of applying this tax would be to take the [559–24] total volume of business done in each major line—there are 330 major lines—and divide that sum by the number of corporations following each line. This would give the fair amounts in each line of business and these figures may be had from the Department of Commerce.

The idea would be to allow any enterpriser to do a "fair [559–25] amount" without paying any business tax. Of course the personal income tax would still be effective. Each corporation doing over a "fair amount" would pay a small gross sales tax. If a corporation did three times a fair amount, an additional small tax would be added, and so on for every additional fair amount, but this tax should never quite equal the profit advantage which accrues to corporations through the sheer volume of sales.

In the first year, when applying this tax, the total tax [559–26] which all the corporations doing a gross business of say 100 millions annually should be considered in relation to the total amount of their gross business. Then the factor for each "fair amount" should be determined so that the tax income to the Government would equal no more than the amount these corporations now pay. That is the first year. This will allow great combinations of different businesses paying taxes, as a whole, to adjust their corporate set-up.

Gentlemen, I think I had better explain the way that that [559–27] tax would affect my business. In the printing business, in the year 1929, the total amount of all the printing that was done would equal the amount that all the printers could have done if each printer could have done $113,000 worth of business in the United States, and if they had all done an equal amount—of course, my idea is not to have it equal, but, if they had done that it would equal the total amount of printing done in the United States, and therefore it would have established what I call a fair amount, so that a printer doing the first fair amount would not pay any tax. If he did $226,000 worth of business, he would pay, we will say, 1 percent. My idea is to get the factor to start with from the big concerns, so you would not put them out of business. In other words, you cannot charge them more with this mode of tax the first year than what they are paying now, but if that establishes a factor, the next year we can use the information obtained to either increase or decrease the factor.

Now, the $113,000 would have been the fair amount, and [559–28] we will say 1 percent for the extra $113,000, and 2 percent for another $113,000, and 3 percent for another $113,000. Now, that would not have hurt anybody. If I could pass some of these books around, you could see what I am driving at.

Senator DAVIS. Give it to the committee when you get through.

Mr. PRIESTLEY. I thought I could explain it. At any [559–29] rate, there were 24,236 printing establishments all told in 1929. By 1933, 8,000 had gone by the board and by 1935, 4,000 more, so that we have now just a little less than 50 percent of the number of printers that we had in 1929.

Senator DAVIS. Isn't that customary in the printing trade, that a man becomes an expert workman and makes a lot of friends and gets a few dollars together and he will buy a machine and start in the printing business? Isn't that true of most of the very small concerns that have failed?

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Mr. PRIESTLEY. No, I would say that all the small con- [559–30] cerns failed between 1929 and 1933, but the larger concerns have failed between 1933 and 1935. But what I was trying to explain is this, that in the concerns doing from $5,000 to $25,000 yearly, the value of a man's production in each one of these establishments is $5,235.

Now, if we will come up a little further to the $100,000 to [559–31] $250,000, in these concerns the men produced $7,838 each.

If we come up to the $500,000 to a million, we find that [559–32] each man produced in output $9,045. If we come to those doing $5,000,000 and over, we find that each man produced $17,447. So that you can see just by sheer advantage of the quantity that they had, that the man's production is increased very much.

Now, the effect of this competition, that is, with Southern [559–33] States, is what is bothering all of the manufacturers in Pennsylvania. It is bothering the manufacturers in Massachusetts. In other words, the wages that are paid in the Southern States and not only that, but their mass-producing business, makes it very difficult for any fair concern, paying fair wages in the Northern States, to compete with them. This tax will have the effect of stabilizing industry so it won't move away from the different States, and, of course, if there is put into effect that plan, there would be no need for the government regulating wages and hours, because, as soon as we have, we will say, 500,000 men less than we have jobs for, they will get their 50 cents an hour, 75 cents, or whatever it is. They will get exactly what they are worth.

Now, it happens to be that I am a member of the Engineers' [559–34] Club in Philadelphia, and we have there men whose lifetime is spent in thinking and planning and accomplishing something, so that I brought this to the attention of quite a few of them in a special committee room there, and to start with they were not favorably impressed, but in an hour and a half I had sold the idea completely to every one of them. The idea was right, and I think if men such as they can pass on a proposition as being all right, I think you are pretty safe in believing that there is something to the proposition.

Now, in reference to this law, which is about to go into [559–35] effect, or, at least, that they are trying to put through, chain-store taxes; well, chain-store tax is a rotten thing. It is not fair. It is not fair to the chain stores; it is not fair to the Nation. In other words, there is no use in spotting out chain stores when the same tax could be applicable to all concerns for the purpose of making employment.

Senator DAVIS. Can you give us an illustration of what you mean here by a comparison of some kind or other?

Mr PRIESTLEY. Well, in reference to the chain stores, I [559–36] know something about that. There has been, and there is about to be, a tax placed on the chain stores. That made about 100 grocery stores in the West Philadelphia section go out of business. They put that tax through and they went out of business. These few that went out of business decided that the better plan would be to go into one big business, that is, they hired quite a large mill and started to call themselves the Line, or some other grocery name. They did practically a hundred times as much as they did in the individual hundred stores, and they charge such a low price that a thousand stores that were competing with them had to go out of business.

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That is why I say they should put the tax on the total amount of business done rather than on the number of stores.

Now, sometime ago I received a letter from a party in [559–37] Florida, I think his name was Anders, and I had never met him, but he had seen my plan of taxation, so he wrote to me and said that he thought I would be interested in the fact that in Florida they had placed this chain store tax, and of course, it wasn't my idea, but since then there have been a lot of other States applying this tax. They had got the wrong idea.

My idea is not to hurt any one business particularly nor [559–38] to hurt any business, but it is for the purpose of making it so that men can go to work, and, as I explain here, it is a balance that is required to establish the point where all people can go to work.

Senator DAVIS. Do I understand you to say that when this tax on chain stores was put into effect in your district in Philadelphia, that these stores, instead of paying all of the taxes, went and rented one large place, and they did this business in one large place under the head of one store, and that saved them the tax?

Mr. PRIESTLEY. That saved them the tax. In other words, [560] this new tax that Mr. Patman is undertaking to put forth charges no tax on 9 chain stores, but if you have 10, you will pay $50 each; and if you have 15, you will pay $75, and if you have 500, whether they are in one State or in all the States, you will start to pay $1,000 for each store.[1]

Senator DAVIS. Following that illustration you gave us in West Philadelphia, it would mean that these chain stores would all bundle together and make one great big store out of it?

Mr. PRIESTLEY. Yes; and then what would happen? Their [561] advantages would be so great that none of the small competitors could stand it.

Senator DAVIS. That can only apply in the larger cities. In the cross-roads country towns that would not apply.

Mr. PRIESTLEY. Oh, it applies more to the country towns. [562] In other words, the automobile coming into effect could make one large store. I find here, not far from Washington, one great big store where the expenses are very low and people come from miles around, but it affects all stores. Now, in reference to establishing those fair amounts, that might seem as though it would be burdensome, but I happened to figure out the automobile industry's fair amount, and for 1929 the fair amount in that industry was $15,500,000 some odd. Since that time it has gone up very materially, I think something like $29,000,000, because of a few smaller concerns going by the board in that line.

Senator DAVIS. Mr. Priestley, you only have about 4 more minutes now.

Do you want to put that into the record and we will receive this, any of your remarks that you have not made? We will be glad to put it in the record and if you decide to supplement that we will be glad to have you file a supplementary report. (See Appendix 22, p. 1637.)

Mr. PRIESTLEY. All right; I propose, however, to see the [563] draughtsman or gentleman who makes up those bills and see whether he can make something up into a bill.

Senator DAVIS. Thank you, sir.

(Witness excused.)

[1] H. R. 9464, 75th Cong.

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STATEMENT OF DAVID LASSER, NATIONAL PRESIDENT, WORKERS ALLIANCE OF AMERICA, WASHINGTON, D. C.

Senator DAVIS. Will you give your residence and your office, please?

Mr. LASSER. 1211 I Street NW., Washington, D. C.

Senator DAVIS. Where is your residence?

Mr. LASSER. 3014 Dent Place.

Senator DAVIS. You may proceed.

Mr. LASSER. Before I start, and I have a prepared state- [564] ment here, I would like to make an observation on the fact that only two members of the committee are present this morning. I appreciate very much the presence of the two members who are here, but it seems to me awfully strange for a committee, named "Special Senate Committee on Unemployment and Relief," that when a representative of the unemployed themselves appears to testify that only two members out of seven should find it possible to be here to hear the testimony of the unemployed themselves.

If my recollection is correct, at the time when businessmen appeared all of the members of the committee were present in more or less of a holiday fashion, and I desire to make that statement, with the appreciation to the two members who have found it possible to be here.

Senator DAVIS. For your information, I desire to say that I personally am on four committees this morning, and other members are on a like number of committees, so we sort of divided up so that some would come here and some would go to other places. There is some very important legislation pending in the several committees. Some of our other members are active on them; some of them are chairmen of these committees, and they must be there or the committee cannot re-convene, and some are on the Appropriations Committee. One of the members of the Appropriations Committee is a member of this committee. That Appropriations Committee is engaged in appropriating large sums for the unemployed, and I think it is very, very important, inasmuch as he is in favor of appropriations to the unemployed, that he be at the committee meeting for the purpose of seeing that we get a proper appropriation for relief Some members of the committee will be coming in here before the session is over, but I am sure that each member of the committee will read your report, and they will get the substance of it just as if they were present

Mr LASSER. Thank you very much. Ir presenting this [465–1] statement on the problem of unemployment, I wish to explain what the Workers' Alliance of America is and our place in this picture.

You may interrupt me if anything is not clear.

THE ROLE OF THE WORKERS' ALLIANCE

The Workers Alliance is the Nation-wide organization of [565–2] unemployed and W. P. A. workers and those seeking improved social security. Our organization, arising from the economic crisis, seeks to represent collectively those who have suffered most directly from unemployment.

This explanation is necessary because there are still some [565–3] people who do not understand or who resent the existence of an organization whose purpose is to organize and represent the unemployed.

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They feel, although lawyers and undertakers, bankers, and [565–4] bakers, doctors and dentists have a right to organize to protect their economic and social interests, that unemployed do not have the same rights. They feel that an organization of unemployed which undertakes to present the "demand" for the right to live and work is an offense against good taste.

Senator DAVIS. I see your news release here, and you say "Congress must choose between the anarchistic or the social approach to the problem of unemployment." What do you mean by that?

Mr LASSER. You will find when I get down a little further [565] that I will point that out. The news release was a digest of my statement for the information of the press, but the statement follows, and I think I will indicate what I mean.

This feeling has led in many communities to restrictions [566–1] on the rights of the unemployed and W. P. A. workers to organize, and discrimination against them for organizational activities. And when this fails to discourage organization, attempts are made to blacken the character of the unemployed by calling them "chiselers," "lazy bums," "bolsheviks," "agitators."

It is our contention that without an organization such as [566–2] ours far less would have been done to meet the problem of unemployment than has been done. We have stirred the social conscience of the Nation—not simply to cold statistics of unemployment—but to the vast human tragedy that lies behind cold figures. The presence of an organization of people seeking the right to work and the right to live is a continuous indictment of our social order. Our organization will be justified in ending its activity and its existence only when the millions of unemployed are returned to useful employment, and not before.

With these remarks I wish to thank the committee for its [566–3] recognition of the rightful place of our movement in our social order, and for this opportunity to present our position on unemployment.

I wish to deal with four major questions: First, what in [566–4] our view caused the 1929 and 1937 crises? secondly, Who should be responsible for the maintenance of the unemployed? third, What has actually been done for the unemployed to date? and, fourth, What program, in our opinion, is necessary for recovery?

Senator DAVIS. Just a minute, Mr. Lasser. I notice that you stated here "Attempts are made to blacken the character of the unemployed by calling them "chiselers," "lazy bums," "bolsheviks," "agitators."

Mr. LASSER. Yes.

Senator DAVIS. Is that so uncommon? I should think there is hardly a Senator or a Congressman that hasn't been called that.

Mr. LASSER. Then we are all in the same boat.

Senator DAVIS. I wouldn't be offended by it if I were you. There are two members of the committee here who have been called that on a number of occasions.

Mr. LASSER. If that is as true of you as it is of us we certainly welcome you into our fold.

THE NEED FOR A "SOCIAL" RATHER THAN "ANARCHISTIC" APPROACH

We do not here pretend to be skilled economic experts. We [567–1] will deal with these problems from the simple and practical viewpoint of millions of workers who want and feel they have certain elemental

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rights in our social system. These rights are: The right to gainful and useful employment, the right to bring up their families in decency, the right to share in the good things that science and invention have made possible.

In dealing with this whole question there have been two [567–2] well-defined theories, which have been present in the operation of our whole economic system as well as in the treatment of the unemployed. These conflicting theories have found eloquent expression before this committee.

One theory is narrowly selfish, looking to the profit of a [567–3] relatively few; resentful of Government interference; indifferent to the welfare of the masses. This is what I call the "anarchistic" approach.

The second theory seeks the "general welfare"—approaches [567–4] problems from the standpoint of the people as a whole. It is the "social" approach.

The American "anarchists", our larger business and financial [567–5] interests look complacently upon business booms and depressions as natural and inevitable. They believe that recovery can come only when prices and wages have been thoroughly deflated. They believe that recovery is only possible when Government "keeps its hands off business"; and when relief is administered under the Elizabethan poor law of 1601.

Senator DAVIS. Who do you believe is of the opinion that relief should be administered under the Elizabethan poor law?

Mr. LASSER. Well, as a matter of fact, from 1929 to 1933 [568] that was precisely the case. It was the case under the Hoover administration——

Senator DAVIS. I thought you might have some individuals in mind.

Mr. LASSER. There are people in this Congress, there are [569] business interests, there are sections of the press, who would return relief, as I will indicate presently, to the local communities to be administered under a poor law system which is equivalent to that.

Senator DAVIS. I have just consulted with my colleague here and neither one of us knows anybody in Congress who would want to return to the Elizabethan poor law of 1601.

Mr. LASSER. If you will be patient you will find, as I will [570–1] indicate, that there are theories now being presented by the reactionaries in Congress, that amount to practically that. I call to your attention that in New Jersey now, right now, Mr. Davis, in many sections relief is actually on a poor law basis.

The unfortunate incident that took place in Hoboken where [570–2] a relief administrator was stabbed to death was the result of a poor law administration. I call your attention today to Boston, which is supposed to be an advanced town, where those who are put on relief are obliged to work for their relief, not under a work relief system, but to work for relief under precisely the poorhouse system, which originated under the "poor laws", and that is a growing sentiment in many sections of the country, of making the unemployed work for their relief.

The "social" theory is that private enterprise under a system [570–3] of private profit has both a privilege and a responsibility. The privilege is the right to own and operate our economic enterprises. The

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responsibility is to see that the economy of the Nation operates for the welfare of the Nation as a whole.

When private enterprise fails in any of its responsibilities, the [570–4] Government, as a representative of all the people, has the right and the duty to step in and take such steps as are necessary to promote the general welfare.

What does the record show about the crises of 1929 and 1937 [570–5] to indicate whether we should accept the "anarchistic" or the "social" approach to unemployment relief and economic recovery?

The years 1922–29 present a vivid lesson. Here we had the [570–6] "golden age" when those who propose the "let business alone" theory were in complete control of the Nation. They had complacent local and national governments, peace in the world, relative peace on the industrial field. What happened during these years?

In the years 1922–29 our industrial corporations made [570–7] nearly $62,000,000,000 in net profits, and distributed of this nearly $45,000,000,000 in cash dividends alone.

Senator DAVIS. Could you tell me how much they distributed in wages during that time?

Mr. LASSER. I could, I believe.

Senator DAVIS. You may insert it in the record later on. I simply want it for the record.

SURPLUSES INVESTED IN WAGES WOULD OBVIATE PUMP PRIMING

Mr. LASSER. In 1929 the hurricane struck. In the next 5 [570–8] years the breadlines lengthened in every city. Hundreds of thousands of home owners and farmers faced eviction. Millions of unemployed were told to be patient, that relief was a local matter, and that individual initiative would solve everything.

What happened to these tremendous surpluses of our cor- [570–9] porations? Were they poured out to save workers and farmers from disaster, to stem the tide of economic ruin? The record gives the answer.

In the years 1930–33, although these corporations suffered a [570–10] net loss of $2,700,000,000, they distributed cash dividends of $21,000,000,000. In other words, while unemployed were told they must depend on individual initiative, stockholders shared "unemployment insurance" to the tune of $21,000,000,000. While the Federal Government told the unemployed relief for them was a local matter, the R. F. C. was ladling out billions of dollars to banks and railroads.

Senator DAVIS. What would have happened if the R. F. C. had not made those loans to these other corporations, and what would have happened if they had not given $300,000,000 for relief?

Mr LASSER. Let me put the question the other way. What [571] would have happened if these billions of dollars had been given to the unemployed in order to give them purchasing power? Perhaps these corporations might have been saved by a restoration of economic recovery through the purchasing power of the people, instead of priming the pump, and there, you have the whole difference. The approach in 1929–33, was an approach of pouring money in on top and of hoping that some of it would trickle down to the bottom. The approach we ask for is to pour money in at the bottom and those at the top will get their natural proportion of it, and that is the whole difference between the two approaches to the problem.

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Senator DAVIS. What effect would it have had if some of the larger life-insurance companies and some of the larger industries would have gone to the wall?

Mr LASSER. They would have gone to the wall only on the [572] basis of unemployment which took purchasing power away from the mass of the people. The cure is to produce the purchasing power for the mass of the people, and those banks and other companies which are naturally solvent would be saved. The fact is that many of them have been saved in the years of 1936 and 1937 by an actual increase in the purchasing power of the mass of the people.

Senator DAVIS. Do you remember how much the R. F C. loans were to railroads and banks?

Mr LASSER. I think it amounts to, all told, some 4 or 5 [573] billion, if I remember correctly, during that period. They got that, and all the unemployed got after much persistent effort was some 300 million.

Senator DAVIS. What would have happened if we had had a collapse of the life-insurance companies after men and women who have toiled all their lives to pay the premiums, and the companies would have become insolvent, and they never could have paid them back?

Mr. LASSER. Insofar as the life-insurance companies are [574] concerned, we would separate them from the question of banks and railroads.

Senator DAVIS. What would have happened if you had had to run the corporate stocks of the railroads through the wringer, and wipe them all out, is that most of the stockholders in railroads—from my own knowledge in going around the State of Pennsylvania, where I meet a lot of railroad people, men and women, who are possessed of the ordinary amount of the world's goods, and who tell me that if they lost their interest in their railroads, and so forth, they would have to go on relief because they are at an age where they would not be given employment—would have to go on relief.

Mr. LASSER. Mr Senator, in relation to the problem of those [575] people who own a few hundred dollars in stocks—their economic livelihood is not primarily a problem of the dividends they would get from their stocks. Their problem is primarily a problem of a decent wage for the labor that they perform, and what does it profit us to pour in some billions of dollars into the railroads, on top, when those very railroads are now discharging and have discharged hundreds or thousands of these people, and this poor railroad man you talk about may have a few hundred dollars in stock, but now he has no job, and he certainly would much prefer a job.

Senator DAVIS. These railroad men I have in mind are men who have fairly good jobs, and they are satisfied with them. Some of them make as much as $350 to $500 a month, and they are very much interested in their work.

Mr. LASSER. Yes, sir; we certainly have no desire and would [576] have no desire to see a person, a large share of whose income must come from labor, but who is dependent for his old age or security on small savings, have those savings wiped out. The question I am indicating is that since 1933, as a matter of fact, many of those railroads have had to go through the wringer, and these people not only have no stock left but they have no jobs. Their stock could be more permanently and more soundly saved by providing a larger

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purchasing power for the people than by attempting to pour this money in on top, and to have only a small percentage of it actually reach the people who provide the purchasing power.

Senator DAVIS. Well, speaking for myself, I think I was one of the first public officers to call to the attention of the country the fact that the buying power was in the pay envelopes of the 45 or 48 million people who were then gainfully employed, and I also pointed out that purchasing power of the dukes and the lords and the kings would not make a country prosperous at all, and that population did not mean anything in purchasing power, either, because if it did, China ought to be the most prosperous country in the world.

PROSPERITY REQUIRES PURCHASING POWER

Mr. LASSER. The thing I am going to try to indicate here is [577] how, in our opinion, it is possible to restore purchasing power to the millions of working people.

Senator DAVIS. Go ahead.

Mr. LASSER. We saw that the 1929 crisis was the result of [578–1] crazy speculation, crazy search for superprofits, crazy anarchistic production. We saw it as the result of the greed that preferred to dump goods abroad rather than permit our workers to have money enough to buy them. We saw it as the result of the failure to provide a single penny for the rainy day for the millions of workers while providing $21,000,000,000 for a rainy day for stockholders.

We saw workers ruthlessly and coldbloodedly thrown on the [578–2] streets to starve by the employing group, and then being told that neither business nor government has any responsibility for their lives or well-being.

How does 1937 compare with 1929? Do we not see the same [578–3] crazy speculation in stocks and in commodities, the same ruthless search for super profits, the same anarchistic production, the same boosting of prices; and then the same ruthless discharge of 4,000,000 workers within a few months?

And how do corporation profits compare at this time, when [578–4] business is allegedly writhing under the iron heel of the New Deal?

In 1936 dividend payments were 80 percent and in 1937, 83 [578–5] percent of the 1929 peak. Does this indicate the wrecking of our business enterprises by the New Deal measures? Are we not justified in assuming that the 1937 collapse was a recurrence of 1929 cupidity and stupidity, plus some conscious blackjacking of the American people by big business?

Today the banks of the United States have more than [578–6] $1,300,000,000 of idle capital in the form of excess reserves, capable of producing more than $5,000,000,000 of bank credit. Why is not this idle capital being used? Perhaps the gentlemen of big business who appeared before this committee can give the answer They have given it in part in their implications that unless they get the kind of taxes they want this money will not be used.

I am suggesting, therefore, that the sudden collapse of busi- [578–7] ness in 1937 and the presence of such large reserves; that the relatively small number of business failures, combine to indicate a conscious restriction of production and credit in order to stage a political hold-up of the American people.

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Can we not say further that the collapse of 1937, as well as [578–8] of 1929, was due to the fact that one-third of the entire national income was drained off into dividends, interest, and profits and royalties? And that under such circumstances, with these great sums piling up in banks instead of being thrown back into the channels of trade, investment possibilities vanish because the market for goods cannot expand?

I think the record of 1933–37 will show that, instead of the [578–9] New Deal being the enemy of capitalism, President Roosevelt is the best friend the capitalist order ever had, trying his level best to keep the capitalists from dashing their own order to destruction.

The record reveals that insofar as the New Deal attempted [578–10] to increase the purchasing power of the masses and restrain the cupidity and stupidity of the big-business men, it was trying to make the present system work.

Now these gentlemen who have operated our economic [578–11] order and led us into the crises of 1929 and 1937 come before this committee and propose their remedies. They ask that their anarchistic policies be given another chance.

I ask you gentlemen of the committee: Suppose you had [578–12] left a man in charge of your house, and as a result part of the house burned down. He came and asked for a second chance and you gave it to him, and another disastrous fire took place. And now he comes and says, "Let's forget the past; let's forget those two fires and the destruction of a large part of your home. Just put me in charge again and everything will be all right."

Would you not be extremely careless of the welfare of your [578–13] wife and children if you gave this man a third chance?

That is the situation you face today.

We come now to the question of the responsibility for the [578–14] support of the unemployed. We remember vividly the days when big business ruled this Nation without restraint. The Government policy, "We have no responsibility for the welfare of the millions of unemployed—go elsewhere," was consistent with the general economic policy of big business.

We know the disastrous effects of that policy and its [578–15] repudiation by the American people in 1932. As a result a change occurred, and the responsibility of the Federal Government has been acknowledged by the President and the Congress.

Senator DAVIS. Do I understand that your argument up to this particular point is that we ought to abolish the profit system?

Mr. LASSER. No, sir; I think what we ought to do—if we are [579] to have a profit system—is make it work in the interests of the mass of the people instead of the interests of the relatively few people.

Senator DAVIS. How would you do that?

Mr. LASSER. I am going to make some proposals here, that in our opinion may help to do that.

Senator DAVIS. Oh, you are going to cover that; all right.

NECESSITY FOR INCREASING FEDERAL EXPENDITURES

Mr. LASSER. Today we see a reaction setting in, a vast [580–1] propaganda campaign to remove Federal responsibility and return the care of the unemployed to the States.

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This campaign is based on three principles: First, that the [580–2] States can do the job better; second, that the direct intervention of the Federal Government has promoted a vast Federal bureaucracy; and, third, that the Federal Government has spent actually more money than was necessary.

I wish to deal with the third question first. Actually how [580–3] much has the Federal Government done for the unemployed? The New Deal measures have done far less for the unemployed than the situation would warrant, and by retreating in the face of big business has actually held back recovery. There was never enough conscious planning in the whole picture.

The well-oiled propaganda machine of big business has [580–4] created the impression of huge sums of money flowing in a never-ending stream to enrich the unemployed. We have the picture presented of the unemployed lolling comfortably under trees, while the Federal paymaster dumps streams of gold into their laps.

The record will show as an actual fact that no help was ever [580–5] given to the majority of the unemployed and that they had to share wages of some employed member of the family. A large section received only direct relief on such a low scale that we should hang our heads in shame. A third section was given work relief at a wage less than three-fourths of the minimum set for health and decency

Here is the record: During the period of 1930–37 there were [580–6] 82,900,000 man-years of total unemployment, according to the American Federation of Labor figures. The unemployed lost during this period $80,000,000,000 in wages. The unemployed received during this period from the Federal Government in W. P. A., C. C. C., P. W. A. wages, social-security benefits and direct relief, a total of $8,763,000,000, or $105 per man per year of unemployment. In other words, they received, as a whole, $8.75 a month to compensate them for enforced unemployment.

How does this boil down to human figures? The average [580–7] wage of W. P. A. workers today is about $50 a month; on Farm Security it is about $20 a month. Where is the golden stream? Today, less than one-fifth of the unemployed are getting W. P. A. work. Then compare this with the job the States are doing.

Take the record of direct relief standards. I have the figures [580–8] of the Social Security Board for October 1937. The average relief per case for 36 States was $16.87 a month to live on—to buy food, pay rent, buy clothing, pay doctor's bills—and yes, to keep looking well enough to search for a job. How would you divide it? Perhaps $10 a month for food for the family, $5 a month for rent. But that makes $15 already, and leaves only $1.87 a month for all other needs. I confess I can't figure out the distribution of $16.87 a month for a family.

Then lets look at some State figures to see how the unem- [580–9] ployed are growing fat. Here in South Carolina, where the relief budget is $12.31 a month per family; in North Dakota, it is relatively high—$22 a month per family; in Missouri it is $5.74 a month per family—remember, gentlemen, $5.74 a month per family. In Mississippi, it is $5.07 a month; Georgia, $3.35; Illinois, $16.66.

Senator DAVIS. Have you the figures there for Pennsylvania?

Mr. LASSER. I believe Pennsylvania averages relatively high, about $30 a month.

I also indicate the situation in Massachusetts, which might interest Senator Lodge.

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Senator DAVIS. You were talking about old-age assistance when you say $30 a month for Pennsylvania, weren't you?

Mr. LASSER. No, sir; it averages about $30 a month for relief.

The situation that I mentioned before about Boston, is that [581–1] Boston has actually a workhouse system for relief, where the unemployed work for their relief, they work right next to the city employees who are doing regular city work, and they get only a relief budget for their work. I was up in Boston recently, and investigated it, and their work averages them 25 cents an hour. In other words, a single man would work about 8 hours and he would get $2 for his entire living expense for a week. A family of two, a man would work about 16 hours and would get about $4 a family for their entire expenses, and that certainly is the Elizabethan poor house system of 1601 that I have indicated, and that is the tendency which is setting in here today.

I want to indicate the situation in New York: New York [581–2] has about the highest relief standards in the country relatively, but a recent survey submitted to Mayor LaGuardia by his own commission on unemployment indicates that relief standards in New York City are 40 percent less than the minimum required for health and decency. In other words, the unemployed in New York, where the standards are relatively highest, are living on two-thirds of a minimum budget, and some States make no reports either because they give no relief, or do not want to publish their shamefully low figures to the Nation.

I have already mentioned New York, where the investigat- [581–3] ing committee found that the average relief was 40 percent less than is necessary to subsistence.

These figures indicate that through many years, the bodies [581–4] and minds of the unemployed have been undermined by the termite of hunger. And because that hunger is not especially dramatic, because people do not drop like flies on the street, it does not excite some of us as does a flood in which people drown before our eyes.

Senator FRAZIER. In the New York figures, do you mean the total unemployed?

Mr. LASSER. Unemployment relief as provided by the city of New York.

Senator FRAZIER. Do you mean the unemployed?

Mr LASSER. No, sir; I mean those who are on direct relief, [581–5] and here is the text of the recommendations in the New York Times of Monday, March 7, in which the committee reiterates their statements of the relatively low relief as compared with what is a minimum required for health and decency. They prove that relief is approximately 40 percent less than the minimum required for health and decency. That is the committee appointed by Mayor LaGuardia to investigate relief, composed of Peter Grimm, who, I believe, is the head of the real estate board, Mary E. Dillon, Constance Hutchinson, Harold Rigelman, Henry Bruere, Bailey B. Burrett, Joseph P. Houlihan, James R. Redmond, Benjamin Namm, A. Philip Randolph. It is a committee composed half of businessmen and a few social workers.

THE BURDEN OF UNEMPLOYMENT

Who has actually carried the burden of unemployment? [581–6] The unemployed have, to the tune of about $70,000,000,000 net loss in wages, to the tune of millions of hungry bodies, filthy homes, ragged

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clothing, hopeless lives. Knowing these things as we do from personal experience, from seeing and living with the unemployed, do you expect us to have patience with well-fed gentlemen earning several hundred thousand dollars a year who come here and tell this committee that what we need is to take off some annoying taxes, and to stop calling names.

What I referred to in the name calling was that Mr. du Pont, [581–7] if I remember correctly, came here and told the committee that if only Mr. Robert Jackson would stop calling people names everything would be all right, that the unemployed would go back to work, and prosperity would be returned.

Senator DAVIS. You complained here a little while ago about people calling you an agitator and chiseler and lazy bum, something or other, we all complain.

Mr. LASSER. I am sure that we do not pretend that if they [581–8] stop calling us names that prosperity would return. You know the old saying that I heard when I was a boy, that "Sticks and stones may break my bones, but names will never hurt me." Apparently the thing here that they are most concerned about is the calling of these names, and they think the trouble with our economic system is that Mr. Jackson and Mr. Ickes are calling them tories and royalists, and because they do that they sulk in their castles and say, "If Mr. Jackson and Mr. Ickes would stop calling us names everything would be all right."

Now, the unemployed do not take that very seriously. We think that——

Senator DAVIS. I am very glad that you do not.

Mr. LASSER. And we certainly hope that the gentlemen on this committee do not take it very seriously.

Do you expect the unemployed under a situation of this [581–9] kind to maintain unending patience and unending faith?

The records show that insofar as responsibility is con- [581–10] cerned—that where the States did the job, as in the case of direct relief, they did a miserable job; that in the case of W. P. A., although the scope of the program was always far from adequate, and the wages paid far less than subsistence, the conditions of work often bad, yet it seems good in comparison with State relief.

I want to mention in this connection, and I am sure Mr. [581–11] Frazier would be very much interested, that our organization in North Dakota wanted to find out actually what it costs a W. P. A. worker to live. They got some information from one of the farm bureaus there on the actual cost of living. Then they went out and made a study, and in Bismarck, where the W. P A. wages are $48 a month, they found that the minimum cost of living for an average family was $64 a month. In other words, even on W. P. A. wages there the unemployed were living on three-quarters of a minimum diet.

Then the question of Federal bureaucracy is raised in con- [581–12] nection with the W. P. A. program. As a matter of fact, if bureaucracy exists it is a State bureaucracy of State administrators in which the Federal W P A. actually has little power. Furthermore, there is nothing different as we have discovered between a bureaucracy on W P. A. and a State or local bureaucracy on relief. In other words, the question is raised here that here the Federal Government is creating, through W. P. A., a vast bureaucracy. Now, we have discovered

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that these State W. P. A. administrators have got control pretty well of what is happening in the States, and if there is bureaucracy it is actually bureaucracy of these State administrators. Furthermore, we have discovered that in local relief and State relief bureaucracies that are operated they are often far more effective as bureaucracies than many of these alleged Federal bureaucracies on W. P. A. We think that the bureaucracy point has actually little substance.

Let us be frank—the whole fight is here a fight over who [581–13] is to pay the cost of unemployment relief. Those who want to starve the unemployed want local and State relief, and for very good reasons. First, they know that localities and States do not have the taxing power to raise large sums, and that the money must be raised from farmers, small householders, and consumers. The strategy of those who favor local relief is to create resentment from the rate payers against the unemployed for every increase in taxes, while permitting the large Federal taxpayers to evade the obligation.

The point I make here is that over this number of years [581–14] propaganda has been created, stating, "Let us return relief to the States and local communities." Let us keep in mind the fact that when the Federal Government does a job, it has the power of reaching large incomes, corporate surpluses, inheritances, and so forth. When the States and localities do the job, the only place they can raise their money chiefly is through taxes on real estate. By taxing real estate or consumers for the benefit of the unemployed, the propagandists hope to create a division and a mutual resentment on the part of these rate payers against the unemployed for causing them these increases in their local taxes. Their strategy is crystal clear, as we have observed its operation.

THE NEED FOR NATIONAL TREATMENT OF UNEMPLOYMENT

It is common sense in handling this vast problem to re- [581–15] member that the auto workers of Detroit, the steel workers of Pittsburgh, the rubber workers of Akron are unemployed because of national conditions, and that national treatment is necessary for recovery.

Here I would like to make another interjection about this [581–16] question of local, State, and National responsibility.

If you gentlemen have been reading the New York Times [581–17] or the New York papers in the last few days, you have seen a first-rate controversy going on between Mayor LaGuardia of New York and Governor Lehman of New York State on the question of who is to share the cost of unemployment relief. The mayor of New York claims that because the State has taken part of his taxing power away, he has to put relief in New York City on a weekly basis. In other words, not only are they not able to keep up the monthly allotments for relief in New York City where relief is allegedly the best, but now New York City and the 180,000 families on relief in New York City, are on a week-to-week basis. They do not know from one week to the next what the appropriations for relief are going to be, and Mayor LaGuardia says that unless the State returns more money to him, he will have to cut relief, where it is 40 percent now less than subsistence. The Governor of New York State says that Mayor LaGuardia can get his money in New York City through taxing power.

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Now this anarchy of taxing for relief is present, in my opinion, in most of the 48 States, where there is a scramble for money for relief, whereas the Federal Government has taxing power to tax the whole people on a fair basis. Therefore, we think a sound argument can be raised for Federal handling of this problem and distributing the burden over 130,000,000 people on the basis of ability to pay.

Our whole experience leads us to be firm advocates of a [581–18] national plan and program, and to be utterly opposed to State and local control of the unemployment work and relief.

The difference actually is that W. P. A. and P. W. A. and [581–19] C. C. C. spent money, and now we have billions of dollars in schools, roads, public improvement, sewers, stadia, parks, and the research and cultural activities. These can no more be written off as simply expense than could the construction of a plant or purchase of equipment by a manufacturer. They are additions to national wealth and welfare.

The States, on the other hand, did a very poor job of [581–20] keeping people alive, and as a result they have today millions of hungry and sick people. I refer you to the report of the United States Public Health Service in its survey of sickness among various income groups. This survey indicates 57 percent more illness among relief families than among those who earn $3,000 a year or over; that chronic illnesses—lasting over 3 months—were 87 percent more numerous in relief families than in the more fortunate $3,000-a-year-and-over class.

In the light of such facts the amount of relief given, the [581–21] taxing power of the Federal Government and the consequent effect upon the people, can we say that we shall turn this problem over to the States?

It is very surprising to us to find a man like Charles Taft [581–22] come to this committee and ask for State relief. Mr. Taft's plan, when boiled down, really comes to "planned poverty."

We have generally found that much of this fanaticism over [581–23] States rights is not devotion to a political theory, but actually devotion to certain vested rights—the vested right of big taxpayers to escape their just share of the national burden, and the vested right to starve the unemployed without let or hindrance.

The question which is before this committee now, and which [581–24] I want to deal with, is the road to recovery. Firstly, how far are we from actual recovery and where do we want to go?

Much talk has taken place of late about a $100,000,000,000 [581–25] national income as a goal. In 1929 we had a national income of about $80,000,000,000. Since then there has been a 20 percent increase in individual productivity and a 7 percent increase in population. This means that we should be able today to produce nearly 30 percent more than in 1929, or an income of $104,000,000,000. In other words, if we operated our economic order only as well—or shall we say as badly—as we did in 1929, we should pass that $100,000,000,000 goal. With a national income in the recovery year 1937 of about $67,000,000,000, we were getting only about 60 percent of what we were entitled to, even on the stupid scale of 1929.

How can we get to that $104,000,000,000 mark?

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GOVERNMENT MEASURES FOR RELIEF

We want to make our own position crystal clear. We have [581–26] been painted as an organization whose sole purpose is to make continual raids on the Federal Treasury and somehow, by producing national bankruptcy, promote chaos or bloody revolution. The American people who know us do not take this fairy tale seriously. We are ready and willing to cooperate with every genuine effort to bring this Nation on to the highway of recovery, and to return the unemployed to private industry

We know, as the gentlemen of this committee must know, [581–27] that one fundamental condition is necessary. That condition is the opportunity of the American people to produce and to buy back what they produce. We can no more have any genuine or lasting recovery without sufficient mass consuming power than we can defy the law of gravitation or the laws of arithmetic.

Government can and must do its part toward this end. It [581–28] must do its part—first to convince business of its fundamental responsibility for employment and wages; and, secondly, to take firm action upon the refusal of business to assume its responsibilities.

We could point out one simple road to recovery that could [581–29] put an end to the present depression in 3 months. That would be a concerted agreement on the part of our industrial and financial leaders to start production and reemploy the unemployed. A 30 percent increase in production would mean the reabsorption of about 10,000,000 unemployed. The increased purchasing power that would flow from this increase would serve to re-employ millions more.

What is required is a sincere determination on the part of [581–30] those who own and control industry to employ their idle capital, their idle factories, and their idle men. What is required of them is that "faith in America" that they ask of their workers. What is required is an investment in the future of America.

What I mean here is this: Some months ago, I think it [581–31] was in December, General Motors Co. laid off some 30,000 workers in one batch. In January they declared a dividend amounting to some $20,000,000 or $30,000,000. I am wondering what the effect would have been if, instead of declaring the dividend, that General Motors had applied that dividend to keeping these 30,000 people at work. I am wondering what the effect would have been if other industrial corporations instead of laying their people off, had used part of their surpluses as an investment in productivity to put their people to work, to employ extra people, to start their own pump priming. If they are going to do as they did in 1929, and that is to pour out millions of dollars in dividends at the same time they are throwing millions of people out of work, it is obvious that we are not going to have any recovery or any prosperity on the part of the American people. So when I speak of an investment on their part, I mean an investment on the part of these people who have the billions of dollars of idle capital in the banks, an investment on the part of our industrial corporations to put their workers who are now unemployed to work, to start production and allow the effects of that production to flow to the farmers and to the small business men, and therefore to prime the pump of business by a concerted action on the

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part of the owners of industry And this faith in America, faith in the future of America, we have not seen on the part of our industrial owners, either in 1929 or in 1937, but rather each one has tried to save himself and let the devil take the hindmost, as the expression goes.

This reemployment must be accompanied by reduction in [581–32] the hours of labor and sufficient increases in wages to balance the increase in productivity of labor This means the enactment of an adequate wages-and-hours bill. The opposition of big business to the legislation that would uniformly raise wages and lower hours cannot be justified on the grounds of its economic effect. The opposition of big business is actually an opposition to Government touching that "sacred cow", private initiative.

Do we not all know that increases in wages go principally [581–33] into the channels of trade? A $1,000,000,000 increase in wages actually may mean $5,000,000,000 more national income; and from this increase the owners of industry would share abundantly.

I have outlined the job of business. What if it continues [581–34] to refuse to assert its faith in America and leaves idle capital, idle factories, and idle men to go to mutual ruin. Shall Government disclaim its responsibility for the common welfare?

We believe that upon the continued refusal of business to [581–35] shoulder its responsibilities the Government must step in—to a greater degree than before and with more conscious planning. Government should borrow idle capital, employ idle men, and set both to work producing what is most needed in our national life.

We know this much with certainty. Today we have [581–36] about 13,000,000 unemployed, of which more than 5,000,000 are absolutely without family income from private employment. I am speaking of 5,000,000 families. These 5,000,000 represent a minimum responsibility of the Federal Government, for the utilization of their skill and productive power and for their physical maintenance.

What is needed now is a conscious plan, based on our ex- [581–37] perience over the last 8½ years—a coordinated plan to put to work as many of these 5,000,000 as possible, supplying the most essential social needs.

We believe that this committee and Congress should face [581–38] the staggering problem bravely—and authorize a plan of public works, direct relief, and liberalization of the social-security laws.

With regard to public works. Here we suggest a sharp [581–39] departure from the present scheme. Although roads, golf courses, and airports are important, there are other public works which are of much greater importance. On the basis of the more essential necessities, a 5-year plan should be authorized by Congress which would employ at least 3,000,000 unemployed, so long as that number are in need and available for work. Congress should authorize the types of work to be prosecuted and should make an initial appropriation for the coming fiscal year to start the work.

In other words, we need a "planning for recovery pro- [581–40] gram," and not hand-to-mouth appropriations.

What are the most essential needs that should be included [581–41] in a works program?

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I should list decent housing as the greatest of all. Five [581–42] to six million family units are urgently needed to replace those unfit for human beings. This would require 25 to 30 billions of dollars. We suggest approval of the proposal of the Steel Workers Organizing Committee for a 5-billion dollar public housing program to be built by the Government in cooperation with local public bodies and rented at costs the workers can afford to pay.

I might say, in this connection, that although we are [581–43] appreciative of what has been done by the Congress for public housing, actually if you take the Wagner-Steagall bill, I believe that is the name of it, which you passed last year, that appropriation for housing would not even keep up the rate of deterioration of present homes. In other words, under that appropriation, you are not even building fast enough to prevent an increase in the number of homes unfit for human habitation. You are on a treadmill now which is moving faster than you are moving. Our proposal for a $5,000,000,000 program with yearly appropriations of at least a billion dollars for the first year, would only about equal the rate of deterioration of the present homes. We have to pay now for our neglect of this problem for so many years by making an additional investment in homes for the mass of the American people.

Hundreds of millions of dollars are required for hospitals; [581–44] hundreds of millions for schools. I have a report from New York City which indicates that hundreds of schools there are firetraps and should be rebuilt.

With floods again sweeping the Nation, we still find our- [581–45] selves unprepared to meet them. Again hundreds of people drown, tens of thousands are made homeless—because of our unwillingness to provide for common sense needs. The National Resources Committee in a report to President Roosevelt has accumulated $465,000,000 of urgently needed flood-control projects, the prosecution of which will save thousands of lives and hundreds of millions of dollars in property.

And again, here, gentlemen, isn't it rather stupid on our [581–46] part to find that 3 or 4 years in succession the Nation finds itself menaced by terrible floods in which hundreds of people in each year drown, tens of thousands are made homeless, and still we refuse to face in an intelligent and conscious manner the problem and the need for adequate flood-control projects?

I daresay that the amount of property that would be saved [581–47] by the development of a well-coordinated flood-control project would actually more than equal in a couple of years the entire amount of money that ought to be spent, and certainly, the loss of these lives is absolutely needless.

Some $2,000,000,000 of additional municipal sewage systems [581–48] are needed to provide for the health and safety of Americans. An official report indicates that 10,000,000 people do not have sewage-collection systems and that more than 45,000,000 people have no sewage-treatment plants.

There is an additional phase of this works program that I [581–49] wish to mention. Workers have a right not only to work, but to work at their own trades. After all, a worker's skill is his entire

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capital, and cannot readily be transferred as can the capital of a financier Hundreds of thousands of workers have cheerfully gone to work with pick and shovel on W. P A. when their occupation formerly might have been in radio, in shoes, in textiles.

They have not only lost their skills, but the Nation has lost [581–50] the product of their toil. Why not put them to work, insofar as is practicable, at their own trades?

The Government and people as a whole could gain, for ex- [581–51] ample, if the Government were to set up yardstick plants in certain industries. It is well known that prices of some basic industrial commodities such as steel, cement, aluminum, and so forth, are unduly high, and that collusion of producers has made it impossible to determine what prices actually should be. Why should not the Government establish yardstick plants to employ workers, distribute the products of their toil, and at the same time determine what it actually costs to produce the commodities? Some of these the Government itself uses. Others, such as consumers' goods, could be distributed to the unemployed.

These plants could serve a further purpose as a means of [581–52] studying industrial processes with a view to eliminating industrial and occupational accidents and diseases.

The principle of yardstick plants has already been estab- [581–53] lished in the T. V. A. The principle of experimental plants has been well established by the Department of Agriculture and Bureau of Standards.

I recently had the occasion to be with a delegation of [581–54] trade-unionists who met with Mr. Aubrey Williams a few weeks ago. These people represented radiotelegraphers, shoe workers, marine workers, and many other industries. These workers, discharged, were trying in their minds, with their limited experience, to grapple with the problem of unemployment, to suggest to Mr. Williams some kind of projects that might conceivably employ them at their own skills. The people from one union said, they were not clear on the point, "Yes, Mr Williams, we want to work, but we do not want to go into somebody else's industry. We have worked for many years in our own industry. This is our home; this is where our skill is; we want to try to find work in our own industry " The representative of the radiotelegraphers, who had worked for the Western Union and Postal Telegraph Co., was trying hard to figure out some sort of project that might employ radiotelegraphers who are unemployed, and many thousands of them are unemployed.

The shoe workers were saying, "Here, you have thousands [581–55] of shoe workers in many industrial centers. You have unemployed who have not got shoes. Why not set up some sort of plants in which the shoe worker can produce shoes and the unemployed can have shoes?" This is the thought that is going on in the minds of the newly unemployed, and I think the gentlemen of this Congress should pay attention to the clear desire of the unemployed to work, insofar as possible in their own industries.

Two problems arise in such a program. The first is the [581–56] problem of the youth who has never had a job in industry. The second is the problem of the middle-aged man. Here is a problem involving something more important than the conservation of natural resources. It is the conservation of human resources. We suggest

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that special projects be started which can give vocational training to the youth and vocational retraining to the middle-aged worker

APPROPRIATION AND ADMINISTRATION OF WORKS PROGRAM

For this works program we propose an initial appropriation [581–57] of $3,000,000,000 for the next fiscal year. Two factors must be remembered in considering this appropriation: The first is that the money spent would go directly into the channels of trade. The second is that out of this expenditure would result permanent, useful works which are additions to our national capital.

The conditions under which a works program is operated [581–58] are of equal importance with the schedule of work. Hitler has a works program for the unemployed. His workers are medieval serfs. We should not be careless with the social rights of the unemployed if we want to guard and preserve and advance democracy. The right of workers on a Government program to organize, to act for their collective betterment, to present collectively grievances on wages or working conditions—should be guaranteed by law, and penalties should be provided for the infraction of these rights by those sworn to serve the Government in accordance with the law.

The conditions of work should be watched jealously, for [581–59] there the Government is the employer, and the Government should be a model employer.

The workers should be given the opportunity—by freedom [581–60] to participate in the program—to keep it efficient, clean of politics and corruption. They can and will be the best guardians of the public purse and public welfare.

What I am indicating here is that many statements have [581–61] been made about the politics of the Works Program, about waste of money, corruption, and so on. There may be certain instances of that, but if those instances arise, they arise in places where the workers who are in the best position to know of these things do not have the freedom or the release from the fear of discrimination in presenting such matters. We have accumulated some material, including corruption, some including discrimination and other things, and we have endeavored to get a solution of these things, not only to protect the worker, because it is the desire of the workers who are working on the Works Program, to make the most efficient program, to do a good job, and a job which the workers will be proud of.

In addition to the works program, the Federal Government [581–62] must assume some responsibility for those unemployed in need who are not employed on the works program. If out of 13,000,000 unemployed we give jobs to 3,000,000, what is to happen to the rest? Some, it is true, will share the wages of another member of the family who is employed. But, according to the report of the census on unemployment, 40 percent of the unemployed have absolutely no family income. Here then is an area in which relief is necessary to sustain the lives of millions of unemployed.

I have already recounted the relief standards now provided. [581–63] Surely as we look at them we should hang our heads in shame, to think that our fellow citizens should be reduced to such outrageous poverty The Federal Government has the same responsibility for

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these people that it has for others who are provided with work. The welfare of every American should be the concern of all Americans and of the Government which represents them.

The Federal Government must either fulfill its pledge to [581–64] provide all employables in need with work, or it must supplement and help maintain State relief funds on minimum standards. We propose that this be done on the basis of a grant to States upon the approval of a State relief plan and State budgets.

What I mean is that in addition to the works program, the [581–65] Federal Government should make an allotment for direct relief to be given to the States upon the approval of a State relief plan by the Federal Government.

This principle has been incorporated in the Social Security [581–66] Act and by all evidences is working well.

An allotment for next year of at least $500,000,000 [581–67] should be provided for the supplementing of State and local direct relief.

Extension and liberalization of the Social Security Act [581–68] should go hand in hand with work and relief. It should be the aim to transfer the emphasis in unemployment relief. Today it is given as a condition of being pauperized. It should be given as a social right of those who are unable to find gainful employment. By the inclusion of more workers under the Social Security Act by the liberalization of the benefits, by the lowering of the waiting period, extension of benefit period, and improvement of administration—the act could become more properly known as the Social Security Act.

The improvement of the old-age pension laws along the [581–69] same lines would likewise transfer hundreds of thousands from relief to social security and put our whole treatment of this problem on a more self-respecting basis.

SUMMARY

To summarize this statement, we have tried to show that [581–70] mass unemployment, arising from the present stupid and greedy operation of our economic order, will be with us for some time—that we must decisively reject the theories of those who have twice within 8 years plunged us into crisis—that Federal responsibility for measures toward recovery are paramount—and that if business will not of itself employ the unemployed the Government must. I have tried to show the shamefully low relief standards in the States, the inadequacy of the wages on W. P. A., and the lack of planning in the program.

I have tried to indicate that recovery measures require not [581–71] only a greater participation in the national income by the farmers and workers of the nation—but positive measures to stimulate reemployment. These measures should be carefully planned into a coordinated program of public works of the greatest social usefulness, supplements to State relief and liberalization of our social security laws.

I know that the program I have outlined is costly. It in- [581–72] volves the spending of a lot of money. It means political courage on the part of members of Congress to face the hostility of the powerful business and financial interests, and the daily press.

Yet this program is a minimum necessity for the best inter- [581–73] ests of the Nation as a whole. Its adoption will meet with applause from the overwhelming majority of the American people—because it will mean a better America.

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I have tried to give the economic aspects of this problem. [581–74] The political aspect is: Does there exist in this Congress the determination to come to grips with the problem of unemployment, or will Congress drift along on the waves of political expediency? Is there in this Congress the bigness of vision, the intelligence, the courage to meet this monster of unemployment and vanquish it?

After all, with the possibility today of a national income of [581–75] more than $100,000,000,000, we cannot expect the American people to be satisfied with $60,000,000,000—of which one-third is drained off into dividends, interest and royalties. We cannot expect one-third of our working population to wait patiently for jobs and to endure relief on the present standards—or to work on unplanned W. P. A. jobs at as low as $19 a month.

The people want and expect that abundance which is pos- [581–76] sible today. They want and expect leadership from their national Government in policies which will help to provide that abundance. They refuse to be further beaten down, their visions fixed on crumbs that drop from the table of our national economy They want to sit at the table which is overflowing with the good things of life, and share in them.

Under the "general welfare" clause and power of the [581–77] National Government there is an obligation on our national books. That obligation is to provide for the physical welfare of those in need. If the Members of this Congress or the Government declare that they cannot or will not meet this obligation to those who are expected to support the present order—if there is not enough intelligence nor courage to meet this obligation—then you are in the same position as a business concern that will not meet its financial obligations. You then make a public confession of political bankruptcy.

The people of this Nation—the underpaid workers, the [581–78] impoverished farmers, the home owners, the millions of unemployed—have a right to expect that when this Congress comes to consider its future policy on unemployment a new day will dawn.

We have a right to expect an intelligent and brave facing [581–79] of the depths to which our economy has sunk and the inability of our big business leaders to provide a solution, and the clear mandate upon Government to lead the way out of the wilderness.

Senator DAVIS. Do you wish to ask him any questions, Senator?

Senator FRAZIER. As I understand it, your criticism of the so-called profit system that we are living under in the United States is that it is impossible for the producer, the worker, to exist under conditions where a farmer, for instance, receives only about 35 cents out of the dollar that the consumer pays for those products, and about the same ratio for industrial workers; that it is impossible to get along, with this great mass of the unemployed, under those conditions; is that it?

Mr. LASSER. That is correct.

In other words, it is as though you had a system of pipes. [582] Here is the one pipe with the national income. If you have a draining off of one-third of that into interest, dividends, royalties, and profits, and only two-thirds go to the workers who combine the majority of the consumers, and of this one-third a large part piles up for investments, then how is this two-thirds going to come back and buy the entire national production? It is actually a physical impossibility; and we are going to have these depressions, if we ever get out

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of the one we are in now, on a more and more severe basis unless we approach that problem in a more fundamental way.

Senator FRAZIER. Your statement might be considered very radical, but I want to say that in my opinion there is a good deal more truth in it than in a lot of other things that have been said.

Mr. LASSER. Thank you.

Senator MURRAY. Do you consider the present recession due, in some measure, to those matters, that you are discussing now?

Mr. LASSER. Well, as I tried to indicate, it is due, first, to [583] the fact that in 1937, at the peak of the recovery movement, we still had approximately 10,000,000 unemployed. Now, how is it possible, when 25 percent of your working population is neither producing nor consuming—they are entirely outside of the economic system—how is it possible to maintain recovery? That is one aspect of it.

Senator MURRAY. You do not feel that the big corporations of the country did their proper share in the effort to bring recovery about?

Mr. LASSER. That is correct.

Senator MURRAY. I understand that the National City Bank has made a study of some several hundred of the leading corporations of the country and showed that during this period the Government was pumping into our economic situation billions of dollars, that they were rapidly increasing their prices and their earnings and distributing enormous dividends and paying tremendous salaries and bonuses to the captains of their industries.

Mr. LASSER. That is correct.

Senator MURRAY. That, you think, had considerable to do with the bringing on of this recession which we have been going through?

Mr LASSER. Absolutely In other words, it is due in a pri- [584] mary and fundamental way to the fact that there wasn't enough purchasing power to buy back what the workers were producing, and it merely piled up. I might say there, and it will take me one second, that a friend of mine told me an interesting story which I think illustrates it perfectly

He was talking about the monkeys in the jungle and how they established an economic order in which the monkeys were told that if they climbed up on the tree and brought down coconuts, for every two coconuts they brought down they would be given a shell which entitled them to one coconut at the store. They went up and brought down two coconuts and they were given one shell which entitled them to one coconut; another monkey brought down four and he was given two shells for which he got two coconuts. Pretty soon the boss monkey told them one day: "We don't want any coconuts today. We have an overproduction of coconuts. Until we use up these coconuts no more monkeys will be needed"; and I think that would apply to our economic order, too.

I thank the gentlemen for the large amount of time they have given me in the committee.

Studying this problem you may wish to get the point of view of the primary groups that have tried to tackle this problem.

On March 19–20 there will take place in Washington the [585] National Conference on Work and Security, in which will be represented unions, farm groups, and welfare groups, who will meet to discuss for 2 days the problems that I have been discussing here, and to frame a program for next year.

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On behalf of the sponsors I want to give you a cordial invitation to attend the session, where you will hear people from back home discuss this problem and to hear their viewpoint and what they believe the solution ought to be, and I hope it will be possible for you gentlemen to be present at that time.

(Witness excused.)

STATEMENT OF HOWARD KESTER, ORGANIZER FOR THE SOUTHERN TENANT FARMERS' UNION, NASHVILLE, TENN.

Senator HATCH. You may give your name to the reporter.

Mr. KESTER. Howard Kester I live in Nashville, Tenn., and I am an organizer for the Southern Tenant Farmers' Union.

Mr Chairman, I have prepared here a statement of some ten or fifteen thousand words. I know quite well that you do not have time to listen to me read that; but in order to present the salient points in what I have to say, I shall try to go through and pick those points out.

Senator HATCH. The committee will appreciate that, Mr Kester.

Mr KESTER. I will try to get my remarks into the next 20 or 25 minutes, if possible.

Senator HATCH. We have to go to the floor at 12, and I was just thinking, since you have your statement prepared to put into the record, you may give us a synopsis, and we will have the complete statement in the record.

(Mr Kester then read excerpts from the following complete statement:)

Mr Chairman and gentlemen of the committee, in the [586–1] beginning permit me to express my personal appreciation for the privilege of appearing before this committee and to extend to you the thanks of the tenant farmers and sharecroppers with whom I have been privileged to work and for whom I have the honor to speak

I have before me a letter from your chairman, Senator [586–2] Byrnes, in which he suggests that I comment upon the following questions (1) What is the situation regarding rural poverty, its volume and distribution? (2) What are the bases or causes of rural poverty? (3) What have been the effects of programs for relief in rural areas? (4) What policies should be considered in remedying rural poverty? With your permission, I shall speak upon the questions in the order named.

While the question of rural poverty, is one that concerns [586–3] and affects the citizens in every part of the Nation, I shall limit my remarks to that part of the country where I have had some opportunity to live amongst the rural folk, observe and experience their problems and their poverty. I speak in general of the rural problem as it relates itself in general to the Southeast and Southwest but more specifically to the Mississippi Delta and areas adjacent thereto.

In appraising the rural problem it is well to remind our- [586–4] selves that the South, considered as a region, extending from Virginia to Texas, is primarily and basically an agricultural society having within its borders approximately 50 percent of the Nation's farmers and less than 10 percent of the Nation's industry. The South is an agricultural area in the midst of an industrialized nation. It secures its living, for the most part, from the soil.

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Agriculture as practiced in the South is to a large degree [586–5]
commercialized and specialized. It is not self-sufficient, as many suppose. Subsistence agriculture produces most of its necessities but a commercialized agriculture specializes in a specific commodity. Cotton, tobacco, rice, and sugar, in which the South excels, tend to demand specialized farming. Commercialization of agriculture makes for large-scale operation and for a cash-credit economy rather than a production for use or subsistence economy. Farming under these conditions approaches that of business enterprises and tends to develop factory farms. The farmer borrows money to produce his crop and secure the necessary instruments for the operation of his business just as businessmen borrow money for business purposes. This makes agriculture dependent upon the sources of credit, capital, of which the South possesses very little.

Levin, Moulton, and Warburton, in America's Capacity to [586–6]
Consume, point out that—

> The South's wealth consists primarily of natural resources, land and improvements which cannot be readily converted into cash. Other sections of the country with accumulated wealth of cash and negotiable securities must provide the South with the operating capital it requires. All indexes of wealth reveal the South to be the poorest section of the Nation.

The per capita wealth of the regions run about as follows: Southeast, $1,498; Southwest, $1,801; far west, $2,984; Northeast, $3,004; Middle States, $2,974; and the Northwest, $3,665. In per capita bank resources seven Southern States record under $150. In no other States in the Union are they so low. In 1929 the per capita income in California, for example, was 7 7 as great as in South Carolina—$9.71 as compared to $126. In 11 Southern States the income of the farm population was below $200 per capita, the average for this group of States being barely $157. This included white and colored, owners and tenants.

When agriculture is sick the South as a whole may be said [586–7]
to suffer accordingly. Thus it is that the problem of rural poverty and the general condition existing among the rural element of our population is of fundamental importance not only to the region but to the Nation in general.

There is an ancient and honorable tradition, originating [586–7]
among the Hebrews and contained in our Old Testament, that the land is the common heritage of the people and a thing of priceless value. Where the soil is fertile and the land abundant civilizations may grow, flourish, and flower. But when the soil is impoverished civilization itself is menaced and human society held in jeopardy

Under varying historical circumstances men have contrived [586–8]
to till the soil in keeping with their knowledge, understanding the particular set of historical forces with which they had to deal. In certain societies slave labor has been used to cultivate the soil and in other societies free labor has been used.

TENANT OR SHARECROPPER SYSTEM

In our particular situation we have employed both slave and [586–9]
free labor and in the Southern States there has developed an institution at once peculiar to the American scene and yet having its counterpart in former times in western European countries. The tenant system or sharecropping system is rooted deep in our soil and is compounded out of the ante bellum plantation, chattel slavery, and

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the single-crop system. I am not here today to condemn the sins of our fathers, nor am I here to comment upon "what might have been," but I am here to attempt to appraise a condition which has grown intolerable and which daily condemns millions of the men, women, and children of my day and generation to poverty, insecurity, and spiritual frustration. It is my candid judgment that the rural poverty of the South has its roots in farm tenancy and that poverty cannot be successfully attacked until this outmoded, inhuman, and economically unprofitable institution is greatly altered or abolished altogether. Today our poverty increases rather than diminishes. The system crumples beneath its load of contradictions and crushes beneath it millions of our fellows. At long last we discover that the system not only destroys human beings, but it destroys land, homes, churches, schools—in fact, all that it touches. Human beings and the land upon which they live constitute our greatest natural resources. The soil is our greatest national asset. Whatever destroys the fertility of the soil strikes at the security of the Nation. When the soil is exhausted the people who live upon it may soon become like the soil. Today we see the fruits of an unwise and unhappy agriculture spreading its poison throughout an entire Nation.

COTTON BELT

With a population approximating one-fifth of the Nation's [586–10] total it is estimated that somewhere in the neighborhood of eight or nine million rural people, namely, tenant farmers, sharecroppers, and farm day laborers, constitute the most backward, exploited, and poorest-paid agricultural workers on the American Continent. It is to be remembered that because of our one-crop system more men are unemployed in certain seasons, and more field labor required of women and children in other seasons than can be found elsewhere in rural America. According to studies made at the University of North Carolina it is estimated that there are approximately 1,200,000 heads of white families and about 720,000 heads of Negro families living within and on the fringes of what is generally known as the Cotton Belt. According to the report published by the President's Committee on Tenancy—

There were 3,422,000 farmers in the South, of whom 1,831,000, or 54 percent, were tenants. The tenants in the South represent about 64 percent of all the tenant farmers in the United States. Almost every Southern State has a higher percentage of tenancy than those in the North or West. Mississippi ranks at the top, with 70 percent of the farms in the hands of tenants or croppers. In Georgia two-thirds of all farmers are tenants or croppers; and in South Carolina, Alabama, Arkansas, Louisiana, and Oklahoma, more than 60 percent of the farms are operated by tenants or croppers. All of the counties in the United States in which more than 80 percent of the farmers are tenants or croppers are in the South, most of these counties are in the rich alluvial lands along the lower Mississippi River. Throughout the Southern States, however, there are extensive areas where from 60 to 80 percent of all farmers are tenants or croppers.

According to studies made by the Works Progress Adminis- [586–11] tration and contained in the volume entitled "Landlord and Tenant on the Cotton Plantations," [1] it is shown that the Southeast has the lowest farm income per capita in the Nation:

The low income level of tenant farmers on southern plantations is illustrated in a study of 645 plantations representing over 5,000 families, made by the Works Progress Administration. The average net plantation income above current

[1] W. P. A. Research Monograph No. 5, by T. J. Woofter.

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cash operating expenses was found to be $110 per capita, actual figures varied from $127 to $89. On 12 plantations in the lower Mississippi Delta the annual net income averaged $46 per person. The author concluded, "When the net income above current farming expenses for a family of five persons averages no more than $230 per year, it is evident that the standard of living of the tenants and laborers on these plantations is far below what is generally recognized as acceptable." The average annual net income for croppers in this area was lower than the average for all the families on the plantation, being $38 per person, or slightly more than 10 cents per day.

Dr. Charles Johnson in his study, Shadow of the Plantation,[2] [586–12] found that 61 percent of the tenants went in debt to the landlord at the close of the year, that 26 percent broke even, and that 9.4 percent made a profit, and the maximum profit amounted to $70.

Dr. Harold Hoffsommer, of Alabama Polytechnic Institute,[3] [586–13] in a study of 10 selected cotton-growing counties of Alabama in 1934 for the F. E. R. A. found that more than one-third of the tenants whom he interviewed in the 10 Alabama counties were indebted to their landlord with debts of more than 1 year's standing. These debts averaged more than $80. He also found that of the number studied more than 80 percent of the years spent in farming had resulted in total loss or in just "breaking even." He concluded his study by saying that—

> It appears from this and supporting data that the average sharecropper cannot expect more than a bare living and that his characteristic situation is indebtedness to the landlord.

An interesting and instructive sidelight upon conditions existing among the tenants was revealed by the statement which Dr. Hoffsommer makes that "90 percent said they were better off than they had been in recent years before the relief program was inaugurated." This despite the inadequacy of the relief and the poor way in which it was often administered.

In an independent investigation conducted by Prof. William [586–14] Amberson, formerly of the University of Tennessee, in the tri-State area of Tennessee, Arkansas, and Mississippi, it was found that the total gross income for tenant farmers amounted to $262. This figure was arrived at by allowing $50 rent on the shack in which the tenants lived. It is probably unnecessary to suggest that nothing more than a bare, brute subsistence can be secured from such an income. It is well to point out that thousands of these landless farmers rarely see more than a few dollars from one end of the year to the next, for the simple reason that they are not paid in cash but are furnished the absolute necessities of life at credit stores or plantation commissaries.

In his message to Congress on February 16, 1937, President [586–15] Roosevelt stated that "The agricultural ladder for these American citizens has become a treadmill." One may say without fear of contradiction that the agricultural ladder has become a thing not up which men climb to economic security but a thing down which men descend into increasing economic serfdom and despair. Behind the rural problem is poverty, and behind poverty is the archaic and outmoded economic structure upon which the agricultural life of the South is based. I speak of farm tenancy or, as it is sometimes called, sharecropping. In my judgment, no attack upon the problem of rural poverty can be conducted with sanity which does not concern itself with tenancy. It may be said without fear of refutation that

[2] University of Chicago Press, 1934.
[3] Education and rehabilitation in Alabama farm households receiving relief. (Bulletin, Vol. 30, No. 7.)

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by and large the problems which afflict the rural South are rooted in the soil and not until the agricultural policies and methods of the region are changed can the misery and poverty of the people be eliminated.

The President's Committee on Farm Tenancy in its find- [586–16] ings reported:

The extreme poverty of one-fifth to one-fourth of the farm population reflects itself in a standard of living below any level of decency. Large families of tenants or croppers, or hired farm laborers, are living in houses of two or three rooms. The buildings are frequently of poor construction, out of alinement, weather-beaten, and unsightly. The doors and windows are rarely screened. Often the roofs are leaky. The surroundings of such houses are bleak and unattractive. Many have even no outside toilet, or, if one is available, it is highly unsanitary. Many of these families are chronically undernourished. They are readily subject to diseases. Pellagra, malaria, and the hookworm and other parasites exact heavy tolls in life and energy. Suitable provision for maintaining health and treating disease among these families is lacking or inadequate in many localities. Clothing is often scarcely sufficient to afford protection to the body, much less to help maintain self-respect.

The President's Committee was quick to point out the [586–17] interdependence of the farming and business elements of the Nation:

Low standards of living in the country limit production in the city. The use which is made of America's industrial productive capacity in part depends on the purchasing power of agriculture. And the extent to which American industry is active in turn affects the capacity of the farm population to find more jobs for its people and markets for its products.

When so large an element of our population lives in the [586–18] midst of terrific and brutalizing poverty it inevitably affects the destiny and well-being of the entire region. The poverty of our people reflects itself not only in terms of dollars and cents but in matters of diet, education, health, homes, and home life and in all matters pertaining to a civilized people.

It will not be amiss to remind ourselves of not only how we [586–19] appear to the world but how we appear to ourselves. Therefore, I beg your permission to quote at some length from the writings of economists, authors, journalists, attorneys, ministers, and others abundantly familiar with the American scene.

Former Gov. J. Marion Futrell, of Arkansas, recently [586–20] stated:

The system is eating at the vitals of the South's economic structure and, whether exaggerated or not, is of such serious character as to call for immediate and exhaustive study and examination with a view to its definite settlement.

The senior Senator from Alabama, the Honorable John [586–21] Hollis Bankhead, commented as follows:

A recent survey discloses that the tenant situation is such as to be of real concern in some of the Southwestern States. The situation in Arkansas and Oklahoma is described as particularly acute. There have been sharecroppers in the South ever since the Civil War, but never before has the whole country been so sharecropper conscious. Pictured miseries of the dispossessed farmer are marching as a host across the rotogravure pages and there is a general feeling in all sections of the country that the situation must be remedied.

I quote from The Collapse of Cotton Tenancy by Embree, [586–22] Johnson, and Alexander: [1]

The cultural landscape of the Cotton Belt has been described as a "miserable panorma of unpainted shacks, rain-gullied fields, straggling fences, rattle-trap Fords, dirt, poverty, disease, drudgery, and monotony that stretches for a thou-

[1] Published by Duke University, 1935.

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sand miles across the Cotton Belt" * * *. Submerged beneath the system which he supports, the cotton tenant's standard of living approaches the level of bare animal existence * * *. Shiftlessness and laziness are reported as reasons for the dependent state, whereas, in fact, insofar as they exist, they are not necessarily inherent, but are caused by the very conditions of the sharecropping system * * *. The status of tenancy demands complete dependence, it requires no education and demands no initiative, since the landlord assumes the prerogative of direction of the choice of crop, the method by which it shall be cultivated, and how and when and where it shall be sold. He keeps the records and determines the earnings * * *. The present system is so constructed that the landless remain landless and the propertyless remain propertyless. To accumulate property, to increase independence, is to oppose the system itself * * *. Not only is it impossible to develop a hardy stock of ambitious farm owners—the persistent American ideal—but it is impossible to avoid physical and moral decadence.

The Reverend James Myers, of the Federal Council of Churches of Christ, writes as follows: [586–23]

In some cases not even the most elementary sanitary facilities are available. "One can travel for miles in the cotton country of northeastern Arkansas and other heavy cotton-raising States and never see an outhouse." The absence of screens in a large proportion of houses accounts for prevalence of malaria, which is carried by mosquitoes, and of other diseases, carried by flies. Good drinking water is often unavailable; the shallow pumps are often subject to typhoid pollution. Many tenants do not even have space for gardens. The labor of women and small children in the cotton fields at cotton-picking time is the rule. Due to lack of adequate school facilities, illiteracy runs high. Hours of labor are commonly from "can to can't"—from sunrise (when you can see) to sunset (when you can't see any longer)

Raymond Daniel writes in the New York Times of April 15, 1935: [586–24]

The sharecropper's credit is so meager that it permits him only the bare necessities of life. He lives generally on a diet of corn bread, salt meat, and beans. Evidences of undernourishment and pellagra are apparent throughout the Cotton Belt * * * The crops on these plantations are produced by sharecroppers, peasants who end each year as they began it, either in debt or with their cash resources exhausted * * * The highways of Arkansas are lined with dilapidated, rickety houses * * * Many of them have roofs that do not keep out the rain and walls that offer scant protection against the cold winds of winter. Some lean crazily to one side, looking as though a good push would knock them over, and others stand on stilts only a few inches above the water in the spring when the Mississippi, the St. Francis, and the Little Rivers overflow their banks. They serve as reminders that slums can exist in the open spaces as well as in the congested sections of great cities. Socially he has no place, whether he is a Negro or a white man * * * The rural church, formerly the center of community life, has disappeared. The sharecropper, in his patched and ragged raiment, knows he is not welcome among the better-dressed congregations in the towns, and stays away * * *. Even in the education of his children he fares badly, for the rural schools, taught by inferior teachers, are open for a shorter time than the urban schools, and many tenant farmers are too poor to meet the cost of books and shoes.

The Reverend Alfred Loring-Clark, an Episcopal clergyman of Memphis, Tenn., in a letter to President Roosevelt said: [586–25]

Year after year the South produces cotton. Hundreds of millions of dollars have been made on the South's cotton plantations. Fortunes have been made and lost by planters. Yet generation after generation of tenant farmers come and go, while their economic and social conditions remain unimproved. The sharecropper of today is no more literate, nor more wealthy, no more cultured, no more privileged than was his grandfather of 50 years ago. Obviously there have been enormous profits in cotton, yet the tenant farmers' share has been so small that he must struggle desperately to keep body and soul together. Hope, ambition, and incentive have through the years been killed in those who till the soil * * * It is stupid to condemn them as idle, shiftless, and immoral. If they are so, the responsibility is not theirs. The tenant farmer is today the product of a vicious, stifling environment into which he was born. He is con-

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demned to grow up in a poverty-stricken home, guided by illiterate parents who themselves are without ambition, without incentive * * * Such a child matures, marries, and in turn establishes a home, no better, no worse than his father's. So generation after generation, the tragic fate of the tenant farmer is repeated. Only now does the South realize that it must solve the problem of the tenant farmer (Memphis Press Scimitar).

In the spring of 1935 Mrs. Naomi Mitchison, of London, [586–26] visited the cotton country of the Mississippi Delta. Before leaving she handed the following statement to the press:

They are dressed in rags, they have barely enough food to keep them alive; their children get no education; they are a prey to diseases which the scientific resources of modern civilization would easily eliminate. I saw houses, if one can call them such, in which whole families lived in condition of indescribable misery Here was a log cabin half sunk in floodwater and in it eight people, one of them a mother yellow and bony with malaria with a new born child in her arms.

The only furniture in the house was a table, a bench, and a stove and two beds, for everyone. In another home a bed this time out of old bits of rusty iron patched with rags. The youngest child was 2 years old, but his mother was still nursing him, she could at least be sure he got some food that way She herself was gray-haired with such misery that it seemed scarcely possible that she could go on living. She earned enough to feed her children on cornbread and perhaps gravy by picking wood out of the river and selling it. Her two sons helped her do this; she could not send them to school. But even if they had not, how could they have gone, wearing nothing but their rags, barefoot and full of pellagra. Everywhere the children are rotten with deficiency diseases; they will never grow into the strong men and women they should be.

Mr. Frazier Hunt, after a visit to the plantations of the [586–27] Mississippi Delta, wrote as follows in the New York World Telegram:

Bad food, unsanitary homes, climate, ignorance, disease, and hopelessness had told on their faces and bodies. They seemed to belong to another land than the America I know and loved.

Mr Hugh Russell Frazer, a native southerner and well- [586–28] known author and commentator upon current events, wrote in the Memphis Press Scimitar for February 26, 1935:

Along the highways and byways of Dixie they straggle—lonely figures without money, without homes, and without hope. Mother, father, little ones, many of them barefoot, they are living symbols of a civilization that failed them, a bargain that never worked. There are thousands of them today—evicted from their rude cabin homes in the great cotton industry, victims of the government's wide flung plans to reduce the acres put into cotton. These evicted sharecroppers, however, are but a tiny fraction of a total of nearly 8,000,000 Americans whose standard of living is lower than that of even low-paid European workers. They are living in a feudal system.

These comments coming from the pen of reliable reporters tell a dramatic story and describe a condition far more accurately than could be done through statistics.

I wish to summon one final witness. There are few men in [586–29] this Nation who possess a greater knowledge of the prevailing economic misery and poverty existing among the rural folk of the South than Mr C. T Carpenter of Marked Tree, Ark.

As a distinguished member of the bar he has served both landlord and tenant. His father served as chaplain in the army of the Confederacy to Gen. Robert E. Lee and later accompanied him to Washington College. As a college president, as a leading attorney, as a life long Democrat and an ardent member of the Baptist Church it is well to bring this section of our discussion to a close with his testimony as set forth in Scribner's Magazine for October 1935:

However faithful or loyal, they have no security or home or habitation and may be dispossessed whenever the landlord elects. * * * Cotton share-

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croppers and tenants while legally free, are nevertheless slaves under a plantation system from which they are unable to free themselves without the help of others. * * * They have no political rights and can have none under the present system. * * * They have no civil rights which landlords or officers may not violate with impunity. * * * They are religious outcasts in a land famous for its religious zeal—passed by as not worth saving. * * * We have heard on all sides that the sharecropper is shiftless and worthless, but how could he be otherwise? By the conditions under which he lives his character is daily attacked and destroyed. The greatest indictment against the tenant and sharecropper system is, that it not only destroys what character there is but makes the development of character impossible. * * * It (the sharecropping sytem) has stifled industry and thrift and crushed initiative; destroyed confidence and engendered strife; brutalized and debased landlord and tenants, compromised the church, corrupted political and social life and made permanent progress impossible. * * * To permit this territory to bear permanently the stamp and curse of such a system would be little less than the sin of self-destruction. * * * To permit the present tenant system to continue will means semislavery and peonage for millions of people—two-thirds of whom are white.

In the foregoing I have pictured to you the conceptions held [586–30] by individuals in all walks of life of the prevailing misery of the millions of landless and poverty stricken families in the rural South. These judgments are universally recognized to be true. However, it is not our major concern to present the tragic circumstances surrounding the lives of our people, but to arrive at some comprehension and understanding of the economic and social forces creating these conditions and to suggest what may be done to assist the people. Without attempting to burden the committee with an exhaustive analysis of the devastating forces operating in our midst, I shall try briefly to suggest some of the more fundamental aspects of the underlying causes of rural poverty.

In my judgment it is impossible to understand the rural [586–31] South, or for that matter the South in general, without first recognizing the degree to which cotton rules the entire area. Cotton to a greater degree than any product of industry or agriculture rules the South. This has been true for generations. Men have lived by cotton as by nothing else. The South's devotion to a single crop system is to a large degree responsible for many of the evils which have in the past and which do now assail us.

While we have elevated cotton to the kingship and he has [586–32] established a broad dominion with millions of subjects he has not always dealt kindly with them. Thus it is that while hundreds of millions of dollars have been made from the produce of what men call "white gold," hundreds of thousands of men have lived in abject poverty.

COLLAPSE OF THE COTTON EMPIRE

Today we are witnessing the collapse of King Cotton's [586–33] empire. So loyal have been the subjects of King Cotton that today it is incredibly difficult to convince men that this amazing kingdom has collapsed.

It will not be amiss to suggest some of the causes leading [586–34] to the collapse of cotton. In the first place, for generations in the old South, meaning that area from Virginia to the Mississippi Delta and including parts of Arkansas, cotton has been successively cultivated on the great plantations and on the fringes of the Cotton Belt. Cotton is no kinder to the soil than to the people, hence hundreds of thousands of acres of hitherto fertile soil has been mined out and exhausted. Thus it is that in many areas of the old South cotton

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may no longer be produced without the extensive use of expensive fertilizers. It is well to point out that in a 10-year period extending from 1921 to 1931 the average export of cotton amounted to $800,000,000. During this period the annual expenditure for fertilizer alone amounted to $166,000,000. According to recent studies the Southern States appropriate 41 percent of their expenses for fertilizers, 32 percent for labor and 27 percent for feed. In the rest of the nation farmers spend 6.3 percent for fertilizer, 46 percent for feed, and 47.3 percent for labor.

At every point in the question of rural poverty we are [586–35] inevitably, though possibly reluctantly, forced back upon the devastating facts concerning tenancy as a system of working the land. Under the system of tenancy, initiative, independence, self-reliance, pride in workmanship, and hope for the future are vanquished. In the main the dominant virtue required is that demanded for a mule—brawn and muscle. The tenant has no real concern for the welfare of the land, because he has no interest in the land. Thus we hear it said on every hand that the tenant is "lazy, shiftless, no account, and incapable of the simplest management." We are told, furthermore, that the poverty which everywhere is so apparent among the tenant class is due to their laziness and shiftlessness. In my judgment this is up-side down. The laziness and shiftlessness is due to their poverty.

BLIGHT OF TENANCY

When a tenant has no assurance that he will receive from [586–36] the landlord his share of the crop he is not likely to attach great value to the property of the landlord. When he may be evicted from his farm through threats or intimidation and without due process of law and when he may be held in peonage for debts, real or imaginary, the entire fabric of democratic government and the early American ideal of free men is endangered. Thus it is today that the rural South is an area of exhausted lands, eroded hillsides, naked valleys, dilapidated houses, falling fences, disappearing churches, toppling rural school houses with a frustrated and broken rural population. Permit me here to say that I do not entertain for one moment the idea that all of the evils under the tenant system may be attributed to vicious and unprincipled landlords. They, too, are often victims of the system which has poisoned and blighted the intellectual and social life, atrophied religion, and prostituted justice in the South for 75 years. It is a system about which I am speaking—a system which inevitably crushes all that it touches.

There is no more pitiful group of human beings on this con- [586–37] tinent than the thousands of tenants who regularly change from one plantation to another. In the spring of 1935 there were more than one-third, or 34.2 percent, of 2,865,000 tenants who had occupied their present farms only 1 year. In many areas the proportion exceeds 50 percent. White tenants move more frequently than do colored tenants. This incessant movement of tenant and sharecropper families yearly increases social instability and lays a heavy hand upon the children of these families, who find their schooling periodically interrupted, if not made impossible and who suffer, consequently, from mental as well as economic insecurity. This results not only in the erosion of land, but it constitutes one of the worst forms of human

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erosion. These men, women, and children moving year in and year out, forever in search of a better landlord who is as illusive as the proverbial pot of gold at the end of the rainbow, are legion and it is of them that Tobacco Road speaks. They love the land, but they wish to till it as their own and not be the tenants of another. Without a stake in the soil there is little or no incentive to conserve or improve it and he has equally little incentive to maintain or improve the woodlot, house, barn, fences, et cetera. These families live in appalling poverty and want. For the most part they exist on cornbread, molasses, and salt pork. The fathers and mothers of these families have long since abandoned hope, the children stricken with pellagra and hookworm grow up in ignorance. These families constitute a menace to the economic security and the future democratic Government in this Nation.

SHADOW OF THE PLANTATION

In the third place there is the plantation. The plantation [586–38] is a distinct force in Southern society and its shadow looms large over the whole area. The plantation was an American institution before either slavery or cotton. In many places it is accepted today as the best possible system in the best of all possible worlds. I do not intend to burden you with an analysis of the economic and social implications of the plantation system, but simply to say that on some of the large plantations of the South the conditions under which the people live are no better and possibly worse than they were before the Civil War.

PEONAGE

In the fourth place, it is well to remind ourselves that [586–39] while slavery has been legally abolished that within 15 months the Federal courts in three States of the mid-South have convicted planters on the charge of peonage or in the language of the Federal Anti-Peonage Statute of "holding a man in a state of slavery." While old forms of human organization and institution of government have a tendency to protrude themselves into new areas of life and often dominate the newer forms there is no justification for what may be called the "master slave relationships" which exist in many areas of the rural South. No people can call themselves enlightened nor free when any part of the body politic is held in peonage. Tenancy was a natural and inevitable outgrowth of the collapse of a slave economy. Negroes in the beginning were the victims of the evils inherent in the system. Today, however, we are witnessing the fulfillment of prophecy made many years ago that "you cannot keep a Negro in a ditch without staying in there with him." Thus it is today that there are more white men penalized and impoverished by this iniquitous system than there are Negroes, and therefore it is generally conceded that in many areas of the old South, particularly in the Mississippi Delta, the white are in a more hapless condition than are the Negroes.

AREA OF COLONIAL ECONOMY

Finally it is distinctly unpleasant to remind ourselves at [586–40] times of the stubborn fact that we live in an area which is in reality operated on the basis of a colonial economy. We are a debtor section

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within a creditor nation. We produce agricultural products to feed, clothe, and delight the world. We sell our products in an open market. The area being practically devoid of industry, we purchase the necessities of life, including food and clothes, on a protected market. In the main the major industries of the area are not controlled within the region, but by financial institutions outside the area. Thus it is that many of our natural resources, including coal, steel ,oil, et cetera, are controlled outside of the region and the benefits accruing therefrom go not to the people to enrich their lives and the life of the region but for the enjoyment and pleasure of others. Thus, it may be said that not only is the economic life of the area controlled by outside influences, but to a large degree that the political and cultural life is dependent to a considerable degree upon these forces.

EROSION, COTTON SUBSTITUTES, EXHAUSTED SOIL OMENS OF DISASTER

I should now to call your attention to certain features in [586–41] the present Southern scene which are of extreme importance. In my judgment they are ominous signs and calculated to bring disaster, not only upon this area, but upon the entire Nation unless recognized, understood, and sanely dealt with. I have already suggested to you the precarious situation confronting cotton planters and workers in the old South. I wish to reinforce what I have said by citing several further pertinent factors. First is that of eroded soil. Of the Nation's estimated 150,000,000 acres of eroded soil 97,000,000 acres lie in the South. In the second place, the competition of synthetic substitutes for cotton is making terrific inroads on the domestic market. In the third place, the exhaustion of the land requires expensive fertilizers, the topography of the land eliminates the use of machinery, such as the tractor, cotton-picking machine, et cetera. These factors practically prohibit this area long continuing the production of cotton outside of certain select areas in middle Alabama and Georgia and the Mississippi Delta. All of the requirements for the successful cultivation of cotton including the use of the most up-to-date farm machinery is present in the Southwest where the major part of the cotton crop will shortly be produced. Texas and Oklahoma have gradually increased their cotton production and now California, New Mexico, and Arizona are adding to their quota. It has been estimated that a bale of cotton may be produced in the Southwest for nearly one-third what it may be produced in the old South. In the fourth place, under the program of the Secretary of Agriculture the production of cotton will eventually, in all probability, be limited to 10½ million bales. This amount may be produced under the present economy within the States west of the Mississippi River. It is evident that the factors just cited will combine greatly to jeopardize the millions of rural dwellers within the area.

Regardless of the evils—and they are legion—that may [586–42] exist on the plantations of the South there has been a certain minimum security through the tenant system. It seems that the above-mentioned factors along with others which I need not state will result in the liquidation of many plantations. Dr. Arthur Raper [1] in his study, A Preface to Peasantry, points out that as the plantation collapses with nothing to take its place a new type of farmer is born, a

[1] University of North Carolina Press, 1936.

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peasant whose standard of living is inferior to that of the most backward European peasants.

MECHANIZATION OF COTTON FARMS

It is quite evident and inevitable that machinery should [586–43] come to the farm. Machines will take the place of men on the farm as it has in the factories of the Nation. Already there has been a great increase in the use of tractors and improved machinery. The coming of the cotton-picking machine and the cotton-chopping machine, which according to reports from the Government experiment station in Greenville, Tex., is a very successful machine, hundreds of thousands of men will be eliminated from the farm.

Time Magazine for March 7, 1938 contains an illuminat- [586–44] ing and somewhat discomforting statement regarding the new cotton-chopping machine. Time says:

> Definitely a commercial success is another cotton machine with nearly as many social implications—

as the Rust cotton picking machine—

> the Dixie cotton chopper. Last week when several South American planters ordered cotton choppers, they could not be promised delivery sooner than next July, for Dixie Cultivator Corporation of Dallas was already working at capacity.

The cotton chopper—

> comes in two sizes, a one-row machine which can chop 12 acres a day, a two-row machine which will chop 25 when pulled by a tram, 4 acres an hour when pulled by a tractor. * * * Last year Dixie Cultivator Corporation sold 403 one-row choppers at $157.50 each. In 1938 it will turn out 2,500 machines, 60 percent of the two-row type.

It is not necessary for me to suggest the disastrous social [586–45] and economic consequences that will follow the introduction of these labor displacing machines in the already chaotic cotton-growing industry. It is well, however, for us to realize what lies ahead—increased unemployment, poverty, and social misery for hundreds of thousands of tenants, sharecroppers, and farm day laborers. And it is necessary that we as a Nation take appropriate action to secure the welfare and lives of our people.

Due to the necessity of selling cotton in world markets in [586–46] competition with countries such as Brazil where numerous factors combine to make its production profitable and cheap, American producers are forced, whether they like it or not, to produce their cotton at the cheapest possible figure. It is recognized that day labor is cheaper for the landlord than tenants or sharecroppers. Thus, it is inevitable, although its human consequences are appalling that cotton producers should turn toward day labor which will result in the liquidation of large numbers of tenants and sharecroppers.

POPULATION TREND AWAY FROM FERTILE LAND

One of the most alarming and ominous trends on the Ameri- [586–47] can continent, in my judgment, is that now being enacted in the Southern States. According to studies made at the Louisiana State University and confirmed by economists and sociologists in other parts of the region, population is either decreasing or remaining

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stationary in many of our large urban centers. The most striking parallel to this trend in the rural South is found in the decline in population in the richest farming areas; namely, the Mississippi Delta.

The third inevitable and most sinister trend is the increase [586–48] of population on our poorest soils, namely, the hill country of the old South and the lowlands of the Appalachian highlands. Men unable to secure employment in the cities and unable to secure employment on the fertile lands of the South are returning to those areas where nothing more than a subsistence living has ever, or very probably can ever, be wrung from the soil.

These unfortunate victims of a collapsing economic [586–49] order are to be found living in cabins in the Cumberland highlands, deserted more than a decade ago. They are to be found living on abandoned lands, in "pole shanties," "slab houses," and log cabins. Less than 10 days ago I visited such families on Highway 64, within less than 2 hours drive of Memphis: A half dozen or more of these families were living in tents. As many as two families were living in one tent. The father was clearing timber at $1 a cord. When I talked with one of the families, the children and the father were barefooted, a small baby of 1½ or 2 years had pellagra, and the mother was yellow with malaria. Mr. Hutchinson stated that he had been a farmer, both in Mississippi and Arkansas, but now, no longer able to secure a place on a farm, was chopping wood in order to eke out an existence. Gordon Cantrell and his wife were living in a wooden structure about half as large as a boxcar and related a similar experience.

Unemployment and poverty has been the lot of thou- [586–50] sands upon thousands of farm workers and their families. The poverty faced by these destitute men and women is, in my judgment, greater today than in any time in the memory of those who are suffering.

EFFECT OF RELIEF PROGRAMS IN RURAL SOUTHERN AREAS

I have been asked by your chairman to comment upon the [586–51] effect of the several relief programs initiated by the Federal Government. While the relief has not met adequately human needs it has kept the body and the souls of men from actual starvation and I hate to think of what might have happened had this Government failed the people in their hour of greatest need. The relief burden upon the American people has been great, but it has not been so great that we could not bear it. Human need has been great and the agencies created by the Federal Government for meeting this need have been conditioned by the particular local environment and by the particular composition of human nature in that area. It is my judgment that our people do not want charity, they want work and they are willing to work if given a chance. It is frequently true that men called upon to do arduous labor after long years of undernourishment and as the victims of ravenous diseases, are actually unable to perform the tasks assigned them. But this is no fault of theirs. Many have burned out their lives in seeking to climb the agricultural ladder, only after years of struggle to find themselves still at the bottom. All pride and all fight has been taken from them, but these men may yet be rescued

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and redeemed and be made into useful citizens. Some men are saying today that there is nothing that can be done for the older men and women who have been cast up out of this maelstrom of economic confusion and chaos, and that their only hope lies in the children. But today these children are being damned because their parents are already damned. They are growing up in the midst of poverty. They are growing up with weakened bodies, dwarfed minds, and broken spirits. These children may not be severed from their parents. Their lot is cast, their destiny is beginning to take definite forms. Only by salvaging one may we salvage the other. If we are wise we will save the child of today and preserve the man of tomorrow. Neither these fathers nor their sons will forever accept the humility and degradation to which they have been subjected. Their legitimate hopes, aspirations, and dreams of economic security will push them toward new frontiers of social realization. A people embittered, frustrated at every turn of the road, and with no reasonable opportunity for the realization of their dreams constitute a menace to the security of this nation. They provide a fertile field for a blatant demagogue who promises the moon, but has no assurance of so much as giving cheese to anyone. Out of such desperation comes social upheaval, insanity, and madness. Whatever the costs of relief, or however poorly some of it may have been administered—and I have been one of the severest critics of the administration and some of its work—wise and prudent men understand the justice, righteousness, and correctness of the relief which was extended our people. No effort must be made, no effort can be made to discontinue relief activities designed to give the people bread and jobs.

BUDGET UNBALANCED BY EXPLOITATION OF NATURAL RESOURCES

From certain sections of the Nation and among certain ele- [586–52]
ments in the Nation there are heard cries for the balancing of the Budget. The Budget of this Nation was unbalanced generations ago when our natural resources were exploited for the benefit and pleasure of a few powerful men. The Budget was unbalanced when our forests were denuded and when our land was mined of its fertility. The Budget that was unbalanced generations ago cannot be balanced in this day of reckoning with the sins of our fathers. This Nation balances the Budget with peril when it does so at the expense of human suffering and misery.

Those of us who have worked amongst the people and have [586–53]
come to Washington before our representatives and those men in whose hands the President has entrusted the administration of relief have found understanding and sympathetic hearing. We have found them willing and anxious to prevent human suffering, but these men are often powerless in the face of local opposition. Thus it is that the legitimate needs of the people have frequently not been met, because of the selfishness and power of individuals and groups desirous of wringing from the people their last ounce of strength. Thus it is that I say that the future administration of relief must be safeguarded by Washington. Only those men who have no loyalties above that for the people whom they serve should be entrusted with a matter so important as the apportionment of jobs, and of the distribution of food to the needy.

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CREATIVE SOLUTION OF RURAL PROBLEM AREA SITUATION

Finally, let me say that this Government was in the process [586–54] of dealing creatively with this most difficult problem when it established what is frequently referred to in derogatory terms, as "subsistence homesteads." I am not apologizing for subsistence homesteads, but I am unalterably opposed to starvation. The subsistence homesteads as we know them today have not arrived, but they are in the process of pointing in a direction and suggesting a way of dealing with the problem of unemployment which this Nation will do well to heed. It has been my good fortune to be indirectly associated with several of these homesteads. I was present in the early days when Dyess Colony was founded and established under the capable and intelligent leadership of Col. Lawrence Westbrook. The people who composed Dyess Colony represented a cross section of the tenant and sharecropper population of the Mississippi Delta country. I saw their emaciated bodies, broken from gruelling toil ravished by diseases and consumed by despair. I saw in their eyes that there was no hope. I saw their little children, some of whom had grown old before their day, growing up like all other children in the Cotton Belt, ignorant, diseased and who had forgotten how to play. Months later when I visited Dyess I looked upon a new world. The people were amiable and friendly. Emaciated forms had given way to health and robustness. Adenoids had been removed, teeth had been taken care of. Good and wholesome food replaced the diet of cornbread, molasses, and meat. There was a hospital, an excellent school, churches, good homes, contentment, and peace, and in the eyes of the men and the women and children there was a light that at one time had almost gone out. Thus it is that something new has been created, something worth while and invaluable had been achieved. As this Nation moves to balance the Budget it will move toward the creation of more, not fewer, havens of refuge and security for the oppressed and poverty-stricken people of this land.

Finally I have been asked to comment upon the future [586–55] policies of this Government with reference to the problem of poverty in the rural South. First of all, let me say that the question of rural poverty, unemployment, accumulating social misery presents an almost impossible intellectual problem. While the reasons for this poverty may be speedily summoned, the answers are not so readily available. The poverty of our rural areas is not the creation of a day. It is the handiwork of generations of men. Behind it are powerful economic, political, social and religious forces rooting deep in the historic soil of our land. These forces are reluctant to yield to the wishes of man and they have the tendency to hang on long after they have served their day and generation. Therefore, I am not unmindful, I say, of the immensity and gravity of the problem before us. I am as aware of the strength of these ancient forces as I am familiar with the needs of our own day. We are living in a power age, yet as it has been frequently said in these halls, we are governed by institutions and ideas created by our fathers. We are living in an age when we cannot turn to instruments that at one time gave peace and dignity and security to our Nation. It may be necessary for us to part company with some of the older and accepted forms of the past.

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COMING OF INDUSTRY TO THE SOUTH

The South has been widely advertised by certain agencies [586–56] and groups as "a land of plentiful labor, cheap and docile." Such was the case of a generation ago. Today we have a reservoir of cheap labor that is being daily enlarged. This reservoir of labor is in the main composed of men who have in the past and who wish today to till the soil as farmers. In order to relieve the pressure and to secure jobs for those who have no jobs and to enhance the economic well-being of the entire region, efforts are being made by certain groups in these States to bring industry into the area. It is a notorious fact that much of the industry which is coming into the section is coming from those areas where labor has organized and succeeded in securing for itself better working conditions and a fairly high standard of living. In many places industry and sweat shops come for the sole purpose of being near the abundant supply of cheap and docile labor. It is often true that when these industries move in, civil liberties and human dignity move out. But the coming of industry into the South is legitimate if it brings decent wages, good working conditions, and gives to working men their legitimate and just rewards. Great hope is entertained by many citizens that the coming of industry to the South will solve our problem and absorb a large element of our unemployed population. This, in my judgment, is fantastic for the first and simple reason that industry in other parts of the Nation cannot employ its workers, and is faced with mounting ranks of unemployed men and women, and secondly that while industry will come, it will not come in such quantities to more than give employment to a small section of the unemployed and poverty-stricken workers.

It seems to me that the emphasis now being placed upon [586–57] the coming of industry to the South is consciously or unconsciously a misguided and ill-conceived notion that the South must be industrialized. This is not to say that I do not wish to see industry come to the South, for I do. But this is to say that I want the emphasis placed where it belongs, not on the coming of industry, but on the rehabilitation of the soil, the people, and agriculture. When we look to industry to save us, we evade, it seems to me, the main issue. We have had enough evasion. It is now time to face squarely the issues before us.

REHABILITATION REALIZED

Permit me to say again that we are primarily an agricultural [586–58] society with nearly 50 percent of the Nation's farmers and with potential land resources sufficient to build a veritable Garden of Eden. It is not a dream to say that poverty can be eliminated from the Southern scene. The obstacles to the fulfillment of this dream are not resident in the physical universe. They abide unfortunately in the nature of man. The fundamental, basic, and unavoidable problem before this Nation with respect to the landless farmers of this country is the return of the land to these men who love the soil as they do their own mothers. Other nations confronted with this problem, such as Denmark, England, and Ireland have dealt with it in an intelligent manner, and out of poverty and misery have built decency and beauty.

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FARM SECURITY ADMINISTRATION INADEQUATELY SUPPORTED

The Federal Government has recently embarked upon a [586–59] program of assisting men to regain their farms and their homes through the Farm Security Administration. Let me say that I welcome this and all other efforts made to lessen and mitigate the suffering and insecurity of my people. All that I wish to say on this matter is that in the first place this assistance is inadequate; in the second place, it is lacking in economic foresight and social vision, and thirdly, it does not touch the great mass of the men and women about whom I have been speaking. I realize that the Farm Security Administration has many problems with which to wrestle, that it is crippled because of lack of appropriations, capable personnel, and so forth. I am not condemning the Farm Security Administration. I am reminding one and all of our lack of insight into this great human problem.

In my judgment, we are confronted with a double-edged [586–60] sword. On the one hand we have poverty—stark, cruel, and naked. On the other hand we have the inevitable results of poverty—ignorance, disease, crime, and so forth. Therefore, it would appear that our task is to raise not only the economic level of our people; that is, to provide them with the means of providing themselves and their families with bread, but of raising the cultural level of our people; that is, giving men beauty in their lives, as well as bread in their stomachs. This then becomes not only an economic problem but a religious crusade. It becomes, therefore, not only a crusade for economic betterment, but for spiritual emancipation. It was long ago said that "Man may not live by bread alone." Those of us who have lived among the people know this to be true. Men must have beauty, as well as bread, or they perish. In certain sections of this Nation where there is a long tradition of independence and freedom and where the spirit of the frontier hangs on as in the Northwest, the small individual farm is probably a correct approach to the solution of the problem of the landless farmers in that section of the Nation. But in our part of the country where independence, initiative, and freedom have been discouraged and where many of the farmers are not farmers in the real sense of the word, but are cotton farmers, the instrument of the small farm will not serve to greatly assist us in realizing our goal. Furthermore in the midst of a plantation economy, or what is more correct or will be 25 years from now, a factory farm economy, the small self-contained farm is an economic anachronism. It is the judgment of an increasing number of our fellow citizens that the sensible solution to the problem of poverty in the rural section for large numbers of our people is what we have termed the village economy or cooperative. If these landless men are to be established upon the land—and there is no alternative—and if they are to be in a position to make more than a mere subsistence living; and if the cultural level of the people is to be raised a new type of farm organization will be necessary. That organization must perforce be a cooperative or a village farm economy based on the idea of cooperation and mutual assistance. Through such an instrument, it is our contention that the people would be able to develop economic independence and security, and by virtue of being thrown together in a common enterprise many of the factors heretofore described which have served to retard the cultural advance

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of the people would be removed, and instead all of the agencies making for sound and enlightened citizenship could become the common privilege of all.

REACTION OF COLLAPSED SOCIAL INSTITUTIONS

When social institutions reach the point of collapse there [586–61] is always a strong inclination to seek a return to some previous period of greater stability. The virtues of an older "golden age" are extolled. Thus the southern agrarians point for us the picture of a return to ante-bellum days, with individual farm homesteads operated in a primitive manner. A halo of romanticism is set about this vision of an older and simpler epoch, and primitive inefficiency is exalted into a virtue. Many accept this agrarian philosophy without much reflection, and believe that they have reached the summit of wisdom when they advocate the small individual farm.

Yet the trend of agricultural development in America has [586–62] for 50 years been pointing in another direction. The concentration of landownership into fewer and fewer hands, despite its grievous human consequences finds an economic justification in increased efficiency of operation and greater productivity. We find few advocates of decentralization in industry. No one proposes to break up United States Steel into a thousand fragments scattered in as many villages. The advantages of large-scale production are too obvious and the resulting rewards too immense to permit the acceptance of such a view. Why then should we seek to retrace our steps in agriculture? The large plantation has an economic justification which we neglect at our peril. Particularly in the Cotton Belt where there is a century-old tradition of plantation collectivism. It should be our endeavor to retain the good features of this tradition, eliminating only those characteristics which have operated to degrade and brutalize human life.

COOPERATIVES IN THE COTTON BELT

Many students of this trend toward large-scale production [586–63] in agriculture believe that the fundamental readjustment which is needed is in the character of the ownership of the large farm. If one man or family, victor in an economic struggle in which many small farmers have lost their land, is able to dominate the lives of all these other families, then democracy and independence vanish, human spirits are crushed in a sense of defeat, group morale vanishes, and a class distinction, unknown in frontier America, arises to plague each new generation. The interests of landlord and tenant rarely run parallel and each is tempted to impose upon the other. In the resulting tension and strife human efficiency and human character suffer further injury.

To some groups the sensible way out is group ownership [586–64] of land. In the business world the corporate form of organization is a commonplace, with thousands of shareholders, including many of the employees. Producers' cooperatives in industry, have blazed a path toward a new type of ownership. More recently similar organizations in agriculture have succeeded in many lands. One of the largest and most successful farms in Texas was founded 40 years ago by a company of Danish immigrants who have held an immense tract in common since that day. The Jewish reclamation of agricultural

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Palestine has proceeded almost exclusively on the same pattern, with a population now nearing 100,000 people on large cooperative farms. Some of the projects of the Resettlement Administration embody cooperative features, extending at least to joint ownership of tools and equipment, with several Government experts strongly in favor of experimentation with group ownership of the land. The Delta Cooperative Farm, at Hillhouse, Miss., is one of the most recent of many experiments in cooperative living.

Specifically the following advantages of group ownership [586–66] and operation of land in the Cotton Belt may be advanced.

(1) Large tracts may be operated with careful supervision [586–67] by agricultural experts who plan the rotation and diversification of crops, the control of erosion and other technical programs over a period of years.

(2) Modern machinery can be owned by a group of working [586–68] farmers, which no one of them, operating individually, could hope to possess.

(3) Division of labor is possible so that each member of [586–69] the cooperative group can do the work for which he is best suited.

(4) Village life can replace the present isolation of the indi- [586–70] vidual farm home. Homes brought together in a cooperative village permit the development of a higher education, culture and esprit de crops.

(5) Group buying and selling lowers costs and improves the [586–71] quality of goods.

(6) Far from destroying the old pride of possession of home [586–72] and land the uniform experience in such projects is that this sentiment assures a new and higher form, with interest developing in the success of the whole community, and a willingness to work in its service which dignifies and enriches every labor. One illiterate sharecropper, given his first opportunity to work on such a farm stated that "for the first time in my life I feel like a free man."

(7) In periods of economic stress a cooperative group [586–73] properly organized and led may hold its land where the individual farmer may lapse into tenancy.

(8) Group ownership means that equal opportunity for [586–74] work is afforded to every family in the group, but the group income is divided in proportion to the number of hours worked, and the quality of work, thus truck drivers would receive a larger share than common laborers. By setting up such differentials individual initiative is encouraged, at the same time that a new sense of group security is given to all. Individual houses and gardens preserve the old interest in individual property. The principal field crops are handled cooperatively without division of acreage.

Cooperative enterprises of this character must be strictly [586–75] voluntary. Members must be free to leave. A portion of the group income is set aside yearly to retire capital investment. As an equity accumulates each family has a share in it, which may be paid to it in cash if, for good cause, it finds it necessary to leave the cooperative. The turnover in such enterprises is usually small, in marked contrast to the frequent changes observed under the present landlord tenant system.

I feel strongly, therefore, that, as national plans for the [586–76] relief of tenancy mature, much serious thought should be given to

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experiments in agricultural cooperation, particularly in these regions where large-scale operation is so suited to the conditions of land and people.

Such a village life would furnish the desire, the incentives [586–77] and mechanism for a high type of rural community. Such a community would want and could afford the best teachers and the best schools and churches, the best doctors, health clinics and hospitals, the best homes and playgrounds, libraries, and theaters. Labor-saving machinery would put an end to drudgery and monotonous toil. The people could be taught how to use their leisure to improve their minds and bodies. In such a community diversified agriculture, the hope of the South for 50 years, might really begin to make some progress. In this type of community the seeds of a new race could be planted and in such a community we could place our confident trust in the future.

In the main, while we cannot wait for these plans to take [586–78] form and mature and I wish earnestly to suggest that the Federal Government undertake certain steps which will undoubtedly raise a cry from those who opposed the creation of jobs for the unemployed, extension of relief, et cetera, and who wish the budget to be balanced tomorrow. As we begin to tackle the task of reclaiming our soil, which is our basic resource, we shall have begun to balance the budget. There are hundreds of thousands of farmers who could be put to work reclaiming the millions of eroded acres of land, others could be put to work on the much-needed task of reforestation and flood control. In these works the whole Nation is concerned and for which I believe the Nation is willing to pay. In those States where the Government has access to or has secured land for farm purposes, such areas should be turned over to cooperative groups or to carefully selected individual farmers and the entire proposition of returning the land to the landless placed under the direction of competent administrators whose knowledge of the problems involved, concern for the welfare of the people in question is unquestioned, and whose main concern shall be the all-important one of returning the landless to the land.

Certainly every right-thinking American is profoundly in- [586–79] terested in and grateful for the concern manifested by the Federal Government in the matter of extending aid to the States for bettering educational facilities and increasing the opportunities for education among the people. In no area is this need more apparent than in the South and no part of the South is so greatly in need as the rural areas. We have the largest population of school age and the smallest income and wealth with which to educate them. Let me cite one or two examples. Mississippi, with approximately 47 percent of its population of school age, had in 1930 only 23.5 of its total population in school. Its per capita net income in 1929 was $32. Its per capita expenditure for schools during 1927 and 1928 was $9.04. New York, with about 34 percent of its population of school age, had 19 percent of its total population in school, had a net per capita income of $506 and spent $23.86 per capita of its total expenditures for schools. "For Mississippi," says Prof. Rupert Vance, "to attain the national average in expenditures for educating her school children would require 99.3 of all the present tax moneys of the State." The average annual teachers' salary in Georgia, for example, is reckoned at $546 as compared with $2,337 for California. The flattering decrease in

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illiteracy suggested by the census reports is, in my judgment, misleading in that it often means nothing more than the ability to read and write one's own name. No nation can be socially healthy, economically sound, or politically safe as long as thousands of its children who tomorrow must mold and fashion the nation are deprived of an opportunity to secure a decent education. It is my judgment that the Federal Government can make few greater contributions to the security and welfare of this Nation than by making possible increased educational facilities and opportunities for our boys and girls. It is my further judgment that particular effort should be made to see that the rural population receives its legitimate share of whatever funds are made available and that no discrimination be permitted because of color. The Workers Education Bureau under the capable leadership and administration of Miss Hilda Smith should, in my judgment, be considerably enlarged from both a financial and personnel point of view. This Nation might well embark upon a program of adult education designed to give those who have never been given the opportunity to so equip themselves as to be capable of intelligently interpreting the disastrous forces breaking about their heads in our day. This would not only serve to assist the people from a cultural point of view, but it would provide much needed jobs for thousands of unemployed teachers in the rural areas.

GARDEN VEGETABLES AND HEALTH

It is an amazing fact that farmers cultivating some of the [586-80] richest soil on the face of this earth should be damned and cursed by diseases resulting from improper foods and the lack of a healthful diet. Thus in a land of farmers one is confounded to discover the prevalence of pellagra. There are several reasons for this but no excuses. Our people should be taught, for many of them do not yet know how, to produce garden vegetables for their own consumption. This would greatly relieve the problem of poor health so universally apparent among our people.

It is my judgment, that the Government should make it [586-81] mandatory that all tenants, sharecroppers, and farm day laborers desiring a garden for their own use should be permitted by the landlord to have such land as is necessary for their needs. It is, furthermore, desirable and necessary since many of the people do not have money with which to procure seeds from which to grow vegetables that seeds be made available to them at cost. It is, of course, true that there will be many who will find themselves unable to avail themselves of this service for they are without the means with which to secure the necessary seeds and implements.

Many of our people are not only suffering from pellagra, [586-82] hookworm, and venereal diseases but from comparatively simple maladies such as bad teeth, adenoids, and tonsils. Those who live in urban centers may secure these services through hospitals and clinics. Those in rural areas are deprived of such advantages, because of the distance and costs involved in going to a city, the lack of rural doctors, and because many of them have not the means with which to purchase these essential health services. Disease is no respecter of State or regional lines, nor is it any respecter of persons. Epidemics starting in one section of the country may soon find their way into

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another. Neither is disease a respecter of racial lines. The Federal Government could wisely establish doctors, nurses, and public-health clinics in rural areas for the benefit of the people and perform a significant and useful service to the entire Nation. I have recently been in homes where children came into the world without the service of a doctor and on several occasions without even the service of a midwife. I have worked in a community where one man has himself delivered eighty-odd babies. He was not a doctor but an illiterate tenant farmer who had apparently developed some ability in the difficult art of safely delivering babies into the world. It is a notorious fact that the health of the entire countryside is endangered by the lack of decent sanitary accommodations for the people. One may travel in some of the most thickly populated tenant areas and at rare intervals see a privy. The unsanitary conditions prevailing in the rural areas inevitably endangers the health of all. The Federal Government could wisely assist the people through education and through the mandatory construction and use of sanitary accommodations.

FOOD SHORTAGE IN GARDEN SPOT

The need for diversified agriculture has never been more ap- [586–83]
parent. Our agriculture reveals an extraordinary technical backwardness and social waste. We have 61 percent of the Nation's eroded lands, lands which lose annually an estimated 20,000,000 tons of potash, nitrogen, and phosphoric acid. We have the lowest per capita farm income, the lowest income per worker, the lowest rate per unit of horsepower, the smallest amount of purebred livestock, and the lowest average production of milk and dairy products according to studies made by Dr. Howard Odum, of the University of North Carolina. Dr. Odum further testifies that there has been a decrease in the last decade of most kinds of livestock, with a shortage of 121,000,000 gallons of milk and a shortage of 18,540,216 of purebred cattle.

To make up one-half of the deficiency in cattle would [586–84]
require four times the area now given over to pasture lands. Based on minimum standards the Southern States have an annual shortage of 70,000,000 dozen eggs. A $20,000,000 shortage in field peas reflects a threefold remedial deficiency in land improvement, feed produce, and cash income or outgo. These and other items express themselves in poverty and isolation, lack of medical attention and care, lack of proper foods and decent homes, and general economic opportunity. Dr. Odum describes the area as a region of farmers, yet—

> an importer of foods; potentially a garden spot, actually a region of broken hearts and backs; abounding in traditions of good living, actually lacking the means, often, of a decent level of living.

TENANT FARMERS' UNIONS

The South is potentially a rich market not only for industry [586–85]
but for agriculture. Here are millions of people who desperately need the products of both. But today they live in poverty and their wages will not permit them to secure the bare necessities of life. In order for this great mass of people to consume they must have buying power which now does not exist. To secure this it is necessary that

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they organize themselves into economic organizations or unions in order to win from those who, because of their advantageous position, withhold the means of securing the decent living from them. The right of tenant farmers to organize and bargain collectively without fear or intimidation must not only be upheld by the Federal Government but in the interest of the general welfare of the people it must be encouraged.

PEONAGE

The Department of Justice should be congratulated for [586–86] its vigorous prosecution of peonage offenders, but it should be charged to increase its vigilance and its activity in ridding this Nation of this un-American and inhuman practice.

We may all look forward to the day when the labor of [586–87] women and children in the field is forbidden. In the meanwhile we can begin to restrict the age at which children may work for the profit of another, and the number of hours which both women and children shall be allowed to work. We can also extend minimum hours to agriculture for those in the employ of another.

In raising the standard of living of the people and in in- [586–88] creasing their purchasing power, minimum wages should be established for agricultural laborers as have been established for industrial workers.

The Government should give increasing attention to the [586–89] expansion of markets for southern produce and industries that legitimately may be developed in the area. Eventually the Government and the people may have to discover some method for the redistribution and use of submarginal lands and people within the region. Such a problem is beyond the scope of any State or region and falls naturally into the hands of the National Government.

AGRICULTURAL WORKERS REPRESENTED IN THE DEPARTMENT OF LABOR

While national, regional, and State plans are maturing, [586–90] the misery of the rural people is being daily accentuated because of a rapidly falling and diminishing economy. It occurs to me that there are certain practical steps that may be taken immediately to arrest a portion of the suffering of the people. In order to insure tenants, sharecropper, and other agricultural laborers against inhuman exploitation and against unscrupulous and dishonest landlords, both individual and corporate with whom the Government has had considerable experience, it is desirable that there be established at this time a separate department within the Department of Labor whose duty would be to care for the legitimate interests of agricultural workers.

LANDLORD-TENANT STATE BOARDS

The several States, in a further effort to cope with a [586–91] difficult and an explosive situation, would do well to follow the example of the State of Oklahoma and establish a landlord-tenant board. In such boards the differences arising between landlord and tenant may often be amicably and agreeably settled. It is our judgment that on all such boards, agencies, and governmental instruments the people, that is the tenant farmer, sharecropper, and farm-day laborer, should be represented.

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As a direct result of their poverty thousands of men are [586–92] disfranchised through the poll tax. It is my judgment that this measure is un-American and undemocratic, and that for the welfare of the nation such measures should be abolished.

I have made no effort to suggest to this committee all of [586–93] the methods that might be used to achieve the goal of a happy and contented people and to abolish poverty and insecurity from the land. I have suggested only those which I hold to be pertinent to the inquiry before this committee.

ECONOMIC AND SPIRITUAL FRUSTRATION THREATEN NATIONAL SECURITY

During recent weeks the question of national security has [586–94] been uppermost in the mind of our President, Members of the Congress, and large sections of the citizenry. The President has asked the Congress to appropriate $800,000,000 for the strengthening of our national defense. In my judgment the greatest threat to the security, peace, and welfare of this Nation lies within our borders—not beyond. Let me hasten to say that I am not thinking in terms of violent insurrection, civil war, or revolution which might assail the Nation, but in terms of human decay and degeneration resulting from poverty, unemployment, and spiritual frustration. The working people of this Nation do not want war. They want peace and security. Would it not be prudent and wise to invest these millions of dollars in constructive and creative instruments designed to bring peace and comfort and beauty to the lives of distraught men, women, and children instead of investing these millions in instruments of death and destruction? With $800,000,000 we could make a significant and lasting contribution to the national welfare, safeguarding our own generation and generations yet unborn.

I should like to make one or two brief observations.

Senator HATCH. We will be very glad to have them. We are sorry you had to skip so much of your very interesting statement.

EXPLOITATION OF COTTON-BELT WORKERS

Mr. KESTER. It is estimated that in the Cotton Belt there [587–1] are between eight and nine millions of individuals—men, women and children, tenant farmers, sharecroppers, and farm day laborers—who constitute the most backward and exploited group of agricultural workers on this continent. I haven't time to go into that except that all the figures substantiating that statement may be found in this document.

It seems to me that we in the South are facing a situation [587–2] more critical than at any time since the Civil War. In the first place, the plantation is being liquidated. Regardless of all the evils in the old plantation, there was a certain amount of security. Because of the millions of eroded acres of land in the Old South, because of the fact that we have devoted our lands to the culture of cotton for generations, thus mining out the soil, other millions of acres are exhausted.

Because of the policy of the Government with reference [587–3] to cotton and other agricultural products, limiting the production, we have lost our world markets, and in the near future, it is probable that most of our cotton will be raised west of the Mississippi River

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The machine, the cotton-picking machine, the tractor, [577–4] and now the cotton chopper, are coming into this field of cotton. The effects of these cumulative forces are overwhelming. It is appalling to think what may happen in these Southern States unless somehow or other we create an instrument by which and through which the people may achieve a decent living.

It is estimated at the present time, by studies made at the [587–5] University of North Carolina, that somewhere between a million and a million and a half families exist in the South over jobs, either industrial or agricultural.

There are three significant trends occurring at the present [587–6] moment. The first is that population is either decreasing or stabilizing in our urban centers. The second is that population is decreasing on our richest lands, particularly in the Mississippi Delta, and the population is increasing on our poorest lands, in the southern highlands, in the Appalachian Mountains.

INDUSTRIALIZATION OF THE SOUTH NO SOLUTION

It is 12 o'clock, but those last points, it seems to me, suggest [587–7] the significance of this southern problem. Some have suggested that the coming of industry into the South will be the solution. In my judgment, that is fantastic, for the simple reason that industry in other parts of the Nation cannot take care of their unemployed, and, as industry comes into the South, it comes from those areas where organized labor has been able to secure decent wagers and living standards, comes from the Midwest and the East, and leaves other industrial workers unemployed, and our job, it seems to me, is not to look toward industry but to look toward the rehabilitation of our lands, our soil, of agriculture and of our people, and that may be done, in my judgment, best through this village economy

Senator HATCH. Mr. Kester, I think probably you stated in the beginning, and I am sure your paper does, but Senator Frazier did not quite understand it all, and I am going to ask you just a little bit about your own background.

You have been working for some time among the people in the South?

Mr KESTER. Yes, sir.

Senator HATCH. You were a minister, as I understand it?

Mr. KESTER. I am a minister in good standing.

Senator HATCH. And you are presently engaged in establishing a union among the sharecroppers?

Mr KESTER. For nearly 4 years I have been working among [588] the tenant farmers and sharecroppers in the Mississippi Delta, under the banner of the Tenant Sharecroppers' Union.

Senator FRAZIER. This is a farmers' union, as they call it?

Mr KESTER. Yes, sir.

Senator FRAZIER. Have you visited any of those groups?

Mr KESTER. Yes, I have. I refer in this paper to the Dyess Colony, near Wilson, Ark.

Senator FRAZIER. Do you think those projects are working toward a solution of the problem in the South?

Mr KESTER. Yes, sir; I do.

Senator FRAZIER. You think it is better off than individual ownership?

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Mr. KESTER. Yes, I do.

Senator FRAZIER. Why is that, because of the old plantation system that has been in vogue there for centuries?

BENEFITS OF VILLAGE ECONOMY

Mr. KESTER. Well, I think in this village economy, as I [589–1] call it, or cooperative, you may bring to the rural areas, to a large number of people, opportunities and privileges which the single individual farmer could not possibly have, for instance, on a cooperative you may use the best farm machinery, which would be impossible for the small farmer, you can bring into such a cooperative skilled technicians, not only agricultural but social; you may have hospitals, the best schools, libraries, electricity, and so on that, because of the factor of isolation and the problem of the difficulty of a small farm, living inside of a great plantation area, from an economic point of view, it would be unable to compete.

We have in the South more small farms than any other part [589–2] of the Nation, and we have not been able to make a go of them, and there is no reason to believe that by reestablishing men on the small farm they will be able to make a go of it.

It seems that we are confronted with two problems: One [589–3] is economic and one is cultural, and you arrive at both of them through this village economy or cooperative, and in my judgment, the projects established by the Government in the various parts of the country point in the best direction that we can possibly go. They have not arrived, but they are making, I think, a vast contribution.

Senator HATCH. Thank you, Mr. Kester.

The committee will recess and we will meet tomorrow morning at 10 o'clock.

(Thereupon, at 12:15 p. m., an adjournment was taken until 10 a. m., March 9, 1938.)

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UNEMPLOYMENT AND RELIEF

WEDNESDAY, MARCH 9, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Murray, Davis, and Clark; also Alan Johnstone, counsel to the committee.

STATEMENT OF H. H. BENNETT, CHIEF, SOIL CONSERVATION SERVICE

The CHAIRMAN. The committee will come to order.

Mr. Bennett, the committee has invited you to appear and discuss the subjects referred to in this resolution.

I understand you have a prepared statement.

Mr. BENNETT. Yes.

The CHAIRMAN. We will be very glad to have you read it.

Mr. BENNETT. I will be very glad to do so, Senator.

Soil erosion is a serious cause of rural impoverishment. To [590–1] the Nation as a whole uncontrolled erosion has brought a gradual and continuing reduction of productive agricultural land. Estimates based on a reconnaissance erosion survey of the country show that approximately 50 million acres of once productive agricultural land has been virtually ruined for further cultivation. Most of this area has been abandoned, although an occasional farmer hangs on to patches left between gullies. Another 50 million acres is in about as bad condition, but the severely eroded areas are intermingled with patches of better land, so that abandonment has not been so nearly complete. On this latter, much more impoverished agriculture is continuing. From a second 100 million acres a large part or all of the topsoil has been washed off, and on this many thousands of farmers struggle for a meager living. Erosion is getting actively under way on still another vast area, aggregating something over 100 million acres, and will continue its depredations if agricultural practices are not altered to check the process of land wastage.

EROSION AND RELIEF

To the individual farmer erosion brings increased costs, [590–2] lowered productivity, and on many farms outright ruin of the land, piece by piece, until, frequently, abandonment of entire fields or the

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whole farm is forced. Erosion is not confined to the poorer and economically submarginal farms, but its incidence is greatest and its effect most serious in the economically distressed areas of the country. An examination of the land of the United States classed as economically submarginal shows that most of it is physically poor land, either originally or as the result of erosion. Economic factors, such as low prices, reduced markets, or agricultural surpluses, are perhaps the most serious immediate causes of rural economic distress, but in the long run soil wastage is the most certain cause of permanent agricultural impoverishment. Even in times of great agricultural prosperity, land destroyed by erosion will fail to support a prosperous agriculture. Moreover, a subsistence type of agriculture relatively little affected by the fluctuations of the economic cycle is impossible on land riddled by gullies or stripped to stubborn clay subsoil or to bedrock by continuing sheet erosion.

AVERY COUNTY, N. C.

Some of the findings of a recent study of Avery County, [590–3] N C., illustrate the relation between erosion and rural relief. Avery County is not a rich agricultural county, but it is fairly representative of much of the southern Appalachian region The county was established in 1911. By 1930, it had attained a population of nearly 12,000 people and in 1935 its area of cropland comprised 25,000 acres, about half of it unsuitable for permanent cultivation under present agricultural practices. In 1935, part of the county, some 17,000 acres, comprising 592 open-country households near Cranberry and Hughes, was studied intensively Approximately 80 percent of the 5,000 acres of cropland in this special area was found to be subject, in some degree, to erosion. The Linville and Toe Rivers, which drain this and other similar areas, carry heavy loads of silt—erosional debris, the products of every rainstorm. The farms of this special area ranged from 3 acres upward in size, averaging 33 acres.

Most of the relief cases in the Cranberry-Hughes area [590–4] were found to be from the smaller, more rolling, and more seriously eroded farms. In fact, when the farms of the area were classified on the basis of existing erosion, more than 60 percent of the families living on farms classed as seriously eroded were found to be on relief, while on farms classed as having little or no erosion 44 percent of the families were on relief.

The CHAIRMAN. Were there any farms with no people on relief?

Mr. BENNETT. Yes, sir, there were a number. I will get to that, Senator.

The CHAIRMAN. All right.

Mr BENNETT. Even more significant information was [590–5] revealed when the farms were classified according to the three factors of erosion, available land resources, and topography (which is a fair measure of potential erosion). Only 23 farms were classed as having good land resources, level topography, and no erosion. From those 23 farms, only two families (10 percent) were on relief. At the other extreme, 78 farms were classed as having poor land resources, rough topography, and severe erosion. From these farms 65 families (83 percent) were on relief.

The results of one of our erosion control demonstration [590–6] projects will illustrate the relation of this kind of work to the alleviation of rural difficulties caused by excessive soil erosion.

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PECAN CREEK WATERSHED, OKLA.

A demonstration of soil and water conservation was [590–7] started by the Soil Conservation Service late in 1935 on the watershed of Pecan Creek, near Muskogee, Okla. Cooperative work has been carried out on 203 of the 268 farms in that watershed. Of these, approximately 70 percent were tenants or share-croppers, most of them operating on the basis of 1-year arrangements with their landlords. Every year, between cropping seasons, many of the tenants were in the habit of moving to some other farm, for a new start in life. Erosion was very severe on most of these farms, and serious on all of them. Prevailing farm practices were such that the evil was spreading at a progressively increasing rate. Fields were being abandoned to an increasing extent every year. Most of the land was definitely on the way out, insofar as further crop use was concerned.

After 2 years of cooperative soil and water conservation [590–8] work, soil washing has been largely controlled with practical farm measures, which at the same time have caused much of the rainfall that formerly ran to waste immediately after every rain of any importance to be stored in the reservoir of the soil for use by crops during dry summer periods.

Better yields are being obtained—more production per acre—[590–9] as the result of water conservation and the checking of erosion, by the introduction of crop rotations, contour cultivation and strip cropping; by the building of protective field terraces and waterways safeguarded with grass; and by closing gullies and retiring highly erodible steep lands to the permanent protection of grass or trees.

All of the farmers with whom the service has cooperated in [590–10] Pecan Creek watershed now have 5-year cooperative working arrangements, under which it has been agreed that the protective installations, and soil-building and water-conserving practices will be carefully maintained over a period of 5 years. These agreements have been made with the approval of the landlords and have had the effect in many cases of changing the term of tenancy from a 1-year to a 5-year basis.

Thus, many operators who were moving from farm to farm [590–11] every year, without getting anywhere on the economic ladder, now have at least the opportunity of a longer stay on a given tract of land. Actually, as well as can be determined, both tenant and landlord are pleased with this new situation of land safeguarded from the ravages of erosion and excessive loss of rainfall. Annual moving of families has practically ceased; outside tenants are trying to rent land within the project area. Apparently, both landlord and tenant have come to see increased opportunity and security in this new type of agriculture, with its better yields and protected land. They have come to a better understanding, and many landowners are telling their tenants they can remain where they are so long as they go ahead with these new and helpful practices. A greater love for the land has sprung up in that community, and a consciousness of man's responsibility to defend the soil he tills against the destructive effects of erosion.

Economically, both landlord and tenant have been mate- [590–12] rially helped, and it is significant that the stability and security given the land of the area have given an increased measure of stability and security to the farm population of the area.

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GREAT PLAINS AREA

In some parts of the United States the problem of rural [590–13] distress is more acute. Perhaps there is no extensive area in which the problem is more widespread than in the wind-erosion region of the Great Plains. In that vast area, extending from the Panhandle of Texas to the Canadian border, about 70 percent of the land is affected in some degree by wind or water erosion, and approximately a quarter of the area is affected severely. Social and economic problems of the greatest seriousness exist through the region. Despite the fact that thousands of farm families have left the area in recent years the Federal Government is reported to have spent more than $130,000,000 in various forms of work and drought relief in the Great Plains counties in the 3 years from April 1933 to April 1936.

As the report of the Great Plains committee points out, con- [590–14] ditions in the plains are the result of a complex of physical, economic, and cultural factors which must be taken into account in solving this problem. I think it is evident, however, that the problem of soil erosion—particularly by wind—as well as the problem of water conservation, must be solved if the agriculture of the Great Plains is to be economically stable and secure. Moreover, the experience of the Soil Conservation Service in its erosion-control demonstration projects indicates that those practices necessary to prevent wind erosion at the same time contribute to the solution of many of the economic problems of the region.

RIO GRANDE VALLEY

The Rio Grande Valley of New Mexico is still another area [590–15] in which serious social and economic problems are accompanied by serious problems of erosion. That portion of the watershed above Elephant Butte Dam in New Mexico has approximately 92,000 inhabitants, the bulk of them Spanish-Americans. Irrigated agricultural land supports most of the rural population, but grazing is indispensable to the economy of the area. Except in the national forests, the range land of the watershed is seriously overgrazed and damaged by excessive soil washing. As a result, the direct economic return from grazing has been seriously affected.

Of even greater seriousness, however, particularly from the [590–16] point of view of rural relief, is the indirect effect of erosion on the rangelands. With increasing frequency in recent years the eroding uplands have been pouring erosional debris over the irrigated lands of the valleys. During the heavy floods in 1912, 1929, and 1937, silt carried by the flooded river destroyed hundreds of acres of the limited extent of irrigated land, much of which had been in cultivation since the seventeenth century. Irrigation ditches have been filled, the capacity of large reservoirs greatly reduced, and measurements indicate that between 1906 and 1937 the bed of the middle sector of the Rio Grande rose nearly 12 feet.

The effect of this sedimentation on the small, subsistence- [590–17] type native communities in the Rio Grande Valley is illustrated by the case of the community of San Marcial. In 1910 San Marcial, situated near the head of water in Elephant Butte Reservoir, had a fairly stable and self-sufficient population of 1,650 people. By 1937, after successive floods had laid down deep layers of silt and sand

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within the town, its population had dwindled to less than 300. For a time is was completely abandoned. It was abandoned when I happened to be there in 1929. We had just made a detailed survey of the alluvial plain above the Elephant Butte Reservoir. An enormous flood came down the river, covered the area with silt, and compelled us to make the survey over. We had the basis of calculating how much material was deposited there by a single flood, and it came to 100 million tons of soil laid over this narrow strip of alluvial land, in some places to a depth of 7 feet.

From San Marcial and other communities whose experience [590–18] has been similar, large numbers of the Spanish-American population have been displaced to swell the relief burden of the area. In the years 1935 and 1936 the Federal Government contributed more than $3,600,000 to relief of the rural population of the Rio Grande watershed area above Elephant Butte.

EROSION AND TAX DELINQUENCY

To State and local governments erosion brings a reduction [590–19] in the local tax base through land destruction and abandonment. Even before soil wastage reaches the stage of land destruction, declining productivity may cause a reduction in tax revenue and an increase in tax delinquency. A study of erosion and tax delinquency in 11 agricultural counties in the South Carolina Piedmont during the years 1928 to 1932 provides some significant data in this connection. During this 5-year period nearly 30 percent of all tax payments on the eroded farms were delinquent. On the less eroded farms 18 percent of the tax payments were delinquent during the same period. To the problem of local relief these data have a double significance, showing both the increasing impoverishment of the rural community and the declining resources available to the agencies of local government for relief purposes.

Erosion may be a result, as well as an important cause of [590–20] rural impoverishment, for farmers may be forced by economic circumstances to disregard the need for soil conservation and to farm their lands exploitively for as long as they can be made to last under such practice. The impoverished farmer on impoverished land may not have the resources to stop the erosion on his land. He frequently has only a small tract of land and his holding is usually located within some critical erosion area, such as the steeper portion of a watershed. Because the land is poor the farmer is driven to greater efforts to force from it what livelihood he can. This, in turn, further impoverishes what little land is left. Thus, intensive cultivation of sloping land without proper erosion control accentuates both the erosion problem and the relief problem. The poor farmer on poor land frequently is unable, without assistance, to check an impoverishing process which drives both himself and his land from worse to worse. Even in comparatively prosperous communities the occasional poor farmer stands as a special obstacle to adequate soil conservation in the community.

It is on steep land that water erosion usually gets out of [590–21] control most rapidly, to ruin not only the eroding farm but to damage lower slopes, to cover neighboring valley lands with unproductive sand or clay, and to fill stream channels with the products of wasted land. Where the land is steep, poor, and of complicated topography, the per-acre cost of erosion control is far greater than on a comparable

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downstream area of smoother surface features. Thus, even if all farmers were possessed of equal funds per acre of holdings, the operator on steep land would be at a relative disadvantage in paying for the installation and maintenance of measures and practices necessary for controlling erosion, because of the physical disadvantages of his land. In humid regions, it is on the steeper uplands as a rule that the poorest farmers are concentrated. Where wind erosion is the principal menance, topography is not an important factor, the poorer farmers being located on lands which too generally have been bared of vegetation. Hence, on lands where the need for controlling erosion is most imperative, where the danger to the countryside is greatest, and the cost of control highest, we find poverty preventing a recognition of the need for soil conservation; we see a desperate struggle to wrest a livelihood from eroding hillsides intensifying the danger of downstream damage; and we discover an impoverished citizenry which, irrespective of how keenly it may sense the danger or wish to correct it, is economically unable to do so.

If our erosion control program is made adaptable to such [590–22] small holdings and to persons without means, or with inadequate means, by permitting greater Federal contributions to improverished farmers, such unfortunate operators may be able to continue on a subsistence basis without being forced onto relief. Conversely, if sufficient relief should be provided, it is possible that such individuals might be able to contribute enough to the current erosion-control program to check the loss of their soil and eventually to emerge as self-sustaining farmers. If assistance is provided neither from an erosion-control program, nor from relief sources, it is difficult to see how such individuals and their lands can avoid progressive deterioration.

In addition to this large class of relief or submarginal [590–23] farmers who find themselves in a position to do little or nothing either for their land or themselves, there is probably a larger group which, due to a combination of erosion, soil exhaustion, and adverse economic factors is progressively approaching the level of meager subsistence. An adequate program for this group is important because if nothing is done to arrest their declining economy they, themselves, will soon descend to a relief status, and further costs for relief and rehabilitation, otherwise preventable, may have to be assumed.

Any consideration of the connection between rural poverty [590–24] and soil erosion should not overlook the possibilities of erosion-control programs being carried out by the rural-relief workers themselves. Our experience over a period of 4 years has shown conclusively that soil-conservation work can well be adapted to relief programs.

Mr. Chairman, the remainder of my prepared statement relates to our experience in handling labor and relief funds, and unless you wish me to, I will leave it for the record without reading.

The CHAIRMAN I would like to have it in the record, because we would like to know the experience.

SOIL CONSERVATION SERVICE ACTIVITIES

Mr. BENNETT. Including C. C. C. camps engaged in erosion [590–25] work, the Soil Conservation Service at one time was employing over 123,000 persons on a relief status. Today, the Service is still furnishing employment to more than 70,000, largely in C. C. C. work.

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Erosion-control work requires largely unskilled labor and is a relatively inexpensive form of work relief (current average man-year cost is $696). It provides a type of work which rural-relief persons can recognize as being of immediate benefit to themselves, their neighbors, and the community, and it is work for which they have had considerable training. From the standpoint of administration of relief, it supplies projects in areas where other work programs are difficult to organize or supervise. Indeed, it is one of the few programs in which the relief work itself is carried on in sparsely populated and impoverished regions where so many rural relief cases are found.

Specifically, in December 1935, the Soil Conservation Serv- [590–26] ice was employing from relief funds more than 32,000 workers (not including C. C. C. enrollees) on erosion-control demonstration and work projects. These men were engaged in such outdoor tasks as:

Tree and shrub planting, together with seeding and other improvements, on depleted pastures and steep cultivated fields retired from cultivation to permanent stability as woodland, wildlife, and pasture areas.

Building field terraces and diversion waterways.

Sodding the outlets of such water-control channels.

Constructing check-dams of brush, rock, or concrete.

Building stock-water reservoirs.

Building dykes for diverting water running to waste along expanding gullies, for cheap irrigation.

Laying out lines for contour cultivation and strip cropping.

Relocating fences.

Resodding worn-out fields for protection or for permanent pasture.

From a beginning, in August 1935, when no labor of this [590–27] kind was employed, the Service developed its relief labor program at the rate of a thousand new workers a week, until by December of that year the organization was the first of all the Federal agencies to reach the quota set for it by the W. P. A.; and for a long time thereafter it employed a larger number of workers than many agencies which had larger emergency allotments. This was partly due to a helpful spirit of enthusiasm in getting the program started, but primarily to the fact that soil-conservation operations require relatively little expensive equipment. Once technical supervisors are available, a great number of unskilled and semiskilled persons can be furnished quick employment on work of permanent public value, in those communities prepared to provide the necessary limited cooperation.

An example of the speed with which relief persons may [590–28] be employed on a soil and water-conservation program is illustrated by the Service's experience in the fall of 1936 with drought relief. Covering a space of 4½ months the Soil Conservation Service expended approximately $2,200,000 in furnishing employment to about 10,000 drought-stricken farmers in 20 States. In Colorado, however, money was not made available until November 12. There, the technical staff was gathered together, a program developed, tasks assigned, and supervisors sent to their respective field stations to select their drought-relief areas. On November 19, just 1 week later, the first stock-water dam was started.

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This money remained available for 6 weeks only, but dur- [590–29]
ing that time 137 greatly needed dams were constructed at advantageous points, and employment was furnished to 679 needy persons. The wide distribution of this work demonstrated the value of water-conserving dams and soil-conserving methods to almost every problem area through the Plains section of the State, and greatly increased interest in practical erosion control. Work, most of it construction of dams for impounding water supplies, was only engaged in with cooperators who were willing to sign the customary 5-year working plan agreement of the Service, which provides for the application of an integrated erosion-control program for an entire farm or ranch.

These cooperators continue to furnish the Service with [590–30]
yearly reports on the performance of these dams, and the field staff keeps in touch with them to encourage them to carry the farm or ranch program to completion. The farmers and ranchmen have carried on splendidly; they have written many letters describing their appreciation of the benefits this work has brought them. Local public opinion is said to consider this type of work as being almost universally satisfactory, not only to farmers and ranchmen but to the general public of the drought-stricken areas. Experience has shown that where the relief workers were actually farmers, and where they were engaged in constructing dams and other drought relief and erosion-control operations on farms of their own community, the enthusiasm was such that, with the training acquired through actual work, a number of them continued to install similar structures cooperatively on each other's farms after the paid program was over.

The Soil Conservation Service was set up by Congress pri- [590–31]
marily to demonstrate to the farmers of the country how soil erosion could be controlled or prevented. This necessitated the carrying out of an extensive field-operations program, and it was in this program that relief workers were found to be so useful. In any extension of conservation operations, as there must be if the Nation's soil is to be conserved, opportunities can be provided for important utilization of rural relief labor. In this connection, it should be pointed out that a number of soil-conservation districts have been formed as legal subdivisions of States. Many of these districts will need all possible assistance including labor, to enable them as promptly as possible to establish effective control measures under an applicable, organized plan, and with the technical aid of those agencies equipped for such service.

The matters to which I have referred give some indication [590–32]
of what has been and what can be done to mitigate the impoverishing effects of erosion, both on the land and on the rural population. A final observation with respect to the relationship between soil erosion and rural human impoverishment is that, if left alone, the one accentuates the other, whereas if proper steps are taken the amelioration of either provides a basis for the curbing of both.

The CHAIRMAN. Do you establish a W. P. A. project in order to carry on that work? How do you do it?

Mr. BENNETT. We use W. P. A. funds to supplement our [591]
regular program in various parts of the country, in many parts of the country, but to the greatest extent in the Great Plains region. There we have used considerable numbers of relief labor, mainly in connection with one phase of the water conservation program, the

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building of stock water ponds, and we have built some thousands of those at advantageous places throughout the Great Plains, most of them with relief labor, supplementing our regular work.

The CHAIRMAN. Do you mean the President has allotted some of the relief funds to soil conservation to supplement your funds?

Mr. BENNETT. Yes, sir.

The CHAIRMAN. How much did he allot this year?

Mr. BENNETT. Approximately $3,000,000 this year. [592]

The CHAIRMAN. To be used in the soil-conservation department?

Mr. BENNETT. Yes, sir; we have to, of course, cooperate with [593] the Works Progress Administration and with the State W. P. A. administrations, and this work is done mainly in cooperation, at the request of the State people, having to do with relief funds.

The CHAIRMAN. Work done upon private property, or solely upon public property?

Mr. BENNETT. Both private and public property. [594]

The CHAIRMAN. They have the right, under the law, to use W. P. A. funds, upon the property of individuals?

Mr. BENNETT. Yes, sir. Now, Senator, I have some pictures [595] that I would like to show the committee, if you have time. They are on the easel up there. I could show some of them, as many as you want to see, and explain them briefly. I think they illustrate what I am talking about better than I can tell it.

Senator FRAZIER. Has this soil erosion been worse in the last 2 years?

Mr. BENNETT. Yes; especially in the Great Plains area. [596]

Senator FRAZIER. Due to just the unusual climatic conditions?

Mr. BENNETT. Not entirely, the land becomes more erodible [597] as it is used.

(At this point Mr. Bennett showed some pictures of erosion conditions in the United States and in Asia, discussing them as they were shown.)

The CHAIRMAN. Mr. Bennett, unless some members of the committee have some questions to ask you, that will be all. Thank you.

Mr. BENNETT. Thank you very much for this opportunity.

(Witness excused.)

STATEMENT OF W. H. BROKAW, DIRECTOR OF THE NEBRASKA AGRICULTURAL EXTENSION SERVICE

The CHAIRMAN. Mr. Brokaw, you are Director of the Nebraska Agricultural Extension Service?

Mr. BROKAW. Yes, sir.

The CHAIRMAN. Please be seated, unless you prefer to stand.

The committee will be glad to hear you with reference to drought areas and the problems of commercial agriculture.

Mr. BROKAW. I shall address myself to the problems as you set them up in your letter to me, that you wish discussed.

I want at this time to make rather an informal statement, [598] but wish to file a more formal statement later due to the fact that I was away when your letter was received, and the material from my office has not reached here that should have been here for a more formal statement. (See Appendix 15, p. 1560.)

The CHAIRMAN. That will be satisfactory.

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Mr. BROKAW. I shall not deal with figures but with facts [599–1] that come from figures that have been used, and just a few figures that were taken from the various agencies with which we cooperated. The first is the situation, and as to what has brought it about, with which I will deal briefly.

Recent droughts are not wholly responsible for the distress [599–2] which exists in the Plains area of the Middle West. While the situation is similar throughout that vast area, I shall speak of conditions in Nebraska since I have worked directly with the program there. Nebraska's needs are no greater than other States and portions of States in that section.

Assistance to rural people throughout this region has been [599–3] made necessary from four causes. The first was brought about by expansion of agriculture during the war period when vast areas of grass lands were broken to produce wheat, which had previously grazed cattle and sheep. The slump in agricultural prices which immediately followed was disastrous to the entire region and particularly where this expansion had taken place, due to greater overhead costs in wheat farming as compared with the correspondingly low costs of grazing in this area. Expensive machinery needed for these operations and rapid development of new types of machinery which promised greater returns, and the use of greatly reduced numbers of agricultural laborers, was responsible for the first disaster to farmers in that region.

Subsequent stimulations hoping to stop the disaster only [599–4] restimulated the expansion and the buying of more machinery designed to lower production costs by eliminating still farther the need of hired labor.

The second cause closely associated with the first was the [599–5] fall in land values following the drop in farm prices paid for agricultural products. Improved machinery, modern methods, less labor, good crops, and periods of high prices stimulated interest in farm lands not only to men who expected to make a living from these lands, but due far more to speculators and persons in all professions and trades looking for good investments, quick returns—were responsible for the major disaster which swept away banks and banking which were equally expanded to care for the financial needs in this period of frenzied development. They were also hit by the same catastrophe that swept over farming in our section.

Senator HATCH. During that time—you speak of speculations—did farm lands in Nebraska inflate in value?

Mr. BROKAW Yes; they did.

Senator HATCH. How high did they go?

Mr BROKAW Well, it would be hard to make a statement [599–6] because there are such great variations in lands in Nebraska. They rose to double at least what they had been in previous years in which we had had fair prices and fair crops, but in some cases they went far beyond that. In some of the better areas in Nebraska we had farm lands sell for $300 and more per acre, which is far beyond what some of us believe we can raise crops on, and justify such a price for land. In western Nebraska, you must remember, in the area of virgin lands which were formerly grazed, with the expansion of wheat, there, too, land doubled and trebled in value, insofar as the immediate sales were concerned.

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Another loss which has come to the better farmers in the [599–7] area was due to the fact that selling some of their own farm lands they reinvested in high-priced lands which added to the disaster when men who were unable to pay for those lands turned them back to the former owners.

Senator HATCH. A great deal of that buying and selling was on credit?

Mr. BROKAW. A great deal of it was, and some of it was [599–8] what we considered at the time a fair payment, a substantial payment, if you please.

The CHAIRMAN. What could you hope to produce to give a net income justifying the $300-an-acre price?

Mr. BROKAW. You ask me a question that is just a little hard to determine.

The CHAIRMAN. What did they produce on it?

Mr. BROKAW To use my own viewpoint, and with the [599–9] thing that I have learned to know will occur throughout that region, I would hestitate to pay such prices for land in the hope of raising any particular crop to pay for it, because we must recognize throughout that region that we are subject to droughts, insect pests, and other things, which does not give us the opportunity of looking forward to a fair return every year from the sale of grain crops, and so look to a more diversified agriculture, the thing that built up the State of Nebraska. I think the livestock industry, combined with the growing of crops which would carry livestock through these drought periods, would be a far better way of handling Nebraska lands.

During this period in which we stimulated wheat produc- [599–10] tion with the idea of winning the war, farmers were inclined to a type of agriculture which did not use lands, as we see it, to the best advantage. High prices for grain did away, to an extent, with the sound practice that we have already alluded to, of carrying over of some grain, and hay on our farms which had formerly been the custom. This led to a reduction in livestock, and the increased raising of grains to meet the taxes and interest and debts which had piled up during that period. It meant that the carrying over of these normal supplies of grain and hay was very hard for the farmer to do.

The third cause was occasioned by the drought which has [599–11] been more severe since 1930, but which had been so in a number of areas even during the period when there were generally good crops and high prices. The severity of these droughts, together with grasshopper and other insect pests, were responsible for much added suffering and disaster just when farmers were attempting to curtail operations and return to a more balanced system of farming.

The dust storms you have read about were also detrimental [599–12] to the growing of livestock and made it doubly difficult for the farmer to get back to a balanced type of agriculture which includes growing livestock on those farms. The drought made it impossible to get a reseeding of grasses on land that had been broken up. It seems to me that these four causes are the background of the main cause of farmers being unable to continue farming without help and is responsible for the load that has fallen upon governmental agencies in carrying them through this period.

Senator HATCH. Before you get to that, I wanted to ask about present conditions in Nebraska. You are getting back, in your agricultural life, to a more balanced system of agriculture.

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Mr. BROKAW. That I had summed up for the final phase [599–13] as it was presented to me. It seemed to me the thing we want to present after getting the picture presented by Nebraska and the other States that are similar to it.

In the period of 1935 to date, a total of 250,000 grant [599–14] payments in the amount of $4,662,000 have been made to farm families. February of 1938 has probably reached the peak for this winter when grants were made to 16,300 actual farm families, totalling $266,500. That is for a single month. It has been an accumulation of disastrous years that has been responsible for grants, and while we regret it very much, I will explain just briefly why it was necessary to do that. We have a far greater hope in the matter of standard loans which are backed by a program of work, which has been done by the resettlement and rehabilitation people. In our cooperation with them, we have been keenly interested in their work. They have practically 10,000 families within the State since July 1, 1935, who have had standard loans made to them, approximating about $8,000,000, and I think this is far better than grants.

The CHAIRMAN. How are they repaying the loans?

Mr. BROKAW. In a great many instances, where crops [599–15] were grown this last year, the repayments, they tell me, are quite satisfactory, and that is particularly true when good standard plans were set up with the loans.

You might be interested to know that owing to the fact [599–16] there is inadequate help to make the standard loans, it takes much more time, was the reason for dropping to the grant situation.

The CHAIRMAN. I don't get that, because it takes more time to make the loan, you give the fellow the money.

Mr BROKAW. It takes much more time to make the loans [599–17] under the plans which were used and which we feel were satisfactory, not that we are a party to it, but as we watch it—it is a matter of setting up for the man the assets that he has, both out on the farm and what they can hope to do for the coming year, and the making up of the necessary papers for filing the mortgages and planning crops that are necessary for repayment of the loan, and some follow-up work necessary to assist that man and in this we have cooperated.

The CHAIRMAN. You mean to say because of that more grants are given?

Mr. BROKAW. More grants have been given.

The CHAIRMAN. Much easier to give a man money than it is to lend it to him?

Mr. BROKAW. The situation that has developed there——

The CHAIRMAN. Well, I suppose the man has no serious objection to that either, has he?

Mr. BROKAW. Yes; they do have.

The CHAIRMAN. They have?

Mr. BROKAW. That is very true throughout our area, [599–18] and most of these cases, Senator, the man would object to grants.

The CHAIRMAN. Then why give them to him?

Mr. BROKAW. In the beginning of the disaster, a lot of the [599–19] marginal farmers passed out of the picture. The next group were the ones for whom standard loans were set up. Then came this period in which the expense and the time necessary for making these standard loans is too short, and, during these winter months, when

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the need was so great and the funds were inadequate, it became an excessive load on the rehabilitation group. This occasioned the grants, and those which are subsequently to be made are to be converted into standard loans.

Senator FRAZIER. These grants are just a meal ticket for subsistence, and the standard loan is something to help the farmer get on his own feet and own his own farm and his own land?

The CHAIRMAN. How much is the grant?

Mr. BROKAW. They will vary. It is just a subsistence, [599–19] I will say in many cases they are very low, in some cases $20 per month per family.

The CHAIRMAN. It is a subsistence grant then?

Mr. BROKAW. Yes; you see, these loans here, 16,300 loans [599–20] totaling $266,500, would be less than $20 a family that was given to them to help them through the winter.

The CHAIRMAN. I can see that if you do not give them that much money as a grant, they have no chance to secure funds with which to attempt to farm to make income, but it does look to me that it could be so that they ought to make some greater effort to make a loan to the man instead of giving him a grant.

Mr. BROKAW. The effort was made; the entire force, so far [599–21] as we can see, were busy making standard loans for all the money that they had available. All the money which was set up for standard loans within Nebraska was taken before this time.

The CHAIRMAN. All right.

Mr. BROKAW. It is something that I have nothing to do [599–22] with, but I question the grants, because I might say to you that I am interested primarily in seeing that they get standard loans. If I were to make a plea, I would say that they be made on that particular basis, because I believe it is sound, and I am sure that our farmers appreciate the standard loan more than they would the grant.

The CHAIRMAN. What is the effect of the grant to the farmer, then, if we go into it extensively out in your State—what effect would it have on the farmers' viewpoint?

Mr. BROKAW. Just frankly, my view of that would be that [599–23] most of our men would resent it, and it would not be for the best interests in a long-time program. It would be far better to have sufficient money and sufficient help to make the standard loans to them. Now, there are a few of these men who just needed an additional small amount to carry them over, but I will repeat again that they were slow to take the grants, and in many cases were driven to it before they would take them.

The CHAIRMAN. That is encouraging.

Mr. BROKAW. I think our situation is very good. Let me [599–24] illustrate another point. In the beginning we lost what we consider the marginal farmers—that is, those who first began to move out of the picture—and then came the next group, and they were taken care of with standard loans. The men who had always been the ones upon whom we could depend, meaning the substantial farmer, carried on, continued to invest his money in farming attempted to grow a crop each year. Then another failure comes along; and again, with the courage that only those men have, they put in another crop. They would fail again, and finally their resources were gone.

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I might give you an extreme case, but I would say I want [599–25] to do that off the record rather than on the record.

The CHAIRMAN. There is no "off the record" in this room. Anything you say here is on the record.

Mr. BROKAW. I see.

The CHAIRMAN. Go ahead.

Mr. BROKAW. Too many times some of those things are not taken in just exactly the right light.

Senator HATCH. But your own program has been limited by the funds available in the first place.

Mr BROKAW. It is limited by the funds available for [599–26] standard loans; it is limited by the personnel, because it is a slow, laborious process to meet the individuals and find out the assets that they have, the way they are set up for farming, what additional things they will need, the additional power and equipment, the amount of food the family will need during that period, and things of that nature that are necessary, and going into the homes to find out what the conditions and needs may be in some of those homes.

Senator HATCH. And during that period, while you are doing all that, many of these families have to eat?

Mr. BROKAW. Yes; and that answers the grant situation. [599–27] I hope that I have made that part of it clear.

There was another factor relative to that I wanted to use. [599–28] It has slipped my mind at this time, but it may come in later.

The extent to which we have gone down in livestock would [599–29] be rather startling in certain areas. If you take the total figures for the State you will feel that we are fairly high in livestock, but in the great sand-hills area, which has been in ranches and which, fortunately, was not broken during this period, they have been able to maintain a high number of beef cattle, but on the individual farms the number of livestock has been very low, and I might give you extreme cases in some areas that would show you the picture.

It has been particularly true of the one phase of our live- [599–30] stock that due to the lack of grain crops, the number of hogs grown on Nebraska farms is comparatively small. Ordinarily, we had been second in hog production. I believe we are down some places to ninth or tenth place at the present time.

To give you a picture in one of the counties I know very [599–31] well: In 1931, on April 1, when the assessor went around, there were 21,000-odd head of hogs, which meant mainly brood sows. On April 1, 1937, there were slightly over 3,000, a reduction down to one-seventh of their usual foundation stock.

The other interesting thing comes in the matter of the [599–32] feeding of livestock. I knew the time when that county was high in the feeding of livestock. It has gone down through the years, for the reasons I gave you. On April 1, 1931, there were over 3,000 head of beef cattle on feed in that county, which was a low figure for that county. On April 1, 1937, there were 15 head of beef cattle on feed. I am citing to you one of the most extreme cases.

Senator HATCH. Has there been a similar decline in dairy products, milk cows?

Mr. BROKAW. Yes; the situation in dairy products and in [599–33] cows, the first effect—I will give you the figures from the same county—was this: on April 1, 1931, there were 3,800 head of dairy

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cattle in that county. On April 1, 1934, there were 4,600-odd head. As crops began to go out we turned to dairy cattle. That is one thing; but as feed goes out, as you will see, on April 1, 1937, there were 3,400 head of dairy cows, which would be practically the last of the livestock to leave those farms.

Unfortunately, in a few of the worst counties, in an area [599–34] which, if you had asked me 20 years ago where the best section of that State was, I would have taken you to that area, though it is slightly rolling, the livestock has gone down almost as much, until on many of those farms, sir, there were no dairy cows. The number of head of poultry is very low. Our greatest calamity is the reduction of the number of farmers in those counties, in which there were not too many farmers already, after the departure of those who might not have fitted into the farm industry. We are losing what we would call the cream of our Nebraska farmers. The situation is like this: the man who first had trouble was the man who got the first standard loans, and in most cases they are making good where there are any crops at all, and that has been true in several areas during the past year; especially was that true in a part of the wheat section of southern Nebraska, and they have made quite fair payments; but the trouble now comes, as to that better farmer, who carried on, who still has a little equity in his livestock and his chattels; and so the man in many cases who sells now is the man who, if he has $1,000 worth of livestock or chattels, or what have you, and he could sell them for something like that at a farm sale, and his indebtedness is $700, he takes the balance and moves out. He is the man that we are not inclined to lose, and so we are particularly interested, and we are making a lot of studies with the idea of getting at those particular men to see what can be done to encourage them to stay.

The last thing I have to state to you, unless there are [599–35] questions you want to ask, is what should be the program. I think that is the one place where no one is particularly a prophet; there is this one thing of interest to many of us who have spent our entire lives within the State, and a greater portion of them on Nebraska farms—we believe in livestock. Livestock, a well-balanced system of handling livestock, is the thing that made not only Nebraska, but many of the other Western States. Livestock has been driven out of the picture, we have lost our pastures due to drought and disaster, and we produced grain crops at the expense of a balanced agriculture. We have reached the place where we have to make a return to livestock.

Now it is not an easy matter to return to livestock. The [599–36] first thing that we feel is necessary is the return of pasture and those supplemental crops that should go with it. We have a program that contemplates the return of pastures and the growth of supplementary feeds on which all of the agencies engaged in this matter of program planning have agreed and are now holding meetings throughout the State.

Senator FRAZIER. Did the drought have anything to do with your losing livestock?

Mr. BROKAW. Yes, sir; in a great measure, but, even [599–37] previous to that period, we had gone down too much in livestock, even before 1934, in my own estimation, but, of course, again, you are

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taking my statement as to what is good for the State, and none of us can be a prophet.

Senator HATCH. When you speak of livestock, you do not mean the large, commercial cattle ranches, but rather the distribution of livestock over the individual farms throughout the State. That is what you want?

Mr. BROKAW. Yes; that is what we are referring to, and [599–38] the more even distribution of the job of that particular farmer with the growing of some livestock, whether it be beef cattle or dairy cattle or hogs, or poultry, or sheep. It is possible within that area to grow certain crops that are more or less drought-resistant, and we know, even when crops fail to a certain extent, that corn put into trench silos, which are inexpensive, is another means of handling livestock throughout that area, when grain crops fail.

I could give you illustrations in plenty of men who were in [599–39] fairly good shape due to the fact that they had filled their trench silos prior to the 1934 disaster, and men who built their trench silos in 1935, when we did not produce so much corn, when we were producing a poor forage, put that into the silos and it carried them through. In many of the cases I could cite to you, the situation is such that the farmer has been unable to do this.

Senator MURRAY. The big livestock organizations of the country are not in accord with this policy that you suggest, with reference to bringing back the livestock to the small farms.

Mr. BROKAW. I wouldn't feel that the livestock that should [599–40] come back onto our ordinary farms in that State would meet very much with their disapproval because, first of all, the dairy cows supply the food for the families, which was the first essential and one of the things in which we have been short, and the second is that it does not supplement so greatly the matter of beef cattle on the market. Of course, with pork, it would be a return to Nebraska's normal pork production, and, of course, there is a problem. Also we need a return of poultry. In addition to the things that come along with drought, we have been faced with the insect problem which is always increasingly bad, especially grasshoppers. The livestock diseases which have made inroads is another thing that is rather puzzling in this matter of loans to farmers. Sleeping sickness in horses rather discouraged putting horses back onto farms. In many of these cases, the cost of putting horses on some of these farms, or an additional horse or two, to supplement the horsepower that they put in their crops, is one of the essential things.

I think in a way I have covered the situation as I see it, [599–42] and while I have no solution particularly, only this one of cooperation, I would cite you to the interest the farmers are taking in these pasture forage livestock programs that we are holding, and that is, that last week, on Monday, the attendance at one of those meetings in a county was 575 farmers in an area where they have about 1,300 farmers within a county. We have similar attendances in other places.

They are vitally interested in this program I have talked to [599–43] you about. It is a matter of seeing what can be done to get back what we are inclined to feel is a balanced livestock system on our farms. That seems to be the only thing that will alleviate the present situation.

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I would say that I heartily commend the things that have [599–44] been said to you relative to the matter of soil erosion and the part it will play in this balanced farming. It too figures in the picture, but I feel that others can give you that picture in a much better way than I can, and the cooperation of the agencies as best they knew in this common service to agriculture during this trying period has been gratifying.

(Witness excused.)

STATEMENT OF JOHN A. HASTINGS, NEW YORK

Senator HATCH. What is your business, Mr. Hastings?

Mr. HASTINGS. I am in the cotton-compress business.

Senator HATCH. You understand the nature of the resolution under which the committee is working?

Mr. HASTINGS. Yes , sir.

Senator HATCH. I understand you have a statement that you desire to make.

Mr. HASTINGS. Yes, sir; shall I read the statement?

Senator HATCH. Just as you desire.

In accepting this committee's invitation to appear before it [600–1] I did so in the conviction, shared by others, that I have a plan dealing with economic fundamentals which relates directly to the problem assigned to this committee for investigation and promises to provide the Nation with a permanent and an enduring prosperity.

I do not propose to trespass upon your valuable time by [600–2] pointing to the existence of a national depression, to economic recession or the widespread involuntary unemployment. The existence of these conditions are so notorious, that were this committee a court of law, it would take judicial notice thereof.

Involuntary unemployment, gentlemen, is an effect induced [600–3] by economic causes recognition of which has not been taken by the many economic plans which have been offered to cope with the economic disease.

We have witnessed, over the years, a futile tampering [600–4] with our money and credit systems in the hope that the processes of exchange might relieve the stress and strain to which the economic fabric has been subjected.

We have had a session with curtailed production and the [600–5] plowing up of foodstuffs in the belief that an economy of scarcity would result in the employment of labor in gainful occupations to produce replacements for that which was destroyed or abortioned.

We have tried national regimentation of industry through [600–6] codes, agreements, and contracts and before the full devastating effects of that experiment, however noble in purpose, could be felt, it met with judicial nullification.

We have engaged in public financing of private business, [600–7] in the national subsidization of local improvements, in the establishment of armies of voters on public pay rolls; we have engaged in vast programs of public improvements, some immediately desirable and others remotely necessary, all in the vain struggle and futile effort to stem the scourge of the depression.

No one, least of all I, finds fault with the objectives of those [600–8] who would relieve the sufferings of the oppressed, or feed the hungry

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and house the homeless; but calm and dispassionate analysis compels the conclusions that, as a Nation, we have been dealing in hypodermics instead of applying a remedy in an effort to cure the economic cancer which has developed within our body politic.

The fact of the matter, gentlemen, is, that in wrestling [600–9] with the problem of unemployment and its consequences, we have misdirected our diagnosis and misapplied our curative powers.

Every effort, however laudable, directed to the solution of [600–10] the subject matter of your inquiry has been directed to the means, methods, and volume of production. Now, the most casual student of our economy knows that in productive methods we have reached almost the epitome of perfection, that the mechanization of industry which has resulted in mass production symbolizes the highest achievement of man in technological processes. There's nothing wrong with production, gentlemen, that proper distribution will not cure. And this brings me to the essence of the recommendation I will submit for your consideration, a recommendation which bears the acid test of scrutiny, which has a record of a century of successful experience, and which, in the opinion of accredited scholars, is the answer to the enigma you have undertaken to solve.

Because the plan I am to discuss presently purposes to [600–11] bring to solution the housing, agricultural, and other industrial problems, thereby providing gainful private occupation for labor and a compensatory use of capital, it will not be amiss, at this time, to discuss some of the overlooked fundamentals, or first principles, of our economy.

EFFECT OF TRANSPORTATION COSTS ON INDUSTRY

The art by which the products of labor and thought, and [600–12] the persons who labor and think, are transferred from place to place, is, more than any other, essential to social advancement and economic security. Without it no other art can progress. Without it no great industrial system can exist. A people who do not possess it cannot be said to have emerged from barbarism. The truth of the matter is, that like in production methods, transportation, in its technology, has made vast advances and reached, at least in part, a high degree of perfection; yet, on the other hand, in the economics of transportation, it has not yet risen above the same state it was in when the Interstate Commerce Commission was created.

The geographical conditions of this Nation, the distribu- [600–13] tion of the people who inhabit it, and the exclusive appropriation of its natural productions destined for their use, to the various sections of which it consists, have imposed upon the people the necessity for the most efficient and, at the same time, the cheapest intercommunication and commerce. Commerce is nothing more than the interchange of the productions of industry between people and people. Such interchange presupposes the existence of the art of transportation at the most favorable terms and conditions to make profitable, and thus possible, such interchange. In proportion to the perfection of this art, technical as well as economic, will be the extent of commerce—the yardstick for the state of our national economy.

A people incapable of communicating with others at a cost [600–14] which creates no burden must subsist upon the productions of its own and its own soil. But nature, as well as our own inventive genius,

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has given us desires after the productions of other soils, other climates and of other industries. Besides this, the productions of each particular soil and of industries in the various sections are obtainable in superfluity. The people of Texas, for instance, have an over-abundance of the finest and most delectable citrus fruits, the people of Kalamazoo, Mich., on the other hand, produce on their mulch soil celery in fabulous quantities, the factories of Massachusetts turn out more shoes than their factory hands could ever hope to use, while each State, each section, of the country is capable of producing some or many products in quantities sufficiently great to satisfy the needs and wants of every person entitled to enjoy the same. Each of these various people is able and willing and anxious to supply the others with those productions in which they themselves abound, and to receive in exchange those of which they stand in need, and which abound elsewhere. And if Massachusetts today is not producing shoes, and New York is not manufacturing clothes, and the labor of Detroit is not producing cars, and the manpower of the various and divers communities are not engaged in building homes and stores and churches and schools, it is not because there is no need for these things and commodities, but because they cannot be reached by people within a communication or transportation cost which induces the interchange. But to accomplish this interchange, means of transport must be provided at a cost and upon terms which places every community upon a parity with every other in the land, and discriminates against none by reason of location, and permits the freest circulation of man and his produce between and among the various places and sections of the country.

Among the advantages which attend improved and low cost [**600–15**] means of transportation, one of the most prominent is that of lowering the price of all commodities in the markets of consumption, and thereby stimulating production. Every improvement in the art, and every advance in the economics of transportation has a tendency to diminish cost, and augment speed and safety, operates in a variety of ways to stimulate consumption and production, and thereby advances national wealth and insures national prosperity. When the price of a commodity in the market of consumption is reduced by, or is the result of, reduced transportation costs, the demand for it is increased: First, by enabling former consumers to use it more freely and in larger quantities and, second, by placing it within the reach of other classes of consumers who were before compelled to abstain from it by its cost. The increase of consumption from this cause is generally in a larger ratio than the diminution of price. The number of consumers able and willing to pay, for instance, $1 for a proposed article is much more than twice the number who are able and willing to pay $2 for the same article.

But consumption is also augmented in another way by this [**600–16**] diminution of price, brought about by reduced transportation costs. The savings effected by consumers who, before the reduction, purchased at the higher price, will now be appropriated to the purchase of other commodities, and thus other branches of industry and commerce are stimulated.

The benefits of cheap transportation which would accrue to [**600–17**] farmers and landlords, as well as to the inhabitants of the cities and towns, by enabling inexpensive carriage from place to place, connect-

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ing them with those places from which supplies of food and other necessaries are obtained, are manifold. The factitious value which land immediately surrounding the metropolis and large towns acquire from the proximity of the markets is modified, and a portion of their advantages transferred to the more remote districts; thus equalizing the value of rural properties and rendering them, in a great measure, independent of local circumstances. The profits of the farmer and the rent of the landlord, as well as the net earnings of corporate producers and manufacturers, are augmented by the reduced cost of transport, while the price paid by the consumer is diminished; the advantages of centralization are realized without incurring the inconvenience of crowding together masses of people within small spaces, and the whole country is brought to a condition, and made to share the opportunities which are now afforded only by the largest cities. Decentralization then is no longer a problem, as decentralization will be accomplished by its own momentum once people can live a distance from their places of labor within an equal cost radius.

I have been discussing, for the most part, the effect of trans- [600–18]
portation costs upon industry. It will be appreciated, I am sure, that the most I can do within the limited time at my disposal and within the patience of the members of this committee is merely to give the subject the most superficial treatment.

In the field of passenger transportation the matter of cost [600–19]
is no less important and its effects no less all embracing.

MOBILITY OF LABOR

For instance, the demand for labor in the various parts of [600–20]
the country in normal conditions varies from time to time, sometimes exceeding and sometimes falling short of the supply. Today labor conditions are appalling all over the Nation. No section is immune from the problem of enforced unemployment. All are suffering from the effects of the same ailment. Reduction and equalization in the cost of passenger transportation will render traveling cheap and easy, bring it within the means of the thrifty and industrious, and enable labor to shift its place and seek those markets in which the demand for labor is at its greatest. So the places where the supply of labor is in excess will be relieved and those where a demand prevails will be supplied. But this is only one of the more important results of reduced and postalized passenger rates with many more which remain yet to be discussed. The mobility of people from place to place makes necessary provisions for their housing, as well as supplies for their sustenance and accommodations for their educational, recreational, spiritual, and communal requirements. If no other effect were to be produced by the intensified mobility or travel of the populace this effect in itself would justify the postalization of the passenger rate. The enhanced building programs which would follow would solve at one and the same time not only the housing problem in the communities wherein new dwellings were erected but also in the other communities in which congestion would be relieved by the migration of the residents.

Gentlemen, I could go on indefinitely reciting the influ- [600–21]
ences and benefits of cheap transportation, but let me stop here, to offer to you the plan to which I have given so many years of study, a

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plan, which has been submitted to and been studied by, not only many members of your own legislative halls, but by the Interstate Commerce Commission, railroad presidents and operators, economists and others, and been endorsed by all except those whose reasoning has been blighted by tradition.

UNIFORM RAIL CARRIER RATES

My plan, gentlemen, is to postalize rail transportation [600–22] rates and charges—that is to abolish distance as a rate-making factor and to apply to transportation by rail the same principle of uniform rates which has been so successfully used in the conduct and operation of the first class mail service.

Stated concretely, I propose that all rail carriers of pas- [600–23] sengers and freight should be required, either by order of the Interstate Commerce Commission, or by law, to convey to and from all points, stations, posts, and ports, within the confines of their respective systems, passengers, and like products, wares and merchandise of like size, bulk and weight, length or measure, for a uniform fare or rate, regardless of the location from, or distance over, such passenger or freight is transported; provided, however, that in the case of passenger transportation, where certain termini and intermediate points are competitively served by one through system and by multiple systems, as between Chicago and the Pacific coast, the roads should be authorized to charge and collect, for through transportation for one continuous ride between such termini and points, a fare which shall be equal to the aggregate postalized fares if such transportation were had via the multiple systems. Let me state here, most emphatically, that charges for services incidental to transportation, such as preferential seating or sleeping accommodations, meals, and other facilities are not involved in this discussion, save only, that they should be as fair and reasonable as possible.

The Post Office has taught us by its successful experience [600–24] in the operation of its first-class mail, of the social value, economic importance and financial value of the low, uniform and distanceless postage rates. It has brought every part of the country within equal postage cost for a first-class letter with every other part, except in the case where a letter is to be delivered within the postal district wherein it is mailed. It has encouraged the use of the mails. It has unified the Nation, promoted culture, increased learning, disseminated news, spread knowledge, rendered an inestimably valuable public service and consistently earned for the postal system tremendous financial returns annually. At this point, may I call attention to the fact that the only branches of the Postal Service which do not enjoy revenues in excess of apportioned costs are those in which the rates are relatively high and classified according to distance, and the second-class mail in which preferential rates are granted.

The urban transportation systems in most cities have [600–25] proved by generations of experience the social desirability and financial success of emulating the first-class mail rate by charging a fare, low in price and uniform regardless of distance within the confines of their respective operations. The metropolitan transit systems of New York and Chicago, Boston and Philadelphia have operated millions of car-miles and carried billions of passengers on a low, postalized, rate of fare and made money.

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Skyscrapers in our cities have proved that by making their [600–26] higher floors equally as accessible as their lower ones by means of perpendicular transportation operated free to all heights, occupants for their higher stories were readily to be had. Visualize, gentlemen, what would happen to upper floors of tall buildings if a charge were exacted on building elevators in accordance with the number of floors traveled. What would happen in such case is exactly what is happening in connection with our outlying communities, so long as it costs more to reach them than some nearer point.

When it is appreciated that transportation facilities and [600–27] transportation costs are the sole determinants in the location of homes for most people, in fact for the greater part of the population, it will be understood that the problems affecting the railroads, housing, and unemployment are so inextricably interwoven each with the other that the solution of one is, obviously, the solution of all; and that that economy which provides the answer to these problems provides it for the distress to which the Nation is now, and will continue to be, affected until they are permanently solved.

HOUSING AND UNIFORM RAIL CARRIER RATES

The housing problem comprehends the clearing of slums, [600–28] the disintegration of overpopulated centers, the spread and distribution of population, and the consequent building of low-cost housing in countrified or suburban sections for the accommodation of those who are to be encouraged to acquire better and more wholesome dwelling accommodations. It must be patent to any student of economics and sociology that in order to induce people to change location of abode, to settle their homes and families in new communities, and to accept habitation in suburban sections, the cost of transportation to and from such places is a factor of controlling and decisive importance. The cost of transit must be of such a standard as not to absorb the beneficial differential, if any, in the cost of the new home. Wage earners cannot and should not be induced to reside such distances from their places of business or employment that the cost and time incurred in their daily transportation will offset the other benefits which they might enjoy. With the establishment of new communities, made possible by the postalization of rail fare, will commence the construction of stores and mercantile establishments, the establishment of schools, churches, libraries, public-utility accommodations, public buildings, and make necessary their maintenance and operation, all of which will result in the direct and indirect employment of labor, clerical and professional help, and tend to reduce the vast army of the unemployed now being supported by public relief or private charity. Not only will the building industry, which is a basic one, be completely rehabilitated, but the common carriers serving those very communities will begin to enjoy a volume of traffic by reason of the ability of the unemployed to purchase and consume their services. The demands made upon the rail carriers by reason of such increased traffic will compel the expansion of service, the acquisition of new equipment, the employment of labor in that connection and the expenditure of capital therefor and set in motion once again the heavy-goods industries, upon whose prosperity so much of the national prosperity depends.

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The importance of the railroads to national prosperity is [600–29] not a new discovery. The Interstate Commerce Commission in its Report on Motor Bus and Motor Truck Operation, reported in 140 I. C. C. 685, recognized that—

> The economic structure of the United States progresses almost directly in relation to the development and efficient functioning of its transportation facilities.

And in the same matter observed that—

> The era of railroad expansion marked the beginnings of great industrialization. Industrial centers were linked together and distribution throughout vast areas of the country was made possible. Without such a transportation system the present industrial development could not have been attained.

The problem of the railroads is essentially one of insuffi- [600–30] cient revenues; not inadequate rates or charges. However great may be the unit rate or charge, in and of itself alone, it means nothing. It is only by the multiplication of the unit rate or charge, by the aggregate of the individual revenues, that revenues in paying amounts can be realized, and so long as the railroads persist in predicating fares and charges upon a distance yardstick, just so long will passengers and commodities find their means of transportation through cheaper transports. The rail carriers cannot hope for financial rehabilitation and they will never find their economic balance so long as they seek higher charges upon a distance base, for, strange as it may seem at first blush, distance is not a calculable factor in rate making and this will be proved before the session is over.

The rail rates for passengers and freight should be high [600–31] enough so as to produce, in the aggregate, a profit to the carriers, and low enough to induce the greatest volume use of the facilities. They should be uniform and distanceless in order to banish distance costs, to eliminate the discrimination which is now created by location, and postalized in order to make all parts and sections of the country accessible at equal and uniform cost.

The effects of the high and low standards of fares and [600–32] charges, imposed by railroads, is fully known to and understood by the Interstate Commerce Commission; a fact which makes their decision of yesterday in Ex Parte 123 incomprehensible and worthy of investigation.

In the 1933 annual report of the Commission, on page 31, [600–33] the Commission, reporting to the Congress, said:

> In the application to the Commission for a 6 months' extension of this experiment (in reduced fares) it was definitely stated that the reduction had apparently accomplished one purpose—the stoppage of the continuous decline in passenger revenue that had been going on * * *

and that

> The results that have come to our attention apparently indicate a substantial increase in both the number of passengers carried and in the gross revenue therefrom.

In the Commission's 1936 Annual Report to Congress, it [600–34] stated on page 13, that

> The traffic and revenue results from the reduced fares thus far have been gratifying. During the first 3 months, June to August, inclusive, under the reduced fares in the eastern district the percentage increase over the same period of 1935 has been 31.8 in number of passengers carried, 16.2 in gross passenger revenue, and 37.6 in passenger miles.

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In its opinion in Docket 26550, the Interstate Commerce [600–35] Commission made the following pertinent observation:

> The modest success achieved by the railroads in partly stemming the decline in passenger traffic and revenue by improved service and facilities, together with favorable results from experiments with reduced fares in the Southern and Western districts, is convincing that the principal remaining remedy for the passenger difficulties of the railroads is a reduction in fares.

This conclusion of the Commission was supported by [600–36] the opinion of Standard Statistics Corporation, universally recognized as the statistical research organization for financial interests. In its Railway Economic Review of April 18, 1936, it reported to its clientele as follows:

> Contributory to this uptrend are widespread betterments in equipment and services, more extensive advertising, and above all, rate reductions.

That there is no foundation in fact for the use of distance [600–37] as a measurement of rates is conceded by almost every recognized authority on the subject of railroad transportation. The logic of this contention becomes at once evident upon the most meager analysis. Once the transportation system is established it is a machine, the operation of which cannot and may not be interrupted. It must go on. Whether its car or train travel from the initial terminus to its ultimate terminus full or empty, or only partly utilized, the cost of operation is identical. The overhead and fixed charges remain the same. They are not divisible into car or train miles. No more engine men or other operating labor are required whether the cargo of freight or passengers are carried the full distance of the journey or only for part of the route. Stationmen, flagmen, and switchmen are required, independent of the volume of traffic or the distance it is hauled. Way maintenance, supervision, and repair are imperative without having any appreciable relation to the traffic which passes over the system. Surely the administration budget is not controlled by the distance the transportation facilities run over an established system.

In relation to freight, every item offered for carriage [600–38] requires at least one pick-up at point of shipment and one set-down at destination, regardless of whether it is consigned from New York to Newark or from Boston to Washington. The pick-up and set-down cost is the same. The space it occupies in the depot awaiting transportation is also unchanged by the distance of its haul. The space it occupies in the freight car is little affected by the distance it travels. The clerical work or checking and billing is the same regardless of the mileage it covers. The items of taxes, interest, depreciation, obsolesence, replacements and other fixed and carrying charges bear no ascertainable relation to the range of miles the transport carries its cargo. All of these items, like all items of cost in the Post Office System, must be and are applied to the System as a whole.

Fifty years ago, in its first annual report, the Interstate [600–39] Commerce Commission remarked on page 36 of that document, that—

> The question of the reasonableness of rates involves so many considerations and is affected by so many circumstances and conditions which may at first blush seem foreign, that it is quite impossible to deal with it on purely mathematical principles, *or on any principles whatever*, without a consciousness that no conclusion which may be reached can by demonstration be shown to be absolutely correct.

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The sum and substance of the railroad rate problem is this [600–40] and nothing more: The railroads need, and the country wants the railroads to enjoy, a rate of maximum return. That maximum return can be achieved only by the lowest-unit fare which shall be uniform as to distance within the scope of each railroad system. The importance of this subject is so great in the matter of the distribution of population, wealth, and industries, and in the employment of the labor of the land, that it is safe to say that the very plasticity of society is equal to the efficiency and economy of its transportation system.

My plan is not purely a railroad rate plan. It is a plan for [600–41] the rehabilitation of the national economy through ahe resuscitation of the railroads, which are the Nation's economic spinal column. It is a plan which, if adopted, and adopted on the experimental basis referred to in my printed plan, will meet and solve, at one and the same time, the housing, unemployment, and railroads problems, without affecting in the slightest the private ownership, control, and operation of the railroad system, without violence to the American constitutional order, without danger of judicial assassination, and wholly in keeping with the competitive, capitalistic American system of economy.

Recapitulating my observations, it seems to me that the [600–42] ultimate essentials in the solution of your allotted problems, becomes then:

1. The mobility or movement of labor from markets which it gluts to markets where it is or should be in demand;

2. The stimulation of the building industry by demands for new or better accommodations, thus creating a demand for labor;

3. Increasing the purchasing power of wages and income by decreasing the cost of commodities, thereby creating a need for intensified or renewed production of commodities, thus creating an additional demand for labor;

4. Increasing the markets for the consumption of railroad services by decreasing the price thereof by the elimination of distance, thus expanding and extending service and requiring new facilities, necessitating the employment of more labor in transportation and in the industries supported by the rail transportation business.

All of these means to the desired end are within the power [600–43] of an administration which can be made to realize that while the art of production has attained a satisfactory degree of perfection, the distribution or transportation of labor and produce must be postalized in order to achieve a comparable degree of perfection.

Senator MURRAY. Mr. Hastings, has this proposal ever been presented to and considered by the Interstate Commerce Commission?

Mr. HASTINGS. The proposal was submitted to the Interstate [601] Commerce Commission some 3 years ago, but no report was ever made, other than a report which Commissioner Eastman made in writing to Senator Wheeler and, I understand, to the President.

Senator MURRAY. Have they made a very careful study of it?

Mr. HASTINGS. Mr. Eastman was then Federal Coordinator of [602] Transportation, and I understand he made a very exhaustive study of it and in a way recommended its experimental trial.

Senator MURRAY. Has the plan ever been considered in any other countries, introduced in any other countries?

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Mr. HASTINGS. Well, the plan is practiced here in this country [603] in every big city. You take in every big city, for instance, where the cost is as high as $10,000,000 a mile to build subways, you have a uniform 5-cent fare. The total cost in New York of your subway construction is approximately $2,000,000,000, but that has created $15,000,000,000 worth of taxable real estate, to say nothing of the billions of dollars worth of industry carried on within those routes, and I suggest that we carry that on to a suburban area, and charge a 15-cent fare, and if we had a postalized suburban rate, every conceivable line of activity would be stimulated, more money would be spent, and the wheels of industry set in feverish activity.

Senator MURRAY. It would have a great decentralized effect, would it not, and would meet with considerable opposition, your plan would, on the part of big industrial centers of the country?

Mr. HASTINGS. Why, Senator, I don't think so, for this [604] reason: There is no substitute for experience. We have had 100 years of experience with the operation of this principle. Take New York City, when it was first suggested that they extend the uniform rate of fare to the outlying sections of New York City, the big real-estate operators opposed it on the ground that their property values in Manhattan would be affected, but after 30 years' experience, property in Manhattan is worth more today than it ever was, and the same thing would happen in a larger area where the same principles are practiced.

Senator MURRAY. Under such system the farmers of the most remote sections of the country would be on an equal footing with the farmers close to the metropolitan centers?

Mr. HASTINGS. Precisely. They would be given an equal [605] economic opportunity which, under the American system of things, is what they ought to have, It would not give them any advantage, nor would it give the man nearer to the market any advantage.

Senator MURRAY. Such a plan would make it necessary for greatly expanding the railroad systems instead of contracting them; would it not?

Mr. HASTINGS. Most assuredly it would. [606]

Senator MURRAY. They are now studying the proposal of trying to eliminate some of the roads.

Mr. HASTINGS. Yes, and they will dig us deeper into a [607] depression if they do it, from which we will not be able to extricate ourselves.

Senator MURRAY. Well, it is very interesting to me, and I certainly appreciate hearing your statement.

Do you have any other suggestions to offer?

Mr. HASTINGS. No, I do not, Senator. I will be very glad to leave the printed copies of my plan with the committee and send them as many more copies as they like.

Senator MURRAY. We will be very glad to have them.

Senator HATCH. Thank you, Mr. Hastings.

The question of freight rates is one of particular interest, I think, to the three members of the committee who are present this morning, because we all live in sections of the country far removed from the industrial centers, and we know something about what that means.

(Witness excused,)

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Mr. HASTINGS. Senator Hatch, Mr. Ward is here, and he has a brief statement he could make now.

Senator MURRAY. Mr. Ward, if you were given the chair, how long would it take you to make your statement?

Senator HATCH. Mr. Ward, as I know him of old, has a great many views on a lot of things, and it is not a question of how long he will take.

Mr. WARD. I will take only 15 minutes.

Senator HATCH. All right, go ahead.

LOUIS B. WARD, FISHER BUILDING, DETROIT, MICH.

Mr. WARD. Gentlemen of the committee, I appear, repre- [608–1] senting no one but myself, and I appear because I am extremely interested in this committee's work in understanding the facts that led to the present so-called recession.

The point of view that I want to take is that there are 5 [608–2] dominant powers granted to the Congress of the United States out of the 17 powers under the Constitution.

CONSTITUTIONAL POWERS OF CONGRESS (a) TAX POWER

The first of these powers, of course, is the power to tax, and [608–3] since the depression of 1929, that power has certainly been used by Congress to the fullest extent possible. I commend, however, to the attention of the committee, even an additional use of the taxing power, particularly as it affects $60,000,000,000 of wealth untaxed normally today. I refer, of course, to the tax-exempt bond, which diverts the invested potential funds of American away from productive industry, and into the nonproductive channels of debt, and I petition the committee to urge the Congress of the United States to remove the tax-exempt feature, first of all, upon the Federal bond; and, secondly, to inititate the process of constitutional amendment that will permit the taxation of the State, municipalities, and other subdivisions that are piling up debt upon the people. Those evidences of debt are a portion of our national wealth largely exempt from taxation.

With this procedure, we release the pressure on industry [608–4] and permit it to escape the undue burden of taxation, and release the pressure upon the poor who are overtaxed by means of sales, excise, and other new methods.

(b) BORROWING POWER

The second power of Congress is the power to borrow money. [608–5] I do not believe that we can do any better thing in America than recognize the sovereign power the state always had—the money power. Instead of borrowing on interest-bearing bonds, at least part of the tremendous Government expenditures should be met not by inflation but by the judicious use of the fifth power of Congress, the money power, and issue the non-interest-bearing legal-tender notes that Lincoln used to know about.

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(c) REGULATION OF INTERSTATE COMMERCE

The third power of Congress is the power to regulare com- [608–6]
merce among the States, and I want to here and now endorse, after 2 years of intensive study, the testimony of Senator John A. Hastings, of New York, and the plan to postalize transportation and to give this Nation a parity as respects communities.

One who knows the map of the United States knows that [608–7]
the people are concentrated north of the Ohio and east of the Mississippi, where the natural resources of the country are distributed—lumber now in the Northwest, the great cotton crops in the South, the wheat in the Middle West, the minerals in the far West, and to place upon a parity the great industrial and agricultural communities of America by removing the tremendous tax that transportation bears when it is predicated upon a ridiculous mileage system.

I commend the testimony of Senator John A. Hastings, [608–8]
after 2 years of intensive study, as the most practical, simple, constructive plan I believe offered to the Congress.

(d) BANKRUPTCY POWER

The fourth power of Congress is a negative power, the bank- [608–9]
ruptcy power, which has been used to the extent that we have a general Bankruptcy Act, the act of '98, followed by the Railroad Bankruptcy Act, by the Corporate Bankruptcy Act, by the Municipal Bankruptcy Act, and by the proposed Frazier-Lemke legislation, the Farm Bankruptcy Act. I think that power needs additional study, the longer we remain in depression or recession; because our problem fundamentally has come to be a debt problem, a problem of unpayable debts, because the legislator still does not recognize the mathematics of interest, which mathematics proves that debt grows faster than the productive capacity of the United States.

Give George Washington a nation worth zero in 1777. [608–10]
That is tough on the poor farmers, but give him zero for national wealth. One hundred and sixty years have passed. This Nation today is now evaluated at $320,000,000,000, which is $2,000,000,000 a year, as the whole productivity of the Nation. Our national interest rate on the public debt of the Nation alone approximates today a billion dollars a year. Our State and municipal debt approximates a second billion a year, and parasitical interest is higher than the productive capacity of this Nation. In addition, is private debt, which becomes unpayable. Take the railroads, for example, $27,000,000,000 of assets earned in 1936, one-half of 1 percent. They are on their way, unless the Hastings plan is accepted, to governmental ownership; $6,000,000,000 of their assets are now administered by the Federal courts; $5,600,000,000 additional in assets belong to roads that have working capital deficits and are on the way to the Federal courts this year, 1938. A year from today this Congress will look at a picture of $11,000,000,000 worth of rail assets entering the jurisdiction of the Federal Government, not through Congress, the legislative end, but through the back door of the courts. The twelfth hour of capitalism is here, when $27,000,000,000 fails to earn any carrying charge worthy of mention, and a 50-year-old Commission, the Interstate Commerce Commission, reverses its best thought and philosophy yesterday and hands down a decision increasing freight

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rates, when it has committed itself to the thought that an increase in rate means decrease in revenue.

(e) MONEY POWER

Now, gentlemen, the fifth power is the money power. [608–11] There is a United States Senator with a money bill introduced again this year, but I challenge anyone to show where the Congress of the United States in 75 Congresses has interested itself in giving this Nation a medium of exchange fitted to the monetary needs of the Nation. From the day of Washington to the day of Roosevelt we have kept the volume of money small and the volume of credit fluctuating.

I come from Detroit, where the first Government-insti- [608–12] tuted bank was established in 1933. I have just completed a 6,000-mile trip looking at many a bank statement. If the gentlemen of the committee will look at the statement of one of the finest banks ever established, what will they find? And I am speaking of the National Bank of Detroit, established by Secretary Woodin of this administration. They will find cash on hand and in banks; second, United States Government bonds as assets; third, State and municipal bonds as assets; fourth, buildings owned by the bank as an asset; and if the Comptroller of the Currency was called upon today to furnish a consolidated statement of the national banks reporting to him and the Federal Deposit Insurance Corporation was called upon today to furnish the consolidated statement of the banks reporting to them, they would find that 70 percent of the assets of the banks in this country are tied up in nonproductive loans.

In my portfolio there is a small business in Detroit, has [608–13] orders from General Motors, orders from the War Department, has no capital to produce it, and in the best banking institution of Detroit, there is no money for productive industry and millions for tax-exempt bonds. So, in the conclusion of the fifteenth minute, I ask that the 5 great powers of Congress, out of the 17, be restudied in the light of the depression, or recession, that (1) the tax burden be shifted to the hide-out wealth of the tax-exempt bonds; that money, if borrowed, be borrowed on bonds which are taxable; that the interstate commerce clause be reinterpreted in the light of the magnificent study of transportation by the Honorable John Hastings; that the bankruptcy power be extended to the farmer and the home owner; and that the fifth and greatest power of Congress, the money power, be restudied in the light of the economic necessities of the Nation rather than in the light of prejudices respecting German marks, French assignats, revolutionary currency, greenbacks, and other hobgoblins of silly, selfish, banking minds.

Thank you.

(Witness excused.)

Senator HATCH. The committee will adjourn until 10 o'clock tomorrow morning.

(Thereupon, at 12:15 p. m., an adjournment was taken until 10 a. m., March 10, 1938.)

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UNEMPLOYMENT AND RELIEF

THURSDAY, MARCH 10, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Murray, Davis and Clark; also Alan Johnstone, counsel for the committee.

STATEMENT OF M. L. WILSON, UNDER SECRETARY OF AGRICULTURE

The CHAIRMAN. Mr. Wilson, you are Under Secretary of Agriculture?

Mr. WILSON Yes.

The CHAIRMAN. I know you have devoted some thought to the problem of farm youth. The committee has been hearing a number of witnesses who discussed the effect of the depression and recession, both, upon the young man on the farm.

Senator DAVIS. What is the difference between a depression and a recession?

The CHAIRMAN. One occurs when your party is in control; the other when mine is in control.

Senator DAVIS. All right, score 1 for the gentleman from South Carolina.

The CHAIRMAN. Mr. Wilson, we will be glad to have you give us your views on the subject of farm youth.

Mr. WILSON. I have a very brief statement that I should like [609–1] to read, if I may, as a starter, in which I have attempted to outline briefly a few facts about the situation with reference to farm youth, a little about the causes, and a little about what is being done about it, and I should like to make a statement before the committee on the latter point about the possible relation of rural industrial communities to the cityward migration of rural youth.

FARM YOUTH

In 1935 there were on American farms 6,874,000 young [609–2] people between the ages of 15 and 25. In this age group the number of farm youth increased 1,017,000 between 1930 and 1935. By 1940, assuming no migration to or from farms, there will be 7,176,000 of these farm youths. This would be an increase of 1,319,000 in the decade 1930 to 1940.

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In addition to the farm youth, there were in 1935 approxi- [609–3]
mately 4,200,000 rural nonfarm young people between the ages of 15 and 25.

We think about farm youth as cataloged by the census. We [609–4]
have to think about those that live on farms and live in villages under 2,500 population in the country. These people live mostly in small towns and villages, where poverty during the depression has probably been more intense than on the farm or in the big urban centers.

Of the total farm population, 21.6 percent consists of youth [609–5]
from 15 to 25 years of age, whereas only 17.1 percent of the total nonfarm population is in this age group. More youth on the farms than in the industrial areas, as you will see.

A considerable percentage of the farm population consists [609–6]
of youth in the low income and poor land areas of the Nation. For instance, in 1929 there were approximately 2,000,000 boys and girls between 15 and 25 years of age on farms which yielded less than $600 gross income for that year.

In February 1935 there were approximately 1,500,000 farm [609–7]
youth between 15 and 25 years of age who were in farm-relief households.

Now, the essence of that, to me, is that the rural and village [609–8]
areas produced more young people than the city areas. The city-ward migration has been somewhat stopped during the depression, and I rather think, personally, that the industrial opportunities in the cities will probably not be as good in the future as they have been in the past, and that probably this normal flow that has been going on for generations from the farms to industries in the cities, will not keep up as it has in the past, all of which has a tendency to dam up these young people on the farms and in the villages; and, third, that there is a larger percentage of these in the areas of low income, eroded lands, and poor natural resources, than there is in the good areas.

Now, second, something about the causes.

CAUSES OF DISTRESS AMONG RURAL YOUTH

Included in the conditions which have given rise to distress [609–9]
among rural youth are both short-time and long-time factors.

Of the short-time factors most outstanding is, of course, the [609–10]
depression itself. In 1932, farm income dropped to such low levels that hundreds of thousands of farm youth, together with other members of farm families, were thrown into jeopardy and had doors of opportunity closed to them which would have been open under normal circumstances and which should be opened again.

Because the depression was Nation-wide, urban oppor- [609–11]
tunities for youth were also closed, and migration from farms to cities almost ceased. In fact, the direction of migration was reversed, and for the first time in recent history, more people were returning from cities to farms than were going from farms to cities. This population was piled up on the land, creating an exceptionally severe competition among rural youth who were attempting to get started in farming.

A third short-time factor in the present difficulty of farm [609–12]
youth was repeated drought, which covered wide areas of the Great Plains and even penetrated sections of the Corn Belt. In the face of

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drought, farm youths just starting in farming not only failed to make headway but also many of them lost their initial investments. Others who had expected to start farming in the drought area saw no opportunity and were compelled to migrate to other sections of the country in search of work. Many of them found no opportunities other than transient labor.

A fourth factor which increased distress in a number of [609–13] areas was the closing down of a great many mines and lumber camps and those people who had been making a living in these enterprises attempted to turn to agriculture. In these areas, therefore, there have been in agriculture a good many farm youths who not only found little opportunity in agriculture, but who also had comparatively little prospect of success because of their lack of knowledge of agriculture.

More important than the short-time factors are certain [609–14] things which I would like to list as long-time causes of the difficulties in which farm youths find themselves. First among these is the fact that we no longer have a geographic frontier to which the youth of the Nation can flow and find opportunity in farming as was possible during the homestead and pioneering period. The second outstanding long-time cause is low farm income. It should be pointed out that the data given regarding the 1,700,000 farms mentioned above that had less than $600 gross farm income were data for 1929, and that the period in which the families received this income was a period before the depression.

A third basic long-time cause of the difficulty is the deple- [609–15] tion of agriculture's natural resources. The extent of the poor land areas of the Nation has been gradually increasing for a long while, with the result that areas which a generation ago offered opportunities for farm youth are now so devastated by erosion that successful farming in them is impossible.

Accompanying the depletion of soil fertility is the depletion [609–16] of supplementary natural resources. In many areas of the Nation lumbering and mining at one time offered outside income to thousands of farm families. Now that these natural resources have diminished, and in some cases have been exhausted, thousands of farm families are left stranded in these agricultural areas without any source of income except that which they can derive from small farms, very often on poor land.

Also, I should probably call attention to the influence of [609–17] mechanization which, as it is progressively applied to agriculture, lessens the need for human labor in agriculture. In some sections of the country the application of power has gone so far as to create nothing more than seasonal employment for two or three hundred thousand farm families. The youth of these families have little outlook for the future.

As a sixth long-time cause, I should probably name the [609–18] increase in farm tenancy. There were more than 2,800,000 tenant families in the United States in 1935. In these families are about 6,000,000 farm children.

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RURAL YOUTH PROBLEM AGENCIES

A number of agencies and programs have wrestled with [609–19] farm youth problems, namely:

1. The whole program of agricultural adjustment attempts to improve the agricultural situation. It undoubtedly has had its effect on the lives of thousands of farm youth. Nevertheless, the boys and girls in the farm tenant and farm laborer classes on the low income and the noncommercial farms have probably not participated equally with those of the more commercial and higher income farm families.

2. The Agricultural Extension Service and the Agricultural Vocational Education Service have been bending their efforts to assist distressed farm youth.

3. A number of new Federal programs have rendered outstanding service—Civilian Conservation Corps, National Youth Administration, Farm Security Administration, and Works Progress Administration.

While the programs under way are all good, it is ap- [609–20] parent that more serious thought and planning must be given to the problems confronting the millions of young people born on American farms, many of whom today are in actual distress and of whom many more do not see clearly any promising opportunities for the future.

Vocational education and the Agricultural Extension [609–21] Service are doing exceptionally fine work, but the work of both of these agencies needs to be greatly expanded if they are to render maximum service to farm youth. Some of the boys and girls now on the farm will migrate to urban centers. While still on the farm and while in rural schools, these young folks will need training which will fit them for successful entry into other than farming occupations. The vast majority of them, however, will probably desire to remain in agriculture. These two great Government agencies, the Vocational Education Service and the Agricultural Extension Service, must be implemented so as to wrestle vigorously and constructively with the problems which confront these farm young people.

The Rural Rehabilitation and Tenant Purchase programs [609–22] of the Farm Security Administration have great contributions to make to farm youth. Small loans accompanied by skillful supervision can help tens of thousands of youthful farmers to get a start toward success in agriculture. Probably the finest prospects for the Tenant Purchase program are young married couples who were born and reared on farms and whose highest aspirations are to live and work and succeed in agriculture.

Since the great mass of farm youth are to be found in the [609–23] poor-land and low-income areas of the Nation, and since, as in the past, it is from these areas that the greatest number of farm youth will migrate, it would seem to me that some guidance to this migration is highly desirable. By furnishing such guidance, these migrating young people could easily be turned from blind wandering in search of opportunities into those very areas in which the greatest opportunities lie.

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IDLE FARMS

Senator DAVIS. I agree with that statement.

How many idle farms are there in the country, from Maine, to the Mississippi River, west and north of the Ohio?

Mr. WILSON. By idle farms, Senator, you mean——

Senator DAVIS. I mean by that nobody occupying them or that they are for sale, or there are some general conditions around them that they are not being worked.

Mr. WILSON. That there is a house there and nobody living in the house; is that what you mean?

Senator DAVIS. Yes.

Mr. WILSON. I do not have a figure on that, Senator, but I think there are very, very few. Most of the human habitations in the country that are located so that the persons who might live in them, get a living of some kind, are occupied. I have no doubt but that way back in the mountains or in the areas of lowest agricultural possibilities, that there might be a few such houses, but in general, very few.

Senator DAVIS. How many vacant farms are there in the United States, without housing facilities?

Mr. WILSON. Without housing?

Senator DAVIS. I mean, in this same territory that I have described, without housing facilities.

Mr. WILSON. As I think of a farm, Senator, it has a house on [610] it. If it does not have a house on it, it is sort of a miscellaneous tract of land. I think there is a very, very small amount, in the territory that you speak of, of what might be called agricultural land, that is not occupied and used for agricultural purposes of some kind. It might be rented by an adjoining farmer, but, within the area that you speak of, I think that there are almost no idle farms.

The CHAIRMAN. Mr. Secretary, has there been ever a time when we have not discussed the problem of the young man on the farm moving to the city?

FARM TO CITY MIGRATION

Mr. WILSON. I don't think we discussed it very much, [611] Senator. Oh, up until, let us say 30 years ago, as long as we had the free lands to the west, and as long as we had the rapidly developing industries which we had from the Civil War until the World War, I don't think we thought such a great deal about it.

The CHAIRMAN. Thirty years ago, it seems to me during that period, you and I will agree that we were discussing that problem. It is an economic problem.

When the city offers greater opportunities, the ambitious young man on the farm is tempted to leave the farm and go to the city, where he has greater opportunities to have the pleasures in life that other young men have. When there comes a time of depression as in 1932, you cited the figures to show that there was a lessened migration from the farm because young men in the city could find no jobs, and as the young man on the farm saw the condition which the youngsters that were in the cities had to face, he was content to stay on the farm. After all, isn't it true that one of the factors is to determine how we can make it profitable for a boy to stay on the farm, to show him, with his natural desires to do so, that he can secure an

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income which will give him some chance in life? And, if we cannot do that, it is only the boy who is so in love with farm life that he is willing to sacrifice other pleasures, who will stay. Isn't that it?

Mr. WILSON. I think pretty much so, Senator. There [612–1] always is a balance between the people that are farming and the people who are producing the food and raw materials that come from the soil, and the other people that are manufacturing and producing the goods and services that society needs that come indirectly from the soil.

Now, up until the present, there has been this growth, [612–2] expansion, of the agricultural frontier and the rapid expansion of industry. I think that at the present time, there has been a continually large amount of surplus population going from the farm to the city. This is the source of the population which has made industrial growth possible. A great deal of the farming is really machinery and science and technology; it is no longer the antiquated kind of farming of 75 years ago but more or less commercial farming. Our statistics would indicate that if we were to operate the farms a good deal as the factories were operated, if we were to make them as efficient as we could, and if we shifted away from family life, because farming is based on family life, we could produce many times the volume of production which we produce at the present time; or we could produce our present volume with less farmers.

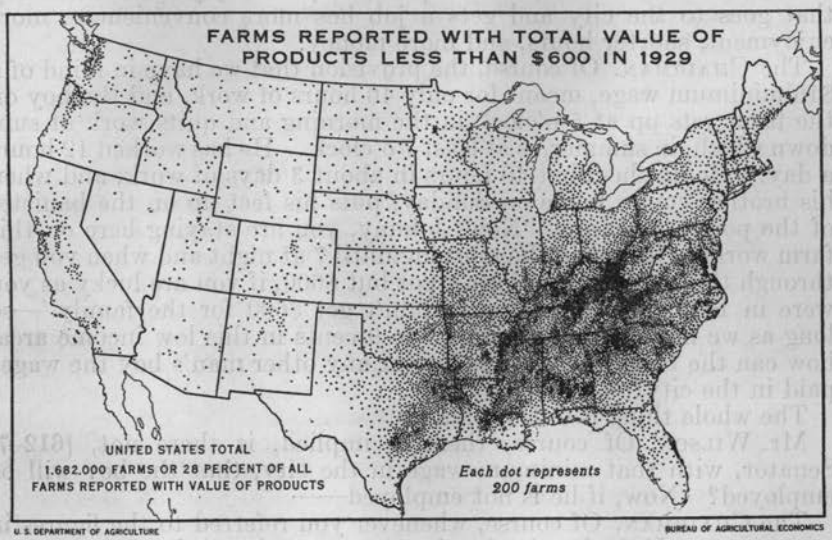
I hate to give a close estimate, we could do something with [612–3] two-thirds of the farmers that we have at present. Personally, I rather doubt if industries in the cities are going to need many people in the future, as many as they have in the past, and I doubt if there are going to be the opportunities in city life such as we had in the past, and on the other hand, if all of these people are kept in the country and we make the farms in the country smaller and smaller and smaller, then the efficiency of the agricultural production and income per farm in the country will grow less and less, and I don't think we will have a very satisfactory condition in the country.

Therefore, I should like to see developed in this civilization [612–4] the opportunity for many people to live in the country, because I think living in the country is the best place to live, with the family life that you have in the country in which that family is attached to production and to a piece of land. It is the basis of the democracy certainly that Thomas Jefferson talked about. I should like to see that maintained. I should like to see a pattern of living, a way of life, that is a combination between agriculture and industry which would be brought about by decentralizing industry as much as industry could be decentralized, and having the people that worked in industry live on small blocks of land, two or three acres of land, on which they could produce some of the things that would be consumed by their families. That is making a combination of farm and industry. It is maintaining this family life, and if it becomes necessary to shorten the hours of labor in factory, then that family could cultivate two or three acres of land. That gives them a kind of backlog and it gives them, I think, very constructive use of the nonfactory time.

The CHAIRMAN. That is all right, but I want to see what your views are with reference to these boys on the farms that you discussed in your closing paragraph, low-income areas. I assume that you include cotton areas in the low-income areas.

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Mr. WILSON. I have a map here, Senator, which shows by [612–5] dots the location of the farms which produced less than $600 in 1929.



Now, the caption should have been "product produced in [612–6] value less than $600", because, included in that are the products which they consume. As you see, these farms are scattered thickly along the Appalachian Mountains.

The CHAIRMAN. "Products produced" on farms in 1929, to which we refer generally as a boom year, had less than $600 of value. Now, that $600 represents value of products upon which the farm lived.

Mr. WILSON. Yes; that is so.

MINIMUM WAGE FOR FARM LABOR

The CHAIRMAN. We are discussing the problem of providing a minimum wage. The bill has passed the Senate and is being considered in the House. As I recall it, that minimum wage would mean approximately $16 a week, say $15 per week, for the purpose of this discussion. That is $60 a month. Now, there are two boys on a farm, let us say, one boy goes to the city with the knowledge that if he gets the lowest wage possible, he gets $60 a month, which would be $720 a year. The other boy has what you have referred to as love of farm life, and he says, "Shall I go to the city where I know, if I get a job, the lowest wage I will get is $720 a year, or shall I stay on the farm when the total value of all the products which can be sold, and upon which the whole family must live, will not amount to $600?" What would you do? You would go to the city. And that is what happens to the boy. He goes to the city, and it seems to me that until we can find some way of having the maximum wage of the boy who works upon the farm at least equal to the minimum wage of the boy who works in the city, then you have a very difficult problem, to leave the boy of fine mind and of ambition, upon the farm.

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Senator FRAZIER. You have only told half of the story of this boy on the farm that goes to the city, Mr. Chairman. The boy on the farm works longer hours, has less pleasures, less enjoyment. The boy that goes to the city and gets a job has more conveniences, more enjoyment, shorter hours, and more money.

The CHAIRMAN. Of course, the provision that we have in mind of a $16 minimum wage, meant for only 40 hours of work, and the boy on the farm gets up at 5 o'clock in the morning and quits work at sundown which, in summer, is at least 7 o'clock. He has worked 12 hours a day. He finishes that 40 hours in about 3 days of work, and when his brother comes home on Sunday, puts his feet up on the banister of the porch, and says, "Now, Johnny, you are staying here on this farm working from 5 in the morning until 7 at night and when you get through the whole family hasn't got but $600, if you are lucky as you were in 1929, but in 1933 you didn't get $600 for the family"—so long as we have cotton at from 5 to 9 cents in this low income area, how can the farmer pay to his boy or any other man's boy the wages paid in the city?

The whole thing is out of balance.

Mr. WILSON. Of course, there is implied, is there not, [612–7] Senator, with that minimum wage in the city, that the boy will be employed? Now, if he is not employed——

The CHAIRMAN. Of course, whenever you referred to the figures in 1932 or 1933, if the boy in the city was unemployed, he went back to the farm, because there, all the way down to the Gulf of Mexico, he could have a vegetable farm and have something to eat, and the chap that remained in the city was not so fortunate; but, figuring on a long-time problem, it seems to me that necessarily you have got to consider the economic problem; that you cannot expect a fellow to stay on a farm on which he hasn't a chance on earth to make enough money to let him go to the moving pictures when he goes to town on Saturday.

Mr. WILSON. But, if there isn't any increased market on [612–8] the one hand for the products, and if there isn't new land to be worked by this increasing population of young people, and if these young people cannot go into industry in the city, then they are dammed up on the farms. Let's take a farm here, we will say, which did produce products to the value of $600, and in the next generation there would be $600 to be divided between two sons, which means that both starve or one is stranded. I think that we have to keep the surplus population moving to the city, to industry, or recognize that if the stranded ones are dammed up on the farms, it means cutting the farms smaller and smaller and smaller, which will reduce the income of those who are on the farms. I think we have to find some way, I have suggested the rural-industrial community, of effecting a combination of agriculture and industry; some way of maintaining the income of these people.

VOCATIONAL TRAINING

The CHAIRMAN. That is very fine. Now, let me ask you something else. We have been discussing, and I have been greatly interested in, some method of training in connection with any unemployment machinery; that where, for instance, in the coal section, where they have been out of work for several years, and it is evident that they have

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got a problem there, peculiar to that particular section, and the youngster who comes along, has no hope of following in the footsteps of the father to the mines, when the mines are not working, and that the intelligent thing to do would be to provide some method of training to train those boys to do something else for a living, to go some place where there is some hope of employment. Now, on the farm that same condition prevails; the boy on the farm, the fellow who wants to leave, should be given the opportunity to receive some training that would fit him for something more than the job of an unskilled laborer. What do you think of that?

Mr. WILSON. I think that is very important, Senator, and [613–1] I think the boy who is on the farm and who wants to leave, or is in these areas of crowded farm population, should be given the opportunity for vocational training as a youth.

The CHAIRMAN. In schools now they have started that, but from information that the committee has from letters written all over the country, we find that the training that is given in the high schools of the country is such that when the boy applies for a job, he finds that the training has not been such as to qualify him to do anything. The boy generally could say, "I can do anything," but he didn't have any particular training for any particular job that he could do, and all of the high schools are not performing that function, so we have to provide some other plan. Won't you agree?

Mr. WILSON. I rather think so, and I don't know how far [613–2] the vocational training can go of itself, but I think there is an opportunity in this country for some kind of a school, I would call it a folk-vocational school, which could do some of the things which are being done in the C. C. C. camps, and which would give a kind of citizen's training along with the vocational training. That probably could be done within a year's time. I have the feeling that we are just recognizing that problem, and I think I have the same feeling that you have, that we have not solved it yet.

The CHAIRMAN. What about this? Would you consider a plan whereby we could pay an industry to undertake to give employment to young men, with the idea of having them trained in a factory, recognizing that their services are not of as much value as they would be later, but where they were trained in connection with a running business, giving some compensation.

Mr. WILSON. That is, they would really be apprentices [613–3] within the factory?

The CHAIRMAN. Exactly.

Mr. WILSON. I would think if that were done that there [613–4] should be some kind of citizens training going along with that, kind of citizens training that boys get in the C. C. C. camps. I think that would be sort of combining the apprentice idea with the training. I hadn't thought of that idea before.

The CHAIRMAN. I am assuming now that the boy gets through high school, and you do not feel that it is then necessary for him to go to a C. C. C. camp, do you?

Mr. WILSON. No.

The CHAIRMAN. A boy gets out of high school and is looking for a job. The difficulty is if you get him out of the class of skilled labor that he will have a hard time. We have had a shortage in the last few years of skilled and semiskilled labor. Isn't that right?

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Mr. WILSON. I think so.

The CHAIRMAN. Isn't it our problem to get our young men out of this unskilled labor class into the skilled class?

Mr. WILSON. But a great many of these rural youths that [613–5] have come from the low-farm-income areas have had few, if any, high-school opportunities. My thought here is on the problem of these young people who have not had much opportunity for schooling. There are not enough taxes collected in those communities to provide adequate schools, and as a result, the youth have had scarcely any high-school opportunities at all. Now, to take that kind of a boy or girl and put him in as an apprentice for that kind of vocational training with an industry, would cause him miss the kind of training for citizenship that I spoke of.

The CHAIRMAN. What would you do?

Mr. WILSON. I think I would like to experiment with a kind [613–6] of school, a kind of vocational school, in which there would be citizenship training, and in which there would be vocational training, and this school would probably take the boy or the girl for about a year. It would be different from a C. C. C. camp, but it would not be a book kind of school, Senator. It is not book learning that you are trying to get over there.

The CHAIRMAN. You know what they are doing over in Germany?

Mr. WILSON. No; I do not.

The CHAIRMAN. Well, in Germany they can call a boy when he graduates from high school to go into a camp. He has to stay there for a year. They got the idea from our C. C. C. camps. Instead of being limited to those on relief, however, they require every young man to go. What they are doing, of course, is that they are taking a large number of men out of the labor market. They take a large number of boys out of the labor market, first, and they send the youngsters from one section of the country to camps in another section. The boy who has been raised on the farm is put to work on a vegetable farm, and the others who have been raised in industrial sections are making chairs and tables; another man who has been out working in a ditch they put with some engineers. They require them to serve a year, and they are given just what you have in mind. It is a compulsory system. You wouldn't say we ought to make it compulsory?

Mr. WILSON. No. In the first place, I am talking about the [614] children in what we call the underprivileged, the low-income families I don't know what percentage of that would be of the total rural population in the country. I would suspect 20 percent. I would say all of those above that come from farm families that have good-sized farms, and have a farm income, and their children have the opportunities of going to good rural schools and good village schools, and have a college education if they have the income, and so on. Now, the people I am talking about are not in that level at all. I am talking about the people in the low-income, underprivileged group, and who are the people I should like to see given an opportunity for a kind of citizenship training.

The CHAIRMAN. Have you thought of that far enough to know whether you would have that operated by the Federal Government or by the States, and how you would select the young men?

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Mr. WILSON. I think this kind of a vocational school should [615] probably be operated by the State. It should have a very substantial grant from the Federal Government, for the reason that these are all poor communities. It cannot be done with taxation, and with the economic resources within the communities. In my general philosophy I rather lean toward the idea that this kind of thing could best be done with an educational system which made grants to States.

The CHAIRMAN. I believe the boy on the farm would much prefer to stay on the farm, if we could ever arrange it so that he could have some hope of getting a reasonable income. If we do not solve it at that end, we will have to solve it at the other.

Mr. WILSON. I have the feeling that we have too large a lot [616] of the farm population on very poor land, lands which nature did not intend to be used for agricultural purposes, lands that have been eroded and washed away, and too many people living there are in perpetual poverty. I think there will have to be readjustment there. I do not think the farms of the country will absorb all of the young people that are born on the poor lands, and I have this kind of skepticism, whether city industry will absorb them on the basis that it has in the past. That is why I come around to this type of idea, of a new kind of decentralized industrial community where a small factory is set up in the country and the people who work in that factory can raise a certain portion of their living from the land and still be employed in industry.

The CHAIRMAN. I agree that if you have short hours and a man has some leisure, it is a thousand times better to have him living in a place where he could do something with his time, something he wants to do, instead of being idle.

Senator DAVIS. And if he raises foodstuffs on his own place he is in competition with the farmer.

The CHAIRMAN. That will be the next step.

Mr. WILSON. The kind of things he raises on his small plot of [617–1] land will be principally fruits and vegetables, and in a few places he will have an opportunity for keeping a milk cow.

Senator DAVIS. But they are all agricultural products.

Mr. WILSON. Yes; but they are not products of the com- [617–2] mercial field, so to speak. They are not corn and hogs and dairy products and that kind of products.

Senator DAVIS. You say that all of these other vegetables are not commercial.

Mr. WILSON. Well, they are not—they are commercial, of [617–3] course, around the cities, but they are not considered commercial field crops like corn and hogs and cotton and wheat. Those crops have to be raised on farms with teams or tractors or machinery, and rotation of crops; not on subsistence plots of land. I would argue Senator, that if such a shift took place within civilization itself, and if, in fact, the shift had a tendency to increase somewhat the competition with those people that are raising vegetables at the present time, this system of combined industry and agriculture would absorb as many people as go into it by shortening the hours, and as the hours are shortened, there is something constructive for the people to do.

Senator DAVIS. I am only talking from experience. I know when I was a boy we had about a half an acre, and we produced all of the vegetables, and so forth, that was needed for the home in the summer

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months because there were six of us in the family to work in the garden. The farmers around, when they came by our place with their wagons loaded at the farms, would say, "We will compete with you in the factory if you are going to compete with us in our job here in furnishing vegetables." The farmers didn't like it very much, and they began a campaign. We had a couple of pigs in the back end of the lot, and the first thing you know, we had an ordinance passed by the city, by the farmers in the city who paid their propagandists to do it, that made it unlawful to have swill in the neighborhood. I was glad because I had to take care of the pigs. The farmers complained about it, too.

I was interested here by what the Senator said a moment ago about the boys leaving the farm and coming into the cities. When the farmer is on the farm he sees the sun rise, at least, and then you don't picture this boy who comes from the farm and goes into the city and can't find work. He has his board bills to pay and he is too proud to go back on the farm because his brother or his mother or father will think he is a failure, and he tries to hammer it out in the city. I think that it is one of the most pitiful things in the world, to see some of these boys and girls who come into the cities from the farms and can't get jobs, and are too proud to go back. We don't see that side of life.

Senator FRAZIER. Can you give us the percentage of farm boys that graduate from high school or take a high-school course?

Mr. WILSON. I cannot, Senator.

Senator FRAZIER. I mean, in the $600-a-year farm class, there wouldn't be much money to send boys to high school, and their percentage is probably very low as compared with the boys of the city who go to high school.

Mr. WILSON. In the country, of course, that is climbing, but it would vary a good deal by States.

Senator FRAZIER. But what the chairman says about changing the condition of agriculture is perfectly true. There is very little incentive in the present situation for the boy to stay on the farm, and about the only argument that parents can give the boys to stay on the farm is to tell them that if they stay on the farm and take care of it, because their parents are too old to do it, that they can put in long hours and perhaps pay off the mortgage, and if they cannot, they will be foreclosed and turned out into the streets after years. That is the situation, and a boy has to be a real optimist to want to stay on the farm under present conditions.

Mr. WILSON. I think our present farms will pretty much [618] continue to be occupied, and I think, too, that there is a good deal of opportunity for assisting young people, young married people, to get started, by the present system of rehabilitation loans, in which they are given some assistance and some supervision, and begin probably as tenants, but they get a toehold, and they get started. I think that is something which should be considered in relation to the problem of keeping the proper proportion of these young people that want to be farmers on the farms, but I don't think that answers the question of this surplus number of people.

It is estimated that there will be 7,000,000 young people in [618–2] the next 20 years who are not needed on farms with the present basis of production unless they go back to hand production.

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Now, if they are not needed on farms, and there are enough [618–3] others besides these 7,000,000 how is industry going to take care of them? I come back with my thinking that I do not believe industry is going to take care of them the way it has in the past, and I think there are great opportunities for this rural-industrial pattern of industry, and I do not think that it will compete with regular commercial farming.

You can see this in operation in Utah. When the Mormons [618–4] first settled in Utah, they had to settle in villages in order to protect themselves from the Indians. They laid out the square town blocks as in any other American town, but they did not cut the town blocks into town lots. They gave each family two and two-tenths acres of land. Now, sugar-beet factories came along and mining plants, and so on, and these people have absorbed those industries, and I defy anybody to show me where people who are working in factories getting the regular wages that are paid, have as good a community life and have as constructive a use for their leisure time and have this incentive to own the place where they live, as you will find in those few little instances. I think that gives a basis for democracy and a basis for combining those good things that we have in the country with all the goods that we can produce in industry. If we look ahead to this problem of what will we do with these surplus youths, I think it is very important to look into those things.

Senator MURRAY. They have established canning factories and sugar factories out there?

Mr. WILSON. Canning factories, sugar-beet factories, milk [618–5] condenseries, and in some places mineral ore is brought in from the surrounding mountains to be processed, and so on. There has been no tendency there to take these people, you see, and shunt them off to the great industrial cities——

Senator DAVIS. As I understand it, Mr. Wilson, the Mormon Church owns a good many of these industries—that is, they have the controlling stock in them, and they operate them.

Mr. WILSON. I think that is true.

Senator DAVIS. I was very much interested in your idea of vocational education.

I have in mind a school that is on 1,200 acres of ground, and they have 100 head of dairy cows, they have 700 or 800 acres under cultivation, they have great vegetable gardens, they have all these things that would be found on a first-class farm; they have in the neighborhood, I should say, of 1,500 students there, and they have some 20 different trades which they teach. A boy leaving there usually gets a job just as soon as he leaves the place. In other words, there are requests for these boys, as I understand it, from the superintendent of this particular school, requests for graduates from the high school numbering more than he can furnish. All of them had positions, both boys and girls, when they left there—had positions to go to—in this day when we have 7 or 8 million people unemployed.

Now, in addition, of course, they come there and will have sport in addition to everything they learn, and when they come there they are competent to do all the farm things and also have a trade, and if they want to go to college they are equipped so that they can work their way through.

Mr. WILSON. I think that is fine. Did you say boys and girls?

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Senator DAVIS. Boys and girls together. The only thing about it is that they are generally orphan children, and as many as 10 in a family come there and live there together, and then they graduate. If they have the mental capacity to absorb a high-school education, they graduate, I think, from 16 to 18 years of age, and we have had a great experience with those that could not absorb books, that this man took them and developed them in a trade way, and when the time came to go through a high school, they went through in 2 years where it takes 4 for most boys who are not so equipped.

Mr. WILSON. I think that is splendid, and what I had in [619] mind was giving that opportunity to the boys and girls of this low-income group who do not get that opportunity at the present time.

Senator DAVIS. I might say that these children have their own symphony orchestra, and won the first prize; won the second prize in the band concert of the United States. They seldom ever get whipped in a football game because they are playing football when they are 3 and 4 and 5 years of age. I am in hearty accord with your scheme of vocational education, because I was chairman of the Federal Government Board of Vocational Education for 10 years. I think you are going to come to something of that kind if you are going to train the youth of the land to be useful.

The CHAIRMAN. All right, Mr. Wilson, thank you.

(Witness excused.)

(See Appendix 13, p. 1543. This was brought to the attention of the Committee by Mr. Wilson.)

STATEMENT BY M. W. THATCHER, CHAIRMAN, WHEAT CONSERVATION CONFERENCE, ST. PAUL, MINN.

The CHAIRMAN. Mr. Thatcher, you are the chairman of the Wheat Conservation Conference?

Mr. THATCHER. Yes, sir.

The CHAIRMAN. From St. Paul, Minn.?

Mr. THATCHER. Yes.

The CHAIRMAN. The committee has invited you to appear, and I understand you have a written statement?

Mr. THATCHER. Yes.

The CHAIRMAN. We will be glad to have you read it.

Mr. THATCHER. In the matter of qualifying our appearance, [620–1] Mr. Chairman, I have stated in the forward part of my comment that the Wheat Conservation Conference is a voluntary association of representatives of statewide farm organizations and regional cooperative grain marketing associations covering the whole great Western Plains area and the Northwest Pacific grain States. Our organization sponsored and supported the Commodity Exchange Act and wheat crop insurance; also we have supported farm legislation during the past several years.

We are strongly in favor of intense effort to extend soil- [620–2] conservation practices and we are in harmony with the philosophy of farm production adjustment, regulation of storage and marketing, as part of the requirements to protect agriculture within a capitalistic system.

RURAL DISTRESS IN THE WHEAT STATES

Desirous to avoid duplication of testimony we shall spe- [620–3] cialize on only some of the aspects of the causes of rural distress in

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the Wheat States, the present economic plight therein, and some essential corrections requisite to a normal agricultural economy.

The economic collapse of agriculture is due to uneconomic [620–4] policies of the Federal Government and drought.

Under urge of war wheat requirements a vast area of fine [620–5] grazing land was destroyed in order to produce more wheat. An expanded wheat plant, geared to world needs, was left prostrate as the result of the 1921 deflation; dwindling world's market, dwindling prices, and tariff policies disastrous to agricultural producers dependent upon the returns from sales of commodities the price for which rests upon the world speculative price, less the enormous transportation and service costs to even reach such a world price.

The greatest rural poverty is found in the areas of cotton [620–6] and wheat production and will remain there until this nation realistically provides for correction. To repeat, cotton and wheat producers are actually up against an impossible job. Their costs for production and living are fixed by prices determined and exacted behind a high tariff system. The sale of cotton and wheat rests upon a free world speculative price, less the enormous transportation and service costs.

This economic unbalance suffered by producers of world [620–7] commodities, such as cotton and wheat, is the basic cause of rural poverty in those States. Rural poverty will continue to exist so long as the uneconomic relationship of production costs and sales realization exists. Soil conservation, essential to future agriculture, will not correct that uneconomic relationship; nor will credit, nor will doles, nor will any casual economic healing plaster. Soil conservation is an accepted policy and it will to a degree lessen poverty. Credit will extend hope and in many instances provide extended operations for home-food needs. Benefit payments to farmers will help to the extent provided. But fundamentally—eventually—producers of agricultural commodities, particularly cotton and wheat, must receive income sufficient to equalize costs for production, living, and debt service.

The byproducts of economic maladjustment between agri- [620–8] culture and organized society are loss and human despair beyond our comprehension. The erosion of land can be stopped, the disrepair of buildings can be overcome, the replacement of machinery can be accomplished. Broken families, broken bodies, broken minds, betrayed rural youth, defrauded agriculture, cannot be repaired. It ought not to be continued.

The process of erosion in farm equities from 1921 to date [620–9] is known to this committee. The depression, ruinous farm prices, and drought finished the economic collapse of countless hundreds of thousands of farm families.

The Government furnished easier credit through the Farm [620–10] Credit Administration. Benefit checks have been given to farmers; seed loans, feed loans, rehabilitation loans, grants or doles, production loans, commissioners' loans, work relief—all have been made available to our farmers, without which agriculture would have been bankrupt.

But great poverty and unpayable, unbearable debt remain [620–11] with hundreds of thousands of farm families.

Two Federal agencies have demonstrated a most useful [620–12] service to agriculture—the Farm Security Administration and National Youth Administration. Their work, since it was unprecedented, has necessarily been clinical and costly. Out of 6,700,000

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farm families the Farm Security Administration is extending aid and life to more than 1,000,000 farm families, to 5,000,000 living people. Half of these people have received rehabilitation loans—credit extended under farm plans and guidance. Another half million farmers have received and many still receive a monthly dole (on the average $20 per month) for needed food, clothes, and so forth.

Because of limited funds, the amount received per family [620–13] is so small that health requirements are not served. Malnutrition is showing its effects upon youth.

Make no mistake about it, the rural folks in the hard [620–14] wheat States rate the attitude and conduct of Farm Security Administration higher than any other department in this administration.

Now for the general picture in the hard-wheat States. With [620–15] low farm prices and lack of feed or crops, farm equities, credit, livestock, and poultry have been liquidated beyond the ability of thousands of farmers to re-emerge on their own resources.

Most of these families are susceptible to rehabilitation, [620–16] and should be rehabilitated by the aid of the Federal Government. some cannot survive on their present set-up, because their plant will not furnish subsistence. On such places these, farmers remain on the dole, but at a cheaper cost than it would entail if they were to move to town. If work cannot be found for them, then they must remain where they are with what Federal aid is needed to carry them to their destiny.

Aggravated agriculture will continue to suffer a great deal of [620–17] distress and poverty until needful realistic correction has been effectuated. The agricultural youth problem will remain a sordid picture until intelligently met and corrected. Disparity of agricultural income will continue and assure increasing poverty and the continued blight of rural youth until the deep fundamental causes shall have been removed.

PROGRAM TO ALLEVIATE AGRICULTURE'S POVERTY—1. FARM UNIT AUDIT AND APPRAISAL

As part of the program to alleviate agriculture's poverty [621–1] and misery, and looking toward a self-contained economy for our farm folks, and an assurance of an ample supply of farm production for all of the people, we commend and urge:

1. An audit and appraisement of the farm unit to determine [621–2] its probable economic returns, based upon fair exchange prices for its products. Tenure should not be disturbed because of lack of income due to prices below a fair exchange basis.

Senator CLARK. What do you mean by that? If you prefer to finish your prepared statement before being questioned, you may do so.

Mr. THATCHER. No; that's all right.

Senator CLARK. If not, I will be glad to have you amplify that.

Mr. THATCHER. I don't mind the interruption at all. Let [621–3] us assume that the Farm Credit Administration makes a loan to a farmer with a half-section or a quarter-section of wheat farm, whatever it may be—or to a cotton farmer. The credit extendible by that institution is based upon whatever they use, some expectancy of income, some expectancy of a level of prices, and that is true of either wheat or cotton, or any other agricultural product. But, as a result of circumstances wholly outside of the control of this farm family,

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prices decline. Take parity prices as the level, parity prices being commonly used nowadays, or cost of production prices, but a level of prices as the basis to estimate the probability of that farm paying out. And here is the deal. The Federal Government has extended the credit, or, under the Farm Tenancy Act, it has helped the fellow to buy the farm. Whatever the circumstances may be through the coming years, wheat and cotton fail to remain at such an exchange level of prices, and because of that there is the lack of income to live, pay the taxes, pay the interest on the debt. Then that family is declared to be unable, incompetent, and what-not, and they are removed from the land under the process of foreclosure, and then another family comes along to have a like fling at the same hopeless proposal.

I do think, further attempting to answer your question, [621–4] Senator Clark, that where the Federal Government extends credit to set the farm family up on the farm, it ought to be done under certain standards that are definite and clear, and so long as that family does the work, stays there, diligently farms, does anything that any other farm family could do, that they ought not to be removed from their home and their chance to continue because price levels, over which they have no control, have fallen. I think that is the condition that we have gone through here, particularly in the last 10 years, that rightfully brings the Federal Government before the public for indictment for an uneconomic policy.

Senator MURRAY. When you say lack of income due to prices below a fair exchange basis, I assume that you have reference to the failure of the products of the farm to be exchanged for the necessary products of industry?

Mr. THATCHER. That's right. [621–5]

Senator DAVIS. The price of the industrial product being protected by the tariff system comes so high under our system, that a farmer cannot produce enough on the farm to be able to live?

FARMERS LIVE AGAINST REGIMENTED COSTS

Mr. THATCHER. This farmer, as we all know, lives against [621–6] regimented costs, whether they are freight rates or farm machinery, legal services, or dental services. All of the items he pays for are regimented.

Senator CLARK. Over a long period of time he has been compelled to buy everything he has to buy in a protected market and sell everything he has to sell in a free market. Everything he has to pay for—shoes or clothes or farm machinery or legal services—in wheat. He is compelled to put up 4 bushels of wheat for a certain article, where before he only had to put up 1, because the price of wheat has fallen. No matter what the price, he has no control over the price he gets for wheat.

Mr. THATCHER. Absolutely correct, and I think it is an [621–7] insane policy, the most uneconomic thing the Federal Government can do, to loan out billions of dollars to farmers, and leave that farmer at the caprice of this whole system of charges to him by some ununderstandable process. That that farmer could raise wheat or cotton or any of these world commodities, so priced, and ever hope to pay off the debt extended to him, that credit, by the Federal Government, is something I cannot understand.

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We see the process of such an insane policy, Senator. [621–8] The loan is made. Historically, it was made by individuals and private banks and insurance companies and so forth, and the depression came along, and through the instrumentality for extending agricultural credit, we have baled out hundreds of millions of dollars of that kind of credit. Then the mortgages landed with the Farm Credit Administration, and then bonds were sold, interest-bearing bonds, of course, guaranteed, principal and interest, by the Federal Government. This farmer is unable to receive prices for his products high enough to give him an income to pay interest, taxes, and provide a meagre existence, so the day comes for foreclosure. Then we supplemented that with commissioner's loans to bolster the land-bank system, and again failure comes for that family, not because of lack of industry, not because of lack of work, but because of lack of price for crops, over which he had no control. Foreclosure finally comes, and the family is moved off to go to some place as a tenant or something, and we get a new family in on that same land, and oftentimes they sell the land for less than the mortgage that was foreclosed. If that farm family fails sufficiently, still battling on with some equity, some possessions, but, if it fails sufficiently, if it can prove a pauperized condition, no credit left, then it will qualify for the attention of the Farm Security Administration, and we start making loans under very generous circumstances from the same Federal Government, or we will put them on the dole.

The point I want to make is that I believe, because of the [621–9] magnitude of the problem, we have arrived at a place where in all good faith, to correct the very many bad policies of the Federal Government, that we should step in to fortify these farmers, good farmers, who, under audit and appraisement, can be determined to be good farmers, with a sizable piece of land that rather assures economic probability. We should step in there to stop this worry and this moving and say to that farm family, "These are the standards. This is the plan, and here is guidance, and so long as you operate this farm under this plan, you need not worry about being dispossessed or moved because wheat prices fall or cotton prices fall."

I hope to see the day, even if it has to be on the basis of [621–10] tenancy, that these people can pay those costs out of the share of the crop and have some degree of tenure, some hope of security.

Does that answer your question?

Senator CLARK. Yes.

Senator FRAZIER. The rehabilitation work done by the Resettlement, and now the Farm Security Administration, has helped the farmers a great deal. They have not had money enough, however, to take care of anywhere near the number of families that wanted help and besides that there is little chance for these people that they have helped to succeed, unless there is some readjustment of the whole price situation, the marketing situation of our products.

Mr. THATCHER. That is right, and I think you will find [622–1] that I have covered that in my series of recommendations.

2. EMERGENCY AND REHABILITATION LOANS

2. Emergency and rehabilitation loans to farms approved [622–2] by audit and appraisement should be furnished under plan and guidance.

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With respect to that statement, we have quite an experience [622–3] already within the Farm Security Administration, and, of course, that has been a new clinical and somewhat costly administration.

Senator CLARK. You mean as distinguished entirely from the Farm Credit Administration?

Mr. THATCHER. As completely distinguished.

Senator CLARK. Well, in some counties in my State, as far as the Farm Credit Administration is concerned, it has taken out more in fees than it has put in in the shape of loans. It has completely failed in accomplishing the purpose for which it was originally set up, as far as tenancy is concerned.

Mr. THATCHER. I know that we are in agreement that the [623–1] time has arrived and is long past that now requires this administration, this Congress, to look realistically at what is underlying agricultural despair and poverty and deal with it effectively in the field of credit, price protection, and so forth, because what brought agriculture to where it is, on a free land and a lot of credit, will keep them in bondage with no hope of ever getting out of it, if the same system and conditions which put them there are permitted to continue. It is an insane policy, in my judgment, for the Federal Government to continue a program of extending billions of dollars of credit to a business venture which is as hopeless as that which we all know about.

3. COMPOSITION OF DEBTS

3. Composition of debts should fit probability of payment, [623–2] which simply means that hundreds of thousands of these farm families have a debt that haunts them day and night, and that they can never hope to pay out. It won't be paid out, unless we get some ghastly war, something like that, that will give crazy war prices which, in the end, will come back to these people as a pain in the neck. Composition of debts will eventually need to be made, of course. The more readily it is undertaken, faced and an adjustment made, the more quickly we will work out of these bad conditions.

Senator CLARK. As a matter of fact, isn't it true that the factitious expansion of both production and farm prices during the period of the war probably contributed more to the distress of agriculture than any other single feature except the tariff?

Mr. THATCHER. Well, I think the one start——

Senator CLARK. In other words, if a man borrowed money on the basis of $2 for wheat, he doesn't have much chance to pay it off if wheat goes down to 40 cents.

Mr. THATCHER. I think this started before the war. I [623–3] think the war gave the final acceleration to it, and I think the tariff policy pretty well finished it.

4. TENURE

4. Fair tenure arrangements. [624]

The members of this committee present need no extended comment about that. You are all from areas where that has been self-evident to you for a long time.

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5. FEDERAL AID FOR EDUCATION AND HEALTH FACILITIES

5. Federal aid to provide reasonable facilities for education [625–1]
and health.

6. VOCATIONAL TRAINING FOR YOUTH

There has been just concluded a very interesting discussion in that field by Under Secretary Wilson and members of this committee, but I want to state, in connection with that, that about 3 weeks ago I was invited to speak in Jamestown, N. Dak., to a cooperative institute of schools for rural use, under the direction of the junior leader of the Farmer Unions and her assistants in that State. I think there were some 35 boys and girls, ages from 20 to 30, as fine a group of young people as I ever looked upon. There were hundreds that would have liked to have been there but couldn't come because of lack of funds, and this group were there under a completely cooperative program, feeding themselves and living in cheap rooms. For a very small amount of their own resources they had gone through this cooperative institute, and I do not think my emotions were ever more deeply affected than when I stood in front of that fine group of boys and girls and talked to them about the cooperative movement and these questions of interest to them. They are from a wheat State, and they depend largely on wheat, and I was positive in my own mind that they just did not have a chance under conditions as they are. Where are they going? We know what they left back home; we know what they would run into if they went to Minneapolis, St. Paul, or Duluth, or Chicago. They cannot go to New Mexico. At least they would have a better climate there, less cold, less clothes to worry about, a warmer climate, Senator Frazier——

Senator HATCH. A better climate. You were right in the first place.

Mr. THATCHER. It is pretty hard to get soft in Washington, [625–2]
but that is a pitiable picture, and it is found every place we go in these rural communities where these young people are. It is there on their faces; it is there on their backs, definitely there, and we will do something about this problem, or this youth will have brains enough to do something about it themselves one day.

7. PRODUCERS' COOPERATIVES CREDIT SUPPORT

7. Generous credit support for producers' cooperative pur- [626–1]
chasing and marketing associations.

Regardless of comments that are made here in this city by some in Congress, and regardless of the attitude of some departments toward cooperatives, a very healthy and encouraging success has been experienced in the cooperative movement, particularly since the depression set in.

Senator CLARK. We have one in our State that is the biggest business in the State in turn-over and actual dollars and cents.

Mr. THATCHER. Well, may I take a minute, then, if you are interested in that, to give you this statement?

Senator CLARK. Certainly.

Mr. THATCHER. Along in 1928 or 1929, we took $1,000 of [626–2]
profits out of our cooperative grain market institution, some employees working at nights. I was the manager of the business

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enterprises at that time, and we set up a purchasing organization for the farmers in the spring-wheat area. The first thing we touched was twine. There was no overhead except stamps and so forth. We went out of twine into this, that, and the other, and that started just the year before the depression, and today that is a thriving institution, has cooperative bulk-oil stations and large supply items such as tires, batteries, and so forth, running from near Green Bay, Wis., clear to the Rocky Mountains, out in your State, Senator Murray, you know the institution, and you do, Senator Frazier. It handles millions of dollars a year of business, and every unit in that chain is a success, and of course the brokerage houses are a substantial success. That is the experience we have had in that phase of cooperative effort on the part of producers, while we see this interesting experience of collapse and failures of financial institutions. That is the experience, and it has been accentuated by reason of the depression, and I do think the Federal Government ought to give more thought and attention, a more sympathetic attitude than they now give, less of a banker's attitude toward it.

Senator CLARK. They do not give any at all, do they? As I observed the Farmers' Cooperative, it is one of the largest institutions in our State. It has been of inestimable benefit to the farmers, yet, as a matter of policy, they have never been able to secure any policy of liberality of loans either from the Reconstruction Finance Corporation, the Farm Credit Administration, or any other governmental agency toward an enterprise of that sort.

Mr. THATCHER. Well, every once in a while we notice in [626–3] the Congressional Record where $10,000 or something has been appropriated to continue the investigation of the American Cooperative Association. I am not opposed to investigations. They probably are good things, and I hope it is well and honestly investigated. For several years I was the Washington representative here of the Farmers National Grain Conference, which was set up, as you remember, under the Federal Farm Board. We have had 8 years' experience with that Grain Cooperative in Washington, D. C., and on the 24th of January we all voted unanimously to dissolve it, and I think it ought to be investigated. We will probably ask some of our friends in the Senate to do that very thing. I think they ought all to be investigated.

Senator FRAZIER. A few years ago the Federal Grain Commission investigated the grain crowd in Minneapolis.

Mr. THATCHER. I think it ought all to be investigated [626–4] and honestly and thoroughly investigated, and I think there ought to be a new conception in Washington of what these agencies should be, to establish their policy in relation to agriculture and the cooperative movement within agriculture. We are either all right or we are all wrong, and if we are all right we ought to be supported, and if we are all wrong we ought to be barred from coming to town.

Again, generous credit support is needed for producers' coop- [618–5] erative purchasing and marketing associations, because they do cut costs, and they bring these farmers together for thoughtful action. It is the one agency that will carry on the educational work and combat the opposition they are up against from the metropolitan press and private business.

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8. CROP YIELD INSURANCE [627–1]

We at last have wheat crop insurance. The Senate has a fine record on it. There was even a record vote on it. We were able to attach it to the Farm Bureau with the generous help of the Senate Agricultural Committee. We have it.

Senator HATCH. When does it start?

Mr. THATCHER. On July 1 this year. As a matter of fact, it [627–2] has started now. They are getting ready for it. It is going to take several years to get that thing working, but in a few years from now the people of this country will wonder why we went along for 50 years and permitted these farmers to be mopped out with grasshoppers and crickets and what have you, all of the infestations, hail and drought, an insane policy, with the Federal Government sitting here holding the bag with these billions of dollars in credit, and permitting agricultural production to go on without insurance. No other business institution could succeed, nor could agriculture, under such a lack of attention.

9. WAREHOUSES FEDERALLY LICENSED

9. Honest warehousing services under Federal supervision [628–1] for basic farm commodities is a necessary requirement.

The farmers of this country, particularly in wheat, have [628–2] been defrauded out of hundreds of millions of dollars in the last 25 years because of lack of honest warehousing services. It really amounts to a racket. You haven't time to give me to go into that.

Senator CLARK. Proceed; go into anything you please. The committee has to adjourn by 12 o'clock.

Mr. THATCHER. All right. I think it is worthy of attention.

Let me give you this picture: There is a local warehouseman [628–3] running a grain elevator. He is required to take out his license under whatever laws there are of the State, and in most States those laws do not amount to much, or if they do, the police power does not amount to much. But, we will take Senator Frazier's State, North Dakota, whereas years back when I was a public accountant, I ran into this thing, oh, several hundred times. It was a common thing to find that warehousemen had outstanding in the hands of farmers warehouse receipts totaling 30,000 or 40,000 bushels of wheat and maybe only 10,000 bushels of wheat on hand. The farmers' wheat is received, put into storage, shipped out, and sold. The warehouseman, to protect his interests against prices going up, buys futures in the contract market, what they call a hedge. The farmer had the ticket. The warehouseman had the money, or it was on deposit to his credit. And the warehouseman had a future bought in May wheat or December wheat. The farmer was paying interest on his money, and paying a cent a bushel storage, and the warehouseman, more often than not, made an advance to the farmer on the warehouse receipt out of the proceeds of the stored wheat. The farmer was paying interest and paying storage after his product was sold, his product having been dropped on the market adversely to the thing he wanted, an increase in price, and there is the racket. And it is not uncommon for that farmer to be up against a sure loss of 15 cents a bushel in the last few years, where distant futures in wheat are at a depressed level, a lower level than the current future. Today July wheat is 3 or 4 cents a bushel under May wheat.

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So the farmer, who now has his grain in storage, or wheat, [628–4]
has interest, storage and a depressed future price there to go up against.

So, of course, that being dishonest warehousing practice, [628–5]
the time is arrived, too late, where the Federal Government ought to establish Federal warehousing laws and impose as a requirement, on any of these commodities moving in interstate commerce, that they operate under a Federal licensing and Federal policing power to put honesty and integrity into warehousing and warehousing receipts. And that is true in cotton as well as in grain.

10. COMMODITY EXCHANGE LAW

No. 10. Minimum fair exchange basic price—for domes- [629–1]
tic consumption—is required for farmers to meet the organized prices and service charges exacted under regimentation of the other organized groups of industry.

Senator FRAZIER. Of course, your provision there would mean a whole reorganization of our marketing system, speculative system, and warehousing.

Mr. THATCHER. That is right. We are coming to it, but too late.

Senator FRAZIER. I think you will agree with me that the farmer will never have an honest market for his products until that is done.

Mr. THATCHER. That is my belief after 24 years of relation- [629–2]
ship with it, as one who operated a line of elevators, terminal elevators, worked in the mills as an auditor, and so forth. I have had all the experience except producing it, and out of those years of experience, I have come to the conclusion that these grain exchanges and these cotton exchanges must be conducted as a place for a bona fide contractual relationship, taking this 99½ percent of trading which is speculation, out of the picture. To illustrate, I remember not so long ago reading that one of the reasons for the decline of wheat in Chicago was that some Frenchmen had hedged their francs in Chicago wheat, yet the Federal Government has the mortgages on the farms and bonds on the mortgages. It rains in Australia and wheat goes down. Or it rains in the Argentine and wheat goes down. Or the Argentine has offered an extra 5,000,000 bushels, and wheat goes down. Yet the Federal Government extends credit which moves grains for sale against a price that is affected by all of these devices and permits, and what not. It is unbelievable to me.

Senator MURRAY. Mr. Thatcher, how is the commodity exchange law working out?

Mr. THATCHER. Slowly, due to lack of attitude, lack of cour- [629–3]
age in the Department to administer the law. Never should the Commodity Exchange Administration have permitted that Chicago corn scandal to develop where it did. It ought to have been currently on the job and nipped that in the bud.

Senator MURRAY. Does it require to be strengthened in any way, amended, in order to make it more effective?

Mr. THATCHER. The act surely ought to be amended in [629–4]
many respects, in many respects. We will be asking the Senate Agricultural Committee to hear us one day on that.

Senator FRAZIER. Are there any logical reasons for these commodity exchanges, in the first place?

Mr. THATCHER. Yes; there is a logical reason, as a meeting [629–5]
place for buyer and seller.

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Senator FRAZIER. Well, that isn't what they use them for.

Mr. THATCHER. That's right. They operate under that [629-6, mask, but they are a self-governing body.

Senator FRAZIER. Statistics show that the Chicago Board of Trade is the largest wheat market in the world.

Mr. THATCHER. Yes, sir——

Senator FRAZIER. And it is not a wheat market at all. It is a gambling place.

Mr. THATCHER. It doesn't receive as much wheat as [629-7] Hutchinson, Kans.

Senator FRAZIER. The majority of the business done there is speculative?

Mr. THATCHER. Yes; that's right, and under rules and [629-8] regulations of their own creation.

Senator MURRAY. I understand they sell as much wheat in a day there, sometimes, as is produced in the whole country in a year.

Mr. THATCHER. That conceivably can happen, but they do [629-9] it every month, handle more than is raised in the country in a year, surely.

11. SUBSIDIES ON AGRICULTURAL EXPORTS

11. Subsidies on agricultural exports in equalization of tariff [630] penalties.

These hundreds of thousands of farmers who raise wheat and cotton —when will men on the Senate Agricultural Committee understand that they just cannot sell in the world's markets, at world prices, free trade prices, less than that, because they must pay the costly transportation services and service costs to even get to that world's market, and then get enough money out of that selling to run a plantation or a wheat ranch, and pay production and living costs that are regimented behind a tariff wall? Well, it just cannot be done.

On behalf of our group, I want to express our pleasure in having the opportunity to present this comment to this committee.

Senator HATCH. Thank you, Mr. Thatcher. I am sorry I was late and did not get to hear all your suggestions.

(Witness excused.)

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Thereupon, at 11:45 a. m., an adjournment was taken until March 11, 1938, at 10 a. m.)

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UNEMPLOYMENT AND RELIEF

FRIDAY, MARCH 11, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Hatch, Frazier, Murray, Davis, and Lodge; also Alan Johnstone, counsel for the committee.

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF AGRICULTURE

The CHAIRMAN. The committee will come to order.

Mr. Secretary, we have invited you to appear to make to the committee a statement with reference to the rural relief policy of the Government, and we would like you to give the committee your views this morning.

Mr. WALLACE. The statement I shall make Senator [631–1] Byrnes, is intended to trace the major outlines of the Government's rural relief policy, indicating some of its results and the possible course of its development.

GOVERNMENT RURAL RELIEF POLICY

From its beginning, the present administration was faced [631–2] with the necessity of providing aid for more than 1,000,000 destitute farm families. Many had lost their land, their savings, and their farm equipment, and were in urgent need of food and clothing. These 5,000,000 people had suffered severly from the general business decline, but the depression was not the sole cause of their difficulties; it merely aggravated rural poverty and made the need for remedial action more acute. We were not dealing with a temporary emergency, which would be cured automatically by an upturn in the business cycle. On the contrary, even a cursory survey of the facts made it plain that the problem grew out of certain deep-rooted maladjustments in our rural economy. The chief of these were a prolonged period of ruinous farm prices, careless and unscientific tillage practices, unsound tenure systems, a heavy burden of debt, inadequate acreage, and a long-continued wastage of our farming capital by soil erosion.

These maladjustments had been undermining the Nation's [631–3] agriculture for many years. We had long been familiar with their symptoms—low farm income, abandoned homesteads, a steady growth in farm tenancy. For more than a century they had compelled the

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United States to carry on a liberal program of rural relief, under the guise of free land. Until relatively recent times, any farmer who lost his property through foreclosure, or whose acres were exhausted by erosion and one-crop tillage, could move on to a new homestead in the West. Today, this easy solution is no longer possible. Free land, capable of producing a decent living, has disappeared, and we have at last been forced to cope with the problems of rural poverty in a new—and perhaps more fundamental manner.

In 1934 there appeared to be two possible methods of [631–4] handling this responsibility:

1. To support needy farm families indefinitely on a direct dole.
2. To help them to climb back to a self-supporting status, by means of a minimum of financial aid and technical guidance.

The first course would have meant a heavy and permanent [631–5] drain on the Federal Treasury, plus the gradual demoralization of a large part of our farm population; and it never would have touched the roots of the problem.

The second method would be largely self-liquidating; it [631–6] would transform relief families from liabilities into national assets; and it promised at least an approach toward a permanent solution. This obviously was the more conservative and economical plan, and it was the plan adopted as the foundation of our rural relief policy.

REHABILITATION PROGRAM

This program of rehabilitation was entrusted to the Re- [631–7] settlement Administration, and more recently to the Farm Security Administration. In essence, it consists of making small loans to needy farm families who cannot obtain credit from any other source, and accompanying them with enough training in sound farming practices to insure the best possible use of the money.

The size of the loans naturally varies with the type of agri- [631–8] culture in each area, but they have averaged approximately $300 each. In general, they are just large enough to supply the family with the bare essentials for carrying on farming operations—a plow, a mule, seed, a few chickens, and other simple equipment. The loans are repayable over a period from 1 to 5 years, and they carry a 5-percent interest rate.

By February 1, 1938, loans totaling $169,312,000 had been [631–9] made to more than 600,000 farm families.

By all customary standards, these people were the worst [631–10] possible credit risks. The Farm Security Administration operated much like the old-fashioned country banker who made "character loans." Although it took chattel mortgages on crops and farm equipment, its most important security was human equity. It had to work on the assumption that these people at the bottom of the economic heap could be trusted to pay back their debts if it were humanly possible. That assumption has been amply justified, because the overwhelming majority of borrowers were typical thrifty, hard-working American families, with all the rugged honesty of their pioneer forefathers.

As an additional protection of the Government's invest- [631–11] ment the F. S. A. has followed the policy of loaning money only on the basis of sound farm and home management plans. These plans were

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worked out in cooperation between the borrower and the country rehabilitation supervisor. In many cases, invaluable assistance has been extended by the State agricultural colleges and the county agricultural agents. Local committees of businessmen and the more fortunate farmers, working without compensation, have helped in the selection of applicants.

A typical farm and home management plan calls, first of [631–12] all, for the raising of enough vegetables and livestock to meet the family's own subsistence needs. A canning budget is worked out to provide a balanced, adequate diet through the winter months. Acreage is set aside for the production of feed for the work animals and other livestock. The rest of the farm ordinarily is devoted to cash crops, which are diversified as much as possible under local soil and climatic conditions. The probable income and expenses are calculated, and provision is made for repayment of the Government's loan from the cash balance. Throughout the year the county supervisor is ready to give the borrower any additional assistance he may require, such as advice on soil conserving practices or on the selection of seed, livestock, and machinery

If the borrower is overburdened with debt, he may obtain [631–13] still further help from the Farm Security Administration's local farm debt adjustment committees.

Since July 1935, these committees have helped debtors [631–14] and creditors negotiate voluntary adjustments of debt in more than 67,000 individual cases. Their mediation has resulted in scaling down the total indebtedness involved from $230,815,000 to $170,280,000—a net reduction of about $60,500,000. More than $3,897,000 in taxes has been paid to local governmental agencies as a direct result of this activity.

A fairly typical illustration of the way in which the reha- [631–14] bilitation program works is provided by the Montgomery family, which lives near Marston, Mo.

I may say that this name is fictitious, but it is an actual [631–15] case. We prefer, as a rule, in mentioning these cases, to avoid exposing the individual to undue publicity. If the committee desires, of course, we can furnish the actual name.

The CHAIRMAN. All right.

Mr. WALLACE. William Montgomery is a World War [631–16] veteran and at one time was a relatively prosperous renter. Three successive crop failures wiped out all his assets, and left him with a $200 debt which was not covered by the forced sale of his team and machinery. For more than a year he and his wife and three children eked out a living by day labor, but in 1936 they were compelled to ask for relief.

Early the next year, Montgomery applied for a rehabili- [631–17] tation loan. Investigation indicated that he was honest, thrifty, and hard working, and a loan for $605 was approved. It enabled him to buy a team, seed, tools, feed, and enough supplies to carry the family until harvest time. The local farm debt adjustment committee helped him scale down his old debts and arrange for installment payments of the balance. The county supervisor helped Montgomery rent 40 acres of good land, and lay out a diversified farming program.

By the end of 1937, the family had repaid more than half its [631–18] debt to the Government, and had met all its other obligations on time.

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Mrs. Montgomery had canned 468 quarts of fruit and vegetables, and stored away 30 bushels of sweetpotatoes and 15 bushels of turnips for winter use. A milk cow, 200 chickens, and a supply of home-grown corn meal meet most of their remaining subsistence needs. With their own labor, the Montgomerys have added two rooms to their home and built a good smokehouse. This year they plan to enlarge their farming operations by renting 80 additional acres and buying another team. They hope eventually to buy a small farm of their own.

The Government's success in helping such destitute families [631–19] rehabilitate themselves may be measured by several simple yardsticks. From a purely financial point of view, the progam has proved surprisingly sound. Although much of the $169,312,000 advanced under the rehabilitation program will not fall due for 4 or 5 years, more than $45,000,000 already has been repaid. Approximately 42,500 families had paid back their loans in full by February 1, 1938.

Many other borrowers not only have paid all their install- [631–20] ments on time, but also have made substantial payments in advance. In Oregon, for example, payments have totaled 113 percent of maturities, while Wisconsin rehabilitation clients have repaid 152 percent of the sum due. In general, collections have fallen seriously behind only in the so-called dust bowl area and in such States as the Dakotas, which have suffered a prolonged and devastating drought. Despite the fact that not one of our 600,000 borrowers was considered a safe commercial risk, it has been conservatively estimated that approximately 80 percent of the money advanced to them eventually will be returned to the Federal Treasury.

Perhaps an even more significant indication of the pro- [631–21] gram's success is the rise in living standards of rehabilitation borrowers. A recent survey of 230,000 such families throughout the Nation showed that their average net worth—over and above all debts—had increased $253 between the time they first sought aid and the end of the 1937 crop year. This represents a growth in net assets of 42 percent, or more than $58,000,000.

In addition, these families have almost doubled their con- [631–22] sumption of home-produced meat, milk, and eggs, and have stored away 63,356,000 quarts of fruits and vegetables—an average of 53 quarts per person—to tide them through the winter. Their ownership of work animals has increased approximately 100 percent, while their acreage in livestock feed and forage crops has risen 50 percent. One of the most gratifying facts of all is that the mounting prosperity and stability of these families has made it possible for nearly 160,000 children to increase their school attendance.

In some areas, notably several Southern States, the rise in [631–23] living standards has been still more striking. For instance, in Rusk County, a fairly typical Texas community, the net assets of 660 rehabilitation borrowers increased approximately tenfold between 1935 and 1937, growing from an estimated $30 to about $345. In the drought-ravaged States of the northern Great Plains, on the other hand, little gain in cash resources has been possible, although home production of food has increased sharply.

Government lending, no matter how generous, could never [631–24] have accomplished such results, if it had not been coupled with a careful system of supervision. There is abundant evidence that plentiful credit, in itself, is no panacea for rural distress. For example, during

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the 15 years between 1920 and 1935 farmers operating their own property increased their average mortgage indebtedness from 29 percent of the property's full value to more than 50 percent. Yet, this sharp increase in debt load was accompanied by an almost continual decline in farm prosperity.

Rehabilitation borrowers, in particular, probably would [631–25] have obtained little permanent benefit from a mere out-pouring of Government credit. The great majority were no more handicapped by lack of cash than by lack of training in how to use such resources as they may have had. Many of them belong to that one-third of our tenant population which moves on to another farm every year. Under such unstable conditions they have had little opportunity to take advantage of normal educational facilities. Ordinarily, they were accustomed to raising only one crop, using methods which had been handed down with little change through three or four generations. Their traditional tenure arrangement encouraged them to mine the soil for every penny of immediate cash return. It gave them little incentive to learn how to check erosion, plant soil-building crops, or keep farm buildings in repair, since another tenant probably would have the property next year.

There have been many indications that such borrowers [631–26] have profited more from the guidance which accompanies their loans than from the money itself. Almost universally, they have welcomed the counsel and help of the F. S. A. farm-and-home supervisors.

The typical supervisor is a practical dirt farmer, raised on [631–27] a homestead not far from his headquarters and trained in the State agricultural college. He is responsible for making and collecting loans from more than 100 clients scattered through from one to six counties, and for guiding these borrowers toward sound principles of farm management. He aids them in adjusting their debts and in obtaining long-term written leases, which assure them some share in the benefit of any permanent improvements they may make. When the borrower pays off his loan, and becomes entirely self-supporting, the supervisor often helps him establish normal credit relationships with private lending agencies, and encourages him to continue his technical training with the Agricultural Extension Service and State-college experts. The experience of the last 3 years has amply demonstrated that this type of supervision not only safeguards the Government's investment, but assures the borrower some prospect of permanent security. It is the best possible guaranty that his name will not appear again on the relief rolls.

Although the F. S. A. lending program has directly [631–28] benefited more than 600,000 families, it has by no means met the full need for such service. County supervisors recently reported that they personally knew of more than 360,000 farmers eligible for rehabilitation loans who could not be helped because funds were not available. There is every reason to believe that the total number of families needing rehabilitation and unable to obtain it is considerably larger.

SUBSISTENCE GRANTS PROGRAM

There is another large group of destitute farmers who could [631–29] not wisely be given rehabilitation loans even if money were available. Thousands of families living in drought areas have been refused loans

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because their land did not contain enough subsoil moisture to justify planting a crop. Approximately 58,000 additional families have migrated from the "dust bowl" regions to the Northwestern and Pacific Coast States. Many of these are earning a scanty hand-to-mouth living as farm laborers, while others have settled on acreages too small or too barren to provide a permanent support. It obviously would be both a waste of the Government's money and an injustice to the borrower to attempt rehabilitation on such submarginal land, where failure is virtually certain.

Under such circumstances, therefore, the Farm Security [631–30]
Administration has made subsistence grants rather than rehabilitation loans. These grants are approved only in cases of extreme distress, and they have averaged approximately $20 per month per family, or barely enough to provide the necessities of life. From the beginning of the program until February 1, 1938, the total grant disbursement amounted to about $61,426,000, divided among approximately 500,000 families. During January 1938 about 107,000 families were on the grant rolls; they received a total of $2,203,000.

Every effort is being made to reduce the grant load by [631–31]
helping these families to rehabilitate themselves as quickly as weather conditions and other uncontrollable factors will permit. There is little prospect, however, that the grant program can be entirely eliminated within the predictable future.

In conclusion, I believe that two points are worthy of special emphasis:

1. The rehabilitation work cannot be carried on economi- [631–32]
cally nor with much hope of permanent results unless the Goverment's loans are accompanied by a sound system of technical guidance for the borrowers.

2. Although we feel that we have made a promising [631–33]
beginning in helping destitute farm families to become self-supporting, the job cannot be completed for many years. We are fighting an economic disease which has been neglected for generations, and we cannot hope to cure it over night.

The CHAIRMAN. In response to a request from the committee, the Farm Security Administration has furnished me with figures as to security payments. I do not know that you have before you a copy of the information which has been furnished to us. The counsel to the committee may have the figures. (See Appendix 11, part 1, p. 1513.)

In glancing over it, I am wondering what is the explanation of the large amount of payments in some sections. We are, of course, familiar with the unfortunate conditions that have existed in the Dakotas and in Minnesota.

I notice Kansas with $2,718,353. These are subsistence grants. What I want to know is whether or not it was part of this drought area, whether Kansas was affected by it, or what is the explanation of the large amounts in the several States? Was it due to the drought?

Mr. WALLACE. Kansas has had a very severe drought, [632–1]
especially in the western part of the State, for several years.

The CHAIRMAN. This is for 1937.

Mr. WALLACE. You see, Kansas had an extraordinarily [632–2]
severe drought in 1936, and a large part of western Kansas in 1937 also had a severe drought, and a large part of the money needed in 1937 was as a result of the severe situation in 1936.

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The CHAIRMAN. Now, in Missouri there were payments in the sum of $2,490,965. Is that also the explanation there?

Mr. WALLACE. Yes, sir; 1936 was an extraordinarily bad [632–3] drought situation in Missouri.

The CHAIRMAN. And these payments in 1937?

Mr. WALLACE. Reflected the 1936 situation in large measure. [632–4]

The CHAIRMAN. Now, Wisconsin, $1,695,102? Is the same situation true there?

Mr. WALLACE. Well, there was a large section of Wisconsin [632–5] which was badly affected by drought in the year 1936 also.

The CHAIRMAN. I thought I recalled you referring to the large amount of repayments in Wisconsin, and I assume, therefore, that there was simply one section of the State that was affected by the drought.

Mr. WALLACE. That was right, it was one section. It was [632–6] not the entire State.

The CHAIRMAN. Because I am putting into the record the statements sent to me by the Farm Security Administration, I am asking these questions that there may be an explanation in the record.

Mr. WALLACE. Yes, sir.

The CHAIRMAN. Nebraska, $3,026,181. What is the explanation of that?

Mr. WALLACE. Nebraska, in both 1936 and 1937, was [632–7] affected by drought in a very unusual manner. Relative to expectations based on the past, perhaps Nebraska, in 1936 and 1937, was more seriously affected than any other single State.

The CHAIRMAN. The Cotton States, insofar as grants are concerned, have not needed, or certainly have not been given, such assistance.

Mr. WALLACE. Most of the Cotton States have not been [632–8] affected by weather which departed to such an extraordinary extent from normal expectations.

The CHAIRMAN. I notice that the southwest cotton States were 11 percent and the southeast cotton States 2 percent. What would you say about that?

Mr. WALLACE. Oklahoma was more seriously affected by [632–9] the weather than many other States.

The CHARMAN. I want to insert these figures in the record.

(The figures referred to will be found on pp. 1519–1520.)

The CHAIRMAN. In making these grants, do the supervisors first ascertain whether or not the recipients are receiving any aid from State relief organizations?

Mr. WALLACE. When you say that, you mean grants and not loans.

The CHAIRMAN. Grants.

Mr. WALLACE. The $20 a month grants?

The CHAIRMAN. As you call it, direct relief grants.

Mr. WALLACE. Do you mean do we clear with W. P. A.?

The CHAIRMAN. Do you find out, not only from W. P. A., but in the State of Wisconsin, for instance, whether the recipients have applied to or are receiving direct aid or relief from the State's relief agency, because direct relief is now being exercised by the States and not by the Federal Government? W. P. A. replied to us that they always endeavored to find out and do find out by inquiry whether or not the person applying for a job is getting direct relief from the State agency, and I wondered if such inquiries were made as to those who got direct relief from the Farm Security Administration.

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Mr. WALLACE. Well, undoubtedly, Senator, it is very rare [633–1] for the States to be equipped to furnish aid to farm people in distress.

The CHAIRMAN. Well, it just occurred to me if, when these State organizations are set up and are furnishing such aid, whether they are going to discriminate against the man on a farm who is in distress.

Mr. WALLACE. I will say a very thorough check is made [633–2] both with the State people and the W. P. A. in most cases.

The CHAIRMAN. It seems to me that would be essential, because if the State is furnishing a grant, there ought to be some information in order to know to what extent we are supplementing the aid that is given by the States.

Mr. WALLACE. Yes; a very complete check is made on [633–3] that.

The CHAIRMAN. The information that you give as to this survey, as to the number of quarts of fruits and vegetables preserved, how do you get that information? I am interested in your research to know how many quarts of fruits and vegetables have been put up by so many hundred thousands families. I am just wondering how your arrive at those figures.

Mr. WALLACE. Well, it is a very simple matter. I have [634–1] traveled with the county supervisors and visited the houses of various people who have borrowed, and I find this invariably, that one of the first questions the county supervisor asks a housewife is, "What was your canning budget", and the housewife is very proud of having filled her canning budget, and usually volunteers to take us to see the number of cans on the pantry shelf. The supervisors suggest, in view of the number of people in the family, about how many quarts would be desirable to can in order to protect the family health needs during the coming winter. Later on they ask if the canning has been done.

The CHAIRMAN. That is what I mean. Is the agent requiring a report from those families who are aided, and if so, I was interested to know the attitude of the farmer who receives aid toward this reporting, whether he objects at all to giving a report as to what he has been doing during the year as a result of the aid that has been given him.

Mr. WALLACE. As nearly as I have been able to observe, [634–2] from observations in the field, they are very proud of the quantity of stuff which they have been able to can. I would say they are both proud and grateful.

The CHAIRMAN. And your supervisor keeps in touch with them to see the result of the aid that has been given to the man by the rehabilitation program?

Mr. WALLACE. That's right. [634–3]

The CHAIRMAN. Now, another thing: What are we going to do about this thing from the permanent standpoint. With this area where, according to this statement, a few States, the Great Plains States, received 68 percent of the grant in 1937, and I must assume, because of the conditions which you have described. Now, what can be done toward helping these people to locate on some farms where they have some chance of making a living, and we do not have to be giving to them this grant which, according to the testimony that we have, they do not want, and nobody wants to keep them permanently as a recipient of direct grants. What is your suggestion as to what can be done there?

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Mr. WALLACE. Well, there perhaps are as many as 80,000 of [635–1] these families in the Great Plains area who, at the present time, are unable to make an adequate living out of present farm facilities. Probably the best suggestion would be to make as much water available as possible in the Great Plains area, so they can raise more of their own living at home. To some extent, in some places, water can be made available not so very far from where they are now living, and they can be given irrigated farms. That takes time.

In the last session of Congress, an act known as the Water [635–2] Facilities Act was passed authorizing the use of money by the Department of Agriculture to construct more dams, dig wells, build reservoirs. No money has yet been made available under that act. I think we asked for $2,000,000 to put the act into operation. No action has been taken, as yet, however. Under the act, in cooperation with the Reclamation Service, and in cooperation with W. P. A., and possibly also with A. A. A., and in cooperation with the National Resources Board, I believe it will be possible to utilize practically every available drop of water in the Great Plains area for the growing of crops. I think the powers are there.

Now, the question is how much money would it be practical [635–3] to use. Well, I think it would be sound sense to approach the problem gradually and feel our way on it, but I do think there is an opportunity to make a start there, to find as nearly as possible the place for these families which now do not have adequate physical resources to make a living; to find a place for them to make a living as close to home as possible.

The Reclamation Service, of course, can make land available [635–4] in certain parts of the Great Plains area. The largest amount of land which eventually can be made available by the Reclamation Service is in the Grand Coulee area, but that will not be available for some years yet. There is a considerable amount of pumping that can be done. Under the Water Facilities Act we can engage in small-scale reclamation, which I trust can be done in the most completely cooperative way possible with the Reclamation Service, which engages in the larger scale operation. I think we can do some things along these lines.

Senator MURRAY. Mr. Wallace, the Reclamation Service has no funds available to undertake any program in collaboration with these other agencies which you mention at this time.

Mr. WALLACE. Well, as a matter of fact, we have no funds [635–5] either.

Senator MURRAY. No. So there is the problem of getting funds to carry out this program and it is the only solution that you can suggest for taking care of these stranded farm families in the Great Plains area.

Mr. WALLACE. Well, there might be one other solution, [636–1] and that is to have Federal aid available for these families in case they migrate to California or the other coast States and become migrant laborers there. We have found, for instance, in California, that there are perhaps twenty or twenty-five thousand migrant farm laborers who have come from the States farther east and who are not eligible for State or other local relief in California and who on that account are properly deserving of Federal consideration. That is the only other alternative that I can see; that is, to furnish assistance to help coast

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States take care of the load in case they are not taken care of in any other way.

Senator MURRAY. But these migrations create only another problem, and you have stated that the best way of handling it is to relocate these people as near as possible to the land they are removing from.

Mr. WALLACE. We feel that is the most constructive way. [636–2]

Senator MURRAY. And there are irrigable tracts all over the Great Plains States that can be made available for such service?

Mr. WALLACE. There are a number of such tracts, sir. [636–3]

Senator MURRAY. And if that is done by the Government, funds expended in that way are reimbursable to a very large degree, except to the extent that aid may be given through these other agencies such as the W. P. A. and the Farm Security Administration.

Mr. WALLACE. The extent to which the funds come back to [636–4] the Federal Treasury varies, I believe, under different plans.

Senator MURRAY. Is it not true that at Morgan, Montana, where they have already relocated a great number of farm families on the tracts, that in the very first year that they have operated there, they have begun to make repayments to the Government and have their cellars loaded with products?

Mr. WALLACE. Let me ask Mr. Perkins about that.

Mr. PERKINS. That is right.

Senator MURRAY. So that there is an easy solution for this problem, and it would be absolutely absurd for the Government to continue to be granting relief and assistance to these farmers when it is possible to reestablish them on land for which they can pay, and upon which they can become self-sustaining?

Mr. WALLACE. I would like to make myself clear, Senator, [637] with regard to these community projects which were entered upon before the Resettlement Administration came into the Department of Agriculture. I have already made my stand clear to a number of Congressmen and Senators. So long as the present policy obtains, the policy which began on January 1, 1937, we are not going to embark upon any more of these community projects. We are going to finish those that have been started, but we are not going to start new ones. Our experience with community projects thus far has been quite variable. Some of the experiences have been good, and some of them have not been good. In case Congress should make it a policy to launch new community projects, we shall have the benefit of this experience so that we can profit from the mistakes which may have been made in the past.

Senator MURRAY. But these other projects, such as the project at Buffalo Rapids in eastern Montana, which is now being constructed through the Reclamation Service, and the W. P. A., which would furnish an opportunity of relocating these farmers that have moved from the submarginal lands and are a burden on the relief organizations, projects of that character, can be located throughout the Great Plains area?

Mr. WALLACE. At the present time, I would hesitate, [638] Senator, to recommend setting up a large number of homesteads in a particular place. I would rather have more experience with what we have done thus far before recommending any such procedure.

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Senator MURRAY. You would advise, then, that those farmers who have come off the submarginal lands and are now on relief should be taken care of in some other way, should be moved to California or to Oregon?

Mr. WALLACE. No; I am not advocating that, Senator. [639] I am advocating, insofar as possible, to take care of them by the individual method rather than the community method.

Senator MURRAY. Well, the individual method would be to get them located as nearly as possible to the locations where they are now living, and if there is irrigable land available nearby, where water can be put on it, wouldn't that be the proper manner of handling it?

Mr. WALLACE. Oh, undoubtedly, sir.

The CHAIRMAN. This problem of W. P. A. on the farm, Mr. Secretary—when you take a man who is a farm laborer, and your Farm Security Administration does not take care of him, and W. P. A. provides the project under the regulations governing W. P. A., with the wage scale that is provided in the State, and the hours, what effect does it have upon him, thereafter, as a farm worker? I mean, if you establish a project, say, in South Carolina, in order to have W. P. A. give him a job, and he works at the wage that is fixed for that job, the hourly wage fixed for workers, which is higher than he got upon the farm, and he works only 40 hours a week, a much shorter time than he worked on the farm, what effect does it have upon him as to his attitude to farm life thereafter? If we are to help him, shouldn't it be done by the Farm Security Administration some way, instead of taking him and putting him on a W. P. A. project, with a much higher scale of wages, fixed by the hour, and having him work for a short time during the week, when he has been accustomed to working every day in the week?

Mr. WALLACE. I do not know whether W. P. A. and Farm Security have conducted any survey into that problem or not.

Mr. PERKINS. Well, Dr. Woofter is here from W. P. A. In [640] general, while there are still some farmers working on W. P. A. projects, they are chiefly farmers who could not get land and to whom we could not therefore, make loans. When farmers come in for help, we prefer to make loans to them, and the W. P. A. prefers that we lend farmers money to farm rather than to see them put on projects. There are, however, a good many people who did farm 2 or 3 years ago but who have since been unable to get lands who are therefore working on W. P. A. projects at the present time.

The CHAIRMAN. My information is, and I am going to check up on it, that a large number of farmers have been put on W. P. A. projects, that they have established projects such as digging ditches and working on roads, and they give him great assistance, but it looks to me as though you have quite a problem there, that if you are going to encourage a man to stay upon a farm——

Mr WALLACE. I don't know what the situation is in South [641] Carolina, Senator—you are much more familiar with that than I am—but in North Dakota, in traveling through there, I have talked with some of these men who are working on W. P A. These men were farm operators who were absolutely destitute, but were fine, upstanding individuals. I think they were very grateful to W. P. A. for the opportunity of earning this extra money; but I don't think they had quite as many hours of work as you have indicated. I think they would

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have welcomed having many more hours of work in a week. I do not think from talking with these North Dakota farmers who were working for W. P. A., however, that it affected their morale in any way. As I said, I don't know, first-hand, about the situation in South Carolina, but I presume these workers are more nearly in the farmhand class.

The CHAIRMAN. While I am, of course more familiar with South Carolina, I was not speaking solely of projects, but I am referring rather to the information which has come before this committee, as to what W. P. A. has done to aid those in distress by reason of farm conditions throughout the country; and I am wondering whether it would cause the worker to be a little less interested in returning to what I know in a certain regard is the hard life upon the farm as compared with the shorter hours on W. P. A.

Mr. WALLACE. Well, our observations of human nature [642] would lead to only one conclusion.

The CHAIRMAN. The conclusion I reach is that Resettlement ought to consider, in looking after the farmer who is out of income and who needs a job, how to provide some job for him close to his farm, instead of taking him away from the farm so that the city could give him a job and making him possibly dissatisfied with the farm when he returns. Resettlement ought to do something about settling him nearer to his home.

Mr. WALLACE. Insofar as funds available would make it [643] possible, that would be the desirable outcome, of course.

The CHAIRMAN. Then it seems to me that it might be better to let Resettlement do the job if it is the wise thing to do.

Senator FRAZIER. In North Dakota they cannot get W. P. A. jobs so easily.

The CHAIRMAN. I think it is true, and I think it presents a real problem. I think one thing would be to find the project in which they could be utilized.

Senator FRAZIER. In North Dakota there were a good many more applications than there were projects for people to work on.

Mr. WALLACE. I don't know the recent results of these conferences, but there have been conferences on it.

Mr. PERKINS. I think, in general, except for the hang-over [644–1] cases, which I mentioned, that W. P. A. is not putting farmers to work on projects when they have a chance to make a living on farms. When a farmer is in distress we either make him a grant, if he is in an arid part of the country and on relief status, or, if there is enough moisture for a crop, we make him a loan.

A year ago W. P. A. turned over to us some 270,000 farm [644–2] families, and at the time they were turned over we entered into an arrangement with W. P. A. under which we would assume responsibility for farmers living on farms in open rural country, while their responsibility was to be for individuals living in villages, towns, and cities, even though those people might formerly have been farmers.

The CHAIRMAN. That is what I am driving at. I remember when W. P. A. did transfer quite a number. Now, do you mean that Resettlement is assuming responsibility for persons living upon farms who are in need of jobs?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. All right.

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Senator FRAZIER. Mr. Secretary, I was very much interested in your statement in regard to the regular loans that the Resettlement and Farm Security Administrations had been making. It seems to me that is the best way that these farmers can be rehabilitated and given a chance to get started again. I notice you make the statement that your county supervisors reported that some 360,000 farmers eligible for these rehabilitation loans cannot get them because there are too many of them, and I know there have been complaints from my State along the same line, that farmers could not get these loans. Of course, this drought area—as soon as the climatic conditions change and the rains come again—in those drought areas there will be a good many more farmers that will want these loans in order to get back again. Will it be necessary to propose more money to make these loans; that is, if they will continue?

Mr. WALLACE. Obviously, Senator.

Senator FRAZIER. I think if that must be done, it is much better. in my opinion, than the relief grants, because that is only a subsistence proposition, and these regular loans will give them a chance to get started again.

I notice, in your statement, the increase in mortgage indebtedness from 29 percent in 1920 to 50 percent in 1935. Isn't that increase largely due to the drop in the value of the land?

Mr. WALLACE. Yes; very largely due to the drop in the value [645] of the land.

Senator FRAZIER. I think that must be because the land was very high and went down very materially before 1935.

Senator MURRAY. In addition to the necessity for having funds made available for these loans, it is going to be also necessary to have funds made available to carry on this joint program which you mention with the Reclamation Service.

Mr. WALLACE. Yes, sir. [646]

Senator FRAZIER. Your Farm Security Administration is perfectly willing to go ahead with that program?

Mr. WALLACE. Well, that program would not be under Farm [647] Security, but it would be in coordination with Farm Security.

Senator FRAZIER. Yes, yes.

The CHAIRMAN. Mr. Secretary, if you had the money you could do a lot of things; couldn't you? Let me ask you what effect is your acreage-production proposal going to have on this program of resettlement?

Mr. WALLACE. I think it has a favorable effect.

The CHAIRMAN. You think the income of the farmers would be increased by reason of the program?

Mr. WALLACE. The objective of the Agricultural Act of 1938 [648] is to increase the income of the farmers of the Nation, and at the same time to furnish an abundance of agricultural products for the people in the cities. Insofar as it is successful in increasing the income of the farmers of the Nation, It will tend to lessen the rural-relief load. Of course, as a result of the extraordinary cotton crop of last year, which was the greatest on record, it is necessary, in order to keep cotton prices from remaining for a number of years at a very low level, to have an acreage this year of around 27,000,000 acres. This means that there will be needed a somewhat fewer number of hours of man-labor, especially in the picking of cotton, than would be the

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case if we had, say, 40,000,000 acreas of cotton. Ultimately and finally, however, the question gets around to how many cotton-dollars there are to be divided among the people in the South. The piling up of twelve or thirteen million bales surplus does not help the income of those people in the South who are at the bottom of the economic pile.

The CHAIRMAN. Well, Mr. Secretary, if we freeze the price of steel, the price of automobiles, and we have fixed charges like taxes, and fixed charges for labor by reason of contracts, everything the farmer has to buy is at a fixed price, do you see any chance for readjusting the situation at all, unless you do increase the income of the farmer of the West and South, East and North?

Mr. WALLACE. I think we should continually try to increase [649] the income until the farmers' income per capita bears the same relationship to other people's that it bore previous to 1929. I do not think we should stop until we reach that point.

The CHAIRMAN. If the farm income decreases, and we fix prices of manufacturing products by fixing everything that enters into it, how in the world can your farmer throughout the Nation purchase the manufactured products? We cannot do it; can he?

Mr. WALLACE. We have to bring about a state where there [650] are equal flexibilities and equal rigidities in the economic structure.

The CHAIRMAN. Do you know anything that can bring about that adjustment?

Mr. WALLACE. It is very important to bring about that [651] adjustment, provided it makes for an abundance of goods to be divided all around instead of a scarcity of goods to be divided all the way around.

The CHAIRMAN. Thank you very much.

(Witness excused.)

STATEMENT OF C. C. ZIMMERMAN, HARVARD UNIVERSITY

Senator MURRAY. Will you state your name?

Professor ZIMMERMAN. Carle C. Zimmerman.

Senator MURRAY. What is your occupation?

Professor ZIMMERMAN. I am professor at Harvard University.

Senator MURRAY. You have come here in response to an invitation from the chairman of this committee?

Professor ZIMMERMAN. Yes, sir.

Senator MURRAY. Have you prepared a statement?

Professor ZIMMERMAN. I have a short prepared statement.

Senator MURRAY. You may read it if you wish and you may make any supplemental statement that you desire.

Professor ZIMMERMAN. Well, now, I look at this problem [652–1] rather broadly.

RURAL RELIEF

Rural relief concerns about 13,000,000 of America's 30,000,- [652–2] 000 families, or about 54,000,000 of our people. These 13,000,000 families include about 7,000,000 on farms and 6,000,000 located in the open country districts or small villages of 2,500 or less. I want to discuss the distribution of rural poverty among this group and what can be done to remedy it.

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In general, these people in our rural districts fall into six [652–3] categories of population. First of all are the commercial farm families. This is a group of about 2,000,000 families which owns the best lands in the United States and produces about 80 percent of all of our commercial, agricultural sales crops. The next group consists of about a million and a half families of workers and sharecroppers who work for other farmers. These are located primarily in the Cotton Belt, in the commercial fruit and vegetable regions, and in other areas requiring a great deal of hand labor. In general, they depend for their living upon their wages and do not do any home production for themselves. These types of families in the South are supplied by the landlord in the crop season and live off of the returns from the cotton during the winter. In the migratory-labor areas they work for wages during the crop season and either return to farms in the poor-land districts or go on relief in nearby cities in the winter.

The third group of farm families consists of about three and [652–4] a half million more or less noncommercial farmers who are to be found in the Appalachian-Ozarks, on some of the poor lands in the Southwest, in New England, and in the Lake States cut-over region. They have never made a complete living from the land but have depended for a large portion of their income on off-the-farm wages. They are located in poorer farm areas, so-called marginal lands, but are near the cities and industrial locations. They work in the timber industries; in the iron and copper mines of the Lake States cut-over; in the coal, textile, and rayon industries in the Appalachians and in the coal and iron districts around Birmingham in the South. These people, with their high birth rates, furnish the major upkeep in our population since our commercial farm districts, which get most of the Federal relief from the agricultural administration do not have many children and our cities tend to have what may be considered a negative birth rate. The 6,000,000 families located in the country districts or villages and not on farms consist in part of families of tradesmen and middlemen which process farm products, rural industrial workers or agricultural laborers, such as farm hands or cotton pickers. The important thing to remember is that rural relief concerns 54,000,000 people. In general, about one-third of these 54,000,000 people do nothing but farm and about one-third do little or no farming. The middle third makes some of its income from agriculture and some each year from other industries.

FEDERAL RELIEF AGENCIES DEALING WITH RURAL PROBLEMS

The Federal relief agencies dealing with these 54,000,000 [652–5] people consist of the Agricultural Adjustment Administration, the Farm Security Administration, the Farm Credit Administration, and the rural end of the W. P. A. The Agricultural Adjustment Administration seems primarily concerned with restricting the volume of agricultural production in the United States. The Farm Credit Administration gives loans on mortgages, and the W. P. A. is designed to give money to people who otherwise would have nothing to eat. Of these agencies the Agricultural Adjustment is most expensive, directly and indirectly, because it not only pays men for not producing but it also taxes every consumer in high price for his food and necessities of life. The poorer consumer pays relatively more than the well to do

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because more of his income goes for necessities of life and he has much less to spend.

The question is why we have four relief activities in the [652–6] country districts when the expenditures of any one of them is greater than the total expenditure of the Federal Government for rural affairs ever before in American history. Why is it that if we give farmers high prices for their crops and money for restriction of production and also keep them from losing their farms, resettle them, rehabilitate, and secure them, that we have, in addition, to spend money for direct rural relief? There are several answers, and these may be enumerated as follows:

1. Agricultural restrictions, such as reducing cotton acreage [652–7] from 45,000,000 to 29,000,000 acres and making similar reductions in corn and wheat and other crops, reduce the volume of goods going through the industrial system. This means that all the people who formerly would have shared in the agricultural production process have much less work to do than they would otherwise, and as a result are forced upon public relief. It is impossible to take many millions of bales of cotton and of bushels of wheat and corn out of an industrial system such as ours without creating unemployment for hundreds of thousands of workers who harvest the crops, haul them to the mills, process them, and shift them abroad.

2. This restriction process has raised the cost of living so [652–8] that a dollar does not go very far for the millions of people who do not share in these agricultural money gains for decreased production, and this is an important factor in the pauperization of hundreds of thousands more families.

3. The whole process tends to redistribute the wealth and [652–9] incomes in our rural districts so that the commercial farmers get more and the great mass of poor farmers have less. As a result of this, many poor familes are forced on relief.

4. Finally, the reduction in volume of production is the [652–10] foremost factor in restriction of our basic industries, such as railroads, timber, iron, coal, and copper. As a result, the industrial opportunities for our rural people working in these industries is much less than ever before. As an illustration, one should compute how many more tons of coal would be required to carry 300,000,000 bushels more of wheat each year from our Wheat Belt to the consuming sections and to Europe.

On the basis of the preceding analysis, I believe that the [652–11] present major cause of rural poverty and needs for relief is agricultural restriction. The chief burden of the increasing rural poverty is on the small part-time and noncommercialized farmers and rural tradesmen and industrial workers. These are several times more numerous than the 2,000,000 families who produce most of our commercial sales crops. The poor farmers who lose most through this restriction system are located on poor land in the marginal sections of the country. The village people who also lose do not even share greatly in the home production of gardens, cows, chickens, and pigs which help to bridge their loss of income in an employment and higher costs of living.

It seems to me that if we continue agricultural restriction [652–12] we must continue other agricultural and rural relief on a large scale. I suggest that if relief is given in communities of less than 5,000 in

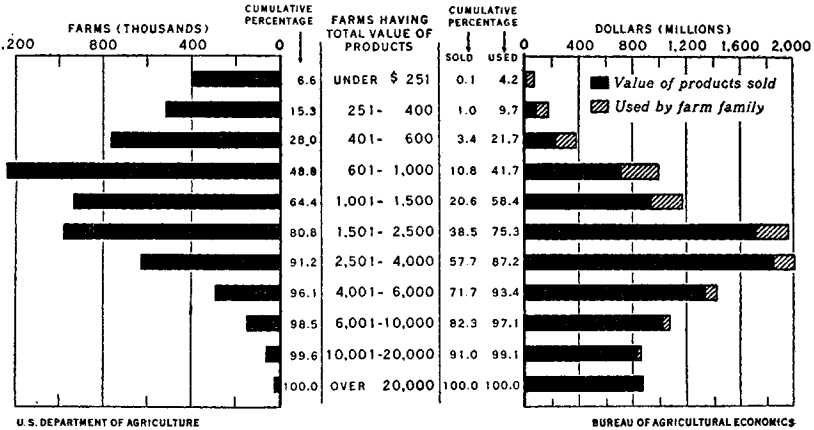
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size that the recipients be required to raise increasing proportions of their food from gardens, poultry, and so forth.

I think that the most sensible and statesmanlike way of [652–13] handling the whole problem would be to go back to volume production in agriculture. If we did away with agricultural restrictions and let prices seek a supply-demand level, millions would go back to work. Then if the commercial farmers lost money we would have more to give then as direct gifts, reduced interest on mortgages or Federal assumption of local land taxes during distressed periods. Fewer would need relief, and there would be much less danger that a combined drought and agricultural restrictions would catch us short of food and the necessities of life.

In extenuation of my remarks, I want to call attention to [652–14] two charts which I have here. One is a map of farm population (see chart 1, p. 1554), which is made to scale. If you will observe it carefully, you will see that there are relatively few people located on the good lands in the United States. The great mass of the people are located on the poor lands, chiefly the Appalachian-Ozarks, part of the Southwest, and also considering the limited resources, the Western States. You can readily see that the most expensive part of all of our agricultural relief is given to a relatively few of our people. I consider the Agricultural Adjustment Administration a relief activity, which it is in fact.

VALUE OF PRODUCTS SOLD FROM FARM AND USED BY FAMILY CLASSIFIED INTO GROUPS, BY VALUES, UNITED STATES, 1929



The second chart (above) is by the Department of Agriculture [652–15] and based upon 1929 data. This particular chart shows the portion of farmers that have incomes of definite size. The first group there, 6.6 percent of our farmers, had less than $251 of commercial income. They received only one-tenth of 1 percent of all of our commercial agricultural income in 1929.

Now, as you move down that chart, these percentages at the [652–16] left cumulate so that when you get down to the group that includes 64.4 percent, or two-thirds of our farmers, you see that they get only one-fifth of all the agricultural sales income in the United States.

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That includes the great mass of farm people located on the poorer lands.

One can go even further and say that 80 percent, or four- [652–17] fifths of our farmers, get less than two-fifths of the commercial agricultural income in the United States. From that point on, you get the well-to-do farmers, the A. A. A. farmers, who get the most money from restricting agricultural commodities. About 20 percent of the farmers get most of the restriction money, and they already had 80 percent of our agricultural commercial income at the start. I am saying that as you restrict agricultural production and increase the money income of a few, you not only decrease the real income of America but you also pinch out the great mass of the farm people. That is now the one real important permanent factor in rural relief.

Senator MURRAY. Professor, you have given a great deal of study to this subject, I assume?

Professor ZIMMERMAN. I used to be at the Missouri Agricul- [653] tural Experiment Station, the North Carolina Agricultural Experiment Station, and the Minnesota Agricultural Experiment Station. I have been away from experiment stations for only 4 or 5 years, and have continued my studies of agriculture.

Senator MURRAY. Are you familiar with the Great Plains area?

Professor ZIMMERMAN. Yes, I am, somewhat.

Senator MURRAY. Have you ever lived out there?

Professor ZIMMERMAN. I have lived on the edge of the Great Plains and have traveled extensively through the region.

Senator MURRAY. You have never farmed there, have you?

Professor ZIMMERMAN. No; I have never farmed in the drought region.

Senator MURRAY. And you are not familiar with the problems of the farmers in those drought areas from actual observation and experience?

Professor ZIMMERMAN. No; not from the standpoint of farming there.

Senator MURRAY. In your statement here you say:

> On the basis of the preceding analysis I believe that the present major cause of rural poverty and needs for relief is agricultural restriction.

Professor ZIMMERMAN. Yes.

Senator MURRAY. Well, when did this restriction begin?

Professor ZIMMERMAN. The restriction began with the orig- [654] inal A. A. A. Act of 1933, but the whole problem began in 1928 when we set, through the Federal Farm Board, higher levels of prices in the United States and accumulated the world surplus in the United States.

Senator MURRAY. Then this rural poverty that you have reference to began before the restriction policies began?

Professor ZIMMERMAN. Yes.

Senator MURRAY. But how can you say then that you believe that the present major cause of rural poverty and needs for relief is agricultural restriction?

Professor ZIMMERMAN. I am talking about permanent causes. [655] There are two temporary causes.

Senator MURRAY. You don't mention anything in your statement with reference to the effect of the tariff system in this country on agriculture. Have you given any thought to that?

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Professor ZIMMERMAN Yes; I have.

Senator MURRAY You don't think that has played any part then, in the poverty of the farmers of the country?

Professor ZIMMERMAN. The tariff system has played a role in [656] the situation

Senator MURRAY But you have not mentioned it in your statement have you?

Professor ZIMMERMAN. I have, in my opinion, picked out the [657] one outstanding permanent cause of the present difficulty.

Senator MURRAY But you give no consideration to the problem of the effect of the tariff system in this country upon the farmers of the country

Senator LODGE. Professor, isn't it advantageous to the farmer to have tariff protection against foreign imports of agricultural products?

Professor ZIMMERMAN. For certain import commodities, it is. [658]

Senator LODGE. The tariff is something that can help everybody; isn't it?

Professor ZIMMERMAN. Any product that is imported into the [659] United States will have its prices raised to a limited extent by having a tariff

Senator MURRAY. So you are in favor of the tariff system?

Professor ZIMMERMAN. I am fundamentally opposed to it, [660] at least, to a very high tariff. To a considerable extent I am a free trader, and yet I recognize that nations have been unwilling to be free traders. I am fundamentally opposed to high tariffs.

Senator MURRAY. You are not in sympathy, then, with the present program of the Agricultural Adjustment Administration?

Professor ZIMMERMAN. I am not. I classify the tariff as one [661] evil, and the Agricultural Adjustment Administration as another evil; and I say that a country can stand one evil, but it gets into difficulties when it has to stand two very serious evils.

Senator LODGE. Two wrongs do not make a right?

Professor ZIMMERMAN. No.

Senator MURRAY. Your proposal then is to get away from the efforts of the present administration to make a readjustment of the agricultural problem?

Professor ZIMMERMAN. My proposal is that we return to [662] volume production in agriculture and reduce the cost of living. On the average, the American people buy $40,000,000,000 worth of necessities of life every year, and a minor restriction in agriculture can easily, and does, raise the cost of living as much as 10 percent in one year. Now, that means that we are spending $4,000,000,000 in direct costs in addition to the half billion in direct costs that is paid the farmer for restricting acreage. I say let us return to volume production in agriculture and reduce the cost of living, and then we would have more money, and could give the farmer as much as $2,000,000,000 in direct relief, but not for restriction.

Senator MURRAY. What do you think of the proposal of giving farmers parity payments for their products?

Professor ZIMMERMAN. I have no objection to giving the farmer [663] parity payments for his products. The only thing, I think, that causes all the trouble is giving him parity payments to reduce his acreage. It is restriction of production and price lifting that is important.

Senator LODGE. Mr. Chairman, I have a question there.

Senator MURRAY. Just a minute.

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SOIL EROSION

Are you in favor of the Administration program on soil erosion?

Professor ZIMMERMAN. Insofar as soil-erosion activities are real [664] activities to prevent soil erosion, I favor them. I am of the opinion that soil erosion has, to a large extent, been used as a cover for hiring the farmer to restrict the basic commodities.

Senator MURRAY. You think that soil erosion is a mere pretext for having the farmer accept the program of the Administration?

Professor ZIMMERMAN. I think that to a considerable extent [665] the words "soil conservation" were taken over by the Agricultural Adjustment Administration to keep the urban public in favor of agricultural restrictions.

Senator MURRAY. Have you given very extensive study to the problem of soil erosion in the country?

Professor ZIMMERMAN. I think I have studied it as carefully [666] as any person could do who is not a specialist in soil.

Senator MURRAY. Isn't it true that over 100,000,000 acres of fine agricultural lands in this country have already been destroyed through erosion?

Professor ZIMMERMAN. I have heard those statements. Frankly, I am skeptical.

Senator MURRAY. Yet, you have made no thorough study of the subject?

Professor ZIMMERMAN. I said that I had made as thorough a study of it as anyone who is not a specialist in soil chemistry.

Senator MURRAY. Then you have no regard for the specialists who have made a study of it, and you do not accept their conclusions?

Professor ZIMMERMAN. In this particular case, I do not.

Senator MURRAY. You think your judgment on that problem would be better than the judgment of these experts who have been giving exhaustive study to it?

Professor ZIMMERMAN. Yes; in this particular case I would.

Senator LODGE. Can't you find experts on both sides of almost every question?

Professor ZIMMERMAN. Yes; you can, but I should like to [667–1] cite these two specific instances.

ERODED LANDS OF THE SOUTH

The part of our country which is most subject to soil [667–2] erosion is the southern region, because there it does not freeze in the wintertime. It is a sandy soil and has the highest rainfall. I am omitting the wind erosion districts in the West. The place with a very high rainfall, which is open at all times for erosion, is the South.

Now, in 1937 on these lands that we had been told had [667–3] eroded away, they produced almost 19,000,000 bales of cotton on 35,000,000 acres of land, and the biggest crop that the American farmer had ever gotton before off of 45,000,000 acres of land was about 16,000,000 bales of cotton. These are rough figures, but I take them as an indication of the fact that much of the land in the South has reached what is known as Liebig's Minimum. It is land which has reached the lower field of production where it has lost its original surplus fertility and will produce very little unless you add fertilizer to it. In 1937 these farmers were given a good deal of money for soil-

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erosion prevention, and they put it in more fertilizer, and the better care of a few acres. According to the principle of increasing and diminishing returns, they were able to get a much better crop off of a small acreage.

Senator MURRAY. And you are in favor, you say, of going back to volume production in agriculture?

Professor ZIMMERMAN. Yes; there has been a very careful [668] study made of that by the National Industrial Conference Board. They reached a conclusion which I think is valid. It is as follows: In the agricultural contributions to general prosperity of the American Nation, two things, can be considered: How much money income do the farmers have; and, what is the volume of goods going through the industrial system. How many millions of bushels or of bales are going through the industrial system? After a very careful study, they reached the conclusion that it is, on the whole, as important, if not more important, for national prosperity that you have a high volume of agricultural products going through the industrial system than a low one regardless of the low money incomes of agriculturalists. I suggest that you can meet both ends. That is, if you have a high volume of industrial production going through the system and low prices, then you have plenty of income to tax and to give the farmer anything that is considered equitable. You could even give him more money than you are giving him now.

Senator MURRAY. So you are in favor, then, of the continuation of the use of all these agricultural lands in the country for the raising of crops, and you do not agree with the program of the Administration that these submarginal lands should be removed from cultivation?

Professor ZIMMERMAN. I do not. These submarginal lands [669–1] are where most of the people in the country live, and they produce practically no commercial crops for sale. The three and a half or four million people who live on our submarginal lands in this country produce hardly anything for sale, in the sense that they produce maybe 20 percent of commercial sales crops, and they are the most of our farm people.

SUBMARGINAL REGIONS OF THE SOUTH

The submarginal lands in the United States are important, [669–2] not from the agricultural point of view but from the human point of view. That is where our population seedbed is in these particular submarginal regions. Based on the number of children under 5 years of age per thousand women, they have birth rates that will run about 175 percent of reproductive needs; whereas, when you get down to our large commercial agricultural population, their birth rates are about 125 percent of reproductive capacity When you get into our towns and cities, the large cities run down to 75 percent of reproductive capacity. The submarginal lands of the United States are not an agricultural problem, they are a human problem—our population source.

Senator MURRAY. Don't you believe that there are any submarginal lands in the western section of the country?

Professor ZIMMERMAN. Yes; there are in the sense that [670] some lands are being blown away. I should think that if we wanted to save the soil in the country, we would concentrate a great deal of money on those lands, in the sense of getting them back to grass, and

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getting new systems of production out there. Thereby you would save a lot of land.

Senator MURRAY. That means taking that character of land out of production of crops?

Professor ZIMMERMAN. It means putting them back into [671] range. The whole western end of the Wheat Belt should be put back into range.

Senator MURRAY. So you agree with that proposal of curtailing production of those areas and returning them to range?

Professor ZIMMERMAN. Yes.

Senator MURRAY. That is one of the important programs of the Agricultural Adjustment Administration, is it not?

Professor ZIMMERMAN. Yes; in part, but as it is carried on [672–1] now, the fundamental gains from the Agricultural Adjustment Administration are being concentrated in the hands of the people who own the lands that are not eroding. You wouldn't put land in Iowa and in northern Missouri and in southern Minnesota in the same category with the range lands in the West that are blowing away or with some of the lands in the South that are being heavily eroded. If you take a double-barrel 10-gage shotgun and shoot at a target, you are bound to have some shot in the bull's-eye. My argument is that if you want to save land, save land and not use it as a cover for doing several other things which, in the long run, may be very disastrous to the farm people themselves.

From the standpoint of a Farmer-Labor Party cohesion, [672–2] which is a very important factor in this country, the laborers by paying high prices for food and having fewer jobs are being forced on relief by the farm program. The laborers are, to a considerable extent, handicapped by agricultural restriction. When they find this to be true, the laborers who outvote the farmers are going to turn against agricultural subsidies. They are going to kick about the high cost of living. Sometime we are going to get caught short, as we almost did in 1936, with a drought and restrictions at the same time. Then the laborer is going to turn against restrictions. Suppose this happens 10 years from now. In the meantime, we have destroyed the foreign market for farm products. This is going to leave the farmer without any subsidy, on the one hand, and also without his foreign market on the other. The farmers who are back of this program are intelligent people but they do not understand its implications. In the long run, they will lose most by it themselves.

Senator MURRAY. At the present time when the farmer is on the verge of destitution and bankruptcy, you are worried about what he is going to get in the future?

Professor ZIMMERMAN. I should hesitate to accept your com- [673] plete conclusion on that. I do not want to be quarrelsome, but I think there are many people in the United States that are in a worse situation than at least some of the well-to-do A. A. A. farmers.

Senator LODGE. You think things could be worse than they are today?

Professor ZIMMERMAN. Yes.

Senator MURRAY. You think down in Wall Street they are suffering more than they are in the Great Plains area?

Professor ZIMMERMAN. I don't know anything about Wall Street.

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Senator MURRAY. I notice a Wall Street gentleman went broke the other day and was indicted this morning. He is suffering more than they are out in the West?

Professor ZIMMERMAN. I think we are arguing at cross purposes. [674] I think the people in the West who are suffering from drought should be taken care of possibly on a higher scale than is being done at the present. The alternative of Wall Street and the farmers in the West does not come into the situation.

Senator FRAZIER. You speak of losing the foreign market for these farm products. What do you attribute the loss of the foreign markets to?

Professor ZIMMERMAN. We raised the price of farm products [675] and as imports increased after the depression, nonagricultural imports increased more rapidly than agricultural.

Senator FRAZIER. Well, you say we raised the price of farm products. There is no advantage in exporting farm products at a loss, is there? I mean, to the farmer. He can't produce his product and sell it at a loss and succeed; can he?

Professor ZIMMERMAN. The cost of production is a very [676] involved matter. In general, without agricultural restrictions, cost of production to the farmer would go down and and he would be able to produce and sell at cheaper prices and still make money. Under a system such as that, the Nation would have much more money and much more wealth to tax to give the farmer a bonus.

Senator FRAZIER. Has there ever been a time in the history of the country when the farmer got his share of the national income, according to the value of the property he owns and his numbers, too?

Professor ZIMMERMAN. All of those statistics on wealth and [677] income that are turned out in regard to farmers are very, very fallacious, indeed. The period 1910 to 1914 had the highest purchasing power for farm products, relatively, that ever existed in American history.

Senator FRAZIER. Yes; and yet they didn't have anywhere near their share of the national wealth during those years.

Professor ZIMMERMAN. I should say they did have more [678] than their share and that was the particular time we organized the American country-life movement and tried to get boys back on the farm. Theodore Roosevelt was then very popular on account of his trust-busting commissions. The farmers were getting more than their share at that time.

Senator FRAZIER. Not their share according to their population nor to the value of their property either.

Professor ZIMMERMAN. I would disagree with some of those statistics that are turned out.

Senator FRAZIER. Well, you may claim that the statistics are wrong, but certainly the statistics do not show that the farmers ever got therir share of the national wealth. At the present time, under the present system, the farmer only gets about 35 cents out of the consumer's dollar. The high prices that you talk about the consumer paying is not because of the high price to the farmer; it is the high cost of the distributing methods we have.

Professor ZIMMERMAN. The people who contribute to the [679–1] farm products after they leave the farmers' hands are also producers, and the proportion of the production of food that is done by the

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farmers is a small percentage of the total, and it is becoming increasingly smaller.

Now, if you raise the price of a bushel of wheat and then [679–2] the man who buys a bushel of wheat adds his commission to it, and the next man buys it and does something to it, and adds his commission to it, when you get through you have raised the prices of everything above the 35 cents the farmer gets. When you get through you get much more of a rise in the price of consumer goods than the farmer can possibly hope to get in farm products. My suggestions are also directed at giving the farmer more. Let him produce at low prices and let the consumer have goods at low prices, and then you can tax the consumer or tax the various industries throughout the country, and give the farmer money directly without raising the price to the consumer.

Senator FRAZIER. You mean give the farmer a subsidy?

Professor ZIMMERMAN. Yes.

Senator FRAZIER. Well, why not give him the cost of production for his products in the first place and save this subsidy?

Professor ZIMMERMAN. If you give him cost of production you [680] are taking it out by form of taxation that is very inequitable. Always before in American history we have assumed that people should pay according to their ability or according to what they got out of the public service. When you raise the price of food and necessities, you are taxing people inversely according to their ability, because the poor man who has less than $1,200 or $1,500 a year spends 75 or 80 percent of that for the necessities of life. If you drive up these necessity prices 10 or 15 percent you put very heavy taxes on him.

Senator LODGE. Like the retail sales tax?

Professor ZIMMERMAN. Yes. The important thing about [681] agricultural adjustment stuff is not how much money you give the farmer. The important facts are restriction and price raising on necessities.

Senator FRAZIER. You think then the farmer is of little importance, and it is not necessary to allow him to make a profit on his products as long as he can sell his products to the consumer cheaper.

Professor ZIMMERMAN. I think the farmer is very important. [682] If the system that I am suggesting were followed out you could give the farmer more money than you are giving him under this system. You could give him more money for a longer length of time and you would avoid the difficulty of food shortages and crises.

Senator FRAZIER. You speak of letting the law of supply and demand fix the price to the farmer?

Professor ZIMMERMAN. Yes.

Senator FRAZIER. Does the law of supply and demand fix the price of anything else, manufactured products, that the farmer has to buy?

Professor ZIMMERMAN. To a considerable extent, it does. [683]

Senator FRAZIER. Not much. The manufacturer fixes his price on his product based on cost of production, doesn't he? When you go to your automobile dealer to buy an automobile you pay the price he fixes on it or else you leave it alone.

Professor ZIMMERMAN. Yes; and if I leave it alone the price goes down.

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Senator LODGE. The prices have been going down for the last 20 years.

Senator FRAZIER. They have been going down because mass production drives them down, but at the same time they are making more money now than they did before.

Professor ZIMMERMAN. Yes; that is perfectly understand- [684] able, and the farmer will make more money if he makes his prices go down.

Senator FRAZIER. The farmer has to have cost of production and overhead expense the same as anybody else, and he cannot succeed any other way, and if he does not have to he will go broke, as he is going now.

Professor ZIMMERMAN. You can keep the farmer from going [685] broke; you can reduce his taxes on the land; you can give him a bonus; you can do anything you want to; you can make the farmer as rich as Croesus, but the important thing is not to throttle the consumer while we are doing that.

Senator MURRAY. Between 1920 and 1933 there was no restrictive program in operation, was there?

Professor ZIMMERMAN. No.

Senator MURRAY. Yet during that period the farmers of this country were put on the verge of destitution and bankruptcy and destroyed the prosperity of the country as a result of the loss of purchasing power in their hands.

Senator LODGE. And now they find that they are back again; don't they?

Professor ZIMMERMAN. The farmer between 1920 and 1930 [686] was in a hard situation.

Senator MURRAY. Didn't tariff policies have something to do with that?

Professor ZIMMERMAN. The tariff policies had something to [687] do with keeping a high cost of living in the United States of America.

Senator MURRAY. Didn't it destroy our foreign markets?

Professor ZIMMERMAN. It had something to do with it, but it dealt chiefly with manufactured products.

Senator LODGE. Aren't farm products protected under the tariff, too?

Professor ZIMMERMAN. Yes; but they are mostly export products.

Senator LODGE. How about Argentinian corn?

Professor ZIMMERMAN. That was a particular case that came [688] about, due largely to a policy of combination of restriction on the one hand and drought on the other.

Senator LODGE. How does it help the American corn grower to have Argentinian corn come into this country?

Professor ZIMMERMAN. Not from the standpoint of price at all. [689]

Senator LODGE. From the standpoint of his living or existing it doesn't help him either; does it?

Professor ZIMMERMAN. No; it does not; but on the other [690] hand, the time the Argentinian corn was coming in here there was a serious situation as far as food was concerned.

Senator FRAZIER. There was a small crop of corn in this country then, due somewhat to restriction, but also to drought.

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Professor ZIMMERMAN. But if you take the 1933 statements [691] of the Department of Agriculture, the drought only tended to do what restriction intended to do.

Senator FRAZIER. Yes; but your theory seems to be, let these middlemen that handle the farmers' products make all the profit they want to, but keep the price down low to the farmer.

Professor ZIMMERMAN. I am saying that the present system of [692] giving the farmer money is a short-time system and will cause more trouble than anything else, and, if you will follow the suggestions that I have submitted, you can give the farmer much more money.

Senator LODGE. Professor, you say you can give the farmer more money if you soak the monopoly crowd of this country than if you soak it on the backs of all the poor industrial workers, which is what is being done today. Isn't that right?

Professor ZIMMERMAN. In part, but fundamentally the great [693] mass of taxes has to be raised by the small consumer and if you have a great volume of production going through the system you have more to tax to give the farmer money.

Senator MURRAY. If we turn this whole problem over to the professors of Harvard, you think they can work it out?

Senator LODGE. We have got most of them here now. He is about the only one that is not working for the Government.

Senator FRAZIER. I agree with your observation with regard to the scarcity program of agricultural production entirely, but I do think the farmer ought to be entitled to a fair price for the products that are used here for home production, a fair profit, the same as anybody else, and if you professors were to study the marketing situation and cut out the rackets in New York and Boston of those who handle the farm products, you would do a better service to your consumer than by advocating that the farmer get lower prices for his product.

Professor ZIMMERMAN. Yes; but you see, the fellow who is [694] doing marketing in New York and Boston, excluding some racketeers, is faced with one thing that regulates him right away, and that is the buying consumer. He is important. If you will study meat consumption in this country between 1933 and 1935 you will find that the reduced amount of meat put the consumer on a strike so that meat consumption went down per capita. If the consumer won't buy, that regulates the market man.

Senator FRAZIER. They won't buy it because the middle man took up the price which affects the price to the farmer too, so something should be done to control those racketeers.

Senator LODGE. You think we should soak the middleman instead of soaking the poor, everyday consumer, who is getting it on the chin now?

Professor ZIMMERMAN. I don't think the Government ought [695] to try to soak anybody, and, certainly not the consumer or the farmer.

Senator LODGE. But the consumer is being soaked today.

Professor ZIMMERMAN. Yes; the whole thing could be worked [696] out.

(Witness excused.)

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STATEMENT OF L. R. SIMONS, DIRECTOR, EXTENSION SERVICE, NEW YORK STATE COLLEGES OF AGRICULTURE AND HOME ECONOMICS, AND CHAIRMAN, NATIONAL OLDER YOUTH COMMITTEE OF THE ASSOCIATION OF LAND GRANT COLLEGES AND UNIVERSITIES

Senator MURRAY. Mr. Simons, you have a prepared statement, have you not?

Mr. SIMONS. Yes, sir.

Senator MURRAY. You may read it if you desire, or you may make an oral statement and have your statement printed in the record. We haven't very much time, so if you would care to, you may make an oral statement and submit your written statement, or you may read it if you desire.

Mr. SIMONS. It will take me a little time to go through it and pick out what should be read.

I tried to review in this paper various activities, particularly governmental activities, in connection with rural youth.

Senator MURRAY. You may go ahead.

STIMULATION AND EQUALIZATION OF OPPORTUNITIES FOR YOUTH

Mr. SIMONS. Federal, State, and local governments in [697–1] America have long recognized certain responsibilities to its young people such as providing certain types of education. Educational institutions and activities of various types have been established on the assumption that when the youth had completed a certain stage or stages of accomplishment opportunities to make their adjustment into the economic and social systems were at hand. Free public education for the masses was fostered with great force during the second half of last century as a means of eliminating the poverty and wretchedness that accompanied the industrial expansion of that period. In rural areas little was done to extend schooling beyond the eighth grade until quite recently. Since 1910 the high schools in rural areas have spread rapidly. The Federal Government has cooperated with these high schools to give vocational training in agriculture, homemaking, and some industrial arts. The spread of educational facilities has apparently been motivated by the belief that education had definite economic value. In this same belief young folk have during the last few years continued in school as never before since there was nothing else to do.

The depression, however, revealed the fact that the school as [697–2] well as some other agencies in the field were not able to cope with idleness, and a wholesale inability of the youth to become gainfully employed. Two new agencies, the Civilian Conservation Corps and the National Youth Administration were established to cope with the situation while some of the older agencies expanded their programs. Moreover, when the out-of-school youth sat around idle the adults frequently thought it was due to their own dislike for work, though to find gainful work was impossible. It has been the experience of the National Youth Administration in setting up projects to have the adults remark, "You can't do anything with that no-account bunch." The work of most agencies that have instituted programs of work since

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1933 has been in some way directed toward equalizing opportunities for youth, and out of their accumulated experience can be gathered concrete suggestions for more adequately meeting the total maladjustment situation of youth.

FIELDS OF ACTIVITY

Two direct approaches in meeting rural youth problems [697–3] are: (1) Stimulating and training the youth to cope with their own situations; and (2) insofar as possible equalizing opportunities for training and adjustment. In both these respects the fields of activity are largely educational and economic. At the same time it must be remembered that the youth constitute one segment of the population only and in the programs now being fostered, such as Farm Security and the Agricultural Adjustment Administration, youth will receive benefit indirectly.

At this point attention is directed to what various institu- [697–4] tions are doing. In the analysis two questions are asked as guides: What is going on to meet the needs of youth in these fields? Are the various efforts being expended meeting the problem?

EDUCATIONAL EFFORTS

Educational programs to meet the situation are being espe- [697–5] cially fostered by the high schools of vocational agriculture, cooperative agricultural extension service of the Federal Government and State colleges, the National Youth Administration, and the Civilian Conservation Corps. Though the first two of these have for some years past been in operation both have somewhat expanded their programs to meet the needs of the out-of-school youth. The part-time work and evening classes of the vocational high schools have been greatly expanded since 1930. There has been wide variation among the States in the extent to which this expansion has occurred. During the school year ending June 30, 1936 in one State—Louisiana—more than 95 percent of the teachers organized classes in agriculture and related fields, including economic, civic, and social problems, for out-of-school farm youth. These classes meet 12 months in the year. From 1930 to 1936 the enrollment in the part-time and evening classes of the federally aided vocational agricultural schools practically doubled, rising from 64,600 to 128,300.

This work is good but it has not spread to reach enough [697–6] youth. As has already been stated, there are many more rural youth than there are rural opportunities for them. But at the same time it is doubtful if the agricultural vocational high schools are training enough youth to man the farms needed for commercial and scientific production. Too often these schools are not to be found in the poorer sections. Also, a high percentage of youth—persons 16 through 24 years of age—have no connection with schools. In sample studies made in seven States—Connecticut, Iowa, Oregon, Utah, Arkansas, Maryland, and South Carolina—where over 16,000 out-of-school youth 16 to 25 years of age were reached, it was found that 32 percent had never gone beyond the eighth grade. Moreover, between 75 and 80 percent of all rural youth 16 to 25 years of age, inclusive, are not in school, and in addition to that fact youth of the open country are

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much more restricted than are the youth of the villages with respect to educational opportunities.

Providing facilities whereby all rural youth may have a [697–7] chance to finish even a regular 4-year high-school course remains a major ideal yet to be accomplished in education. The securing of a high school education has become much more of a prerequisite in recent years for securing a place in our economic system than was true prior to the depression. This is especially important since thousands of the rural youth are destined to go to the cities with or without training. Employers in both business and industry now want high school graduates in their employment since it is felt that since minimum wages must be paid, the high school graduates offer the best chance of giving a return on the wage investment, and persons with some training are more satisfactory than the untrained youth with whom the employers might deal.

A special weakness of vocational training for rural youth as [697–8] given through the schools, outside that already mentioned, is the almost entire lack of training and guidance for anything besides agriculture. Training in trades and industries for the youth who are destined to leave rural territory is almost entirely lacking. Furthermore, occupations other than farming are increasingly developing in rural territory, but as yet practically no training is provided for such occupations.

The Extension Service of the Federal Government and the [697–9] State colleges selected as its group with which to work those who are out of school, at home, on farms, unmarried but have not started farming or other occupations on their own account. This group includes between 3 and 4 millions. At the same time the group is those largely past the 4–H Club age. When the work with this group was initiated the program pattern largely followed the regular lines of extension by teaching improved methods of farm and home practices and agricultural production and marketing. It was found, however, that the youth are interested in choice of an occupation, selection of a life partner and problems of society that now are shaking the economic and social system. As yet, however, there is little uniformity in method or subject matter of teaching among the different States. Also, the number being reached is only about 53,000 out of the millions in rural territory needing the assistance the Extension Service is learning how to give. Lack of funds and personnel, prevents the Extension Service from aiding large numbers of older rural youth. The 1937 Reports (attachments 1 and 2) of the National Older Youth Committee of the Association of Land Grant Colleges and Universities is submitted as a part of this testimony.

The National Youth Administration and the Civilian Con- [697–10] servation Corps as emergency agencies stepped into a critical educational situation and assisted rural youth in various educational ways. Indeed the depression revealed the fact that there were masses of young men in the country whom the schools had not adequately prepared for meeting the problems, even of ordinary times, to say nothing of the crisis period. The National Youth Administration, through its student-aid program, has made it possible for hundreds of thousands of rural routh to stay in school. In April 1936 over 400,000 secondary school, college, and graduate students were being given work whereby they were able to stay in school. The total

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number of secondary schools which youth being aided by the N. Y. A. were attending was approximately 18,000. The value of the student-aid program has been well expressed by Dr. William Lowe Bryan, president of Indiana University:

> They (N. Y. A.) have been rescued from demoralization by idleness and at the same time from demoralization by receiving money without working for it. They have been taken out of competition for jobs in their home communities, leaving available jobs for others of the unemployed. They have by their school studies been preparing for the work of life. They have been doing this in the years when the work of life must be prepared for. Whatever lies ahead of our Nation, nothing is so essential for the Nation or for our young people as that the young people shall by proper education get ready for whatever may befall themselves and the Nation.
>
> The Federal Government has done nothing else to meet the problems of [697–11] the depression more worthy of continuance than the N. Y A.[1]

The one complaint against the N. Y. A. most generally [697–12] found is its lack of funds to meet the needs of many youths who want to go to school but cannot without such help. The fact is that they could not go to school without this minimum of $6 a month.

Two other educational activities of the N. Y. A. that are of [697–13] much significance are the vocational training projects carried on in cooperation with the Department of Agriculture and various State schools and colleges and those promoted in the work training centers. The cooperative training projects are in operation in 10 States in cooperation with 41 educational institutions. Students are given part-time employment by which they pay their expenses. Much of the employment, however, is in practical work about the school premises in the development of demonstration plots and plant nurseries and in the barns and the dairies. Courses are designed to provide practical instruction in the techniques of farming and home economics. Also training centers where both work and instruction have been combined have been established in many places.

The work training centers of the National Youth Adminis- [689–14] tration, now established in several States, provide experience and training for youth in agricultural production, shop work, cooperative buying and selling, health and sanitation and other practical fields; the emphasis depending on the particular center. In this work the N. Y. A. is providing valuable "training on the job" but the chief weakness is that it can reach only a relatively small number of those needing such educational aid.

The Civilian Conservation Corps, like the National Youth [689–15] Administration is performing a unique educational service in providing "training on the job" as well as both general and vocational training. Data showing the extent to which the particular 1,000,000 or more rural youth have obtained some form of instruction are not available. Obviously, however, thousands of these youth have taken regular training apart from their work in vocational and regular subjects. In the educational work of these camps it has been found necessary to stress the common school deficiencies including the elimination of illiteracy, vocational instruction, and cultural subjects in addition to the training on the job. "The objectives of the educational program * * * are; (1) the elimination of illiteracy; (2) the removal of deficiencies in common school subject; (3) training

[1] Edwards, Edward E., Special Report of Activities, National Youth Administration, Indiana Division, Indianapolis, Ind., April 15, 1936, p. 4.

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on the job; (4) general vocational training; (5) avocational training; (6) cultural and general education; (7) health and safety education; (8) character and citizenship training; (9) assisting enrollees in finding employment.[2] Though the Civilian Conservation Corps is primarily a work program[3] its educational work has been of great significance for the enrollees.

ECONOMIC PROGRAM

The depression revealed a second fact, that rural America [697–16] has many young men able and anxious to work but unable to enter gainful employment. Though this was a developing phenomenon the depression threw conditions into bold relief. Consequently, the National Youth Administration and the Civilian Conservation Corps have both provided work specifically for youth. The National Youth Administration has served the youth who are the secondary wage earners of relief families since placing the primary wage earners on a work basis was the responsibility of the Works Progress Administration.

One function of the National Youth Administration is to [697–17] provide work for youth who are not primary wage earners in relief families. The N. Y. A. has probably aided between 350,000 and 400,000 youth to make some money and not allowed them to remain in idleness. It is impossible to determine just how many of these youth were rural.

This agency has given valuable work experience to youth [697–18] who could not get jobs, thus filling one of the greatest needs. It is estimated that 40 percent of the youth who work on N. Y. A. projects have had no previous work experience. The wages on the N. Y. A. projects have fluctuated since April 1936 from $15.62 to $17.74 per month.[4] Such experience must have been of value since of those separating from the N. Y. A. projects from March to September 1937, 36.3 percent did so to enter private employment.

The recent business recession has thrown thousands of [697–19] youth out of employment apparently thereby again intensifying the work problem of the youth. For example, a State director of the N. Y. A. in Michigan estimates that at present (February 1938) there are at least 1,000 youth in his State, eligible for work on the N. Y. A. work projects, and wanting work but no funds are available. A report from New Hampshire States that from all parts of the State demands are going into the office of the State N. Y. A. director for new work projects. From Ohio comes word that "work and training provided by the N. Y. A. are more needed than ever before." Similar conditions exist in New York, where I am a member of the State advisory committee.

In spite of all the good work the National Youth Adminis- [697–20] tration has been doing it has been handicapped in two ways in serving the youth of the open country. The cost of supervising projects has made it very difficult to promote the projects for the youth living in scattered homes. Also, the requirement that youth had to

[2] Annual report of the Director of Emergency Conservation Work, fiscal year ending June 30, 1937, p. 18.9.
[3] Fechner, Robert, The Educational Contribution of the Civilian Conservation Corps, The Phi Delta Kappan, vol. XIX, No. 9, May 1937, p. 307.
[4] Report on Progress of the Works Progress Administration. Works Progress Administration, Washington, D. C., December 1937, p. 66.

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come from families on relief or eligible for work projects severely limited the service this agency could render since many youth not in relief families stood in great need of assistance and they and their families might be living under most adverse conditions.

The work projects of the National Youth Administration [697–21] have been designed to provide training on the job as well as merely a job. In this way this one agency is serving not only to bridge the chasm between leaving school and finding a job but to place the youth in a job. Also in many instances the youth are learning how through cooperative work to make jobs for themselves. The function of the N. Y. A. therefore in its work program is to provide a means by which the out-of-school youths may help themselves in their home communities.

The Civilian Conservation Corps gives opportunities to [697–22] the same class of youth as the National Youth Administration, but away from the home communities.

The Civilian Conservation Corps has assisted more youth [697–23] since 1933 than any other agency, somewhat over 1,000,000 from rural territory having been enrolled as already indicated. Since its first inception the C. C. C. has progressively served a larger and larger number of youth from rural areas. In January 1937 approximately 55 percent (54.7 percent) were from rural territory—farm and rural nonfarm. The total number of enrollees at that time was 350,350, of whom 191,494 were rural. However, almost two-thirds (64.1 percent) of these rural youth were from rural nonfarm territory, though this segment of the rural youth population composed only 41.8 percent of the total in 1930. According to these figures, therefore, the C. C. C. is not meeting the needs of the farm youth in proportion to helping the youth of nonfarm population.

The Civilian Conservation Corps, however, is giving em- [697–24] ployment to its enrollees many of whom have had no work experience. The fact that the boy needs employment and that the boy's family needs financial assistance is a criterion for the selection of the boy to go to camp. The representative enrollee has been without work approximately 7 months prior to enrollment. Out of the $30 a month received approximately $25 is sent home. This agency besides providing work has assisted youth in many instances to find work. "During the course of the fiscal year 1937, a total of 98,167 men left the Civilian Conservation Corps with honorable discharge, prior to completing their term of enrollment, to accept employment." [5]

The inferences that seem logical to draw from this resume of [697–25] the work of the Civilian Conservation Corps are: (1) Its service has been indispensible in assisting youths, (2) that it is reaching many youths in industrial villages but not proportionately as many farm youths, since under its present program it cannot adequately reach thousands of farm youths who may be regarded as employed but have few opportunities. The young women must inevitably be equally handicapped in their home communities but are left to other agencies or without aid.

The girls have been in poverty in equal proportions with [697–26] the boys but as yet no agency has paralleled the service of the C. C. C. in aiding girls. Many of these girls are facing the necessity of making a living the same as the boys.

[5] Annual Report op. cit., p. 4.

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The plight of the young women is partially shown by the [697–27] proportion of the total women who are employed on projects of the Works Progress Administration. In nine States, Georgia, Louisiana, Maine, Minnesota, Oklahoma, Oregon, Pennsylvania, Wisconsin, Wyoming—for which accurate data on the age distribution of workers on such projects are at hand for November 10, 1937, 10.6 percent only of the total were youth but of the women 15.9 percent were 16 to 24 years of age. Moreover, the youth in counties having no places above 2,500 population, that is, those that are entirely rural, formed 9.4 percent of the total who were working and of all the women those of the youth age constituted 12 percent. These percentages suggest that the youth in rural territory are not being served by this one agency as they are in urban territory.

The United States Employment Service has helped many [697–28] rural youth to find work though it is doubtful if the farm youth have registered in the same proportion as other youth. Of all applicants with this service those previously engaged in agriculture, forestry, fishing, and mining made up 16.8 percent.[6]

Since the primary function of the U. S. E. S. has been to [697–29] connect the unemployed with jobs, only when jobs were available could this agency really help the youth economically. Furthermore, evidence at hand indicates that registration by the rural youth has been low in comparison with other groups.

Another agency that has done much to aid youth eco- [697–30] nomically in an indirect way is the Resettlement Administration (now Farm Security). The Resettlement Administration has fostered two programs; rehabilitation and resettlement. Rehabilitation has been accomplished by helping families in their home communities, while resettlement has consisted of resettling each family either in an established community or one set up by the Resettlement Administration, but in either case it has been the family, not a youth just starting a family that has been aided and supervised. In the rehabilitation program likewise the unit has been the family. No policy has been formulated to select families in which there were youth. What is needed is that settlement of youth themselves be assisted instead of waiting until the family has developed into poverty and is resettled.

The work being fostered by the high schools of vocational [697–31] agriculture and the Farm Credit Administration to help graduates in vocational agriculture to establish themselves is a most promising move. Thus, the boy under supervision while yet in school is helped to accumulate money by which on graduation he can begin to operate a farm for himself and ultimately expect to own his farm. The difficulties with this plan are that it is not sufficiently widespread and so far is largely confined to the youth who graduate from schools of vocational agriculture.

CONCLUSION

The foregoing discussion has pointed to the work being [697–32] done largely for the out-of-school youth by various governmental agencies. Little has been said about the regular educational system since the problems among youth especially crystallize among those out of school. But with all the work going on the problems of rural youth are not being adequately met and accordingly may become a

[6] Filling Nine Million Jobs, U. S. Employment Service, 1937, p. 28.

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youth problem. The farm youth are finding it more and more difficult to secure gainful employment that will lead to farm ownership. Both the farm and rural nonfarm lack facilities for securing information on occupations. The many constructive efforts have all been helpful but as yet they have been largely unintegrated. Moreover, there is no policy for meeting the problems. America now faces the danger of living conditions possibly becoming worse than those of 1933 and 1934 with no adequate program to cope with the probable ramification of problems imminent with the present business recession.

Senator MURRAY. Your statement is a very exhaustive study of the problem of the youth, and we thank you for your statement.

Do you wish to make any additional statement?

Mr. SIMONS. You will probably wonder if I might have a solution to this unintegrated program?

Senator FRAZIER. In view of that latter statement, we do wonder if you have such a solution.

Mr. SIMONS. I would like to suggest that in the Federal [698–1] Government as well as in each of the States, that a "Youth Commission" be established to bring together all of the forces that are working with youth in order that the programs may be coordinated.

Such a plan is now in the form of a bill introduced in the [698–2] New York State Legislature, which calls for a commission of nine, and in addition the commissioners of the various State departments. That provides merely a headquarters—it is really a federation of all activities—including the youth themselves, for, after all, they really have to determine their own problems, and we feel that it will be a part of the executive branch of the government. We feel that that is a step in the right direction, and I will suggest the same thing for the Federal Government.

Senator MURRAY. I think that is a very wise suggestion. It seems to me that with all the complications that you have mentioned in your statement here, that it will be absolutely necessary that such a course should be followed.

Mr. SIMONS. Yes; I might say that the American Youth Com- [699] mission, which is a private organization, located in this city, Dr. Homer P. Rainey, director, is giving considerable and very constructive thought to that consideration.

May I submit this attachment to this paper?

Senator MURRAY. Yes, sir.

(See Appendix 16, pp. 1563–1566.)

(Witness excused.)

Senator MURRAY. We will adjourn until 10 o'clock Monday morning.

(Thereupon, at 12:25 p. m., an adjournment was taken until Monday, March 14, 1938, at 10 a. m.)

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UNEMPLOYMENT AND RELIEF

MONDAY, MARCH 14, 1938

UNITED STATES SENATE,
Special Committee to Investigate Unemployment and Relief.

The committee met, pursuant to recess, at 10 a. m. in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Murray, Frazier, and Lodge; also Alan Johnstone, counsel for the committee.

STATEMENT OF PROF. PAUL S. TAYLOR, UNIVERSITY OF CALIFORNIA

Senator MURRAY. Hearing will come to order.

I notice that we are to hear from Paul S. Taylor, of the University of California. Is Mr. Taylor here?

Mr. TAYLOR. Yes, sir.

Senator MURRAY. You have a prepared statement, Mr. Taylor?

Mr. TAYLOR. Yes, sir.

Senator MURRAY. You may read it, if you wish.

Mr. TAYLOR. More agricultural laborers fall on relief than [700–1] farmers. In 1935 they numbered more than half a million. Not only do they outnumber farm operators on relief, but their exposure to the hazard of relief is about twice as great as that of the farmer. It is clear, therefore, that the measures so far taken to improve the status of agriculture have not sufficed to make secure the livelihood of its wage earners. Rural poverty and relief are not alone problems of obtaining fair prices for farmers.

The earnings of farm laborers are low, even of those who [700–2] escape relief. An approximate average annual cash income of only $265 was reported by a recent Nation-wide study of farm laborers in 11 representative counties. In three of these counties, cash income was less than $200, and in one of them it fell as low as $127. These laborers were not indigents, for less than 2 percent of their average income came from relief. As might be expected, dependence on relief was greatest in the county where cash income was lowest. In that county, because of the inadequacy of earnings, 20 percent of the farm laborers received relief.

Severe underemployment, coupled with low wage rates, is the [700–3] major cause of the farm laborers' low income and high dependence on relief. Demand by employing farmers for the service of laborers fluctuates greatly. In Florida, to cite an extreme example, carlot shipments of fruits and vegetables varied from 26 in August to 18,000 in March 1934, and demand for agricultural workers rose and fell accordingly. In the Yakima Valley of Washington, demand for full-time hired workers fluctuates from less than 500 in December and

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January to more than 32,000 during the second week of September. In Arizona, peak labor demand is six times the slack. In California, it is about four times the slack.

Under these conditions, which are more widespread than gen- [700–4] erally is realized, anything approaching full-time employment for even a majority of the workers is obviously impossible. Only about 40 percent of the laborers in the Nation-wide study cited earlier received as much as 240 days, or approximately 9 months, work within a year. And 37 percent, or more than one-third, failed to receive as much as 120 days, which is well under 5 months' employment.

Underemployment has been further aggravated for some [700–5] years past by the unbalance of farm labor supply and demand. This condition has been extreme almost continuously since 1929, and has existed to some degree ever since 1927. In January 1933 the index stood at the peak of 236 men available for every 100 jobs; the latest index, in January 1938, was 116. Reflecting this great oversupply of farm labor, farm wage rates during recent years have failed to keep pace with the trends of farm prices and of factory wage earnings.

In different sections of the country different types of farm [700–6] laborers predominate. The type and status vary with the crops of the region and the agricultural structure under which they are produced. The basis of their poverty and remedial policies to be considered can be understood best by examination of the major labor types.

The "hired man" is still the predominant type of farm [700–7] laborer in the North. Wage workers constitute 77 percent of all farm laborers in that region. The balance are unpaid members of the family of the farmer, whether owner or tenant. In years of extreme drought, most of the hired laborers in some sections of the North have been forced onto relief. But barring years of drought or economic disaster to the price of corn or wheat, the employment of the hired man in the North is generally steadier and his cash earnings with perquisites higher than the average of farm wage workers throughout the country. Socially, as well as economically, his position is above average.

This is not to deny a poverty or relief problem among farm [700–8] wage workers in the North. On the contrary, poverty and relief strike the seasonal laborers upon whom the farmers' harvests depend, especially those who live in cities and towns and lack the protection which the farmer extends to the hired man living upon his farm. And even the hired man suffers, probably disproportionately, from general hard times on the farm. He lacks the protection of social-security legislation, and he faces growing restriction of opportunities to ascend the agricultural ladder.

In the South, contrasting sharply with both North and West, [700–9] unpaid members of the operator's family predominate over wage workers. In the South Atlantic States this predominance is practically 2 to 1. Mostly these unpaid workers are members of the family of tenant operators or of sharecroppers, the latter themselves merely laborers by another name. Of the combined total of sharecroppers and farm laborers in the entire South, only 42 percent are wage workers. Studies of the cash income of wage workers in the South regularly report earnings below those of all other classes of the cotton-growing population. They burden the relief rolls heavily, and their numbers are being increased by powerful forces, as I shall explain shortly.

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In the West, the problem of poverty and relief focuses [700–10] increasingly upon the agricultural workers who serve an industrialized form of agriculture upon which the cities of the Nation depend for their fruits and vegetables. The family farm and the hired man survive in the West, but in the great irrigated valleys which support most of the production, large-scale farming methods are predominant. Forty-seven percent of the large-scale cotton farms of the country are located in California and Arizona. More than one-third of the large-scale farms of all types are found in California alone. In the Pacific States less than 1 percent of the farms, those which employ 10 or more laborers, employed practically one-third of all the paid farm laborers. Agriculture carried on under these conditions is essentially an industry. Labor is organized in gangs under foremen or contractors, paid by the piece, hired as seasonal requirements dictate, and then fired to migrate elsewhere in search of the next seasonal peak. Farming is not a "mode of life," but the operation of open-air food factories. These wage-earners are not shielded by the farmer's paternalism over his hired man. Their life and labor assume the industrial pattern.

The problem of agricultural workers in the West is aggra- [700–11] vated even more than in other sections by the continual rise and fall of labor demand in the irrigated valleys. The peak labor requirements of Arizona occur in November and December. In southern California they occur in May and again in September and October. In the great Central Valley of California the peak in the southern portion is in August and September and in the northern portion it is in April and May. In the Yakima Valley of Washington it is in September. In the Idaho pea fields it is in August. This continuously unstable labor demand compels ceaseless migration of many thousands of families in an effort to piece together a series of short employments. According to a recent study of migratory families in California, the average number of miles traveled between jobs within that State alone during a year was 516. Twenty-eight percent of the families traveled more than 1,000 miles.

If the harvest to which the migrants have traveled a hun- [700–12] dred miles or more should fail, either because of weather or low price, the migrants almost immediately fall upon relief. In the winter of 1936–37 a freeze ruined the early pea crop in Imperial Valley, Calif., which supplies the country with table peas at that season. As a direct result, the relief load in Imperial County rose from 188 families in November to 1,638 families in February, practically 10 percent of whom had been in California less than a year.

The conditions under which these migrants live frequently [700–13] beggar description.

I have here some photographs loaned me by the Farm [700–14] Security Administration, which depict these conditions and some of the other points I wish to make in the remainder of my statement. The numbers of migrants often greatly exceed the facilities. "Squatter" camps arise, spreading squalor and disease.

> Groups of persons arrive at any given community and start a camp. No provision is made for sanitation, water supply, or even general camp cleanliness. Such housing accomodations as they may have are eked out by wood, tin, or such cast-off material as can be obtained in the vicinity. Moving the occupants away simply spreads the condition and local authorities are loath to act * * *— California Immigration and Housing Commission.

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A Federal commission investigating the pea pickers' strike [700–15] in Imperial Valley in 1934 declared:

* * * We found filth, squalor, an entire absence of sanitation, and crowding of human beings into totally inadequate tents or crude structures built on boards, weeds, and anything that was found at hand to give a pitiful semblance of a home at its worst * * * In this environment there is bred a social sullenness that is to be deplored, but which can be understood by those who have viewed the scenes that violate all the recognized standards of living.

The Farm Security Administration has established a small [700–16] chain of sanitary camps in the West. These are doing all that was promised of them to raise living standards and morale and reduce the public cost of disease and relief. But they are insufficient in number to prevent the continuance of squatters' camps and similar evil conditions in California, Arizona, Oregon, Washington, Arkansas, Florida, and other States. In 1936, 90 percent of the reported cases of typhoid fever in California occurred among rural migrants. Typhoid has again broken out on the trail of the 1938 pea harvest in Imperial Valley. The costs and hazards of the low standard of living of the agricultural workers of the West continue to fall on the public as well as on the families of the laborers.

A recent study of migratory families by the California [700–17] Department of Health reports that "over 27 percent of the children have nutritional defects, many of which cannot be corrected because of the low family income," and that only 11 percent of the children were getting daily the amount of milk "considered optimum for growth and development, while 15.8 percent were getting no milk."

All the agricultural labor problems of the West are being [700–18] severely aggravated by the influx of refugees from the Great Plains and the drought States. Charts 19, 20, and 21 (see pp. 1598–1599) indicate the sources of that influx. These refugee families are mostly rural—farmers, tenants, croppers, laborers, and some townsfolk—people who have been dislodged by years of drought and depression. They stream west in battered cars filled with children, blankets, stoves, and the remnants of household furniture. Their destination is generally California, Arizona, Oregon, Washington, or Idaho. Most of them go to California. Between June 15, 1935, and December 31, 1937, the California Department of Agriculture counted entering the State by motor vehicle more than 221,000 persons belonging to parties "in need of manual employment." A large proportion of these persons join the milling agricultural labor supply and remain in the West.

About 84 percent of these refugees to California have come [700–19] from the drought States, and about 60 and 57 percent, respectively, of the rural immigrants to Oregon and Washington. Forty-one percent of the migrants to California have come from the three States of Oklahoma, Texas, and Arkansas.

The stream of distressed refugees continues to flow and to [700–20] embarrass the agricultural labor problem of the West. During the last half of 1937, 49,000, or only 12 percent fewer migrants entered California than during the last half of 1936 when drought was severe. Other expelling causes than drought are at work. The effects of depression are still accumulating, and now mechanization of the cotton farms is an added factor in the expulsion of farmers and farm laborers from the Cotton Belt.

The future displacement of southern cotton workers when a [700–21] mechanical cotton picker shall have been perfected is well recognized.

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The serious displacement now in progress in the wake of the all-purpose farm tractor has been scarcely noticed. Yet tenant farmers, sharecroppers, and farm laborers—whites and Negroes alike—are being swept from the land and onto relief in some of the most important sections of the Cotton Belt. Planters are dispensing with their croppers and tenants, retaining the few necessary to operate tractors, and paying them by the day when they work. A planter in the Mississippi Delta, to cite an outstanding example, purchased 22 tractors and 13 four-row cultivators, let go 130 out of his 160 cropper families, and retained only 30 for day labor.

The rural landscape is strewn with abandoned houses. [700–22] Residents in western Texas explain as they point:

> There used to be two families out there. The tractor got both of them.—That farm has made a living for a family ever since the land was broke.—The tractors are keeping our families from making a living.

Rural schools decline. Village merchants fail. Drought [700–23] undermined them and mechanized farming finishes them. Class bitterness is stirred, and even the Government program intended to benefit the farmer becomes a focus of strife. The postmaster explained:

> The landlords get the Government crop reduction money and buy tractors with it and it's putting the renters out. The landlords take all the reduction money. If the tenants don't give 'em all, they put 'em off.

The CHAIRMAN. May I interrupt you?

Mr TAYLOR. Certainly.

The CHAIRMAN. What postmaster was that?

Mr. TAYLOR. A postmaster in a small town in western Texas, adjacent to the Panhandle.

The CHAIRMAN. Don't you want to say the town?

Mr. TAYLOR. If you wish it, I will be glad to name it.

The CHAIRMAN. What town was that?

Mr. TAYLOR. Carey, Tex.

The CHAIRMAN. May I ask you, did you get that information direct as to the planter who was able to rearrange his farming on his plantation so as to install tractors instead of 130 farmers. Did you personally get that?

Mr TAYLOR. That information was given to me by the planter himself.

The CHAIRMAN. Who was that?

Mr TAYLOR. A planter in the Mississippi Delta, not far from Greenville.

The CHAIRMAN. Not farm from Greenville, Miss.?

Mr. TAYLOR. Yes, sir. Do you wish his name?

The CHAIRMAN. Yes.

Mr. TAYLOR. Mr. J. H. Aldridge.

The CHAIRMAN. What does he say as to how that operates, from a financial standpoint? Did he find it more advantageous?

Mr. TAYLOR. He is extremely enthusiastic over his present [700–24] methods of operation as compared with the old methods of sharecropper operation.

The CHAIRMAN. With reference to the postmaster's statement at Carey, my understanding is that the check for Government benefits is paid to the renter, not to the landlord. I mean, the complaints we have received here is that when the renter receives the check,

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the landlord wants to collect his rent, and the renter says, "Not this year," and the landlord has been endeavoring to have the Department provide that the landlord shall have such interest in the check as his interest may appear by contract; but, as it now stands, he has no chance, and the renter who gets the Government check moves off. Just the reverse of what this man tells you.

Mr. TAYLOR. The report which I have given you from this [700–25] man is simply a sample of extensive reports which we received in that area of western Texas. I am aware that the Agricultural Adjustment Administration uses its best efforts to prevent the occurrence of this thing, but in certain——

The CHAIRMAN. But they do it by giving the check to the renter and the landlord will have to collect from him. Now, the only way—the thought that you have is that the landlord could tell the renter that he would have to move off?

Mr. TAYLOR. Yes. [700–26]

The CHAIRMAN. Of course, his difficulty is, though, that in most places he can't get a good renter.

Mr. TAYLOR. I am speaking, of course, of this particular [700–27] area, which is important, and where these people are being displaced, Senator, and even a landlord explained to me how he circumvented the protection which the Government had sought to set up for the benefit of the renters.

From those who already have been dispossessed from the [700–28] land this story of the machine comes in bitterness and despair. From those who face the same fate the story comes in stark fear.

On a Sunday morning last June I stopped at a tenant's [700–29] house near the Texas Panhandle. There I found seven men gathered together for the morning. These young Texans are all displaced tenant farmers, victims of mechanized farming. The oldest man in the group is 33. All are on W. P. A. They support an average of four persons each on $22.80 a month. All are married and have families except one, who supports his mother and father. These seven Texans represent and support 29 persons. Native Americans all, none of them can vote, for Texas levies a poll tax of $3.50 on man and wife. This process of sweeping farmers from the land is now under way in western Texas, southwestern Oklahoma, the Black Wax Prairie of Texas, the Arkansas and Mississippi Deltas, and it is incipient in other areas. In 1930 the proportion of farm tractors in the United States found on farms of the 10 Cotton States was 12.2 percent. In 1937 it was 18.5 percent. The number of tractors in the Cotton States practically doubled in 7 years.

The record of power farming in cutting cotton workers [700–30] from the land is already impressive. Tenants, croppers, and laborers are forced into the towns in large numbers and drawn back onto the farms only for short seasonal employment at chopping and picking time. A pattern of mobile cotton workers is spreading, with planters dependent on wage laborers imported seasonally from more and more distant towns and cities. On a Saturday morning last June I watched from 1,000 to 1,500 cotton hoers loaded into huge trucks in Memphis, Tenn., to be hauled to plantations as far as 43 miles each way for the day's work. Mostly they were former sharecroppers, cut from the land. Last year, for the first time, planters in the Mississippi Delta imported Mexicans from Texas for cotton chopping, the smaller of

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the two seasonal labor peaks. These importations occurred in the section where mechanization is farthest advanced. The landless cotton worker's year is being divided into occasional employment by the day on the plantations between May and December, and virtual idleness in the towns from December to May. The burden grows of relief of unemployed farm laborers congregated in the towns and cities of the South.

But this problem, originating in the South, is national in [700–31] its repercussions. People in distress do not like to remain where they see no opportunity. Outlets will be sought wherever they seem to exist. Well-worn channels of escape have been cut by earlier labor emigration to the North, and already the victims of mechanized farming are moving to the West where they join the agricultural laborers. Near Shafter, Calif., I talked with families expelled finally by mechanized farming from the three States of Texas, Oklahoma, and Arkansas. From 1935 to 1937 the common explanation of the refugees was "went broke," and "burned out, blowed out, eat out." Now we are beginning to hear "tractored out." The volume of the stream of emigrants from this cause may be expected to increase.

Acute problems are raised both in the States of origin of [700–32] the dispossed farm families and in the States of destination. The latter seek to build up bulkwarks against poverty-striken laborers by every device from foolish and illegal police blockades to denial by State agencies not only of State relief but even of access to Federal relief. The former States are evidently willing that their distressed citizens should leave, and increasingly place obstacles in the way of their return. And the victims who migrate as agricultural laborers lose one residence without acquiring another, and fall between the State and Federal agencies set up for relief. The relief of these migrant agricultural laborers cannot be left safely to the responsibility of the States concerned. This is clear for several reasons:

1. The State in which they take refuge seeks to avoid giving [700–33] relief for fear that the indigent refugees will acquire by residence the legal right to continuing relief from that State. This is done not only generally to conserve relief funds for needy citizens of the State. It is done also to protect the higher relief standards maintained there. The average amount of general relief per case in Arkansas in November 1937, for example, was $6.19, compared to amounts ranging from $12.67 to $48.22 in the four far western States, or from twice to four times the relief standard of Arkansas.

Therefore, the California State Relief Administration, [700–34] for example, now refuses even to certify to the Works Progress Administration indigent farm laborers who have been in California less than 1 year, even though the W. P. A. is willing to give them work relief. The State relief administration gives these transients temporary relief only while their residence in another State is being verified. Then they are offered transportation back to the State of origin. If they refuse, no further relief is granted, and they must shift for themselves.

2. The States from which the refugee families depart, [700–35] are increasingly reluctant to accept the return of their distressed families. Relief authorities of Arkansas, for example, have recently advised the transient whose transportation back to his home State California is ready to pay, that relief funds in Arkansas are inadequate, that granting of relief usually involves delay, and that sometimes it is

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impossible to give any aid to persons in need. As a further deterrent it is required that this Arkansas citizen in distress in California write back home "explaining to us why you think that coming to Arkansas will be the best plan for you" before Arkansas relief authorities will decide whether or not they will authorize his return.

Kansas, by its statutes of 1935, impedes return by denying [700–36]
any legal responsibility to extent relief to its former citizens who lose their rights "by willful absence from the county * * * for 6 months or more." Other States impose obstructions of one sort or another.

Thus, the States of emigration and the States of immigra- [700–37]
tion vie with each other in seeking to shunt responsibility for destitute laborers' families seeking better economic opportunities through migration.

The futility of this procedure is understood by the refugees [700–38]
themselves, who generally adopt one or two courses: (1) If they want a temporary pleasure trip home from the coast they accept California's offer to pay their transportation back.

A letter, dated February 2, 1938, from the county relief administrator of LeFlore County, Okla., who figuratively throws up his hands at the whole proceeding, reveals the situation:

> * * * I wish to advise that it is humanly impossible for me to investigate and establish citizenship in this county of families desiring to return from California. In this department I have no case workers and the county being the third largest in the State, it is all I can possibly do to look after the people now in this county. In the past I have authorized the return of a goodly number of families from your State and after they paid a short visit to their relatives and friends, they all returned to California, with one exception. In view of this fact I feel that it is an imposition upon your State as well as a burden on myself to investigate these cases and authorize return from which it seems, that in all cases, it is just for a visit.

(2) If they do not accept their transportation home "for a [700–39]
visit," and the great majority do not, they simply tighten their belts, and with the aid of friends and intermittent work stick it out until a year's sojourn within the borders of California gives them legal right to demand relief from that State. The sharp rise of the relief load in California rural counties beginning November 1937 is attributed largely to the expiration of the year of residence for many of these needy families. Next year if the reduction of 37 percent in the acreage of California cotton planned by the farm program is accomplished, the California relief agencies face prospects of an even greater load at the same season when cotton is the main source of employment.

3. In the meantime, of course, the most needy of our agri- [700–40]
cultural labor families, including many women and children, have been left to carry their own distress, living literally in the open fields or the brush, on ditch banks and by the roadside, with children definitely undernourished, and all exposed to disease and a menace to public health. The refugees carry the burden, but the public does not escape.

A further weakness in the present condition lies in the fact [700–41]
that little, if any, judgment is used to determine whether the relief extended anchors those who should be aided to strike out for a new start with chances of success, or fails to hold those who should be anchored. Funds go to continuing relief which would better go toward measures to rehabilitate.

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Our bad handling of these migratory families is not because [700–42] State administrators and State legislators are either perfidious or inhumane. The failure lies in the fact that the problem inherently transcends State powers and responsibilities. Interstate cooperation, guided by Federal leadership and assumption of an important measure of responsibility for temporary relief and for permanent rehabilitation as well is the logical basis for effective action.

Senator MURRAY. Professor Taylor, it is suggested that the relief as carried on under the W. P. A. program is costly and inefficient, and that it should be returned to the States for the States to handle. Have you given any thought to that question?

Mr TAYLOR. I have not made a special study of that, Senator, and I would rather not——

Senator MURRAY. Do you think the State of California would be able to handle this problem itself?

Mr. TAYLOR. Since you press me, I will answer in the negative. [701]

Senator MURRAY You don't think it would?

Mr. TAYLOR. I think it would be unwise to take such steps as you have mentioned.

Senator MURRAY. You think this relief problem is a national problem?

Mr. TAYLOR. I think the responsibility must be shared [702] between State and Federal authorities.

Senator MURRAY. Mass unemployment is caused by national conditions?

Mr TAYLOR. Yes, sir.

Senator MURRAY. It is a national problem?

Mr. TAYLOR. Yes.

Senator MURRAY. And necessarily it should be a national obligation to look after?

Mr. TAYLOR. I agree with your position, Senator. [703]

Senator FRAZIER. What is your opinion with regard to these exceptionally big farms they have in the West and Middle West?

Mr. TAYLOR. I believe, Senator, that a good deal of our [704–1] agricultural labor difficulty arises out of the industrial farming which we have developed. Not only in certain areas, as I indicated in my statement, is industrial agriculture developing and expelling tenant-farmers and farm laborers from the land, but in the areas where that pattern is already established, as, for example, California and Arizona, the agricultural-labor problem is acute. I refer to its relief aspects, to its health aspects, and to most unsatisfactory labor relations.

Our State, as you know, has been a focus of labor strife [704–2] for some years, and I think that it is inevitable that that shall continue as long as we maintain that form of agricultural production.

Senator FRAZIER. Is it your opinion that these big farms, so called industrial or chain farms, are a detriment?

Mr. TAYLOR. In the form that they now operate I think they [705] have many detrimental aspects, and I believe that measures should be taken so far as possible to maintain such economies as large scale methods afford, but to eliminate those aspects which provide the strife, poverty, relief, and incessant migration which we now see where that form of agriculture predominates.

Senator FRAZIER. How could that be done, in your opinion?

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Mr. TAYLOR. I have several suggestions with respect to [706–1] the agricultural-labor problem in the areas where that type of farming rules, and, with your permission, I will take a moment or two to give you my opinion on that subject.

Senator FRAZIER. I will be glad if you will.

Senator MURRAY. Yes.

Mr. TAYLOR. First, I believe that agricultural laborers who [706–2] are needed in those areas where that type of farming predominates, should be provided with decent housing on small garden plots of ground where they can stabilize particularly their women and children and supplement their income as wage laborers. I think that will eliminate some of the worse aspects——

Senator FRAZIER. How would you establish it?

Mr. TAYLOR. The Farm Security Administration at the [706–3] present has made a beginning in this direction in California and I believe its effort should be extended.

Senator MURRAY. They have established similar projects in other States.

Mr. TAYLOR. I speak of California, Senator, because I happen to be familiar with that State. I understand they have made similar steps in your State.

Senator MURRAY. What size are the tracts that they have?

Mr. TAYLOR. The size of the tracts in California is some- [706–4] thing under an acre for each family. Naturally it will depend on the type of agriculture. In irrigated land the tract will be smaller than in land which is dry farm.

Senator MURRAY. Some of the sections are 10 or 20 acres.

Mr. TAYLOR. Obviously that varies.

Mr. JOHNSTONE. Do you propose on these homesteads that the laborer will be able to grow a portion of his subsistence?

Mr. TAYLOR. Yes, I believe that is in harmony with a trend [706–5] that I have seen developing by itself. It needs Government stimulus, however, and the migratory laborers who have established themselves upon small plots have a measure of security and stability beyond those who do not.

Mr. JOHNSTONE. Do you think that these laborers would be able to liquidate the cost of these homesteads?

Mr. TAYLOR. I doubt whether these laborers should be [706–6] expected to buy these homesteads. In the part of the country with which I am most familiar I should recommend, on the contrary, that they be made available to the laborers at low rentals.

A second measure, to continue my answer to the question of [707–1] the Senator, is similar to the first, but on a little larger scale. It might be called a part time farming operation for a group of laborers, established in an area adjacent to extensive demand for their work, where these families may cooperatively have a dairy, the production of some poultry and fruits and vegetables. I believe that would be a more economical means of rehabilitating these families and provide them with a better grade of vegetables, milk and poultry products than they would otherwise obtain. And I regard the second step, which is a variant from the first, as a means not only of stabilizing these families, but of training and selecting them for a third step which relates to the large scale agricultural structure concerning which you enquired.

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Senator FRAZIER. That is a sort of cooperative farming project?

Mr. TAYLOR. That is not a truly cooperative farm. It [707–2] has certain aspects. The housing is on a tract where these particular services are cooperatively provided. I stress that the management of that should not be on the cooperative principle, but that the division of the benefits should be to those who live on the tract.

Senator FRAZIER. Have you visited any of the cooperative farming projects of the Farm Security Administration that they have set up?

Mr TAYLOR. The cooperative farming projects of this [707–3] type of Farm Security that I know are not yet occupied. I have seen the construction and the land.

Senator FRAZIER. Some of them are occupied.

Mr TAYLOR. But I personally do not happen to be familiar with them.

The third step, and this I think comes most directly to your [708] question, Senator, is the establishment of what might be called cooperative farms. By that I mean the establishment of a group of dispossessed, landless farmers on tracts in such a manner that they can utilize the economies of the large scale methods of production under competent management, divide the proceeds, and so develop a type of agriculture which will not rest upon absentee owners, a few resident managers or operators, and large hordes of migratory wage earners at the bottom of the scale, but which will establish people on the land as resident, working cooperating farmers.

Senator MURRAY. At the present time you do feel, do you, that the largest number of relief cases comes from the large commercial farms?

Mr TAYLOR. I think, Senator, that over a long period of [709] time that condition will obtain. It is not clear from the few national statistics available at the present, but the reason for that, I believe, is that drought has hit certain areas, and so has warped the picture which we have. I believe that in the long run that the most acute problems of poverty, relief, and labor strife on the farm occur where large scale farming obtains.

Senator MURRAY. Leaving drought conditions out of the picture then, there is no question about it?

Mr. TAYLOR. I am of that opinion, Senator.

Senator FRAZIER. Do you advocate that the State legislatures take action to tax these big farmers out of business, that is, to force them to break up these big farms into small farms by tax action on this amount of land?

Mr. TAYLOR. I am not prepared to answer that question, [710] Senator, if you don't mind. I would prefer to stress the view at the moment it is desirable for the Farm Security Administration to carry forward a number of experiments of the type that I have indicated and see if the results will not justify such a program as I have outlined. If that is found to be true, then other measures designed to stimulate by imposing a tax burden may well be justified. I would like first to see the Farm Security Administration given full opportunity to carry out these experiments in a number of parts of the country.

Senator FRAZIER. Well, in you opinion, would what is commonly known as a family-size farm be much more preferable, from the standpoint of the farmers and the wage workers than these big industrial farms?

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Mr. TAYLOR. That depends, Senator, I believe, on the section [711] of the country. In some parts of the country I think that that is quite true, and I trust and believe that the family farm will survive for an indefinite future as the dominant type. In other parts of the country I am not sure that the family type of farm is best adapted to conditions. I refer to the western irrigated valleys particularly, with which I am most familiar, and I think in some other sections of the country it is important that the economies of large scale production be made available to farm families, and I am afraid they cannot be made available on the family-size farm.

Senator FRAZIER. You are dealing with the effect on the consumer rather than the farmer; aren't you?

Mr. TAYLOR. I think both must be considered, and I trust I have both in mind.

Senator MURRAY. The serious problem of the country as a result of this widespread unemployment, should make it necessary for the Government to try and find some manner in which to locate these people on land where they can be self-sustaining.

Mr. TAYLOR. Yes; the measures which I have suggested will [712] be helpful, I believe, in a good many areas. I have, of course, not mentioned all the measures which I think should be taken. They are directed only to the agricultural labor problem and I am in full sympathy with their general measures of rehabilitation of farm families, the development of water supplies in the more arid districts, which will enable farm families to remain on the land in the areas where they now are, so far as possible.

Senator MURRAY. When farmers leave drought lands, you feel it should be the duty of the Government to undertake to relocate them as near as possible to the land which they have left?

Mr. TAYLOR. Insofar as that is possible, Senator, and so, in [713] addition to rehabilitation in the areas of their origin, I think measures must be taken to assist in their reestablishment in other areas, and the freedom of migration must be maintained if people are to adjust themselves to the best economic opportunities that the country affords.

Senator MURRAY. But if good irrigable land can be found in the vicinity and water is available, it will be desirable——

Mr. TAYLOR. It will save a great deal of human distress to [714] reestablish them in such areas. I have seen such areas, for example, in North Dakota, and I know that they exist in other States of the drought area, and I believe that they should be developed and made available to the people of that area.

Senator MURRAY. A large-scale exodus of farmers from a locality affects the counties and towns that they leave very seriously; does it not?

Mr. TAYLOR. Yes, it does, whether that exodus is because of [715] drought, or whether it is because of mechanized farming.

May I speak just a moment, Senator, with respect to the immediate problem of relief of these people who go from one area to another?

Senator MURRAY. Yes.

Mr. TAYLOR. I should like to make two suggestions: One, [716–1] with respect to the immediate problem of relief. There has been introduced a bill in the House, I believe, H. R. 9256, Seventy-fifth

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Congress,[1] which seeks to provide Federal aid for those persons while they are in the status of interstate transients. It provides that a person shall not lose his residence in one State until he has acquired it in another. Unless that is done we are going to witness a growing development of Federal transients, that is, persons who have lost residence in the State where they used to live, have not acquired a residence in any other State, and will be entirely a Federal responsibility. And the bill to which I refer has been designed to avoid the development of that class of person.

Mr. JOHNSTONE. Do you think it is competent to act to establish the rules of residence in the several States?

Mr. TAYLOR. The bill to which I refer, Mr. Johnstone, is [716–2] designed to solve some of the inconsistencies and the worst evils of the settlement laws of various States which make these people Federal transients and by its offer to extend Federal aid to States which formulate plans approved by a Federal agency, the Social Security Board, the States can be brought, I believe, and should be brought to adopt uniform standards of residence, so that one State or another shares the responsibility, and we do not see the development of a homeless group of people, with no ties, no responsibilities, except that of the Federal Government.

Mr. JOHNSTONE. Is that the Voorhis bill to which you refer?

Mr. TAYLOR. That is the Voorhis bill, Mr. Johnstone.

The other bill to which I wish to make very brief mention [717–1] is also introduced in the House by Mr. Voorhis, H. R. 8225, Seventy-fifth Congress, and it provides for allocations under the supervision of the United States Public Health Service for the extension of medical care to people who have not established residence in any State.

And the third and last suggestion which I would like to leave with you——

Mr. JOHNSTONE. You mean, medical treatment as distinguished from public health measures?

Mr. TAYLOR. Yes; funds are now being made available for [717–2] public health measures, but there is a heavy burden on the States and counties to provide medical care, and the Voorhis bill makes such proposals.

The third suggestion is the consideration of the wisdom of [717–3] extending social security to agricultural laborers. They are now uncovered but I believe that an appropriate technique can and should be developed to afford that protection that has been extended to industrial workers.

Mr. JOHNSTONE. Has that been done anywhere?

Mr. TAYLOR. Yes; other countries have done that. There [717–4] is quite a record of experience on it, and I believe that it could be applied in the United States as well.

Mr. JOHNSTONE. What countries, for instance?

Mr. TAYLOR. Germany has extended it; England has extended its social security protection to agricultural workers within the last 2 or 3 years.

Mr. JOHNSTONE. Has Denmark done it?[2]

[1] To amend the Social Security Act to provide for aid to States for the care of transients. Introduced January 31, 1938.

[2] Voluntary unemployment insurance is open to agricultural workers in Denmark under the act of May 20, 1933.

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Mr. TAYLOR. I would rather not answer when I can't speak from the book.

I have a supplementary statement which I would like to submit for the record if that is agreeable? (See Appendix 17, pp. 1566–1612.)

Senator MURRAY. It is; thank you, Professor, we appreciate your excellent statement.

(Witness excused.)

Senator LODGE. Mr. Chairman, I would like to make a brief statement for the record, and I would like to have the staff find the chairman of the committee, as what I have to say concerns him.

Some weeks ago I requested that Mr. Ben Whitehurst, former [718] chief of the correspondence division of the W. P. A., be called before the committee so that he might give us the facts that he might have. At that time I was assured there would be no objection to such procedure. This morning I received the following letter from the chairman:

DEAR SENATOR: With regard to the request that Mr. Whitehurst appear before the committee, when you discussed the matter with me, although I did not approve of it, I so disliked to disagree with any request you made, I told you I would have no objection. However, after discussing the work of the committee today with counsel, I have come to the conclusion that if we are to make to the committee a report in time to be of any service to the Senate in the consideration of the question of relief, it is essential that we close the hearings next week and then devote the necessary time to the consideration, particularly of the relief question, in order that we may file a report before a relief bill is submitted to the Congress within the next few weeks. I have, therefore, directed counsel to withdraw a number of invitations that have been extended and to confine the witnesses to those who might be of assistance to us in determining the question as to how relief funds should be administered.

I am satisfied it would be a mistake to invite Mr. Whitehurst. It would be the first time we have permitted any witness to appear to make charges against the administration of W. P. A. We all know that charges of some kind are made daily in every State about the administration of work relief by W. P. A. and relief by the State. If we invite Mr. Whitehurst to make these complaints, we will have no argument to justify the refusal to listen to hundreds of others. The administrative officials would have to be given an opportunity to be heard on the question as to whether John Jones was entitled to relief, or whether political influence was exercised by some employee of the organization, with the result we would never finish hearings in time to make a report upon this question. I have, therefore, told Mr. Johnstone to withhold the invitation to Mr. Whitehurst. If you disagree with my view, I will be glad to have the committee meet and pass upon the question of whether or not we should hear Mr. Whitehurst and others who would like to have an opportunity to appear and testify along the same lines.

Sincerely yours,

JAMES F. BYRNES, *Chairman.*

Senator LODGE. I have just read this into the record, and I do disagree with this view. It seems to me that this makes the whole proceeding a whitewash, insofar as the administration of unemployment relief is concerned, and I desire here and now to make the proposal that Mr. Whitehurst be called.

Senator MURRAY. I did not understand that this committee was formed to investigate the W. P. A. and I do not see any justification for calling the matter a whitewash.

The CHAIRMAN. There is no excuse or justification for such a statement. It is one of these things that the Senator does not know what he is talking about.

Having made the statement, I will repeat it. I have received a request to invite a witness, and I advised the Senator that I would not do so unless the committee decided to do so, and if the Senator desires,

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we can call a meeting of the committee, and let the committee decide what it wishes to do.

Of course this letter was merely read for the newspapers. My letter advised the Senator that if he wished to submit it to the committee, I would be glad to do so, and that I would call a meeting of the committee and hear from the committee all of their views, but we will not vote on it now. Some of the members came here this morning for the purpose stated by counsel without knowing that any group or executive business would be disposed of. Some of the committee are not here.

The Senator could have a meeting of the committee at any time he pleases; he could have it now, as advised in my letter, but if the Senators desire to have a vote taken, I would call the members of the committee. I shall not do it now because this session was called for the purpose of hearing certain witnesses. They are going to be heard. After they have been heard, if the Senator desires to have a vote, he can do it.

Senator LODGE. I do not want a vote now, but I want a vote some time.

The CHAIRMAN. The Senator was advised in the letter he read that he could have it submitted to the committee at any time, and certainly I meant just what I said, and we will call a meeting of the committee at any time the Senator desires, but this morning we are called for the purpose of having hearings, and gentlemen have been invited and we are going to hear them, and at the conclusion of that, if the Senator desires a meeting today, I will assure him that before the sun sets he can have a meeting.

Senator LODGE. I would like to have a meeting today.

The CHAIRMAN. Then you can have it. As chairman of this committee, I advise you that you may have a meeting of the committee at any time you want it.

STATEMENT OF RUSSELL C. KURTZ, NATIONAL COMMITTEE ON CARE OF TRANSIENT AND HOMELESS, NEW YORK CITY

The CHAIRMAN. We will hear the next witness.

Mr. KURTZ. I am speaking on behalf of the National Committee on the Care of Transients and Homeless.

The CHAIRMAN. What is your connection with the committee?

Mr. KURTZ. I am simply a member of the committee and I am here representing them. The personnel and connections of the committee you will find on page 8 of this statement.

The CHAIRMAN. What is the object of the organization?

Mr. KURTZ. This committee was formed in 1932, and it [719] consists of representatives of agencies which were at that time struggling with the problem of shelter for transient and homeless men, such agencies as the Salvation Army, the Family Societies, and others. It was an effort to bring together the experience which those agencies were having throughout the country, to pool the opinions and recommendations which came out of an exchange of that experience and the committee has continued in existence since that time and has followed the developments of the Federal transient program and the developments since that program has continued.

The CHAIRMAN. All right.

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PROBLEMS INVOLVED IN ADAPTING SOCIAL SECURITY AND RELIEF PROVISIONS TO THE NEEDS OF MIGRANT AND NONRESIDENT PERSONS AND FAMILIES; AND RECOMMENDATIONS FOR REMEDIAL ACTION

Mr. KURTZ. The National Committee on Care of Tran- [720–1]
sient and Homeless respectfully calls your attention to certain problems within the scope of your investigation and offers herewith its suggestions for remedial action. These problems arise from the movement of persons and families within and across State lines, thereby creating difficulties which cannot be overcome without the assistance of the Federal Government.

PROBLEMS INVOLVED IN TRANSIENCY

The movement of needy people creates problems which can [720–2]
be classified under the following headings: Social, health, labor, educational, and legal.

Social.—Because of limited funds, cities and States to which [720–3]
people move are unable to provide for them, especially in view of the fact that relief to their own residents is so inadequate. Even where funds might be made available for transient relief, assistance is withheld because of the restrictions of settlement laws and the traditional antagonism of communities to the indigent "outsider."

This results in a system of "passing-on" the person or family [720–4]
seeking help to the next city, county, or State. Overnight care is sometimes provided in a police station, a jail, or a private or public shelter, but the order to "move on" is put into effect at the earliest possible moment.

Health.—Public health and welfare demand protection from [720–5]
carriers of disease and provisions for proper treatment of the indigent sick. A large number of migrants, particularly in the Southwest, are tuberculous and in an infectious stage; others suffer with venereal disease and these, too, are likely to spread their infection. Local agencies alone cannot control the spreading of tuberculosis and venereal disease by these infected migrants. Children suffer from malnutrition and other ailments caused by their manner of life and lack of essential health-giving foods. The ordinary community facilities for medical care are not available to these virtual "outcasts" except in extreme emergency, and help often comes too late.

Labor.—Our economic system requires a continuous supply [720–6]
of migratory labor. The development of our natural resources, the harvesting of our crops, and the fluctuations in construction and factory employment require a large, mobile, supply of labor at certain seasons. These migrant laborers and their families form a considerable proportion of the needy nonsettled population. Their wages when employed are low; they follow rumors of jobs rather than having sure direction to the next job; they are in great demand when labor is required; they are kicked out when the job is done. Communities fear their competition in a slack labor market and accuse them of driving down wages. They lack the ordinary assistance and community contacts available to settled people.

Educational.—Our public educational system is the great [720–7]
pride of the American people. Yet many States are lax in enforcing school attendance for children of migrant families. Even where such laxity does not exist or where it is overcome by the families themselves,

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the continuing migration deprives children of the full advantage of educational opportunities. Many children of transient families are required to work in the fields, and time spent in school is looked upon as wasted. The Secretary of Labor has characterized the living conditions of migrants as "a threat to the development of good citizens." [1]

Coupled with this failure to provide basic educational oppor- [720–8]
tunities for the children of migrants, there is a pressing need, here as elsewhere, for adequate provision for vocational education. Many of the group have never had an opportunity to acquire any specialized skill; others, whose skills have become obsolete because of changes in production methods, have been forced into the unskilled-labor market. Vocational training and retraining would provide a corrective, to the advantage of the migrant and of society.

Legal.—The variations in the settlement laws of the [720–9]
various States and local communities work great hardship on people who are forced to move. There is no uniformity in the time required for the acquisition or loss of settlement; in the latter case, loss may occur after 12 months' or shorter absence or it may occur immediately upon crossing the State line, whereupon the person or family becomes "Stateless." The number of these "persons without a State" could be reduced appreciably if settlement could be acquired uniformly in the several States and if no settlement could be lost until another were gained.

Needless complications in the administration of the settle- [720–10]
ment laws are created by entrusting the final decision as to legal settlement to the local official rather than to the State. An unbiased decision is thus difficult to secure and the process is frequently prolonged unnecessarily.

Summary.—These, then, are the major problems involved [720–11]
in transiency at the present time: (1) Lack of relief provisions, (2) dangers to public health and need for proper medical aid, (3) need for direction and guidance to employment and proper recognition of the need for a mobile labor supply, (4) lack of educational provisions for the children of migrants, and (5) need for uniformity of settlement provisions and for centralized State authority for the determination of settlement.

The interstate nature of these problems and the inability [720–12]
of local communities and States to meet adequately the needs of theie own residents make Federal leadership and financial assistance essential in any attempt to provide for the needs outlined above.

SUGGESTIONS FOR REMEDIAL ACTION

Our committee believes that remedial action to meet these needs should include the following provisions:

1. The Federal Government should accept, in cooperation [720–13]
with the States, responsibility for the welfare and assistance of the transient, migrant, or nonresident person or family.

   a. There should be established under the Social Security Board a category to be known as General Public Assistance. Transient assistance should be provided within the framework of this category.

[1] "Migration of Laborers," Unpublished report of Secretary of Labor on study conducted under S. Res. No. 298 (74th Cong.), July 6, 1937.

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b. A General Public Assistance Division of the Social Security Board should be set up to administer this category and to establish relationships with the States on a grant-in-aid basis, in accordance with an established formula. This formula should include as a prerequisite to the acceptance of any State plan the recognition of certain principles to be embodied within a specified time in the law of the State. Among these principles are the following:

(1) Legal settlement shall be acquired in the State on the basis of 1 year's continuous residence without regard to economic status. No one shall be prevented from acquiring settlement because he is not self-supporting.

(2) Legal settlement shall not be lost in one State until acquired in another.

(3) The State shall reimburse the local public relief agencies for services, medical care, and material relief to the nonresident until such time as legal settlement is acquired.

(4) The State department of public welfare or other acceptable State authority shall have the power to determine legal settlement when municipalities or counties within the State cannot reconcile their differences, and all matters relating to the transfer of dependents between States shall be the responsibility of the State authority.

When disputes in relation to legal settlement cannot be resolved between States, the States concerned shall agree to accept after a hearing, the decision of the Social Security Board as to the legal settlement of the case involved.

(5) The Social Security Board must be satisfied that any State plan for operation under the General Public Assistance category meets acceptable minimum standards in regard to relief, type of organization for purposes of administration, and quality of personnel, as well as the legal provisions enumerated in the previous paragraphs ((1) to (4) inclusive).

(6) The State plan shall include within the State welfare department a division responsible for the welfare of the nonresident.

2. Under the Social Security Act there should be provided **[720–14]** adequate appropriations to the United States Public Health Service for grants-in-aid to State departments of health to furnish medical care and diagnostic and treatment service to all needy persons, including the nonresident. This would be especially effective in controlling communicable disease.

3. Under the general direction of the Secretary of Labor, an **[720–15]** expansion and professionalization of the employment services, Federal and State, should be provided to achieve "surer direction and guidance" for those persons unemployed and seeking work and those employed and seeking to better their condition; and vocational guidance for those who are maladjusted in their employment.

Under the Secretary of Labor there should be provisions for a continuing flow of information in regard to employment conditions on a local, State, and regional basis, so that needs of individuals, of industry, and of agriculture shall be met.

4. Under part 4, section 531, of the Social Security Act, **[720–16]** there should be provided adequate appropriations for vocational rehabilitation through grants-in-aid to State departments of education

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which grants shall be for the purpose of expanding or creating within properly selected local educational systems, educational institutions for the training, retraining, and vocational guidance of those in need of such service, including the nonresident.

We have not attempted, in the above paragraphs, more than to outline a minimum program. We believe that the problem can be solved only as Federal and State Governments cooperate in leadership and financial support in the fields of relief, employment, health, and education.

ADDITIONAL RECOMMENDATIONS

In addition to the above program, the Committee on Care of Transient and Homeless brings to your committee these four recommendations:

Interdepartmental coordination.—There is need for coordi- [720–17] nation of the present governmental efforts to survey needs in this field. Interdepartmental coordination of Federal agencies is necessary for economy of effort and logical study of the many ramifications of the problem. Coordination would assist such agencies as the Bureau of Labor Statistics, the United States Employment Service, the Works Progress Administration, the Social Security Board, the United States Children's Bureau, the United States Public Health Service, the Farm Labor Placement Service, the Farm Security Administration, and the Bureau of Agricultural Economics.

Printing of migratory labor report.—It is especially desirable [720–18] at this time that the report of the study of migratory labor conducted by the Department of Labor under Senate Resolution No. 298 (74th Cong.) be published. Senate Resolution No. 238, introduced February 23, 1938, by Senator Thomas of Utah, providing for the printing of this report, should be adopted.

Continuation of Labor Department study of migratory labor.— [720–19] The study of the Department of Labor of the "Social and economic needs of laborers migrating across State lines" made under Senate Resolution No. 298 (74th Cong.), should be continued as provided by Senate Joint Resolution No. 85, which now requires action by the House of Representatives for adoption.

Movement of Social Security beneficiaries across State lines.— [720–20] There should be established some method providing for the continuance of the benefits provided under the Social Security Act to beneficiaries who move across State lines. While this is especially necessary in the case of those eligible to acquire benefits under the unemployment compensation and old-age benefit provisions, it is equally applicable in the case of those eligible for aid to dependent children, aid to the blind, and old-age assistance.

SUPPORTING MATERIAL

In support of the above statements and recommendations, [720–21] we respectfully call your attention to the attached document which consists of (1) a summary of the committee's 6-year interest in these problems and of the information currently available to it, and (2) supporting exhibits which present the latter in greater detail. (See Appendix 18, pp. 1612–1621.)

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Lt. Col. John J. Allan, Salvation Army, New York City.
Homer W. Borst, Community Chest of New Haven, Conn.
C. C. Carstens, Child Welfare League of America.
Rev. David M. Cory, New York City Welfare Council.
Marion Lounsbury Foster, American Red Cross, Brooklyn, N. Y.
Abel J. Gregg, national council, Y. M. C. A.
George M. Hallwachs, joint application bureau, New York City.
T. Arnold Hill, National Urban League.
David H. Holbrook, National Social Work Council.
Clarence King, New York School of Social Work.
Dr. H. E. Kleinschmidt, National Tuberculosis Association.
Russell H. Kurtz, Russell Sage Foundation, New York City.
Morris Lewis, Council of Jewish Federations and Welfare Funds, New York City.
Edith E. Lowry, Council of Women for Home Missions, New York City.
Genevieve Lowry, national board, Y. W. C. A.
Bertha McCall, National Association for Travelers Aid and Transient Service.
A. Wayne McMillen, School of Social Service Administration, University of Chicago.
MacEnnis Moore, American Foundation for the Blind, Inc.
Dean William H. Nes, chairman Transient Committee of New Orleans Council of Social Agencies.
Dr. Ellen C. Potter, Department of Institutions and Agencies of New Jersey.
George W. Rabinoff, Council of Jewish Federations and Welfare Funds, New York City.
Ella Weinfurther Reed, American Public Welfare Association.
Margaret E. Rich, Family Welfare Association of America.
Mrs. Samuel J. Rosensohn, New York City.
Gertrude Springer, The Survey.
George L. Warren, International Migration Service.
Harold P. Winchester, Albany, N. Y.

Officers:
DR. ELLEN C. POTTER, *Chairman.*
PHILIP E. RYAN, *Executive Secretary.*

Mr. JOHNSTONE. This document, I understand, Mr. Kurtz, is a brief in support of the statement you have just read?

Mr. KURTZ. Yes, it is.

(Witness excused.)

The CHAIRMAN. Committee stands adjourned until 10 o'clock tomorrow morning.

(Thereupon at 11:45 a. m., an adjournment was taken until tomorrow, Tuesday, Mar. 15, 1938, at 10 a. m.)

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UNEMPLOYMENT AND RELIEF

TUESDAY, MARCH 15, 1938

UNITED STATES SENATE SPECIAL COMMITTEE,
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m. in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senator Byrnes (chairman), Murray, Frazier, Hatch, Davis, Lodge, and Clark; also Alan Johnstone, counsel for the committee.

STATEMENT OF ROBERT FECHNER, DIRECTOR, CIVILIAN CONSERVATION CORPS, WASHINGTON, D. C.

The CHAIRMAN. The committee will come to order.

Mr. Fechner, we have requested you to appear before the committee to discuss the question of training young men, particularly, and also to express any other views you may desire to express with reference to the subject of this inquiry.

I have been particularly interested in the problem of training the young men who are now classed as unskilled laborers, so as to equip them for employment as skilled laborers, and would like you to, some time during your statement, express your views with reference to that particular question.

Mr. FECHNER. Mr Chairman, and members of the com- [721–1] mittee, in response to the written request I received a few days ago from the committee, I have prepared a written statement which I will be very glad to read. Because of the limited time, I haven't had an opportunity of submitting this statement to the Bureau of the Budget or any of the agencies that usually review statements of this kind

The statements I have to make with regard to the problem [721–2] of unemployed youth are based largely on my experiences during the past 5 years as Director of the Civilian Conservation Corps. My work leads me to believe that there was a serious problem of unemployment in the younger age groups, prior to the depression which began late in 1929.

PROBLEM OF UNEMPLOYED YOUTH

I know that the problem of unemployed youth is serious [721–3] today and, in my judgment, this problem of unemployment among young people is likely to continue for some years. All of my remarks are directed most specifically toward youthful male unemployment—because I know this subject best. By analogy, much of what I say

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can be extended to youthful female unemployment. To indicate very definitely the seriousness of the problem in current months, as it affects young men, I bring the following facts to your attention:

In January of this year we enrolled men for service in the [721–4] Corps. We had about 25,000 vacancies and about 145,000 applications to fill those vacancies. We have another enrollment period scheduled for April—next month. At that time we will have about 59,000 vacancies and it appears that we will have about 225,000 applications to fill those vacancies. It might be noted that in January we enrolled about one out of six applicants and that in April we are going to do a little better than enroll one out of four applicants. On first thought this would seem to be an improvement—but, in fact, it is not.

It just so happens that there are more vacancies in April [721–5] than in January, because April is the end of a major enrollment period and January is the end of a minor enrollment period. In this instance, the number of applications for enrollment is partially independent of the number of vacancies we may happen to have. To get the truer comparison of present conditions, simply disregard the number of vacancies we happen to have and consider that we had 145,000 applicants in January of 1938 and we will have about 225,000 in April. Past experience indicates that between 6 percent and 8 percent of these applicants would normally be rejected for physical defects or for all other failures to comply with our enrollment standards.

AGE SPREAD OF C. C. C. ENROLLEES

The vast majority of the men with whom the Civilian Con- [721–6] servation Corps deals is between the ages of 17 and 23. It is not pleasant to dwell upon the experiences which await many thousands of these young men who cannot be cared for by the Civilian Conservation Corps in the April enrollment and who, so far as I am aware, cannot be given much assistance through other programs. An extension of the usefulness of the C. C. C. can be made if the Congress should decide to give greater flexibility to the size of the corps. It would not be a simple matter to work out this flexibility which would probably involve the earmarking of funds whose availability for expenditure would depend on unemployment figures among young men. Such a step, however, is quite desirable in the proper long-term consideration of youthful employment. I believe this summation will briefly sketch for you the situation at the present time, as it applies to the country as a whole with special reference to the Civilian Conservation Corps.

While I hope and believe that present distress may be eased [721–7] with reasonable rapidity, I am of the opinion that lack of sufficient jobs is a condition which will harass our young men for some years to come.

It has been my observation that these youngsters are eager to [721–8] work—that they will do anything to get a job—but here we come to an economic dilemma. Employers, as a class, recognize the need and the desirability of an influx of youth into their organizations—but these same employers have already on their pay rolls at the present time, experienced, older workers who have given good service over a period of years. These older workers have contributed measurably to the success of the employers for whom they have worked. The

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great majority of these experienced workers are married and have children. In many cases, the employer, unable to expand his business, retains the experienced family man and denies to youth the opportunity to get a job. Most of us will agree that this drastic decision of the employer constitutes the lesser of two evils.

INEXPERIENCE HANDICAP

My talks with many employers lead me to believe that they [721–9] can and will force some extra expansion of their businesses which will offer job opportunities for youths, if the employers can be reasonably assured that the youths they employ have obtained at least certain fundamental work and living habits which will permit the young men to become profit-making employees immediately after, or within a very short period after, their employment.

Under a laissez faire policy we are thus faced with a vicious [721–10] circle in regard to employing young workers: The employer will not hire them because they are inexperienced and undesirable and the youths cannot gain experience and desirable characteristics without jobs.

The record of the past 5 years indicates that the Civilian [721–11] Conservation Corps has been and should continue to be a powerful force in breaking this vicious circle.

In the outline for problems to be discussed—which your [721–12] committee sent to me—there is the question "What suggestions have you for modifying the Civilian Conservation Corps program in order to meet the problem of youth on a long-time basis?" My categorical answer to that question is, that experience and evolution have already greatly modified and, I believe, improved, the C. C. C. program and I am confident they will continue to do so. At the present moment, I suggest no sweeping, radical changes in the program. I refrain from making such suggestions because I am intimately acquainted with how the C. C. C. now operates and I know that there is so much of already proven value in the program that I feel we would be very foolish to direct it into some uncharted, untried and unknown course. To me, it seems far saner and far more practical to make an improvement here, to eliminate a weak spot there, than to attempt to rebuild an already-successful, going concern.

To justify this position let me sketch for you what the [721–13] C. C. C. is doing today and a little of how it operates and how it has evolved since it was first created by act of Congress, approved March 31, 1933.

By law, at the present time, a vast majority of the men [721–14] we employ are young men between the ages of 17 and 23, "unemployed and in need of employment." In practice, these young men are nearly all from families on, eligible for, or just about on, the public relief rolls. A test census showed that close to 20 percent of these youngsters had never in their lives had a regular job. Of those who claimed to have had regular employment the average time out of work before joining the C. C. C. was about 7 months—and this from youths whose average age will scarcely be 20 years.

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OVERCOMING UNEMPLOYABILITY OF ENROLLEES

We have found that all too many of these boys have been [721–15] bitter, sullen, undernourished, and resentful when they entered the C. C. C. This attitude is quite understandable when it is considered that on an average these men gained about 10 pounds in weight during their first 3 to 6 months of service in the C. C. C. A hungry man is an undesirable man from nearly every viewpoint—so we fed them and fed them well to overcome this initial difficulty.

Economic pressure had not only made these boys tighten [721–16] their belts—it had in many cases forced an abandonment of sane and decent living habits during critical, impressionable years. Regular hours of sleep, a decent place to sleep and such elementary hygienic habits as toothbrushes, baths, clean clothes, and a semblance of order had been discarded. Does it require any thought to determine that such men would have little or no chance of obtaining employment?

Once in the C. C. C., the man who had been forced to [721–17] discard scores of apparently little things which make him a desirable citizen and desirable employee—has those things restored to him.

It is no exaggeration to say that even after so short a [721–18] period as 3 months of service, hundreds of thousands of boys are simply not the same people as they were upon entering the Corps.

Observe, we start with the most elemental measures— [721–19] measures that improve the fundamental physical and mental attitude. The initial problem is to fill a man's stomach and to put him in that mental attitude which enables him to look you squarely in the eye—unafraid and unashamed.

With this accomplished—or even partially accomplished—we [721–20] put the man to work. The work which he does is vitally important to the restoration, preservation, and increase of our natural resources. Let me emphasize that this work is important, vital work and that it is not "made work." The young men we employ are led to see the importance of their work. High standards of craftsmanship are demanded and obtained. A major portion of the success of the C. C. C. program may be traced to the fact that the boys know within themselves that the tasks they perform are vital tasks and that they may share in the pride of honest labor well performed. I do not think we could build morale, I do not think we could increase employability, and I am certain that we could not create self-respect if our work programs consisted merely of "practice work" or "made work."

We have always felt that the Government and the boys [721–21] employed were both entitled to the benefits which accrue from skillfully planned and supervised work programs. Here I digress to say that in my opinion the physical benefits to our natural resources obtained through C. C. C. work have been—or soon will be—so great in dollar value as to offset the dollar cost of the program.

TYPE OF WORK MAKING UP C. C. C. PROGRAM

Where do these boys work and what do they do are [721–22] questions which may logically be in your minds at the present moment.

Right now close to 300,000 of them are at work in 1,500 [721–23] locations in the United States. This number will be reduced to 250,000 in 1,200 locations, by July 1. They are at work on National,

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State, and private forest lands, on State and National park lands, on eroded agricultural lands, on drainage and reclamation projects, on overgrazed portions of the public domain—in every State, the District of Columbia, on 70 Indian reservations, and in the Territories of Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

They are engaged on more than 150 major types of work, [721–24] ranging all the way from the construction of soil-saving check dams to great systems of truck trails designed to protect our forest lands. As typical of the work performed, I submit for the record a statement summarizing the physical accomplishments in work completed for the fiscal year 1937:

Work completed by the Civilian Conservation Corps, fiscal year 1937

No.	Type of job	Unit	New work	Maintenance
	STRUCTURAL IMPROVEMENTS (100 SERIES)			
	Bridges:			
101	Foot	Number	$387.0	$53.0
102	Horse	Number	53.0	10.0
103	Stock	Number	26.0	118.0
104	Vehicle	Number	2,476.0	813.0
	Buildings, other than C. C. C. camps:			
105	Barns	Number	93.0	54.0
106	Bathhouses	Number	76.0	26.0
107	Cabins, overnight	Number	426.0	19.0
108	Combination buildings	Number	67.0	3.0
109	Contact stations	Number	49.0	13.0
110	Dwellings	Number	437.0	719.0
111	Equipment and supply storage houses	Number	582.0	324.0
112	Garages	Number	650.0	167.0
113	Latrines and toilets	Number	1,459.0	661.0
114	Lodges	Number	30.0	11.0
115	Lookout houses	Number	127.0	109.0
116	Lookout towers	Number	362.0	267.0
117	Museums	Number	6.0	10.0
118	Shelters, trail-side	Number	188.0	27.0
119	Shelters, other	Number	549.0	99.0
120	Other buildings	Number	1,200.0	877.0
121	Cribbing, including filling	Cu. yd.	231,072.0	5,345.0
122	Impounding and large diversion dams (including 123–130)	Number	1,849.0	543.0
	Dams:			
123	Concrete	Cu. yd.	77,483.0	781.0
124	Fill, earth	Cu. yd.	7,888,121.0	287,193.0
125	Fill, rock	Cu. yd.	273,325.0	1,930.0
126	Excavation, earth	Cu. yd.	2,883,064.0	45,465.0
127	Excavation, rock	Cu. yd.	213,748.0	4,875.0
128	Masonry	Cu. yd.	49,793.0	2,510.0
129	Riprap	Sq. yd.	534,512.0	41,451.0
130	Steel	Pounds	2,218,378.0	18,788.0
131	Fences	Rods	3,684,832.8	1,020,468.0
132	Guard rails	Rods	41,519.3	1,947.0
133	Levees, dykes, and jetties	Cu. yd.	3,330,761.0	1,327,679.0
134	Power lines	Miles	144.7	153.5
	Sewage and waste-disposal systems, not part of building:			
135	Disposal beds	Sq. yd.	61,044.0	100.0
136	Disposal tanks and cesspools	Number	488.0	124.0
137	Incinerators	Number	95.0	2.0
138	Sewer lines	Lin. ft.	193,513.0	10,760.0
139	Other	Man-days	17,815.0	1,287.0
140	Telephone lines	Miles	9,960.7	33,422.6
	Water-supply systems:			
141	Fountains, drinking	Number	320.0	11.0
142	Open ditches	Lin. ft.	333,511.0	96,315.0
143	Pipe or tile lines	Lin. ft.	1,228,178.0	162,303.0
144	Springs, water holes, small reservoirs	Number	2,897.0	1,206.0
145	Storage facilities (omit last 000)	Gallons	147,790.4	1,155.7
146	Wells, including pumps and pump houses	Number	805.0	512.0
147	Other	Man-days	27,555.0	3,699.0
	Other structural improvements:			
148	Camp stoves and fireplaces	Number	6,216.0	661.0
149	Cattle guards	Number	661.0	85.0
150	Corrals	Number	136.0	19.0
151	Portals	Number	234.0	7.0
152	Seats	Number	7,612.0	89.0
153	Signs, markers, and monuments	Number	64,489.0	4,675.0

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Work completed by the Civilian Conservation Corps, fiscal year 1937—Continued

No.	Type of job	Unit	New work	Maintenance
	STRUCTURAL IMPROVEMENTS (100 SERIES)—con.			
	Other structural improvements—Continued.			
154	Stone walls	Roads	$9,035.8	$70.0
155	Table and bench combinations	Number	10,668.0	1,892.0
156	Tool boxes	Number	878.0	30.0
157	Miscellaneous	Number	27,111.0	8,092.0
158	Radio stations	Number	10.0	44.0
	TRANSPORTATION IMPROVEMENTS (200 SERIES)			
201	Airplane, landing fields	Number	7.0	7.0
	Roads:			
202	Truck trails	Miles	11,559.9	71,782.6
203	Minor	Miles	1,043.9	4,811.5
204	Highways	Miles	23.2	2,072.7
205	Park roads	Miles	374.5	5.0
	Trails:			
206	Foot	Miles	1,403.5	5,661.0
207	Horse	Miles	1,400.3	8,251.5
	EROSION CONTROL (300 SERIES)			
301	Stream and lake bank protection	Sq. yd	2,917,390.0	72,859.0
302	Area treated (including 303-308)	Acres	933,482.0	66,010.2
	Treatment of gullies:			
303	Bank sloping	Sq. yd	29,779,940.0	444,944.0
304	Checkdams, permanent	Number	44,914.0	8,644.0
305	Check dams, temporary	Number	1,037,017.0	29,357.0
306	Seeding and sodding	Sq. yd	110,580,974.0	6,506,762.0
307	Tree planting, gully	Sq. yd	109,619,588.0	43,953,058.0
308	Ditches, diversion	Lin. ft	8,526,748.0	598,280.0
309	Terracing	Miles	6,835.1	2,135.7
	Terrace outletting:			
310	Channel excavation or construction	Lin. ft	8,605,084.0	335,150.0
311	Outlet structures, permanent	Number	46,693.0	5,238.0
312	Outlet structures, temporary	Number	60,626.0	3,498.0
313	Planting, seeding, or sodding	Sq. yd	31,343,454.0	7,226,007.0
314	Sheet erosion planting	Acres	151,165.5	10,147.3
	Limestone:			
315	Quarrying	Tons	645,859.0	454.0
316	Crushing	Tons	367,778.0	
317	Hauling	Tons	268,913.0	731.0
318	Miscellaneous erosion, control work	Man-days	278,513.0	5,715.0
319	Contour furrows	Miles	16,722.0	3,599.8
320	Preparation for strip cropping	Acres	58,961.0	323.0
321	Road-erosion control demonstration	Miles	14.5	
322	Wind-erosion area treated	Acres	3,746.0	283.0
	FLOOD CONTROL, IRRIGATION, AND DRAINAGE (400 SERIES)			
	Clearing and cleaning:			
401	Channels	Sq. yds	12,261,188.0	100,322,540.0
402	Reservoir sites	Acres	4,920.7	12.0
403	Concrete lining of waterways	Sq. yds	157,951.0	918.0
	Excavations, channels, canals, and ditches:			
404	Earth	Cu. yds	4,687,561.0	18,988,692.0
405	Rock	Cu. yds	93,445.0	14,932.0
406	Pipe lines and conduits	Lin. ft	432,872.0	423,256.0
	Riprap or paving:			
407	Rock or concrete	Sq. yds	534,239.0	28,575.0
408	Brush or willows	Sq. yds	154,830.0	111,416.0
	Water control structures other than dams:			
409	Concrete or masonry	Cu. yds	53,070.0	5,484.0
410	Wood	Ft. B. M	1,060,210.0	3,432,621.0
411	Number of structures	Number	6,545.0	1,419.0
412	Concrete core walls other than dams	Cu. yds	1,010.0	
413	Nonconcrete lining of waterways	Sq. yds	182,489.0	45.0
	FOREST CULTURE (500 SERIES)			
501	Field planting or seeding (trees)	Acres	365,233.5	31,983.1
502	Forest stand improvement	Acres	335,295.1	8,917.8
503	Nurseries	Man-days	783,100.0	73,338.0
	Tree seed collection:			
504	Conifers, cones	Bushels	89,770.0	
505	Hardwoods	Pounds	2,778,391.0	
506	Collection of tree seedlings	Number	1,805,969.0	

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Work completed by the Civilian Conservation Corps, fiscal year 1937—Continued

No.	Type of job	Unit	New work	Maintenance
	FOREST PROTECTION (600 SERIES)			
601	Fighting forest fires	Man-days	$1,047,227.0	
602	Fire breaks	Miles	5,872.4	$6,364.2
	Fire hazard reduction:			
603	Roadside	Miles	5,560.1	
604	Trailside	Miles	1,834.6	
605	Other	Acres	155,064.5	
606	Fire presuppression	Man-days	806,567.0	262.0
607	Fire prevention	Man-days	163,977.0	
608	Tree and plant disease control	Acres	967,933.2	460,486.0
609	Tree insect pest control	Acres	1,885,713.8	35,732.9
	LANDSCAPE AND RECREATION (700 SERIES)			
701	Beach improvement	Acres	497.1	78.1
702	Fine grading, road slopes, etc	Sq. yds	6,368,558.0	181,372.0
703	General clean-up	Acres	25,103.9	5,315.1
704	Lake or pond-site clearing	Acres	4,477.0	55.0
705	Landscaping, undifferentiated	Acres	18,573.3	1,045.0
706	Moving and planting trees and shrubs	Number	5,968,676.0	1,542,762.0
	Obliteration:			
707	Roads	Miles	200.7	
708	Trails	Miles	22.5	
709	Borrow pits, dumps	Man-days	93,702.0	57.0
710	Parking areas and overlooks	Sq. yds	1,378,918.0	49,586.0
711	Public camp ground development	Acres	2,913.8	4,243.2
712	Public picnic ground development	Acres	1,676.7	1,201.0
713	Razing undesirable structures	Number	9,725.0	3.0
714	Seed collection, flowers, grasses, shrubs	Pounds	362,752.0	
715	Seeding or sodding	Acres	6,362.1	6,324.2
716	Soil preparation (topsoiling, fertilizing, fitting, etc.)	Acres	9,330.9	1,843.6
717	Vista or other selective cutting for effect	Acres	4,066.3	36.0
718	Walks, concrete, gravel, cinder, etc	Lin. ft	210,702.0	18,161.0
	RANGE (800 SERIES)			
801	Elimination of useless range stock	Number	2,532.0	
802	Range revegetation	Acres	87,315.8	1,262.0
803	Stock driveways	Miles	795.4	73.0
	WILDLIFE (900 SERIES)			
901	Fish rearing ponds	Number	242.0	115.0
902	Food and cover planting and seeding	Acres	31,679.6	2,176.7
903	Lake and pond development	Man-days	175,752.0	1,410.0
904	Stocking fish	Number	268,283,915.0	
905	Stream development	Miles	589.2	83.9
906	Other	Man-days	256,181.0	2,801.0
907	Emergency wildlife feeding	Man-days	33,362.0	37.0
	OTHER ACTIVITIES (1000 SERIES)			
1001	Education, guide and contact station work	Man-days	125,492.0	
	Emergency work:			
1002	Searching for or rescuing persons	Man-days	28,826.0	
1003	Other	Man-days	388,355.0	1,944.0
1004	Eradication of poison-weed or exotic plants	Acres	190,330.1	
1005	Experimental plots	Number	8,642.0	2,265.0
1006	Fighting coal fires	Man-days	23,224.0	
1007	Insect pest control	Acres	1,260,713.0	598.0
	Maps:			
1008	Type, topographic, etc	Man-days	125,487.0	404.0
1009	Relief maps and models	Man-days	11,890.0	
1010	Marking boundaries	Miles	6,034.1	603.3
1011	Mosquito control	Acres	59,048.8	37,554.5
1012	Preparation and transportation of materials	Man-days	1,639,349.0	4,474.0
1013	Railroads, narrow-gage	Man-days	212.0	
	Reconnaissance and investigation:			
1014	Archaeological	Man-days	35,686.0	
1015	Other	Man-days	62,191.0	1,495.0
1016	Restoration of historic structures	Number	1,019.0	2.0
1017	Rodent control	Acres	5,179,198.2	192,105.2
	Surveys:			
1018	Grade lines	Miles	46,961.8	3,150.4
1019	Ground water	Acres	2,116,312.1	
1020	Lineal	Miles	47,901.5	939.2
1021	Topographic	Acres	2,405,428.6	11,798.3
1022	Type	Acres	18,320,067.7	610.0
1023	Other	Man-days	238,349.0	22,764.0
1024	Timber estimating	Acres	2,343,997.4	1,657.4
1025	Tree surgery	Man-days	72,357.0	8,679.0
1035	Unclassifiable	Man-days	8,234.0	

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TRAINING ON THE JOB INCREASES EMPLOYABILITY OF ENROLLEES

I believe that what I have already said will indicate how [721–25] important we consider the work of the C. C. C. to be as regards its own intrinsic value and as regards its moral effects upon the youths who participate in the program.

There is, however, another extremely vital side of the work [721–26] program upon which I have not yet touched and which I wish to discuss now. I refer to what we term "training on the job." Very early in the operation of the C. C. C. program we reocgnized that merely to get work—and good work—done was only a part of our problem insofar as the completion of projects was concerned.

We decided not only to get the young men to do the work, [721–27] but also to show them how to do it the best way, and to explain why a job was done a certain way and to explain how a specific job tied in with a whole group of other jobs. In other words, we decided to go in for "training on the job." Practical, mass education of this type was relatively new and extremely difficult. At first, instruction was perhaps disorganized. We had few methods and no experience to guide us. While our technical men were reasonably competent in their own foremen capacities and while the Army personnel was also making great efforts to inaugurate the porgram, very few of these men were experienced in teaching. However, we kept at it and today "training on the job" is so extensive that we know that the employability of young enrollees is being vastly increased. These young men are told the "ins" and "outs" of their jobs and they become not only skilled craftsmen but craftsman who can plan work, as well as execute it.

I do not wish to infer that we have reached the state with [721–28] regard to "training on the job" where nothing more can be done. We like to feel that we are only well started on this important phase of the program. As the cumulative experience of past years builds up, our training grows better and better and is of greater, practical importance to the young men who are given that training.

This "training on the job" is but one of two major educa- [721–29] tional efforts in the C. C. C. We also have an educational program in operation in every camp, which is carried on at the end of the work day. This educational program offers subjects which range all the way from the elimination of illiteracy to subjects of college level and vocational subjects. Here again new methods and approaches had to be worked out. A great number of C. C. C. enrollees were "fed up" with school in the conventional meaning of the term. They were too old to be treated as grade-school pupils (though they often needed grade-school subjects) and they were not far enough advanced in education or mature enough in judgment to be left to their own educational devices.

EDUCATIONAL PROGRAM OF C. C. C.

The after-working-hours educational program relies princi- [721–30] pally on two magnets to make it pull—and to succeed. First, the subjects offered must be so interesting in themselves that the enrollee wants to take them or, second, the subjects must be definitely related in the enrollee's mind to getting and holding a job. Figures from our Educational Division indicate that close to 90 percent of the enrollees

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participate in the educational program—on a voluntary basis. I think we are starting to do a good job and I think that you should know that our educational program is voluntary—not compulsory. I favor retaining the voluntary idea because I feel that the compulsion necessary to bring the present nonparticipating 10 percent into the program would be far more than offset by the loss to the 90 percent who now participate voluntarily.

To carry out these educational activities we make use of a [721–31] full-time educational adviser and an enrollee assistant in each camp. And I tell you frankly that these two men alone could not begin to handle the demands made on them. Therefore, ingenious and effective supplemental methods have been worked out. In nearly all camps Army and technical personnel assist in teaching; specially qualified enrollees assist; in thousands of instances outside teachers contribute their services; enrollees are taken to nearby grade schools, high schools, and colleges and many thousands of enrollees are pursuing correspondence courses. I think it is particularly interesting to note that many schools have devised special correspondence courses to fit the needs of C. C. C. enrollees and that many of these courses cost as little as 75 cents or $1 for a semester's work.

The subjects, as I have indicated before, are very numer- [721–32] ous and embrace both scholastic and vocational training. All of the activities which I have thus far noted are valuable and are in a continuous state of change and improvement.

HEALTH AND SPIRITUAL GUIDANCE

We have also felt a great responsibility for the bodily and [721–33] spiritual needs of the enrollee. A physician is in attendance at every camp every day. As one example of public-health work I may state that the venereal disease rate in the C. C. C. is about one-half the rate experienced by the Regular Army—and the Army rate has been dropping rapidly during the past few years. Improved immunization or treatments for spotted fever, meningitis, pneumonia, and malaria have also been especially worked out for initial use with the C. C. C. Some of these developments appear to hold great promise.

I think that one very important, though difficult to measure, [721–34] aspect of the C. C. C. has been the stress we have regularly placed on religious guidance. We have employed full-time chaplains of all denominations to furnish this guidance—hundreds of others have been given part-time employment, and thousands of priests, ministers, and rabbis have donated their fine services to make available adequate religious training for the young men in the camps.

I say in all reverence that only the Almighty can measure [721–35] the effect of the splendid work which these spiritual leaders have been able to accomplish with young men whose need for practical, spiritual aid has been very great.

Let me now state my position with regard to enlarging [721–36] placement facilities for youth. I am very definitely in favor of enlarging such facilities with the feeling that we were not getting enough action on this particular problem. There is now in existence, in nearly all C. C. C. organizational units, concerted activity to obtain jobs for C. C. C. boys. I believe that the great majority

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of the men connected with the C. C. C. in a supervisory capacity—from the Director to the newest foreman or Reserve officer in the camps—have made personal and organized efforts to obtain jobs for the C. C. C. men.

We have worked through existing agencies; we have [721–37] contacted individuals; we have talked with employment managers of large and small businesses; we have written letters, attended meetings and coached boys to show them how to write job letters and to conduct personal interviews. Here again much remains to be done, but we believe we are improving. In the fiscal year 1937 nearly 100,000 enrollees were honorably discharged before the expiration of their terms of enrollment to permit them to accept jobs definitely offered. Right now, of course, job opportunities have slacked off. The C. C. C. will be glad to cooperate with any agency which can help its enrollees to secure jobs in private industry.

COSTS OF C. C. C. PROGRAM

Here, I believe it is pertinent to discuss briefly the costs of [721–38] this program. Up to the present time the cost per enrollee per year has been about $1,140. This figure loads all costs against the enrollee. it is derived by dividing the average number of enrollees into the gross cost of a year's period. Our proposed cost for the fiscal year 1939, beginning July 1 next, is $1,000 per enrollee per year. If this figure were calculated on the basis of total employees instead of enrollees only, it would be about $890 per man-year of employment. I also wish to bring out that practically all enrollees allot about $300 per year to their dependents. Thus, the cost of the program per enrollee per year would be about $300 less if we were not also aiding substantially in caring for the "folks back home." But any cost figure is relative.

With any given cost figure we must immediately ask, [721–39] "What does it buy?" I have tried to outline that our expenditures buy human self-respect, employability and education for young men; they buy work which, I believe, will pay for itself in benefits to the Nation and they buy $300 worth of security per year for the dependents of each enrollee. I believe the United States is getting a good bargain for its money. We can further reduce costs but it is probable that in doing so we may reduce real values out of proportion to the reduction in costs.

I am of the firm opinion that the C. C. C. program should [721–40] continue and that it should continue as a Federal program. One reason for this statement is that the corps has operated successfully on this basis for the past 5 years. The special skills of several Government departments have been largely responsible for this success and we find no effective counterparts to these Federal departments within the several States. Great confusion and even chaos might result if this type of program were attempted on a State by State basis with no unifying factors such as now exist. I may also state that I favor Federal cooperation with the States and that we have engaged in this type of cooperation regularly. My position in this matter may be clarified by summarizing the C. C. C. organizational set-up.

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ORGANIZATIONAL SET-UP OF C. C. C.

The Director of the C. C. C. (and by extension, his office) is, [721–41] by law, charged "with complete and final authority in the functioning of the corps, including the allotment of funds." My office is largely the policy-forming, coordinating, and major directing office. The execution of policies as outlined or approved by the Director is under the immediate, delegated supervision of the Departments of War, Interior, Agriculture, and Labor. In chronological sequence the functions and operations of these departments divide themselves as follows:

To the Department of Labor has been delegated the selec- [721–42] tion of junior enrollees (aged 17 to 23) for the C. C. C. in the continental United States. This Department in turn delegates the selection to a State director of selection in each State, who works down through the counties, municipalities, or other political subdivisions to obtain the names of qualified men who wish to enroll in the C. C. C. These State and local selecting agencies are largely the local welfare agencies.

To the Veterans' Administration and facilities has been [721–43] delegated the function of selecting the war veterans' quota of enrollees in the continental United States.

The major functions of the War Department include "the [721–44] acceptance of unemployed men selected * * * their assignment and transportation * * *; command, construction, administration, discipline, supply, sanitation, medical care, hospitalization * * * and welfare * * *; furnishing work details * * * to the representative of the department supervising the assigned tasks." The Chief of Finance, War Department, is, by statute, designated, empowered, and directed * * * to act as the fiscal agent of the Director * * *. A few work projects are also under the technical supervision of the War Department.

Since the beginning of the Civilian Conservation Corps a [721–45] majority of the work projects has been under the technical supervision of the various services within the Department of Agriculture. These services include the Forest Service, Soil Conservation Service, Bureau of Biological Survey, Bureau of Agricultural Engineering and Bureau of Animal Industry—all of which have long been identified intimately with the problems of conservation. In addition to the work supervisory functions in the barrack camps within the continental United States, the Forest Service of the Department of Agriculture also performs full administrative functions among a comparatively small group of enrollees in Puerto Rico and Alaska.

As with the Department of Agriculture, the majority of the [721–46] duties of the Department of the Interior has been connected with the technical supervision of many work projects throughout the United States. The bureaus of this department, which have participated most heavily in the Civilian Conservation Corps program, include the National Park Service (*a*) National Parks and Monuments Division (*b*) State Parks Division, the Bureau of Reclamation, the Division of Grazing, the General Land Office and the Office of Indian Affairs.

The work conducted by the Office of Indian Affairs on [721–47] Indian reservations is administered somewhat differently than work

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conducted on areas other than Indian reservations in that there are few formal barrack camps and the size of the work groups is very flexible. This office also selects the Indians and some few whites who work upon Indian reservations.

The Department of the Interior, through the National Park [721–48] Service, also handles the administrative work of the Civilian Conservation Corps program in Hawaii and the Virgin Islands, as well as directing the work in those areas.

I am of the firm opinion that the combination of specialized [721–49] and expert skills represented by these Federal departments is not likely to be found within many, if any, of the several States.

I also take this occasion to state as my firm belief that the [721–50] past record of the C. C. C. and the present and future needs of young men and the natural resources of the United States make it wise to extend this activity as a permanent part of our Government. This opinion, as you are aware, has been stated by the President. The immediate effect of permanency of the C. C. C. organization would be to improve the morale of the entire supervisory force and to permit further economies which would be possible to a permanent organization but which are not likely to be effected by an organization with a definite time limit set for its death, as is at present the case with the C. C. C.

While all of us connected with this program are proud of [721–51] past accomplishments, there is no smugness or any real belief that we have done the best job which could possibly be done. We know that we have made mistakes but we have been very earnest in trying to correct such mistakes—to correct them quickly, to avoid their recurrence and to evolve our program to such a point that mistakes would be constantly fewer in number and that the benefits of this program would be of increasing value to the human and property national resources of the United States.

The CHAIRMAN. Mr. Fechner, just one question, with reference to organization of the work, you state that the policies are determined in your office. If the enrollees are allotted to forestry, for instance, the supervision of the work then is under the Department of Agriculture, is that right?

Mr. FECHNER. Yes; the United States Forestry Service.

The CHAIRMAN. Do you seek to exercise any discretion there as to the character of the work or leave it entirely then to the officials of the Forestry Division?

Mr. FECHNER. Mr Chairman, to a large extent, the char- [722] acter of the work is determined by Federal legislation. I do require the United States Forestry Service to submit reports showing definitely what the work projects are to be, and if the State authorities, as for instance, in States where they have a State Forestry Department or Bureau, if they object, or if they have any suggestions that they want to put forward, I am always glad to receive them, to consider them, to discuss them with the United States Forestry Service, and to try to arrive at a mutually agreeable program.

The CHAIRMAN But who determines the routine of the camp, the time that should be devoted to education such as you have described, the time that should be devoted to work? Who determines that?

Mr. FECHNER. I do; Mr. Chairman. [723]

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The CHAIRMAN. Well, how do you keep in touch with the individual camps in order to know what is being done in those camps?

Mr. FECHNER. We have a monthly report form which each [724] camp is required to fill out and forward to our office. I have personnel in my office that checks this report, and if anything out of line with what our experience shows should ordinarily be expected develops in these reports, it is called to my attention and we investigate it to learn why, if anything is going wrong, and if there is, we correct it.

The CHAIRMAN. That is true, then, of a project under the War Department's supervision?

Mr FECHNER. Yes, sir.

The CHAIRMAN. Now, one other question. With reference to what is being done to secure jobs for these men after they are in camp, you have referred to contacts with business houses, employers of labor. Who does that, the employee of the Department of Agriculture in charge of the camp, or the employees of the War Department in charge of the camp, or somebody connected with your organization here?

Mr. FECHNER. We urge all of them to do that, Mr Chairman. [725] I, personally, as far as I can meet employers, attend luncheons or small group meetings where I have an opportunity to present the C. C. C. program, and to tell employers, employment managers, or others who are in a position to offer jobs, just what the C. C. C. does to train these young men to be more valuable. Most of the work, however, is done by the entire personnel that is out in the field.

The CHAIRMAN. Well, of course, Mr. Fechner, it would have to be done by them. Sitting in Washington, you could not be of much assistance in helping a boy in camp in Idaho, when you do not know the type of employment there, or the boy.

Mr. FECHNER. Yes, sir.

The CHAIRMAN. You have got to rely on the individuals in charge of that camp, haven't you?

Mr. FECHNER. Yes, sir.

The CHAIRMAN. And their enthusiasm would depend upon the spirit of that particular organization, whether it was War Department or Agriculture, because those people are appointed by the War Department and not by you.

Mr. FECHNER. That is correct; yes, sir.

The CHAIRMAN. Have you any idea that that divided responsibility may not be the best system possible? Is it working entirely to your satisfaction?

Mr. FECHNER. Well, I don't think any of our activities is [726–1] working entirely to our satisfaction, Mr. Chairman. We are trying to improve it.

The CHAIRMAN. Do you know of any better plan?

Mr. FECHNER. Not unless we employed some staff to do [726–2] that particular job. I think the overwhelming majority of the Reserve officers, the technical personnel and the educational personnel that are in the camps are very definitely interested in trying to render the greatest possible service to the enrollees.

The CHAIRMAN. All right. Now, let me suggest—your Reserve officers are appointed by the War Department?

Mr. FECHNER. Yes, sir. [726–3]

The CHAIRMAN. And not by you?

Mr. FECHNER. That is right. [726–4]

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The CHAIRMAN. Assuming that the officials of the War Department in charge of that particular work should not have the same ideas about the character of this training that you have expressed here, and he is the official who assigns Lieutenant Jones to a camp in Tennessee and puts him in charge of that work, he does not report to you directly, he reports to the War Department; doesn't he?

Mr. FECHNER. Yes, sir. [726–5]

The CHAIRMAN. And your ability to carry out the policies in which you believe and which you have here stated will depend upon your ability to sell to the War Department the wisdom of this policy of yours?

Mr. FECHNER. Yes, sir. [726–6]

The CHAIRMAN. And your wholehearted cooperation by them?

Mr. FECHNER. Yes, sir. [726–7]

The CHAIRMAN. And to the extent that you are successful, to that extent your policies are carried into effect?

Mr. FECHNER. Yes, sir. [726–8]

The CHAIRMAN. And to the extent that you are not successful in selling it to them, it is not?

Mr. FECHNER. Yes. [726–9]

The CHAIRMAN And that is where you stand?

Mr. FECHNER. Yes, sir. [726–10]

I think it is pertinent to say, though, Mr. Chairman, that generally I have gotten along excellently with the four departments. We have had some differences of opinion——

The CHAIRMAN. That is attributed to the gentlemen who have been assigned to it, because it is not always so when the responsibility of administration is divided as much as this necessarily is at this time, but I know of no better plan. I was just wondering if you had one. If you have I would be glad to talk about it.

Senator MURRAY Mr. Fechner, do you find that the educational work and training that you give these boys is helpful to them in securing positions in industry after they leave the C. C. C. camps?

Mr. FECHNER. Yes, Senator, I think it is. I think the very [727–1] life that the boys lead in the camps makes them more employable and more valuable to a prospective employer, and then, as I tried to explain in my statement, the types of work that we do enables many boys to get very definite training, as, for instance, in road building, in forestry work, in agricultural work. These boys get very definite training that does qualify them to go out and take good jobs.

Senator MURRAY. Do you have a system of giving them certificates when they are leaving the C. C. C.?

Mr. FECHNER. Yes. [727–2]

Senator MURRAY. Showing at what character of work they are proficient?

Mr. FECHNER. And the character of the boy himself, too, [727–3] Senator Murray.

Senator MURRAY. And that is very helpful in getting them placed in industry?

Mr. FECHNER. Yes, sir. [727–4]

Senator MURRAY. About how many young men have you in the C. C. C. camps now, Mr. Fechner?

Mr. FECHNER. The January enrollment was 280,000; the [728] April enrollment will have to be reduced to 260,000, and the July 1 enrollment will be 240,000.

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Senator MURRAY. Do you consider that reduction unfortunate?
Mr. FECHNER. Very unfortunate; yes, sir. [729]
Senator MURRAY. When these young men are leaving the C. C. C. camps, do you have any contact with employment agencies in the country to assist in getting them placed?
Mr. FECHNER. Only through the activity of the local men [730–1] in the camps or some individuals in the States. I do not maintain any contact from my office in Washington with any employment agencies.
Senator MURRAY. Do you think it would be helpful if there were employment agencies in the country that would be working in cooperation with you to take over these young men as they leave the camps?
Mr. FECHNER. Well, Senator, for about 2 years the [730–2] Federal Employment Service, Department of Labor, did give special preference to C. C. C. enrollees completing their enrollment and going back home, but there was so much complaint from other unemployed persons in the community that Mr Persons, the Director of the Federal Employment Service, recommended that that practice be discontinued. I thought his recommendation was proper, and approved it. I do not know whether a C. C. C. enrollee going back home is entitled to any more preference than any other unemployed young man in the community Of course, the other unemployed youngster does not feel that discharged enrollees should have any preference, at least, many of them do not. That is the reason we stopped the practice. I know Mr Persons is doing all he can in trying to place C. C. C. enrollees who complete their enrollment, but they are not given any special preference.
Senator MURRAY. Do many of the enrollees remain in the west, boys that are sent out from the east to the western States?
Mr FECHNER. I would not say a large percentage, although [731] some do.
Senator MURRAY. Do they get placed there?
Mr. FECHNER. Oh, yes, sir.
Senator MURRAY. And that is the reason they remain?
Mr. FECHNER. Yes, sir.
Senator MURRAY That is all, Mr. Fechner.
(Witness excused.)

STATEMENT OF STUART A. RICE, CHAIRMAN OF THE CENTRAL STATISTICAL BOARD

The CHAIRMAN. Mr. Rice, you are the chairman of the Central Statistical Board?
Mr. RICE. Yes, Senator.
The CHAIRMAN. You were invited by the committee to make a statement, not in your capacity as Chairman of the Central Statistical Board, but individually, and a copy of your statement has been furnished to the committee. Of course, the whole statement is going to be placed in the record; we have already read the first eight pages of your statement, which is a general discussion, so due to the shortness of time, I want to ask you to pass over those first eight pages, and start reading from the ninth page, if you will.

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Mr. RICE. Very gladly. I should like to say, however, Mr. Chairman, that the importance, in my opinion, of the first eight pages, lies in their bearing upon the expenditures for relief, present, past, and future, in a broad way. I will revert to some of the opinions, if I may.

The CHAIRMAN. Of course, that statement as a whole is to be printed in the record. As I say, I have already read the first eight pages and members of the committee will read them, and because we have so short a time this morning, I wish you would follow that suggestion.

Mr. RICE. All right, sir.

My testimony, Mr. Chairman, will express my personal opin- [732–1] ions and views and will not necessarily represent those of the Central Statistical Board. I particularly wish to draw this distinction because the figures that I will discuss were collected by a member of the Board's staff who was loaned to your committee. The Board had no direct responsibility for or acquaintance with them during the time of their compilation, and I am in the position of discussing statistics for which the committee itself is responsible and with which I have only recently become familiar.

Under the circumstances it seems appropriate that I should [732–2] mention my personal qualifications as a witness. I am on leave of absence from a professorship of sociology and statistics in the Wharton School of Finance and Commerce at the University of Pennsylvania, and from the chairmanship of its department of economic and social statistics. I am a fellow and past president of the American Statistical Association.

My contacts with unemployment and relief problems, [732–3] however, have been more realistic than academic. During the 2 years 1911–13, in connection with work for a degree at the University of Washington, I made field investigations of unemployment and of the operations of public and commercial employment offices in that State. These were used by the State federation of labor as the basis for legislative proposals. During 4 months in 1913 I was executive secretary of the Industrial Welfare Commission of the State of Washington. I then went to New York City, where I became confidential inspector for the commissioner of public charities. I was later appointed from a civil-service register as superintendent of the New York City Municipal Lodging House, a position I held from the latter part of 1915 to the early part of 1918.

In connection with these posts and activities I have experi- [732–4] enced the personal side of many of the problems to which your committee is giving attention. I have fraternized with panhandlers and hoboes, "beaten my way" on the railroads, slept in boxcars and flophouses, and examined a variety of relief mechanisms from the standpoint of an applicant. I was once initiated into "hotel de gink." I have also been a member of a railroad brotherhood, and of the National Grange. Although these experiences are some years behind me, and although in this hearing I am testifying as a statistician and social scientist, I can scarcely forget that statistics are summaries of human problems of living men, women, and children.

CONCEPTS OF RELIEF

Before taking up the data to which I have referred, I wish [732–5] to discuss some of the broader questions encountered in their preparation. What is relief? As a term for charitable aid the word had

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almost gone out of use before the depression. I recall that a prominent social-work executive, responsible for giving aid to the needy, became very angry with me for referring to him as the head of a "relief society" in the draft of a report for President Harding's Conference on Unemployment.[1] In a 1927 book on social problems I can find the word "relief" but once, and that as an illustration of out-worn language in a section headed "The Alleviation of Need." The word was discredited because it suggested everything that was objectionable in the local administration of the poor law during past generations.

In 1932 or 1933 the word "relief" came back into use in a [732–6] big way, shorn of much of its stigma, but also much of its definiteness. In the Federal legislation of 1933, the words "relief" and "recovery" were employed in a parallel, if not quite synonymous, sense. The mingling of relief and recovery objectives was conspicuous. Thus, although Federal emergency relief appropriations were primarily humanitarian in their objectives, there was in them a secondary motive for the furtherance of recovery by spending.

More important, the traditional distinctions between the [732–7] needy and the secure had broken down. Maladjustments needing to be remedied extended clear across the national economy. The stigma upon receiving public assistance was certain to disappear rapidly in a relief program calling for Government aid to banks and depositors, to insurance companies, to railroads, to business borrowers, to farm owners and to urban home owners, as well as to those suffering from unemployment or personal destitution. Not many decades ago the acceptance of public relief necessitated subscription to a pauper's oath and the forfeiture of rights of citizenship. Survivals of the attitudes implied by such requirements still exist, but they are greatly weakened. During recent years there has been no clear-cut line between those who accepted relief and the remainder of society. Correspondingly, the distinction between relief and recovery programs, at least at their border lines, has been obscure.

A number of illustrations from the 1933 legislation may be [732–8] cited.[2] Public, No. 1, of the 73rd Congress, was—

An Act to provide *relief* in the existing national emergency in banking * * *.

The office of Federal Coordinator of Transportation was created—

in order to foster and protect interstate commerce * * * by preventing and *relieving* obstructions and burdens thereon resulting from the present acute economic emergency * * *

The Home Owners' Loan Act of 1933 was—

An Act to provide *emergency relief* with respect to home mortgage indebtedness * * *.

Public, No. 35, of the 73d Congress,

An Act to authorize the Reconstruction Finance Corporation to subscribe for preferred stock and purchase the capital notes of insurance companies * * *,

included, in effect, a *means test* for such companies. It provided that—

if, in the opinion of the Secretary of the Treasury, any insurance company of any State of the United States is *in need of funds* for capital purposes—

[1] The Conference had a committee on unemployment and business cycles which made a report. Published by McGraw-Hill, New York, 1923.

[2] Italics in the following citations are mine.

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he may—

request the Reconstruction Finance Corporation to subscribe for preferred stock * * * or to make loans secured by such stock as collateral * * *.

Relief and recovery motives were mingled in both the Na- [732–9] tional Industrial Recovery Act (which stressed recovery) and the Federal Emergency Relief Act of 1933 (which stressed relief). One of the purposes of the first was—

to reduce and relieve *unemployment* * * * *and otherwise* to rehabilitate industry * * *.

While the second empowered the Relief Administrator to assist in the distribution of goods and services—a task usually performed by business—by authorizing grants to—

aid in assisting cooperatives and self-help associations for the barter of goods and services.

The tendency for the words "recovery" and "relief" to ac- [732–10] quire similar or related meanings does not impress me as merely a confusion of thought. It seems to grow out of the fact that American society has steadily become more highly organized. The economic system and the social structure are increasingly national. The factors making for individual success or failure are becoming less personal. The well-being of any large number of individuals and the satisfactory functioning of the general economic and social order are interrelated, so that programs for preserving the first have a functional kinship to programs for relieving strains in the second. Relief and recovery programs may both be viewed as lubricants for the social mechanism during an uphill pull.

Along with the disappearance of much of the stigma upon [732–11] the acceptance of public relief and the blurring out of distinctions between recovery and relief legislation, Government aid has come to be regarded by many people as a right rather than a charity. I believe that this attitude has been developing steadily for a long time, and it has important consequences upon the trends of relief expenditures. If one's attitude is meekly and gratefully to accept whatever aid is received as a charity, the adequacy of this aid is not questioned by the recipient. As the aid becomes less of a charity and more of a right, however, the question of adequacy comes increasingly to the fore. Those aided begin to bargain over the amounts to be given them, citing their needs in terms of generally accepted standards of living. If one has a right to food and fuel for the support of life, then why not also to clothing? Or medicines? Or recreation?

This changing social attitude toward relief and especially [732–12] toward Government aid, in my opinion, is chiefly responsible for the—

continued expansion in relief expenditures for at least two decades before the beginning of Federal emergency relief activities for the unemployed—

which Miss Anne Geddes describes in her research monograph, Trends in Relief Expenditures, 1910–35.

Relief expenditures have registered new peaks in business depressions and have not receded to their old levels with business recovery. Instead, after each depression they have again moved upward from a new and higher base.

Miss Geddes concludes that—

more liberal relief practices and new legislative provisions for public relief have contributed to the upward trend, but there is also evidence that the level of need has risen progressively higher with the passage of time.

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I would interpret the higher level of need, to use Miss Geddes' words, very largely in terms of the changing attitudes that I am discussing.

The changes now in process appear to be somewhat analo- [732–13] gous to those of about a century ago concerning the education of the young. Throughout much of the country except New England, public schools in the early nineteenth century were pauper schools, and those who sent children to them branded themselves as paupers. Many parents forfeited schooling for their children rather than stigmatize themselves in the eyes of their neighbors, much as some people of our own generation may endure privation rather than accept public relief. As the stigma was lifted, support for the public schools increased and the use of their education facilities became general.

I am so old-fashioned, perhaps, as to feel that a refusal to [732–14] accept relief in spite of privation is somehow praiseworthy, and that its acceptance involves the risks of moral deterioration. I hold to beliefs in individual freedom and individual responsibility, and I am apprehensive of the so-called "pauperizing of the poor." Nevertheless, the fears that are expressed today regarding the growing willingness to accept relief, as also the arguments in rebuttal, were expressed a century ago regarding public education: Was pride of "independence"—in 1830—a greater virtue than the education of one's children? Or—today—than the preservation of health and fitness for oneself and one's family? Our generation disapproves of those who reject public aid by refusing to send their children to public school, when this means a neglect of education. Will a subsequent generation disapprove of those who reject public aid when the rejection means privation, or a neglect of health or personal efficiency?

It would be easy to predict from this analogy that the [732–15] principle of public responsibility for the conservation of human resources, which our public educational system already exemplifies, will in another generation become equally well established in respect to forms of relief for those in need. Analogy, however, can be carried much too far, and it gives no basis for prophesy here. What I seek to suggest is that the traditional American concepts of the relationship between the welfare of the individual and the welfare of the State seem to be undergoing considerable modification. I cannot predict what new social attitudes or legal principles will evolve, nor am I expressing personal preferences in the matter.

STATISTICAL DATA ON RELIEF

The preceding discussion of changing social concepts and [732–16] attitudes toward relief should suggest some of the difficulties that were encountered in compiling statistical data concerning relief. There was much room for legitimate differences of opinion as to the best means of summarizing available information, as to the items that should be included, as to their classification, and as to the definitions and the classification scheme in general that were to be used. Decisions upon such matters must often be arbitrary. As to the basic tables which were compiled by Dorothy Fahs Beck and which I shall now discuss, allow me to say that I am unacquainted with many of the details of their preparation, but that I have studied them carefully and that I regard them as containing the best sum-

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marization of data for the purposes of the committee that is anywhere available. The classification scheme is a new one, devised by Mrs. Beck in consultation with your committee's staff.

These basic tables, three in number, are very large and [732–17] it would be time-consuming as well as premature for me to quote here all of their detailed figures. Each item has been documented with technical specifications which I believe to be highly important, and I assume that both tables and specifications will appear in the record of the committee and, through it, in the permanent record of the Nation. With your permission I will describe the general character of the tables, present a few summary figures from them, and with the aid of charts point to some of the trends and relationships that they disclose. (See pp. 1402–8.)

The data summarized are public expenditures for the [732–18] relief of destitution and unemployment, from Federal, State, and local sources, during the 5 years 1933–37 inclusive. They do not include private philanthropies; or the costs of "public services" in such fields as health, recreation, and education; or the costs, whether public or private, of hospitals, "homes," and other institutions; or the costs of programs which are justified primarily on grounds other than need, such as veterans' pensions and adjusted compensation; or payments to farmers under agricultural adjustment and soil conservation programs; or items primarily intended to promote recovery, such as loans to industrial concerns, banks, and insurance companies, and the refinancing of home mortgages; or benefits which involve the contributory principle, such as unemployment compensation and old-age benefits under the Social Security Act.

RELIEF EXPENDITURES

Moreover, they pertain to total expenditures only. They [732–19] do not show the lesser amounts actually received by beneficiaries of relief programs. The expenses of administering such programs, the costs of materials used in them, and other "overhead" items are all included in the figures. The decision to summarize expenditures made by governments rather than sums received by beneficiaries was due to the interest of your committee in governmental costs and fiscal policy. And may I reiterate that these are the committee's figures; they are not my own.

The CHAIRMAN. Wait a minute. What was that?

Mr. JOHNSTONE. They were collected by my staff, sir.

The CHAIRMAN. The figures then were collected by the staff of this committee?

Mr. RICE. Yes.

The CHAIRMAN. And turned over to you for analysis?

Mr. RICE. That's right, sir.

The 5-year cost to the Federal Government of "relief, [732–20] public assistance, Federal work programs, and emergency public works", as shown by the first table, was approximately 14,219 million dollars. The corresponding cost to State and local governments, as shown by the second table, was approximately 5,085 million dollars, making a grand total of approximately 19,303 million dollars. The total and per capita expenditures by years from all governmental sources combined was as follows:

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Year	Expenditure in millions of dollars [1]	Per capita expenditure
1933	1,604	$12.75
1934	3,944	31.15
1935	3,992	31.31
1936	5,305	41.30
1937	4,459	34.49

[1] All data cited in the text are rounded to the nearest million from the more detailed data cited in the basic tables. No adjustments have been made in the rounding of component items to assure that they total exactly the grand total figure.

The total per capita expenditure for the estimated population of the United States during the entire 5 years was $151, while the average annual per capita expenditure was $30.20.

These expenditures have been classified in accordance [732–21] with seven types of programs, each with numerous subtypes. The total number of classes and subclasses is 50. I will explain more fully what each of the main classes contains later on in the statement. These types of programs, with the total expenditure from all sourses for each during the entire 5-year period, are the following:

Type of program:	*Expenditures in millions of dollars* [1]
I. General relief	$5,063
II. Federal work programs primarily designed to employ relief labor	5,369
III. Work program of the Civilian Conservation Corps	1,864
IV. Aid to the aged, the blind, and dependent children	959
V Rehabilitation loans to destitute and low-income farmers	231
VI. Emergency public works	5,390
VII. Surplus commodities distributed for relief	426

[1] All data cited in the text are rounded to the nearest million from the more detailed data cited in the basic tables. No adjustments have been made in the rounding of component items to assure that they total exactly the grand total figure.

It is important for an understanding of these figures to [732–22] note that programs are not synonymous with agencies making expenditures. It was impracticable to base the classification upon agencies, because some of these have had responsibility for two or more types of programs, and some have had responsibility for expenditures not included in the present tables. Expenditures by the Civilian Conservation Corps, by the Civil Works Administration, and by W. P A. and N. Y. A. combined, can be identified from corresponding headings or subheadings in the tables. But expenditures by the Farm Security Administration and its predecessor, by the Federal Emergency Relief Administration and by the Federal Emergency Administration of Public Works are in each case distributed among different items of the classification.

Nor does the coverage of the Federal table alone correspond [732–23] to the account classification "Recovery and relief" in the Daily Treasury Statement. In the latter are included Federal expenditures deemed to be outside of the regular Budget. Social Security grants, for example, are regarded as a part of the regular Budget by the Treasury, but three categories of such grants, aid to the aged, aid to dependent children, and aid to the blind, are included in expenditure group IV in the present tables. The Civilian Conservation Corps is now carried entirely in the regular Budget.

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Of the seven main groups of expenditures by type of [732–24] program, three have presented special questions in reference to the legitimacy of their inclusion. The first is no. V, "rehabilitation loans to destitute and low-income farmers". Such loans, if repaid, are not relief. Hence, the figures in this class of expenditure are balances between the aggregate loans and other costs in each period and the total of repayments in the same period. If new loans of this type were to be discontinued, the expenditures for relief in this class would be negative for some time to come, as a result of continuing repayments, and they were actually negative during the last 6 months of 1937.

Programs of types VI, "emergency public works", and [732–25] VII, "surplus commodities distributed for relief," have had dual objectives: economic recovery or stabilization, and relief. Since the expenditures in these groups have in fact contributed to both objectives and since their costs could not be allocated between these objectives, they have both been included in the committee's totals.

I need not dwell further on the general characteristics [732–26] and limitations of these figures. I shall now try with the aid of charts to indicate some of the main findings and conclusions to which these data point, and suggest some of the questions to which they seem to me to give rise.

The CHAIRMAN. Before you get to that, does the total expenditure that you have in this statement include the amount of sponsors' contributions to W. P. A. projects?

Mr. RICE. It does, sir.

The CHAIRMAN. As well as expenditures for general relief purposes by States?

Mr. RICE. That is right. I will show the break-down between the State and Federal expenditures in two of the charts which follow.

Senator LODGE. Section II includes W. P. A., and section VI includes P W A., is that right?

Mr. RICE. That is right. But both sections include other programs in addition to the ones you mention.

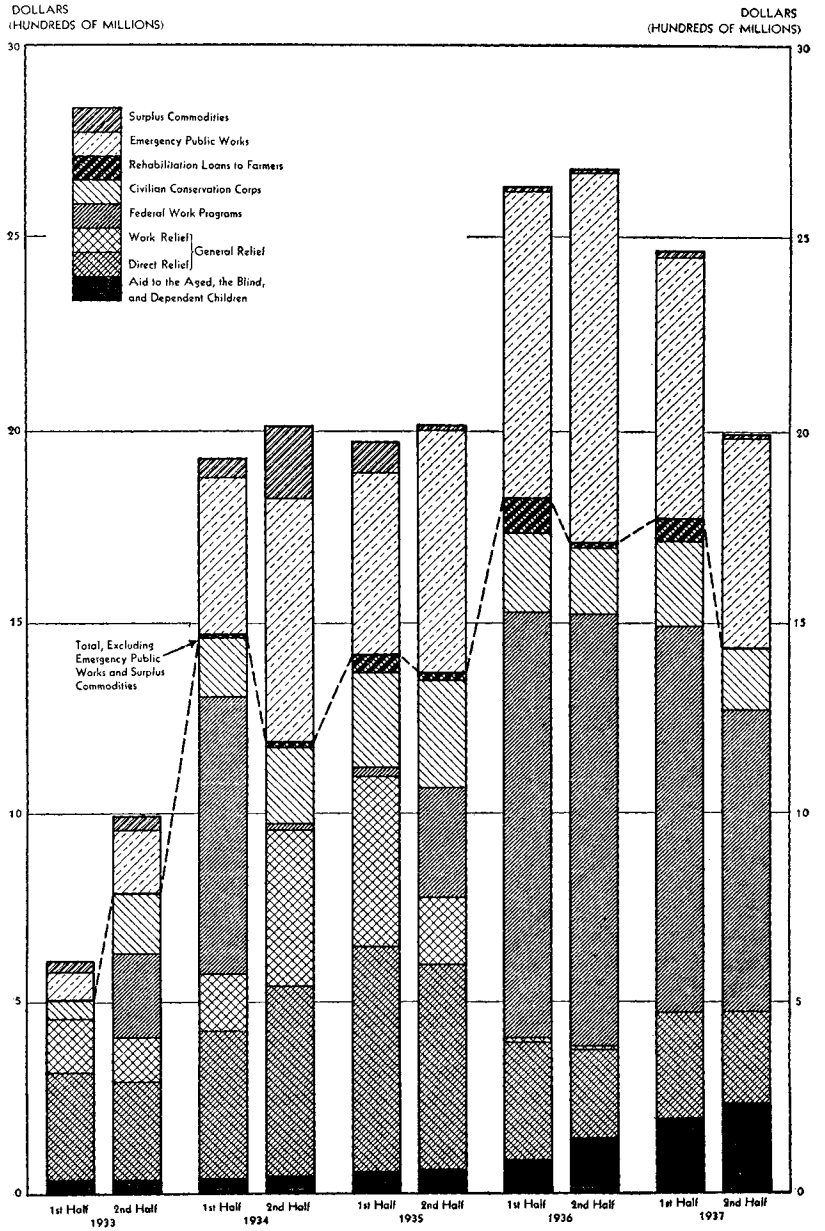
Senator LODGE. Thank you.

Mr. RICE. The first chart shows the total cost of relief, [732–27] public assistance, Federal work programs, and emergency public works, by the various types of programs, for the half-year periods beginning in the first half of 1933 and ending in the last half of 1937. In other words, ten half-year periods are each shown by a bar which is divided into segments to indicate the different programs. At the very bottom, the first segment indicates the so-called categories: Special aid to dependent children, the blind, and the aged. Immediately above that is the direct relief, followed (though appearing on the leftward side of the chart only) by general relief which was in the form of work given. That is, some general relief was direct, without work; other general relief was in the form of work relief. Those two together constitute the first type of program listed above in the table.

The two large segments appearing on either side of the [732–28] chart, but broken in the middle, represent, at the left, the C. W. A., and at the right, the W. P. A. and N. Y. A. programs. Above this, all the way across the chart, is the C. C. C. Then a very narrow

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TOTAL COSTS OF RELIEF, PUBLIC ASSISTANCE, FEDERAL WORK PROGRAMS
AND EMERGENCY PUBLIC WORKS
BY TYPE OF PROGRAM
FEDERAL, STATE, AND LOCAL FUNDS



UNITED STATES SENATE:
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band, hardly wider than a line, shows the rehabilitation loans to farmers; which as I said, should actually be shown as negative, if negative amounts could be shown, in the very last half year. Above that, the P. W. A. and other emergency public works; on top of which is another narrow band representing the surplus commodities.

The chart shows that total expenditures for relief and [732–29] related programs not only increased but increased at an accelerating rate during 1933 and the first half of 1934. This would be shown if you were to join the tops of the bars by the fact that you would obtain a concave curve.

The acceleration was mainly due to the Civil Works [732–30] Program, begun in November 1933. By the middle of 1934, expenditures appear to have leveled off at a rate of slightly less than four billion dollars per year, at which they remained during 1934 and 1935. Within the totals of those years, however, changes of considerable magnitude took place. The meteoric contraction of C. W. A. in the spring of 1934 after 4½ months of operation was equalled only by its earlier meteoric rise. This contraction was balanced by gains in other expenditure groups, particularly in the work-relief programs of the Federal and State relief organizations. Some of the charts which the committee may have seen show C. W. A. rising to a very sharp mountain peak. The peak is leveled down here because we have half-yearly periods; so that the expenditures for C. W. A. over 4½ months are divided between two bars covering a whole year period.

From the standpoint of projects undertaken, the work- [732–31] relief activities (classified under I, general relief) were the historical successors of the C. W. A. (classified under II, Federal work programs). From the standpoint of the persons assisted, however, there was a basic difference: While C. W. A. drew a large number of its employees from the ranks of the self-sustaining unemployed, certification for work relief depended upon a means test; and the number of hours employed, determining the wages received, was based upon the deficiency in income that such a means test disclosed.

With a simultaneous expansion in the W. P. A. and P. W. A. [732–32] expenditures during the first half of 1936, offset to some extent by declines in general relief, the total expenditures for that year soared to nearly five and one-third billion dollars. The all-time peak of public expenditures for the relief of destitution and unemployment in the United States appears to have come in the second half of 1936. They have since declined, until the level prevailing during 1934 and 1935, about two billion dollars for the half year, was again reached in the second half of 1937. It should be mentioned, however, that except for a substantial increase in emergency public works expenditures, the peak period would have appeared in the first half of 1936 rather than in the second half. On the other hand, except for a decline in such expenditures, the peak of 1936 would have been exceeded during the first half of 1937.

The statistical relationship between *emergency* public works [732–33] expenditures and the *regular* expenditures for public works of the Federal, State, and local governments is not easily ascertained. Unlike some of the other programs, the distinction here made rests primarily upon differences in policy and financing. In compiling the present figures, Federal expenditures for emergency public works with minor exceptions were deemed to be those financed from funds which

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the Daily Treasury Statement carries separately from regular governmental expenditures. State and local expenditures so classified were those made in conjunction with Federal funds of this type.

Senator LODGE. Have you checked to see whether the rate of expenditure coincides with the available figures on the extent of unemployment and need? In other words, in the second half of 1936 was the biggest expenditure for relief? Do you know whether that coincides with the findings at the time on unemployment?

Mr. RICE. The figures for unemployment, as the Senator [733–1] knows, I am sure, are very unsatisfactory. I should say that I have not examined the relationship between such figures as there are and the total expenditures here. I do not believe there is what the statistician would call a close correlation between the two.

I have here in a copy of the Federal Chart Book, not yet [733–2] released, which has been prepared by the staffs of the Central Statistical Board and the National Resources Committee, two charts on employment trends. I think perhaps these can be seen. They are based on figures of nonagricultural employment in the United States, excluding work-relief employment, collected by the Bureau of Labor Statistics. They are divided into main classes of employment (industry, trade, and so forth) and into subclasses of industry. Transportation and public utilities, mining, construction and manufacturing, beginning in 1929 and ending in 1937. You can compare these curves with the tops of the bars on the relief-expenditures chart and see that there is no very close relationship between the two.

Senator LODGE. In other words, there could have been more employment in the year when there was more spent for unemployment?

Mr. RICE. That situation is quite possible. [734–1]

An important question appears to be whether emergency [734–2] public works have represented in many cases merely a substitute form of financing for regular public works which would have been conducted regardless of relief needs if emergency funds had not been available. The question is complicated by the absence of any standard concept of "regular public works" and of any customary rate of expenditures for them that could be regarded as "normal" in ordinary years.

There seems to be some evidence that in certain periods [734–3] regular and emergency public works expenditures have had an inverse relationship to each other; that is, that the former went down while the latter were going up. Two careful investigators have stated that "during the depression much less has been spent for public works than in the preceding years of prosperity" ("Public Spending and Recovery in the United States," by Gerhard Colm and Fritz Lehmann, Social Research, May 1936, p. 130.)

This morning I have had given to me, Mr Chairman, some [734–4] index numbers compiled by the Bureau of Foreign and Domestic Commerce of the Department of Commerce on the basis of data to be published in a forthcoming report entitled "Construction Activity in the United States, 1915–37," which do not either prove or disprove the conclusion just reached, but which may have bearing upon it. Annual indexes from 1924 to 1937, for total public construction from Federal, State, and local funds, including P W. A., but excluding W. P. A., F. E. R. A., and C. W. A., have been prepared. [734–5] They show a rise each year between 1924 and 1930, to a total index

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in that last year of 117.5, 100 being represented by the average of 1926 to 1929; then a decline to a low in 1933, of 57.2; then a rise to 1936, for which the index is 90.5.

My impression is, sir, that if the W. P. A., F. E. R. A., [734–6] and C. W. A. expenditures for public-works construction were added to these figures in their full dollar amounts the index for 1936 would rise to a point slightly higher than the maximum which it reached in 1930. Those are preliminary figures but I have permission to give them to you.

In further reference to your question a few minutes ago, [734–7] Senator Lodge, it should be pointed out that there is a lag between unemployment and the need arising from unemployment. The expenditures for relief and the amount of unemployment would not ordinarily be expected to show a direct correlation year by year, because people use up their accumulated resources when they become unemployed, before they seek relief funds.

Senator LODGE. In the second half of 1936, it is a matter of common knowledge to everybody that business conditions were much better. Don't you recall that being said on every side?

Mr. RICE. I think so, sir The late arrival of the peak in [734–8[expenditures in 1936 may be partly related to the continuance of operations on P. W. A. contracts awarded at earlier periods. In addition there has undoubtedly been a lag in the reabsorption of persons on relief and work relief into private industry. Employment and unemployment are not entirely the opposite sides of the same picture. Because of the entrance of new groups into the labor market, like housewives, employment and unemployment might even increase simultaneously and have, I think, done so at various times during the past 5 years. Neither the extent of employment or unemployment is an accurate index to the needs with which a relief or work-relief program has to deal. With both remaining the same there could easily be an accumulation of needs from earlier distress and unemployment, which would cause relief expenditures to mount. I think that is quite possible.

The CHAIRMAN. What you mean is that every man who is unemployed is not necessarily on relief?

Mr. RICE. That is true. [734–9]

The CHAIRMAN. And only after he exhausts his savings does he apply for relief, or in a great many instances that is the procedure?

Mr. RICE. In many instances, that is the case. [734–10]

The CHAIRMAN. That you consider is the explanation of the difference?

Mr. RICE. I consider it a possible explanation, not neces- [734–11] sarily the explanation. At least it is a factor that should be taken into account in seeking an explanation.

Senator HATCH. I was thinking of the particular year that you mentioned, 1936. I think that is a year in which there was a great drought in parts of the country A great many localities were affected by purely emergency or local conditions.

Mr. RICE. I think that is true. However, I should say the [734–12] main explanation probably arises from the development of the huge work programs in the 2 half years of 1936. We were attempting nationally to shift from the relief policy of the preceding 18 months or thereabouts back to a work policy, a work program, and it is unques-

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tioned that it costs more for Government to support people by giving them work than by giving them relief directly. That, of course, does not take into account the comparative effects upon their morale or what you get for the work that they do, which are additional factors.

Senator HATCH. Do you discuss the difference in cost later on?

Mr. RICE. I do somewhat. I will be glad to answer further questions at that point.

Senator HATCH. Then I will wait until you get to that.

Senator DAVIS. Would you care to make an estimate of what relief would cost the country if all those that were unemployed would accept relief?

Mr. RICE. I would not care to make such an estimate without [735] a great deal of work, at least, Senator.

Senator DAVIS. Would you give some consideration to it, and if you reach a conclusion would you furnish it to the committee?

Mr. RICE. I should be happy to do so, but I am not hopeful that it will be possible to make an accurate estimate. I will give thought to it, however, Senator.

The present chart shows that emergency public works in [736–1] combination with surplus commodity expenditures have exercised a stabilizing influence upon total expenditures. When these two groups of costs are included in the totals, the latter exhibit only three changes in the direction of trend during the 10 half years.

When, however, these two categories are omitted, seven [736–2] such changes in direction of trend occur among the remaining expenditures for programs which primarily emphasize relief.

I am not inclined to attach particular economic or fiscal [736–3] significance to this comparison, which appears to result from the tendency of public-works expenditures to be greater between July and December of each year and, of relief expenditures to be greater between January and June. It is obvious, however, that expenditures for emergency public works, for the Civilian Conservation Corps, and for aid to dependent children, the aged, and the blind, have been less irregular in their fluctuations than have expenditures for the other four groups.

The steady growth in the last of these groups (the three [736–4] special "categories") reflects the development of the Social Security program, and suggests some replacement of general relief by assistance to these special classes.

Now, the second chart shows total costs of relief, public [736–5] assistance, Federal work programs and emergency public works, by sources of funds. The longer bar at the right for each half year is the Federal part of the total during that half year; the shorter bar at the left is the State part of the total during the same half year The segments at the top of the shorter bars represent Federal loans to States and localities for expenditure by them. I should like to discuss those in a moment.

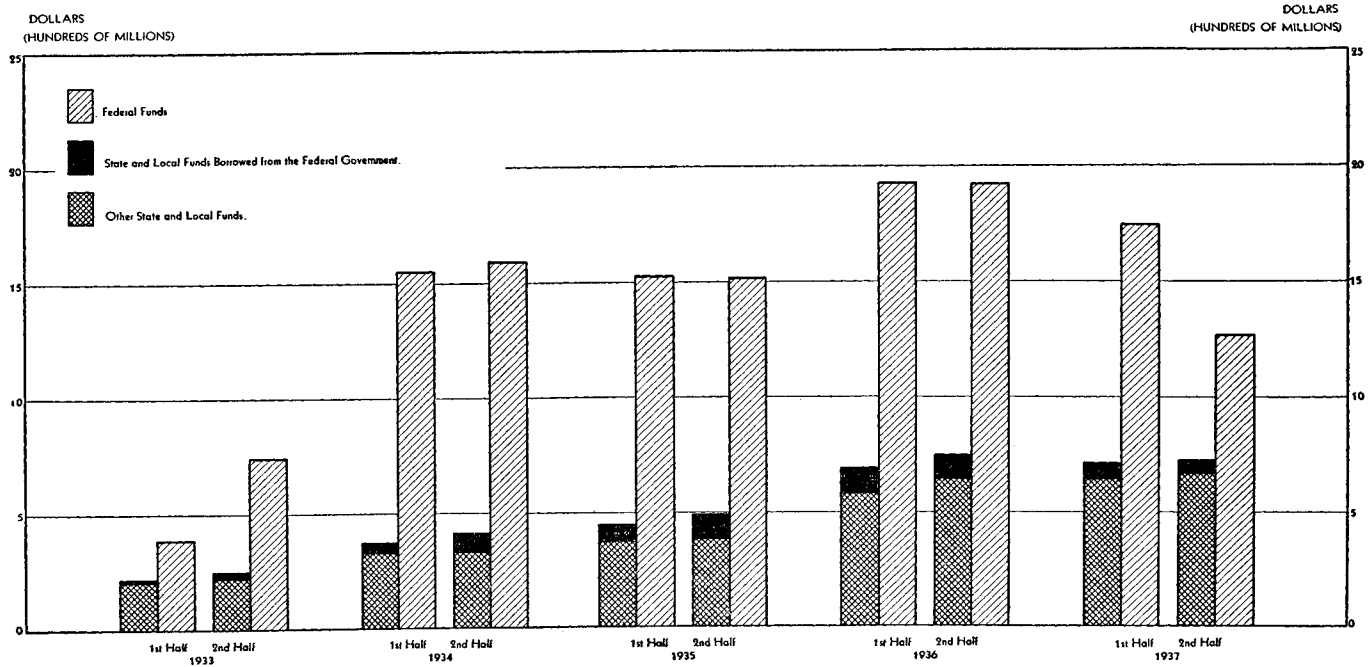
Senator LODGE. Will you show how much of the Federal money is borrowed and how much is raised in taxes?

Mr RICE. I have no figures to show that. [737]

Mr JOHNSTONE. I might say, Senator Lodge, that I have a statement from the Treasury on that.

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TOTAL COSTS OF RELIEF, PUBLIC ASSISTANCE, FEDERAL WORK PROGRAMS
AND EMERGENCY PUBLIC WORKS
BY SOURCE OF FUNDS



UNITED STATES SENATE:
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Mr RICE. The first fact which stands out from this chart is [738–1] the greater magnitude of Federal expenditures as compared with State and local. For the entire 5 years the ratio is approximately 3 to 1. State and local expenditures, however, have fluctuated less than Federal expenditures and have grown steadily. Except for a negligible decline in the first half of 1937, State and local expenditures from sources other than Federal loans have been greater in each half year than in the preceding. For the second half year of 1937, the amount is approximately three and one-fourth times that at the beginning of 1933. While all Federal expenditures declined from $1,932,000,000 in the first half of 1936 to $1,269,000,000 in the second half of 1937, a drop of about 34 percent, all State and local expenditures increased during the same period from $695,000,000 to $726,000,000, or about 4½ percent.

To repeat, while Federal expenditures were going down 34 [738–2] percent, State and local expenditures were increasing about 4½ percent to the second half of 1937.

The relative changes in the distribution of expenditures [738–2] by source of funds are indicated in my third chart. It shows percentages rather than absolute amounts. That is, the total expenditure for each half year is taken as 100. Otherwise, the third chart is substantially the same as the second chart, that you have just looked at. The Federal part of the expenditure appears at the left; the Federal loans to States are shown by the thin slices which separate the Federal and the purely State parts, which appear at the right.

Mr. JOHNSTONE. You mean State and local funds?

Mr. RICE. Yes.

Mr. JOHNSTONE. City and county?

Mr. RICE. All local and State.

The proportion of expenditures in each half year, which is [738–3] based upon Federal loans to States and localities, appears in this chart as small and fairly constant. It will be recalled that the original Federal relief financing was in the form of loans through the R. F. C. and that the law was subsequently amended so that means for repayment by States, though not by municipalities, were eliminated. The loans which were thus in effect canceled have been classed as Federal expenditures. The loans which are segregated in this chart, however, seem to be properly classed as State and local rather than as Federal expenditures. They are of two principal types: First, self-liquidating loans by the R. F. C. for public construction; second, P. W. A. loans for non-Federal projects. The latter involved posting of State or local bonds, some of which have been sold in the open market.

There seems to be no important distinction for the pur- [738–4] poses of this discussion between funds borrowed by States and municipalities from the Federal Government and funds borrowed by them from other sources. In any event, the conclusions to be drawn from the data are essentially the same whether or not these Federal loans are classed as State and local expenditures. In other words, Federal loans serve principally to augment the size of the State and local ratios shown in this chart without altering the trends which these show in relationship to the Federal ratios.

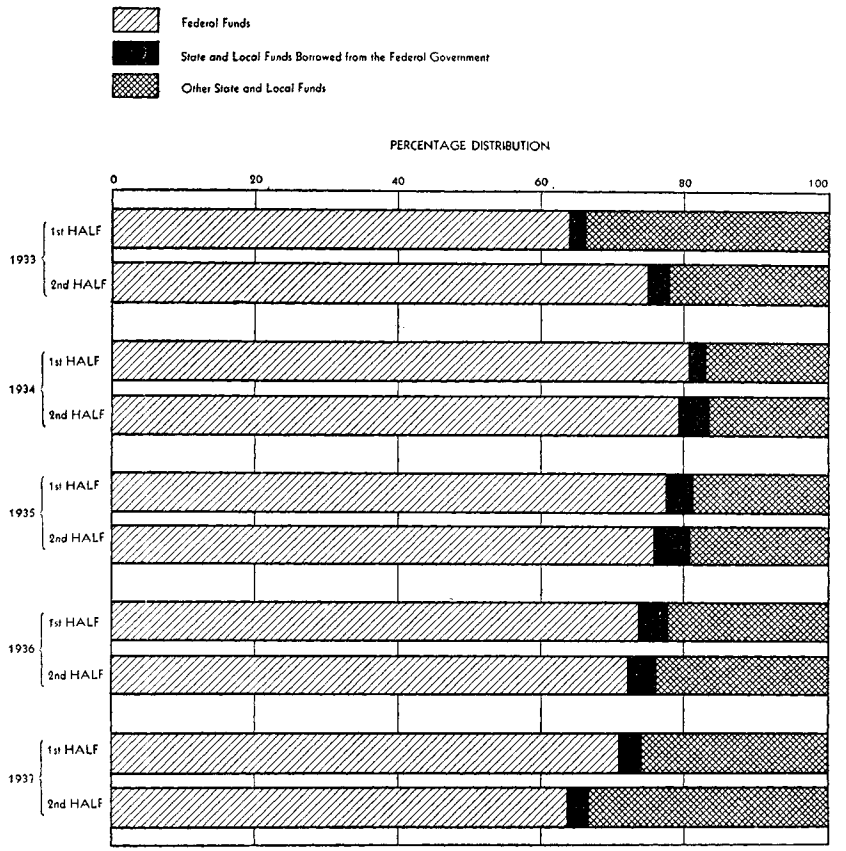
The relative burden of costs upon State and local funds [738–5] declined rapidly over the 3 half years prior to the middle of 1934. This it will be recalled from the first chart, was the period in which

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huge Federal programs (especially C. W. A. and P. W. A.) were rapidly getting under way. The Federal funds came in rapidly and swelled the total to a very great degree and therefore reduced the relative expenditures of the States and localities for the 3 first half-year periods. The ratio of State and local to total expenditures reached a low point of a little less than 20 percent during the first half of 1934. Without Federal loans this ratio was about 16 percent

TOTAL COSTS OF RELIEF, PUBLIC ASSISTANCE, FEDERAL WORK PROGRAMS AND EMERGENCY PUBLIC WORKS

PERCENTAGE DISTRIBUTION BY SOURCE OF FUNDS



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throughout that year. Since reaching this low, or lows, the ratio has steadily increased. Each half year State and local expenditures have shown a gain in their percentage of total expenditures over the half year preceding. The gain has been slower than was the initial decline, but in the last half year of 1937 the ratio had returned to approximately its value in the first half of 1933, and was nearly double its minimum in 1934. The gain from this minimum appears to be a

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trifle greater if the Federal loans are omitted from the State and local ratios.

The striking increase in the share of the total burdens [738–6] which is borne by the States and municipalities has resulted principally from the return to them of responsibilities for general relief. In the calendar year 1937 they contributed 91.9 percent of all expenditures in this group. This percentage would have approached 100 if subsistence grants to farmers under the Farm Security Administration had been excluded. General relief, however, as shown graphically in the first chart, had in that year sunk to third place in importance among the seven types of programs, falling behind Federal work programs and emergency public works; and even this position was being challenged by the social security "categories" of assistance to the aged, dependent children, and the blind. In the first half years of 1933 and 1935 expenditures for general relief had exceeded all others combined, while they held first or second position in every half year prior to 1936.

The figures and charts before us, which are based on half- [738–7] year periods, do not of course reflect the undoubted fact that expenditures for general relief and Federal work programs are again increasing. It will be interesting to see whether the ratio of State and local to total expenditures for all programs will be maintained in the face of these increases.

In fact, the directions to which one must look under exist- [738–8] ing law and administration for substantial possibilities that the State and local share of total costs may continue to increase are two and possibly three in number: (1) An increase in general relief, with a continuance of the existing high share of the cost now carried by States and localities, as just described; (2) a continued increase in State and local contributions toward the cost of Federal work programs (W. P. A. and N. Y. A.); or (3) a possible similar increase in contributions toward the cost of some of the emergency public works programs.

Such further slight alterations as may take place under [738–9] existing law in the aggregate State and local share of the costs of assistance to the aged, the blind, and dependent children (56.7 percent in 1937) may be expected to result either from shifts in relative magnitude among these separate "categories" or from the submission of further approved plans by States not now using Federal funds. The Federal contributions to each category are stipulated on a matching basis in the Social Security Act, and it seems unlikely that States and localities will increase their own contributions much beyond the points at which they would receive increased Federal contributions.

State and local contributions to the three remaining types [738–10] of programs, which are also the smallest in terms of 1937 expenditures, are nonexistent or negligible. These types of programs in order of size are the Civilian Conservation Corps, rehabilitation loans to destitute and low-income farmers, and surplus commodities distributed for relief. Such State and local contributions as may now be made are informal in character and relatively minor in amounts or are absorbed in the costs of other relief programs. The three programs named are essentially Federal, and substantial State and local participation in costs would appear to require modifications in the programs themselves.

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Regardless of any temporary reversal in the downward [738–11] movement of general relief expenditures, both the long trend and the immediate relief policy of the United States seem pointed toward the ultimate elimination of general relief. The trend is away from the undifferentiation that once characterized that original American public relief institution, the almshouse, and that now characterizes general relief. The trend is toward increasing differentiation. When all of the unemployed are either receiving adequate unemployment benefits or are given jobs in Government work programs, and each of the unemployables is receiving benefits or assistance in keeping with the needs of that one of the numerous "categories" into which he falls, then general relief will have disappeared. This is the theoretical prospect.

But in the meantime have the declining expenditures for [738–12] general relief, which were indicated in the first chart, been wholly equitable? They have been accompanied by a return of responsibility for general relief to the States and localities, in the face of the latter's growing contributions to special work programs and to the assistance of particular classes of disadvantaged persons. Is there danger that the beneficiaries of these special programs are being favored under arrangements for matching Federal funds at the expense of the needy who must still depend upon general relief?

To a certain extent expenditures for particular classes and [738–13] for general relief should be in an inverse relationship. Thus, when aged and blind persons and dependent children are removed from the undifferentiated pool of general-relief applicants, less money will be required for the remainder. But many of those who are specially assisted were not on general relief prior thereto. Moreover, it does not seem certain that as much money as is needed for the remainder will actually be left them. There may be a certain parallel here with wage-fund theory. If persons in the "categories" are treated more liberally, there may be less money available for the relief of those who are without some distinguishing and specially favored disability. The issue was recently raised in an extreme form by the Townsend-plan agitation, and I suggest the question, without myself knowing the answers, as worthy of the committee's attention.

Senator HATCH. I want to say at this point that the Senators, because of other pressing engagements, were compelled to leave.

Mr. RICE. I understand the pressure of time, sir, and have no hurt feelings on that account.

Senator HATCH. I am glad you understand.

Mr. RICE. I do, quite fully.

My fourth and last chart shows the expenditures for each [739–1] of the seven programs separately. It indicates the fluctuations in each over the 10 half years, broken down into Federal, and State and local, that is State and local combined, of course. Since the scale for all programs is the same, an even better impression of their comparative costs is obtainable than from the first chart shown.

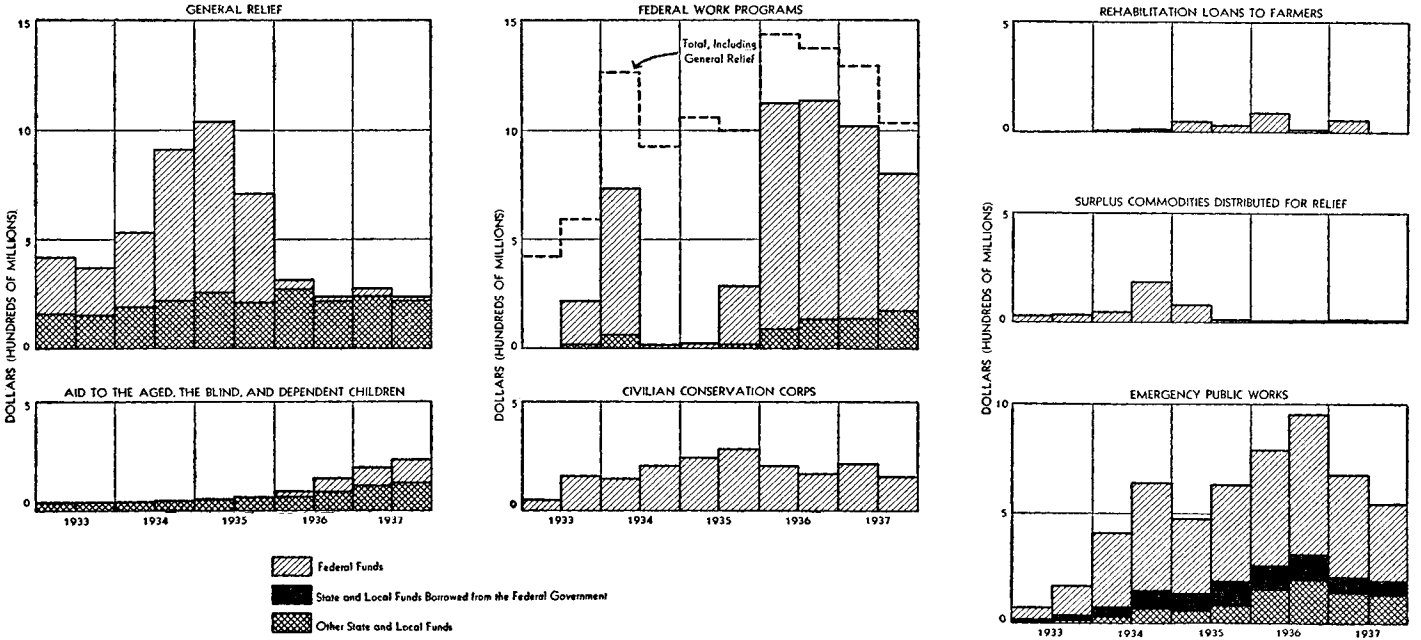
That is, the enclosed area on each separate graph repre- [739–2] sents the comparative magnitude of that program in relation to the other programs.

An especially interesting comparison is that between general [739–3] relief and Federal work programs, that is, the upper left-hand graph and the top middle graph. The former, general relief, rose sharply

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BY TYPE OF PROGRAM AND SOURCE OF FUNDS



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to a hump in the last half of 1934 and the two halves of 1935. During the same three half years expenditures for Federal work programs almost disappeared as shown in the top middle chart. These three half years largely coincided with the interval between the C. W. A. and the W. P. A., during which the emergency work program of F. E. R. A. was in operation. It is obvious that general relief, on the one hand, and these work programs, on the other, were supplementary and alternative to each other, and in fact were parts of a continuous program. If the two types of programs were combined, the bars would then reach to the dotted line on the Works Program graph. By examining this dotted line it is seen that the C. W. A.-W. P. A. intermission was only partially filled in by general relief expenditures, suggesting the conclusion already mentioned, that general relief imposes lesser requirements upon Government funds than do work programs.

There is a further interesting contrast between general relief [739–4] and Federal work-program expenditures in respect to the contributions of States and localities. The comparison here is between absolute amounts and not between percentages of contribution, as in the preceding chart. Among general relief expenditures the State and local share has been fairly constant, though showing a substantial net increase between 1933 and 1937. The fluctuating part has been the Federal share, and this has almost vanished. The remaining Federal general relief expenditures are comprised in greatest part of subsistence grants to farmers by the Farm Security Administration. This program was initiated in November 1935, under order from the President, to care for needy farm families who either were ineligible for rehabilitation loans or required temporary assistance beyond the scope of these loans. The total of these grants in 1937 was a little more than $36,000,000.

In contrast to the constancy of their contributions to [739–5] general relief, the State and local share in work program expenditures has risen quite steadily and strikingly, at least since 1934, although it is still a comparatively minor portion of the total when programs to which contributions are not required are included.

Two other types of programs involve a sharing of costs. [739–6] Among expenditures for assistance to the aged, the blind, and dependent children, the contributions of both Federal and State and local funds have increased markedly with the inception of the Federal-State program in 1936.

Federal expenditures for aid to the aged, the blind, and [739–7] dependent children first appeared at the beginning of 1936 with the inception of the Social Security program. State and local expenditures began to increase rapidly at the same time and for the same reasons. That is the lower left-hand chart. As already implied in a previous paragraph, it is not clear to what extent these increases above the previous slowly rising level of expenditure may be regarded as new—as awarded to persons who would not be receiving any public assistance were it not for the Social Security Act—and to what extent they may be regarded as offset by corresponding declines in general relief or other program expenditures.

It should be observed that of the three "categories," [739–8] old-age assistance is of comparatively recent origin as a public expenditure and has been growing at a very rapid rate in comparison with the

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other two. Twenty-nine States, the District of Columbia, and Hawaii enacted legislation providing old-age assistance between 1930 and 1935. In the first half of 1933, expenditures for aid to the aged, to dependent children, and to the blind—all at State and local expense—were in the ratio to each other of 37:55:8. Four and one-half years later, in the second half of 1937, the corresponding ratios were 77:19:4. Aid to the blind had nearly tripled, aid to dependent children had doubled, but aid to the aged had increased nearly thirteenfold, and was nearly four times as great as the assistance given to the other two categories combined.

The only other type of program in which State and local [739–9] contributions are a factor is that of emergency public works. The expenditures here include those of P. W. A. under several subclassifications, of the Bureau of Public Roads (emergency funds only), resettlement housing and land development projects of the Farm Security Administration, self-liquidating loans of the R. F. C., and other programs and projects of miscellaneous character. It is in several of these items that the question of classification of Federal loans arises, as indicated on this and a preceding chart. During the last half of 1937, estimated State and local contributions (including Federal loans) in respect to non-Federal P. W. A. projects amounted to 64.3 percent of the total, as compared with the required minimum of 55 percent under recent acts. The entire amounts of all R. F. C. loans included in this type of program have been classified as State and local contributions.

As to trends in the cost of the Civilian Conservation Corps [739–10] (shown in the center chart at the bottom) little need be said, except that there was a gradual and slightly irregular growth in half-yearly expenditures to a maximum in the second half of 1935 and a subsequent irregular and relatively unpronounced reduction. The peak in the second half of 1935 may have taken up some of the decline in combined general relief and work program expenditures in the same period.

I think it is rather interesting to note, Mr. Chairman, how [739–11] slight a showing $231,000,000 will make on a general chart of this character. Rehabilitation loans to destitute and low-income farmers of this amount appear in the graph, which is almost out of sight, in the upper right-hand corner.

These loans have been made by the Farm Security Admin- [739–12] istration and its predecessor in the aggregate amount of approximately $162,000,000, beginning in the second half of 1935; and by F. E. R. A. and State rural rehabilitation corporations in the aggregate amount of approximately $80,000,000, beginning in the first half of 1934. Of the Farm Security loans, nearly $43,000,000 have been repaid, leaving a net disbursement of 119 million. Of loans due for repayment prior to January 1938, 47.1 percent had been repaid on December 31, 1937, and a much higher ratio of repayments is ultimately expected. Of the F. E. R. A. and State corporation loans nearly 16 million have been repaid, leaving a net disbursement of 64 million. During the second half of 1937, repayments of both types of obligations exceeded new loans and administrative costs, leaving a net credit or negative expenditure for this type of program during the half year. That is to say, if the magnitude permitted showing it, there would be a drop below the base line rather than above it in the

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upper right-hand corner of the chart for the last half of 1937. The loans were coming back faster than they were being made.

The last type of program is that represented by the dis- [739–13] tribution of surplus commodities for relief. It includes wheat and cotton donated to the Red Cross under acts of Congress by the Grain and Cotton Stabilization Corporations of the Federal Farm Board, the purchase and distribution of surplus commodities by the Federal Surplus Commodities Corporation and its predecessor; the purchase by the A. A. A. of commodities utilized for relief purposes, including the drought purchase program; and costs to the F. E. R. A. of the care and processing of drought cattle for relief use. Almost three-tenths of the 5-year total was expended by the A. A. A. in the second half year of 1934, primarily in connection with the drought purchase program.

None of the tables and graphs which have been under dis- [739–14] cussion shows the number of persons aided, the amounts extended to recipients in need of relief, or trends in relief expenditures prior to 1933. These problems have not been included within the scope of the investigation of the committee's staff to which my testimony refers. For graphic data on these topics I wish to cite a series of charts on pages 51, 133, 135, and 137 of the Federal Chart Book prepared by the staffs of the Central Statistical Board and the National Resources Committee, release of which is momentarily expected and which I have already exhibited to the committee.

Nor do the data that I have been discussing indicate the [739–15] character and the size of the social problems with which relief and security programs deal, or fail to deal. To illustrate, a decline in relief expenditures might indicate a decline in number of the needy; or a decline in public ability or willingness to assist the needy, or to assist them with the same degree of adequacy or generosity The committee's figures show increases and declines in expenditures without certification of the extent to which expenditures reflect variations in human needs.

INADEQUACY OF TERMINOLOGY

The language which must be used in such discussions as this [739–16] is itself archaic and inadequate. Such words as "unemployment," "employable," and "unemployable" are so vague in meaning as often to confuse essential issues.

The employability of the applicant is a key question in [739–17] present relief policy. Yet employability is relative to labor demand. It depends not only upon the physical and mental status and the attitudes and intentions of the job applicant but upon the needs and attitudes of the potential employer as well. If the need for labor is great, jobs will be given to applicants who in other times would be regarded as unemployable. The applicant's willingness to work is similarly governed. Almost any person will refuse work if the wages and conditions of labor repel him; and almost any person will take work if the wages and conditions of labor seem attractive. During the industrial expansion preceding and following our entrance into the World War many men who had been classified as unemployable at the New York Municipal Lodging House were given employment at good wages.

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"Unemployment" is one of the least distinct of social cate- [739–18] gories. During the war period of which I speak thousands of small farm operators in the neighborhood of industrial cities flocked into the war industries, attracted by high wages and the national needs. When shut-downs occurred at the close of the war, these employees were discharged and resumed their farming. Were these men, on this occasion, to be regarded as employed or unemployed? They were unemployed in the sense that they had been dislodged from positions in industry to which they would have been glad to return had opportunity permitted. They were employed in the sense that they had returned to an earlier status of economic activity which had at one time been, or seemed to be, adequate for support.

In developing such ambiguities of status as this, relief has [739–19] played an important part. Many highlanders and back-country folk have for the first time experienced through relief the importance of money in the organization of daily life. Relief payments have brought these persons for the first time into the national money economy, from which they were previously almost wholly excluded. Apart from questions of social responsibility and national fiscal policy, this enlargement of the scope of our national economic system may be viewed as a gain for national well-being and for the integration of the social order. It means, however, that wage scales, rights to receive relief, and similar issues will henceforth apply to segments of the population which were never before in the labor market—hence, never before subject to classification either as employed or unemployed, employable or unemployable. For these people, it would appear, elevation to the status of unemployment (if their present circumstances may be so described) may be viewed as a progressive step upward intermediate between a state of self-sufficiency, but with very low standards, and a state of employment or entrepreneurial "independence."

If the social implications of relief are perplexing, so also [739–20] are the fiscal and economic implications. Conclusions may easily be distorted by giving attention too exclusively to either the debit or the credit side of the ledger. On the one hand, public relief, public assistance, Federal work programs, and emergency public works have been very expensive. It seems to me likely that they will continue to be very expensive because their necessity results in such a large measure from fundamental changes in the attitudes, customs, and habits of thought of the American people. A return to the prosperity of the late twenties would not in itself alter the direction of these fundamental social and psychological changes. They themselves are growing out of still more fundamental changes in science and technology. Hence I can see no great likelihood that governmental budgets for relief and welfare, regardless of political and administrative changes, will again approach their predepression levels. The only possibility that they might do so, it seems to me, would be in connection with a general weakening of the social and economic structure.

If this view is correct, there still is left open the question [739–21] whether governmental budgets can be balanced, with or without a gradual retirement of existing debt, from increasing revenues resulting from a return of prosperity to former levels. I incline to the view that the Federal Government, at least, will face the necessity of an

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ultimate balancing of its Budget by means of increased taxation. In seeking new or enlarged sources of revenue it will encounter the States and municipalities upon the same search, and will be forced to some agreement with them for an allocation of taxable sources. Increased taxation, probably at all levels of government, will be inevitable, and in view of the fact that taxation by itself (unless balanced by expenditures) is deflationary in its effects, the outlook for enduring prosperity will be regarded by many persons as gloomy.

On the other hand, we must not overlook what has been [739–22] received in return for the expenditures made. Nineteen and one-quarter billion dollars, one hundred fifty-one dollars per capita for 5 years, the price of half a pack of cigarettes per person per day, is a very small retaining fee to post with a guiding providence for protection against social instability. It is probably one of the "overhead costs" which we must pay for enjoying the luxuries of a complex civilization which is at the same time democratic and relatively safe for individual freedom.

Nor is this all. The starvation of Americans has been [739–23] very nearly avoided. Health and minimum standards of living have been in some measure sustained. The skills and morale of numberless unemployed persons have been protected from serious deterioration. Depression-producing deflationary tendencies have been resisted. Innumerable work projects have added to the material wealth of the Nation and to its less tangible well-being and happiness. Had it not been for these projects, many of their costs would sooner or later have been added to regular governmental budgets or to the household budget and expense accounts of private citizens.

I profess to no competence to find a defensible middle [739–24] ground from which to discuss such questions. I do have faith in the capacity of the American people to find satisfactory solutions by democratic means; and I have a firm belief in the importance of preserving both our Nation's stability and its democratic institutions.

Senator HATCH. Thank you, Mr. Rice. You have made a real contribution to the studies of the committee.

(Witness excused.)

See Appendix 1, pp. 1402–1432 for tables and explanation.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Thereupon at 12 noon, an adjournment was taken until 10 a. m., March 16, 1938.)

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UNEMPLOYMENT AND RELIEF

WEDNESDAY, MARCH 16, 1938

UNITED STATES SENATE SPECIAL COMMITTEE
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m. in room 357, Senate Office Building, Senator Hatch presiding.

Present: Senators Hatch, Murray, Frazier, and Davis, also Alan Johnstone, counsel for the committee.

STATEMENT OF E. R. BOWEN, GENERAL SECRETARY, CO-OPERATIVE LEAGUE, NEW YORK CITY

Senator HATCH. The committee will come to order, please.

Mr. Bowen, you have been asked to appear before the committee and you have a statement prepared, I understand.

Mr. BOWEN. Yes; I have, sir.

Senator HATCH. You may either read your statement or make your remarks and file your statement, as you desire.

Mr. BOWEN. If I could, Senator, I would like to read my statement and make such remarks as I may have to make as I read.

Senator HATCH. Very well, as you like, but the statement will appear in the record fully anyway.

Mr. BOWEN. I come here representing a group that has not [740–1] been given enough consideration yet in America, nor has there been enough thinking about it, and that is the consumer. We are accustomed to speak of business and banking and labor, and agriculture, and of the Government coming in to assist those four elements to operate successfully. We all know that we are in what we call a recession, but which probably history will call the third depression since the war; that we have not solved the problem, and what I would like to do is to present to you today the case for the Consumers' Cooperative Movement, and the evidence that I have to offer is, first of all, that in America, to the extent to which this movement has developed, we are stabilizing distribution and stabilizing employment and stabilizing investment, and likewise, in the Scandinavian countries where the movement has developed to the greatest degree, it has practically solved the problem of unemployment. That is the basic presentation which I wish to make before the committee.

In making this presentation before the Senate Committee [740–2] on Unemployment and Relief, the Consumers' Cooperative Movement in the United States desires to show, first, that as the cooperative method of business is increasingly adopted in this country, it stabilizes distribution, employment, and investment. Second, that in other countries, such as Sweden and Finland, it has been a vital factor in

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stabilizing the entire economy of the country so that unemployment has been practically eliminated. Third, we will discuss the basic cause of unemployment and the method of application of the cooperative remedy.

IN THIRD MAJOR BUSINESS DECLINE SINCE THE WORLD WAR

We must first of all face the fact that we are in the third [740–3] major decline in business activity since the World War. The New York Times' weekly business index shows a drop in industrial activity in the 12-week period from August to November 1937 as great as in the 23-month period from September 1929 to August 1931, or nearly eight times as rapid a decline. Whatever name we give to these periodic declines in industrial activity, whether panics, depressions, or recessions, matters little—the results are the same to the millions who lose their jobs and incomes—human tragedies! Plainly, while we have provided Government crutches for private banking and business and have relieved the extreme severity of the distress of workers and their dependents, we have not yet found and applied in business and banking the necessary permanent solutions of unemployment. This we must and can do.

I do not speak of unemployment from a theoretical, but [740–4] from a practical standpoint. In the depressions of 1920 and 1929 I was engaged in manufacturing. I saw thousands of employees laid off in the industry in which I was engaged. It seemed to me that one of the "inalienable rights" inferred in the Declaration of Independence by the words "among which," although not specifically enumerated, was the right to work. I believe that the same power which decreed that man should live by the sweat of his brow also intended that we should all have access to the resources by which we could make a living. However, we have taken from our fellowmen the ownership of those resources, which has resulted in millions being unemployed. Faced with the heart-breaking necessity of laying off men with whom I had worked for years, I set out to learn the reason for unemployment and the answer, and found it in the Consumers' Cooperative Movement, in which employment is increasing, rather than decreasing.

Consumers' Cooperative Stabilizing Employment in the United States

The Consumers' Cooperative Movement would not have [740–5] you think that it is offered as a complete remedy in itself. But it has proven, in combination with other social economic organizations, to be a positive remedy. It is not merely a palliative for the disease of unemployment, but it is a permanent solution.

The Consumers' Cooperative Movement in the United [740–6] States today does more than 1 percent of the total retail business. In the purchase of farm supplies, however, in which field it has thus most largely developed, it does one-eighth, or 12½ percent of the business. While it is not yet a great, it is a steadily growing factor in the United States. To the extent to which it has developed, it has largely stabilized distribution, employment and investment.

For the purpose of presentation before the Senate committee, [740–7] we sent out a questionnaire to a number of Consumers' Cooperative Wholesale Purchasing Associations. The first replies show an in-

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crease in volume of 21 percent in 1937 over 1936; an increase in employees at the close of the year of 17 percent with not a single failure of a retail cooperative affiliated with these wholesales.

There are now 29 Cooperative Purchasing Wholesales in [740–8] the United States, each of which does more than a million-dollar business. The total volume of retail business done by Consumers' Cooperative Purchasing Associations in the United States is estimated to be about $500,000,000.

The method by which the Consumers' Cooperative Move- [740–9] ment operates to stabilize distribution and employment is through what is known as the "patronage dividend on purchases." As a simple illustration, assume that you purchase an article in a Consumers' Cooperative retail store which costs you $1. If the cost of production is 45 cents, and the cost of distribution another 45 cents, there would remain a profit for the owner of 10 cents, or 10 percent. In the Cooperative Movement, the consumer is also the owner, and if the entire profit were distributed, it would result in your receiving, as a consumer-owner, 10 cents as a patronage dividend. Millions of such dividends on small purchases added together result in millions of dollars of savings to consumers, which increases the purchasing power of the people and stabilizes distribution and employment.

Consumers' Cooperatives Assist in Eliminating Unemployment in Scandinavia

That the potentialities of the Consumers' Cooperative [740–10] Movement in the United States are great is indicated by the results in the Scandinavian countries, notably Sweden and Finland. There the movement has progressed to a much greater degree, as shown by the report of President Roosevelt's Inquiry on Cooperative Enterprise in Europe. I visited the Scandinavian countries last fall to investigate the effect of the Consumers' Cooperative Movement on unemployment and its relation to the national economy.

I would emphasize the fact that these countries are [740–11] political democracies like ourselves. They have proven that it is possible to achieve economic security without the sacrifice of political democracy. Finland is not only a country which pays her debts to the United States, but is an illustration of the fact that economic security and political democracy can be successfully combined. This is all the more notable by comparison with the dictatorial programs of her neighboring countries. Finland is an outstanding demonstration of the democratic economic and political middle way between the extremes of dictatorial communism on one side and dictatotial fascism on the other.

It is difficult to express in language the feeling I experi- [740–12] enced, after having only a few weeks before left the United States, where there were then, and still are, millions of unemployed, to ask the question in Sweden and Finland, "Have you any unemployed?" and to be answered "No." The cooperative remedies they have adopted in those countries should surely be worthy of developing in this country, since they have achieved economic security and preserved political democracy.

The foregoing briefly presents three basic facts for your [740–13] consideration. First, that the present great decline in business ac-

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tivity shows that we have not found a permanent solution to our unemployment problem; second, that while the Consumers' Cooperative Movement in the United States is comparatively small, it has stabilized distribution, employment, and investment to the extent to which is has developed; third, that in such countries as Sweden and Finland, where it has developed still further, it has been a vital factor in the practically complete elimination of unemployment.

The Basic Cause and Cure for Unemployment

Now to discuss the basic cause of unemployment and the [740–14] method of applying the cooperative remedy.

There is quite general agreement among outstanding [740–15] leaders in all fields in America that unemployment is due to lack of distribution of adequate purchasing power among the masses of the people. The distribution of adequate purchasing power generally among the people would result in effective demand, which would absorb the present supply of food and goods and require increased production, with consequent reduction in unemployment. In time unemployment would be eliminated.

There is also general agreement that lack of purchasing [740–16] power among the masses of the people is due to too high prices to consumers and too low pay to producers. Let me quote some of the most recent statements of leaders in various fields.

A newspaper headline says "President Roosevelt fights pay [740–17] cuts; holds industry must lead the way to reduce prices." Solicitor General Robert Jackson, when asked recently, "What do you think the course of industrial development must be to make the system work?" answered, "Its success will depend on the general adoption of a high-volume, low-cost, and high-wage economy."

A delegation of leaders of the United Automobile Workers' [740–18] Union, headed by Homer Martin, president, laid before President Roosevelt a program calling for lower prices and higher pay. Henry Ford, an industrial leader, and I might also quote Mr. Sloan, of General Motors, recently said, "Whenever prices go down and wages up, benefits accrue."

An independent study of this question has been made by [740–19] the Brookings Institution of Washington. When Dr. Harold G. Moulton, president of the Brookings Institution, was asked whether he agreed with President Roosevelt's demand that industry cut prices without cutting wages, he said that in the long run it was "the royal road to progress."

A summary of the Brookings Institution study entitled [740–20] "Income and Economic Progress" reports that of the 15 billion dollars of individual savings in 1929, two-thirds, or 10 billions, were saved by the 2 percent of the population having incomes of over $10,000 per year. It also concludes that 5 billions of savings were sufficient for normal increased productive investment and that we have reached the place where there is an excess of savings as compared with consumptive expenditures. The problem then narrows down to a simple question, How could we have equitably redistributed the unnecessary 10 billions of excess savings which, in 1929, were concentrated in the hands of the 2 percent of the population, who neither could consume them nor invest them profitably?

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Free Competition Has Failed

There are, in general, four proposed solutions. The first [740–21] is known as the laissez faire or natural economic law theory. This theory of free competition, formulated by Adam Smith and his followers, was summarized by Archbishop Whately in these words, "It is curious to observe how, through a wise and beneficent arrangement of Providence, men thus do the greatest service to the public when they are thinking of nothing but their own gain." This theory has broken down both as a moral and an economic law.

Business Will Not Act Voluntarily

The second proposal is that business voluntarily reduce [740–22] prices to consumers and raise pay to producers. Theoretically, this might be done but practically it is not done. The purpose of a corporation was stated in the decision of the Supreme Court of Michigan in *Dodge* v. *Ford* to be "the profit of the shareholders." A corporation is not primarily organized to lower prices to consumers and raise pay to producers, and if these are done they are only incidental to, and for the purpose of increasing profit to the shareholders.

Government Regulation Futile

There are some who favor a third proposal of Govern- [740–23] ment regulation of business. The futility of such attempts ought to be realized by the American people after nearly 50 years of failure. Incidentally, President Roosevelt's off-the-record notes are now being published and last night in one of those notes he was asked as to the question of raising pay, and he answered in a simple way, "I can't do it." Periodically new compaigns are inaugurated to "bust the trusts" and to use the "big stick," in the words popularized by Theodore Roosevelt. But such attempts continue to end in phrases, as before. We will eventually learn that we, the people, cannot control what we do not own by any form of political regulation. Should the Government really fix pay and price levels, it would only end in dictatorship. It is worthy of note that Sweden, where trusts have actually been busted, has never put an antitrust law on the books.

Senator Frazier. You are speaking of Sweden. Did they ever really have any big trusts in Sweden?

Mr. Bowen. They have trusts which are connected with [740–24] the great international trusts. For instance, one particular illustration of an organization that corresponds to the General Electric Co. over here. The cooperative movement in that particular case put up an electric light bulb factory and reduced the price from 37 cents to 27 cents. It is true that they have no trusts as large as ours in capital structure but they do have them.

Senator Murray. Was that a cooperative proposition?

Mr. Bowen. Yes, it was.

Senator Murray. Did the government give it assistance?

Mr. Bowen. In no way whatsoever. The cooperative [740–25] movement in Sweden is entirely independent from the government, has nothing to do with it; doesn't borrow from the government or from the banks.

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Senator MURRAY. So, without any governmental aid at all, they busted the trusts?

Mr. BOWEN. Yes, sir; and I could spend time telling you about other trusts which they likewise have busted in the same way, so I repeat again, what we propose as a fourth remedy that has succeeded in other countries and will succeed here.

These are vital facts to consider in formulating a national [740–26] policy on unemployment and relief. Outstanding national leaders in political, labor, business and economic fields are in agreement that the solution of unemployment is the wider distribution of purchasing power among the masses of the people that the lowering of consumers' prices and the raising of producers' pay is the only practical and permanent way to do it. We should also accept the fact that free economic competition fails to function, that private business will not voluntarily apply the remedies of lower prices and higher pay, and that a democratic government cannot successfully force a combination of lower prices and higher pay by political regulation.

COOPERATIVE YARDSTICKS ONLY EFFECTIVE REMEDY

What we propose as a fourth remedy is the only method [740–27] which has proven successful in other democratic countries and which is increasingly growing in this country. This is a cooperative economic organization more powerful than private monopolies which can force the lowering of consumers' prices and the raising of producers' pay and thus distribute purchasing power widely among the people and prevent the piling up of unconsumed surpluses, the shutting down of production, and the reduction of employment.

Now, I have a chart here. There we have endeavored [740–28] to summarize not only the consumer cooperative as a factor but other similar organizations that have to do with this basic question. You will notice on the lower side there we have listed $15,000,000,000 of savings which are the Brookings Institution figures. The question is how are we going to achieve our ends and we should, I think, begin to realize that our present methods are not succeeding in doing that, but, you will notice listed there the three organizations that are growing up which do raise pay to producers, if I may use the word "producers" in the broad way, social insurance, labor union, and farm marking, all of which are developing in the United States. Then, up above that consumers cooperatives, cooperative finances, public-owned utilities, all of those above the consumer price line are becoming the yardstick of prices, and that is what took place in Sweden and Finland.

When I speak of a cooperative economic organization, [740–29] I am not limiting the solution of unemployment to the consumers' cooperative movement alone, which I happen to represent. I see it as one of a combination of six basic economic programs, as they are commonly classified.

There are three growing major types of economic organiza- [740–30] tions which are operating to increase the pay or income of the people generally. They are first, social insurances in the form of unemployment, old-age, and other types of economic relief programs developing under the Government, which provide incomes for those who are out of work, and the aged, and otherwise handicapped. The second type

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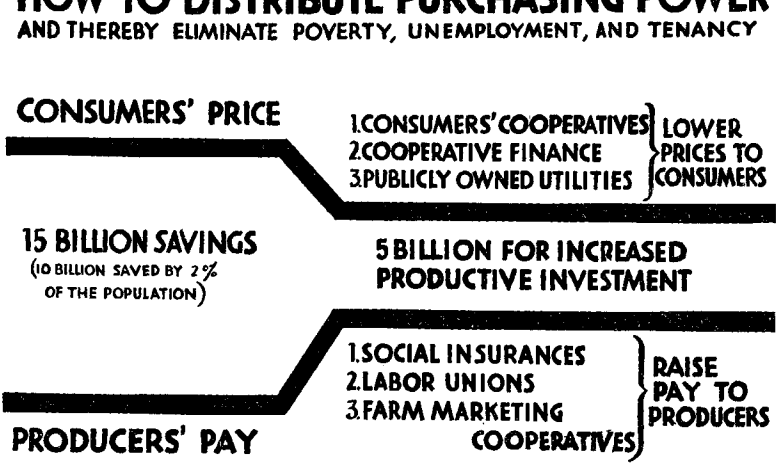
of economic organization, which increases the pay of active producers, is that of labor-union organization. The third type of economic organization of a similar nature is that of farm-marketing cooperatives. Farm-marketing cooperatives now number in their membership more than half of the 6,000,000 farmers in the United States and do a seasonal business of over a billion and a half dollars, according to the reports of the Farm Credit Administration.

These three types of economic organizations which are now [740–31] developing rapidly in America, namely, social insurance, labor union, and farm-marketing cooperatives, are increasing the pay or incomes of the people and thus distributing purchasing power more widely.

There are also three growing major types of social economic [740–32] organizations which are operating to lower prices to consumers. They are first, publicly owned utilities, which are becoming the yardstick of utility prices; second, cooperative finance institutions, such as credit unions, which now number over a million and a half members, and which are reducing interest rates; third, consumers' cooperatives of various types, which reduce the prices to consumers of food, goods, and services.

It is the combination of these six types of social economic [740–33] organizations in Sweden and Finland which has resulted in the raising of producers' pay and the lowering of consumers' prices, and in turn has distributed purchasing power more widely among the people and thus practically eliminated unemployment in those countries. There is every reason to conclude that these proven democratic economic methods will, as they are developed in America, increasingly produce the same favorable results here. The American people are taking the right road in choosing the democratic cooperative way.

The chart herewith presented will illustrate the problem [740–34] and the permanent solution of unemployment and relief as discussed:



I would call your attention to the fact that these six types [740–35] of social economic organizations which are developing in America have three common democratic characteristics; first, they are all controlled by the people on the basis of one person, one vote, which is the essence

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of democratic control; second, they are all public-service, rather than private-profit organizations, which is the foundation of economic security; third; insofar as ownership is involved they are owned by all the people, rather than by a few.

These six social economic organizations might also be [740–36] summarized as three types of cooperation, namely public cooperation, which includes social insurance and publicly owned utilities; second, producers' cooperation, which includes labor unions and farm-marketing cooperatives; and third, consumers' cooperation, which includes consumers' cooperatives and credit unions.

There is evidence that we are in the fourth great economic [740–37] turn of the ages—that we are in the process of building a new cooperative economic society. The first organized economic system was slavery, the second, serfdom, and the third, competition, which in its closing stages has become monopoly. What we are now doing is building a new cooperative type of economic organization. Secretary of Agriculture Henry A. Wallace predicts that—

a cooperative economic society will be the living stream of thought of the twentieth century, as a democratic political society was of the eighteenth century.

Poverty is a result of unemployment. Unemployment is [740–38] the result of loss of ownership; 42 percent of our farmers, and over 50 percent of city residents, are now tenants, with tenancy steadily on the increase. We must reverse the trend in America, as has been done in the Scandinavian countries, by the adoption of these various types of cooperative economic organizations, which have resulted in recovering ownership by the people and in largely eliminating unemployment and poverty. I may say one personal thing, that I was born in the State of Iowa, which is called one of the agricultural States of the United States, and that State, which boasts of being the State where the "tall corn grows," has reached a place where less than 30 percent of the farms is any longer owned by the farmer. In other words, what is happening in America is that the farmers are losing their farms, workers are losing their jobs, and small-business men are losing their business, and what we must do is reverse the trend in America. Now, that is what has been done in the Scandinavian countries. In Denmark they reached the place where they had 42 percent tenancy, which is exactly what we have now, and they adopted these simple remedies of cooperative purchasing, cooperative marketing, and cooperative finance, and now there is no longer any farmer in Denmark who is not an owner of his farm.

And now, finally, as to what the Government might do in this matter:

What the Government Could Do

As to what the Government could do to assist in develop- [740–39] ing the cooperative economic solution of the problem of unemployment, we suggest three specific things, as recommended by the President's inquiry on cooperative enterprise in Europe, namely; first, providing information, research and advisory service for the people relative to consumers' cooperatives; second, the collection of better statistical information; third, the providing of "credit parity" for consumers' cooperatives.

Senator Hatch. Thank you, Mr. Bowen. Are there any questions?

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Senator FRAZIER. Your claim is that the cooperative movement in those foreign countries has narrowed the margin between the price the producer gets and the consumer pays?

Mr. BOWEN. Yes. [740–40]

Senator FRAZIER. And in that way has increased the purchasing power of the people who buy these products?

Mr. BOWEN. Yes; exactly. [740–41]

Senator FRAZIER. I think you are correct.

Senator MURRAY. The theory of some of the economists in this country today is that prices must be raised. Have you heard those discussions, that there must be a general raise in the price level?

Mr. BOWEN. The question of whether the price level is [740-42] higher or lower is not the basic question. It might be possible that the price level as a whole should be higher, and certainly, unquestionably must be so on some items without any doubt. You remember, President Roosevelt put out the other day a significant table showing the most flexible and the least flexible prices, the Bureau of Labor Statistics prices. The ones that are least flexible may be high enough, but the others, such as farm products, are again going down. It is the narrowing of the spread between the producer's pay and the consumer's price, you see—whether or not those levels are higher or lower. It is a question of narrowing that spread, and we believe that is the most effective way of distributing purchasing power, and the present methods we are using are after all only crutches to a type of business that is unable to distribute its own purchasing power by wages and lower prices.

Senator MURRAY. Thank you. I enjoyed your statement very much.

(Witness excused.)

STATEMENT OF SURG. GEN. THOMAS PARRAN, UNITED STATES PUBLIC HEALTH SERVICE, WASHINGTON, D. C.

Senator HATCH. You have a prepared statement, I understand, Doctor?

Dr. PARRAN. I have; yes.

Senator HATCH. You may stand or be seated, just as you will.

Dr. PARRAN. I think I prefer to stand, if I may.

Senator HATCH. That is perfectly all right.

Dr. PARRAN. Mr. Chairman, you have asked me to furnish [741–1] available information concerning (a) the extent of illness among the unemployed population, (b) to what extent disease is a cause of unemployment, (c) to what extent unemployment tends to induce disease, (d) what proportion of this disease is preventable.

The facts I have to present will show that there is a very [741–2] direct interrelationship between sickness, unemployment, and relief.

Among relief families, there is more than 12 times the [741–3] amount of permanent disablement of the family head than among those in comfortable circumstances. In relief families, 1 in 20 family heads are unemployable, (viz, permanently disabled by accident or disease) as compared with one in 250 among those in comfortable economic circumstances.

Among unemployed persons, 15 to 64 years of age, there is [741–4] an excess of current disabling illness of about 150 percent, 3.3 per-

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cent of these unemployed being sick for 1 week or longer as compared with 1.3 percent among the employed of the same ages.

Among unemployed persons, 15 to 64 years of age, disabling [741–5] illness during the preceding year was found to be 43 percent higher than among the employed.

Here are three indices which show among the unemployed [741–6] a tremendous excess of disability, more than two and one-half times the volume of current illness and nearly 50 percent excess in the frequency of disabling illness during the preceding year.

The ancient aphorism that only the very rich and poor get [741–7] good medical care is true only of the rich. The poor have the greatest amount of illness and get the least and least good medical care. As income goes down so does the amount of medical service. Physicians' services per case of illness are approximately 50 percent less for relief families than for the higher income group. Bedside nursing care and the services of a dentist are exceptionally deficient among the poor.

Through the National Health Survey made by the United [741–8] States Public Health Service, we have extensive data on illness and medical care among the unemployed and in the country as a whole. This survey itself was a byproduct of unemployment. It was made possible by a grant of W. P. A. funds and furnished useful employment to white-collar workers. It included a house-to-house canvass of nearly 3,000,000 people in 84 cities.

Extent of Illness Among the Unemployed [1]

Annual incidence of illness.—The annual incidence of ill- [742–1] nesses that disabled for 7 consecutive days or longer was 43 percent higher among unemployed persons 15–64 years of age than among employed persons of the same ages; the rates were 143 per 1,000 unemployed persons and 100 per 1,000 employed persons. The unemployed here referred to are those on work relief or seeking work; they do not include a considerable group classified as unemployable because of some permanent disability resulting from disease or accident.

Although these rates are derived from a canvass of urban [742–2] families, data from less extensive preceding surveys indicate that the total sickness rates are of about the same order of magnitude in rural and urban areas. If the rate of 143 disabling illnesses per 1,000 of the unemployed is applicable to the estimated 8,000,000 to 11,000,000 unemployed persons as reported in the recent census of unemployment, one would estimate that during a 12-month period these unemployed persons suffer from 1,000,000 to 1,500,000 cases of illness of sufficient severity to keep them from work, seeking work, or other usual activities for 7 consecutive days or longer. Illnesses of this severity undoubtedly call for the care of physicians and, in many cases, the care of hospitals and nurses, services for which this group of unemployed persons without income are unable to pay. It should be

[1] Two different indexes of the extent of illness are used in this statement: (*a*) The number of disabling illnesses of 7 or more consecutive days that occurred during a period of 12 months immediately preceding the canvass. This measure, which is expressed as a case rate per 1,000 persons surveyed, is referred to as the annual incidence of disabling illness; (*b*) the number of persons sick on the day of the canvass with illnesses that had kept them from work or other usual activities for 7 consecutive days or longer. This measure, which is also expressed as a case rate per 1,000 persons surveyed, is referred to as the prevalence of disabling illness on a given day.

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remembered also that the 1,000,000 to 1,500,000 illnesses refer to those of the unemployed workers themselves, and would be matched by three or four illnesses among the dependents of these workers for each illness suffered by the workers. The dependents include children and the aged, among whom illness rates are higher than in the working ages.

Employed workers and their families also suffer a large [742–3] burden of illness but they are at least more able to pay for the necessary care than the unemployed workers.

Senator HATCH. Doctor, did you make any study of families of the unemployed, as compared with the families of the employed?

Dr. PARRAN. We did.

Senator HATCH. Do you discuss that later?

Dr. PARRAN. We give the data on families by income and [742–4] relief status.

In chart 1 we can see the distribution among families of [742–5] different income levels the total amount of serious disabling illness that occurred during a 12-month period.

Senator HATCH. I did not want to get you away from your statement.

Dr. PARRAN. This would be a good point to bring it in, with your permission.

Senator HATCH. All right.

Dr. PARRAN. In the top lines of chart 1 are those on relief, [742–6] and those with incomes of less than $1,000. In the next line are those with incomes of $1,000 to $2,000; in the third, $2,000 to $3,000, and in the fourth, above $3,000. That does not represent a rate of illness. It merely shows where illness existed in this country.

Prevalence of illness on a given day.—The prevalence of illness [742–7] refers to the number of persons sick on a given day or, to put it in another way, the number of persons constantly sick.[1] Illnesses present on the day of the canvasser's visit include both acute and chronic conditions, but the total is heavily weighted by the chronic diseases of long duration.

Of the unemployed persons of the ages 15 to 64 years of age, [742–8] 3.3 percent were sick on the day of the canvasser's visit and had been too sick for 7 consecutive days or longer to work or seek work or pursue other usual activities; this rate may be compared with 1.3 percent for employed persons of the same ages, or an excess of illness for the unemployed of about 150 percent. Again it should be emphasized that persons who are unemployable because of permanent disability from disease or accident are not included in the unemployed group.

If this rate for the unemployed in these urban communities is [742–9] applicable to the unemployed as found by the unemployment census of November 1937, it would indicate that on an average winter day there are from 250,000 to 350,000 persons sick among the 8,000,000 to 11,000,000 unemployed as recorded by the census.

[1] Although it is not the same group of individuals who are sick on every day of the year, this rate does represent a constant burden of illness on the group as a whole.

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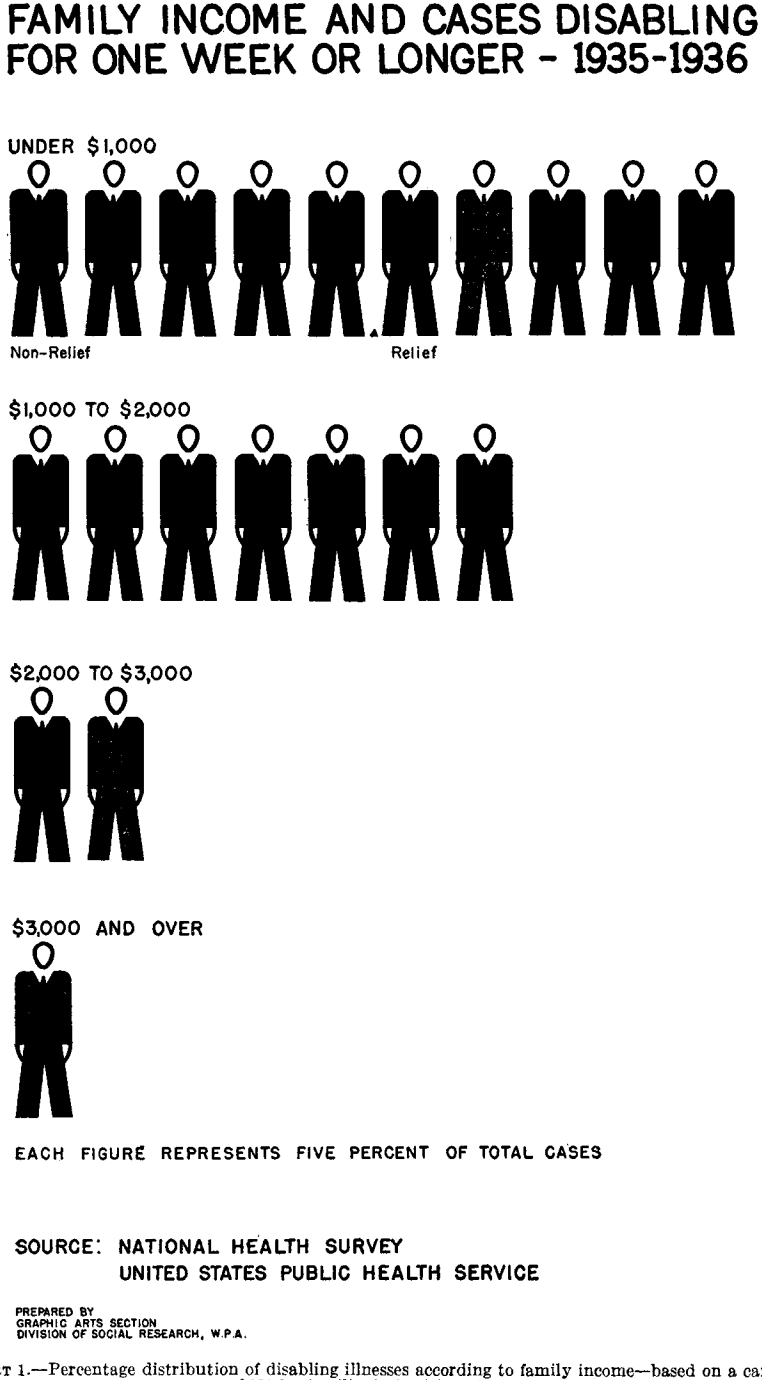


CHART 1.—Percentage distribution of disabling illnesses according to family income—based on a canvass of 654,811 families in 81 cities, 1935–36.

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Disease as a Cause of Unemployment

Unemployability and invalidity.—In addition to illness among [743–1] the unemployed that causes inability to work for varying periods, there is a large burden of permanent disability commonly referred to as invalidity. Persons in this category are all sick but they are not included in the usual definition of the unemployed because they are unable to accept work on account of disability—they make up a large proportion of the class usually designated as unemployable.

The National Health Survey indicates that perhaps half a [743–2] million persons in the United States are unemployable because of permanent disability due to accident or disease; this group was excluded from the 1937 census of unemployment and from the sick unemployed as defined in this report.

Approximately two-thirds of those who are prevented by [743–3] invalidity from accepting future employment are family heads, upon whom devolve the primary responsibility for family support. Yet almost 80 percent of all unemployable family heads in the country are found in relief families or among those with less than $1,000 annual income. In relief families, 1 in every 20 family heads was unemployable because of chronic permanent disability, while among those in comfortable circumstances only 1 in 250 was similarly disabled.

These data show clearly that disease is a large factor in [743–4] unemployment and unemployability.

Loss of time because of sickness.—Although not commonly [743–5] thought of as unemployment, sickness from acute and chronic diseases accounts for a large annual loss of time from work. According to a recent report, the people of the United States lose on account of sickness a total of over 1,000,000,000 days from work, school, or other usual activities.

Unemployment and mental illness.—Although a relatively [743–6] small percentage of admissions to mental institutions are recorded as directly related to economic worries, this cause has been widely recognized as an important contributory factor in mental disorder and nervous break-down during the depression. Hospital superintendents have estimated that is has been among the causative factors in as high as 25 percent of first admissions in depression years. Maladjusted persons who exhibit only minor neuroses in normal circumstances develop more extreme symptoms under the stress and demoralization of unemployment and idleness. Nor can any stable, well-adjusted person experience enforced idleness and economic want without mental hazards. The director of a mental clinic in one of our large cities, in addressing the National Conference of Social Work in 1933, warned that while adversity may be a challenge to accomplishment in meeting a difficult situation, it is destructive to place a person in a situation where he is helpless to control his own destiny through being deprived of a chance to earn his own living. This conclusion is supported by frequent instances of nervous break-down observed by relief agencies and placement services. The percentage of such cases to the whole unemployed and relief population may be small but in the aggregate neurotic cases apparently constitute a huge number and create additional emotional problems in the family group.

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A man needs not only to be sound physically, but if his [743–7] mental health is to be preserved, he must have self-reliance, the satisfaction of work, the joy of acquisition, the sense of equality, the opportunity of leading a normal family life, and the wholesomeness of recreation. Involuntary unemployment creates an attitude of helplessness, the sense of being beaten, a loss of initiative, of self-reliance and of courage, creates distrust of government and discontent with things as they are. It breeds pathological political philosophies, subversive of our present democratic institutions. This disillusionment with life produces first a secretive and later open opposition to authority. Juvenile delinquency, crime, are a result.

I speak not as an economist but as a doctor when I urge [743–8] that useful employment be provided for all who are willing and able to work. Whatever the cost, I would urge that from the standpoint of public health, in its larger concept, of mental health, economic factors are subordinate to the vital necessity of providing for our destitute citizens an opportunity of a livelihood earned by individual effort. I emphasize useful work; no other type fills the mental needs. We can rebuild cities destroyed by earthquake or fire. We can even recoup losses from plague or pestilence, but we cannot for long years and perhaps generations repair losses to human character and mental health which will result from a failure to give useful employment to our citizens.

Senator HATCH. You are distinguishing there, Doctor, between work relief and the so-called dole and charity?

Dr. PARRAN. I am distinguishing between those two; yes. [743–9]

Senator HATCH. You do not think the feature of assistance giving mere subsistence would fill these physical and mental conditions you describe?

Dr PARRAN. Mr Chairman, in my opinion the man who [743–10] has to look for the welfare officer from week to week to know whether he will have food for his family will inevitably disintegrate in character and mental qualities. We can, by way of a dole, give enough food, but in the end, I fear we may have fat cattle instead of real American character.

Senator HATCH. You think it would be destructive merely to provide the necessary food?

Dr. PARRAN. Extremely destructive to the mental health of [743–11] our population.

Senator FRAZIER. I don't think they give them enough on these doles to make them fat.

Dr. PARRAN. I would emphasize also the need for useful [743–12] work, Mr. Chairman. No other type of work will fill the need. A man who is employed on obviously made work, which has no social value, soon realizes it and the effect on his mentality is about as bad as though he were receiving a dole.

MEDICAL CARE AND HEALTH SERVICES AMONG UNEMPLOYED AND LOW-INCOME GROUP

Medical care.—In spite of the large excess in the frequency [744–1] of illness among the unemployed, they receive less medical care per person, and particularly less per case of illness, than do those of higher economic status. Thirty percent of the families on relief and 28 percent of those with small incomes receive no medical care in disabling illness, as compared with 17 percent for families with in-

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comes of $3,000 or more. Physicians' services per case of illness are approximately 50 percent less for relief families than for the higher-income group. Beside nursing care is distinctly lacking in the lower income brackets. There is also as one might expect, a greater deficit in the costly types of medical care. For example, a recent study shows families with incomes of under $1,200 per year have one-half as many surgical operations as families with $5,000 or more—this in spite of the larger amount of illness in the lower-income groups. Also, dental care is received from 7 to 15 times as frequently among those with comfortable incomes as compared with relief and marginal economic groups.

The excess of illness among the unemployed results from [744–2] lower standards of living which they experience; also the more sickly individuals tend to lose their jobs and thus add to the sickness load in the relief group as I pointed out in the chart here to the right. Whatever is the relative importance of these two factors, it is clear that a tremendous burden of illness does exist in this group. Sound social policy dictates that they be cared for to prevent unnecessary death and to rehabilitate the chronically sick to make them again self-supporting. Many of these illnesses are curable with present medical knowledge; even for those that cannot be cured, medical care is a humane measure of relief.

The great majority of the unemployed are unable to [744–3] buy food, clothing, and shelter. Practically all of them are unable to buy medical care on any basis. None of them can bear the cost of catastrophic, serious illness. These millions of unemployed workers are unable to pay even the small monthly premiums for such purposes which would be required under an insurance scheme. In other words, they are medically indigent. They get such care as they can from the charity of practicing physicians, in some communities from public clinics and from free hospital wards. The Nation owes a real debt of gratitude to the doctors of this country for their unselfish and unpaid services to indigent patients. In more prosperous times it was possible for the doctor to carry this load and still feed and educate his family The load now in most communities is too great for the doctor to carry without some compensation. In those communities where the load is greatest there are the most meager financial resources.

The plight of the W. P. A. workers is particularly bad. [744–4] Local welfare and relief agencies frequently disclaim responsibility for medical care of this group since they are employed by Federal funds. The average W. P A. wage is insufficient to provide for medical care without the sacrifice of food and other essentials of life.

Prevention of Sickness and Death

The present volume of sickness in this country could be [745–1] reduced materially by applying the knowledge which science has given us. We do not need to carry the present load of physical inefficiency. By doing what we know how to do to improve the health of the underprivileged groups we have the best opportunity of breaking the vicious circle of poverty and disease. Poverty increases disease, which in turn engenders fresh poverty. Until the economists have given us knowledge wherewith to produce and distribute a national income sufficient to provide for the minimum needs of every family, we can at least provide a more equal opportunity for health. May I discuss

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some of the possibilities for controlling certain serious diseases and conditions which are frequent among the unemployed and low-income groups and particularly those which may be classed as preventable?

That tuberculosis is a battle half won should spur us to [745–2] win the remaining half. The broad average of 56 deaths per 100,000 population hides rates among unskilled workers seven times as high as among the professional groups, and among the colored in [745–3] the young adult age groups nearly 10 times the white rate. We must go back to 1900 to find death rates from this disease as high as those we now experience among the unskilled.

There is adequate evidence to justify the opinion of experts [745–4] that tuberculosis deaths can be reduced 50 percent by health supervision of workers in occupations predisposing to the disease, by detection of incipient cases, and by provision of adequate medical and institutional care in the early stages of the disease.

Syphilis is another disease as serious as tuberculosis and [745–5] even more devastating in its economic and social effects. Against it we have cheaper methods of case-finding, surer methods of arrest and cure, and a method of chemical quarantine which will promptly prevent spread. To stamp out this disease we need only to transfer some of the effort and cost now spent in the care of late results of syphilis to the finding of early cases, sources of infection, and contacts, and to providing them with adequate treatment. Syphilis is most prevalent among the poor and the ignorant. The more than one-half million early cases of syphilis which occur each year in this country and seek medical care represents about one-half of the cases which occur. Opportunity for cure within the means of the patient is a first necessity. Therefore, syphilis control must be largely a public obligation. We are paying for syphilis whether we control it or not. The late and disabling results of this disease load our relief rolls, fill our eleemosynary institutions and insane asylums. The spirochete of syphilis knows no State boundaries. To stamp it out can be accomplished only by a national effort.

Only in a few States has pneumonia been accepted as a [745–6] public-health problem. The death rate from this disease among unskilled workers is 3½ times that among the professional groups. Taking a toll of 100,000 lives each year, this disease ranks next to heart disease and cancer as a cause of death. We know that a large proportion of these deaths is caused by the pneumococcus. There are many types of this germ. For more than half of the cases caused by the various types we have effective curative serums. We know that the prompt typing and use of serum for appropriate cases will cut mortality in half. Yet in nearly every State the basic laboratory facilities to type the disease are not generally available. In all but two or three States, curative sera are not to be had by any except the minority of patients able to pay from $50 to $150 for a cure. The unemployed cannot buy this life-saving remedy. Of every two cases treated with serums one life can be saved. Is it worth the cost? Here again public provision of these essentials of life is needed on a national scale if we are to reduce the toll of pneumonia deaths.

In the control of cancer we have less exact, less effective tools. [745–7] Cancer also is more prevalent among the poor. Yet before a committee of Congress last year experts testified that if all cases of cancer received the type of good treatment now available in a few cancer institutes, we could reduce the present toll by at least 20,000 annually.

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To do this will require a national effort. It will be necessary to establish treatment centers, train expert staffs, provide radiation therapy, and make the services of these centers available to those sufferers unable to pay for the expensive care required.

Diseases of the heart, blood vessels, and kidneys take an [745–8] ever-increasing toll of lives. Many deaths from these causes are the result of medical neglect in earlier years. We have seen that among the unemployed there is the greatest medical neglect. While a large proportion of these deaths are the inevitable result of the aging process, much can be done through prevention and treatment to avoid needless cases, to reduce suffering and premature disability and death, and to minimize the economic and emotional distress caused by these diseases.

It has been reported in special studies that careful and [745–9] prolonged treatment of arthritis and rheumatoid diseases results in definite improvement in a large percentage of cases.

For many other diseases such as malaria and pellagra, we [745–10] have known but unused methods of prevention.

For others such as acute rheumatic fever, influenza, or [745–11] cancer, persistent and systematic research is the first need, in order to develop effective methods of control.

Other causes of ill health and mortality that are frequent [745–12] among the families of the unemployed can be brought under control.

The 12,000 mothers who died as a result of conditions of [745–13] pregnancy and childbirth in 1935 do not represent the whole of the loss from child bearing. In the past it seems clear that we have underestimated the size and scope of the problem, for there were more than 60,000 babies who died within 2 weeks after birth; there were 77,000 recorded stillbirths. In other words, there occur in the country each year more than 150,000 deaths, 60 percent of which are needless because of our mismanagement of the childbearing function. In 1936 nearly a quarter million women had no care from physicians at time of delivery of their babies.

Economically, children are more valuable now than ever [745–14] before. The birth rate per thousand population continues to decline from 25.1 in 1915 to an estimated 16.5 last year. This decline of one-third in the birth rate means that 1,079,000 fewer living babies were born last year than would have been born if the rate had remained at the 1915 level.

Senator FRAZIER. That is for the United States?

Dr. PARRAN. The United States; yes; the continental United States.

The best estimates are to the effect that one-half of the [745–15] 125,000 babies who died last year were lost unnecessarily. At least one-half of the 12,000 mothers who died in childbirth could have been saved.

Better care during pregnancy and childbirth, protection of the health of children, good nutrition and sound physical development in youth, protection against the acute contagious diseases, control of tuberculosis, syphilis, pneumonia, cancer, and other catastrophic diseases, all assume an importance to the community and to the Nation as a whole.

In this discussion of our major national health problems [745–16] and the ways of dealing with them you will recognize an underlying theme: Good treatment, early treatment, means prevention of other cases, and means prevention of death or serious disability for the

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patient. In fact, one can make the general statement that prompt restoration of an individual to health is an essential part of any complete regimen of prevention. Whenever any disease is so widespread in the population, so serious in its effects, so costly in its treatment that the individual unaided cannot deal with it himself—it becomes a public-health problem.

Proposed Program for Dealing With Disease Problems

Our existing structure of social security provides old-age [746–1] pensions to the needy, unemployment insurance and old-age annuities to soften the impact of job loss and old-age destitution; aid to dependent children and the blind; and the beginnings of a preventive program in public health, maternity and child health, and aid to crippled children. To this base we need to add a real, Nation-wide, result-getting health program which would provide: (1) For all citizens those community measures of sanitation and disease prevention which are necessary if any of us are to be safe. (2) For the underprivileged third of our population, such specific measure of prevention and treatment as good maternity care, child-health protection, the control of tuberculosis, syphilis, pneumonia, cancer, conditions which are too important to the Nation as a whole for us to permit continued neglect. (3) For areas without them, the physical facilities for good health such as hospitals, sanatoria, and health centers without which no national health program can operate effectively. (4) For those on relief and dependent upon public funds for the other necessities of life, a minimum standard of general medical, dental, nursing, and hospital care.

To put these measures into effect we need a reorientation [746–2] of our public health machinery. We need to build upon the skeletal forces which we now have health organizations in every community able to cope with these new and larger health problems. We need to coordinate, to integrate the facilities now available—the hospitals, the practicing physicians, dentists, nurses, social welfare agencies—in fact all of the professions and agencies directly concerned with good health. This can be done without any basic change in our present system of medical practice. In fact, much of the public effort will be directed toward making available better tools for the use of the practicing physician as a step toward providing necessary facilities for health.

Many areas at present, however, are lacking in the basic [746–3] facilities requisite to good health. There are 18,500,000 of our population living in 1,300 counties with no general (registered) hospital facilities whatever. We do not need a general hospital in every county, but even the minimum standard of 2 beds per 1,000 persons indicates a need for an additional 22,000 general hospital beds in rural areas.

Isolation of active tuberculosis cases in sanatoria has been [746–4] the keystone of the tuberculosis control movement. Yet in 26 States, there is less than one bed for tuberculous patients per annual death from this disease. To provide for the whole country the accepted standard of 2 beds per annual death would require an additional 50,000 beds for the care of the tuberculous.

Care of the mentally sick is still on a primitive basis in [746–5] many States. Domiciliary care, warehousing of mental wrecks, little

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medical attention, no use being made of newer methods of treating general paresis and dementia praecox is the rule. We need additional beds for mental patients but more than that we need to provide a mental hygiene program to replace the present insane asylum attitude in the care of the mentally sick. Such a change would in future years measurably reduce the load which now burdens all of us. There is a total estimated deficit of hospital beds in the United States of 400,000.

Having provided services for those diseases and conditions [746–6] which are of particular public health importance, and the physical facilities needed for efficient health work, there still remains the lack of general medical care for dependent groups of the population and for those in the marginal economic groups. The evidence is clear that they now get inadequate care. Yet since the time of Queen Elizabeth the idea has been written into the laws that medical care of the indigent is a responsibility of society equal to the responsibility of providing them with food, shelter, and clothing. This idea still lacks general application.

Any legislation which deals with the problems of unemploy- [746–7] ment and relief is incomplete in my opinion unless it recognizes that this underprivileged group of the population needs medical care no less than food, shelter, and clothing; that such care cannot be provided by individual effort, "that private charity is inadequate," and that public action on a national scale is the only way to meet this need.

A national program of health is essential to any national [746–8] plan of rehabilitation. It will pay dividends in dollars no less than in human lives. Savings to the Nation's economy will be apparent immediately. Savings over the next decade will easily amortize every dollar spent.

I have appended hereto a report giving more detailed results [746–9] of the National Health Survey and other studies of illness and medical care among the unemployed and relief populations as compared with persons higher in the economic scale.

(See Appendix 10, pp. 1480–1513.)

Senator HATCH. That was very interesting, Doctor.

Are there any questions?

Senator FRAZIER. About what percentage of the unemployed are sick or diseased because of the fact that they are unemployed, in your estimation?

Dr. PARRAN. Physically sick? Does your question refer to physical illness rather than mental?

Senator FRAZIER. It might be both, as a matter of fact, I suppose.

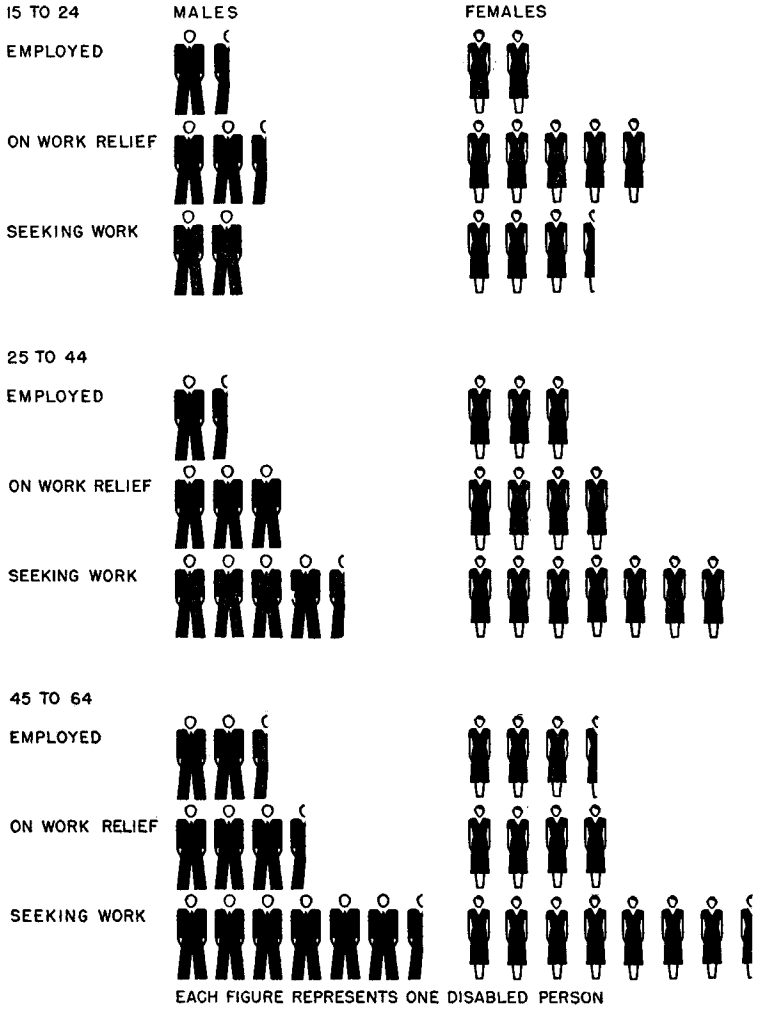
Dr. PARRAN. I tried to point out that there is an interrelation- [747] ship. I do not have, nor do I think there are, any facts in direct reply to your question. Unemployment itself, if adequate food is provided, is not a cause of physical disease. It does have these mental effects that I have tried to point out.

Senator FRAZIER. But, in fact, if we could have employment at a higher wage scale, it would undoubtedly relieve a lot of sickness and disease?

Dr. PARRAN. It would do two things: It would prevent a cer- [748] tain amount of sickness and disease which now results because of poor housing, poor food, and lack of medical attention. It also would result in the more prompt cure of disease if these families either themselves

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DISABILITY RATE PER 100 MALES AND FEMALES BY EMPLOYMENT STATUS AND AGE



SOURCE. NATIONAL HEALTH SURVEY
UNITED STATES PUBLIC HEALTH SERVICE

PREPARED BY
GRAPHIC ARTS SECTION
DIVISION OF SOCIAL RESEARCH, W.P.A.

CHART 2.—Persons sick and unable to work on the day of the survey per 100 males and females of specified ages in each employment status—based on 220,123 persons canvassed in 8 large cities, 1935-36

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had the money to pay for such care, or, lacking that, through public funds or other sources, such care were available.

Senator HATCH. From your statement, Doctor, you have unemployment resulting from disease in certain instances, people become sick and necessarily become unemployed; and, also, you have disease resulting from unemployment.

Dr PARRAN. Exactly. It was on the latter point that I understood the Senator to direct his question.

Senator MURRAY. And the mental effects of unemployment react on the physical?

Dr. PARRAN. On the second chart here (chart 2) we have shown the disability per 100 males and females by employment status and by age, and that chart is summarized by chart 3 which shows disability by age and by employment status for males and females combined.

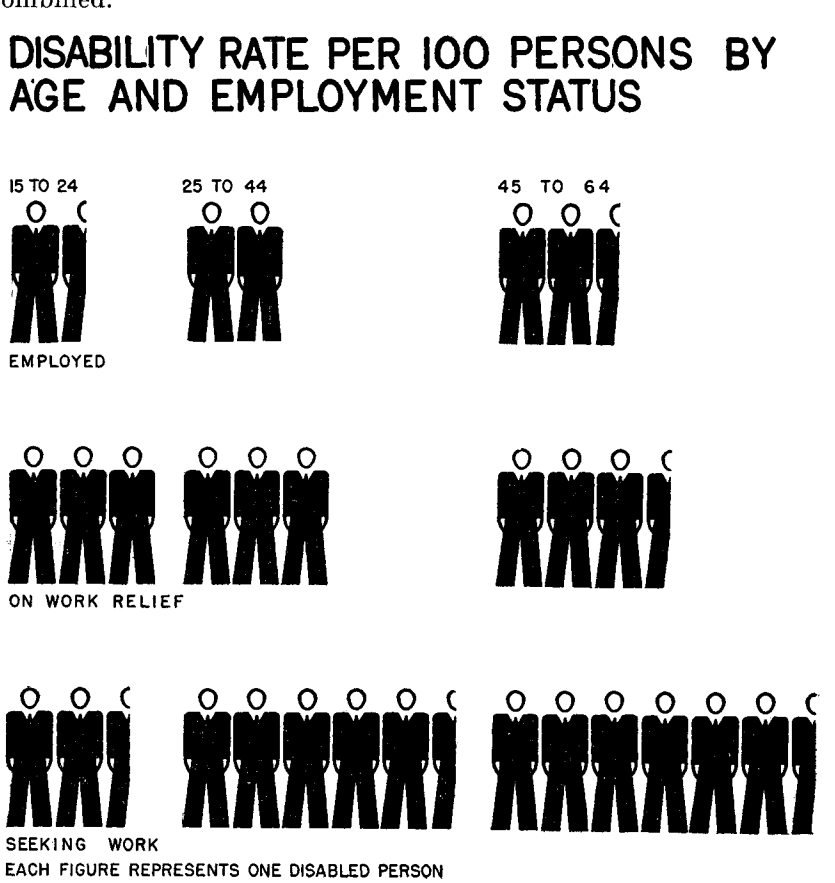


CHART 3.—Persons sick and unable to work on the day of the survey per 100 persons of specified ages in each employment status—based on 220,123 persons canvassed in 8 large cities, 1935–36

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Mr. JOHNSTONE (referring to chart 1). For every 1 person with an income of $3,000 and over who is ill, you have 10 persons ill in the group with the income under $1,000?

Dr. PARRAN. Yes; for every 20 cases of illness, ten are in [749] families with a total annual income of less than $1,000 and half of these are in families that are on relief.

Mr. JOHNSTONE. Have you any data that would give us an answer as to how that volume of illness would be reduced if the great infections which are preventable could be put under control?

Dr. PARRAN. I haven't been able to translate the specific [750–1] prognosis in reduction of individual diseases to the whole of the situation. There are so many indirect effects which would result from eliminating a disease like syphilis, for example. Those effects are known, but are not accurately measurable. Moreover, acute communicable diseases, scarlet fever, and such-like, leave remote aftereffects we know, but we do not know the percentage of cases of late heart and kidney diseases which are the result of such infection.

Mr. JOHNSTONE. Then it is imponderable; we cannot state figures?

Dr. PARRAN. A total is imponderable. We do estimate [750–2] that deaths among children could be cut in half; that deaths from childbirth could be cut by a half or two-thirds; that within a decade syphilis could be reduced to the present prevalence of typhoid fever; that pneumonia deaths that could be treated by serum could be cut in half; that cancer deaths could be reduced by 20,000 a year, and other similar estimates.

Mr. JOHNSTONE. How many cancer deaths do we have now?

Dr. PARRAN. One hundred and forty thousand annually. [751]

Mr. JOHNSTONE. Malaria could be controlled.

Dr. PARRAN. Could be wiped out, and pellagra could be [752] completely wiped out by doing what we know how to do.

Senator MURRAY. Thank you, Doctor.

STATEMENT OF KARL DE SCHWEINITZ, DIRECTOR, PENNSYLVANIA SCHOOL OF SOCIAL WORK, PHILADELPHIA, PA.

Senator HATCH. You have had a connection with the Relief Administration, have you not, Mr. de Schweinitz?

Mr. DE SCHWEINITZ. For 2 years, during 1936 and 1937, I was in charge of unemployment relief for the State of Pennsylvania, and for 1 year, during 1937, in charge, in addition to that, of old-age assistance, aid to dependent children, and blind pensions. I am now director of the Pennsylvania School of Social Work, which is affiliated with the University of Pennsylvania.

Senator HATCH. Will you proceed?

Mr. DE SCHWEINITZ. I will be very glad if at any point in this statement, which I shall start by reading, you will interrupt me when that is your pleasure.

Senator HATCH. All right.

Mr. DE SCHWEINITZ. In speaking to the general outline [753–1] of issues prepared by your committee I shall confine myself to those aspects of the problem of public relief which fall within the area of my experience as derived from the administration of general and categorical assistance. Approaching unemployment compensation

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from this point of view, I would feel it essential that this phase of the security program should be maintained and developed, so far as the participating workers are concerned, as delayed payments for specific services rendered to industry. The distinction between payments such as these for work done and grants made on the basis of need should be strictly observed. Only by doing this can unemployment compensation become as your committee has described it—"The first line of defense against normal unemployment."

UNEMPLOYMENT COMPENSATION

I would feel therefore that wage—rather than family— [753–2] status should be the base in figuring the amount of unemployment compensation. Industry fixes wages in terms of service rendered. The scaling of payments according to the number of dependents would tend to introduce factors other than earnings into unemployment compensation and would by that much blur the distinction between delayed wage payments and assistance by reason of need. Everything about the administration of unemployment compensation should emphasize the payment-for-service idea. The compensation should be as nearly automatic as possible adjusted to length of service and wage rates.

Before any basic changes in unemployment compensation [753–3] law are made, I believe that we should study the experience developed from the administration of the present law. One of the things that should be considered for future adjustment is the matter of the waiting period. And I think that it is most important that during the coming months statistics be collected showing how many people were obliged to apply for relief during the waiting period for unemployment compensation. There has been a beginning of that made in Philadelphia in the Philadelphia County Assistance Board, and Miss Kahn, the executive, has some figures in that connection. Consideration should be given to ways in which this period can be reduced without jeopardizing the integrity of the unemployment compensation fund. If, during the waiting period, a worker is obliged to apply for relief, the function of unemployment compensation as a first-line defense has been, in a large measure, lost.

A transitional period of additional payments would seem [753–4] to me to becloud the distinction between what is strictly compensation and what is relief. Unemployment compensation should carry as far as it can on the basis of maintaining the integrity of the fund. Once this point has been reached relief must be faced and there is no value in not meeting this issue.

The present Federal law implies a close integration of the [753–5] employment and unemployment compensation services at the State level. It would seem logical therefore that there should be consolidation at the Federal level.

So far as administrative organization is concerned, I believe [753–6] that within the States functional lines should be followed. Unemployment compensation and employment belong together—that is, placed. They are interdependent administratively. They are, moreover, large enough in scope to be in one organization, directed in each of the States by a cabinet officer directly responsible to the Governor and concerned with this function and this function only. Similarly,

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I feel that relief or general assistance and categorical assistance are large enough undertakings, involving specialized knowledge and experience, so that like unemployment compensation they should be administered in the States through one department with a cabinet officer directly responsible to the Governor. Public assistance and unemployment compensation are and will increasingly be focal points for public pressure and there should be direct contact between a chief administrative officer and the public on the one hand and between him and the Governor and also with the appropriate Federal agency or agencies on the other.

I believe that the State is the most satisfactory adminis- [753–7] tration unit for unemployment compensation and also for public assistance. Federal supervision as at present carried out in public assistance through the Social Security Board has been most satisfactory. The development of such supervision has been and should be a constructive influence toward sound administration. And I don't think we can underestimate the service which the Social Security Board has given, and I am referring now to assistance, with which I have been specifically connected, in promoting and maintaining high administrative standards. They have been invaluable in that connection.

FEDERAL-STATE RELIEF ADMINISTRATION

Now, I would like to make a distinction incidentally, be- [753–8] tween what is administration, as far as I see it, and what is supervision.

For instance, the auditing of each individual assistance case, [753–9] as is now practiced by the Security Board, is in the direction of Federal administration rather than supervision. The Federal audit should be an audit of the method of State auditing, and not a duplication of the State auditing.

Within the State all assistance and relief programs should [753–10] be administered through the same agency. I mean, that I believe that the same State agencies should be responsible for general relief supervision and administration as the case may be, for unemployment relief, old-age assistance, blind assistance, and aid to dependent children.

Senator FRAZIER. You mean that any Federal funds should be administered through State agencies?

Mr. DE SCHWEINITZ. I believe that the State agency [753–11] with which the Federal Government should deal should be an administrative agency as it is in Pennsylvania where the entire problem of relief and assistance of all kinds is directly administered by the State—we have no local relief, no overseers of the poor, nothing now. The whole job is done by the State. Now, personally, I believe in that system, but New York State would be an illustration of the other thing—where the State makes a grant to the local community, and the local community puts up a large portion of the funds. You have two methods, but, as far as the agencies through which the Federal Government should deal, it seems to me it should be the State and that the State should exercise either administrative functions or supervisory control. The problem of meeting need on the basis of need is essentially the same whatever the category of assistance may be, whether it be unemployment relief, administrative relief, or one of the

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systems under social security. Administration within one agency permits a maximum of flexibility and of fairness and prevents the building of conflicting policies.

I favor a system of Federal grants-in-aid for general [753–12] assistance or relief. I would not develop any other categories but would within general relief have certain provisions set up for the administration of aid to transients by the States. Federal funds should bear the full cost of relief to interstate transients subject to rules or regulations of the Social Security Board.

I am now talking in terms of present organization, not in [753–13] terms of any future organization which may develop later.

All Federal matching should be on a 50–50 basis. This [753–14] would apply to any general relief matching and would involve bringing the grants-in-aid to dependent children from one-third to a 50–50 basis.

Senator FRAZIER. Do you mean to say that as a general statement?

Mr. DE SCHWEINITZ. No; I mean anything in the relief [753–15] area, anything that goes in cash to families. I think we are beyond the days of grants in kind to families, and that any system of relief should be strictly on a cash basis, by a check sent to the individual, but that any relief of that sort should be, as far as Federal contribution is concerned, on a 50–50 basis. You see, it is now in old-age assistance; it is in blind assistance; and is only in aid to dependent children that the Federal grants have been on a third basis.

Senator FRAZIER. Take the Farm Security Administration, for instance, which is making direct grants in the drought areas. Do you advocate the State put up half of the money?

Mr. DE SCHWEINITZ. I am not competent to talk on that, [753–16] Senator, because we have not the drought experience in Pennsylvania. That looks to me like a very special kind of emergency and should not be considered as continuing relief, and it seems to me that where you have areas that are devastated by particular problems, that there you have to treat them differently.

Now, for instance——

Senator HATCH. You are including work relief in this category?

Mr. DE SCHWEINITZ. I am not including work relief in this. [753–17]

Senator HATCH. Go on.

Mr. DE SCHWEINITZ. The Security Board should have the [753–18] power to make rules regarding the amounts of grants in general assistance, similar needs being met similarly. One administration within a State of all categories would tend to fairness as between the different categories. Federal contributions should be contingent on the maintenance of minimum standards but the decision should be left to the Security Board or whatever administration should administer that.

The coming of unemployment compensation as a first line [753–19] defense for the individual against unemployment changes somewhat the picture of meeting this problem.

SECURITY AS RELATED TO UNEMPLOYMENT

I would see these elements in the program of security as [753–20] related to unemployment:

1. Public works as a stimulant to the economic system and as a resource for the unemployed who on a basis of skill can qualify for the job offered.

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2. Unemployment compensation to tide over so-called normal unemployment.

3. Work relief as a means of maintaining morale and working efficiency.

4. General relief as the cushion against need.

Work relief has been a conserver of morale. It has helped [753–21] to keep workers in mental and physical trim. It has not at any time met the total needs of the unemployed requiring relief.

The priming of the economic system and the provision of [753–22] increased jobs for the unemployed should be a function of the public works program. Federal participation in general relief should be through matching State and local payments.

Now, I believe that it is very important that we should [753–23] have a clear-cut distinction between what is pump priming and feeding in jobs to the general community, and what is relief, or what is designed to build and develop morale. As I said before, the W. P. A., and for that matter, none of the works programs, C. W. A., or any of them, ever met the total need for unemployment relief. I think the testimony yesterday showed that the highest amount of expenditures, Federal expenditures, for work relief came during the W. P. A. in 1936, and speaking for our Pennsylvania experience, even at the maximum, or let us say at the minimum, relief load that we had in the State, was well on a monthly average of 135,000. The W. P. A. did not relieve the State fully of the problem of providing unemployment relief, although it was an enormous factor in helping the State.

Senator FRAZIER. They never pretended to take care of all the unemployed?

Mr. DE SCHWEINITZ. No; and the first reason I presume [753–24] was the question of appropriations, and the next reason was the problem of getting projects where projects are needed, so I do not believe that it is readily conceivable that you would find work relief as really meeting the full need, and therefore I believe that general relief has to be the cushion under unemployment compensation. I should like to see W. P. A. recognized as a morale building and physical and mental efficiency conserving system. I think it would be most desirable if a system of rotation in job placement could be followed. For instance, if in general the plan that the C. C. C. is following, namely, if a period of work for the individual could be established, I would say for possibly a 6-month period that an individual getting employment in W P. A. would have the job for 6 months. He would be drawn from the relief rolls, then, at the end of the 6 months, if he had not secured a job, his place would be taken by somebody else. In that way, you could pass about the value that comes from work by maintenance of physical and mental efficiency, and I want to say that in spite of the criticism at various times, that the W. P. A. has had, that I believe W. P. A. has functioned very definitely in that direction. The real problem in W. P. A. administration, as I see it, from the point of view of a cooperating agency, was the accession at various periods of large amounts of funds and large amounts of employment which demanded rapid action, and in that way, forced into projects more employees than the projects could carry, but I believe that if we could in a sense stabilize the W. P. A. and recognize that a work program cannot be as flexible as relief, if we could have a fundamental cushion of relief, then have a somewhat stable W. P. A. program, with people

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passing in and out, that you would get the best returns in human efficiency and you would meet the situation.

Senator MURRAY In your proposal of rotating the men, wouldn't the 6-month period that they would be out of work be sufficient to upset their mental equilibrium and effect them?

Mr. DE SCHWEINITZ. I would see them on the job 6 [753–25] months. Of course, presumably, after 6 months, they would be eligible for another job, but there are a number of factors involved. A lot of people on W. P A. come to regard that as a regular job, and they have something, it is very meager, it doesn't in many instances meet all of their needs, but they are doing something more or less. They can say they are W. P. A. workers, they have something to employ their time, and they are much less likely to look for a job than when they are out of a job.

Senator MURRAY. They have a union also, and they would greatly oppose any such system as that; wouldn't they?

Mr. DE SCHWEINITZ. I don't know that they would. If [753–26] they had more rotating workers they would have more individual members of the union.

Senator MURRAY. They would be out of work, though, for 6 months, and it seems to me they would be getting much less.

Mr. DE SCHWEINITZ. That might be or might not be the [753–27] case. In some instances the W. P. A. wage is less than what a family would receive on relief, and incidentally, in Pennsylvania, we followed this plan, that where the W. P. A. wage is less than a man would get on relief, there the individual is given the choice as to whether he takes the W. P. A. job or does not. We followed that rather than supplementing relief because there were fewer jobs than there were people who needed the jobs, and looking at it in the large, if John Jones did not take the job, Jim Smith would, and then the administrative complications of supplementation are somewhat great, and it is cheaper to administer than if you make the distinction.

Senator DAVIS. Did you find many of them who would rather take the relief than the job?

Mr. DE SCHWEINITZ. We found a surprising number of [753–28] persons who took W. P. A. jobs rather than relief.

Senator DAVIS. I mean, did you find any of those who would take relief in preference to a W. P. A. job?

Mr. DE SCHWEINITZ. Well, we had two situations. There [753–29] were men whose possible W. P. A. wage was less than relief, and they just felt their families could not take it, and then there were some persons who, for various reasons, refused the W. P. A. jobs. Now, we set up in the 70 what we call work-refusal committees. They consisted of a representative of organized labor, a representative of business and a third person presumably representing the communities, and those committees of three, in larger communities we had large committees or duplicated committees, passed on every case of work refusal that did not fall within certain general rules that the committee set up, and if the person refused work relief without any good reason, he was stricken off relief. Of course, sometimes a man would be offered a job 20 miles away from his home and he could not make it or was sick or something of that kind.

Senator DAVIS. But those that you did find who would accept relief rather than W. P. A., did you determine their physical condition?

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Mr. DE SCHWEINITZ. Well, if their physical condition did not [753–30] justify their taking a job they were not required to. Obviously, if a man is not fit, he cannot take it. And you have this additional problem, too, that some of these people who have been doing indoor work all their lives—a man who has been working in a jewelry store—cannot stand up under a heavy job, so there are some justifications for that sort of thing, but, in general, I would say that all my own experience indicates that people, if they have a chance to work, would rather have a job than not; that they would rather have a real job. I think what Dr. Parran said about useful work is most important. That is why I believe that a stabilized W. P. A. program is better than a program with wide fluctuations, because the steadier your job level, the more possible it is to develop useful projects, and the less danger there is of flooding a project with more employees than the project can really carry.

I want to just add this, in terms of relief: I know that there [753–31] is a great deal of feeling that relief is a demoralizing thing. I would like to point out that the most demoralizing thing is being out of a job. It is what a man loses, well, in the fact that somebody says, "What are you doing?" and he has to say he is not doing anything; in fact that he does not keep in trim any more, the way an athlete loses if he gets out of training. And I think the whole effect, as Dr. Parran pointed out, his feeling about himself, his mental state, I think are true of unemployment, whether relief or not. Of course, I believe that unemployment compensation is absolutely the first line of defense. Now, once that is passed out of the picture, I believe there are great possibilities in making relief something that does become a deteriorating influence, and I think one of those things, first of all, is a cash basis of relief, giving a man a check so that his wife and he can determine his expenditures and can have the educational value that comes from making decisions about your own budget.

When we, as a society, deprive a man of employment, [753–32] we do two things to him: We take from him the constructive influence that comes from work; but, on the other hand, unless we provide a cash relief system, we take from him the value he gets from making his own decisions about his own expenditures. That is why I believe any system of relief should be on a cash basis, and I believe if you can follow the system that has been followed in Pennsylvania and other places, of a check mailed at regular intervals, once a week, as the case may be, that that is essentially a step in the right direction.

Then, another thing is to recognize that this is an [753–33] economic problem, that there is nothing fundamentally wrong in the overwhelming majority of instances with the individual who is out of a job, and that you approach the problem of determining whether or not he is entitled to relief, strictly on an economic basis, that you do not inquire into matters that are not relative, so far as he himself is concerned or his family life is concerned, that you do not inquire into such matters unless they directly relate to the problem of—Is he out of work or isn't he out of work; is he registered for a job, or isn't he registered for a job; what is his economic status? Then, in addition to that, in administration, the cards are put down on the table and when the man comes to apply for relief, he says, "Now, these are the conditions; here is the information that is needed; we look up your references in the same way as if you were trying to make a loan."

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But, if the approach is made in an impersonal and objective way, I think a great deal can be conserved in the administration of relief.

Senator DAVIS. Mr. Chairman, it is necessary for me to leave to go back to the Finance Committee, and I would like to just ask him a question.

Senator HATCH. Certainly.

Senator DAVIS. Do you believe in the merit system? [753–34]

Mr. DE SCHWEINITZ. I do, very definitely.

Senator DAVIS. To be applied to all this social security work?

Mr. DE SCHWEINITZ. Yes.

Senator DAVIS. Old-age assistance, unemployment insurance?

Mr. DE SCHWEINITZ. Yes.

Senator DAVIS. All of that, you tell us, should be strictly on the merit system?

Mr. DE SCHWEINITZ. Yes; I do.

While in the immediate future the most practical method [753–35] of handling work relief would be through the continuance of the present W. P. A., and as I said before I am talking about the present systems, I would favor a gradual assumption by the States of administrative responsibility for work relief in the same way as they have assumed administrative responsibility for unemployment compensation and for categorical assistance. The W. P. A. would under such a plan ultimately become a supervisory agency operating on the same basis as the Social Security Board does now. Any such change in policy should, however, come slowly and should be inaugurated State by State on the basis of the State's ability and willingness to carry out the program and the decision in this respect should rest with the W. P. A. organization in Washington.

I think one of the most difficult things, from an adminis- [753–36] trative point of view in this country of ours is the quick change in method. We have one system, then we change to another system, and so forth, and we have in the W. P. A. a great deal of experience and knowledge of dealing with this problem, and I think that functionally the W. P. A. has steadily improved, and I think it would be a great pity to lose that skill and experience but I think the fundamental principle of the State as an independent unit, receiving grants from the Government, and administering relief, is the thing to head for, looking to the future.

Senator MURRAY. You think that is true, regardless of the portion to be contributed by the State?

Mr. DE SCHWEINITZ. Yes.

Senator MURRAY. Even if the State is contributing 8 or 9 percent, you still think the State should control the program?

Mr. DE SCHWEINITZ. Yes; but I believe with a very definite [753–37] amount of supervision. I think the Federal Government has to assure itself that the job is properly administered, and I believe that when the administration is not good, whatever the cost, either the Federal Government should withdraw entirely, or take over the administration and operate it directly. I cannot see the Federal Government putting money into the States, I don't care if their percentage is only 10 percent, or if it is reversed, unless the Federal Government is absolutely certain that you will have good administration.

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Senator MURRAY What are the chances of these administrative organizations being built up into political machines?

Mr. DE SCHWEINITZ. I think there is great danger, and for [753–38] that reason, I believe in the merit system, and I would like to see the Federal agency have the authority to demand of the State either a merit system or a system of qualification, but I believe they ought to have the right to set up personnel standards in the same way they set up administration standards.

Senator MURRAY. Isn't it true that under the administration of the liquor business in States that it is being claimed now that they are mostly political machines which will dominate the State politically?

Mr. DE SCHWEINITZ. I am not familiar with the liquor [753–39] administration, but I know it is very great danger, Senator, and the amount of power that an individual has when he is paying a check to somebody, I don't care whether it is in unemployment compensation, which is based on wages and earnings, or whether it is on relief, is too great to enable that person to become a part of the conflict between the ins and outs, which I think is a proper and inevitable part of government, but I think that has to be removed from political conflict.

Senator MURRAY. But a State that is already under control of a political machine can put into operation its own merit system and still control; couldn't it?

Mr. DE SCHWEINITZ. You can beat the merit system if you [753–40] want to, but I think with good Federal supervision, you can make it awfully hard. Now, there are all sorts of ways of evading the merit system, and we know that the merit system is not a perfect method of selecting people yet, that it is still in a period of infancy, but I believe that with your Federal agency having power to demand adequate examinations and a careful selection of personnel, and with power to follow through the whole method, I believe you can go a long distance.

Senator MURRAY. I hear of men holding jobs in administrative capacities in these various set-ups who are supposed to be candidates in the next election and they are going around building themselves up while occupying these positions, intending at the appropriate time to file for office. Did you hear of anything like that?

Mr. DE SCHWEINITZ. I know of nothing of that sort [753–41] in Pennsylvania, and I would just like to say in that connection, that so far as the chief administrative job in relief is concerned, it was the very poorest point at which to place oneself if one desired political office, because, if you are going to do a good administrative job, you have to say "no" 40 percent of the time to people who are not eligible for relief, in the first place; and, in the second place, where your grants are bound to be inadequate in many cases, or some cases at least, you are going to have additional dissatisfaction; so anybody who administers relief is going to be unpopular with the electorate, and I think any man who is looking to public office and takes the chance of taking a relief job, is a mighty poor politician.

Senator MURRAY. I think that is absolutely true, I [753–42] know that, but there are some positions, though, that do not put them at that disadvantage; aren't there?

Mr. DE SCHWEINITZ. You are perfectly right. Let us say, [753–43] in a State administrative system, or a local one, if you would have 6,000 people, is always the possibility of asking them to vote for you,

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but the best gurantee is, I think, the development of a merit system with Federal supervision following that through, and I think there is an increasing interest in the States in this whole proposition, and when it comes to the area of politics, my experience is not great, but I know that when you talk with men who have had a great deal of political experience, they are beginning to say that while the division worker and the door-bell puller is still a valuable factor, nevertheless, very much less so because of the radio and other means of influencing elections. I think a most interesting statistical study would be to take the patronage in a city of a State and see how it relates to the actual vote. I wonder very much whether a great deal of patronage would be shown to be wasted from a political point of view.

Senator FRAZIER. You state here in regard to turning the W. P. A. work over to the State, that you think this decision should be left to the W. P. A. organization here in Washington?

Mr. DE SCHWEINITZ. Yes.

Senator FRAZIER. In our experience with Government bureaus, we have not found that that worked out very well, because every time they relinquished any part of their work to the State, some of their people lost jobs, and put them ultimately out of business, so it does not function very well that way, ordinarily speaking, of course.

Mr. DE SCHWEINITZ. I know that is likely to be the case, [753–44] but, on the other yand, I think we have to be assured that a State does not undertake administration unless it is going to do it in a proper way, and I see no other way of determining that except to give the power to a Federal agency.

On the basis of experience with the Social Security Board, [753–45] I am very much impressed with what the Federal Government can do to see that good standards are maintained in the State.

In the unemployment compensation, work relief and [753–46] assistance program, the decision as to whether contributions are State or local should be left to the State. The contact of the Federal Government should be with the State.

In other words, it seems to me the Federal Government is [753–47] interested in what the State is going to put up, whether they are going to have a 50–50 match, leave it to the State to say whether the local government is going to put it up, or how it is going to put it up; and, incidentally, I deplore the fact that in W. P. A. the percentage of contribution from the local communities has been increased. I would like to see it decreased.

The problem of administering and determining medical aid [753–48] is an entirely different one from determining economic need. I believe that any medical program should be wholly separate from the administration of relief and assistance and should be placed in the hands of Federal and State public health service.

I think Dr. Parran covered that so fully that I need not say [753–49] any more, except that the area of people who are unable to provide themselves with medical attention is greater than the area of people on relief who need medical attention, and I believe you might have some certification to a medical agency that this person is on relief, or receiving compensation, and therefore is entitled to free medical attention, but it seems to me that the actual administration of the job is definitely a distinct matter from relief administration, and I

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have had some experience in administering a medical job, and feel that partly on the basis of my own experience.

I believe in the application of the merit system to all [753–50] Govenment positions, particularly in the fields of assistance, unemployment compensation, placement and work relief. The Social Security Board should have authority to demand adequate personnel standards, these to be obtained in its discretion through established qualifications, or through civil service.

Senator MURRAY. Thank you for your statement, Mr. de Schweinitz. It is very interesting and very instructive, I am sure.

(Witness excused.)

We will adjourn now until 10 o'clock tomorrow morning.

(Thereupon at 12 noon, the committee adjourned until 10 a. m., March 17, 1938.)

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UNEMPLOYMENT AND RELIEF

THURSDAY, MARCH 17, 1938

UNITED STATES SENATE SPECIAL COMMITTEE
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 357, Senate Office Building, Senator Hatch presiding.

Present: Senators Hatch, Murray, Frazier, and Davis, also Alan Johnstone, counsel for the committee.

STATEMENT OF F. M. RARIG, JR., EXECUTIVE SECRETARY OF THE COUNTY WELFARE BOARD, ST. PAUL, MINN.

Senator HATCH. The committee will come to order, please.

Mr. Rarig, the committee has asked you to appear and give us your views on matters involved in the proceedings.

Mr. RARIG. Yes, sir.

Senator HATCH. You have a prepared statement?

Mr. RARIG. Yes.

Senator HATCH. You may proceed with your statement then.

Mr. RARIG. I consider it a real privilege to have the opportun- [**754**] ity to appear before your committee today. Realizing something of the volume of testimony that has already been introduced, I have limited this prepared statement to a number of general observations based on my own experience. During the past 5 or 6 years and since the first Federal funds were made available for direct relief in 1932, it has been my privilege to participate in and observe the administration of direct and work relief and public assistance from the viewpoint of the Federal, State, and local governments. For about 2 years I was employed as executive secretary of the Minnesota State emergency relief administration and for one year as assistant director of the Indiana emergency relief administration. Since July 1935, I have been executive secretary of the county welfare board in St. Paul. From July to November 1935 I also acted as district W. P. A. director for our county and from November 1935 to March 1936 I served as deputy State W. P. A. administrator.

COUNTY WELFARE BOARD, ST. PAUL, MINN.

We have a completely coordinated public welfare adminis- [**755–1**] tration, in the county welfare board, in St. Paul and Ramsey County, which is one of the few coordinated public welfare administrations in the country. The responsibilities of our board include the administration of direct relief, old-age assistance, aid to dependent children,

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child welfare, aid to the blind, certification to W. P. A. and the administration of the city and county hospital, children's preventorium and county home. In order to give you some indication of the scope of our work, it should be explained that in February 1938 we expended $459,554.26 in providing direct relief and public assistance to 14,927 different cases involving approximately 42,000 persons. An additional 1,000 persons were provided hospitalization or other institutional care at a cost of approximately $115,000. The W. P. A. provided employment to an additional 7,200 persons at a cost of $500,000. The total expended in our community for relief, public assistance, W. P. A., and institutional care during February 1938 was $1,075,000, affecting approximately 70,000 persons, or 25 percent of our population. Total expenditures for all of these various programs during 1937 were more than $13,000,000 and approximately 40 percent of the population of our community was involved.

I might remark that in 1932 our expenditures were about [755–2] $1,500,000 for 40 percent of the population.

Senator DAVIS. Forty percent of the population of the county or the State?

Mr. RARIG. The county.

Senator HATCH. You said in 1932 your expenditures were how many?

Mr. RARIG. $1,500,000.

Senator HATCH. Do you know what percentage of your population was affected at that time?

Mr. RARIG. No, sir; I do not. The direct relief load in [755–3] the community would vary from 1,500 to 3,000 cases, and that would be about 12,000 persons, and an additional two or three thousand cases would receive hospitalization during the course of the year

I am speaking always just simply of Ramsey County, [755–4] and the city of St. Paul.

ANALYSIS OF FEBRUARY CASE LOAD

It is my opinion that the Federal Government cannot con- [756–1] tinue to limit its contribution to unemployment relief to the jobs made available through the Works Progress Administration because a made-work program cannot be adapted to provide suitable jobs to all unemployed employable persons. The following analysis of our direct relief case load for the month of February 1938 will indicate the basis for my opinion:

Total number of cases receiving relief	9,008
Number of unemployable cases	2,851
Balance	6,157

Senator DAVIS. Can you give us the reasons why they were unable to work?

Mr. RARIG. There were physical and mental handicaps, [756–2] and just no person of employable age in the household. Many of them are widows and small children, and definitely no employable person in the family; nobody that could do any type of work by any stretch of the imagination.

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Number of persons employed on W. P. A. receiving supplemental direct relief	1,376
Balance	4,781
Number of persons employed on W. P. A. who have not received first W. P. A. pay check (1,310 persons were assigned to W. P. A. during January of which 1,062 reported to work)	1,000
Balance	3,781
Employable persons awaiting assignment to W. P. A	574
Balance	3,207
Number of persons employed in private industry receiving supplemental relief	1,236
Balance	1,971
Number of persons who are employable in some type of private industry but not employable on W. P. A. for various reasons, including physical handicaps	1,000

We call those men "C" men. They are people we have [756–3] given physical examinations to, and find they are not acceptable to W. P. A., and our balance we group together in one group, calling them "persons ineligible for W. P. A. because of lack of citizenship, eligibility, for A. D. C. or some other technical reason."

The above situation may be summarized in one sentence. [756–4] At a time when W. P. A. was employing practically every eligible person, our local community must look forward to providing direct relief to 7,708 cases after all those assigned to W. P. A. have received their first full W. P. A. check. Expenditures for direct relief during February 1938 were $334,772.

INFLEXIBILITY OF W. P. A.

Naturally every local community wants to transfer just as [757–1] many direct relief cases to W. P. A. as humanly possible in order to effect the saving in direct-relief expenditures. Thus, the policy of the Federal Government limiting its contribution to unemployment relief to a work program put a premium on the certification by the local relief office of all employable persons irrespective of their employability on W. P. A. During the month of February our district W. P. A. assigned 1,887 persons. In an effort to take advantage of our increased quota we recertified to W. P. A. all employable persons irrespective of whether those persons may have been terminated from W. P. A. for lack of ability at some particular type of work. The inefficiency of this method of forcing unemployed persons onto W. P. A. projects is emphasized by the following statements:

There are 1,072 women employed on our W. P. A. sewing [757–2] project at the present time of whom 50 percent were never previously employed in private industry and an additional 20 percent are mothers with children and have not worked for many years. Many of these women, who had previous employment records, never earned an amount equal to the W. P. A. security wage of $60.50. In order to keep these women employed, the W. P. A. has resorted to hand sewing, knitting, and other hand work. For example, appliqued bedspreads were made at a cost of approximately $25 apiece, hooked rugs at a cost of $10 each. During 1936 the total expenditures on

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our sewing project were $742,109 for labor and material, while the value of the articles produced was $145,874, or 19.2 percent of the total expenditure. During 1937 an average of 772 women were employed on the project at a total cost of $699,000. The value of the garments and other articles produced on the project was $200,246, or 28 percent of the total expenditures.

The W P. A. is forced to amost desperate efforts to attempt [757–3] to provide employment for women. As another example, there is the housekeeping-aid project, under the terms of which the W. P. A. will provide housekeepers in relief families to whom they pay $60.50 and $71.50 per month without room and board. The average wage for a maid in our community is about $5 or $6 per week with board and room. It may be argued that when you add the board and room, the average wage paid in private industry is about the same as the W. P. A. wage, but unfortunately human nature is such that the cash wage paid is the important point.

At this point I should like to make clear that we have in our [757–4] community a very excellent W. P. A. district office from which we have received the finest cooperation. The trouble is not with the persons administering the program but with the inability of the program itself to efficiently meet the needs of all unemployed employable persons. The W. P. A. is a tremendous improvement over the C. W. A. and E. R. A. work programs. It is efficiently administered and the majority of the projects are community assets. I sincerely believe that if the Federal Government is to contribute the bulk of the money used to finance the work program, it should be supervised and administered by the Federal Government rather than through the State and local governments as was the E. R. A. program.

Facts similar to our experience with our sewing project [757–5] may be presented relative to the assignment of men who have never had previous experience at the type of work W. P. A. is able to provide. For example, it is estimated by the district W. P. A. office that 20 percent of all men available for assignment to W. P. A. are salesmen and nonmanual workers, other than clerical, such as elevator operators, barbers, gas-station attendants, restaurant employees, clerks, and so forth. It is a practical impossibility to devise work projects to employ these people at the type of work they are ordinarily engaged in. The W. P. A. in our community is not even able to offer regular employment to all of the skilled mechanics. It is estimated that there are ordinarily approximately 500 skilled mechanics doing common-labor work, although this number varies as the number of construction projects undertaken by W. P. A. increases or decreases.

As the W. P. A. becomes more efficient, it becomes more [757–6] standardized and inflexible. It is more difficult to justify continuation of situations such as I have just described. Gradually such projects will be reduced and eliminated which will leave a still larger number of people to be cared for on direct relief. This is my first reason why W. P. A. cannot meet the local needs and why as the program continues it will become more and more difficult to provide for the care of all employable persons through a Government work program.

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RELATIONSHIP OF WORKS PROGRESS ADMINISTRATION TO UNEMPLOYMENT COMPENSATION

Mr. RARIG. When the Works Progress Administration was [758–0] created, our unemployment compensation acts had not yet become effective. Unemployment compensation is now being accepted as a first-line defense against unemployment for those who are normally employed in "covered industries." The recent ruling of the Works Progress Administration that persons eligible for unemployment compensation benefit payments are not eligible for certification to W P. A. relegates W. P. A. to the second line of defense. It means that we must have a new definition of the relationship between unemployment compensation, direct relief, and W. P A. It means that at least during the first years of the administration of unemployment insurance, the local relief offices will have to bear the brunt of those persons who fail to receive their unemployment compensation checks promptly and to provide supplementary relief to those persons whose benefit payments are inadequate. Our local communities will have to spend more for direct relief as a result of unemployment compensation than if the W. P. A. program were continued as a first line of defense, the reason for that being that the average benefit payment is considerably less than the average W. P. A. wage.

CATEGORICAL ASSISTANCE

I have already indicated in my introductory statement that [758–1] our board has the responsibility for not only administering direct relief but also the public assistance categories. One of our most difficult and irritating administrative problems is the coordination of direct relief, old-age assistance, aid to dependent children, aid to blind, and child welfare. The categorical aid programs are supposedly on a higher standard than direct relief, yet they are so inflexible as to be incapable of meeting the needs of many cases, with the result that we must supplement with direct relief. For example, during February 1938, we provided aid to 294 mothers and their dependent children. It was necessary to provide supplementary relief to 150 cases, or more than 50 percent of the total load. The old-age assistance program makes no provision for dental or medical care. It is necessary for us to supplement from direct relief funds for dental care for a number of our old-age assistance recipients. Fuel is an item of considerable expense in the normal family budget in our part of the country. Because of the $30 limitation on the old-age assistance grant, it is necessary for our division of old-age assistance to budget fuel on a 12-month basis. Consequently our old people spend the money included in their budget for fuel during the summer months for other items and then have a great deal of difficulty getting along during the winter months. As a result of the categorical aid programs, we must set up complicated administrative procedure so that the public assistance divisions may requisition supplemental direct relief as needed for their cases. We are attempting to eliminate duplication of administrative effort by transferring cases active in two or more divisions of our department of public assistance to the division having the major responsibility for their care. All of these problems necessitate the

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expenditure of additional funds for administration and confuse and bewilder the applicants for various types of public assistance, as well as the employees of the various divisions of our board.

Categorical aid programs also have a tendency to com- [758–2] plicate the financial and reporting procedure. The legislature will make adequate appropriations for old-age-assistance grants, is less willing to appropriate adequately for aid to dependent children, and is growing extremely reluctant to appropriate money for direct relief. The categorical aid programs have also added a tremendous burden in our community. Only 20 percent of those persons receiving old-age assistance were transferred from our direct relief rolls to old-age assistance. An additional 800 were inherited from the old county pension list, which means that the net result of the old-age-assistance program was to add approximately 3,400 persons to the load of dependent individuals in our community.

Obviously the categorical assistance programs have reduced [758–3] the direct relief burden to some extent but not anywhere near as much as was anticipated. It may even be argued that the direct relief load has been increased as a result of the practice of referring those persons who are ineligible for technical reasons for one of the public assistance categories to the relief office.

I have discussed the above problems with the members of [758–4] our board and with other citizens in our community who are interested in unemployment and relief and wish to make the following suggestions for your consideration:

1. That the Federal Government should continue to [758–5] finance and supervise the W. P. A. program, the program to be limited to the employment of those persons who are normally employed at the occupations at which the W. P. A. is able to provide work opportunities and for whom there are available suitable projects which may be efficiently operated for the benefit of the public.

2. That while the categorical assistance programs have [758–6] definite values, they also have a great many weaknesses and shortcomings. The need for direct relief has not been materially decreased as a result of a tremendous expenditure for various forms of public assistance. The net result has been to add an additional financial burden on the Federal, State, and local governments. State and local governments have been forced to divert funds to the public assistance programs which should have been used for direct relief and other governmental activities.

3. That the unemployment compensation benefit payments [758–7] will greatly reduce the number of persons eligible for W. P. A. and will put an additional direct relief load on the State and local communities. There must be a redefinition of the procedural relationships between unemployment compensation, W. P. A., and direct relief.

4. That in spite of the tremendous expenditures for both [758–8] W. P. A. and the public assistance categories, people are actually starving for the lack of adequate direct relief. I have people in my office almost every week who state that they would rather starve in Ramsey County than return to the rural county in Minnesota where they have legal settlement. The same situation exists all over the United States. Since the withdrawal of Federal funds for direct relief, relief budgets in many communities are pitifully inadequate.

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Senator FRAZIER. Return where?

Mr. RARIG. Return to the rural county in Minnesota where they have legal settlement.

Senator HATCH. What do you mean by "legal settlement"?

Mr. RARIG. The States have laws of legal settlement. In [759–1] our State we have laws that a person must reside for 1 year in the county before he can have relief. The same law defines "legal settlement" within subdivisions, so if you reside in Carver County and have not resided in Ramsey County for a year, you have no right of relief, and you must return to Carver County, and that happens to be a county in Minnesota where they do not give relief. The only assistance is limited to W. P. A.

Senator HATCH. That is the actual condition in the county that you have mentioned, that it does not provide any form of direct relief?

Mr. RARIG. I guess the population in the county is 20,000, [759–2] and they have 5 or 6 direct-relief cases that they will give direct relief to.

Senator DAVIS. Who provides relief for those who have no legal status in your community?

Mr. RARIG. Well, sir, we have been forced to provide direct [759–3] relief to families where small children are involved, and in 1936 we spent $130,000 of our money to take care of transient families, and in 1937, by some almost inhuman treatment of these families, we reduced our expenditures to $85,000. Legally speaking, we have no authority to make those expenditures. Single men are just passed on. We have no provision for them. We have gone right back to the old policy of passing them on from one community to the other.

Senator DAVIS. In the Northwest there are men who follow harvesting work, and, in the late fall, come into the city. How many such transients have you in St. Paul?

Mr. RARIG. I do not know how many transient men. We [760–1] have in our men's department from 1,600 to 2,000 single men receiving relief. That will fluctuate from 1,600 to 2,000 in the winter, down to as low as 800 in the summer. Minneapolis, Minn., has the worst problem. They are more in the transient labor market than we are. They will have as many as 4,000 of these men, and because we cannot prove their legal settlement, we have been forced to accept them.

Senator DAVIS. Are Minneapolis and St. Paul two separate counties?

Mr. RARIG. Yes.

Senator DAVIS. Do you find that men who are seeking relief are on relief in both counties, both in Hennepin and Ramsey counties, because of their close connection to each other?

Mr. RARIG. We have little difficulty with our local people [760–2] with that problem, but these transient men for whom there is no assistance, will pass back and forth from Minneapolis to St. Paul day after day They get a night's care in St. Paul and a night's care in Minneapolis, and it is pretty hard to turn them out when the weather is very cold, as it gets in that part of the country.

Senator DAVIS. Are there many flophouses, as we call them, in St. Paul and Minneapolis, where they get lodging for 20 cents a night?

Mr. RARIG. Yes, sir; we have about 800 of our single men [760–3] in those flophouses.

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Senator DAVIS. Those are men who mostly follow the harvest work?

Mr. RARIG. Yes. Minneapolis has about twice that [760–4] many.

Senator DAVIS. Prior to the depression they came there, lived there during the whole of the winter, and then went back to the farm work in the summer again. Did the local communities then provide relief for them?

Mr. RARIG. They did not; nobody provided for them. [760–5] There was some private relief through the community chest, but a great majority of them took care of themselves, but our difficulty is that during the past 5 or 6 years we have educated them to look for relief, and once men have that psychology, it is almost impossible to get it out of them.

Senator DAVIS. What percentage of those men are legally registered to vote?

Mr. RARIG. The great majority of this load of single men [760–6] that I am referring to are now legally registered. This load varies from 800 to 1,600.

Senator DAVIS. And they are able to vote?

Mr. RARIG. Yes, sir, that is one of their rights that they [760–7] insist upon very religiously.

Senator HATCH. Where you said there were five or six cases of direct relief, of course, I would assume that does not measure the number of cases needing direct relief in that county?

Mr. RARIG. No, sir.

Senator HATCH. How are the other cases taken care of? Is it done by private charity?

Mr. RARIG. They really are not taken care of. They come [761] up and sit on our doorstep. I have had a great deal of difficulty in the last couple of weeks with a woman named Mrs. Benedict, who has six children, and a husband who has no initiative to take care of her and of them, and she has been in our office three or four times in the last month, and several ministers in the community have been in to see me about the family. They have, by half starving themselves, eked out an existence in our community for 10 months without being on relief. We are insisting that they return to Carver County, and rather than do that the woman is simply starving herself and the children. The other day the situation became so bad that I said, "Well, I will authorize 2 weeks' relief for you until the weather is a little warmer, and give you some coal and pay your rent. Then if you want to try and stick it out after that we won't return you to your place of legal settlement." On the basis of this relief, we have authority to issue an order to the sheriff to conduct the people out of the county, but this case is so pitiful that I couldn't bring myself to make that decision. Yet they needed food so badly that I said, "We will give you two more weeks' relief, and maybe it will get warmer by that time, or something will break for you." In other words, I was cooperating with that family to establish a residence in our community simply because the situation was so pitiful, and, strictly speaking, I suppose it was against my legal responsibility to do that.

Since the Federal relief program, we have transferred about 450 [762] families from the transient district office to our regular family districts, because there is nothing you can do with those people. Settlement

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laws are hopelessly confused from one State to another. For instance, South Dakota has a law that if you are absent from South Dakota for 30 days you lose your legal settlement. These people come to Minnesota and manage to eke out an existence for 30 days, then we send them back to South Dakota and South Dakota sends them back to us. We have sent one family back three times. Our law provides for a year's absence out of the State, so if our families go out for a year and become dependent we authorize return and accept responsibility, and it is getting to be a matter of self-preservation for the community. In California you have to live there 5 years in order to obtain legal settlement. If our people go out there for a year and 1 month, they lose settlement in our community, yet they do not gain it in California. It is one of the most mixed up and hopeless problems that we have to deal with.

Since the withdrawal of——

Senator HATCH. I judge from your statement, in fact, you say so, that you would not dispense with the work program.

Mr. RARIG. No, sir; I would not. [763]

Senator HATCH. It is your thought that the work program should be continued by the Federal Government, provided there are suitable projects for the people to work on; that that should be the extent of the program?

Mr. RARIG. That is my opinion.

Senator HATCH. And you see no particular salvation for the Federal Government in requiring local communities to contribute a portion of the funds for the work program, say 50 percent?

Mr. RARIG. No; I do not. I do not believe local commu- [764–1] nities can afford to do it.

Now, speaking very frankly and perhaps disclosing some secrets of our relationships: This 25-percent contribution that W. P. A. exacts from the local communities, a lot of it is put in in the form of rental of municipal equipment already owned, and in sand and gravel and all types of fictitious amounts, so that that 25-percent contribution in actual cash just does not exist.

Senator HATCH. You have already spoken about the inflexibility, but suppose the appropriation should require by statute a certain percentage, that is, 25 or 35, or whatever it is, to be contributed in cash by the local communities. Now, what effect would that have on the work program and also on your direct relief programs in the State?

Mr. RARIG. We would not be able to raise the cash in our [764–2] State. It would simply be impossible. W. P. A. is about twice as expensive as direct relief, or even a little more, per case. Our problem now is as long as we can take advantage of the W. P. A. quota at a lesser cost than we can provide direct relief, it behooves us to put money into the work program, but whenever that reaches a point where our contribution to the work program is equal or nearly equal to the cost of direct relief, we will quit the work program. We just could not finance it. We haven't got the money.

Senator HATCH. Well, I judge from your summary you are not now able financially to take care of the direct relief load that you have?

Mr RARIG. We have done it for the last 5 years by issuing [765] bonds. We have in our community a debt of $44,000,000 on an assessed valuation of $140,000,000 of real and personal property. It

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is included in our State law that we may figure the value of moneys and credits in determining debt limit, but we cannot tax moneys and credits for the purpose of retiring our debt. Our city and county governments, together, have a debt of $44,000,000, and a valuation from which to pay on that debt of $140,000,000, which is about 30 percent of the full and true value of the community. We have a graduated assessed valuation for various taxations of property, and it figures about 30 percent, but we have our city and our county both contributing to relief with 95 percent of the population of the county within the city, so we have a 20-percent borrowing margin. You see, the same property is used twice for a debt base, each layer of government using it once, with the result that it is used twice. We have issued since 1933 about $6,500,000 bonds for direct relief. If we continue to issue bonds for another 5 years, the debt charges on those bonds, amortization and interest, will exceed $1,000,000 a year. We might as well have financed it by direct taxation in the first place. In other words, that method of financing will have caught up with us.

Senator FRAZIER. Your county includes considerable farm land, doens't it?

Mr. RARIG. No, sir; it is a small county in size. [766–1]

Senator FRAZIER. You have some truck farms in the rural sections, haven't you?

Mr. RARIG. Yes. [766–2]

Senator FRAZIER. Any people on relief that have those truck farms?

Mr. RARIG. About 20 percent of rural Ramsey County [766–3] works in St. Paul, and the remainder are proprietors of stores and gasoline stations and that type of activity. In rural Ramsey County, with a number of farmers, I know we are providing drought relief for special cases—for 30 cases in Ramsey County.

Senator FARZIER. Do you have any complaints from that farm population about getting help in the summertime, that they need other farmers?

Mr. RARIG. We have a difficult problem with those market [766–4] gardeners because we cannot prove their income. They will report one income which is inadequate for their needs, and other people in the community believe they have another income. We manage generally to get all of the market gardeners off of relief in the summer months, but it is hard going because, as I say, we cannot prove their income.

Senator FRAZIER. Do you have any arrangement when one of these truck gardeners comes in and wants a half dozen men or two or three men, do you have any arrangement to furnish the men from relief rolls?

Mr. RARIG. No; they get their labor from the employment [766–5] service.

Senator FRAZIER. Do you know if they have any trouble getting men to work for them in the summertime?

Mr. RARIG. I have never had any complaint in rural Ram- [766–6] sey County. Last harvest we had a good harvest in our State and the farmers set up quite a howl that they couldn't get labor, the National Reemployment Service organized for the problem, and were able to meet it very easily. In other words, they shifted labor from one part of the State to another. I think they did a very excellent job.

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Senator FRAZIER. We have had complaints from several places, and in some places arrangement has been made that any man that is on relief, if a job is found for him on a farm or any place, he takes that work for as long as it lasts, and then comes back and is eligible for relief again.

Mr. RARIG. We do a certain amount of that. We have a [767–1] problem with the Mexican beet growers in our State, the sugar-beet companies have brought in quite a few Mexicans. We have about 1,800 Mexicans in St. Paul.

Senator FRAZIER. Are they citizens?

Mr. RARIG. Some of them are citizens, the majority of them [767–2] are aliens, but they are all in the country legally; they cannot be deported. We work with the sugar-beet companies in getting those people contracts every year so they will get out of the city during the summer months, and we have been fairly successful although not nearly as successful as we would have liked to have been.

Senator FRAZIER. Do you think that is fair to your own unemployed, to have that group of foreigners there?

Mr. RARIG. Well, I don't know whether you could call it [767–3] fair or not, but the problem is there, the people are legally in our community, and you cannot send them back to Mexico. We have worked with the Mexican consul trying to arrange voluntary repatriation. Well, I think we got rid of 2 families this spring involving about 18 people in those 2 families. They have very large families. But otherwise there is nothing you can do about it.

Senator FRAZIER. I realize there is nothing you can do about it, but I was wondering if you had an idea that there should be something done about it.

Mr. RARIG. Well, of course, we feel it is an indictment of [767–4] the sugar-beet people. They brought them in there, and before we had Government relief, they took care of them in the winter, and also the Mexicans worked for the sugar-beet company and they have some pretty smart men behind it, and they said, "We will change this arrangement and make the Mexicans work for the farmers," and they have all of those contracts, dealing with all those farmers. You cannot do much about it. Also these Mexicans are taking advantage of Government relief——

Senator FRAZIER. Of course, then, what the sugar-beet people are doing is taking advantage of the Government to make the Government take care of the Mexicans.

Mr. RARIG. Well, the Mexicans are also taking advantage. [767–5]

Since the President's decree that the Federal Government [768–1] was "quitting the relief business," direct relief has been so taboo in Washington that Federal officials are afraid to testify regarding the need for direct relief. Our community is financing almost its entire contribution to unemployment relief by issuing bonds. The city of Minneapolis is in the same condition. Unless our local and State governments receive some assistance in financing direct relief, it is only a matter of a short time until the local governments at least will be bankrupt.

A direct-relief appropriation by Congress of approximately [768–2] $400,000,000 a year, administered through the Social Security Board as a part of a general public-assistance program would raise the

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standard of direct relief throughout the country and alleviate suffering and privation which now exists as a result of the neglect of our direct-relief needs.

Senator HATCH. Thank you, Mr. Rarig.

(Witness excused.)

STATEMENT BY HERMAN A. GRAY, CHAIRMAN, NEW YORK UNEMPLOYMENT INSURANCE STATE ADVISORY COUNCIL

Senator HATCH. Mr. Gray, you are from the New York State Unemployment Compensation Commission?

Mr. GRAY. That is right. I am chairman of the State advisory council, which is a tri-partite body representative equally of employers, employees, and the public.

Senator HATCH. All right, you may proceed.

Mr. GRAY. My understanding is that your committee would [769–1] like to hear about unemployment insurance and the possible effect it might have upon the general relief situation. It is my feeling, and I speak for myself alone and not officially for the council, that as at present organized we cannot expect very much help from unemployment insurance; that we have gone off on so complicated and so cumbersome a system in this country, one that is so burdensome and wasteful, that we have got to reorganize it from the bottom up before we can hope to get the maximum advantage which unemployment insurance promises. And what I have undertaken to do here in this summarization which I have submitted to your committee is to indicate what I regard as necessary changes in the American structure of unemployment insurance.

UNEMPLOYMENT INSURANCE MACHINERY CUMBERSOME

At the very outset is the question of financing—as we have [769–2] constructed our employment insurance it calls for 50 different tax systems. Your tax under the Social Security Act comes first, and then, as against that, the employers in each of the several States are entitled to credits up to 90 percent, provided they pay to a State fund of unemployment insurance. That means, when you take in the District of Columbia, that you have covered the country with 50 different tax systems. This is a duplicating arrangement which is obviously expensive and burdensome upon employers. For instance, an employer whose operations cover more than one State must make returns not only to the Federal Government but to each of these States, and the coverage, the definitions, vary with each of the States, and I have no doubt that they are driven to distraction trying to determine what their liability is. Of course, there is no need for that.

Senator HATCH. Of course, that does not apply to concerns operating within one State.

Mr. GRAY. To a certain extent it applies to such concerns [769–3] as well, because those concerns must make out a return for the old-age annuity tax, for the Federal unemployment insurance tax, and the State unemployment insurance tax. In each of these instances the coverage is not the same, so he has at least three tax returns to make on varying bases.

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We feel that this whole duplicated machinery can be done [769–4] away with and should be done away with by instituting a single Federal tax to cover the cost of benefits and administration in unemployment insurance. We feel that that tax ought to be on the same basis as the Federal tax for old-age annuities, that is, the tax ought not to be imposed upon the entire pay roll, but ought to be imposed on the first $3,000 of annual income of each employee. There is no reason why there should be a discrepancy between the two taxes, and there is no reason in the theory of unemployment insurance for taxing the entire pay roll when you have men earning $5, $10, $15 and $20,000 a year. In the first place, it is doubtful whether highly paid employees ought to be brought in under any unemployment insurance system. They are not the intended beneficiaries of unemployment insurance. But even if you do bring them in, with the sharply limited benefits, which in most States do not exceed $15 a week, there is no reason for imposing a tax on the total amount of wages paid to them. You must bear in mind what seems to have been forgotten, that this pay-roll tax is not a tax upon surplus wealth or on property. It is not a tax on the employee who receives $15,000 a year. But it is a tax upon the employer and therefore becomes just another item in cost of operation, and that is reflected in the higher cost of the commodity, so that in the end the consumer pays for it. So the great group of people who have little earnings, for whose benefit unemployment insurance was devised and who make up the majority of the consumers are paying this load, I say that it is unnecessary, introduces a great many complications, and is socially unjustifiable.

Senator HATCH. Do you discuss the effect of this system as an incentive to the use of machinery?

Mr. GRAY. Right.

Senator HATCH. You do discuss it?

Mr. GRAY. There is no doubt that any pay-roll tax will [769–5] stimulate the tendency to displace human labor with machines. I am afraid that to a certain extent we have to rely upon pay-roll taxes, but I certainly would not make that pay-roll tax more than is absolutely necessary, and that is precisely what has been done under the Social Security Act today with respect to unemployment compensation.

Senator HATCH. You mean it has been made more than is necessary?

Mr. GRAY. More than is necessary.

EARMARKING FEDERAL REVENUES

So far as financing is concerned, the next suggestion that I [769–6] would urge upon your committee, is that these funds collected by the Federal Government should be earmarked and put in trust so that they can be used only for financing the benefits of unemployment insurance and the cost of administration. If you do not earmark them, and if you mingle them with the general funds of the United States Treasury, you are going to get into difficulties and misunderstandings and a good deal of controversy. That is not academic. That has already developed and has caused a very critical situation at this moment.

As you know, the Federal Government is retaining a 10- [769–7] percent margin under the tax imposed for unemployment insurance

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under the Social Security Act. It was understood, the promise was expressly made, that this 10-percent margin would be used by the Federal Government to finance the cost of administering the State system of unemployment insurance. As a matter of fact, the States have no other means of financing unemployment insurance administration, because the Federal Social Security Act requires that all money which they collect from their employers shall be put into trust and may be used only for the purpose of paying benefits. They therefore cannot look to the tax which they are collecting for their administrative costs and must look to the Federal Government.

What has actually happened is that the Federal Govern- [769–8] ment has not turned over the full 10 percent, and my understanding is that the Federal budget director at this time is proposing to turn over to the States during the coming year less than is estimated by the Social Security Board will be necessary for the efficient administration of the State systems of unemployment insurance.

There are two things involved. First of all, the Federal [769–9] Treasury is going to be making a rather handsome profit out of this 10-percent margin which has been collected ostensibly for the relief of the unemployed. We have not the figures exactly, but our calculation is that during the year 1937 the Federal Treasury has paid out less than half of what it has collected through this 10-percent margin. Secondly, at the same time that the Federal Treasury is pocketing this profit each of the State systems of unemployment insurance is threatened with a break-down because it will not have enough money to carry on administration. That is a situation which is intolerable and which should never arise. It can be avoided if the money to be raised by the Federal tax of which I speak, which should be substituted for the variety and mass of tax systems we now have, were to be earmarked and put in trust.

FEDERAL-STATE COOPERATION

With that as the financial scheme we would suggest or at [769–10] least I would suggest, that unemployment insurance throughout the country be administered by a system of Federal-State cooperation to this extent, that we use State authorities, use State agencies, to administer, but the cost of administration as well as the cost of the benefits will be furnished by the Federal Government.

There are any number of advantages that I see in such an [769–11] arrangement. One of them is the ability of the Federal authorities to set-up uniform national standards, at least minimum standards, with respect to benefits. There is no uniformity in this country at this time. Each of the States has gone off on its own and you have a most bewildering array of provisions with respect to benefits, so that employees in the several States do not know what they are going to receive, and there is no equality between them at any time.

There is also no real control by the Social Security Board [769–12] over the quality of administration. While the Federal Government is supposed to pay and is paying and will continue to pay for the administration of the State systems of unemployment insurance, the Social Security Board has no real control over personnel, has no real direction of administrative procedures, and therefore finds itself in a position where it has to pay out the money but cannot make sure that the money is being wisely and effectively spent.

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If you had the essential controls lodged in the Federal [769–13] authorities operating through these State systems, you would be able to write into the several State acts standards with respect to benefits and standards with respect to personnel and the quality of administration.

TO CENTRALIZE FEDERAL ADMINISTRATION OF UNEMPLOYMENT INSURANCE

On the question of administration, I should like also to [769–14] add this, that one of the great sources of difficulty in the administration of unemployment insurance in this country today is the fact that the various phases of unemployment insurance are administered by three separate departments in Washington. The collection of the taxes is in the Treasury Department. The question of supervising the State acts and the administration of the State acts is in the Social Security Board. And the control of the employment offices is in the Labor Department. So that the employers and employees in the several States must deal with three separate Federal agencies, and the State administrators must deal with three separate agencies. That is duplication which is not only wasteful, but which is [769–15] resulting in a great deal of friction and delay.

We would certainly urge—and here I can speak on behalf of my Council which is on record on this question—we would certainly urge that there be a consolidation of these functions in one department in Washington. We have no particular interest as to which department it is. That is, of course, for yourselves to say, but we urge upon you that at least the employment office control and the matter of unemployment compensation be put into one department.

Senator HATCH. The collection of the tax is not so important is it?

Mr. GRAY. I think it is, sir. I think it is important that [769–16] the collection of the tax be likewise in the hands of the same agency that deals with the disbursement of benefits, because I have found that the Treasury in approaching the problem of collecting the tax, in making specific applications and interpretations, deals with it as purely a fiscal measure, deals with it in the same way as any other tax. It must be recognized that the unemployment insurance tax is not just another fiscal measure, in the sense that it is not raising money for the general purposes of the Government. It has certain broad social objectives that must be given primary emphasis. Therefore I think we would get a more satisfactory administration from the point of view of effective unemployment insurance and the achievements of its aims if the same authority which deals with administration of the benefits also has the handling of the collection. We have done that in New York. Our unemployment insurance tax in New York is being collected by the labor department in which we have concentrated the entire administration of unemployment insurance, both the benefits and the employment offices.

I say, we hold no brief for any one particular department, [769–17] though some of us have private opinions on the subject, but we certainly feel that all the phases of unemployment insurance can best be handled by one department.

After the question of administration, comes the question [769–18] of the benefit structure.

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BENEFIT STRUCTURE

When you consider the benefit structure of an unemploy- [769–19]
ment insurance act, there are four different factors involved. There is first the question of the conditions for eligibility for benefits. After that is the waiting period, or that period of unemployment for which no compensation is provided. Then there is the matter of the benefit rate, and lastly, there is the matter of duration of benefits.

Each of those four plays a very important part when [769–20]
you try to understand the extent of help which is going to be given to the unemployed under any particular act.

It is almost impossible to read the American acts, I mean, [769–21]
the various State acts, on these questions, because on all of those points there have been embodied in the acts the most complicated technical formulas. Apparently when we got around to framing these acts, and I think that the fault lies here with everybody who has been associated with unemployment insurance—I do not think there is anybody in the country who can say he is not at fault, we have all gone off on this road—when we got to writing them we were so taken up with various abstract economic and social theories, that we seem to have forgotten that constructing a complicated formula is one thing but putting it into operation is quite another We had forgotten the practical administrative problems involved. So we have a variety of the most complex and technical formulas and provisions. With the result that burdens have been thrown upon employers who have to furnish the most complicated reports and it is expensive to do that, and we must bear in mind that every additional dollar of expense we put the employer to is just an additional charge upon the cost of operations which ultimately is passed on to the consumer There is also involved a most complicated system of record keeping and calculations for the State administrators, systems that are vast, that are very expensive to install, very expensive to operate and what is more important almost impossible to operate so as to produce results that are both speedy and correct.

BENEFIT PAYMENTS

There has been a great deal of complaint about the slowness [769–22]
in the payment of unemployment insurance benefits, and I take it that all of the States are either behind or very slow in paying. I do not believe myself that it is the fault of inefficient administration. Of course, our administrators have had to learn a lot. We did not have experienced social-security administrators when we began, but I really do not believe it is the fault of the administrators. I believe it is the fault of the provisions of the acts, and we cannot hope to get speedy determinations and speedy payments when you have to go through all the variety of complicated calculations that the present formulas call for.

I believe that here two things have to be done. In the first [769–23]
place I think there has to be a reconsideration of what it is that we are trying to accomplish through unemployment insurance. We must bear in mind that what we are doing in employment insurance is paying money to the unemployed without a means test. That is the essential thing. We make no inquiry as to need. We merely say to

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a man, "If you are unemployed and you are unable to find work, we are going to pay you a certain sum of money." Now, the question is, and I do not think we have stopped to consider that question, how much can we afford to pay under those conditions. With the gigantic relief load that is already upon us, and the great relief problem that still faces us, how much can we afford to pay to the unemployed on the basis of no-means test. Having decided how much we can afford to pay and how much we should pay, then we ought to make sure that our acts are so constructed that such moneys will be assured to the unemployed and will actually be paid to them.

ADMINISTRATIVE MACHINERY

At the present time, because of the great complications [769–24] and because of the close relation that these formulas have worked out between the employee's rights to benefits and his prior earnings and prior employment, there is no guarantee to any employee that he is going to get any adequate sum of money under any unemployment insurance law in this country. It seems to me very futile and not socially justifiable to erect a complicated and excessively expensive administrative machine and then to turn out an insignificant amount of benefits for the majority of the beneficiaries. There will be many instances of men who will be able to get no more than $7 or $8 or $9 a week for not more than 3 or 4 weeks. How many of those there are going to be, I do not know, but they will constitute a substantial percentage of the total claimants. Surely that is not doing what unemployment insurance has undertaken to do; that is not what our objective is. Therefore we ought to begin, as I say, by determining what is socially desirable, what is it that we can afford to do by way of payments, then construct our acts so that those payments are guaranteed. That done, the benefit provisions payments will have to be written in the most simple terms possible. You are dealing with an insurance population of perhaps 20 or 25 million. In the State of New York alone we have an insured population of about 3,000,000. We must recognize that you cannot serve such a population unless the act is written in simple terms, unless the formula for determining eligibility and the benefit rate and the duration of benefits is as simple as can possibly be. Unless we do that, unless we are ready to abandon all the fanciful notions with which we first began in unemployment insurance, I do not see any hope for a successful administration of the system.

Senator HATCH. Now, right there, your thought on the simplicity of legislation, that applies to all legislation.

Mr. GRAY. I should not wonder, sir, but you know more about that than I do.

Senator HATCH. The more complicated you make it the deeper the water you are getting into.

INTEGRATION OF UNEMPLOYMENT INSURANCE WITH RELIEF

Mr. GRAY. That is right. A great deal of this legislation has been written without thought to administration and it has been thrown into the lap of the administrators and they have been told to go ahead.

The last thing I want to say is in connection with the relief [769–25]

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program. It is obvious that unemployment insurance will not end relief problems because you will always have a great residual group. For example, no unemployment-insurance system in this country today does anything for people who have had no employment within recent years. The whole group that have come down to the year 1936 unemployed and who have continued unemployed, or who have had a very small amount of unemployment, simply do not qualify for any benefits, and there they are. They remain with us. Then you have got the group whose employment has been of such a short duration that even though they may qualify for benefits, the amount of benefits they will receive will hardly be any protection against want. Lastly, you have got the problem of those people who have been on the unemployment-insurance rolls, who have received the maximum possible benefits, and who nevertheless continue unemployed.

I think that it is important that the whole unemployment- [769–26] insurance system be integrated with relief. We have not begun to do anything in that connection. We have just created unemployment insurance and we have allowed it to stand by itself. There has been no integration as to policy, no integration as to personnel. The result is that we are going to get a great deal of conflict and again you will have a great deal of wasteful duplication.

It may be, I don't think any of us have thought through [769–27] the problem sufficiently to have a sure answer at this time, but it may be that we may have to put unemployment insurance and relief into the same administrative agency. You would get this result: That you would make the transition from the unemployment insurance rolls to the relief rolls an easy transition for the beneficiary and a transition which is not likely to be either too delayed or likely to destroy his morale.

You see what would happen: A man would come on your [769–28] unemployment insurance rolls. Then he exhausts his maximum benefits. At that point you would, of course, have to apply a means test, but having applied the means test, you then carry him along on the relief rolls. He has dealt with the one administrative machinery; he has dealt with the same personnel; and there hasn't been any shock or any lapse as there is likely to be now when one department says to him, "You have no more rights with us," and then you just throw him off and he has difficulty getting onto the rolls of the other Department.

Senator HATCH. By setting up that arrangement you are accepting relief as a permanent thing in the Federal Government.

Mr. GRAY. Well, I don't know whether relief is a permanent [769–29] thing in the Federal Government or not, but I know relief is a permanent thing in this country. As I have said, unemployment insurance deals with only one small sector of this broad front, and there will always be a group that either cannot be taken care of through unemployment insurance or who can no longer be taken care of through unemployment insurance, and for them you will need a general relief program. Whether it be cash relief or work projects, that is another matter.

Senator FRAZIER. Don't you think that the unemployment insurance law might be amended so it could take care of these people who you say must have relief.

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Mr. GRAY. Certainly, excepting that sooner or later you [769–30] will have to apply a means test. In other words, there is a limit to the length of time in which you can carry a man without a means test and the limit is wholly a financial one. How much can you afford to pay out without such a test?

Senator FRAZIER. It is not so much what you can afford, it is what is necessary, it seems to me, if the Government is going to do it. These people should be taken care of, shouldn't they?

Mr. GRAY. I agree with you, sir, but what is necessary [769–31] again depends upon means. It is highly desirable as a social policy to pay benefits to the unemployed even though they have private resources. It is highly desirable, and that is the fundamental concept of unemployment insurance, that you shall not expect the unemployed always to exhaust their private resources before you do anything for them. But I do not think that your present pay-roll tax or a doubled pay-roll tax, would be able to carry all of the unemployed on that basis so long as they are unemployed.

Senator FRAZIER. I don't think so either. I think the law should be amended.

Mr. GRAY. Well, if what you mean is that it should [769–32] be amended so that these people who continue unemployed, after exhausting their maximum benefits, are carried by the same administrative agency and the same administrative machinery, I think that that is a possible solution and a very likely solution. Either that is done or you will have to set up some machinery to integrate your relief administrators with your unemployment-insurance administrators, so that there may be at least an exchange of necessary information and so that there may be some means for formulating common policies. Otherwise, as they now stand, each is working independently of the other and friction has already developed in a number of the States, and there is no assurance that you will have a common policy in dealing with what is after all a common problem.

Senator HATCH. Does that conclude your remarks?

Mr. GRAY. Yes, sir.

Senator HATCH. Thank you.

(See Appendix 6, pp. 1466–1468 for summary of witness' remarks.)

Witness excused.

Senator HATCH. The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11:15 p. m. an adjournment was taken until tomorrow, March 18, 1938, at 10 a. m.)

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UNEMPLOYMENT AND RELIEF

FRIDAY, MARCH 18, 1938

UNITED STATES SENATE SPECIAL COMMITTEE
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The Committee met, pursuant to recess, at 10 a. m. in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Frazier, Lodge, Davis, Murray, and Hatch; also Alan Johnstone, counsel for the committee.

The CHAIRMAN. The committee will come to order.

Mr. Marsh, you know, I presume, that the Senate meets at 11 o'clock this morning. We therefore must shorten the hearing and cannot give as much time as we would like to the gentlemen whom we have invited to appear.

We will be very glad to hear you at this time.

STATEMENT OF BENJAMIN C. MARSH, EXECUTIVE SECRETARY, THE PEOPLE'S LOBBY, WASHINGTON, D. C.

Mr. MARSH. I think you said 15 minutes, Mr. Chairman.

The CHAIRMAN. All right.

Mr. MARSH. My name is Benjamin C. Marsh, executive secretary of the People's Lobby here in Washington.

First, I would like to read a short statement.

The CHAIRMAN. All right.

MR. MARSH. No government can survive that does not as- [770–1] sure its people either existence, maintenance, or an opportunity to produce what they need. The present Administration has sold out to predatory interests and hasn't done either. The former may buy off a revolution, but the latter is essential to a decent standard of living.

The New Deal policies doomed producers and consumers to [770–2] despair and to the events of the past 5 months, which tend to make people regard war as a means of postponing starvation.

Those New Deal policies sought to save the property values [770–3] of the wreckers of America, monopolizers of land and other natural resources, private creditors, and owners of stocks and bonds in highly overcapitalized corporations.

It was easy to divine the mission of the congeries of alpha- [770–4] betical shows—the N. R. A., A. A. A., R. F. C., H. O. L. C., F. H. A.—and all the rest of them.

Secretary of State Cordell Hull in a speech in 1934 said: [770–5]

A large section of our industry is maintaining an artificial price situation, is endeavoring to move forward under the heavy burden of inflated capitalization, excessive overhead charges, wasteful overcapacity and obsolete units and equipment. Never was improvement in industrial efficiency more needed than now.

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We cannot hold our place in the world if industry is to rely on doles, subsidies, and other artificial arrangements which bolster up and keep alive inefficiency at the expense of the progress and expansion of the vigorous and efficient units in our economy. We must come down from our artificial stilts to solid reality if we are to achieve substantial industrial prosperity and if we are to hold our place in the world market.

The President's tragic failure to realize that resurrected [770–6] tigers are incapable of gratitude, does not exonerate his resurrection of these birds of prey.

Every major corporation should be put through the wringer, [770–7] and most of them will have to accept a large measure of Government control.

I would like to interpolate a remark, that in 1932 or 1933 I [770–8] was talking with the late Senator Couzens, and he stated that that was exactly what was needed to be done, that half the capitalization of many major corporations should be squeezed out, and the New Deal policies, as you know, and as Secretary Hull has pointed out, has just maintained them.

To attain civilization in America, the National Government [770–9] will have to take over, on a thrifty basis, all natural resources, natural monopolies, and basic industries, if they longer refuse to meet national requirements. The only way to take the profits out of war is to keep them out of peace.

You have had before you Mr. Bernard M. Baruch who was [770–10] in such a strategic position during the war as chairman of the War Industries Board that he was able to decide who was to get what, as he has remarked before committees, and during that time the profiteering which he must have protected amounted to nearly a score of billion dollars.

Nearly half of those who regained their jobs during the recovery period have lost them since last September.

I would like to read a brief excerpt into the record on that [770–11] from Business Week of March 5, 1938:

DEJOBBING THE REJOBBED

Turning to the unemployment figures which are estimated from the incomplete data available, we find that they continue to rocket upward. The Department of Labor total for nonagricultural unemployment shows a January increase of 1,300,000 and an October-January increase of 2,800,000. Another series worth watching, since it checked well with the official census last November, is that of the National Industrial Conference Board for grand total unemployment. This showed 14,984,000 in March 1933, was down to 6,065,000 in September 1937, and reached 10,342,000 in January 1938. In other words, 48 percent of those who regained their jobs in the whole recovery period have lost them again since last September.

LESSON FOR WASHINGTON

The dark side of this unemployment trend needs no elaboration. If there is a bright side, it is in bringing home to those in authority how much of the boasted recovery from 1933 to 1937 has already been lost. If this leads to sober treatment of a serious situation, business may receive the aid (or, in some respects, the salutary neglect) which will enable it to carry through a spring pick-up into a fall recovery.

About a million farmers are on relief, and another half [770–12] million probably should be, while a fifth of our people are on a near starvation diet and two-fifths more are on an inadequate diet.

We are in worse shape than when the New Deal started, and [770–13] an enormous debt is all we have to show for it, because the Govern-

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ment has not met the situation, refused to tax the wealthy and refused to end the special privilege which brings these things about.

I knew you were going to limit my time, so I would like to [770–14] submit a brief with statistical data. It is only 7 pages, pointing out the basis for this brief statement which I have read.

The CHAIRMAN. We will be glad to have you do so. (See Appendix 20, pp. 1626–1631.)

Mr. MARSH. I would like to read in a little about who [770–15] gets the benefit of the New Deal, being some of the figures given by Mr. Robert H. Jackson as to the earlier deficits of some big corporations, citing the benign administration of the New Deal, and their enormous surpluses following it.

Industry	Profit (+) or deficit (−)	
	Before	After
Johns-Manville	−$2,829,062	$4,188,787
Pittsburgh Plate Glass	−60,737	15,321,834
Montgomery Ward	−5,686,784	13,527,310
		(Jan. 31, 1936)
Sears, Roebuck	−2,543,651	21,519,218
		(Jan. 29, 1936)
E. I. du Pont de Nemours Co	+26,234,779	89,884,450
American Cyanamid Co	+349,725	4,454,930
Western Union	−842,596	7,200,000
Briggs Manufacturing Co	−1,798,470	10,411,076
Worthington Pump Co	−1,668,287	248,497
International Harvester	−7,582,879	29,760,372
Deere & Co	−5,167,104	11,601,306
American Woolen Co	−7,269,822	1,929,983
Radio-Keith-Orpheum	−10,695,503	2,485,911
United States Steel Corporation	−71,175,705	50,583,356
Jones & Laughlin Corporation	−7,910,149	4,129,600
Anaconda Copper Mining Co	−16,855,870	15,881,830
American Smelting & Refining Co	−4,566,175	17,131,036
Chrysler Corporation	−11,254,232	62,110,543
Phillips Petroleum Co	+775,766	17,875,489
Westinghouse Electric	−8,615,398	15,090,291

Then I point out that in 1935 approximately 1⅛ percent of [770–16] the families of the United States got one-quarter of the property income, and they also, in the aggregate, got about one-eighth of the entire national income, while down South you have a state of peonage almost unparalleled.

I was talking at the 20th Century Club in Boston and at a [770–17] big forum in Worcester last December, and I pointed out that the South is now winning the Civil War which they lost earlier, and the southern planters are making virtual slaves of hundreds of thousands of sharecroppers and tenants, and incidentally, about 1,200,000 are white and only 800,000 are Negroes, so they are entitled to the same consideration.

I would like to read a very brief extract from an article by [770–18] Prof. Harold M. Groves, in the New Republic of December 29, last year, with reference to what we could do, and should do, here in paying our way out of the depression instead of trying to borrow our way out. He said:

> If the British schedule of income and inheritance taxes were applied to our American situation, it would produce from two to three times as much revenue as we now collect through our Federal and State income and inheritance taxes combined.

This makes it very clear that we have no business to cut [770–19] down our relief policy or any of the other methods of meeting the

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situation, but vastly more important than that is the fact that the Government now has surrendered to the private owners of industry, who are insisting that the American people slip back in their low standard of living, because they refuse to produce except with profits, and they are looking forward to war as a chance of making more profits.

I want to register a protest about this committees not [770–20] bringing before it economists and others who would really give you the facts as to what needs to be done. I was astounded after I was told that you were really going to go through and do something constructive on unemployment, to learn that you plan to discontinue and I appreciate your letting me come on.

WAR PROFITEERING

Let me suggest this: In the issue of January 5 of the New [770–21] Republic, John T. Flynn, discussing war propaganda, gives some of the reasons. He says, "This is to be the President's chief resistance to the clamor for the investigations of his regime which will presently become insistent." Mr Flynn is a publicist and economist and does not speak lightly, and, as I say, the campaign now going on is like that of 1917 when I was equally opposed to trying to make the world safe for the profiteers. We see the same thing happening today, I realize that there may be less than a year left, as things are going, in which the facts may be stated, because during war facts are the most dangerous things for any government, and I earnestly request this committee that you invite John T. Flynn to come and tell you what he means. George Berry got caught, lots of others have not, and Mr. Flynn I know, because I have talked with him several times since this article appeared, has the information which I think this committee owes to itself and owes to the country to have brought out.

Let me also suggest that you bring two or three professorial [770–22] economists too, and listen to them outline the situation for you, and I would suggest younger economists. I would suggest Prof. Broadus Mitchell of Johns Hopkins University and Prof. Colston E. Warne of Amherst College, who would analyze the situation and suggest specific methods of change.

NORMAL GRANERY ACT

I want to point out the effect of this farm bill. I wrote the [770–23] Secretary of Agriculture to find out what he meant by "normal granery," and how the consumers would be effected. He referred my letter to the consumers counsel who wrote: "The Farm Act proposes to make available every year normal quantities of foodstuffs. Normal quantities are the per-capita quantities consumed in past years. Normal consumption in the past has not provided adequate diets to a large number of families because those families have not had incomes sufficient to support such a diet, although taste and training are also important factors affecting the kind of diet families select." May I point out that this, like much of the other legislation which Congress has enacted, is going to reduce the standard of living of the American people.

I most earnestly request that your committee do not [770–24] adjourn. You started this investigation. I hope you will go through with it. I realize the perils of a campaign year, but they never scare

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me, and I think it highly appropriate that this committee should face the realities.

CORPORATION CAPITALIZATION

To illustrate what I mean, let me read from the last balance [770–25] sheet for December 31, 1937, of the United States Steel Corporation and ask you also to invite as a witness the man who helped make the appraisal, for the Government, of the United States Steel Corporation when the Government's valuation of their iron ores and coal was about $100,000,000, but the Steel Corporation got away with something over $700,000,000—Dr. Francis Walker, chief economist for the Federal Trade Commission, who can expose to you how these corporations have written up their property values. The United States Steel Corporation puts down the gross property investment in plants, mines, and manufacturing properties and equipment as of December 31, 1937, at $1,751,000,000. I use round figures.

Transportation properties, railroad, lake and ocean steam- [770–26] ers, $343,000,000.

I think that it is safe to say that there are at least, and I [770–27] know that was the judgment of Senator Couzens, that there are at least $100,000,000,000 of fictitious capitalization in the corporation which should have been wrung out and I have the figures here of the Commissioner of Internal Revenue reports showing how under New Deal policy you have protected these fictitious capitalizations. They are all in this brief which you said I might read.

I want to thank you sir, and members of the committee.

May I ask one thing, Mr Chairman——

Senator BYRNES. Mr Marsh, if you have anything, submit it to the counsel now.

Mr. MARSH. This is something that Senator Frazier read into the Congressional Record, "Government Monopolies are Constitutional."

Senator BYRNES. If it is in the Congressional Record I don't want to have it in the record here.

Mr. MARSH. Well, it is so long ago——

The CHAIRMAN. I don't care about how long ago it was.

Mr. MARSH. It is devastating, I will admit.

(Witness excused.)

STATEMENT OF CARL P. HERBERT, DIRECTOR, BUREAU OF MUNICIPAL RESEARCH, ST. PAUL, MINN.

The CHAIRMAN. Mr. Herbert, you are Director of the Bureau of Municipal Research?

Mr. HERBERT. That is right.

The CHAIRMAN. You have been invited by the Committee to appear this morning and we will be glad to have you make such statements as you wish to at this time.

Mr. HERBERT. Thank you.

I am submitting a statement together with recommenda- [771–1] tions of municipal research directors whose names are attached on the last page, concerning relief financing.

Appearing with me are Mr. Carter Atkins of the Govern- [771–2] mental Research Institute at St. Louis, and Mr. Norman MacDonald of the Massachusetts Federation of Tax Payers Associations.

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Last November your counsel assembled a group of municipal [771–3] research directors—men representing non-partisan civic organizations engaged professionally in analyzing financial and other activities of local government—for the purpose (1) of enlisting their assistance in preparing factual information about the relief costs and financing in the larger cities; and (2) of securing their recommendations as to the future policy of dealing with this whole situation.

Obviously, since three levels of government—local, State, and Federal—are engaged in a common enterprise with many different categories, it was necessary to accumulate data from a large number of agencies, all of which have been keeping their own records. No one had brought the total figures together by local units and this rendered impossible, within the time available, a comprehensive study of this problem in all of the larger cities. It was therefore decided to make a sampling of the situation in representative cities in different sections of the country. While the results of such a study cannot be conclusive in all respects, they are indicative of the serious problem now confronting the municipalities.

GROWTH AND MAGNITUDE OF RELIEF

Up to 7 years ago relief and allied welfare activities were not a [772–1] problem in our cities. In the twenties direct and work relief and old-age assistance were not financial problems. In most cases per capita costs for these relief purposes were less than 50 cents in the cities where this study was made, as compared with a total per capita cost for all municipal activities averaging from $38 to $40 in 1923. In 1936 the per-capita expenditure for these phases of relief in these cities ranged from $23.88 to as much as $38.54, approaching in many cases the amount spent for all governmental activities in 1923. The following table shows how these relief expenditures have increased:

Growth and magnitude of direct and work relief and old-age assistance costs

City	1923		1936	
	Total cost	Per capita of total population	Total cost	Per capita of total population
Akron			$12,505,763	37.10
Boston	$968,851	1.28	30,444,845	38.01
Cincinnati	19,958	.04	17,937,729	28.69
Des Moines	41,496	.27	5,008,472	28.95
Indianapolis	[1] 168,160	.43	10,325,481	24.43
Milwaukee			25,845,847	33.38
Minneapolis	[2] 162,984	.37	[3] 18,520,107	33.70
Providence	62,455	.24	6,459,301	26.58
San Francisco			20,270,040	28.55
St. Louis	(4)		19,839,621	23.88
St. Paul	66,414	.26	11,540,916	38.54

[1] 1926.
[2] 1927.
[3] 1937 (compared with $33.87 per capita in St. Paul in 1937).
[4] No expenditures for relief out of public funds.

NOTE.—The figures shown are for counties. In order to make them more understandable, the name of the city is given, rather than the county.

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TOTAL WELFARE COSTS

The above tabulation sets forth only a portion of the total [773] welfare costs. Such items as the institutionalization of unfortunates, aid to mothers, children, blind, and veterans, the C. C. C. camps, the N. Y. A., and other allied activities, as well as the cost of private organized welfare, are not included. In order to get a comprehensive picture of the whole welfare costs, the research directors participating in this study were asked to assemble figures showing the amount spent for as many of these additional categories as possible. No director was able to bring together all of the costs for his city. In the table below as many of these costs as could be secured are assembled and a yardstick is applied, based upon the total real and personal property tax collections for local and State purposes.

Total ascertainable costs of welfare activities as compared with total taxes levied or collections on real and personal property, excluding P. W. A.

City	Total ascertainable cost of welfare, 1936	Total tax collections	City	Total ascertainable cost of welfare, 1936	Total tax collections
Boston	$40,403,483	$60,014,618	Minneapolis	[1] $23,182,404	$26,288,985
Cincinnati	25,939,223	22,181,221	San Francisco	23,670,753	30,536,939
Indianapolis	11,967,187	16,696,696	St. Louis	22,518,341	29,373,773
Milwaukee	31,693,780	36,187,209	St. Paul	14,349,113	14,242,171

[1] 1937.

Until last year there was a belief or hope that the relief prob- [774] lem would disappear when the economic condition of which it was originally a product might change for the better. The experience of the year 1936 and early 1937, however, caused a severe shock to any such assumption. It became evident that a regime of high relief costs has become practically permanent regardless of economic conditions. The year 1936 and early 1937 were good years economically speaking. Yet the costs of relief nationally did not appreciably abate. According to the report of the Social Security Board the Nation's relief bill for 1937 was only 10 percent lower than in 1936. What happened in our cities is demonstrated by the figures below.

Cost of direct and work relief and old-age assistance

	1933	1934	1935	1936	1937
Akron	$3,837,282	$6,508,510	$6,081,650	$12,505,763	
Boston	15,299,097	22,457,673	27,000,644	30,444,845	$27,500,000
Cincinnati		11,982,321	21,117,874	17,937,729	16,793,060
Indianapolis	3,090,674	7,844,669	7,191,840	10,325,481	9,473,327
Milwaukee	7,987,363	22,123,627	19,600,253	25,845,847	
Providence	2,370,595	3,705,282	4,628,964	6,459,301	6,095,955
St. Louis	6,503,144	18,636,735	17,224,923	19,839,621	13,954,599
St. Paul	3,003,002	7,329,134	8,652,924	11,540,916	10,211,899
Des Moines	1,516,823	4,527,658	2,967,199	5,008,472	5,440,225

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THE SOURCE OF FUNDS FOR WELFARE

The funds to meet the total cost of public welfare as tabulated [775] on page 1090 are furnished by three levels of government. The part financed by each is shown in the following tabulation together with the net debt and the property-tax collections on a per capita basis:

Source of funds for welfare

	Federal	State	Local	Per capita net debt	Property tax collections per capita
	Percent	*Percent*	*Percent*		
Boston	51.8	6.9	41.3	$167.00	$75.00
Cincinnati	62.8	17.8	19.4	76.70	36.00
Indianapolis	66.4	1.7	31.9	81.61	37.33
Milwaukee	72.8	3.2	24.0		
Minneapolis [1]	47.4	13.7	38.9		47.11
San Francisco	70.8	12.0	17.2	78.81	42.28
St. Louis	72.8	5.7	21.5	93.04	34.45
St. Paul	58.3	13.5	28.2	127.00	48.00

[1] 1937.

MANNER OF FINANCING

The manner of financing relief varies by cities. A few pay [776] the total cost out of current revenues. Others meet part of this expense from current receipts and part by borrowing, while still others finance the whole cost out of bond issues. The States follow the same procedure, as will be shown by the figures presented by your technical staff. The Federal Government is building up deficits approaching the cost of relief financing.

METHODS OF GIVING RELIEF

It is not our purpose to discuss the social theories of [777–1] relief. However, there are some developments that, from a financial viewpoint, must be borne in mind. There follows a tabulation comparing the cost of direct relief in 1935 with work relief in 1936 and 1937.

Direct and work relief; comparative costs

	Direct relief, 1935	Works Progress Administration	
		1936	1937
Boston:			
Total expenditures	$8,272,428	$20,343,697	$17,236,591
Average monthly number of cases	22,555	23,750	20,036
Average annual cost per case	$367	$856	$860
Duluth:			
Total expenditures	$3,689,956	$6,225,442	$3,565,060
Average monthly number of cases	10,411	7,160	4,932
Average annual cost per case	$354	$870	$868
San Francisco:			
Total expenditures	$14,500,000	$12,000,000	$13,000,000
Average monthly number of cases	33,700	18,000	15,000
Average annual cost per case	$431	$800	$870
St. Louis:			
Total expenditures	$15,511,925	$14,472,250	$9,824,194
Average monthly number of cases	39,831	16,975	12,362
Average annual cost per case	$389	$852	$795
St. Paul:			
Total expenditures	$3,614,038	$8,156,755	$5,730,417
Average monthly number of cases	13,214	9,394	6,452
Average annual cost per case	$273	$868	$888

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In 1935 the annual cost of relief per case in these cities was [777–2] from $273 to $431. In 1936 and 1937 the cost under W. P. A. was from $795 to $888. Nor was this necessarily all that was being expended on those persons on W P. A., at least in some cities. Rightly or wrongly—we are not debating the merits—minimum subsistence standards of direct relief have been established in some communities. In one city the standard for a relief client, married and with three children, is $73.10 if he is not working; $97.35 a month if he is working. An unskilled worker on W. P. A. receives $60.50 a month. In this case he would be entitled to supplemental aid to bring the $60.50 a month up to $97.35. This principle is carried over into private employment. Assume an employee of a department store, married and with three children, earning $89 a month. He is also entitled to supplemental aid of $8.35 a month. This system may become general in the cities. In one of the cities for which we have submitted data, one-sixth of those on W. P. A. are receiving supplemental aid to bring them up to the standards of the minimum subsistence budgets there prevailing.

The CHAIRMAN. What city is that?

Mr. HERBERT. That is my own city, St. Paul.

The CHAIRMAN. One-sixth of those on W. P. A. are receiving W. P. A. aid?

Mr. HERBERT. Yes, sir.

The CHAIRMAN. You made an investigation of that?

Mr. HERBERT. Yes, sir.

The implications are plain. Under the guise of relief, there [777–3] has been established a guaranteed minimum standard of living; in one city we have an instance of a man earning $113 a month but who by the subsistence standard applicable to his case was entitled to $115 on relief, and he was given supplemental aid of $2 a month. The result of this application of relief principles must be a leveling off of economic status, for these standards can be maintained only by drawing down those of better income to the level of those of the lower income, except in one contingency, the very substantial increase of the national productive power.

The CHAIRMAN. Let me understand this—"in one city we have an instance of a man earning $113 a month but who by the subsistence standard applicable to his case was entitled to $115 on relief." What is the subsistence standard applicable to his case? How do they arrive at $115?

Mr. HERBERT. The number of dependents that that man has. [777–4]

The CHAIRMAN. Based on the number of dependents, it was determined that he should have $115 a month, and where he earned $113, you were supplementing his income by $2?

Mr. HERBERT. That is right.

The CHAIRMAN. What city was that?

Mr. HERBERT. That was my own city, as it happens.

The CHAIRMAN. St. Paul?

Mr. HERBERT. That's right.

The CHAIRMAN. All right.

Mr. HERBERT. We do not wish to argue this matter one way [777–5] or the other, but it is clear that the minimum standards fixed must be within the economic capacity of the Nation or the program will come to grief and everyone with it. When our total welfare costs in the cities are approaching or exceeding the total present tax levies on

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real and personal property, we are exceeding the ability of the Nation to pay and must expect bankruptcy or fundamental changes in the aspect of our economic system.

The CHAIRMAN. Mr. Herbert, if the cities cannot meet this expense, I think you indicate in your statement your realization of that, and if the Federal Government can only get its revenue from the people living in the cities and in the country, and if the cities cannot meet this expense, isn't it true that if we go to the Federal Government, and the Federal Government having to collect from the people of the country as well as the city, that the people in the country can help the Federal Government?

Mr. HERBERT. That is what is being done, but I do not [777–6] think the whole country can afford it.

The CHAIRMAN. You believe that to secure efficiency it is wise to have contributions by the sponsor, particularly in the case of work relief as it is now conducted? Under such a plan you suggest that the local government shall make a substantial contribution.

Mr. HERBERT. That is right. I think the local government [777–7] should make a very substantial contribution. I am going to illustrate——

The CHAIRMAN. You think the administration should be left to the local government and that there should be left to the local government the determination as to whether relief should take the form of direct relief or work relief.

Mr. HERBERT. That is right.

CONCLUSIONS

The continuing high level of relief costs not only in the [778–1] cities enumerated but undoubtedly in most others causes us to face the stark reality that the temporarily painless method of financing relief so largely on a basis of emergency borrowing is certain to produce calamitous financial repercussions in our American cities at no remote future. Our interest is in maintaining the solvency of local governments so that those in need may be taken care of in the future and the normal services of municiplalities may be carried on without impairment. To that end a planned, definite national relief policy covering Federal, State, and local phases is vital. We must recognize that relief is a permanent problem, instead of following the hand-to-mouth policy now in effect. The local communities, upon which the impact of relief rests, now do not know for any fiscal period ahead whence the money is coming to meet this enormous cost. It is imperative that some scheme of relief be adopted shortly that is (1) a planned program; (2) is financed out of current revenues; and (3) is within the abilities of the various units of government to support on a current basis.

The determination of such a policy must start with ascer- [778–2] tainment of the total costs of relief in all categories, precisely what this expenditure is securing in exact units of relief, and how the money is being raised. In this field exact or comprehensive knowledge is woefully lacking. Our experience in attempting for the first time to bring together the costs of welfare from the manifold and diverse agencies supplying it has been startling. In no case are we satisfied that we have arrived at a complete total of costs of number of units of relief. In many cities the confusion and division of accounting

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authority and the absence of competent records have been so great as to frustrate all attempts to arrive at a total within the time available or with the resources at hand.

It next becomes necessary to relate these expenditures to [778–3] the abilities of the different units of Government to pay them. The total costs of the various forms of relief, as shown by the data submitted here, now approximate on the average the total tax collections for all local governmental purposes. It is self-evident that these costs are utterly beyond the revenue-raising abilities of the cities. To assume the burden would necessitate a local tax rate generally double its present size, which, of course, is impractical. Federal and State aid must be continued, at least, for some time.

The necessity for borrowing demonstrates that today under [778–4] the present tax system none of the levels of government has shown its ability to meet the costs and that the costs by and large are beyond the revenue-raising capacities of each. This obviously is not a method of financing relief that can be continued permanently. The full impact of relief costs thus has not yet been felt. It cannot, however, be indefinitely postponed. It is the course of wisdom and true humanitarianism to take bearings that may be followed without disaster to all which includes those whom we mean to assist. This meanes a planned program both as to types of relief and methods of financing.

The situation revealed in these figures, as you examine them, [778–5] is frankly one which portends insolvency, if the tendency is allowed to continue uncorrected. Planning must start with the fact that during the next several years the various levels of government must anticipate vastly greater expenditures for relief than were necessary prior to the depression.

Our relief expenditures have grown so much that many of [778–6] our local governmental services are being imperiled. Unless steps are taken to bring these expenditures within the ability of our people to pay, we will find shortly that it will be necessary to reduce drastically the funds provided for schools and other local functions of government. Even now many communities would have to make big cuts in salaries of their public employees and curtail if not eliminate many local services if the cost of relief were not being deferred in large part through borrowing.

It seems clear from the study made in these cities that the [778–7] people in these communities cannot afford to pay for the relief expenditures now being made there. If the people in these particular communities cannot afford it, then the question may be seriously raised—can the country as a whole afford it? The country is merely a great group of such communities, and can only get its money from the people in these communities.

The costs of relief have been obscured from the average [778–8] citizen, partly because the cost has been deferred in many instances through borrowing and partly because of the mistaken impression that the cost of relief is not a burden upon a local community when the money comes from Washington. The people of this country must come to a realization that the cost of relief is eventually met out of the earnings of all the people who work and produce. It is concluded that an ideal system of relief would be one in which the local communities, or the communities aided by the States, would assume responsibility for financing and administering relief, under reasonable minimum

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standards established on the basis of State and local economy. Such a program, however, is impossible of immediate adoption. It is possible, however, to devise a permanent planned policy of relief which recognizes that (1) relief can no longer be approached as a temporary emergency, (2) that relief should be managed on a local basis and under circumstances that provide incentives to efficient and economical administration, and (3) that the total of relief costs must be within the limits of available public revenues or of revenues that can be made available when the States and localities recognize and assume these responsibilities.

SUGGESTIONS

It is the considered opinion of the directors of member agencies [779] of the Governmental Research Association, signing for themselves, that—

1. In the future over a long period of years the cities in particular must anticipate expenditures for relief on an enlarged basis not comparable with that existing prior to the depression.
2. On the basis of analyses of past and existing relief costs for a number of typical cities, it must be concluded that the cities cannot assume this present level of costs either for direct relief or work relief or a combination of these.
3. Data tabulated by your own staff will indicate that in a similar way it would be impractical for the States to meet the present level of these costs as a continuous operating expense.
4. Therefore, it is believed that the participation of the Federal Government in the relief situation has been necessary to prevent unreasonable hardship and cannot be discontinued immediately.
5. With a view to emphasizing local responsibility for relief it is urged that allocation of all Federal funds to State and local units be made on a strictly matching basis—the local or State participation to be sufficiently large to provide an emphatic interest in economy.
6. The determination of whether relief be on a direct or work relief basis be left entirely to the State and local government.
7. Federal aid should be granted to States only when the State and local administration is on an efficient basis and the smallest units of administration are the counties, larger cities, or administrative districts of comparable significance.
8. Federal aid should be granted on a sufficiently long-term basis so that local governments can enact complete 12-month municipal budgets in advance of each fiscal year.

Signed: Carl P. Herbert, St. Paul Bureau of Municipal Research; Carter W. Atkins, Governmental Research Institute, St. Louis; Lent D. Upson, Detroit Bureau of Governmental Research; Robert M. Goodrich, Providence Governmental Research Bureau; H. P. Ells, Toledo Commission of Publicity and Efficiency; W. Earl Weller, Rochester Bureau of Municipal Research; Mayo Fesler, Citizens League of Cleveland; Corbett Long, Civic Research Institute of Kansas City; William C. Beyer, Philadelphia Bureau of Municipal Research; Merle W. DeWees, Duluth Governmental Research Bureau; Abbett Pulliam, Schenectady Bureau of Municipal Research; D. Benton Biser, Baltimore Commission on Governmental Efficiency and Economy; James O. Stevenson, Los Angeles Bureau of Municipal Research; Herman C. Loeffler, Boston Bureau of Municipal Research; Norman MacDonald, Massachusetts Federation of Taxpayers Associations; S. S. Sheppard, Bureau of Governmental Research of New Orleans; Sidney Detmers, Buffalo Municipal Research Bureau; J. Calvin Skinner, Cincinnati Bureau of Governmental Research.

The CHAIRMAN. Relief is less expensive than work relief?
Mr. HERBERT. Yes; that is true. [780–1]

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The CHAIRMAN. You would not make the requirement that when contribution is made by the Federal Government that a certain percentage of the funds should be used for work relief?

Mr. HERBERT. I would not. [780–2]

The CHAIRMAN. You would leave that to the State?

Mr. HERBERT. I would leave it to the State and the local [780–3] communities. I am assuming that the local communities and the State are going to bear a reasonable part of that cost. Therefore, it would be advisable to leave it to the State and the local communities to determine whether they could afford work relief as compared with direct relief.

The CHAIRMAN. Your statement as to that $115 income determined as a subsistence standard in your own city, what about the other cities of the country? What are they doing toward establishing a subsistence standard in relief?

Mr. HERBERT. I wouldn't want to make a statement on that. [781–1] I do know that, for instance, in Detroit the same situation exists because I was there 2 days ago, and found that to be the case. I know that condition exists in Minnesota cities now, but whether it exists in other cities, I do not know.

Mr. McDonald says it does exist in Massachusetts.

The CHAIRMAN. The subsistence standard being based upon the number of dependents in a family?

Mr. HERBERT. That's right. [781–2]

The CHAIRMAN. Prior to 1933 who looked after this question? Or was it looked after?

Mr. HERBERT. It was looked after, but I do not know how [781–3] effectively. Our cities contributed a certain amount toward direct relief, private charity to a certain extent, but not very much. We had our institutions that took care of the poor. That is what was happening prior to 1933.

The CHAIRMAN. Have you any idea as to the amount of money spent for the same purposes as you have outlined in your statement?

Mr. HERBERT. I can give you those figures for my own city. [782–1]

The CHAIRMAN. Yes.

Mr. HERBERT. This is a printed statement (Appendix 7, [782–2] p. 1468.) of my own city covering all those costs. Turn to the section III. The second table shows the total amount spent for those welfare purposes in St. Paul in 1923, carried through by years, through 1936. (See p. 1472.)

The CHAIRMAN. It shows an increase from $1,614,317 in 1923, to $14,349,113 in 1936?

Mr. HERBERT. That's right.

Mr. Atkins has the same figures for St. Louis. Would you like to have those?

The CHAIRMAN. Yes; I would like those figures.

(Witness excused.)

STATEMENT OF CARTER W. ATKINS, GOVERNMENTAL RESEARCH INSTITUTE, ST. LOUIS, MO.

The CHAIRMAN. Mr. Atkins, you are connected with the Governmental Research Bureau in St. Louis?

Mr. ATKINS. Yes, sir.

The CHAIRMAN. Mr. Atkins, I notice in 1933 you had your relief expenditures in St. Louis $7,062,000, and in 1937 twice as much,

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$14,648,000. Now, are those comparative figures? I mean, covering the same purposes.

(See Appendix 8, pp. 1476–1479.)

Mr. ATKINS. Not exactly, because in 1933 the general [783–1] relief expenditures were $6,500,000 of the 7 millions, as you will notice, in the upper table, under General Relief. And then late in 1935 and in 1936 and 1937 we had W. P. A., and in 1936 and 1937 old-age assistance came into the picture also.

The CHAIRMAN. Then it does not mean that the relief cost of St. Louis for 1937 was exactly twice as much as the cost of relief for the same purposes in 1933?

Mr. ATKINS. The comparable figures for 1937 would be [783–2] approximately $13,000,000—just a little over $13,000,000—which is W. P. A. and general relief, and which is comparable to the $6,500,000 for 1933.

The CHAIRMAN. Then, when you come to W. P. A., are you including the contribution of the local sponsor as well as the amount spent by the Federal Government?

Mr. ATKINS. Part of the local contribution is in, but not [783–3] all of it.

The CHAIRMAN. If it were all in it would bring the figure up higher for 1937?

Mr. ATKINS. That's right. You will notice also that in [783–4] 1936 our costs for W. P. A. and general relief were much higher than 1937.

The CHAIRMAN. It is a difference of——

Mr. ATKINS. Well, in 1936 W. P. A. and general relief cost [783–5] $19,404,000.

The CHAIRMAN. Are you in accord with the views expressed by Mr. Herbert as to future policy?

Mr. ATKINS. Yes, I have conferred with the executive heads [784–1] of most of our welfare agencies in our community on this problem and, generally speaking, among those groups there is a feeling that the administration of the relief problem should be placed in the hands of the State and local communities wherein they would share in a large part, or to a large extent, the cost, and have some responsibility for raising the revenue as well as the administration and the expenditure of it.

The CHAIRMAN. You believe that would be more advisable than a continuation of Works Progress?

Mr. ATKINS. Yes. Yes; because then the peculiarities of [784–2] at least the State economic area could be brought into the relief administrative problem.

The CHAIRMAN. You would have the local government determine what percentage, if any, should be work relief and how much direct relief?

Mr. ATKINS. That's right. [784–3]

Senator MURRAY. Hasn't the Works Progress Administration taken into consideration the peculiar conditions in each area of the country?

Mr. ATKINS. To a certain extent, but the recent increase [784–4] in W. P. A. workers in our community has resulted to a large extent in the employment of persons who are not most in need of relief, and others who are in need of relief apparently have not been employed under the program. In other words, if I can picture it this way—

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suppose in our community we have 10,000 unemployed out of the entire group who are directly in need of relief. If the W. P. A. employment rolls are opened to 10,000, and they come in to apply on their own recognizance without a relief investigation, the result is that you may employ 4,000 who are in need and 6,000 who are not in need at the moment, while others remain unemployed and without relief.

Senator DAVIS. What are the percentages of the population on direct relief and on work relief?

Mr. ATKINS. I haven't the exact figures here. The total [785] number of persons in St. Louis, the total number of cases would be approximately 40,000 at the present time. Usually they figure about 4.2 persons per case. It would be 160,000 or better out of a population of 841,000, according to the last census.

Senator DAVIS. What was that population?

Mr. ATKINS. 841,000.

Senator MURRAY. The State relief agency determines in each State who shall be employed; doesn't it?

Mr. ATKINS. To a certain extent. [786–1]

Senator MURRAY. What do you mean by "to a certain extent"?

Mr. ATKINS. Well, they certify those who apply for work [786–2] relief.

Senator MURRAY. Well, isn't the W. P. A. compelled to accept the recommendations of the State relief organization? Can the W. P. A. ignore it and put men on of their own choosing?

Senator LODGE. Isn't this the right way of putting it, that the local people say who are eligible and the W. P A. selects from that list, and that you can have 20,000 people eligible, and the W. P. A. selects from that list, and you can have 20,000 people eligible and only 10,000 people going to work; isn't that correct?

Mr. ATKINS. Yes. [786–3]

Senator MURRAY. Will you answer my question, please?

Mr. ATKINS. As I understand it, the W. P. A. fixes a [786–4] quota of the number of persons to go on; then they make public announcement of the fact that so many jobs are available, and under the recent employment program, those who came in and stated they were unemployed were given jobs.

Senator MURRAY. Well, aren't they investigated by the State relief commission?

(No reply.)

Senator MURRAY (resuming). That is the fault, then, of the State, and not the W. P. A.?

Mr. ATKINS. It may be, but they have not been investi- [786–5] gating on a home-investigation basis.

Senator MURRAY. Then the blame falls on the State investigation, and not on the W. P. A.?

Senator LODGE. If you have 20,000 people wanting W. P. A. jobs, and there are only 10,000 jobs, then the fault falls on W. P. A. for not providing sufficient jobs.

Senator MURRAY. The blame falls on the National Government for not taking care of relief conditions in the country.

Senator LODGE. Or on W. P. A. by not determining the need.

Senator MURRAY. Who is entitled to go on the W. P. A. rolls is fixed by the State relief organizations.

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Mr. ATKINS. Regardless of the responsibility as between the [786–6] two, it is my observation that we are not employing on W. P. A. those who are most in need.

Senator MURRAY. Then the responsibility, as I say, falls upon the State, not upon the National Government.

(Witness excused.)

STATEMENT OF NORMAN MacDONALD, BOSTON, EXECUTIVE DIRECTOR, MASSACHUSETTS FEDERATION OF TAXPAYERS ASSOCIATIONS

The CHAIRMAN. I want to ask what city you represent?

Mr. MACDONALD. I represent all of Massachusetts. My organization operates throughout the State.

The CHAIRMAN. You have heard the statement of Mr. Herbert and Mr. Atkins, and I wonder if you care to make any statement with reference to your local situation?

Mr. MACDONALD. The only supplementary statement I [787–1] could make is that if I had prepared the statement myself I should have perhaps been a little more forcible on the subject of the crisis which exists. I am not disposed to argue about yesterday and what has happened. I am, instead, very much concerned with what is sure to happen tomorrow from the point of view of a wealthy and industrial State like Massachusetts. We have just had completed there a very exhaustive study of our welfare problems and revenue resources by Dr. William Haber, who has appeared before your committee here, and it points to a problem that will be staggeringly large tomorrow, so I heartily concur with other recommendations that are made here, not always exactly on the same ground, because I think our situation may differ from the situation in other States. But by and large, we are confronted by this same general problem.

You ask something about the growth of relief.

In Massachusetts, in 1929, we spent $14,000,000 for relief. [787–2] That was our golden era at that time, yet relief was a problem even then.

In 1933 we spent $35,000,000. [787–3]

The CHAIRMAN. You mean, that is purely State expenditures?

Mr. MACDONALD. Yes.

We took our entire relief load out of taxation of real estate. [787–4] Last year out of the taxation of real estate we spent $53,000,000, and W. P. A. expenditures in Massachusetts brought the total to $141,000,000 for 1937.

Our relief loads in January and February of this year are [787–5] higher than they have ever been in our State. We will probably go to $200,000,000 of expenditures from all sources if the present need and present system continue without alteration.

We have had foreclosures for nonpayment of taxes in our State, of 77,000 homes.

There was an article yesterday in one of our Boston papers [787–6] that said:

> Today the Federal Home Owners' Loan Corporation has announced foreclosure of mortgages on 5,000 Massachusetts homes.

The reason that all of this comes about, as I see it, is because [787–7] of the utter inability of local communities to go any further than they

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are now going, and perhaps not as far as they now go, in meeting relief costs, for obvious reasons. The collapse of local real-estate values is one reason. This means, of course, the imminent collapse of real estate as a revenue source for relief and general government. We are being driven in Massachusetts in the direction of a sales tax. I think anyone with legislative experience will recognize the difficulties inherent in that form of taxation, but we are actually right up against the gun in Massachusetts, so to speak, to determine what we are going to do tomorrow. I think Mr. Herbert has perhaps less than stated the case when he speaks as seriously as he does of the probable future collapse of some of our great cities. I have particularly in mind the city of Boston, which, for one reason or another, finds itself in the situation of running very seriously behind year by year, borrowing millions of dollars for current expenditures and being faced in January and February of this year with the greatest relief problem that it has ever faced.

Now, as to desirability of local authority over the determina- [787–8] tion of whether it is to be work relief or not work relief, I think there are some very cogent arguments in support of local decision.

In Massachusetts—I must use Massachusetts, because I [787–9] have no familiarity elsewhere—in Massachusetts our public officers have reached the point where they are being hardpressed to develop relief-work projects; not that there do not remain many things to be done in any community, but they are confronted with the problem of finding the tax revenue to maintain new public works. I have in mind not only the large cities, but small communities like Athol, for instance. Senator Lodge, you know Athol, a little manufacturing community in the hills, which has been driven to the extreme of building a swimming pool. Everybody there knows that such an improvement is beyond the capacity of that community to carry, from the point of view of filtration, guards, upkeep, and so forth.

Senator DAVIS. Who constructed the swimming pool?

Mr. MACDONALD. The W. P. A., and a very excellent job [787–10] it is. I am not here to quarrel with whether such projects are good, bad, or indifferent.

Senator HATCH. All of the local projects are selected by the local people?

Mr. MACDONALD. If you want to call a process of being [787–11] forced to find a project, yes, but in many cases it is not a sane procedure, and many of the warmest advocates of W. P. A. in our section of the country would agree that it is not.

The CHAIRMAN. What would you do, then?

Mr. MACDONALD. I would do exactly what Mr. Herbert [787–12] proposes. I would have a large participation in relief by the local community because it sets up local responsibility, which is the essence of our problem, it seems to me. If a community can by one means or another escape its relief obligations, it is also escaping the responsibility of maintaining a democracy. It is looking toward a paternalistic Federal Government to maintain it in its difficulties, and I think that is unsound, from our New England point of view. I think we ought to raise a large part of our money locally, but I think we ought to recognize the boundaries of local ability to pay. I do not mean "willingness to pay," or resident wealth, but the sharp boundaries of

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existing tax structures. The Federal Government has preempted certain sources of revenue, the State has also; so local communities are very much restricted as to the tax field in which they must operate. But I submit, as a matter of local good conscience and sound administration, and representing the taxpayers' associations, as I do, seeking economy, the only sound and practical thing we can do, in the circumstances is to revise our policies so that our sole concern shall not be to provide more money but to spend effectively what we do provide. We have this interesting thing in Massachusetts. When W. P. A. cuts five or ten thousand people off our lists, they do not appear on the relief rolls, and we get on welfare only about 25 percent of that number, which leads some of our better relief administrators to raise the query—we cannot prove it, we don't know—to raise the query, at least, whether the Federal Government, if it had assigned to us half as much money as it did to be used in direct relief, instead of a hundred-odd million dollars in W. P. A.—whether or not we might not have carried our entire relief burden without local taxation.

The CHAIRMAN. You say when they disappeared from W. P. A.——

Mr. MACDONALD. They do not appear on relief. [787–13]

The CHAIRMAN. When they are separated from the W. P. A. rolls?

Mr. MACDONALD. That's right. [787–14]

The CHAIRMAN. Have you made an effort to trace those people?

Mr. MACDONALD. We have, with very interesting results. [787–15]

Senator HATCH. Well, in the beginning, though, they are taken from the relief rolls?

Mr. MACDONALD. No, no, they are not, and that brings us [787–16] right back to the Senator's original question. It is one of the most interesting and mystifying phenomena in connection with this whole program. In Massachusetts people who go on W. P. A. are certified as eligible for relief by local relief agencies, and, mind you, there is a difference between being eligible for relief and receiving relief. Thousands of people who are not receiving relief are certified as eligible for relief, and that is happening all over the country.

The CHAIRMAN. Mr. Herbert, I regret to say that the Senate meets this morning at 11 o'clock. We have to leave. We are indebted to you for coming and bringing Mr. MacDonald and Mr. Atkins. I only wish we did not have to go.

Senator MURRAY. Before closing, I would like to ask one question. Does your plan contemplate larger Federal appropriations for relief?

Mr. MACDONALD. On the contrary, sir. It is my opinion [787–17] that it would be possible very greatly to reduce Federal appropriations for relief. W. P. A., whatever else may be said for it, is an expensive process.

Senator MURRAY. And does your plan, then, contemplate larger appropriations from the State to take care of the situation?

Mr. MACDONALD. Probably not. Probably no larger, [787–18] probably less large.

Senator MURRAY. So the net result of the proposal would be, then, that there would be less money expended by the Governments, National and local, for relief?

Mr. MACDONALD. Probably a billion dollars a year less. [787–19]

Senator MURRAY. And the result would be that the unemployed, the destitute of the country, would not be getting as much as they are getting now?

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Mr. MACDONALD. That is probably so.

Senator LODGE. But the ones who are not getting anything now would be getting something?

Mr. MACDONALD. And the marginal field of unemploy- [787–20] ment is suffering under this process. The other people are getting a higher standard of relief, which does not seem to be fair.

Senator HATCH. The discussion this morning must have been very interesting, and I am sorry I was not here at the beginning.

Do you advocate work relief?

Mr. MACDONALD. We advocate local option as to that. [788–1] The cities and towns must have Federal assistance. There is no question about it.

Senator HATCH. You advocate a certain definite contribution from the local government?

Mr. MACDONALD. Yes, we feel that every bit of Federal [788–2] money that goes to a community should be on a matching basis.

Senator HATCH. You have communities where their ability varies to match?

Mr. MACDONALD. Where their ability varies? [788–3]

Senator HATCH. Yes.

Mr. MACDONALD. Yes, but I prefer to look at it on the [788–4] basis of a State's problem, and if a given locality is broke, than I think that the matching process becomes an obligation of the State. I think the relationship should be between the Federal Government and, say, Massachusetts as a whole, rather than between the Federal Government and the local community.

Senator HATCH. The State would be the unit, not the local communities?

Mr. MACDONALD. Yes; we are finding in Massachusetts [788–5] that we must have more State control of administrative standards, and if we are going to set up administrative standards, it is fair that the Federal Government should deal with the State agencies, regardless of how many cities and counties we have in the United States.

Senator HATCH. You understand if you establish a rule in the United States, as you have communities in Massachusetts which vary, so also you have States that vary.

Mr. MACDONALD. I think you will find in Mr. Herbert's [788–6] statement that one of his recommendations is that the matching basis be according to the situation that exists.

Senator HATCH. I will read his statement.

(Witness excused.)

Mr. JOHNSTONE. Gentlemen, Mr. Hodson is here, and the chairman suggests that we meet at 10 o'clock tomorrow morning to hear him.

Senator HATCH. The committee stands adjourned until 10 o'clock, tomorrow morning.

(Whereupon, at 11:15, a. m., an adjournment was taken until 10 a. m., March 19, 1938.)

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UNEMPLOYMENT AND RELIEF

SATURDAY, MARCH 19, 1838

UNITED STATES SENATE, SPECIAL COMMITTEE
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m. in room 357, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Frazier, Hatch, Davis, Clark, and Lodge; also Alan Johnstone, counsel for the committee.

STATEMENT OF WILLIAM HODSON, COMMISSIONER OF WELFARE, NEW YORK CITY

The CHAIRMAN. The committee will come to order. Mr. Hodson.

Mr. HODSON. Mr. Chairman, I want to make this statement [789] with respect to certain testimony which was given yesterday as to how persons were taken on the W. P. A. in St. Louis. In that city it would appear that persons are placed on W. P. A. who have not been investigated by the relief authorities and certified as being in need. It is quite otherwise in New York City where no one is taken on W. P. A. who has not only been investigated by the department of welfare but has actually been receiving relief for 10 days or more.

Senator HATCH. That is New York State?

Mr. HODSON. I am speaking of New York City.

The CHAIRMAN. Mr. Hodson, we closed the hearings yesterday, and because the Senate had to adjourn its meeting early we could not remain. I requested you to stay over until today. If you prefer that counsel should read your statement first, very well.

Mr. HODSON. I think that will be better, and then I can answer any questions.

(The statement was read by Mr. Johnstone and is as follows:)

No problem involving legislative action can ever be solved in this country [790–1] until American people understand the character and extent of the problem and something of its real significance. When millions of people are out of work and must be cared for by Government, something is obviously wrong and that fact is not unknown to our citizens. What they do not fully understand is the various measures which have been taken to deal with our complex problems, nor do they see any relationship between these various remedies. I think one of the major contributions which the Senate Committee to Investigate Unemployment and Relief can make is to clarify for the whole country not only the causes and extent of unemployment and the problems created by unemployment but the nature of the various solutions which have been attempted and the extent to which these various solutions have been related to each other in meeting this common problem of national concern. When men are out of work their first requirement is jobs in order that they may work for wages and support their families in independence and self-respect. When jobs are not available then the Government must step in, in one way or another, and provide these families with the means of subsistence.

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In brief, when men do not have money with which to buy the necessities of life, the Government must provide purchasing power in order that families may have bread.

During the past few years, we have developed in this country many [790–2] governmental devices and governmental organizations whose purpose is to provide the unemployed and those unable to work with purchasing power. Home relief, work relief, old-age assistance, aid for dependent children, unemployment insurance and old-age annuities are all methods of meeting the needs of persons who cannot get jobs or who are unable to work. And yet these programs have not been developed as related parts of a unified attack upon unemployment and the need which flows from it; but, rather, each program has been developed as a separate and independent method of meeting one phase of the problem. The great problem of education which confronts this committee is to make clear to our people not only the purpose and method of each one of these relief and insurance programs, but, also, to indicate how they may be integrated and coordinated so as to secure the maximum of efficient and humane service for the unemployed of the country. So long as men are employed at wages their income and their standard of living are determined by the wage contract which they secure either individually or collectively from the employer. On the other hand, when they are out of work their income and their living standards are determined by the Government through one or more forms of relief and insurance. If the basic responsibility of government in all of its varied activities in behalf of the unemployed is to provide purchasing power, it seems clear that the various methods used to achieve this result should be closely integrated as parts of a coordinated program.

In practice, the income which the Government provides for its unem- [790–3] ployed families must in the long run be roughly related to the minimum needs of that family. A family with resources of its own is not eligible to receive a public assistance until those resources are exhausted. The result is that under the relief laws of the various States it is necessary to prove the existance of need and to determine whether the applicant for public assistance is eligible for relief as defined in the law. That is one reason why we have relief organizations with investigators whose duty it is to inquire into the need of families and determine whether they are entitled to relief under the law. It is obvious that the maximum needs of a family of five will be greater than a family of two, and so the home-relief system is flexible and provides larger allowances for the larger families.

Now, let us turn to a consideration of unemployment insurance. Un- [790–4] employment insurance is given as a matter of right and without regard to the existence of need or destitution. No investigation is required because when the rights have accrued the unemployment insurance is payable whether the family is in need or not. In New York the maximum benefit which an unemployed family receives will not exceed $15 per week. For some time to come the benefit will probably average between $10 and $12 a week. Some will receive more and some will receive less. The family of two will have the same income as the family of five so far as unemployment insurance is concerned. On home relief the family of five would be entitled on an average to from $13.20 to $16.50 on a weekly basis, which is more than the same families would receive as income from unemployment insurance. If there is no income other than the unemployment insurance, the family will be eligible to receive the difference between what it gets from insurance and what it would be entitled to receive as a full relief allowance from the Department of Welfare.

However, before the department of welfare can supplement the unem- [790–5] ployment-insurance benefit in the larger families which are without other resources, it must determine that the families are actually in need to that extent under the laws of the State. It costs the relief administration just as much to provide $1.20 in relief a week as it does to give $12 a week. We are confronted immediately with the question of whether it is desirable to have two agencies of government, a State agency and a local agency, wheeled into action in order to take care of the same family. The administrative costs so far as the relief agency is concerned are out of all proportion to the allowances granted. The English practice is to allow additional unemployment benefits where there are dependents in the family, so that the total benefit has a direct relationship to the size of the family. In my opinion the unemployment-insurance acts must ultimately be modified so that the basic payment to an unemployed person who is eligible will provide an allowance for his dependents during the period for which his unemployment insurance runs. In this way the total amount received by the family would equal the minimum home-relief allowance, and the entire administrative problem would be handled

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by the unemployment-insurance authorities instead of calling in another agency of government to supplement the unemployment-insurance allowance.

Now, if it is not practical to secure the amendment of unemployment [790–6] insurance laws immediately, I would suggest consideration of the desirability of making relief funds available to the unemployment insurance authorities in order that they may increase their benefits in proportion to the size of the families served and thus eliminate the necessity for two agencies of government dealing with the same family at the same time. It is true that this program would involve the payment of benefits out of pay-roll taxes levied upon industry plus additional grants for dependents out of other revenues, but that is precisely what happens today, but two agencies of government are required to provide the amount necessary for minimum subsistence for the family. I recognize, of couse, that the unemployment insurance authorities are not equipped with investigators to make exhaustive study of the families in order to determine their need as defined by relief laws. I would, however, suggest a limited needs test which could be carefully defined in the law or in the administrative orders governing the matter and could be applied upon the applicant's affidavit as to his financial condition. If he stated under oath that he was eligible for the supplementary benefits he would receive them in addition to his regular unemployment allowance during the period for which his regular unemployment insurance would run.

In New York the unemployment-insurance benefits are based roughly [790–7] on 50 percent of the wages earned. When the amount so calculated is less than the minimum budget required to support the family under home-relief standards, I would suggest a supplementary benefit be given by the unemployment-insurance authorities to cover the difference, while the unemployment-insurance benefit runs. When the unemployment-insurance benefit is exhausted, let the worker be eligible for an equal period of work relief, but his time on the basis of a needs test after investigation. At the expiration of the period of work relief, if no job is available in private industry, let the worker have an equal period of home relief, with a subsequent alternation between work and home relief until a regular job in private industry can be secured. I do not believe that unemployment insurance can be maintained on an actuarial basis in the sense in which we use that term in connection with ordinary and private insurance. Experience everywhere has shown that in prolonged periods of unemployment it is frequently necessary to supplement the unemployed-insurance fund, which is based on the pay-roll tax, by other revenues provided by the Government. I do not believe that the unemployed man or woman is greatly concerned about just where the dollar comes from which he uses to buy bread and butter for his family. His preference, of course, is to get that dollar on a job and to receive it in wages, but if he can't get a job what he wants to be assured of is bread for his family and he ought to secure this under conditions which are dignified and without interruption. He is the ultimate consumer in this case and he cares little about the precise way in which the governmental bureaus are organized or financed or on what theories they operate. An actuarial basis means nothing to him in the face of his inability to support his family.

And so I would emphasize again the importance of recognizing that [790–8] unemployment insurance and home relief are not isolated governmental operations being carried on in a vacuum wholly apart from each other, but rather that there are two ways of providing the unemployed man with purchasing power in order that he may provide the necessities of life for his family. It is, therefore, of the utmost importance that these two programs should be coordinated and that the organizations conducting them should be in the closest relation with each other.

Let me illustrate another way in which unemployment insurance and [790–9] direct relief should cooperate with each other. At the present time in New York, due to legal difficulties, there is no satisfactory method established by which the relief administration can get official information from the division of placement and unemployment insurance of the State as to the amount and duration of unemployment benefits paid to persons who may presently or in the future be applicants for relief. In other words, when families apply to the department of welfare for relief, we have the greatest difficulty in finding out whether they are receiving unemployment insurance and, if so, how much, and over what period they have received it. It is true that we do get a copy of a notice which is sent to employers that a claim for unemployment insurance has been made by the person named in the notice. This notice is of some help, but the much more important question is whether the worker who has made this application has actually demonstrated that he is entitled to unemployment insurance and that he has actually received it over a given period and in a definite amount. This information is

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essential to determine whether he is entitled to relief at all and, if so, in what amount.

It is true that we have the statement of the relief applicant, but since the [790–10] matter is one of official record it ought to be possible to check that record as a routine matter and get the desired information which is essential to the proper administration of relief. Since approximately half of the applications for unemployment insurance benefits are rejected, it means that we double unnecessarily our clerical and field investigation work. Two governmental agencies ought to be permitted to cooperate fully with each other in such matters and the laws should be changed so that such cooperation is possible. Here is another illustration of how lack of coordination between the unemployment insurance programs and the relief programs increases the cost of relief and its administration.

Now, let's look at the matter from another point of view. The State [790–11] employment service in New York is a bureau of the division of placement and unemployment insurance. This tie-up is to insure the placement in jobs in private industry of persons who are receiving unemployment insurance at the earliest possible time in order that the insurance may be terminated. This means that the workers receiving unemployment insurance will probably receive first consideration from the employment service in order to reduce the insurance expenditures. This in itself is a tremendous job and in the beginning will no doubt require the full energy of the employment service. On the other hand, there is a large reservoir of employable persons on home relief. They ought to secure jobs in private industry at the earliest possible time.

In my judgment, every worker on relief should not only be registered [790–12] with the employment service, but he should reapply at regular intervals in order to show his willingness to accept a job and in oder that he may be placed promptly. The trouble is that our public employment services do not have sufficient funds and sufficient staff to handle this gigantic problem. In the first place, employers throughout the country ought to register their job openings with the public-employment services so that there would be full coverage on job opportunities and these services, in turn, should be equipped and staffed to place not only those on unemployment insurance but those who are on direct relief and urgently in need of work. It is significant that since the advent of unemployment insurance in New York the placement of persons on relief in jobs is rapidly approaching zero. We have not been realistic in our consideration of this phase of the problem. It is obvious that as the relief rolls have grown throughout the country the need for extending publicly operated employment service has increased in the same proportion and yet we have not made it possible for our employment services to meet this tremendous responsibility. Here again there is great need for coordination and integration between the employment service and the relief administration so that the largest possible number of employable persons may be gotten off relief through the employment service.

Now, let me suggest another illustration of the way in which the unem- [790–13] ployment insurance and the employment services can cooperate with relief administrations. At the present time in New York it is necessary for the relief authorities to keep a current record of persons who are employed by various industries. This record is not comprehensive and complete, but it includes the pay rolls of those employers who are voluntarily willing to make them available to us. We check these lists of employed persons against our relief rolls in order to prevent persons who are employed from receiving relief at the same time. Naturally, this service costs money. At the same time the unemployment insurance authorities have a complete list of employed persons in the industries which are covered by unemployment insurance, but the law does not permit the exchange of information between the unemployment insurance authorities and the relief authorities so that this official list of employed persons could be checked against the persons on relief. If this could be done, it would not be necessary for the relief administration to maintain a pay-roll check of its own at a cost of $175,000 a year. The cost of a clearance through the State would be but a fraction of this sum, the coverage would be more complete and there would be substantial saving in relief funds. Here is another point at which cooperation and coordination could be achieved by changes in the law which would permit the authorities to work together toward a common objective. This would mean savings to the taxpayer.

Work relief and home relief are also methods of providing purchasing [790–14] power for a vast number of persons who are out of work and whose need has been established by investigation in accordance with the requirements of the law on these matters. In New York, as elsewhere, the workers taken on by Works Progress Administration must first be certified by the relief authorities as being eligible for relief, and in fact they must actually have received relief for a short

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period of time before they can be placed at work on Works Progress Administration projects. In the case of Works Progress Administration, as with unemployment insurance, the income provided is a fixed income. The same wage is paid to all workers doing the same kind of work, regardless of the size of the family. The result is that in the case of very large families the Department of Welfare must supplement the wages paid by Works Progress Administration. This is true at the present time in New York to the extent of about 7,000 families. In New York there has been unusually close and effective cooperation between the city administration, its welfare department and the Works Progress Administration. This has been true not only in the selection of projects but in the working relation between the various Federal and local officials concerned. Works Progress Administration and home relief are merely two different ways of providing the unemployed with money to buy the necessities of life. In the case of Works Progress Administration they receive wages as a result of work performed, in the case of direct relief they receive cash assistance in the home because they are eligible to receive it under the law. As the Works Progress Administration rolls increase, a corresponding burden of the welfare department is lifted.

When the W. P. A. starts laying off people, at least 50 percent of those [790–15] laid off are taken back on home relief. It is clear that the plans of the city and of the State in financing relief are largely dependent upon the Federal program of work relief. Under the appropriations thus far made for W. P. A. it has not been possible to take on all of the employable persons on the direct relief rolls in New York. Home relief still carries some employables in addition to its unemployables, and it is inevitably the residuary legatee for all other relief and insurance programs. The recent increase in employment in the W. P. A., which will amount in all to about 20,000 over the last 2 months, will be a great help to New York City, which is sorely pressed for relief funds at the present time. I wish to emphasize again that these two aspects of our relief program, one administered by the Federal Government and the other by the locality, should be coordinated and integrated not only with each other but with unemployment insurance and with the State-free employment services. General over-all planning of future programs so that they gear into each other and aid and supplement each other is a vital need.

Another method of providing purchasing power for persons who are un- [790–16] able to work is through the old-age assistance laws. I do not refer to contributory old-age annuities but rather to old-age assistance, which is granted to old folks who are actually in need. Contrary to the impression generally held, the persons who are now receiving old-age assistance have not come in large numbers from the relief rolls. More than half of these old people are receiving public assistance for the first time and were not previously found on the relief rolls. In general, the same may be said with respect to the mothers' aid law. This law has not resulted in any substantial decrease in the numbers of those on home relief. In my opinion it is important to secure complete coordination in the administration of all forms of relief that are dependent upon the needs test, such as home relief, old-age assistance, aid to mothers with dependent children, blind relief, and other categories. So far as possible a single governmental department should be responsible for the administration of these forms of relief. In many instances more than one type of relief will be provided to a single family. So far as contributory old-age annuities are concerned, it will be some time before payments actually begin and the chief difficulty here arises out of the fact that for many years these payments on a contractual basis will be substantially less than the amounts available to other old people who receive old-age assistance on a needs test basis without contribution. The original plan was that as the old-age annuities increased in numbers and amount, with the accumulation of reserves, the number of persons receiving old-age assistance would decline. This is the result that ought to follow, but under the present outlook it will be some time before it is achieved.

These, then, are the methods devised to provide income and a livelihood [790–17] for those who cannot work. Home relief is of ancient origin, while work relief in this country is a product of the depression. Although public assistance for the old, the blind, and the mothers of dependent children has been in operation locally in some parts of the country for many years, it was not adopted on a national scale and with Federal assistance until 1935, at which time also were established unemployment insurance and old age annuities. Some of these programs are administered by the localities with State supervision, as in the case of home relief. In other instances the States and the Federal Government aid the localities in their administration, as in the care of old-age assistance, blind relief, and aid to mothers with dependent children. The unemployment insurance program is administered by the State, as is the free public employment service. W. P. A.

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is administered by the Federal Government. One of the most important problems facing us today is to secure the proper correlation of all of these efforts in the Federal Government itself, in the State governments, in the local governments, and then between all three of these levels of government in their relations with each other, which are now closer than they ever have been in our history.

Whether we like it or not, home relief will probably always be a part of [790–18] any national security program and home relief must be ready as a supplement when other programs for the care of the unemployed show unexpected inadequacies or for various reasons do not provide an adequate subsistence income. The question naturally occurs at this point as to why the Federal Government does not assist the localities with home relief programs as it now does other forms of relief. At the same time, I do not hold any brief for relief as a way of life. I am bound to look with misgivings upon any relief plan which keeps millions of people in idleness and under the scrutiny and surveillance of a public agency for long periods of time. I do not believe that such a system is consistent with the democratic idea or with the American spirit of self-reliance. It is, therefore, of the utmost importance that we widen and deepen the application of the social insurances so that the largest possible number of people will have at least subsistence income as a right for a period long enough to enable them to make adjustments and secure work if it is available. In the meantime, I urge upon your committee the desirability of making clear to the American people what the nature and extent of these various programs of relief and insurance are, and of suggesting ways and means by which the proper coordination and integration can be secured.

May I also suggest as a supplement to the work of this committee the [790–19] desirability of the appointment by the President, with the consent of the Senate, of a committee of distinguished citizens, legislators, and experts who could make a national study of what is the most complicated and the most vital problem of our time—namely, that of unemployment and relief. Such a commission could perform a valuable function in following through on the recommendations of this committee and in educating the people as to the problem itself and in suggesting such basic and fundamental remedies as may be possible. I should like to see such a commission hold hearings in various parts of the country in order that special problems may be studied where they arise, and in order that the people in all parts of the country may be made aware of the difficulties that beset us, the methods we are employing to overcome those difficulties and the problems that lie ahead. The report of the findings of this committee could well be used as the basis for these discussions. I know of no subject which is of such vital concern to the people of the country and to the welfare and stability of the nation as unemployment and relief, and yet no national problem of our generation has been shrouded in so much ignorance and misunderstanding. Despite 7 long years of depression the man in the street does not yet know what it is all about. It is time he did.

The CHAIRMAN. With reference to the English custom that the "practice is to allow additional unemployment benefits where there are dependents in the family, so that the total benefit has a direct relationship to the size of the family," is it your understanding that the organization handling unemployment insurance supplements the amount of money paid to a family?

Mr. HODSON. Yes, sir.

The CHAIRMAN. I must say that I talked to those gentlemen who are in charge of relief last fall when I was in London and I did not get that impression.

Mr. JOHNSTONE. That is a fact, Mr. Chairman.

Mr. HODSON. Yes.

The CHAIRMAN. Let me ask you, how can they determine the additional or supplemental amount of money to be paid to a family without an investigation?

Mr. HODSON. Mr. Chairman, it is my thought that if some [791–1] plan of this sort was adopted, the actual benefit given as of right and paid for out of the accumulations from pay-roll taxes, plus the supplemental benefit for dependents paid for out of relief funds, for the time being, and granted upon a showing of need, would at least equal the

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amount which would be given as a subsistence grant to those on home relief. I would not have the unemployment insurance authorities undertake home investigations to determine the need for supplemental benefits. I would determine the question by setting up in the law or in the administrative orders certain definite tests of need, such as that a man should not have more than an insurance policy of perhaps $250, or a bank account of say $100 or whatever the limitations might be, fixing in definite terms what we mean by "need." Then I would have the insured employee claiming this extra allowance, give a sworn affidavit that be qualified as to each test. No further investiagtion would be required.

The CHAIRMAN. How would you go about fixing a law as to what would definitely constitute a subsistence standard in the various sections of this country where they have differing costs of living?

Mr. HODSON. I would have that a state standard. [791–2]

The CHAIRMAN. You would have it set up in the law——

Mr. HODSON. It would be different in each State. [791–3]

The CHAIRMAN. It would be fixed in each State?

Mr. HODSON. That is right, the States would be the unit. [791–4]

The CHAIRMAN. Then your unemployment insurance, being based upon a percentage of income, is on an entirely different basis and would be determined by the standard in the various States, and by the applicants in the State.

Mr. HODSON. With respect to unemployment compensa- [791–5] tion, plus supplemental benefits, and for the period during which the unemployment benefit runs.

The CHAIRMAN. Wouldn't it result in merely having two organizations in one, one devoted to the carrying out of the unemployment insurance law as it is now written, with its fixed income, and the other determining the needs of the various families?

Mr. HODSON. Wouldn't that be better than having two [791–6] organizations serving the same family at the same time. This is an unnecessary duplication of administrative costs. In New York, it means that a State agency and a local agency must be called into action to give the family a subsistence income.

The CHAIRMAN. I am wondering whether it would. I agree that this home relief in inevitable. You have to have that, but I am wondering whether we should also add to the unemployment insurance organization a division doing practically the same thing as our home relief organization would do.

Mr. HODSON. My basic suggestion was that the unemploy- [791–7] ment insurance law itself be so amended that the benefits would vary in accordance with the number of dependents. This would permit of benefits for dependents as a matter of right and not as a grant based upon a showing of need.

Senator LODGE. The benefits today depend on the amount contributed to the fund.

Mr. HODSON. That is right. My suggestion is that the [791–8] pay-roll tax be increased so that accumulations would permit of benefits to cover dependents.

Senator LODGE. Somebody with a large family.

The CHAIRMAN. He would get a larger income.

Senator LODGE. Those two ideas of relief and insurance are separate now.

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Mr. HODSON. But insurance should insure the family as well as the worker, otherwise you must supplement with relief. [791–8]

The CHAIRMAN. It is an entirely different principle from that on which the law is now based?

Mr. HODSON. That is true. [791–9]

The CHAIRMAN. You would not have it affect the contribution. You and I are working, and getting $100 a month. You make one contribution to the fund and I make one. When it comes to payment, if you have four children and I have two, you would get more than I would get?

Mr. HODSON. Yes. I would increase the pay roll tax to provide for it. [791–10]

The CHAIRMAN. By another tax?

Mr. HODSON. Increase the existing tax. [791–11]

Senator DAVIS. Usually the one with the lowest pay will have the largest family.

Senator LODGE. His tax would be increased.

Mr. HODSON. Unemployment insurance is paid out of pay roll taxes in New York. What you would have to do would be to revise your pay roll taxes so that you could pay to the larger family a larger benefit. The tax is paid by the employer. [791–12]

Senator DAVIS. The employer has to pay more because of the size of the family?

Mr. HODSON. If you pay more in benefits by including allowances for dependents, you must have larger accumulations from pay roll taxes to meet this larger bill. You do it now by supplementing, in these cases, out of relief funds. [791–13]

Senator LODGE. You have in mind instances like in Massachusetts where the employee pays the tax.

Mr. HODSON. It would require adjustment in each State in accordance with the local situation. When you have a prolonged period of unemployment experience shows that the accumulated pay-roll reserves are exhausted and you have to provide money from other sources out of general governmental appropriations to augment those reserves. [791–14]

The CHAIRMAN. It is presumed that these appropriations would be regarded as a loan to those reserves.

Mr. HODSON. It is never paid back. [791–15]

The CHAIRMAN. The purpose of the law is not to have those supplementary appropriations. I agree with all that you have suggested about coordination, but I was wondering whether you advocated changing the principle of unemployment insurance really to a basis of need.

Mr. HODSON. What I am saying is that the unemployment benefits should be flexible to provide for differences in size of family—that can be accomplished within the framework of unemployment insurance. What you do now is to provide a subsistence out of two different sources of revenue and through two different agencies of Government. [791–16]

The CHAIRMAN. That is an evil. To remedy that evil——

Senator DAVIS. The cure is worse than the disease.

Mr. HODSON. It is worth consideration. [791–17]

Mr. JOHNSTONE. Do I understand Mr. Hodson to mean that the supplemental benefit to a person with a large family would depend

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upon the establishment of need, or would it come to him by reason of the fact that he had a large family?

Mr. HODSON. If you modify the unemployment-insurance [791–18] laws so as to provide for a greater accumulation of reserves to provide for dependents I think the worker should get these benefits as a matter of right, but so long as you use other funds—that is, funds provided for purposes such as relief—then I think the supplemental benefits should be given only upon a showing of need, because it is very unsound to mingle payroll taxes and relief funds unless the relief funds are disbursed where need is established.

The CHAIRMAN. In your statement you say, "Since approximately half of the applications for unemployment insurance benefits are rejected, it means that we double unnecessarily our clerical field investigation work." Is that the fact?

Mr. HODSON. Yes, sir. [792–1]

The CHAIRMAN. Have you made an investigation?

Mr. HODSON. We have found in New York up to this [792–2] time—the figures are still tentative—that 50 percent of the persons who apply for benefits are rejected.

The CHAIRMAN. Why?

Mr. HODSON. Because they are not eligible. They think [792–3] they are eligible but they are not.

The CHAIRMAN. Don't you think that is due to the fact that the law went into operation only a few months ago?

Mr. HODSON. Yes; and it is very complicated. [792–4]

The CHAIRMAN. It is very complicated and, necessarily, men would not know, because it is so complicated, but as the law continues in operation men who are unemployed would become educated to their rights under it.

Mr. HODSON. Yes. I think a smaller number would apply. [792–5]

The CHAIRMAN. That would be inevitable in the starting of a new thing.

Mr. HODSON. That is true. I do not offer my suggestion [792–6] as a criticism.

Senator DAVIS. How many aliens are on the relief rolls in New York City?

Mr. HODSON. It is not in excess of the number of aliens in [793] the population. The total number and the proportion on relief has been increased because W. P. A. will not accept aliens and I do not have reliable figures of a recent date. We will have them shortly.

The CHAIRMAN. You stated:

> It is significant that since the advent of unemployment insurance in New York the placement of persons on relief in jobs is rapidly approaching zero.

Is that correct?

Mr. HODSON. Yes. We have had an arrangement in the [794–1] past by which the State employment service has been placing our people as jobs were available. When unemployment insurance came along it was, obviously, the first duty of that employment service to place those persons who were getting unemployment insurance as quickly as possible. The result is that the enormous job of placing people who are receiving unemployment compensation has made it impossible for them to give much attention to our people on relief, with the result that the number of persons on relief who were placed

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by them is gradually dropping down. Whether that is purely a temporary condition or not experience alone will tell.

My own feeling is that the unemployment service has never [794–2] been adequately staffed. I think it is one of the anomalies of this situation that throughout the whole 7 years of the depression we have never achieved a satisfactory placement service for the unemployed on relief. We have not faced that problem realistically.

The CHAIRMAN. You further say in your statement:

> At the same time the unemployment-insurance authorities have a complete list of employed persons in the industries which are covered by unemployment insurance, but the law does not permit the exchange of information between the unemployment-insurance authorities and the relief authorities so that this official list of employed persons could be checked against the persons on relief.

Is there a specific prohibition against furnishing such information or do they take the position that they have not the necessary funds to assign people to that work?

Mr. HODSON. It is both, but they take the position that [795–1] it was the intention of the law to keep the records of employment confidential, and that they had promised both the employers and the employees that nobody could see these employment records. It seems to me that that rule of secrecy should not be applied to official agencies of the Government.

The CHAIRMAN. It seems absurd to me and, undoubtedly, it will be corrected.

Senator CLARK. What is the reason for that?

Mr. HODSON. That rule came from the impression of the [795–2] unemployment-insurance authorities that these records were to be completely confidential.

Senator CLARK. That would not be true of official agencies. I can understand why they should not be public, but when applied to official agencies it seems to me it is perfectly preposterous that one government agency cannot have something from another government agency.

Mr. HODSON. Under the Federal laws, as I understand it, [795–3] the Social Security Board may get this information but not local agencies.

The CHAIRMAN. I thought you were referring to the Social Security Board as having a prohibition against furnishing the information.

Mr. HODSON. The difficulty applies to both Federal and [795–4] State legislation.

Mr. JOHNSTONE. There is a provision in the Social Security Act that no State law shall be approved by the Social Security Board which does not permit the disclosure of the records of the State agency to the Social Security Board, and that provision has been construed by the Social Security Board and the State authorities to mean that that agency is the only one that shall have access to the records.

The CHAIRMAN. Therefore the State denies access to any other agency.

Mr. HODSON. Yes. [795–5]

Senator CLARK. It is a purely arbitrary construction. What Congress was trying to do was to insure that the Social Security Board would have access, and for the Social Security Board to construe that no other public agency shall, is a tortuous construction put on the law.

The CHAIRMAN. It seems to me that that is an absolutely wrong interpretation. In referring to the old-age assistance you say:

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More than half of these old people are receiving public assistance for the first time and were not previously found on the relief rolls.

That is very interesting to me. Have you made an investigation to determine they were not previously on relief?

Mr. HODSON. That is the result of preliminary studies of [796–1] those we have taken over. We think in the neighborhood of 50 percent of them are receiving public assistance for the first time.

The CHAIRMAN. You say those you have taken over. I suppose the only way that information could be procured is from those that have been taken over under the Social Security law?

Mr. HODSON. Yes. Several years before that law was [796–2] passed we had a State Old Age Assistance law in New York which provided that a person 70 years of age and over would receive benefits financed by the State and the locality. Then came the Federal law which authorizes that the age limit be reduced to 65 with Federal reimbursement. New York State reduced the age limit from 70 to 65 in accordance with the discretion allowed in the Federal law. We have studied the people who have come on between 60 and 70 under the new law.

The CHAIRMAN. Half of them were getting relief from other sources previously?

Mr. HODSON. That is right. [796–3]

The CHAIRMAN. When the law was changed so as to make it possible for them to get relief, notwithstanding they came through the worst and hardest years of the depression, 1932, 1933, and 1934, they asked for relief even though they were not getting assistance until within the last year or 18 months. What is your explanation of that?

Mr. HODSON. I think, one explanation for that is that you [796–4] have old persons who have been cared for by relatives, who were barely able to care for them. Under our law, legally obligated relatives must take care of their old folks if they can. But what usualy happens is that families with very limited incomes, many living at the margin, are forced to take care of old persons, the result is that the standard of living of such families declines to that extent, and a child who wants to go to high school, or who wants to go to college, or who needs medical or dental care cannot have it because of the burden of taking care of the old person. The old-age assistance laws were intended to relieve marginal families from too heavy a burden which comes out of the hides of the other members of the family.

The CHAIRMAN. Then in many instances more than one type of relief will be provided to a single family. I suppose you mean unemployment insurance and then this home relief?

Mr. HODSON. Yes, sir. [796–5]

The CHAIRMAN. What else?

Mr. HODSON. Sometimes the family, as a whole, will receive [796–6] direct relief while an old person who is eligible for old-age assistance will receive it, or you may have a combination of home relief and "mothers' pensions." Of course the total received by the family is adjusted in the light of the amount received from each form of relief.

The CHAIRMAN. You may have an old person receiving old-age assistance and a young man receiving unemployment insurance.

Mr. HODSON. There are different kinds of relief which may [796–7] properly go into the same family.

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The CHAIRMAN. Just one more question. When you follow the policy of establishing a subsistence standard for families, that in many instances may be higher than the head of the family has been earning.

Mr. HODSON. That is the terrible part of it. It is sometimes [797–1] ture that industry does not pay even as much as subsistence relief amounts to in a year.

The CHAIRMAN. If he gets out of work you may provide him with as high as $125 per month.

Mr. HODSON. Perhaps in rare cases where there are 10 or 15 [797–2] children.

The CHAIRMAN. What would he get if he had six children?

Mr. HODSON. Depending on the ages of the children, relief [797–3] might average in the neighborhood of $75 a month.

The CHAIRMAN. That would be a subsistence standard?

Mr. HODSON. Yes, sir. [797–4]

The CHAIRMAN. There were subsistence standards mentioned by the gentleman from St. Paul yesterday higher than that.

Mr. HODSON. But he did not tell you how many there were [797–5] in the family?

The CHAIRMAN. One family got $125. Do you mean that that was sufficient to take care of a family of 10 or 15 children?

Mr. HODSON. The larger allowances are for the larger [797–6] families.

The CHAIRMAN. It struck me that $125 was a relatively high figure.

Mr. HODSON. It would be a rare case. He was talking about [797–7] St. Paul, and budgets vary.

The CHAIRMAN. I asked if costs were higher in St. Paul and he said "No." If a subsistence standard is fixed and without working at all he gets that subsistence will it, in some cases, affect the willingness of that man to hunt for a job, or his enthusiasm to look for a job, when he is provided with $125 or even $100?

Mr. HODSON. You have all kinds of people on these relief [797–8] rolls. You have folks who have worked all of their lives to maintain themselves. Then you have people on the margin, who sometimes work and sometimes do not. Down below that you have a relatively small number of people who never did work much. There are some people who will be perfectly content to take relief and call it a day, but that does not apply to the great mass of people.

The CHAIRMAN. But if there are a considerable number of people who have been accustomed to work who find that without working they can get just as much money as if they did work, do you think they would hunt work?

Mr. HODSON. In New York, a man who refuses a decent job [797–9] at decent wages goes off relief. The men eagerly accept W. P. A. jobs when they are available.

The CHAIRMAN. The average man prefers to work. There is no doubt about that. What is to be done with those who prefer to stay on relief?

Mr. HODSON. As I said before, our rule in New York, and I [797–10] presume it is the same elsewhere, is that if a man is offered a job at a decent wage and he does not take it, then he goes off relief.

Senator DAVIS. What would you call a decent wage?

Mr. HODSON. Whatever the prevailing rate of wage is that [798–1] is paid for the job. My suggestion is that those on unemployment

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relief should be required to apply at the employment office at regular intervals for jobs.

The CHAIRMAN. Suppose that in regard to unemployment insurance they have such a provision, do you suggest that the same course should be followed with regard to any other relief?

Mr. HODSON. Exactly. [798–2]

The CHAIRMAN. If we properly equip the agencies so as to keep some tab on these unemployed, and give a man something smaller as insurance, and require that he report and show his willingness to take a job, why should it not be done as to the man who is getting relief?

Senator DAVIS. That is what you have to do in England.

Mr. HODSON. That is right. [798–3]

Senator HATCH. What if you take a white-collared worker and put him out on a job with a pick and shovel?

Mr. HODSON. It is very hard to put a white-collared man on [798–4] a pick-and-shovel job. You cannot put a man on a job for which he is physically disqualified.

The CHAIRMAN. You cannot do it, but it is a problem. Every man wants to be a preacher or a doctor, or a lawyer, and there is no demand for pick-and-shovel work. They all prefer to be professional men, and you cannot get people for other work.

Senator HATCH. You cannot build enough churches for preachers.

The CHAIRMAN. It is all right if a man is physically unable to do hard work, but it is a very serious proposition and there comes a time when we must right the lack of adjustment in our policy. We do not seem to have enough judges and preachers and lawyers for those who wish to do that work, and it seems that we will have to provide litigation so as to employ more lawyers, but we cannot stir up any more trouble to give a lawyer a job. He will have to take what we can give him.

Senator DAVIS. I know a number of lawyers who were unsuccessful at practicing law, that are streetcar conductors, and workmen in mills. They could not impress themselves upon the public in any other way.

The CHAIRMAN. How long have you been in charge of that work?

Mr. HODSON. In various phases of it since January 1, 1934. [799]

Senator DAVIS. How many men in New York City have you who would not accept employment if they got it?

Mr. HODSON. I do not know what is in their heads, but it [800–1] is a very small number. All of this business about people not being willing to work is exaggerated, I believe.

Senator DAVIS. Carroll Wright in 1888, who was one of the greatest statisticians of his time, estimated that we had a million people able to work who would not work even if they had a job. He was a statistician in the Bureau of Labor of Massachusetts at that time. I believe in 1886 he was the foremost statistician.

Mr. HODSON. My experience is that these people are, by [800–2] and large, pathetically anxious to get a job. The number in the office at all times looking for work is tremendous, and I believe that there is only a small number who will not accept work.

Senator DAVIS. I think that the percentage in New York is the same as in any other town in proportion to the population.

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Mr. HODSON. Prior to the depression we had folks who would [800–3] not work, and we still have them, but I do not think the number is anything like as high as some people have stated.

Senator HATCH. Do you think that perhaps a continuing commission like they have had in England to study this question of relief and unemployment would be helpful?

Mr. HODSON. I am strongly of that opinion. This situation [801–1] is shifting and changing all the time. I can see where a Presidential commission organized and functioning as the British Royal Commissions do would help to educate our people and assist in a solution. It would take time, money, and a good staff to do the job properly.

Senator DAVIS. It took 2 or 3 years, didn't it?

Mr. HODSON. The British Royal Commission that studied [801–2] poor relief in England in 1905 took several years but its report is still a classic, especially the minority report of the Webbs.

Senator DAVIS. I am inclined to think that such a commission could well study our problem.

Mr. HODSON. America has avoided and rejected the unem- [801–3] ployment and relief problem so far as thought and study are concerned. We pay taxes for relief and grumble but we do not really understand what it is all about. A commission would help in education at least.

The CHAIRMAN. You have given us a lot of information.

(Witness excused.)

The CHAIRMAN. I have a statement that has been submitted to the committee by Dr. Francis E. Townsend with reference to a statement that Mr. Stuart A. Rice made some days ago in appearing before the committee. Dr. Townsend is here. I would like to advise him that I would be glad to have his statement incorporated in the record immediately following Mr. Rice's statement unless Mr. Rice's statement has already been printed. Senator Lodge states that Dr. Townsend desires to read this, and he would be glad for him to do so. Unfortunately, it is impossible for me to stay to hear it, because I have another engagement. However, Senator Lodge will be glad to hear the statement, and would like to ask some questions.

Senator LODGE. I will be glad to have him make any statement he sees fit to make to the committee.

The CHAIRMAN. I understand Dr. Townsend wants the printed statement to follow the statement which is to be read.

STATEMENT OF CAPT. RUSSELL R. HAND, SPECIAL LEGISLATIVE REPRESENTATIVE, TOWNSEND NATIONAL RECOVERY PLAN, INC.

Senator LODGE. Do you want to make a statement, Captain Hand, or are you contented to have this go into the record? I have no desire to take up your time. We can put this in the record and it will be available.

Captain HAND. I would appreciate an opportunity to read the first page, if I may.

Senator LODGE. Very well, proceed.

Captain HAND. Senate Resolution 36, Seventy-fifth Con- [802–1] gress, first session, authorizes and directs your committee—

to study, survey, and investigate the problems of unemployment and relief, * * * obtaining all facts possible in relation thereto which would not only

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be of public interest but which would aid the Congress in enacting remedial legislation. * * *

Senator LODGE. May I interrupt there a minute? I think the record ought to show not only that I desire to have that statement made, but that Senator Davis also is desirous of having the statement made.

Captain HAND. While no request has come from your com- [802–2] mittee for a representative of the Townsend National Recovery Plan, Inc., to appear and give testimony, your committee has admitted into the record of hearings testimony of one witness, Mr. Stuart A. Rice, chairman of the Central Statistical Board, on page 21 of his prepared statement submitted March 15, 1938, which refers to the Townsend plan by name in language which can leave in the mind of a reader only an entirely erroneous and unfair conception of the principles of the Townsend plan and the purposes of the organization sponsoring it and the citizens who conscientiously believe in the merits of its proposals.

For this reason, and also as a valuable contribution to [802–3] the studies your committee is authorized and directed by the Senate to pursue, the accompanying brief explanation of the Townsend national recovery plan, as incorporated in House bill No. 4199, now pending before the Ways and Means Committee of the House of Representatives, is submitted with the request that it be included in the record of hearings of your committee, if possible immediately following the statement of Mr. Rice, and/or appropriately cross referenced so that a reader who might read the reference to the Townsend plan in his testimony would be cited to the correction of that reference as contained in the accompanying brief.

(The brief is as follows:)

In his prepared statement, included in his testimony in open hearing [802–4] before the special Senate Committee to Investigate Unemployment and Relief, on March 15, 1938, Mr. Stuart A. Rice, chairman of the Central Statistical Board, stated:

"If persons in the 'categories' are treated more liberally, there may be less money available for the relief of those who are without some distinguishing and specially favored disability. The issue was recently raised in an extreme form by the Townsend-plan agitation, and I suggest the question, without myself knowing the answers, as worthy of the committee's attention."

By the "categories," as indicated by the context, is meant aged persons, [802–5] the blind, and dependent children, et cetera. The conclusion is inescapable that Mr. Rice intends to convey the information that the Townsend plan proposes merely relief or assistance to the aged at a corresponding disadvantage to other groups. Such implication is wholly erroneous and unfair. For that reason it is desirable that a true statement of the principles of the Townsend plan and the purposes of Townsend organization should be incorporated in the record of the hearings before the committee.

Fundamentally the Townsend plan teaches the virtue of the acceleration [803–1] of the velocity in beneficial use of the monetary mechanism, to the purpose of improvement of general living standards. If a person has a dollar in his wallet and permits it to remain there for a month he keeps it out of circulation and it does absolutely no good service for himself nor anyone else. If, however, he spends the dollar quickly for something he wants, and the recipient, in his turn, spends the same dollar quickly for something he wants, and so on—such acceleration of the velocity of the dollar in question might, conceivably, in a month, result in the transaction of $100 worth of business, which would not have been transacted if the dollar had remained for a month in his wallet.

The velocity theory is simple and easily understood. An economically [803–2] legitimate method of putting the velocity theory to work, constructively, to meet the problems of the prolonged depression, was not so simple. The principles of such a method have been drafted into a piece of proposed legislation, which is now before the Congress of the United States as House bill No. 4199, the General

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Welfare Act, which, if enacted, should prove to be the economic life preserver for all of the people of the country.

Most people, who have not informed themselves thoroughly, hold the [803–3] totally erroneous idea that the Townsend plan is a $200 per-month old-age pension for all citizens 60 years of age or over, who qualify to receive the grant from the Government. The truth is that those citizens, 60 years of age and over, who would qualify to receive the grants proposed in the Townsend plan bill, would benefit least, in the long run, through the provisions of the legislation—and they would not even benefit first. The bill does not guarantee any definite amount for distribution. Basically, it proposes to put into operation a new principle of Federal taxation, and to employ the yield of the tax as a fund of active, liquid-working capital, which is made readily available, currently, every month in the year, to the productive enterprise, industrial and agricultural, of the entire country. The old-age assistance phase of the legislation is merely the means to the end sought. The grants to the eligible aged beneficiaries, with the requirement that they should be used, currently, each month, in buying, chiefly, goods and services, constitutes, merely, the method by which the fund of working capital is made available to the productive enterprise of the Nation.

THE TOWNSEND PLAN IS AIMED DIRECTLY AT THE HEART OF THE UNSOLVED PROBLEM OF UNEMPLOYMENT

The method of taxation proposed is termed a transactions tax, which [803–4] becomes, as the bill is drafted, a monthly levy upon gross business income. The method is not new and untried in this country. Similar tax measures for public revenue purposes are in operation in Indiana and in the Territory of Hawaii. An article by the financial editor of the Illustrated Daily News, Los Angeles, Calif., under date of December 24, 1937, gives us much food for thought. Some excerpt quotations from the article are as follows: "The United States could wipe out its national debt and be money ahead within 5 years—if the Federal Government would adopt the Hawaiian taxation system. * * * the islands have solved their tax problem by instituting a gross-income tax. Not only has it saved the Territory from bankruptcy but it has simplified the revenue collection to such an extent that the most ignorant oriental peddler in the street knows how to make out his tax return. * * * The gross-income tax went into effect July 1, 1935, with a levy of 1 percent on all incomes except salaries and wages. The territorial government was $1,259,000 in debt; had slashed the pay of all teachers and territorial employees 10 percent and seemed hopelessly mired. It was estimated that the gross-income tax would raise $5,108,000 in the first year of the new tax. No one believed it possible. At the end of the first year, territory coffers had taken in $6,116,000. * * * In Hawaii they have discovered the weakness in most forms of taxation to be extreme technicalities and the tiny loopholes that soon grow big enough for trucks to be driven through.

When they had an excise tax of 2 percent on profits, the orientals in Hawaii never made any profits. They could do hundreds of thousands of dollars in business and show that everything was sold at cost. Now they have changed all of that. Everybody is paying a just share of taxes. * * * they have restored the old pay scales for all the teachers and government employees and they have not had to borrow a penny. * * * The gross income tax is 12 times as effective as taxes collected once a year. Hawaii gets its revenue every month and the money is turned over 12 times a year. * * * with only a tiny levy you can get revenue figures that read like a lesson in astronomy. * * * they have made their rate 1¼ percent now, and have nothing whatever to worry about. The loophole is gone forever, and nobody seems to care. * * * if you would put a 1-percent gross income tax in the United States you could forget all about those 37 billions in debt and have money to spare within 5 years, easily. * * * kick out sales taxes and take 1 percent on gross incomes and you would have three times as much cash to play around with right away."

There you have a brief report of the actual working out of the Town- [803–5] send plan tax principle in revenue-raising for the Territory of Hawaii. The Townsend plan proposes a 2-percent transactions or turn-over tax, which is equivalent to this Hawaiian gross income tax, on all gross income. But the yield of the Townsend plan tax is not used for general governmental purposes. The yield of our proposed tax is used, first, to cover the actual cost of administration of the General Welfare Act, itself, and, after that need has been taken care of, the remainder of the yield is impelled into circulation through the channels of annuity payments to eligible citizens 60 years of age and over, who will cease all gainful employment or occupation—thus making many positions available for persons

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at present unemployed—and who will covenant with the Government to spend, each month, the entire amount of the annuity payment received, up to a maximum of $200 per month. The amount of the payment to the individual annuitant depends upon the amount of the yield of the tax. The amount in the fund, after administrative expenses are provided for, is to be distributed monthly, pro rata, to all those who have qualified as eligible, up to a maximum of $200 a month, and any surplus, over and above the $200 monthly distribution to all eligible annuitants, is applied to the reduction of the national debt.

It will be very apparent, from the foregoing, that the Townsend plan, [803–6] as incorporated in the General Welfare Act, (H. R. 4199), now pending before the Ways and Means Committee of the House of Representatives, is a measure a great deal more important than merely an old-age pension. It is, truly, a pay-as-we-go national recovery measure, which solves, at once, the problems of unemployment, old-age security, relief, business stagnation, and three-fourths of crime. It will do all of these things through forcing idle, stagnated money and credit into beneficial use—an estimated one and one-half billions of dollars monthly—evenly distributed throughout the country, as the aged beneficiaries are distributed, through the requirement that these beneficiaries must spend for goods and services, goods of American manufacture and services of American citizens, the full amount of each monthly payment within 30 days from its receipt. Not one cent of the money is to be raised by borrowing. Idle men will not go back to work until idle money goes to work in private, productive, and profitable enterprise.

How badly is a program of this kind needed right now! Everything [803–7] which has been tried during the past 8 years, and longer, to stem the tide of the greatest depression in our history, has failed to give us any lasting improvement, and we are in the midst of graver economic difficulties than we were 5 years ago, because all of our public debts have been vastly increased, the Federal debt to an all-time high peak of around 38 billions of dollars, actual, and beyond 45 billions of dollars, prospective, but concealed by Treasury bookkeeping practices. The people have been compelled to live up or otherwise spend their reserves, and all business is in a state of fear amounting to panic. The Townsend organization has well served our people by having all ready at hand the economic life preserver which will save our people as they start to go down for the third time.

If it should be urged that the claims of benefits from this proposed [803–8] legislation are speculative, the answer is that the present administration went in frankly committed to a policy of experimentation. Almost everything conceivable, except the Townsend plan, has been tried, without any lasting improvement. By all indices we are worse off today than at any time during the past 10 years. Why, then, hesitate to try the Townsend Plan, frankly, as an experiment? It would not cost anything in increased debt, because it does not propose any borrowing to finance its provisions. We would have everything to gain and nothing to lose, and if it should eventuate that it would be ineffective, it could be readily modified, as seemed necessary, by amendment, or repealed.

Submitted by

CAPT. RUSSELL R. HAND,
Special Legislative Representative,
Townsend National Recovery Plan, Inc.

Approved:

Dr. FRANCIS E. TOWNSEND
Founder and President, Townsend National Recovery Plan, Inc.

Captain HAND. We want to say at the outset, Senator, [804–1] that we are here only for the purpose of being helpful to your committee.

We have no disposition to be captiously critical of any- [804–2] body, but only to honestly try to be helpful to the serious situation that your committee is directed to explore.

I only want to add that there is legislation now pending [804–3] before the Congress which we believe, along with numbers of people in the country, is a remedy for the very situation that your committee is constituted to investigate, namely, unemployment and relief. We expect to have hearings on it perhaps beginning about the 10th of April, before the Ways and Means Committee of the House of Representatives.

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I want to state very briefly that we believe that the difficulty [804–4] we have been struggling with for the last 8 years is, at the bottom, monetary. All of the testimony that we have listened to here seems to indicate that people live by dollars. A dollar is like a postage stamp that carries a letter from the sender to the receiver. The value is in the letter and not in the stamp. Value is in goods and services and not in dollars. If postage stamps prevent the letters from moving we would soon have to revise our postal system. If considerations of dollars and cents retard exchanges of goods and services, restrict employment and prevent people from living better we believe that we need the services of some monetary engineers. In other words, the effectiveness of our monetary system has broken down.

Now, at the conclusion, and I will not go into all the [804–5] printed statement, we urged this:

> If it should be urged that the claims of benefits from this proposed legislation are speculative, the answer is that the present administration went in frankly committed to a policy of experimentation. Almost everything conceivable, except the Townsend plan, has been tried, without any lasting improvement. By all indices we are worse off today than at any time during the past 10 years. Why, then, hesitate to try the Townsend plan, frankly, as an experiment? It would not cost anything in increased debt, because it does not propose any borrowing to finance its provisions. We would have everything to gain and nothing to lose, and if it should eventuate that it would be ineffective, it could be readily modified, as seemed necessary by amendment, or repealed.

Now, fortunately, the author of this plan is present in this [804–6] room this morning, and I am satisfied that if the committee desires any direct information from him he would be very pleased to give it.

Senator DAVIS. As I understand it, you are a statistician.

Captain HAND. I do not claim to be an expert. I have [805–1] devoted about 4 years to the educational program of the Townsend organization.

Senator DAVIS. You talk about experimenting. The Government has in this experiment during the depression spent about $20,000,000,000. What would be the cost per year of operating your plan?

Captain HAND. The cost of operating the plan for a year?

Senator DAVIS. With the total number of aged who would be eligible under this plan what would be the amount of money expended for the first year?

Captain HAND. We estimate on the basis of the best figures [805–2] obtainable, an average of about a billion and a half dollars outlay monthly. However, it would not be fair to call that the cost, because the greater part of that outlay goes right back into the stimulation of production, distribution, and consumption of goods and services.

Senator DAVIS. I gather from what you say that if the aged people were taken care of, that is, if they were provided for, and they would spend this money, they would be permanently out of the employment field.

Captain HAND. Yes. [805–3]

Senator DAVIS. And the expenditure of that money would give work to a sufficient number so that it would absorb all of the unemployment. Is that your theory?

Captain HAND. Yes; I do not believe anybody is prophetic [805–4] enough to be able to say in advance everything that would happen.

Senator DAVIS. What would the tax be on the national income, which is now so low, being between $50,000,000,000 and $60,000,000,000?

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Captain HAND. The tax would not fall on the national [805–5] income, according to our belief. The tax is on the gross turn-over.

Senator DAVIS. The national income is so much, and the turn-over is so many additional amounts that would be retired from the turn-over. What would the turn-over be?

Captain HAND. We have some figures, which I do not hap- [805–6] pen to have with me, of the drop in national income from the average of 1927, 1928, and 1929, through the first 5 years of the depression. That drop in national income from the average of 1927, 1928, and 1929 averaged for the 5 years from 1930 to 1934, inclusive, about $34,000,000,000 a year. We have to do some assuming. A noted economist testified before the Ways and Means Committee of the House in 1935, I believe in February, that he estimated, with this idea in operation, the general business volume would increase from 20 percent to 25 percent monthly until, as he put it, the immediate wants of the people were satisfied. That was Mr. Robert R. Doane. Making an assumption on that basis, if we could have put this idea into operation—in other words, if we could have been Hitlerized in America, and by decree have put this into operation the 1st of January 1930, and this plan would have become fully operative then, and it would have maintained us only at the level of the business volume which produced the national income of 1927, 1928, and 1929—we would have stopped these losses of national income; so that if there was that drop of $34,000,000,000 a year average, for the 5-year period, we would have stopped that loss. This idea in operation from 1930 would have resulted in a net gain, at an outlay of $24,000,-000,000 a year, of $10,000,000,000 a year annually, for the first 5 years. I point that out to show you that the burden is not on the national income. There is no burden at all, because it does not operate as a tax. It operates as a device to make more readily available active working capital for private, productive, and profitable enterprise.

Senator LODGE. You say that Dr Townsend would be willing to make a brief statement?

Captain HAND. I believe that he would be ready to do so.

Senator LODGE. May we ask you to step forward, Doctor? Have you a prepared statement?

Dr. TOWNSEND. I have none, but if you care to ask me questions I will try to answer them.

STATEMENT OF DR. FRANCIS E. TOWNSEND

Senator LODGE. Your system is based on a pay-as-you-go policy rather than on a policy of building up reserves, as I understand it?

Dr TOWNSEND. Yes. [806]

Senator LODGE. Will you tell us why that system is superior to the reserve-fund system that is now in use under the Soical Security Act?

Dr TOWNSEND. The reserve-fund system has to come directly [807] out of a certain class of people, the employed folks. We believe that that is not just. We believe that there is no need of a reserve system, and that there is no need of borrowing whatsoever We believe in a revised system of taxation through which the Government can acquire whatever it desires, whatever it needs for its purposes, directly from the people as they need it, and in this instance we propose to set up a system of taxation which will provide employment, through the

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Government, of a class of people who are going to be unemployed, in spite of everything—among those employed an emolument sufficient to have a very vital effect upon the markets of the country.

It is estimated that there are some 25 or 26 million people [807–2] on relief, of one kind or another. That means that an army of people is accumulating, which cannot help itself. Why should we not cure directly all of this difficulty by direct employment; have the Government engage in employing the unemployable, and not competing with industry by employing people who are able to go to work, but through employment of the aged. In other words, let us have a blanket insurance for everybody, every citizen, an annuity retirement insurance, payable when they reach the age when they are incapacitated. Then, instead of accumulating that payment to themselves, insist that it be disbursed again into the channels of trade. Then our tax system would immediately create wealth instead of destroying it, as our taxation system does today. Employment of the people, through the disbursement of millions of dollars monthly, would create, undoubtedly, a great demand for goods and services. That is what we are after. So, let us use intelligent methods of stopping this thing—strike at the root of it; compel the Government to assume the function of circulating money, and that is all that we need to do, through employment, and then those people who, otherwise, are going to be useless in the matter of creating wealth, shall be able to do so, indirectly, by spending the money that the Government pays them, for goods or services.

Senator LODGE. You do not specify any way that they should spend it, just so long as they spend it?

Dr. TOWNSEND. Absolutely not. Why need we be con- [807–3] cerned about that. We want as great a variety of things as we can possibly have. Let us pay these people sufficiently so that they may indulge in some of the minor luxuries. Sixty percent of our trade is made up of luxuries. Let us not strangle that trade. Let us encourage it. Pay these people liberally. We propose to pay about $200 a month, as a maximum, or whatever this tax will produce. Then let them disburse it at their will, but insist that they do that; that they spend their pay for goods or services.

Senator LODGE. We are very happy to have heard you here, Dr. Townsend, and I am glad to know that they are going to give you a hearing before the House committee, where this bill will have to originate.

Dr. TOWNSEND. I am very glad to have had the opportunity of making this statement.

Senator LODGE. I wish that the majority members of the committee had been here to hear you.

Dr. TOWNSEND. Thank you.

(Witness excused.)

Senator LODGE. The committee stands adjourned until there is a call from the chair.

(At 11:30 a. m., March 19, 1938, hearing was adjourned subject to call of the Chair.)

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UNEMPLOYMENT AND RELIEF

MONDAY, APRIL 4, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO
INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m. in room 357, Senate Office Building, Senator James F. Byrnes (chairman), presiding.

Present: Senators Byrnes (chairman), Frazier, Murray, Hatch, and Clark; also Alan Johnstone, counsel for the committee.

(NOTE.—Senator Davis was called to an executive meeting of the Committee on Naval Affairs, and for this reason could not be present at the meeting of the Committee on Unemployment and Relief.)

STATEMENT OF SENATOR FRANCIS T. MALONEY

The CHAIRMAN. We will come to order. Senator Maloney, we have invited you this morning to present to us your views with reference to the bill that you have introduced, and we will also be glad to hear you as to any phase of the resolution under which this committee is acting, and with which you are familiar.

Senator MALONEY. I should like to have it appear, Mr. [808–1] Chairman, that my presence here comes as a result of a conversation that I had on Friday with a member of your committee, in which I suggested to him, informally, and not expecting that it would result in my presence, that I thought this was about the most important committee functioning before Congress at this time, and that I thought the matter of unemployment was the paramount problem of Congress. He suggested that I come before the committee at an early meeting to discuss a bill that I introduced in Congress last year.

Senator HATCH. May I interrupt a moment to say that I was the member of the committee with whom you talked. I have been familiar with your bill, to a certain extent, and your interest in this general problem. We have had several discussions about it at different times, and it has been my purpose to ask you to appear before the committee, but, like many other good intentions, it was overlooked. I am very glad to have you discuss it.

Senator MALONEY. I should like to have it appear, as well, [808–2] Mr. Chairman, that I come without a prepared statement; that there has not been sufficient time, between then and now, with the other things that I have been compelled to do, to put something in written form for the committee, and for that I apologize.

I presume that I ought to say that I feel that there has [808–3] been too long a delay on the part of Congress in the matter of regulating working hours, and I say that because the bill to which we have

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just made reference is a bill which provides for the regulation of working hours.

I suggested Government regulation of working hours be- [808–4] fore the election of 1932. and at that time I prepared and had printed, at a time when I did not expect that I would soon come to Congress, a pamphlet setting forth my idea concerning a regulation of working hours. At that time it was a novel suggestion. I had not before heard it publicly proposed that there be a regulation of working hours on the part of the Federal Government; and it might interest you to know that at that particular time organized labor was opposed to the idea. After coming here the idea seemed to me of even more importance, but between then, and the time of my coming, Senator Black and the late Congressman Connery introduced a bill for the regulation of working hours.

I know that you gentlemen recall that during the ad- [808–5] ministration of President Hoover he said, and his associates admitted, that a shorter work week was necessary if we were going to get out of the serious depression of that time. Since then other proposals have been made. Now, labor is about wholeheartedly in favor of the idea. Almost everyone is ready to admit that there is a need for a curtailed working week. In my opinion we have waited too long to do it, and it is my opinion that we will probably have to be more drastic now than would have been necessary if we had established a regulated work week back in 1931 or 1932. But because I think it is vitally necessary, I am very hopeful that this Congress will undertake to regulate working hours. I do not have the idea that we can set a fixed work week. I do not think anybody has a sufficient knowledge, or sufficient information, to know what the period of working time should be. I think we might penalize industry, and we might just as well penalize working people, by setting a week at 30 hours. There are those people who believe that the way to better times and improved economy is almost by way of an unlimited work week. That particular school of thought maintains that only by a tremendous mass production can we cut down the cost of goods and thereby give people all the things that they need, or nearly all the things that they need.

I would like to say before I proceed with a discussion of the [808–6] proposal I have made, and I did not come here for this, and I am not going to trespass any on the time of the committee about it, that I feel that we have waited so long, and that our national economy has so shrunk, and is now so shrinking, that to help in the correction there must be Government spending. I think that once more we have to embark upon some such undertaking as a public-works program, or extend the Works Progress Administration in order once more to expand the shrinking national economy.

I do not like to say it here, and I know how reluctant the [808–7] members of Congress are to say how bad they think conditions are, but we are approaching a crisis, in my opinion, and unless we do something to stimulate business at once I fear that in a little while we are going to find ourselves in a rather sad situation. I think that that is just as important or, perhaps, at the moment, more important, than the matter of regulating the hours of labor, but I do feel that after we embark upon this spending program that I think is vitally necessary, that we ought then to take steps to immediately bring men back into private industry. I think that probably we will have

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to continue for a long time with some sort of public-works program, and I believe that public-works program should extend to the point necessary to provide jobs for the people who are willing, able, and anxious to work. I firmly believe after we undertake a spending program we should then take the step that, to me, seems sane and necessary We should provide a regulation that would quickly get men back into private employment.

You will find much opposition to regulation in any field. [808–8] I read yesterday in the Herald Tribune, and I think a number of the other Senators did, something in connection with the matter of regulation that interested me very much. It was an article written by Mark Sullivan, and I refer to this because of my own suggestion for further regulation. You gentlemen of the committee will remember the terrific barrage against the proposal in 1933 to regulate in the securities field. You remember the terrific campaign against the passing of the Securities Exchange Act of 1934. Industry set up a terrific cry. People engaged in the investment field were just as bitterly opposed. It was the first time that I heard the word "regimentation." The campaign raged over the land like a storm. Now, at this late day, we find so conservative a man as Mark Sullivan saying this:

> Regulation of the stock exchange, and of the issue of securities, is one [808–9] of the four or five New Deal measures that were desirable; indeed, indispensable. Possibly it might have been better if we could have trusted the stock exchange to regulate itself, to prevent and punish derelictions within itself, somewhat as we leave to churches and to some other institutions the responsibility for maintaining high standards and enforcing their own discipline, without interference by Government. But the stock exchanges and the issuers of securities did not give us the opportunity to have that confidence in them.

REGULATION OF HOURS OF WORK AS AN UNEMPLOYMENT MEASURE

If you gentlemen should recommend, and the Senate [808–10] should attempt again to write a law regulating the hours of labor, you would run into much the same sort of protest we heard at that time. But the passing of only a little while has satisfied many conservative people, and I think almost all of the people, that regulation was necessary, that it was in the public interest; that it was beneficial to that particular industry; and that it was a necessary protection for the people who invest their money.

I think that the passage of a bill properly regulating the [808–11] hours of labor would in just the same little while, only, I think, in a shorter period of time, bring the applause and the approval of not only the general public, but the people who manage industry.

It seems to me that regulation in this field is a necessary thing on the part of the Government. We are now regulating in so many fields that a good many people are unmindful, as they cry about governmental regulation, of the fact that they are in many instances being necessarily regulated, and that in many instances they approve.

We would not have traffic lights if regulation were not necessary. We have traffic lights to prevent people from doing harm to themselves and to others in a mad and sometimes a selfish rush to get somewhere.

I understand that you have other witnesses here this [808–12] morning. I do not care to take any more time than is necessary, but

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I am grateful to you for the chance you give me to get this particular proposal into the record of your very important hearings.

At the outset I should like to say that this proposal of mine [808–13] is certainly far from perfect, but I think under the study of such a very able group as this committee it could be perfected.

I am hopeful that my proposal will attract your attention [808–14] and interest to a sufficient extent to get you to give this particular subject some thought. I am fearful that unless we do this we are going to have a so-called wage-and-hour bill in this session of Congress that will be insufficient. The Senate did pass a bill last year that does proclaim a regulation of working hours, but I think it is very insufficient. While it is maintained that there is a regulation of working hours in that bill men could, as a matter of fact, work a 60- or 70-hour week under it. Theoretically, it is all right, but we have passed the time when we can write a law that leaves wide open the chance for pressure from any source. I think we ought to be very definite about it. I do not think that we ought to take it unto ourselves, as members of Congress, to say that there should be a 30-hour week or a 35-hour week or a 40-hour week. We don't know. No one knows. But we do know that there are a great many people out of work, and I think that our first responsibility is to find out how many people are out of work, where they are, what they are equipped to do, and then upon that basis endeavor to write a law that will give those men jobs, and thereafter keep unemployment on so nearly even a keel as is possible.

I think this bill, perhaps in a crude way, does that. But it [808–15] does point a way. It insists that hours be regulated on the basis of the number of people who are out of work.

MINIMUM WAGE BILLS

I should like to say, Mr. Chairman, at this point, that there [808–16] is much discussion in connection with other bills about what the minimum wage should be. I have not attempted to touch the wage situation in this proposal of mine because I am generally opposed to price-fixing in any form.

I have been fearful that if we attempted to fix wages we [808–17] would jeopardize labor; that sometime there might come a conservative Congress that felt it would be proper, in view of the fact that we were putting a floor under wages, to put a ceiling on wages. I have believed that the proper way to get working people a sufficient income was by giving working people an economic force in order that they might bargain for wages. Labor has no economic force now. Labor has no chance now. If misguided or selfish employers choose to exploit labor, with the present vast reservoir of unemployed, they can do just about what they please with that labor.

I do not think that it is fair to say that wages have gone up [808–18] to a considerable extent. I personally do not believe that wages have in fact gone up in very many instances, and neither do I think that it is proper to say that a man should get 30 cents or 40 cents an hour, and rest on that fact. I do not think that we ought to consider wages on the basis of hours alone. Men should be paid for what they do. Men should be paid for their production. Men should be paid for what they know. If we paid men on an hourly basis it might properly apply to Senators.

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LABOR'S STAKE IN TECHNOLOGICAL PROGESSS

A number of years ago a man working in industry and get- [808–19]
ting 30 or 40 cents an hour might have produced 25 units in a day. That same man today, in the same industry, with perhaps a 10 or 15 or 20 percent advance in wages, is probably producing 50 or 100 units, so that on the basis of what he does, he has not had a raise in wages. As a matter of cold fact, he has had a decrease in wages. So I am not very much impressed by those people who would take glory unto themselves by telling us how much they have done for labor. I think "technological improvement" is the phrase that is commonly used in connection with the industrial advancement, but I understand better such language as "inventive genius," and, as a result of inventive genius, spurred on during the war and after the war, industry has been able to produce in much greater quantities.

I do not think it is fair in our day, nor do I think it is eco- [808–20]
nomically sound, nor morally honest, that industry should take for itself alone the reward of the inventive genius of man.

I think that labor's stake in industry is just as great as that [808–21]
of capital. I think that labor has as much right to the profits of industry as capital has. Labor takes just as much responsibility as capital.

Under the industrial and economic set-up of this day and [808–22]
age, if there is not enough work, labor is out. Labor has not got a chance. Hours are then regulated by industry for industry. I want the hours regulated by the Government so that labor may share in the profits that come. I think when there is a tremendous speeding up of production and men, as a result thereof, are thrown out of work, that we then might very properly consider the popular subject of sharing the wealth. Proposals to share the wealth, in every sort of form and fashion, have come to the attention of Congress in the last several years. It seems to me that there is only one way to properly share wealth, and that is to divide jobs, to give men a chance to work, and their share of the reward and profit of inventive genius, which will continue. The only way we can do it, in my opinion, is by curtailing working hours.

This proposal, and I am not going to take much longer, [808–23]
Mr. Chairman, is designed not only to regulate the hours of labor, but it attempts to do several other things. It is a short bill; actually, nine pages long. It is very simple. There is not any part of it that is in any way confusing. There is not a thing about it that labor and industry cannot understand. Now, I said just a few moments ago that it is difficult to attempt to correct the unemployment situation without first finding out where we are; how many people are out of work, what kind of work they are capable of doing, and where they are.

UNEMPLOYMENT COMMISSION

I first introduced this proposal back in February 1937 and [808–24]
later during a consideration of the so-called Black-Connery bill I revised it to some extent and offered it in the Senate as a substitute for the Black-Connery bill—I might say in parenthesis that it came within eight votes, I think, of replacing the Black-Connery bill. It first provides for setting up of a Board originally known as the Fed-

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eral Unemployment Commission, and it provides thereafter that there be a national census of the unemployed. It sets forth that the Board may determine the kind of persons who might be classed as unemployed. It provides for an immediate census, not a long-time-drawn-out thing, but such a census as that for the national draft, which was taken back in 1917. We might do it all in one day. And that part of the proposal is not, of course, original with me. After that census we would immediately be able to supply to the Federal Unemployment Commission, and thereafter to the unemployment offices that are now established all over this country, the cards for their area, the complete unemployment picture for that neighborhood. It would result, Mr. Chairman, as I see it, in putting the Federal Government, by way of this Commission, in a position of knowing exactly what the unemployment situation was every day, without much additional expense, because we have these unemployment offices. I cannot see that it would entail much extra help or extra cost; and I would like to lay emphasis upon the fact that every single day we would know, not only how many unemployed there were, but we would know exactly where they were, and we would know the sort of thing they were equipped to do.

I also had in mind in the drafting of this proposal the [808–25] large amount of money we are spending, and that I feel we will necessarily continue to spend for a long time, for unemployment relief, through the medium of Federal funds, for the W. P. A., and the P. W. A., and other similar governmental agencies.

Provision is made in this proposal that if men fail to regis- [808–26] ter, and thus do not take advantage of this opportunity the Government sets up for them, they are denied the chance to work on relief projects. So it seems to me that there can be no honest charge made that men will refuse to register, because, if they do, insofar as the Government is concerned, they are out of the picture. They are considered employed. It would not be difficult to keep up the cards under that system. After this thing got in motion we might assume that if a man failed to register every month, or every 2 months, or every 3 months, with the Unemployment Commission, that the Commission, in its widsom, might determine that that man had gone to work.

UNEMPLOYMENT AND A STAGGERED WORK WEEK

After the census, and we know just exactly how many [808–27] unemployed people there are, this bill provides the number of hours in a workweek. I do not know that these figures fit. I feel rather certain that there is a way for improvement, but it first provides, Mr. Chairman, that if more than 8,000,000 people are found to be unemployed, and that is certainly the situation at this monent—there are varying figures; some people say 13,000,000, and some say 12,000,000, and some say more than 13,000,000—but this bill provides that if more than 8,000,000 people are found to be unemployed there shall become effective a 30-hour week. I am not frightened about it. I should not be frightened if it were a 25-hour workweek, while there are more than 8,000,000 people out of work. It provides thereafter that if, as a result of the curtailed workweek, or a 30-hour week, some of them go back to work, at that point where there are no more than 6,000,000 unemployed, we go to a 32-hour workweek. It provides

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again that if more than 4,000,000 but not more than 6,000,000 persons are found to be unemployed, that a 34-hour workweek go into effect; that if more than 2,000,000 but not more than 4,000,000 are unemployed, there be a 36-hour working week; or if no more than 2,000,000 are found to be unemployed, there be a 40-hour working week.

The bill definitely provides a ceiling of 40 hours. I, [808–28] personally, do not believe that men engaged in factories, mines, quarries, and mills should, as a regular thing, work more than 40 hours a week.

It seems to me that with the advances we have made, and [808–29] with the speeding up in production, that that is a sufficient work week, but I would not tie myself to that. If we came to the day when, to provide a fair share of the necessities of life and some of its luxuries, people should work a 45-hour week, I should bow to that. I do not think a 45-hour working week would hurt anybody. It is not purely social with me. But I think we should be just as willing to go down to a 25-hour working week, if necessary, to give jobs to men who are willing and able to work, and who have families to support, and who must, unless they be supported otherwise, be supported by the Government.

I do not believe that the Federal Government can long [808–30] stand the terrific burden of supplying work for 13,000,000 people, and probably a greater number, and I think that this very able committee should give serious thought to this subject that is of so much importance.

The bill makes other provisions. It strengthens the law [808–31] in connection with the matter of Federal loans which, again, as a result of the action we took a few days ago, becomes something of great importance. It provides against the unfair competition of exploited labor in foreign countries. The bill is insistent that men who work long, long hours, for extremely low wages in other countries cannot impose upon American labor. I think that is fair. I do not think the United States, which has advanced so very much further than other countries during all the years, should be asked to lower its standards to equalize conditions over the world. I think our responsibility and our moral obligation is to make an effort to bring other countries up to our standard, and in the event of their unwillingness or inability to do it, our responsibility and our moral obligation is to protect the American workman against the importation of cheap foreign labor. The bill also contains child labor and collective bargaining clauses.

The bill does provide for proper exemptions. I know, as [808–32] members of the committee know, that there are certain industries that would be harmfully affected by the imposition of a fixed and rigid working week. I know that there must be a flexibility I cannot think of many such industries myself, but the unemployment commission that would be set up under this bill would be swamped with requests on the part of those who felt that they could not operate under this sort of regulation. Some of the claims, but not many, would be true. Mr Chairman, necessity is the mother of invention. I remember during the war, as you do, when so many hundreds of thousands, or millions of young men, many of whom had been engaged in industry, in factories and mills, were called away to the war The United States did not long worry, and neither did industry worry

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too much, about finding apprentices to spend 2 or 3 or 4 years to learn certain so-called trades. In some instances, and we are suffering from that now, they took women into the factories, and they taught them, almost overnight, how to do these things. I think, and it is rather apart from the subject we are discussing, but it is a very serious part of the economic situation, that a large part of our unemployment problem is due to the fact that there are so many women in American factories doing things that men should be doing; doing a harsh, hard kind of work. I do not think that we can deny women, nor do I know that we want to deny them, the right to work in factories, but it is a constant reminder to me, Mr. Chairman, that we can adjust ourselves to new conditions. And while, for a little time, there would be a very sincere and loud opposition to the enactment of such a law as this, I think it would finally bring applause, not from the American workmen alone, but from the industrialist, who would have a chance to wipe out unfair competition, and who would have the opportunity to expand his own market, because you know and I know that two men earning $20 a week will provide a greater buying power than one man earning $40 a week.

I should say at this point that I am perfectly willing that [808–33] there should be a floor for wages. I am perfectly willing, if others insist, that there should be included in this bill a minimum wage. I thought that working people might do well enough without it if we gave them an economic force; if we created a competition for labor by setting hours at such a point as would give a job to about every able-bodied man who was willing to go to work.

I think that the Government can be trusted with regulation. [808–34] I am not so much afraid of a centralization of power, in the hands of Congress, as some other people are. I think that those who think about it realize that the Government wants to be fair. I think that the Congress could be trusted to change this law, already flexible if a need for it later developed.

I am about to finish, Mr. Chairman. I should like to say [808–35] that I think this is one of the ways, following a spending program that I have feared, but I think now becomes absolutely necessary—to bring a new confidence to business and to working people. People are not putting money into the capital investment field now; but if there could be some assurance that men would regularly have jobs, and that the Government was going to take unto itself the almost sacred responsibility that it has to provide jobs for men, we would have a new confidence. Industry would know that it was going to operate regularly. Workmen would know that they were going to have at least a fair chance of a job. I think it would take the dormant funds that there are in this country, and encourage them to go back into the investment field.

It seems to me, Mr. Chairman, that I might almost sum [808–36] it up in just one word. I have endeavored to point out here, in a feeble sort of way, that a large part of our trouble is due to the fact that the inventive genius has been captured by the industrialist, and that he has thoughtlessly tried to reap all the profits himself. He dissipated it by throwing men out of jobs. If he will divide that inventive genius among the people who work for him, and give them their share of the profit by way of shorter hours, jobs, and consequently better wages, then we can get out of this depression. I think we can do it very

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quickly. I do believe that we are approaching the crisis. I do think that spending is necessary and, thereafter, definitely and immediately, a rigid regulation of working hours.

I am sincerely hopeful, Mr. Chairman, that your committee, [808–37] which has tried so hard up to now, will find the time to give serious thought, not only to the matter of regulating working hours, because you have already done that, but give serious thought to the matter of regulating working hours under some such proposal as I have made, which determines the working week by the number of unemployed in the country.

Mr. Chairman, so far as I am concerned, I have finished. I [808–38] will be pleased to attempt to answer any questions that any members of the committee may care to ask.

The CHAIRMAN. The bill to which Senator Maloney refers will be included in the record at this point.

[S. 2475, 75th Cong., 1st sess.]

AMENDMENT (in the nature of a substitute) intended to be proposed by Mr. MALONEY to the bill (S. 2475) to provide for the establishment of fair labor standards in employments in and affecting interstate commerce, and for other purposes, viz: In lieu of the matter proposed to be inserted by the Committee insert the following:

That (a) there is hereby created a Board, to be known as the Labor Standards Board, which shall be composed of five members who shall be appointed by the President by and with the advice and consent of the Senate and in such appointment industrial and geographic regions shall be given consideration. The President shall from time to time designate one of the members of the Board to act as chairman. One of the original members of the Board shall be appointed for a term of one year, one for a term of two years, one for a term of three years, one for a term of four years, and one for a term of five years, and their successors shall be appointed for terms of five years each, except that any individual chosen to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(b) A vacancy in the Board shall not impair the right of the remaining members to exercise all the powers of the Board. The Board shall adopt its own rules of procedure including provision as to the number of members necessary to constitute a quorum but no order establishing a working week shall be made except by a majority of the Board. The Board shall have an official seal which shall be judicially noticed.

(c) Each member of the Board shall receive a salary of $10,000 a year, shall be eligible for reappointment, and shall not engage in any other business, vocation, or employment.

(d) The Board may select, employ, and fix the compensation of an executive secretary and such attorneys, examiners, regional directors, accountants, special consultants, and experts as it deems necessary to carry out the functions and duties of the Board, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States. The Board may, subject to the civil-service laws, appoint such other employees as it deems necessary to carry out the functions and duties of the Board and shall fix their salaries in accordance with the Classification Act of 1923, as amended. The Board may establish and utilize such regional, local, or other agencies, and utilize such voluntary and uncompensated services, as may from time to time be needed. Attorneys appointed under this section may at the direction of the Board appear for and represent the Board in any case in court. In the appointment, selection, classification, and promotion of officers and employees of the Board, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency.

(e) The principal office of the Board shall be in the District of Columbia, but it may meet or exercise any or all of its powers at any other place. The Board may, by one or more of its members or authorized representatives, or by such

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other agents or agencies as the Board may designate, prosecute any inquiry necessary to its functions in any part of the United States.

(f) The Board shall submit annually a report to the Congress covering the work of the Board for the preceding year and including such information, data, and recommendations for further legislation in connection with the matters covered by this Act as it may find advisable.

SEC. 2. (a) The Board shall take a census of unemployment, as hereinafter provided, for the purpose of determining the number of unemployed persons in the United States over sixteen and under sixty-five years of age who are physically and mentally employable. Said unemployed persons shall be classified by race, sex, age, customary occupation, and the causes and duration of their unemployment.

(b) The Board shall establish throughout the several States and the District of Columbia local agencies and, where practicable and desirable, shall establish one such agency in each county and one for approximately each thirty thousand of population in each city of thirty thousand population or over, according to the last census taken or estimates furnished by the Bureau of the Census of the Department of Commerce. Such agencies shall consist of three members, who shall be appointed by the Board without regard to the civil-service laws or the Classification Act of 1923, as amended.

(c) All said unemployed persons shall register with such local agencies in such manner and at such times and places as the Board shall direct. Upon the completion of such registration, the local agencies shall report promptly the results, classified as provided for in paragraph (a) of this section, to the Board and such local agencies shall then be abolished.

(d) Beginning on January 1, 1938, and every three months thereafter, said persons, so long as they remain unemployed, shall register at the nearest office of the United States Employment Service in accordance with such rules and regulations as the Board shall prescribe. The Director of the United States Employment Service shall report promptly the results of each such registration to the Board.

(e) No part of any funds heretofore or hereafter appropriated for relief or work relief shall be used or expended, directly or indirectly, for the benefit of any person who willfully fails or refuses to register as provided for in this section.

SEC. 3. (a) Upon the receipt of the registration report provided for in paragraph (c) of section 2, the Board shall establish working weeks as follows: (1) If more than eight million such persons are found to be unemployed, a thirty-hour working week; (2) if more than six million but not more than eight million such persons are found to be unemployed, a thirty-two-hour working week; (3) if more than four million but not more than six million such persons are found to be unemployed, a thirty-four-hour working week, (4) if more than two million but not more than four million such persons are found to be unemployed, a thirty-six-hour working week; or (5) if two million such persons or less are found to be unemployed, a forty-hour working week.

(b) The working weeks established by the Board shall continue in force until the subsequent registration reports provided for in paragraph (d) of section 2 show a sufficient change in the number of such persons unemployed, in which event the Board shall establish a new working week in accordance with paragraph (a) of this section.

SEC. 4. On and after January 1, 1938, no article or commodity shall be shipped, transported, delivered, or received in interstate or foreign commerce which was produced or manufactured under conditions which are inimical to the public interest in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed for a longer period of time than that provided for in the working week established by the Board, or in which child labor was employed: *Provided*, That upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed for a longer period of time than that provided for in the established working week, the Board may issue exemption permits with respect to such persons, relieving the employer from the provisions of this Act with reference to such persons.

SEC. 5. (a) No article or commodity shall be purchased by the United States, or any department or organization thereof, from any business enterprise operating contrary to any provision of this Act, or if such article or commodity was produced or manufactured in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed on and after January 1, 1938, for a longer period of time than that provided

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for in the working week established by the Board, or in which child labor was employed on and after such date.

(b) Each contract made with a contractor for any Federal public work shall contain a provision that the contractor will buy no article or commodity to use on or in any public work from any business enterprise violating any of the terms or provisions of this Act, and will buy no article or commodity which was produced in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed on and after January 1, 1938, for a longer period of time than that provided for in the working week established by the Board, or in which child labor was employed on and after such date.

SEC. 6. (a) No Federal governmental agency shall make or renew any loan to any employer of labor in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed on and after January 1, 1938, for a longer period of time than that provided for in the working week established by the Board, or in which child labor was employed on and after such date.

(b) On and after January 1, 1938, any such employer of labor who applies for a loan from any such governmental agency shall agree at the time of making application for such loan that so long as he is indebted to the United States he will not permit any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, to work for a longer period of time than that provided for in the working week established by the Board and that he will not employ child labor. In the event that there is a violation by any such employer of his agreement, the full amount of the unpaid principal of the loan made to such employer shall be immediately payable.

SEC. 7 On and after January 1, 1938, it shall be unlawful to sell, ship, transport, deliver, or receive into any State any goods or commodities produced or manufactured in any mine, quarry, mill, cannery, workshop, or manufacturing establishment, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed for a longer period of time than that provided for in the working week established by the Board, or in which child labor was employed, if the State into which such goods or commodities are delivered or proposed to be delivered has in effect a statute prohibiting the employment in such business of employees for a longer period of time than that provided for in the working week established by the Board, or a statute prohibiting the employment of child labor.

SEC. 8. On and after January 1, 1938, it shall be unlawful for any employer subject to any of the provisions of this Act to reduce, directly or indirectly, the daily, weekly, or monthly wage rate in effect on such date (or, in the case of an applicant for a loan from a governmental agency, on the date his application is submitted) with respect to any of his employees until a reasonable opportunity has been afforded to his employees, through representatives of their own choosing by a majority vote, to meet with the employer or his representatives and to discuss and consider fully all questions which may arise in connection with the reduction of such wage rate.

SEC. 9. Any person who violates any of the provisions of this Act, or who fails to comply with any of its requirements, shall, upon conviction thereof, be fined not more than $1,000, or be imprisoned for not more than three months, or both.

SEC. 10. (a) This Act shall not apply to commodities or articles produced or manufactured prior to January 1, 1938.

(b) Nothing in this Act shall be construed to apply to agricultural or farm products processed for first sale by the original producer.

SEC. 11. As used in this Act—

(a) The term "thirty-hour working week" means a period of time in any calendar week consisting of not more than five days in any one of which not more than six hours of work is required or permitted.

(b) The term "thirty-two-hour working week" means a period of time in any calendar week consisting of not more than five days in any one of which not more than six and two-fifths hours of work is required or permitted.

(c) The term "thirty-four-hour working week" means a period of time in any calendar week consisting of not more than five days in any one of which not more than six and four-fifths hours of work is required or permitted.

(d) The term "thirty-six-hour working week" means a period of time in any calendar week consisting of not more than five days in any one of which not more than seven and one-fifth hours of work is required or permitted.

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(e) The term "forty-hour working week" means a period of time in any calendar week consisting of not more than five days in any one of which not more than eight hours of work is required or permitted.

(f) The term "child labor" means the labor of any person less than sixteen years of age.

SEC. 12. If any provision, clause, or paragraph of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision, clause, or paragraph to other persons or circumstances, shall not be affected thereby.

SEC. 13. There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Amend the title so as to read: "A bill to provide for a census of unemployment, to prohibit the interstate transportation of certain articles and commodities produced under conditions which are inimicable to the public interest, to protect the health and provide for the welfare of the unemployed, to provide for the general economic welfare of the Nation, and for other purposes."

The CHAIRMAN. Have you made any investigation as to the effect of the attempt made in France to provide jobs through their effort to share work?

Senator MALONEY. Mr. Chairman, I am sorry to say that [809–1] I have not.

The CHAIRMAN. I have not made a very careful study of it myself, but I recall that last summer when I was in Paris I noted that there was considerable complaint that it had not worked out as well as labor thought it would because in the city of Paris, for instance, in mercantile establishments they simply closed up the stores on Monday. Very few stores would stay open. They closed instead of running a week and giving more jobs. I have not made any inquiry as to subsequent experience to see whether that was merely temporary and whether they had adjusted themselves. I thought possibly you had.

Senator MALONEY. I have not done that, but I would like [809–2] to point out, Mr. Chairman, that that is not an entirely novel situation. As I understand it, there are some stores in the United States that close up on certain days of the week now. As a matter of fact, I think one of the very large department stores in New York, for at least a part of the year, closes on Saturday. I am not definitely certain of that.

The CHAIRMAN. That is true in a number of places.

Senator MALONEY. Someone behind me says that all of [809–3] them do.

The CHAIRMAN. All the stores?

Senator MALONEY. I just heard that remark.

The CHAIRMAN. Does your bill set forth the industries to be exempted, or would that be left——

Senator MALONEY. That is left to the Unemployment Com- [810] mission.

The CHAIRMAN. For instance, does it include the agricultural situation?

Senator MALONEY. Mr. Chairman, I am just one man, and [811–1] I am afflicted with all the frailties of human nature. I have not attempted to delve into agriculture.

The CHAIRMAN. Is it exempted by the bill, or would it be left to the Commission?

Senator MALONEY. Agriculture is exempted, so it is not [811–2] touched under this proposal.

The CHAIRMAN. Is there any other specific exemption besides agriculture.

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Senator MALONEY. No; there is not, but you have given me [812–1] another thought, Mr. Chairman. I would like to say, as one who comes from an industrial neighborhood, one of the most important industrial parts of the country, that it is my opinion that this bill—and I risk criticism when I say this—would do more for agriculture than all the farm bills that Congress could ever pass.

Agriculture is largely dependent upon the buying power [812–2] of people engaged in industry. People in the industrial neighborhoods cannot get enough milk for their children now. They cannot buy the produce of the farm. They cannot buy some of the farm products that are, in certain parts of the country, considered luxuries. They want those things, and all they need is the buying power to get them. It seems to me that this is in effect an agricultural bill, and that if you return these people to jobs it will so stimulate the buying power of this country that agriculture will, once more, come back into its own.

The CHAIRMAN. Do you base that on the belief that two men receiving $20 a week will spend more than one man making $40 a week?

Senator MALONEY. Yes, but I go beyond that. I make [812–3] that as an absolute argument, because I think everyone will admit that. Mr. Chairman, there are unlimited possibilities in this country once we get the economic force of the Nation in motion. I am not afraid of high wages.

Senator CLARK. Isn't it true that high wages and short hours have always gone together?

Senator MALONEY. I can remember when a pair of shoes cost [813] $1, and bread was 5 cents a loaf, and it was awfully hard for some people to buy shoes and bread. Then I can remember when shoes were $6 or $7 or $10 a pair, and bread was 10 or 15 cents a loaf, and the men working in the mills and factories bought silk shirts.

Senator CLARK. Short hours have inevitably been followed by higher wages, have they not?

Senator MALONEY. Yes, and by good times. [814]

The CHAIRMAN. That is all. Thank you.

Senator MALONEY. Thank you.

(Witness excused.)

The CHAIRMAN. Mr. Brown.

STATEMENT OF ROBERT S. BROWN

The CHAIRMAN. Mr. Brown, you are from Columbus, Ohio?

Mr. BROWN. That is right, sir.

The CHAIRMAN. You are in the newspaper field?

Mr. BROWN. That is right.

The CHAIRMAN. I understand you have made some investigation with reference to the administration of relief, and the committee will be glad to have you give it the benefit of your views, which will certainly be helpful.

Mr. BROWN. Thank you. I wish the record to show, Mr. [815–1] Chairman, that I am appearing before this committee as a reporter, presenting my views on the relief situation as gained from more than 4 years direct association with the subject, and such conclusions as I have reached are my own.

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Just a year ago I had completed a tour of more than a dozen [815–2] States spending considerable time in interviewing and talking with Federal and State relief officials. Following the survey I reached a number of definite conclusions as to what should be done in my opinion to meet the serious problem facing all divisions of our Government.

Today, after a continued close association with the problem, [815–3] I am still of the same opinion and I would like to present a few of my previous conclusions at this time.

1. W. P. A. as such should be liquidated.

2. A long-range program of fully financed Federal public works, wholly divorced from relief, should be established to give employment to a partial number of workers on W. P. A.

3. The Federal Government either by adding another type of grants-in-aid to the several now offered under the Social Security Act, or by some other means, should return to its policy under F. E. R. A. of making payments to States for direct home relief, either in cash or in kind.

4. An immediate strengthening of Federal and State employment exchanges should be attempted, so that, as is being done in England, these exchanges could assume more and more of the responsibility of administering unemployment benefits, whether they be in the form of public jobs, insurance payments, or direct relief.

5. A new approach to the question of vocational training for the younger dependants and retraining for the older should be developed, possibly as a branch of the employment exchange system.

6. The Social Security Act should be closely scanned for possibilities of widening the scope of benefits to include many border line cases now excluded by technical flaws or omissions in the law.

7. In planning for the future, Federal relief needs should be included as regular budgetary commitments.

8. Excluding only the Public Works Program, definite yardsticks for Federal participation in State and local relief should be established. Whether on a dollar-for-dollar matching basis or some other formula should be a matter for Congress to determine.

9. The Federal Government, because it will be called upon to furnish the lion's share of the cost of any relief program, must retain supervisory control in order to maintain uniform and decent standards of benefits and administration. This can only be attained through an organization under civil service, and maintained on a merit basis.

Today, as we approach the sixth year of Federal relief, it [815–4] is an almost amazing situation that we find in the larger industrial States W. P. A. rolls, to take only one subdivision, are higher in Ohio than at any time since the Works Progress Administration came into existence. By the middle of April approximately 220,000 individuals will be on the W. P. A. pay rolls in this State. This is an increase of nearly 140,000 over September of last year and 33,000 more than the highest previous peak reached by W. P. A. in the spring of 1936. In addition to the number of dependents on W. P. A. there are another 150,000 cases on direct relief in the State, making a total of more than 25 percent of the entire population now in the throes of dependency.

I differentiate there, Mr Chairman, between individuals [815–5] and cases because direct relief cases may include from 3 to 10 members of the family. I think they take an average of 4.

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It would appear from this dismal picture in Ohio that to [815–6] advise liquidation of W. P. A. was the one thing which should not be done. However, quite the opposite is true. To continue this huge public employment for any length of time will bring an absolute return to the leaf-raking type of project. It is impossible to continue to find W. P. A. projects of sufficient numbers and sufficient justification to carry on.

As it is now, W. P. A. is having three serious effects: [815–7]

1. Local subdivisions of Government called upon to provide matching money for W. P. A. projects are investing practically all of their unearmarked funds, leaving no reserves whatsoever for maintaining such public works after completion.

2. General contractors who in normal times obtained the major share of the types of work done by W. P. A. are practically out of business, their investments in equipment and trucks slowly becoming static liabilities.

3. The common laborer who in the past was accustomed to making his living at pick and shovel employment and unskilled construction is being crowded further back into the nonemployable classification because he is being forced to compete with unemployed clerks, bookkeepers, laundry workers, and so forth, who, fully eligible to W. P. A. employment, are willing to swing a pick rather than starve.

To break these points down a bit further I would like to call [815–8] attention to the fact that W. P A., because it must assume greater employment quotas, is now doing the type of project which anticipates the needs of communities for as many as 10 to 15 years in advance.

Sanitary sewer lines, public buildings, hard-surfaced roads, [815–9] sewage disposal plants, courthouses, and many other permanent utilities are being completed, thus removing from the normal flow of community needs public construction potentials normally counted upon to supply employment under private contract for thousands of construction workers.

If this type of public construction continues for another 2 or [815–10] 3 years we will have established in this country in advance a public building drought which will practically perpetuate itself, driving out of our economic set-up the private contractor who needs a backlog of public works in order that he may operate with private construction.

The pinch of maintenance costs on W. P. A. projects is [815–11] already being felt not only in Ohio but in other States of the Union. With the trend more and more pronounced for lower real-estate taxes, the question of maintenance becomes more evident. There is no economic objective in a city or village or school district in the building of large W. P A. projects for which a drain is placed on all available public funds if when completed these improvements cannot be maintained in first-class and usable condition.

Going a step farther and being more specific on one angle [815–12] to W. P. A. prosecution I call your attention to the plight of the private owner of large fleets of trucks. As W. P. A. more and more blankets the public construction potential the large fleet owner finds himself with thousands of dollars worth of rolling equipment on his hands with no place to use it. W. P. A. restrictions are such that only a bare few of the available trucks for construction work can be employed with Government funds. Only the owner of a truck who is eligible for relief is given primary consideration for work.

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Naturally enough the large buyer of motor trucks is not [815–13]
interested in replacing his equipment and this cannot but help to be a
factor which today is responsible for the tremendous decline in
automotive construction.

It is problematic as to the exact effect W. P. A. employ- [815–14]
ment is having upon the W. P. A. employee.

Some results already are evident. Men who have been [815–15]
skilled or semiskilled workers prior to the initiation of W. P. A. and
who have done little but work in a ditch or some kindred type of
endeavor for the past 3 years have most certainly lost their skill and
reverted back to the ever growing unskilled labor pool. Each man who
comes from the service trades or the skilled mechanical trades to take
his place as a common laborer pushes back into continued dependency
the common laborer of a few years ago. The latter is in most instances
now past the age of 45 and his plight is something which should concern
this committee. Unless this relief problem finds an answer this man is
doomed during his lifetime to dependency.

PUBLIC WORKS PROGRAM

It is not my belief that the Federal Government should [815–16]
abandon Federal public works. Federal public works should be
continued in an increased tempo over the predepression days, but
they should be continued not in competition with the lesser political
subdivisions. They should be thoroughly planned in advance by a
well-organized and well-thought-out, long-range program, within the
jurisdiction of the Federal Government.

They should provide the economic side to the question of [815–17]
what to do about unemployment. Relief per se must be divorced
from made work.

A long-range public works program could include flood con- [815–18]
trol, pollution abatement, reforestation, and measures to combat soil
erosion, Federal express highways, and so forth. There is much to
be done along this line.

But in order that such a public works program may suc- [815–19]
ceed it must be carried on by a certain percentage of skilled workers,
which brings us to the point of the means test, that hurdle over
which every relief person must pass before obtaining W. P. A. em-
ployment. In removing the means test two immediate objectives
are reached: First, the stigma of relief is removed from the legitimate
unemployed; second, the labor supply is broadened sufficiently to
offer an adequate supply of trained and efficient workers. Only on
this basis can Federal public works be permanently established in
this country. Such a program also must be carried on, not on a
security wage basis but on a competitive wage basis in which a
worker would not be forced to lay off when he has worked a limited
number of hours per month but could go ahead until the project
was completed. He would be returned to his normal employment
habits more nearly equal to his earning capacity.

W. P. A. PROGRAM

The W. P. A. program today fails, for the simple reason [815–20]
that it does not accomplish what it is supposed to do. It was orig-
inated to offer employment to all dependent persons who had capacity

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for work. It does not do that, generally speaking. Only a segment of the needy can be employed on W. P. A. The reason is obvious. The cost is too great. That means then that we have set up two distinct classifications within the ranks of the needy. First, we have those who may be earning a livable salary on W. P. A., assured of a regular pay roll every 2 weeks. They can plan ahead. They know that their needs and the needs of their family will at least be partially met. On the other hand, we have a second group, which is dependent wholly upon the whims and fancies of State and local governments and upon the ability of the local taxation system to supply them a living. A year ago I designated this difference as follows: To the first group the Federal Government says, "You may have cake." To the second group, State and local governments say, "Live on the crumbs if you can."

When this division of classes was originated the compara- [815–21] tive advantages of the first over the second was not nearly so apparent as it is today or as it will be in the future. In most States an honest effort was made to provide adequate relief for those classified in the nonemployable bracket. Today, however, a third classification is creeping into the set-up, and in this rests the real pathos and misery of the present recession.

It is a twilight group and in most cases and in most States [815–22] is existing on its wits. It includes persons who are employable but unable to get on W. P. A. roles because of quota limitations and cannot qualify for direct local relief because of employability; aliens; transients; persons who still have small equities in real estate or other investments but no income or means of support; and those who are unemployable and restricted from local direct relief because funds are unavailable.

F. E. R. A. RELIEF TYPE PROPOSED

The answer to this situation, in my opinion, is plain, and I [815–23] speak not only for this twilight classification but also for the other two. It is in a return to the F. E. R. A. type of Federal relief in which the Federal Government and the State government do not recognize nor attempt to set up lines of demarcation between persons who are needy. It involves a return to the policy of giving grants-in-aid to States. These funds would be administered under State relief set-ups similar to those which we had under F. E. R. A. and would necessitate contributions or matching funds from the States themselves. Whether this matching process should be based on a dollar-for-dollar ratio or whether some other yardstick should be established is wholly dependent upon the will of Congress in granting subsidies for relief. On a dollar-for-dollar basis the present cost of W. P. A. could be dwarfed to such an extent as to make a formidable impression upon the annual deficit of the Federal Government. A return to this type of relief, giving as it does only a bare living to the whole relief population, doesn't, as it might appear on the surface, reduce the present-day averages of relief. Naturally the man and his family now on W. P. A. will receive less benefits, but by the same token the family now on scant local relief grants will receive greater benefits. The average should be somewhere in the general vicinity of where it is at present.

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KEEPING SKILLS ACTIVE

Going hand in hand with a new Federal public works pro- [815–24]
gram as mentioned before, work would still be available to many of those of the dependency class. The incentive for keeping skills active would be more pronounced than it is today, for to emerge from the relief classification into the competitive labor market for public works prosecution a man would not be judged by the means test but by his own ability.

In the suggestions and recommendations mentioned pre- [815–25]
viously, the remainder had to do largely with the mechanics of the operation. I desire to develop only one more point for your consideration and that has to do with the initiation of a central agency through which all of the various types, forms, and classifications of relief should pass. It is my honest belief, after a close study of relief, as it had been given in the United States during the past 5 years, that we can well borrow the English system of the unemployment exchange, making it the general clearing house for all types of relief administration. Here, in every community of the Nation, would be the reservoir of facts on unemployment which are so necessary in the general study and planning of relief which you gentlemen of the Senate committee are wrestling with today. Here, too, would be the records of each and every person obtaining relief. Were the exchange given the proper type of administration, confidence would be established in it immediately by the private employer. It would become the hiring hall of the Nation, in addition to being a constant source of information as to exact relief needs. Nation-wide census of unemployment would never be necessary, for a combined report of the statistics carried in each exchange could give you almost a daily balance sheet as to the trends of employment and unemployment.

The CHAIRMAN. Let me get your thought about the assistance to the States. Is it your thought that the Federal Government should abandon the W. P. A. and funds appropriated by the Federal Government should be granted to the States on some matching basis, to be determined, and the States are then to determine how they will administer this assistance, within each State, subject to certain standards——

Mr. BROWN. Set up by the Federal Government. [816–1]

The CHAIRMAN. Set up by the Federal Government?

Mr. BROWN. That is right. [816–2]

The CHAIRMAN. Your thought is that you thereby give assistance to a much larger number of people, though the assistance would be less, in a financial way, than they are now receiving from the W. P. A.?

Mr. BROWN. That is correct. [816–3]

The CHAIRMAN. What would be the effect upon the workers who are no longer at work on W. P. A. projects, but who received this financial assistance, when they are not engaged in work, should the depression continue for any length of time? Would it affect that worker's ability as a worker when he returns to a job?

Mr. BROWN. It is my opinion, Mr. Chairman, that it would [817]
have a very distinct effect on that worker, because he, naturally, is going to get only enough money to keep body and soul together, under my plan, and there will be more of an incentive for him, perhaps, to keep his skill alive in the hope of moving from the relief dependency class into a public works job than there is today. I think that for

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two reasons. The nature of the W. P. A. projects, plus the growing belief among so many people on W. P. A. that the Government is going to maintain them regardless, has practically ruined the skill of thousands of people in the United States.

The CHAIRMAN. It is a very difficult problem.

Mr. BROWN. It is.

The CHAIRMAN. What difference would there be in the effect upon the individual who was convinced that Government, some Government, say State government, was going to maintain him anyway, without work? Do you think it would have a different effect upon him if he was assured of a smaller amount but, nevertheless, assured of that amount of assistance, without doing any work at all, rather than going to work on the W. P. A.?

Mr. BROWN I think this—that as soon as a man is assured [818] that he will have a few of the so-called extra necessities of life, which W. P A. now provides him, that he is not very much interested in anything else but what he is doing, and if he knows that those little extras are going to be denied him, that it is just as reasonable to maintain that he will try to keep himself in shape to get into private employment or to get into the higher branches of public employment, in which he must compete with nonrelief people, as well as with relief people.

The CHAIRMAN. I agree that if he got less money there would be a greater incentive for him to try to get a job. I am assuming, first, he is out of a job because he could not keep his job. Therefore, under the conditions that now exist, with a large number of unemployed, how could he keep his skill?

Mr BROWN If a fellow has lost his skill, do you want to [819] carry him along as a potential applicant for a job in industry?

The CHAIRMAN. No. I am assuming that he has not lost his skill. For example, a carpenter just out of employment, and because of the continued recession, would remain out of employment for 6 months, say. I am assuming that to be the unfortunate phase you were discussing—a man out of employment and who was, thereby, not in practice or training.

Mr. BROWN. That is right. [820]

The CHAIRMAN I am wondering whether he would have lost that opportunity, if he were just receiving financial assistance, to retain his skill as a carpenter, if he had an opportunity to work as a carpenter on some public-works job. I know what you have in mind but I do not know whether it answers the thought.

Mr. BROWN. If he is a carpenter today he probably has one [821] chance out of three of being a carpenter on W. P. A. The W. P. A. projects today are not in the same boat they were a year ago, when there was an actual shortage of skilled labor I mean, this present recession we are in, or whatever it is, has again built up the ranks of W. P. A. to a point where we have two plumbers for every plumbing job you may have offered under W. P. A., or perhaps three carpenters for every job you have offered. My point is this, that I do not believe that the carpenter who is swinging a pick and shovel on a W. P. A. job is improving his skill particularly as a carpenter.

Senator CLARK. Isn't he improving it as much as a carpenter would be who was sitting around twiddling his thumbs, on relief? Admitting your proposition that there comes a time when a man may lose his

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skill, I do not see where it applies any more to a man who is working every day at some different job than the one in which he is skilled than to a man sitting around doing nothing.

Mr. BROWN. If he is sitting around doing nothing he is [822] more apt to go out and get himself a job.

Senator CLARK. That is a different proposition. The way a carpenter keeps his skill is by working as a carpenter, and the way a plumber keeps his skill is by working at plumbing. It does not seem to me that a man can maintain his skill by sitting around thinking about it.

The CHAIRMAN. The difficulty is that we must assume as a basis, if he is the type of man we are both discussing, that he is out of a job because he cannot find it. If he is the kind of fellow who has the incentive to get a job on relief, he is the kind of fellow who will certainly not want assistance at all. The question is, if he is out of a job, and wanted a job, if you could not give him more assistance by giving him something to do, so as to help him and, at the same time, he will contribute to an asset in the form of construction of a building, or in the construction of a road, and as a result of that expenditure of money the public gets some of it, and he, at least, if he has not retained his skill as a carpenter, has retained his habit of working. He is working. He is still working, instead of doing nothing.

Mr. BROWN. I would like to make one further statement on [823] that. To my mind, it is a relative question. It is how much the Government is willing and ready to pay in addition to maintain that man's skill.

The CHAIRMAN. When you come to the total cost, it is more expensive, but the Government, State, city, or county, will get something for it in the line of the projects that you have discussed, such as a courthouse, and other things. It raises the question you suggested as to the conditions, but the Government gets something out of it, and the worker gets something out of it—he gets continued employment, instead of hanging around doing nothing.

Mr. BROWN. Of course, his age has something to do with [824] it, too.

The CHAIRMAN. Yes. He would be the same age whether he was put to work or whether he was let stay home.

Mr. BROWN. That is true. If he is a younger man you [825–1] can afford to spend more money in keeping that skill than if he is about 45, when he is not going back into private employment anyhow.

I think the records of reemployment up until last fall are [825–2] a pretty strong indication of what private industry thinks about the maintenance of skill on W. P. A. projects. The man going back to work who was on W. P. A. projects, found himself in the last bracket of men to go back to work, whereas a man who was not on W. P. A., and who was able to maintain himself and probably was sitting at home, and who was sometimes a fellow on relief, and who had nothing more to do than to improve his skill—that man went back to work in private industry very much sooner than the fellow who was trying to maintain his skill on W. P. A.

The CHAIRMAN. What record is that?

Mr. BROWN. That is just my own observation.

The CHAIRMAN. We had some records here which showed differently. In some cases it was said that we were encouraging those who had gone back to work.

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Senator MURRAY. When Dr. Parran was on the witness stand he told us that when men were unemployed it had an indirect effect on their health, that is, on their physical and mental condition. He said that it would be a very unwise policy to put men on the dole; that it would have a very serious effect on the mental and physical condition of these people.

Senator CLARK. If I understand your proposition correctly, Mr. Brown, it is this, that the Government has not got the money, or is unwilling to spend the money, as the case may be, to put everybody on W. P. A.

Mr. BROWN. No; not on W. P. A.

Senator CLARK. I say, it is your proposition that the Government has not the money.

Mr. BROWN. That is right.

Senator CLARK. Or should not spend the money to put everybody on W. P. A.

Mr. BROWN. That is right. [826]

Senator CLARK. If we select one segment of men and put them on W. P. A. and exclude the rest and leave them to local and State relief, that works a very high injustice against the people who are excluded from W. P. A., and makes an arbitrary division by the Government between one segment of unemployed and the rest.

Mr. BROWN. Yes. In our own State you will find that a [827] W. P. A. family will perhaps get $60 a month and a direct relief family in the same section of the State will get $20.

Senator HATCH. In your investigations have you found that the requirements for sponsorship by the local authorities have in any way prevented the local authorities from taking care of the unemployed?

Mr. BROWN. Yes; it does. In many counties in Ohio, and [828] I speak of Ohio because I have been out there for 10 months, every cent of money coming in from the gasoline tax in the State is going into W. P. A. sponsorships and, consequently, it immediately removes secondary road construction—these are mostly rural counties and small towns—it removes money that would ordinarily go into secondary road construction and, therefore, denies to people on direct relief, who are, perhaps, not very able workers, but who can work for a short time—it prevents them from getting that job and, at the same time cities in Ohio are diverting funds legally from various sources which are available for direct relief. They are diverting funds into W. P. A. sponsorship.

The CHAIRMAN. It is a fact that in Ohio it is a little unusual. There has been considerable discussion on that. The State is not making any very substantial contribution?

Mr. BROWN. That is true.

The CHAIRMAN. Is it making any?

Mr. BROWN. Yes; after a fashion.

The CHAIRMAN. Therefore, it comes back to the cities, and the cities have a limitation as to the issuance of bonds.

Mr. BROWN. That is right.

The CHAIRMAN. And, consequently, they have a very difficult situation in Ohio.

Mr. BROWN. Yes, sir.

Senator CLARK. That presents a situation where both the Federal and State governments have preempted the sources of revenue and

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are throwing an unfair portion of the relief back on the municipalities. Isn't that the situation?

Mr. BROWN. That is pretty much it. [829]

The CHAIRMAN. In one election that we heard of in one city, where they had up the matter of changing the limits of the bonded indebtedness, the vote was against it?

Mr. BROWN. That is right.

If I may, Senator, I would like to say one more thing along [830] that line and that is that the trend, and I do not believe it applies only to Ohio, as I think it is more widespread than one State—the trend of the person who pays taxes today is toward a lessening or reduction of local taxes that he pays and, of course, his excuse is the tremendous Federal taxation that he is subjected to.

The CHAIRMAN. He has about reached the position where he believes in letting the Federal Government do it.

Mr. BROWN. That is right, and unless the Federal Govern- [831] ment does do it, I do not know what is going to happen to these people on direct relief. I think it is easier for the Federal Government to get the money to take care of aid in the States than it is for the States.

The CHAIRMAN. Thank you.

(Witness excused.)

STATEMENT OF BLAIR MOODY

The CHAIRMAN. You are with the Detroit News?

Mr. MOODY. I am one of the Washington correspondents of the Detroit News.

The CHAIRMAN. I understand that you made a survey of relief in a number of cities.

Mr. MOODY. Yes; and also through some of the rural areas; [832] I wrote a series of articles on relief last fall, and also 2 years ago, in the fall of 1935 when I made another survey in a number of States.

The CHAIRMAN. As a result of the investigatons you made I wish you would tell the committee your views with reference to this situation at the present time.

Mr. MOODY. Yes, sir. I would like to say first, Mr. Chair- [833–1] man, that I do not pose as an expert on relief. I have, however, had an opportunity of talking with a great many people administering it, and also with relief clients, and so forth. I am giving a copy of the articles in which you are interested to the reporter.

Naturally, I formed some ideas as to how the present situa- [833–2] tion could be changed and improved. These really represent a sort of consensus program formulated from what seemed to me the best ideas of the men with whom I talked. I will read some of these recommendations.

WELFARE DEPARTMENT

First, combine all social welfare agencies of the Govern- [833–3] ment under one cabinet officer. Put work relief, employment exchanges—I think they should be in the same agency that handles relief and work relief—old-age pensions, unemployment insurance, rural rehabilitation, dependent children's grants, public health, C. C. C. camps, and similar agencies under this department. They

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should all come under one directing head so that Government can decide where best to spend its relief money of approximately $14,000,000,000 for recovery and relief; less than $8,000,000,000 has gone through the principal relief agency.

Second, the Social Security Act might be amended to ex- [833–4] tend the granting of aid, particularly with regard to dependent children. As you know, Senator, the act at present provides that the Federal Government put up $1 for every $2 which the State provides, which is a different system than obtains with reference to old people and blind people.

Through this or some other method, there ought to be [833–5] some underpinning program, particularly if work relief is to be denied to some employables, whereby families whose bread winners cannot get W. P. A. jobs would have some Federal protection as they did under F. E. R. A. There is, as Mr. Brown has pointed out, and as of course you know, a distinct line between those who are on W. P. A. and those who cannot get W. P. A. jobs, and in many communities who are receiving inadequate relief. I have observed that relief is inadequate in some places, particularly rural areas.

Third, I would continue work relief but would favor only [833–6] such projects as can be justified on a reasonable basis of economy and efficiency. Again, most of the people who are best informed on this subject, administrators and others, seem to believe that there ought to be some broad underpinning program on the part of the Federal Government, a combination with the dole and work relief, perhaps, or work relief and grants-in-aid under the Social Security Act.

Fourth, most experts believe that there ought to be a definite [833–7] division of the over-all cost, not only the work relief but of all relief costs, between the local and Federal Government, either a 50–50 proposition or a 60–40 proposition. The chief objection that has been advanced to that, as I have understood it, is that certain communities could not meet their problem if they had to meet a 50-percent requirement. If it were required that public officials had to prove that their communities could not meet a certain requirement, which they probably would be reluctant to do unless that were the fact, it would seem to me to take care of that angle of it.

The CHAIRMAN. Let me ask you as to your observation on contributions by sponsors. The contribution today is not a cash contribution in its entirety, is it?

Mr. MOODY. In most cases it is not.

The CHAIRMAN. What did you observe as to the character of the contribution? Has it been put in for other items than cost?

Mr. MOODY. I believe it has; yes, sir.

I do not think it will be necessary to make the entire local [833–8] contribution in cash. I think there could be a system which would evaluate that contribution, either in supervision, materials, or hiring of trucks, or in any way to meet such a formula. There is a great difference between the percentage paid by some communities and the percentage paid by others.

The CHAIRMAN I suppose, after all, it depends on the local administrator, as to how careful he is in requiring that the contribution of equipment really represents the value.

Mr. MOODY. Yes; I think in many cases it resolves itself [833–9] into a poker game between the administrator and the local authorities.

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The local authorities are anxious to keep their local taxes down, and the W. P. A. manager is anxious to get as large a contribution as he can get.

The CHAIRMAN. I remember one man connected with a project who said that in the application they set forth so much for shrubbery. The sponsor was to contribute the shrubbery. When the time came to get the shrubbery they just had a meeting and they went down to a nearby pond and got pond lillies. They got bushes and placed them around the building, and they furnished the shrubbery in an afternoon, with a little work. I imagine there would be no rule as to that.

Mr. MOODY. I remember one thing that happened about [833–10] 2 years ago. There was a proposal made to build a lilac drive between Boston and Providence. It was never approved, but the local authorities suggested that it would be a good idea to have a lovely lilac drive. I think they were going to contribute the lilacs and the W. P. A. was going to contribute the money. The W. P. A. did not seem to like that idea very well.

The CHAIRMAN. I am glad they did not like it.

Mr. MOODY. A thing that ought to be done, Senator, is [833–11] to cut out some of the layers of authority between Mr. Hopkins and some of the larger cities who are actually carrying out the relief program. Give the local officials more authority to run their projects. That applies particularly as to large cities. I have noted a good deal of dissatisfaction on the part of some of the local officials, those who seem to know their business, because they have to go through so many subterranean channels before they come down here and get their projects approved. At this particular time in Detroit, where the relief load has increased enormously since November, they are having difficulty in getting particular projects approved.

The CHAIRMAN. What did you find in your investigation as to the number of men on W. P. A. who had other jobs?

Mr. MOODY. I was going to speak about that. That is a [834–1] very hard thing to pin down, as to the number of men on W. P. A. work who have other jobs, but one thing that sticks in my mind from both of these investigations is that the prevailing wage requirement in the W. P. A. Act is very bad. I do not say that because I do not believe in high wages, but it does create an extremely bad situation administratively and, of course, because it is in the law, there is nothing that the W. P. A. administrator, local or national, can do about it.

PREVAILING WAGE

It works this way. The skilled laborer has a security wage [834–2] set up for him, and he gets a prevailing wage per hour, so they work a comparatively few number of hours a week. Some of them work as little as 10 hours a week to earn their security wage, which W. P. A. says they are entitled to get. This prevailing wage proposition was placed in the law on the recommendation of some of the representatives of labor, but it strikes me that instead of helping labor it has, in one way at least, injured labor. These follows who have worked their 10 or 15 hours a week and earned their security wage are then able to go out and get other jobs; chisel other jobs, if you wish to call it that. They do not have to get the prevailing wage outside because anything they get is gravy so to speak, so they go out and actually

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compete with union labor which demands union scales. That complaint was made in a number of places. I talked with some of the union leaders about that and, privately, they said that that was true, and they thought it was a bad thing, but they seemed to feel that they had to stay put for the prevailing wage, because if they did not the way would be opened for a slashing of wages everywhere. In particular they have recently told me that they felt, now, when there is some wage cutting going on in the country, that a removal of the prevailing hourly wage in W. P. A. might be taken as a signal for wage cuts, the Government leading the way. That may be a valid objection to removing it from the law, but with that exception I cannot see any reason why it should be in the law because, after all, these jobs are work-relief jobs, security-wage jobs, and it seems to me that the union man who has a job outside of W. P. A., is just as much entitled to protection in this matter as a man who is on W. P. A.

From another standpoint the prevailing wage is also bad, [834–3] because it makes it very difficult to administer the project. I was speaking with one local administrator—this was a city official sponsoring the project, who impressed me as being a very hardheaded sort of chap, and he explained how difficult it was to stagger these skilled men to keep the unskilled men working. Each job has a certain number of skilled men who are needed, the number depending on the type of job, of course. If he has to lay off his bricklayer at 10.35 a. m., what is he going to do the rest of the day for a bricklayer? He has to dovetail his other skilled laborers, if he happens to have them, into that hourly arrangement. So I would say that everybody ought to work the same number of hours. If you want to make the security wage higher for a skilled man, over-all, than for an unskilled man, that is something for the consideration of the policy-making bodies, but I think it is very destructive to the efficiency of the W. P. A. to have these staggered hours under the prevailing-wage clause.

Another thing that I was impressed with, Senator, in [834–4] talking with some of these people who were familiar with the situation was the emphasis on an adequate relief program, and a lack of emphasis on getting these people off of relief.

OCCUPATIONAL TRAINING PROGRAM

The United States Employment Service is something com- [834–5] pletely divorced, so far as administration is concerned, from the W. P. A. It is in a different department of the Government. If the same man administered both of them, he would have an equal responsibility and purpose of finding private jobs for them, as well as taking proper care of the men through work relief. More punch could be inserted into a reemployment program by having one administrator doing it.

Another thing some of these experts have impressed me with [834–6] is the complete lack of an adequate vocational-training program in the country. As you undoubtedly know, in the last 5 years apprentices have not been trained in very large numbers, which is entirely understandable. Many union men felt that they did not have enough jobs for themselves, and why should they train somebody to compete with them. But there are 500,000 young people coming on every year.

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They cannot all be lawyers and doctors. The Government might consider more emphasis on an occupational training program under the relief administrator.

Senator HATCH. Before you leave that, and going back, I was thinking about what you said about prevailing wage, and also about a combination of works progress and direct assistance. From your remarks I rather had this impression, that your investigation has convinced you that a W. P. A. program should be carried on, but probably the work undertaken by the Federal Government should be only such work as they can employ labor on the same basis as private industry employs it. You have your bricklayers and your carpenters. You might even do away with the security wage altogether. Is that right?

Mr. MOODY. I think substantially so, sir; with this qualifi- [834–7] cation, that, of course, if W. P. A. did nothing to create projects, then there would not be very many jobs. I understand you to mean that they would continue to create projects.

Senator HATCH. You think that. I was trying to get your viewpoint.

Mr. MOODY. Yes; but I would say they should sponsor and [834–8] attempt a project only when it is worth while.

Senator HATCH. And on such a project you would employ labor, just as anybody else?

Mr. MOODY. Yes, sir. [834–9]

Senator HATCH. And for all of those men who would not care to go on such a W. P. A. program as that you would provide a subsistence wage, or direct relief, or something to take care of them until they had regular employment?

Mr. MOODY. Yes; and it seems to me the basis for such [834–10] a system now exists under the Work Relief Security Act.

WORK RELIEF

There seems to be a fear on the part of some of the work- [834–11] relief advocates that if they admit that the W. P. A. program is not all inclusive, and if they admit that some sort of Federal dole should be resumed, it would result in the ruination of all the work-relief program. I do not see any reason why that should necessarily be true. In the rural areas now there is direct relief through the Farm Security Administration, I believe they call it now. There is direct relief afforded to old people, and young people and blind people. There does not seem to be any stricture against the Federal Government giving direct aid in those categories, but there is a feeling that if they go back into the dole business, that it will constitute a reversion to the local communities, and some of the local communities will not have any work relief; and they are opposed to that, of course. I believe there is a happy medium in this thing; that the W. P. A. has greatly improved over the efficiency of its first rush period, when they tried to get everyone to work at once; and that as many men as the Government can afford, and as can be employed usefully, should be employed on work. I agree with what Senator Murray said a few moments ago when he was talking with Mr. Brown, that there is a big difference between a job and a dole, whether the job is a Government job or not. But it is also a fact that in many communities now the relief is very low.

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I had some figures here—these are as of last October, [834–12] but I do not believe there has been very much change since then. The latest average dole of $23.16 a month for an average family of four amounts to 20 cents a day per person, in a 30-day month, or about 6 cents a meal, with 2 cents a day for everything else. I do not believe that people get very many of the luxuries of life from that sort of proposition.

The CHAIRMAN. You do not say that you should reduce the amount that is spent for W. P. A., but you want an additional amount spent to help these people who are receiving too small an amount in direct assistance.

Mr. MOODY. I do not know that I would put it that way.

The CHAIRMAN. What would you say?

Mr. MOODY. Because I have not taken into consideration [835] what the Government can spend, that is, how much the Government can afford. That is a matter for Congress to decide, but I do think this, that if W. P. A. were confined, as it has been increasingly so, I believe, to projects that are well run and worth while, taking it on that basis alone, it would probably reduce the amount spent per man on W. P. A. and increase the amount of money given by the Government in a direct grant, but it would not abolish W. P. A.

The CHAIRMAN. We have now on the eligible roll, certified by the States, 3,000,000 employable men——

Mr. MOODY. Yes, sir.

The CHAIRMAN (continuing). Who are separated from the unemployable. You would not make it the object of the Government to provide W. P. A. jobs for 3,000,000 men. You would make it the object of the Government to do certain work, with certain standards, so as to avoid the charge of boondoggling, and if you made that the object, and then provided this direct assistance for the balance, that is one policy, or the other policy is to try to find projects that could not successfully be called boondoggling, but would give a job to every one of these employees.

Mr. MOODY Isn't it true that that depends on what Congress feels the Government should spend on this program?

The CHAIRMAN It depends on the amount of money, if you like. Congress should appropriate this money for this purpose, and try to get a job for every employable on a good project, or shall we say that we have just so much money to spend and we will provide so much money for work relief and so much to the States for direct relief?

Mr MOODY. It would seem fairly obvious that it would be [836] desirable, if the money were available, to give every employable a job on a good project. Whether or not that is possible I don't know, but I would think that the money that is spent on work relief ought to be——

The CHAIRMAN. We all agree there, of course, and whether it is or not it is due to some administrator not being as capable as others. He has approved projects that are not worthwhile, and he should not continue to do so.

Mr MOODY. Yes; of course, all of these projects are sponsored [837] by the local communities.

The CHAIRMAN. The more the contribution is and the more the sponsors put up the better the project is likely to be.

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Mr. MOODY. That is always true. I have some figures [838] here, if you are interested in hearing about the situation which has developed in Detroit in the last couple of weeks?

The CHAIRMAN. What is that?

Mr. MOODY. They show the result of this slump. As usual [839–1] Detroit leads, both downward and upward. I hope it leads upward soon. So far, there are not many signs of that. The city and the State of Michigan are having a very difficult time now because of the unprecedented increase of the number of people on the relief rolls. For example, in Detroit in January there were 12,695 people on W. P. A. In April that had increased to 46,000. That is an increase of nearly 400 percent.

Detroit is now in a position where it needs $5,140,000 to [839–2] finance its relief program, as differentiated from W. P. A., until the end of the fiscal year, June 30. At the present time it does not see where it is going to get the money, unless from the State. $8,000,000 was appropriated by the State for the coming year for relief. That has been exhausted. The State has also used up $3,000,000 of its next year's appropriation and $1,000,000 of an emergency fund. There is some talk out there of a special session of the legislature to do something about raising more money. The city looks to the State and the State looks to the city.

The Michigan W. P. A. army jumped from 40,000 last fall [839–3] 125,000 this spring.

You were speaking a few minutes ago of the employables [839–4] on relief. There are 10,000 employables in Detroit now on relief, who have no place to go under this W. P. A. program, because they have no projects yet or, at least, they have not the money to do it.

Senator HATCH. Did I understand they had increased from 12,000 to 46,000 on work projects?

Mr. MOODY. That is right. [839–5]

Senator HATCH. They have been able to take care of them on projects during that short period of time?

Mr. MOODY. Yes. The officials who have been handling [839–6] it in Detroit, in the Public Works and other departments in Detroit, have happened to be efficient officials. They have, with the exception of the original period two years ago when there was a rush, furnished good projects out there, although the costs of the projects have been a good deal higher for the job than they would be under private construction work.

Senator HATCH. There are still 10,000 who do not have jobs, even with that increase?

Mr. MOODY. Yes, sir. [839–7]

The CHAIRMAN. Where did you get those figures?

Mr. MOODY. After I received your wire the other day I [839–8] got in touch with my office in Detroit and asked them to send me a report up to the minute.

The relief load now which the city is taking care of out [839–9] there is about 34,000 families a day, which costs about $60,000. And from this report I see that the mayor is looking for $5,500,000 and he does not seem to be able to find it anywhere. He needs that between now and the end of this fiscal year, June 30, which, of course, is the same as the Federal Government's fiscal year.

Mr. Brown, testifying just before me, is a very good friend of mine, and I do not like to disagree with him, but I want to say that I think

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that the holding of a W. P. A. job has a great effect on the morale of the person who holds the job, and also on the morale of his family.

Senator HATCH. It has been charged quite frequently, in public print and elsewhere, that in digging a ditch they will have, say, 50 men doing the work that 25 men could do, in order to give them a job?

Mr. MOODY. Yes. [840–1]

Senator HATCH. If such a situation as that is true, what effect does that have on morale?

Mr. MOODY. Not very good; and I think in the early [840–2] stages of this program, when the effort was to rush a number of men to work, with the emphasis on how many were working, that it was pretty bad. They had almost more men than they had shovels. That probably is not quite accurate, but there were too many men working. There is no doubt about that. But that has now largely been corrected.

Senator HATCH. In this tour and investigation that you made, you came in direct contact with persons on work relief, and on work-relief projects?

Mr. MOODY. Yes. [841–1]

Senator HATCH. As a result of that investigation what was your opinion as to the effect on the morale of those people?

Mr. MOODY. I think that there are some people working [841–2] on W. P. A. who have become, what Colonel Somerville in New York called "career men." That is, they think that is their career, and they want to settle down and be W. P. A. workers for the rest of their lives. But I believe that the great majority of people on W. P. A. are thankful for their jobs and for the work.

Senator HATCH. They would rather do an honest day's work?

Mr. MOODY. Yes. [841–3]

Senator HATCH. They want to get away from the job and get back to private work?

Mr. MOODY. I think so. I think it is ridiculous to say [841–4] otherwise, except if I were a prevailing wage gentleman and could get a security wage for working 10 or 15 hours a week the idea might intrigue me of having this little stake in the background every week, and then getting private jobs besides. That is something that might have the consideration of Congress.

Just one more point, and that is this: There has been a [841–5] great deal of talk about turning the entire thing back to the local authorities, just having the Federal Government make an appropriation, and turning it back to the local people to administer. That would be a mistake for the reason that the local authorities are good in some places and bad in others. There are cities—I can think of where it would be rather questionable to turn a large sum of Federal money over to a very politically managed city government, without very strict check on the part of the Federal Government. If Federal control were lifted it would be pretty hard to say, "We are going to check on this city and we are not going to check on that city, because we believe you are honest, and you are not," to put it bluntly.

The CHAIRMAN. I have heard it very seriously argued that the Federal Government should put up all the money. It has been argued by some of those who have come before the committee that the Federal Government and the city government, State and local, should match on the same basis, and the Government retain supervision, as you suggest?

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Mr. MOODY. Yes, sir. [842–1]

The CHAIRMAN. That is the general proposal by gentlemen who hold that view.

Mr. MOODY. Yes. If there is not some control from [842–2] responsible officials of the Federal Government your Federal funds will not be protected in all cases.

The CHAIRMAN. It will then depend upon the management of the local government in every instance. If there is good management it will be wisely administered, and if not, it will be administered otherwise.

Mr. MOODY. Another thing, there have been many charges of [843] politics, and so forth, in the administration of W. P. A. It would be impossible to administer a program as large as this without having some politics, but I was really impressed with the small amount of politics there was. It is my conviction that in the national administration of W. P. A. Mr. Hopkins has made an honest effort to keep politics out of it.

The CHAIRMAN. I have heard of politics in the Army and in the Navy, and in most social organizations, and in some churches; haven't you?

Mr. MOODY. Yes, sir.

The CHAIRMAN. I suppose it is very difficult to entirely eliminate all political thoughts from the minds of men and women, no matter where they are.

Is that all?

Mr. MOODY. Yes, sir.

(Witness excused.)

The CHAIRMAN. We will adjourn.

(At 12 o'clock noon, April 4, 1938, hearing was adjourned subject to call of the Chair.)

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UNEMPLOYMENT AND RELIEF

FRIDAY, APRIL 8, 1938

UNITED STATES SENATE
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m. in room 318, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senator Byrnes (chairman), Hatch, Lodge, Murray, Davis, Clark, Townsend, and O'Mahoney; also Alan Johnstone, counsel for the committee.

The CHAIRMAN. The committee will come to order. Mr. Hopkins, the committee recently concluded its hearings on the general subject of relief, but desired to have you appear to present your views with reference to the unemployment situation generally and particularly to the administration of relief of the unemployed. You have a prepared statement here. If you desire to read that first, that will be entirely satisfactory to us.

STATEMENT OF HARRY L. HOPKINS

Mr. HOPKINS. If I may do so, I should like to do that, Mr. Chairman.

The CHAIRMAN. Proceed.

I find no better point of departure for discussing unemploy- [844–1] ment and relief than in going back to the conditions which confronted this country in 1932 and early 1933.

CONDITIONS IN 1932 AND 1933

Approximately 15,000,000 people were out of work. There [844–2] was no relief worthy of the name. Yes, there were bread lines, and many people stood in bread lines for hours only to be turned away. This country knew starvation as I hope it will never know it again. People were talking about economic collapse. In many parts of the country the economic machinery had already collapsed. Banks were closing their doors and many were staying open only through the tolerance of desperate officials. Essential public services were being suspended. In many communities farmers were losing their homes and farms. There was no such thing as security, whether it was a job, a farm, shares of stock, deposits in banks, or a life-insurance policy.

We are not threatened with collapse of the social and eco- [844–3] nomic structure today even if conditions are serious. Something has happened to this structure of ours. People are not afraid of the soundness of their banks and of their money. Farms and

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homes are not under the same threat of foreclosure. Farmers do not feel that agricultural surpluses are unmanageable. Above all, certain minimum guaranties have been established by a widespread security program. We have substituted for the degradation of the bread line the policy of work for the unemployed.

The collapse that came after 1929 was long in the making, [844–4] and in this making deep-rooted difficulties were created which are not to be corrected in 1 year or 2 years or 7 years. Conditions making for widespread unemployment have been under way since the turn of the century. All of us have seen some evidence of the impact of technology. And all of us know that the failure to achieve a better distribution of the national income has played a direct part in our failure to attain full employment.

FIGHTING DEPRESSION BY FORTIFYING CONSUMER PURCHASING POWER

The measures with which this administration chose to fight [844–5] depression were mainly directed toward one central and abiding purpose. That was to fortify consumer purchasing power. The record of the success of these measures is convincing to me. The Government placed its credit behind the deposits of the banking structure. The Government substituted as the creditor for farm mortgages and home mortgages. It moved directly to get a better balanced relationship between farm prices and industrial prices, to obtain a larger share of the national income for farmers, and to put spending power directly in their hands. The Government understood the effect on business activity of additional money in the pockets of workers and of additional workers on pay rolls. We need never apologize for the Government's efforts which put close to 2½ million people to work almost overnight and raised the wages of several million workers by 20 percent in those critical days between June and October 1933. The Government's relief and works programs played an important role in increasing purchasing power.

It is my thesis that the instrumentalities and legislative pro- [844–6] cedures established by Congress produced effective and desirable results in all parts of our national economy and brought about widespread industrial activity and employment. They proved their validity through the years 1934–37. The best test is the growth in national income from $40,000,000,000 in 1932 to $68,000,000,000 in 1937.

CAUSE OF THE RECESSION

What caused the present decline in business? I have my [844–7] own opinions and I am quite sure that anybody who fixed on some one single cause of the decline is pretty sure to be wrong. It is very apparent that consumer incomes did not increase fast enough to take goods off the market, but to assign this as the only cause of the decline is to oversimplify the case. I believe that the major contributing factors were (1) purchasing power in the hands of consumers failed

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to keep pace with production; (2) tremendous increase in inventories; (3) the failure of the promising building revival because of rising costs; and (4) unwarranted increases in prices.

Of the problems facing the American people at the present [844–8] time, I believe the problems of destitution, low incomes, and unemployment are foremost. These, of course, are not separate problems. they are aspects of the same thing. They simply mean that a large part of the American people, the underprivileged one-third of America, are not getting the decent standard of living that this country can afford.

The living standards of these Americans are low simply [844–9] because, as a Nation, we are not producing enough national income and that national income is not properly distributed. We have millions of unemployed people and billions of dollars of idle capital in plant and equipment. Because we fail to put these unemployed to work incomes are low, housing standards are deplorable, health standards are inadequate.

We know more now than ever before the seriousness of this [844–10] situation because we have studied it intensively. It is not a pretty picture, but it is a true one. We recognized very early that we had inadequate information on these questions. We immediately organized and have since maintained a large-scale research program to find out the basic facts. I was convinced that more information was fundamental to dealing intelligently with the most important, and certainly the most neglected, problem of the American Nation—unemployment.

We know each month how many people are receiving public [844–11] assistance. We know about their housing conditions, health, and income.

As against a peak of 27,000,000 persons in the winter of [844–12] 1933–34, there are at the present time about 18,000,000 men, women, and children receiving public assistance. This represents over 6,000,000 households. Over the last 5 years this figure has varied from 14 to 27 million people receiving assistance from public funds each month. I am including a table showing this information. In another table this information is shown by the various programs involved.

The starting point or the bench mark against which to re- [844–13] late the many specific studies is the national income—its volume and distribution.

Surveys of income distribution during 1935 and 1936 show [844–14] that the highest 2 percent of the families received considerably more income than the entire lowest one-third. These surveys establish conclusively that approximately one-third of the families in the United States had incomes from all sources of less than $750 per year as recently as 1936. The lowest 10 percent had an annual income of under $325. The next 10 percent received from $325 to $540, while 40 percent had less than $880.

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Estimated net total number of households and persons assisted under Government employment and relief programs, January 1933 through February 1938

	House-holds	Persons
1933		
January	4, 647, 000	18, 224, 000
February	4, 968, 000	19, 510, 000
March	5, 463, 000	21, 479, 000
April	5, 349, 000	21, 046, 000
May	5, 275, 000	20, 653, 000
June	4, 851, 000	18, 839, 000
July	4, 551, 000	17, 286, 000
August	4, 372, 000	16, 895, 000
September	3, 973, 000	15, 071, 000
October	4, 116, 000	15, 596, 000
November	5, 403, 000	19, 787, 000
December	7, 052, 000	24, 802, 000
1934		
January	7, 821, 000	27, 449, 000
February	7, 879, 000	27, 606, 000
March	7, 169, 000	26, 495, 000
April	6, 270, 000	22, 448, 000
May	5, 658, 000	20, 648, 000
June	5, 631, 000	20, 475, 000
July	5, 872, 000	21, 352, 000
August	6, 106, 000	22, 244, 000
September	6, 111, 000	22, 065, 000
October	6, 220, 000	22, 204, 000
November	6, 391, 000	22, 758, 000
December	6, 547, 000	23, 475, 000
1935		
January	6, 727, 000	23, 964, 000
February	6, 651, 000	23, 716, 000
March	6, 630, 000	23, 492, 000
April	6, 650, 000	23, 357, 000
May	6, 575, 000	22, 934, 000
June	6, 258, 000	21, 769, 000
July	6, 033, 000	21, 042, 000
August	5, 916, 000	20, 461, 000
1935—Continued		
September	5, 539, 000	18, 998, 000
October	5, 588, 000	18, 879, 000
November	5, 528, 000	18, 604, 000
December	5, 886, 000	19, 851, 000
1936		
January	6, 044, 000	20, 633, 000
February	6, 209, 000	21, 192, 000
March	6, 229, 000	21, 243, 000
April	6, 018, 000	20, 450, 000
May	5, 809, 000	19, 414, 000
June	5, 587, 000	18, 517, 000
July	5, 477, 000	17, 900, 000
August	5, 602, 000	18, 286, 000
September	5, 670, 000	18, 615, 000
October	5, 958, 000	19, 048, 000
November	6, 005, 000	19, 113, 000
December	5, 968, 000	18, 872, 000
1937		
January	6, 000, 000	19, 050, 000
February	5, 954, 000	18, 614, 000
March	6, 015, 000	18, 846, 000
April	5, 929, 000	18, 373, 000
May	5, 844, 000	18, 041, 000
June	5, 473, 000	16, 783, 000
July	5, 069, 000	15, 266, 000
August	4, 849, 000	14, 380, 000
September	4, 764, 000	13, 987, 000
October	4, 907, 000	14, 135, 000
November	5, 041, 000	14, 597, 001
December	5, 390, 000	15, 603, 000
1938		
January	5, 904, 000	17, 314, 000
February [1]	6, 231, 000	18, 502, 000

[1] Preliminary.

Source: Works Progress Administration, Apr. 8, 1938.

Estimated net number of households and persons assisted under Government employment and relief programs, by program, February 1938, continental United States

Agency or program	Households	Persons
Aid to aged, blind, and dependent children	1, 763, 000	2, 912, 000
Farm Security grants	119, 000	595, 000
General relief	2, 000, 000	6, 000, 000
Civilian Conservation Corps	322, 000	1, 244, 000
Student Aid	318, 000	318, 000
National Youth Administration Work Projects	152, 000	164, 000
Works Progress Administration	2, 124, 000	8, 398, 000
Other Federal agencies—Works Program and Emergency Employment	241, 000	823, 000
Net total	[1] 6, 231, 000	[1] 18, 502, 000

[1] Does not equal the sum of the totals shown for individual agencies and programs because allowance has been made for duplication.

Source: Works Progress Administration, Apr. 8, 1938.

It has been found that incomes for a large portion of the [844–15] population are less than the amounts needed for existence. It is a fact that many of these people need and consume more than they earn. The difference between what they consume and what they earn simply means credit at the grocery store, unpaid doctor bills, borrowing, and relief.

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With low incomes such as these, a large part of the Ameri- [844–16]
can population is living at a standard far below what we have thought of as an American standard.

COST OF LIVING ON MINIMUM STANDARD

We made another study to find out what the cost of living [844–17]
was on a minimum standard. We found that it costs $1,260 a year for a family of four to live at a maintenance level in the cities. And yet, over one-half of the urban families received less than $1,260 in 1936. We studied the cost of living on an emergency standard as well as on a maintenance level. The emergency standards would get people by for a short time, but if long continued would have serious consequences. We found that the cost of living on this emergency standard required an income of $900 a year in he cities. The total income of over one-third of the urban families was below this level.

What does this income distribution mean? It means that [844–18]
large segments of the population are living in poverty, that they have inadequate clothing, that they live in miserable houses, and that they are without adequate medical care, and finally that it is impossible for them to buy the goods and services and to furnish the purchasing power necessary to help keep the economic machine going.

The recent National Health Survey, covering almost [844–19]
3 million people, found that disabling illness among unemployed persons was 43 percent higher than amoung employed persons. Among persons of working age, 3.3 percent of the unemployed were sick on the day of the count as compared with 1.3 percent of the employed, an excess illness of about 150 percent.

Notwithstanding the higher incidence of disabling illness [844–20]
among the unemployed, they receive less medical care per person than people of higher economic status.

About half a million persons in the United States are [844–21]
unemployable because of permanent disability due to accident or disease.

HOUSING DEFICIENCY A MENACE

These surveys furnish conclusive evidence that the excess [844–22]
of illness among the unemployed is directly attributable to their poverty. Illness, in turn, reduces employability in a vicious circle.

Our studies in housing reveal that millions of people are [844–23]
living in homes that are, from every point of view, unfit for human habitation. Houses without light or bathing facilities are commonplace with great numbers of people. Housing facilities are clearly deficient. Unless the rate of housing construction for people of low incomes is accelerated, this deficiency will become even greater; a deficiency that is a national disgrace as well as a menace.

Widespread poverty has also been revealed by studies in [844–24]
rural areas. One of the studies found that the average annual net income of the wage hands, croppers, and other share tenants and renters in the Cotton Belt was $309 per family, or $73 per capita, during 1934.

Half of the hand workers surveyed in the beet fields of four [844–25]
States received annual earnings of less than $340. Earnings of these

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workers from other employment during the year ranged from only $31 to $93.

The highest average earnings of migrant farm workers [844–26] shown in five different surveys amounted to only $483 per family. Such earnings are equivalent to a wage of about $200 per worker.

We found from other studies that fundamentally there is [844–27] little other than degree of need to distinguish the unemployed workers on the relief rolls from other jobless or, for that matter, from a large part of the total working population.

Our records show that almost every industry and trade is [844–28] represented among the unemployed on the relief rolls. More than 10 percent of all workers eligible for W. P. A. employment are from the professional and clerical occupations and over one-third are from the skilled and semiskilled trades.

The average unemployed worker in need has had 10 years [844–29] of experience in private employment in his regular occupation. The age distribution of W. P. A. workers does not differ significantly from that of the total working population when allowance is made for the fact that almost all W. P. A. workers are heads of families.

The willingness of W. P. A. workers to accept private em- [844–30] ployment and their ability to do a good days' work has been verified by every investigation we have made. The thousands of new school buildings, roads, bridges, airports, sewer systems, and other public works that have been created under this W. P. A. program are concrete evidence of their ability to work. A study of the efficiency of skilled building tradesmen on W. P. A. projects, which we conducted last year in cooperation with the trade unions, showed that over 90 percent of the skilled workers performed adequate work in terms of the normal requirements of these crafts.

To my mind, the most significant fact concerning the [844–31] ability and willingness to work of the unemployed on relief is the fact that declines in unemployment have been accompanied closely by declines in the relief rolls.

The unemployed workers on relief are an ever-changing [844–32] group just as are the individuals who make up the total unemployed population. This is convincingly demonstrated by the fact that over 5,000,000 different persons were employed on W. P. A. projects during the first 2 years of its operation. And less than 16 percent of these were employed continuously on the W. P. A.

Since 1930, unemployment ranged from 6 to 15 million. [844–33] Unemployment and part-time employment simply reflect the fact that this country has not been able to provide full employment. It hasn't been able to do so for decades. On the basis of our extended studies of unemployment we know that a sizeable problem has existed for a long time. But we substantially ignored it.

UNEMPLOYMENT A PERMANENT PROBLEM

Just as with other social problems, the American people [844–34] have determined that the great masses made helpless by unemployment shall be given the social protection of Government. The problem with all its implications existed long before 1933, but it waited

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on a new social conscience in this country to decide that unemployment was a major concern of government.

On the basis of my own experience with the unemploy- [844–35] ment problem and our studies of the causes of unemployment, I think we can say that there will always be some unemployment. I don't mean that we must reconcile ourselves to 10 or 12 million jobless, or even 6 million. Indeed I am sure the number can be greatly reduced.

I want to discuss briefly a general condition which leads to [836–36] unemployment and then some of the specific causes of unemployment.

The general situation can best be stated in the following [844–37] words: Consumers' purchasing power is not large enough to buy the goods that industry could produce. The low incomes of a large part of our population make it impossible for them to buy enough. The large incomes are only partially spent, the rest is kept out of the buying channels. Some of this saved income is used for investing in new plant and equipment. But the deficiency of demand retards this investment, and funds lie idle. And so we find that the shortage of purchasing power prevents industry from expanding output and taking up the slack in employment. Industry will produce goods if there is a demand for them.

CAUSES OF UNEMPLOYMENT

More specifically, we can point to a number of special causes [844–38] of unemployment.

Seasonal factors create periods of unemployment in a great [844–39] number of trades. In the automobile industry the seasonal range between the high and low in employment each year has been 28 percent; in women's clothing 38 percent. In some localities industries close down almost entirely during several months of the year. The canning industry in Oregon, for instance, hires over nine times more workers in the peak month than in the slack month. Building construction is another good example and, of course, seasonality in farm labor is well known.

There are other causes at work. We have a highly compli- [844–40] cated economic system and many things occur to create unemployment. Shortages of materials, delays in the shipment of goods, the tie-ups of a plant because of defective machines all result at various times in temporary loss of work. These factors and maladjustments are to be expected in our economic system. They mean loss of work and hardship to many.

Other shifts occur in the economic system which result in [844–41] loss of work. We are familiar with the migration of industries from one area to another. While employment increases in the new area, workers are out of jobs in the old area. The depletion of resources, such as timber and minerals, leaves many workers stranded. We have studied many of these stranded areas, and a long-term unemployment problem cannot be disputed. Some of the workers migrate, but many do not, hoping that something will turn up. Loss of foreign markets also creates a jobless problem. These are simply other ways in which people lose their jobs, and similar causes will undoubtedly continue to work in the future.

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TECHNOLOGICAL UNEMPLOYMENT

Changes in technology are conspicuous causes of unemploy- [844–42]
ment. We are in the midst of the most extensive study of technological unemployment ever undertaken. Technology makes possible increases in living standards and, over a period of years, has resulted in increased employment. But we have not yet learned how to utilize these new techniques without creating dislocations which result in loss of work for many workers.

The introduction of machinery displaces men, many of [844–43]
whom cannot get new jobs immediately. Some workers get jobs almost immediately, some look for several months before getting on a new job, while others require a year or more to get jobs. Other workers, because of age or because of their inability to acquire new skills, never go back to work. In many cases, displaced skilled workers can get only unskilled jobs.

The problem is extremely serious. Some people argue that [844–44]
technological unemployment is a fiction because over long periods of time employment has increased. It is the time between jobs and the inability of many specialized or older workers to ever get back that constitutes the real problem. We know that technological unemployment exists because we see the displaced workers coming to our program looking for jobs. And we know that when some technological changes, now in the experimental stage, are introduced we will have a lot more people looking to us for jobs.

These technological changes have gone on rapidly in recent [844–45]
years. Let me give you a few of the more extreme examples.

A worker made 25 percent more rubber tires per day in 1935 [844–46]
than in 1929 although he worked fewer hours in 1935. If you translate it to an hourly basis, one man working 1 hour produced 72 percent more than in 1929. In the manufacture of rayon yarn, a worker produced 90 percent more in 1937 than in 1929; and again, if you disregard the reduction in hours of work, the increase on an hourly basis was 140 percent. I could go on listing other examples.

In copper mining for instance, the increases in productivity [844–47]
were gradual until the early 1920's. Beginning with 1922, however, there was an abrupt rise and the output of recoverable copper per man-day more than doubled by 1935. In iron mining the output per man-hour rose 140 percent in the past 20 years. In pipe-line transportation, within the space of the single decade from 1925 to 1935, the volume of product handled per wage earner nearly doubled. A large part of these increases took place since 1929.

There is a substantial body of evidence during the whole [844–48]
period of our economic history that technological advances have resulted in a general increase in employment. This in itself, however, is small comfort to the thousands upon thousands of individual workers who are displaced in particular towns and particular cities and whose whole economic future is jeopardized, if not destroyed, in one dramatic mechanical advance.

Another fact which must be kept in mind is the increase [844–49]
in the working population. Each year approximately 500,000 workers are added to the labor supply. Since 1929 that means 4,000,000 more workers. With a growing labor supply and increasing productivity of labor, industry simply must progressively increase its output if

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labor is to be employed. This increased output is possible only if the buying power of the people is maintained.

The most spectacular cause of unemployment, of course, is [844–50] the ups and downs of business activity. Recurring periods of depression bring mass unemployment and a major problem of destitution. In recent years we have felt the full seriousness of this type of unemployment. Since fall of last year unemployment has increased by well over 3,000,000. By all odds, this cause of unemployment overshadows in severity the other causes I have mentioned above.

We are always expanding to a peak or contracting to a [844–51] depression low. Economic activity has never leveled off at the prosperity peak.

PERMANENT SECURITY PROGRAM

These causes that I have mentioned briefly may be reduced [844–52] in large measure by public and private activities. It is difficult, however, to believe that they will be eliminated. Some unemployment will always be with us. For that reason we must plan a permanent security program. But I want to emphasize that we cannot stop with that. It is absolutely stupid for us to think that we cannot reduce unemployment to reasonably low levels. We have the initiative, ability, and brains to do it. We cannot, however, ignore our immediate responsibility to the unemployed merely because we believe we can reduce the problem. We must do both.

The entrance of the Federal Government into the relief [844–53] picture in 1933 was inevitable. For nearly 4 years pressure for Federal aid had been slowly mounting.

The break-down in local public and private relief reached [844–54] serious proportions in 1931. In that year, State emergency relief agencies were set up in four States, and many more were created in 1932. Federal loans were made available in 1932, but this action was not enough. In 1933 the Federal Government was obliged to come directly to the aid of the States and localities in meeting unprecedented relief rolls.

NATIONAL RELIEF POLICY OF F. E. R. A.

With the passage of the Federal Emergency Relief Act, [844–55] State relief administrations were established in every State in the Union. Under Federal regulations, there was worked out and put into effect a national policy for the granting of relief to the unemployed. Wherever possible, States were required to join their funds with the funds of the Federal Government and local governmental machinery was used wherever it was possible to do so. Standards of relief were established providing for some degree of uniformity and adequacy. Work relief was inaugurated in a number of States and efforts were made to secure sponsors' contributions from local Government bodies.

Early in 1933, the Civilian Conservation Corps was estab- [844–56] lished to provide useful work for unemployed boys and young men.

No story of the development of Federal relief policy would [844–57] be complete without some mention of a Federal work program which was operated during the winter of 1933–34. The Civil Works Program, at its peak in January 1934 employed about 4,000,000 persons on useful work projects. This program demonstrated beyond question

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the great amount of useful work which could be performed all over the country through a Federal work program. Further, it showed the potential value of such a program to the workers thus employed.

CHANGE IN RELIEF POLICY

The year 1935 saw great changes in Federal relief policy. [844–58] As the year drew to a close F. E. R. A. grants were discontinued. In their place, two major security programs were begun. First a new Works Program was set up to provide useful work for millions of employable persons. The main cog in this new Works Program was the Works Progress Administration, which since that time has furnished the bulk of employment given under the program. As a part of the W. P. A. the National Youth Administration was organized to provide work for unemployed young persons in their own communities and to provide school and college aid for others.

In addition, the Social Security Act was passed in 1935 to [844–59] deal with certain other aspects of the relief problem. Briefly stated, the Social Security Act attacked the relief problem in two main ways. First, the act makes possible Federal financial assistance to the blind, aged, and dependent children. Secondly, the act provides for two programs based on the insurance principle: The old-age benefit and the unemployment-compensation systems. These programs are designed to guard against destitution arising from old age and temporary unemployment.

At about the same time the Resettlement Administration [844–60] was formed to take over and expand the work of the Rural Rehabilitation Division of the Federal Emergency Relief Administration. This program, now administered by the Farm Security Administration, is conducting the special types of programs necessary to provide security for destitute farmers.

BEGINNING OF A SECURITY PROGRAM

To sum up, the Federal relief program now in operation [844–61] while needing integration and expansion in some respects, does represent a substantial beginning of a dignified and adequate security program. The Federal Government is helping to finance public assistance for certain classes of unemployables—the aged, the blind, and dependent children. Destitute farmers are receiving loans and grants from the Farm Security Administration. Unemployment insurance cares for those who lose their jobs for short periods. Many persons who have been unemployed for protracted periods, or who are ineligible for unemployment compensation, are doing useful work under the W. P. A. The youth of the Nation are being aided by the C. C. C. and the N. Y. A. The old-age insurance program will be in full operation in 1942. In short, the main structure of a security program has been built.

I want to outline a future security program as I see it. [844–62] Basically, this program must be such that American citizens accept it as a matter of right—with no feeling of social inferiority. This program is not yet complete. It will never be complete. It must be expanded, improved, and integrated as we go along.

The work program should be made an integral part of the [844–63] Federal economic security program. To my mind work is a sound

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means of providing security on a dignified basis for the unemployed who have exhausted their unemployment insurance rights or who are not eligible for insurance. The chief problem confronting the Nation and the unemployed is loss of work. For the unemployed themselves, public work is the best means of bridging the gap between private jobs.

Unemployed youth and young people out of school with- [844–64] out work experience constitute a problem in every community in America. Between 3 and 4 million of these young people are idle and seeking work. Through the C. C. C. and the N. Y. A. some 700,000 of them have either been aided to remain in school or have been given employment in camps or on work projects. Having gained work experience, thousands of these young people have obtained employment in private industry. Not only work but opportunity for training is necessary for these and other young people in America.

The Government's work program in the future should be [844–65] integrated with the unemployment insurance systems and the Employment Service. By that I mean that these major programs to aid the unemployed must function as complementary parts of a comprehensive unemployment relief plan. As private industry lays off workers the Employment Service will make every effort to place them in other private jobs. As time goes on and employers and employees come to use the service more fully than they do now, the labor market will function better than it does now.

If workers cannot be placed in private jobs, they should [844–66] then get unemployment compensation benefits. In this connection, I believe that these compensation programs need to be extended to include more workers than are now covered. Those workers who fail to obtain private jobs and who exhaust their benefits should then be given employment by the work program.

This is what I think the vast majority of Americans want. [844–67] My experience with millions of unemployed workers in recent years, and my experience with the people from all walks of life convinces me that this is the democratic way to meet the problem of unemployment.

OLD AGE SECURITY

The aged population will continue to grow in the future. It [844–68] is estimated that we will have some 15 million persons 65 and over in a few decades. We have about 8 million now. Experience has shown that about two-thirds of the aged are dependent. Obviously this means a large increase in the aged programs in the future. Old-age pensions are being given to 1,700,000 persons now. This will increase. The old-age insurance program will provide insurance benefits for large numbers in the next few years. Extension of this program should be considered as a possible step in the liberalization of this system.

With the development of these two programs we can look [844–69] forward to a comprehensive system of old-age security in the future.

Other unemployable groups include dependent children, [844–70] crippled children, the blind, and other groups who, for various reasons, are without means of support. The present Social Security provisions care for much of this problem and we can work for improvement in

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these programs, particularly toward an expansion of the pension system for dependent children.

There are other aspects of a comprehensive security pro- [844–71] gram, which we must develop soon. More houses must be built for the low-income group. We have made a start here, but I am convinced we must move more vigorously.

We need to develop an adequate public-health program to [844–72] put into practice the knowledge that science has developed for the prevention of illness. Preventable disease is costly and wholly unnecessary. By the same token, it is a reflection on the social intelligence of the people of this country.

This program I have just outlined is not simply a security [844–73] program. It would also provide a broad base of purchasing power through security and wage payments which would go far toward increasing the stability of the economic system. Economic insecurity and economic instability are twin problems of the first order. I am convinced that providing for one through security and wage payments will do more than any one other thing to achieve economic stability.

WORK VERSUS DIRECT RELIEF

On the question of a work program as against direct relief, [844–74] it is my conviction, and one of the strongest convictions I hold, that the Federal Government should never return to a direct-relief program. It is degrading to the individual; it destroys morale and self-respect; it results in no increase in the wealth of the community; it tends to destroy the ability of the individual to perform useful work in the future; and it tends to establish a permanent body of dependents. We should do away with direct relief for the unemployed in the United States. We should do this by expanding the work program, by enlarging the scope of the various pension and insurance systems under the Social Security Board, and more particularly by utilizing effectively the powers under the dependent-children section, by including within the scope of that definition all children who are in need. We should reach a concept in America where the able-bodied unemployed are entitled to a job as a matter of right.

I am not alone in this conviction. That work is still the [844–75] choice of the great majority is evidenced by a recent Nation-wide survey. Ninety percent of the persons interviewed were of the opinion that relief should be extended in the form of work. Public support for work relief is even greater today that it was a year ago.

We are inclined to attribute this increased support in part, [844–76] at least, to the constant improvement we have effected in the quality of W. P. A. projects and to the general increase in the efficiency with which the Works Program functions.

In my opinion, work is a fundamentally sound means of [844–77 meeting widespread unemployment. The problem confronting the Nation is loss of work. It must be attacked so far as unemployment relief goes by giving public employment. It costs more but it returns more. It enhances the wealth of the Nation. The type of work should compare in dignity and results with the best in private industry.

We certainly are richer because of this work. Yet some [844–78] people seem to think we are wasting our resources. We waste resources when we fail to use them—not when we put them to work.

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There is no shortage of useful work in this country. We [844–79] have always had more excellent projects available than we could finance with the funds available. The further development of natural resources, the construction of recreational facilities, the further development of the highway and farm-to-market road system, water conservation, work in the field of sanitation, particularly water and sewer systems, schools, and, in fact, almost all types of public improvements, need to be undertaken. Construction work of this kind is needed in every city and town in the Nation.

COMPARATIVE COSTS OF DIRECT RELIEF AND W. P. A. RATES

It is proposed in some quarters that we abandon these useful [844–80] activities on the ground that we cannot afford them—that we must substitute direct relief for the sake of economy The statement is often made that the average cost per family on direct relief is much lower than the average cost on the W. P. A.

These comparisons may easily be misleading. The aver- [844–81] ages cover up a lot of things, such as variations in the size of families whether or not relief cases are wholly or only partially dependent upon relief funds, and whether or not the family was on relief for one day during the month or for the whole month.

Average relief benefits per case do not reflect the actual cost [844–82] of providing direct relief for families in need. During 1934 and 1935, the basic direct-relief budget for a family of four in New Jersey was $49.50 per month; in New York City the standard for a family of four was $48; in Cook County, Ill., it was $47 and in the State of Washington a standard budget of $53.50 per month was in effect.

The monthly earnings rates established by W. P. A. for [844–83] unskilled workers range from $21 per month in the rural sections of the southern wage region to $60.50 per month in the large cities in the North. Rates for intermediate, skilled, and professional and technical workers are somewhat higher. The average wage of all W. P. A. workers in the various skill groups is $55 per month.

But I do not want to dwell on the statistics. I believe that [844–84] W. P. A. wages are more adequate than direct relief payments. The chief difference in costs between direct relief and the W. P. A. program is the adequacy of the assistance extended. Even the security wage paid to W. P. A. employees is such that few would hold it to be adequate to sustain a family of four (the average size of W. P. A. families) at a subsistence level of healthful living. Extensive studies have demonstrated that the highest W P. A. security wage paid anywhere in the country is less than the minimum required in those cities to support an unskilled manual laborer's family of four at a basic maintenance level.

In other words, the cost of maintaining the families now [844–85] on the W. P. A. program cannot be reduced except by further lowering the already inadequate living standards of these families. The remaining difference in relative costs arises from expenditures for materials, supplies, and equipment involved in the W. P. A. program. I have already indicated the wealth that is created by these additional expenditures.

As for the individuals involved in this question of work or [844–86] the dole, the desirability of the social and physical benefits accruing

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to the individual worker on the W. P. A. program is generally accepted. The opportunity to perform useful work prevents the disintegration of health and morale which accompanies subsistence upon direct relief, and maintains the family as a useful unit in the social and economic structure. In the eyes of his family and his heighbors, the W. P. A. employee is able to assume the status and the dignity of a working man, and the principal asset which most of us possess is our standing as a worker.

FEDERAL-STATE ADMINISTRATION

I have had the experience of administering relief programs [844–87] both under a grant-in-aid system and under Federal administration. In my opinion, Federal administration is essential for two reasons:

1. The problem of unemployment and insecurity is basically national in scope. To get the concerted action necessary to meet a nation-wide problem we need a consistent Federal policy. It is a Federal problem; industry and unemployment do not follow State lines.

2. Inasmuch as it is a national problem and most of the funds must be Federal funds, good public policy required that the Federal Government should have the authority and also the responsibility for administering these funds and for accounting to the Congress and to the public for the use of those funds.

Federal administration does not mean that local differences [844–88] are not taken into account. To be successful a Federal program of this magnitude must be operated on a decentralized basis.

Some people have opposed the establishment of a Federal [844–89] program and have endorsed a plan whereby Federal unemployment-relief funds would take the form of grants-in-aid to the States and it would then be left to the States and localities to decide how much should be spent for work.

Such a proposal, while sometimes made in good faith, in [844–90] reality constitutes an attack upon work and an endorsement of the dole. For the gist of the proposition is this: Since the funds made available have not been sufficient to provide useful work for all employables, then we should cease to insist that jobs be given to any employables and rest content to see the work program abandoned in whatever States are unable or unwilling to use funds for this purpose.

We have learned that the assurance of State standards is no [844–91] easy matter. The various relief programs—C. W. A., F. E. R. A., and now W. P. A.—have involved various divisions of administrative responsibility. Under a system of grants-in-aid, it is difficult to insist upon definite standards. If someone steals your money, you can, of course, withdraw Federal funds, but the result of that is that the unemployed in the State are the only ones who really suffer by this action. Experience has demonstrated that high standards are more uniformly achieved under the present arrangement. The W. P. A. has formed and administrative organization concerning which, on the basis of a recent survey, Fortune Magazine states "functions with an efficiency of which any industrialist would be proud."

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GRANTS-IN-AID LOWER RELIEF STANDARDS

The proposal to grant funds to States for unemployment [844–92] relief, therefore, is a proposal to lower relief standards. Not only would less effort be made to provide useful work—there would be a general reduction in the efficiency with which work is provided.

The passing of the frontier left a gap which we have not [844–93] filled. As long as we had a frontier, aggressive and resourceful individuals could repair the ravages to their families caused by the ups and downs of the business cycle. The new frontier is idle men, money and machines and all the resourcefulness, ingenuity and courage that resides in 12 or 13 million unemployed men is helpless to take up this new frontier without tremendous organization of productive forces such as only government can supply when business is in the doldrums. Our failure to conquer this new frontier of idle overhead has cost us at least $200,000,000,000 in income we might have produced and didn't since 1929. I am not speaking now of any theoretical capacity to produce, trustworthy though many of these estimates are. I am speaking of the loss by failure to maintain previous high levels. This $200,000,000,000 is gone forever, but it ought to serve as a bench mark for current policy. That $200,000,000,000 is about equal to the 1932 value of the entire wealth of this, the most wealthy nation the world has ever known. We could have built the entire railroad system five times over and still had enough left to build the finest kind of aviation, waterways and highway systems. We have been losing nearly every year since 1929 almost two-thirds as much as the entire national debt. We are losing right now, this month, enough to carry the entire Works Program. Let me turn it around a bit. If this thing keeps on we will get down this year below the $56,000,000,000 line. That is a level that I don't like to think of. I prefer to be thinking about a $90,000,000,000 income.

But, raising the national income to full employment levels [844–94] is not enough. To attain more than a fleeting prosperity, income must be so distributed that consumption can parallel output. I do not mean redistribution, although we can stand some of it, but rather seeing that the greatest proportion of income increases will go to the people who are most likely to spend.

EXTENSION OF UNIONIZATION

That is why I feel that some standards of wages and hours [844–95] and a wide extension of unionization is to be desired. I don't see why it isn't possible to contemplate a situation in which practically all industrial workers are able to bargain collectively. I look on the labor troubles of recent months as nothing more than growing pains in a movement toward almost complete unionization and I feel that one of the real contributions which industrial leaders can make to recovery is a recognition that stability would be greatly furthered by acceptance of unions.

I had great pleasure when I read that Myron Taylor, in his [844–96] farewell address to the United States Steel Corporation, had said,

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"The union has scrupulously followed the terms of its agreement and, insofar as I know, has made no unfair effort to bring other employees into its ranks, while the corporation's subsidiaries, during a very difficult period, have been entirely free of labor disturbances of any kind."

This is not the place for me to set forth what ought to be [844–97] the proper minimum standards for wages and hours. I am prepared, however, to say that if we had reasonable labor standards in industry our job at W. P. A. in this critical period would be considerably lessened. There are hundreds of communities, yes, whole industrial areas in which wages are far too low.

We've found it necessary to study prices because we're [844–98] interested, not only in the cost of materials for our projects, but in the effects of rigid prices on employment and the distribution of income.

I have here the latest check-up we've made in this regard, [844–99] and you may think it worthwhile enough to insert the whole report in the record.

PRICE DECLINES FROM APRIL 1937 TO FEBRUARY 1938 COMPARED WITH DECLINES DURING THE POST-WAR AND THE 1929–33 RECESSIONS

The relative rigidity of certain commodity prices and the flexibility of others is readily evident from an examination of the attached table. This tabulation shows the ratio between the price decline in various commodity subgroups and the decline in the general price level, the "all commodities" index, for three depression periods. The products that were the most flexible are represented by the largest ratios. For example, the ratio for cattle feed was 4.40 during the current recession indicating that the decline in the prices of cattle feed was more than four times the drop in the general price level. The rigid prices are represented by the cases of actual increase and by the small ratios in other instances.

Where the data are available, it is possible to compare the ratios for the post-war, the 1929–33, and the 1937–38 recessions. This comparison makes possible the observance of the relative flexibility of each commodity during the three periods.

Concerning the current recession, it is highly significant to realize the following situations:

(1) Commodities representing 23 percent of the value of all items in the B. L. S. index showed no net change or actually increased in price during the period from April 1937 to February 1938 when the general price level dropped 9.3 percent.

(2) Another group of commodities, representing approximately 28 percent of the total value of all products, declined less than one-half as much as the "all-commodities" price level.

(3) At the other extreme, however, there is a group of items, with a combined weight of 20 percent, that declined more than twice as much as the drop in the average for all commodities.

The table also reveals that, in general, relative to the drop in the composite level, the declines in the prices of raw materials and other commodities subject to a high degree of competition were greater during the current recession than in either of the other two major cycles, the post-war or the 1929–33. On the other hand, the prices of commodities which are relatively controlled were generally represented by ratios smaller than during the other depressions; this seems to be indicative of the general stiffening of the prices of certain commodities during the last quarter century.

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Comparison of the decline in price of various subgroups, relative to the decline in the all-commodities price level, for the post-war, the 1929–33, and the 1937–38 recessions [1]

[Ratio: Subgroup decline to the decline in all commodities]

	Post-war (May 1920–Jan. 1922)	1929 (July 1929–Feb. 1933)	1937–38 (Apr. 1937–Feb. 1938)
Farm products:			
Grains	1.46	1.79	4.17
Livestock and poultry	93	1.71	1.78
Other farm products	90	1.52	2.57
Foods:			
Dairy products	.47	1.29	.03
Cereal products	[2]	.89	.78
Fruits and vegetables	[2]	1.33	3.44
Meats	.78	1.50	1.87
Other foods	1.16	1.10	1.44
Hides and leather products:			
Boots and shoes	87	.57	Increased
Hides and skins	1.25	1.69	4.15
Leather	1.13	1.33	1.47
Other leather products	42	.70	Increased
Textile products:			
Clothing	[3]	.83	.13
Cotton goods	1.20	1.32	3.11
Hosiery and underwear	[4]	1.19	.82
Silk and rayon	70	1.77	1.69
Woolen and worsted goods	1.04	1.03	1.44
Other textile products	1.01	74	28
Fuel and lighting:			
Anthracite	Increased	.01	Increased
Bituminous coal	1.10	.31	Increased
Coke	1.09	29	Increased
Electricity	[3]	Increased	Increased
Gas	Increased	Increased	Increased
Petroleum products	1.02	1.40	32
Metals and metal products:			
Agricultural implements	46	42	Increased
Iron and steel	99	50	03
Motor vehicles	54	.41	Increased
Nonferrous metals	78	1.48	2.76
Plumbing and heating	[3]	.96	Increased
Building materials:			
Brick and tile	36	.51	39
Cement	28	.36	No change
Lumber	1.15	1.04	1.26
Paint and paint materials	1.08	74	.60
Other building materials	65	.51	.49
Chemicals and drugs:			
Chemicals	1.00	52	1.22
Drugs and pharmaceuticals	50	.59	1.17
Fertilizer materials	1.21	.85	Increased
Fertilizers, mixed	72	94	Increased
Housefurnishing goods:			
Furnishings	.59	.58	Increased
Furniture	.62	.65	.26
Miscellaneous:			
Automobile tires and tubes	1.06	.57	Increased
Cattle feed	1.16	1.74	4.40
Paper and pulp	1.15	.50	.48
Rubber, crude	1.20	2.27	4.16
Other miscellaneous	81	59	39

[1] The period of decline in each depression was determined by the maximum and minimum positions of the all-commodities index.
[2] Included in Other foods subgroup.
[3] Data not available.
[4] Included in Other textile products subgroup.

Source: Computed from price data furnished by the Bureau of Labor Statistics.
Method: The ratios were obtained by dividing the percentage declines of the subgroup prices by the decline in the all-commodities price index.
NOTE.—Certain prices registered increases instead of declines during the depression periods; therefore, the word "increased" has been inserted in the table on each occasion.

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The startling thing about it, that hits me most forcibly [844–100] is that the rigid, monopolistic prices, representing 23 percent by value of the whole Bureau of Labor Statistics index, are still the same or higher than last April. In order for our price system to work effectively, it is highly necessary that prices be flexible and that they adjust themselves to demand, but the controlled prices have held up more rigidly than they did after the war, or after 1929, while other commodity prices, like those of agricultural prices, have shown great instability.

ESSENTIALS OF A SOCIAL PROGRAM

I have tried to indicate something of my ideas as to the [844–101] causes and extent of unemployment and poverty, and what I think are the essentials of a social program. Our problem is directly related to how our economic system functions and only through a rising national income that induces vigorous private activity can we hope to maintain a program of security on an American level. At every opportunity I have tried to get across as earnestly as I could how important it was to run a relief program that maintained individual values.

One of the real tests by which we will be measured is [844–102] whether in a democracy we can maintain both economic security and the dignity of the individual. I think we can. I believe there is a close link between the form of our economic system and the dignity of the individual, and that both must be jealously guarded. Ours is a competitive system in which an overwhelming percentage of production is expected to come from producers operating for profit. I believe in that system.

Federal spending need not be justified merely as pump [844–103] priming, for I am convinced that without the traditional investment of private funds in a rising economy there can be no permanent recovery. This kind of Federal investment is necessary first to take care of the needs of the unemployed and second to increase the wealth of the country by building necessary homes, schools, hospitals, public roads, etc. Further investment in flood control, soil conservation projects and the like is essential not solely to increase wealth but in many cases to prevent further financial losses to those sections of our country making every sacrifice to keep from disintegration.

PRINCIPLES AT WORK IN NATIONAL POLICY

I conceive two large principles which should be at work in [844–104] our national policy—one is that of government contribution to purchasing power when it is needed and the other is competition. I believe that competition on a scale that we have not known for many years is an absolute requirement without which the dynamics and benefits of the Government's efforts are likely to be sapped away. National intervention to stimulate competition is the democratic method, since purchasing power freely in the hands of consumers must then be won by competition. The form of the industrial pattern therefore is determined not by the judgment or caprice of a few monopolists, but by the whole community expressing itself through voluntary actions of individual consumers.

I think we ought to face the fact that the productive [844–105] system has always had what is in effect a subsidy of purchasing

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power ever since the early days of the Nation. Some part of the national domain has always been available through Federal, State, and local governments for making additions to purchasing power and relative to the national income, these contributions have always been of first magnitude. Sometimes these contributions were based on tangibles, sometimes on intangibles. The railroad systems of this country enjoyed enormous grants of land. The competitive capitalistic system has been sustained since the beginning of Federal and State interventions to create purchasing power—it seems to me it is time to recognize them for what they are, and for the high degree of production they have made possible.

NO PANACEA FOR UNEMPLOYMENT

And finally it has not been my intention to indicate either [844–106] by implication or assertion that the problem of unemployment is simple. There are no ready panaceas—sincere men and women will differ as to its cause and cure. But I do believe that the dislocations in our economic life from which unemployment springs present the most serious problem of our democracy. Its solution can only be achieved by the full cooperation between government, labor, agriculture and business. It can only be solved if profits to business under genuine competition are encouraged; if labor is paid a fair wage; if the farmers attain a proper share in the national income; and if great masses of people who for any reason cannot obtain a minimum share in the national income are protected by an all inclusive program of social security. Indeed, the well-being of all our people can be approximated only with a rising national income which in and by itself will effectively lessen the burden of unemployment.

I believe this problem can be solved, because I believe [844–107] our economic life based on a profit motive is the most effective economy known to assure the well-being of all, and because the American people, with their resourcesfulness and courage, are determined to achieve its solution.

The CHAIRMAN. Mr. Hopkins, let me ask you a few questions specifically with reference to the Works Progress Administration. The primary object of the Works Progress Administration is to provide a job for a relief worker and not to construct a public building or engage in public works. Is that right?

Mr. HOPKINS. I would think the primary object of the [845–1] W. P. A. program is to provide employment, but a secondly and equally important job is to provide it on useful public work.

The CHAIRMAN. The project is incidental to the accomplishment of the primary object of finding a job for the unemployed?

Mr. HOPKINS. I would not use the word "incidental." [845–2] A useful project is the means by which we provide jobs.

The CHAIRMAN. You do not have the hope of providing at all times a job for every man who is certified by the local authorities as being eligible for work?

Mr. HOPKINS. Of course, a program like this can never [846–1] be as completely inclusive as that. No security program can. The old-age-pension system does not provide an old-age pension for every eligible man and woman. Just so, the Works Program is not always all inclusive. However, it approaches that objective and has substantially reached it at many times.

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The CHAIRMAN. It will be dependent on the amount of money made available by Congress for the W. P. A.

Mr. HOPKINS. Obviously. [846–2]

The CHAIRMAN. Then if today we have throughout the Nation men who have been certified as eligible for employment, but who are unable to secure it, it is due to a situation which you did not anticipate, if such be the fact.

Mr. HOPKINS. That is correct. [846–3]

The CHAIRMAN. You did not anticipate it at the time the appropriations were asked for.

Mr. HOPKINS. In the main, I think that is correct. [846–4]

The CHAIRMAN. What is the fact as to whether or not you are able, with the existing funds appropriated, to provide jobs for the employables who are unemployed?

Mr. HOPKINS. On relief?

The CHAIRMAN. Yes.

Mr. HOPKINS. We have 2½ million working for us on the [847–1] W. P. A. today. In some cities, like New York City, we have not offered jobs to all the employables. In other great cities, like Detroit, St. Louis, Omaha, and Chicago, every morning we offer jobs to every person who has been certified on relief as in need. That is, in the great sectors of America, particularly in many large cities, we are offering a job to any person who has been certified. However, there are places like New York, where that is not the case. On the other hand, in New York, there is adequate relief machinery, which there is not in many other places in the country. We have to adjust our program to the number of people we can employ, and the appropriations from Congress, and we have about reached the maximum employment possible with the available funds.

The CHAIRMAN. One reason for the question I asked was a statement made as to the city of Detroit a few days ago, and inasmuch as you mentioned it, I would like to say that a witness before this Committee said that the number on W. P. A. rolls had increased from 25,000 in January to approximately 40,000——

Senator HATCH. Twelve thousand to forty-six thousand.

The CHAIRMAN. Twelve thousand to forty-six thousand; and approximately 10,000 were eligible for jobs today who are unable to secure jobs. What information have you about that?

Mr. HOPKINS. That may have been true some weeks ago, [847–2] but today we are offering a job, and have been for several weeks, to every eligible person in Detroit.

The CHAIRMAN. Do you mean, then, that it may be possible that jobs are offered, but are not accepted?

Mr. HOPKINS. On the W. P. A.? [847–3]

The CHAIRMAN. Yes.

Mr. HOPKINS. That is possible, but I would not think that [847–4] that is an important factor.

The CHAIRMAN. You mentioned St. Louis?

Mr. HOPKINS. Yes, sir.

The CHAIRMAN. Did you mention it because you are familiar with the conditions there and that there is no such large number of employables who are unable to secure jobs there?

Mr. HOPKINS. There are no employables on the relief [847–5] rolls in St. Louis who cannot secure jobs on W. P. A. I do not mean

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to indicate that that was not the case some weeks ago. That may have been the case then.

The CHAIRMAN. Could you think of an explanation of the statement made as to the Detroit situation? My recollection is that the gentleman who was a representative of a newspaper stated his figures were as of Saturday, April 2. I think he said he got those figures from the W. P. A. people there.

Mr. HOPKINS. All that I can say is that in the city of [847–6] Detroit we are offering a job to any employable person on relief every morning.

The CHAIRMAN. Senator Hatch tells me that he thinks that the figures were furnished by the newspaper and not by the W. P. A.

Mr. HOPKINS. That is more probable. [847–7]

Senator HATCH. Also, that situation might be explained by the fact that perhaps these people just recently came into the ranks of the unemployed, and have not been actually certified for relief.

Mr. HOPKINS. Yes. You often get a great deal of confusion [847–8] in that connection. There might be a great many more people out of work than have been certified by the relief office.

The CHAIRMAN. What I am interested in knowing is whether or not where they are being certified today, the W. P. A. is able to furnish them jobs?

Mr. HOPKINS. In answer to that I would say that substan- [847–9] tially we are able to, but we are rapidly reaching the point where we cannot add any more.

The CHAIRMAN. You have spent for the last month how much?

Mr. HOPKINS. We obligated about $160,000,000 in March. [848]

The CHAIRMAN. I do not want to go into that amount yet. I want to ask you one or two questions, first, as to the uniformity of contributions of sponsors. I do not recall your referring to that in your otherwise very complete statement. What is your rule today as to the allotment to a State; how much per worker, and what amount for material?

Mr. HOPKINS. In the first place, the number of workers [849–1] we provide jobs for in a State depends on the amount of unemployment, and the amount of relief needed. You may increase the number of workers in Detroit while you may not increase them nearly as much in another place. Therefore, you would put more money into Detroit. The amount of dollars you put into a State depends, first, upon the wages that we pay, that is, we have a wage scale based on existing private wages. The wages are not the same in all parts of the country. We may have in one agricultural section $21 per month as wages for unskilled workers, and $60.50 in large northern cities.

Senator CLARK. Do not you sometimes have a very great difference right across a State line? For instance, I know of one instance where W. P. A. funds are being expended by the War Department in connection with some clearance for dams being constructed across the Mississippi River, between Illinois and Missouri, and the wage on the Illinois side for doing exactly the same work is substantially higher than on the Missouri side.

Mr. HOPKINS. That is quite possible, because if we fix these [849–2] areas, obviously, at some point, we must fix an arbitrary line, and say in this area, "It is here," and that means that 2 miles away you have

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got another area. I know the difficulties that creates. We have tried to adjust them.

The first point I want to make is that to employ 1,000 men [849–3] in an agricultural county at unskilled work might cost only about a third as much for wages as it would to employ the same number in a large city That is the first point in the difference in dollars that go into different places. The other differentials involve the question of the amounts that we grant for materials. That is, we pay wages and some part of the cost of materials. Our average amount for the country as a whole may be 5 or 6 or 7 dollars per month for materials for all the people working on our program. It is true that in some places, however, we will give more per month for materials than we do in others.

On a State basis we have tried throughout the past year to [849–4] adjust the amounts we give so that all States get approximately the same amount per man for material. Within a State, however, you get a variety of situations. Take Cleveland as against Cincinnati. Cleveland, for internal economic reasons, may find it more difficult to provide materials for a good program than Cincinnati, which is in the same State, and we may be paying $12 per month for materials in Cleveland and $6 per month in Cincinnati.

We constantly try to equalize that, but we have never [849–5] adopted an arbitrary policy of saying to the city of Cleveland, "Here is $6. That is all you are going to get."

You get into realistic situations in dealing with this un- [849–6] employment problem that compel you to say, "We are up against the guns, so we will make that $8."

The CHAIRMAN. I have understood that what you have done is that you have attempted to allot the cost of labor first, plus an average amount per man, per month, for material.

Mr. HOPKINS. That's right. [849–7]

The CHAIRMAN. You fix that by State lines.

Mr. HOPKINS. That is right [849–8]

The CHAIRMAN. The State, as a unit.

Mr. HOPKINS. That is right. [849–9]

The CHAIRMAN. Then if you allot to Ohio say $5 per man per month for material for all projects, and you have a number of so-called white-collar projects where there is no cost of material involved, and you have some other projects where you have very little cost of material, then in the State your administrator would have the discretion to allot a much larger amount to a project which did involve material?

Mr. HOPKINS. That is right. [849–10]

The CHAIRMAN. Instead of one project having $5 per man per month for material it might have $10 because of some other projects or a number of other projects. What have you done toward attempting to devise a plan that would be more uniform? How would it work to provide that there could be an allotment for material only to projects where material was involved?

Mr. HOPKINS. I think that we are coming to the time [849–11] where we will have to develop a uniform program insofar as construction projects are concerned, with the several States. I mean by that, if the Federal Government is going to give wages and X dollars per month per man for materials, it would give wages and X dollars per man per month on construction projects only to all the States. Then

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if the State of New Mexico, for example developed projects which were better, they would have to put up all the extra money. If they want to spend it on farm-to-market roads, where the material costs are not as great so on some other types of construction, they could do that as long as their farm-to-market program was a good one. I think that we have to come to a uniform method of dealing with the States. If you go further than that and attempt to achieve uniformity in dealing with individual projects, I think there are going to be great difficulties. In dealing with these cities, they may have a sewer project. They may have a special sewer board and that board might have 80 percent of the money for that particular project and ask us to pay only 20 percent of the whole project. They might pay half the wage costs. Many of them pay the skilled workers in addition to the materials. They may have another project for the building of city streets and they may say to us on these particular projects, "We will pay 20 percent, and we want you to pay 80 percent."

In other words, you average the two projects. Taking all [849–12] the projects put together in that city they have only the amount per month we have agreed on for the State, but on an individual project they may have more. I do not think you can carry the uniformity down the individual project, but I think you can carry it down to the State, and I think you might carry it down to some cities.

The CHAIRMAN. If you carried it down to the cities you would eliminate some of the criticism on the part of some of the cities.

Mr. HOPKINS. I agree with you. [849–13]

The CHAIRMAN. I have been very much interested in providing some training for the younger men on the relief rolls. You mentioned something about training centers in your statement.

Mr. HOPKINS. Yes, sir. [850–1]

The CHAIRMAN. How can we use the C. C. C. effectively to give more training for unskilled men, to make skilled workers of them?

Mr. HOPKINS. The question of what they should be [850–2] trained for is a problem, but I do not see any reason why these camps cannot be used as a combination of training for education and work. That is, work half the time, and then get training in the types of occupations which will help them to actually earn a living when they get back home during the other half. It seems to me, in the last analysis, that that is the ideal way to use these camps under a long-time program, and it is a program in which I heartily believe.

The CHAIRMAN. Has the N. Y. A. been doing anything along that line?

Mr. HOPKINS. We have about 100 camps or resident centers [850–3] some of them experimental in nature. In these the young people are trained half the time and work half the time.

The CHAIRMAN. The newspapers yesterday afternoon and this morning had a statement about a new program, in which your name was mentioned, as giving consideration to, involving an expenditure of a billion and a half dollars. Are you prepared to make any statement as to whether or not you have such a plan under consideration and, if so, what it is?

Mr. HOPKINS. We have been discussing for some time the [851–1] question of appropriations for the W. P. A. for the coming year in the light of the present situation, and next week the Executive is going to indicate to the Appropriations Committee the amount of

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funds he thinks we need for the W. P. A., and, by the same token, the amount of funds that are needed for the C. C. C. and the Farm Security Administration. These three administrations of the Government, and the Youth Administration, are the ones that are identified with the relief of the unemployed. To the best of my knowledge at this moment, there has as yet been no meeting of minds as to the amount we think we need.

Senator LODGE. Can you tell us, briefly, the method which you used to arrive at the amount?

Mr. HOPKINS. Yes; extensive studies have been made [851–2] throughout the country as to the numbers of unemployed on relief, and as to what our people believe the relief needs are going to be in the immediate future. I do not think that we will submit estimates beyond the first 7 months of the fiscal year, on the theory that no one can estimate the number of people that are going to be in need of relief beyond that time. I have tried it in the past 5 years myself, at other times, usually much to my regret. I think we can, however, within reason, project it for the next 7 months.

The CHAIRMAN. I was really not asking about the estimate you would submit to the Appropriations Committee, because I would imagine you would not be in a position to make that statement, but the press of the country for the last 24 hours has been carrying quite a definite statement indicating a program of construction loans to cities, with no interest to be charged, and connected, in some way, with W. P. A., and it was as to that program that I was inquiring, a program which, according to the press, seemed to have no connection with the ordinary appropriations that have been asked for in regard to the W. P A. We have pending the President's estimate for $1,000,000,000. We understand that you are going to have some other discussion. Have you any other plan for public spending similar to that to which I have referred?

Mr. HOPKINS. I have an opinion about some things that [851–3] ought to be done, that do not concern my department in any way. I know that there is under consideration a proposal to extend widely the low-cost housing program and to extend expenditures for work other than the type of work which is identified with W P. A. I am not prepared to say how that will be done, however. The specific consultations I have had on details with the President have referred to the program I am administering.

The CHAIRMAN. All that I wanted to know was whether you knew anything about any other program, because the newspapers have rather created the impression that you did, and if you did we wanted to know if you were in a position to make a statement in regard to it. As to the suggestion that we might help on the direct relief situation, under the Social Security law providing aid to dependent children, the Federal Government to contribute one-third and the local government two-thirds?

Mr. HOPKINS. Yes, sir. [852–1]

The CHAIRMAN. As it is now, the local government takes care of direct relief entirely?

Mr. HOPKINS. Yes, sir; the local and State governments. [852–2]

The CHAIRMAN. The only effect of that would be that the Federal Government would contribute one-third of the cost of taking care of those dependent children. Is that right?

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Mr. HOPKINS. Yes, sir. The Federal Government has [852–3] two methods of dealing with the unemployed, through the Social Security Act and through the work program. I think it would be a mistake for the Federal Government to set up a third category of getting benefits to the people, let us say who are in need of relief in the States. It seems to me that the Social Security Act is the ideal instrument, if the Federal Government wants to extend its financial grants to States. And the way to do it is to extend the children's section of that act, because in the great majority of families who are getting direct relief in the United States there are children. It seems to me that it would be very simple to include in that act those families where there are children, and administer it through this act, instead of setting up another and third machinery. I have very strong feelings, too, about the way direct relief is administered in the United States, and the possibilities of its ever being improved. I do not think that it can be done.

The CHAIRMAN. If any policy of extending direct relief by the Federal Government was determined upon the W. P. A. could not well administer it, and it would mean a new agency.

Mr. HOPKINS. The W. P. A. could administer it, of course. [853] But when you are going to administer direct relief you need new agencies in the States, and away down in the counties and towns. When you administer relief in the State the State does not do it. It is administered away down in the counties, townships, and towns. Practically every State has a plan under the Social Security Act now They have the machinery. It seems to me that the machinery that is now provided by law is the ideal machinery to use, if you wish, to extend relief payments. You could do it in a much more dignified way if you put it under the Social Security Act.

The CHAIRMAN. One more question. I find that nearly all the members of the Senate and House believe that in many instances the W. P. A. determines the eligibility of a man within the States for a W. P. A. job. I would like to have you make an effort to state whether or not W. P. A. determines who is entitled to work upon a W. P. A. job in the State of South Carolina, or the State of California or the State of Michigan or the State of Maine.

Mr. HOPKINS. The answer is that the W. P. A. does not [854–1] determine who is in need of relief, and does not certify people itself.

Senator CLARK. Except the administrative end of it.

Mr. HOPKINS. I am not talking about administrative em- [854–2] ployees. I am talking about people working on the W. P. A. projects. They are certified by the local relief offices. In the city of New York, for instance, the Department of Public Welfare certifies all the people that we employ. They make the investigation as to need and they determine that they are in need. There are a few places in the country where there is no relief machinery of any kind.

The CHAIRMAN. What do you do there?

Mr. HOPKINS. We set up an investigatory machinery there, [854–3] but we always do that in cooperation with the State.

The CHAIRMAN. With the exception of those few places, if people are selected for W. P. A. jobs who are not deserving, they are selected by the local government and not by the Federal Government; is that right?

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Mr. HOPKINS. That is right. [854–4]

Senator MURRAY Isn't it true that the local relief agencies also recommend those who are to be engaged as foremen and superintendents on the local jobs?

Mr. HOPKINS. No. The local relief office has nothing what- [854–5] ever to say about the supervision or administrative personnel employed by us. Half the foremen in the United States are employees of the cities and counties. They are not our employees at all.

The CHAIRMAN. That is all I have.

Senator HATCH. Senator Lodge wants to ask several questions. His time is limited and he would like to ask them now.

Senator DAVIS. Do you believe in the application of civil service to the personnel of the W P A.?

Mr. HOPKINS. Yes. You mean if we had a permanent work program?

Senator DAVIS. Yes.

Mr. HOPKINS. Yes. [855]

Senator DAVIS. Have you given any consideration to the all-weather road that the W. P. A. is supposed to build through the State of Pennsylvania?

Mr. HOPKINS. I cannot answer that, because I think that project was approved while I was convalescing.

The CHAIRMAN. Senator Lodge.

Senator LODGE. Going back to the question of eligibility, if the W. P. A., in a given community, has just enough money to give work to 200 men, and there are 400 men who are certified as eligibles, the W. P. A. makes that selection of the men, does it not?

Mr. HOPKINS. We would take the most desirable of the 400, [856–1] Senator

Senator LODGE. If a man with a sister, let us say, was out of work, and was certified, and a man with a wife and four small children was out of work, and was certified, you would choose between those two, would you not?

Mr. HOPKINS. Yes, sir. [856–2]

Senator LODGE. You would have to.

Mr HOPKINS. Yes, sir. [856–3]

Senator LODGE. And you would try to choose the neediest case?

Mr. HOPKINS. Yes; in the main, but that is a very difficult [856–4] business, Senator, to determine between two people as to who is the neediest. That is not a simple matter.

Senator LODGE. So, while the W. P. A. does not determine eligibility in the first instance, it does award the job?

Mr. HOPKINS. It does not quite work out that way. If we [856–5] need workers, and the W. P. A. in a town in Massachusetts can employ say 40 more people, we ask the relief office to send us 40 people. We do not ask them to send us 80 people.

Senator LODGE. In the case of a project where there are 200 jobs to be given out and there are 400 people who need them you leave the selection of the people you are going to use to the local office.

Mr. HOPKINS. Yes. Of course, in the first 200 they send us [856–6] us there may be 20 that are incompetent, and then we would ask them to send us 20 more.

Senator LODGE. But if the local relief office sends you only single men, and fails to send you men, with wives and children, out of work, they have a right to do it?

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Mr. HOPKINS. We make arrangements all over the country so that we try to get the heads of families, which is evidenced by the fact that we have a high proportion of men who have families. [856–7]

Senator LODGE. You do interest yourselves to get them jobs?

Mr. HOPKINS. Yes. That is very important. [856–8]

Senator LODGE. Reverting back to the question of how you determine the possible amount of money you will need, is it accurate to say that you get figures from the local relief offices, and that you get your own estimates of those in need of an employment relief? Do you use the figures of the United States Employment Service as to the unemployed?

Mr. HOPKINS. We get their figures; yes. [857–1]

Senator LODGE. Those are all sent in here?

Mr. HOPKINS. Yes, sir; we get those figures. [857–2]

Senator LODGE. And you multiply them by $800 or whatever the figure is?

Mr. HOPKINS. Yes. The cost is about $63 per month. [857–3] We multiply by that and arrive at the figure.

Senator LODGE. When it comes to the allocating of money to the regions, Mr. Gill appeared before the committee in January and he showed that W. P. A. was going to allocate men to 350,000 jobs among the five regions. In region 1, which contains the New England States and New York, and which has 17 percent of the population, 50,000 jobs were given out. In region 3, including the States of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Oklahoma, Tennessee, Texas, and Virginia, with 25 percent of the population, 50,000 jobs were given out; and in region 2, which only includes 14 percent of the population, 75,000 jobs were given out.

Mr. HOPKINS. Is that where Detroit is?

Senator LODGE. Maybe I can clear that up. Region 3, with most of the Southern States, and with 25 percent of the population, was given 50,000 jobs. Region 2, which includes Delaware, the District of Columbia, Maryland, New Jersey, Pennsylvania, and West Virginia, got 75,000 jobs. I have always thought that there was a rough relationship between the number of unemployed and the size of the population.

Mr. HOPKINS. You really should consider the whole 2,600,000 employed on the W. P. A. and whether the 2,600,000 jobs are properly distributed in relation to the unemployed in need. We get the best people we can find in the United States to determine the points where the problem exists, and the relative intensity of that problem. [857–4]

Senator O'MAHONEY. That exists principally in the cities.

Mr HOPKINS. Yes; and right now we think we have that distribution substantially correct. If you ask me why we have not got 3,000 more in Massachusetts than we have in Connecticut—— [857–5]

Senator LODGE. No, no. I am not asking it from the Massachusetts standpoint.

Mr. HOPKINS. Or any place. [857–6]

Senator LODGE. This concerns South Carolina just as much as Massachusetts.

Mr. HOPKINS. I have a feeling that we can make a good case for the way the 2,600,000 are distributed by States. [857–7]

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Senator LODGE. That is what I am asking you to do.

Mr. HOPKINS. You might make a case, that in Chicago, [857–8] in relation to Detroit, we ought to employ more persons than we do, but I think if we took the time to go into the details of that, we could make a case out for our distribution. A lot of this is a matter of judgment. If somebody else were administering the program and dividing up these 2,600,000 jobs among 48 States he might do it somewhat differently.

Senator LODGE. Let us leave New England out of it. Let us take region 5, which comprises the States of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. They have only 8 percent of the population, yet they received exactly the same amount that the States of the southeastern section received, with 25 percent of the population.

Mr. HOPKINS. Yes; but that may be completely answered [857–9] by the number we had employed in those States before we took these people on.

Senator LODGE. All right. Now, coming to the question of State participation that Senator Byrnes brought up, do you think that the greatest possible degree of State and local cooperation is being received?

Mr. HOPKINS. I know this Senator, that the States and [858–1] local communities are now putting up for relief purposes many times as much money as they were putting up in 1929 and over twice as much, even, as they were spending in 1933. I know that the problem of getting money out of real-estate taxes in the cities is a very serious and very difficult problem.

Senator LODGE. That is right.

Mr. HOPKINS. It is my own belief that, as a general propo- [858–2] sition, the cities and counties in the United States have done extremely well in putting up money for all types of relief purposes.

Senator LODGE. And the State governments, too.

Mr. HOPKINS. Some States have not been as good as [858–3] others—that has been very spotty. Some States shove all the burden onto the local governments. Other States are pretty good. But I am speaking particularly of the local governments. I do not believe that the States and the cities are trying to run out on this whole relief problem.

Senator CLARK. It is a fact, is it not, that the Federal Government has very largely preempted the fields of taxation from which the States might raise revenue, and that both the Federal Government and the State governments have preempted the fields of taxation in municipalities, so that it is becoming increasingly difficult to raise money by taxation?

Mr. HOPKINS. I think that is generally true. [859]

Senator HATCH. I have a figure in my mind and I want to know whether you can verify it. I have gathered somewhere that the States and municipalities have received for relief purposes about thirteen hundred million dollars last year. Is that right?

Mr. HOPKINS. The States and cities provided over one billion [860] three hundred million for all relief and work purposes in 1937.

Senator LODGE. Do you have any suggestion to make that we put anything in the law to assure a greater degree of State and local cooperation?

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Mr. HOPKINS. Senator, one thing may be desirable from the [861] point of legislation in dealing with relief when we have a national income of $70,000,000,000, but it becomes a very different matter when the income is $56,000,000,000. When you talk about permanent relationships in dealing with the States it is one thing to talk about it when you have the problem of 6,000,000 unemployed and another when you have 12,000,000. In other words, when you have an acute problem I think you need wide discretionary powers. On the other hand, we have reached the point where we would like to get more uniformity by legislation, as far as W. P. A. is concerned, in terms of our grants to the several States. If I were doing it I would do it in terms of wages plus adequate materials per month per man, by States, and then give some discretionary powers within the States.

Senator LODGE. I have been studying one of your publications entitled "Analyses of Expenditures by Types of Work and Objects of Expenditures," in the issue of October 1, 1937, and I have noted an item of $68,000,000 to buy land. I was not aware that the W. P. A. bought land.

Mr. HOPKINS. No. We never bought land. [862-1]

Senator LODGE. That is on page 16.

Mr. HOPKINS. That may be a statement of all the expendi- [862-2] tures under the emergency appropriations.

Senator LODGE. That is on page 16. Will you have somebody look that up?

Mr. HOPKINS. That was not under the W. P. A., because [862-3] under the W. P. A. we have no legal power to buy land.

Senator LODGE. You purchased it.

Mr. HOPKINS. That is the financial statement for all emerg- [862-4] ency appropriations. That is not the W. P. A. statement. The Government may well have bought $68,000,000 worth of land. It was buying land for the national forests and for the farm security program.

(On April 15, 1938, the witness submitted the following supplementary statement:)

From April 8, 1935, to October 1, 1937, a grand total of $67,627,981.66 was expended under the Emergency Relief Appropriation Acts for the purchase of land.

No land has ever been purchased by the Works Progress Administration. These purchases have been made by agencies specifically authorized to acquire land in the conduct of their functions. Land was purchased with Emergency Relief Administration Act funds by the following agencies:

	Purchases from Emergency Relief Administration Act funds Apr. 8, 1935 to Oct. 1, 1937
Biological Survey	$302,190.04
Forest Service	10,765,397.08
Farm Security Administration	34,202,736.03
National Park Service	742,015.01
Puerto Rico Reconstruction Administration	2,711,174.52
Reclamation Service	441,776.68
Corps of Engineers	2,100,902.21
Civilian Conservation Corps	745,555.91
Public Works Administration—Housing	15,597,418.14
All other [1]	18,816.04
Grand total	67,627,981.66

[1] Includes Quartermaster Corps, Coast Guard, and purchases made for Federal Emergency Relief Administration rural rehabilitation program.

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All of these expenditures, excepting about $60,000, were made from funds appropriated in the Emergency Relief Appropriation Act of 1935.

Senator LODGE. I wanted to ask you about the question of a man who is on W. P. A., and then he gets an opportunity to go to work on the outside for 6 weeks or 2 months, and at the end of that time he wants to get back on the W. P. A. The criticism is made that he does not dare to accept employment on the outside for 2 or 3 months for fear that he will lose preference when it comes to getting a job again on the W. P. A.

Mr. HOPKINS. Our instructions on that, which have been out [863] for a year, to our State administrators are to give that man a preferential position on the W. P. A. The W. P. A. Administrator must take that man back. Those regulations must be posted in our offices, and that man is to be given preference.

Senator LODGE. I am glad to hear that. Then we hear criticism that when, for financial reasons, it becomes necessary to reduce the number of men on W. P. A., there is an indiscriminate discharge, a purge, so to speak. Can you tell the committee what system is used when you lay them off?

Mr. HOPKINS. When we have had to lay employees off, as we [864] have had to do once or twice because of lack of funds, we have tried to lay off on two bases—one, competency, that is, their ability to perform a good day's work and, secondly, need. When I speak of need I mean relative need.

Senator LODGE. Do you have merit ratings for those employed on W. P. A. projects?

Mr. HOPKINS. Yes. Our employment service has records [865] of everybody working for us.

Senator LODGE. If a man is a good worker his records show it?

Mr. HOPKINS. Yes; surely.

Senator LODGE. I notice in going through the Handbook of Procedures that there are three different provisions there which authorize the State Works Progress Administrator to employ people who are not going to have a relief status.

Mr. HOPKINS. Yes, sir. [866–1]

Senator LODGE. I understand that the average percentages with reference to administrative employees, throughout the country, is 2.7 percent.

Mr. HOPKINS. Administrative and general project super- [866–2] visory costs run about 4.5 percent.

Senator LODGE. I was wondering why it was necessary to refer to this thing three different times in framing your Handbook of Procedures.

Mr. HOPKINS. I cannot tell you; but the thing that surprises [866–3] me is that they do not refer to it five or six times.

Senator LODGE. Does it become necessary very often to hire administrative people?

Mr. HOPKINS. You have to hire administrative employees [866–4] to run an organization of this size, and you have to have regulations regarding all kinds of administrative employees. I think I could probably find five or six more references if you gave me an opportunity.

Senator LODGE. There is a wide difference in the percentage of administrative employees, between the same States, is there not?

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Mr. HOPKINS. A small State, with a few workers, is likely [866–5] to have a higher percentage of administrative employees than a State with a larger number of project workers.

Senator LODGE. Pennsylvania has 4 percent and other States with a big population less percent.

Mr. HOPKINS. That does not sound bad to me. [866–6]

Senator LODGE. It is the highest in the country

Mr. HOPKINS. I do not think 4 percent of nonrelief personnel [866–7] is much to run this job.

Senator LODGE. I have not the figures with me, but in certain other States it is less than 1 percent.

Mr. HOPKINS. Of all the persons working on W. P. A. [866–8] projects 97.8 percent were taken from the relief rolls. It varies slightly in different States. I do not think that is too important.

Senator LODGE. I notice in the Handbook of Procedure an order which says—

> That transfers of employees of the Federal Emergency Relief Administration performing duties in the States of Massachusetts, Ohio, Louisiana, Georgia, and North Dakota shall not be subject to the provisions of paragraphs 3 and 4 of the order.

Paragraph 3 and 4 are the ones that restrict all increases in salaries to employees transferred to positions which are paid from emergency funds.

What have you to say as to that?

Mr. HOPKINS. That is a technical matter, because those [867] were the five States where I exercised the power to administer directly under the old Federal Relief Act. I suppose there is some technical matter in regard to the transfer of employees. There is nothing sinister in that.

Senator LODGE. I do not think there is anything sinister anywhere. I am only trying to get at the philosophy of this thing. I am not trying to bother you or anybody at all.

What is the machinery for handling complaints and seeing that they get hearings?

Mr. HOPKINS. We have labor-relations people all over the [868] United States. In the last analysis, however, our administrators are responsible. Anybody who thinks that he has been fired unjustly, or who thinks he is improperly classified, or who thinks he is badly treated, can come and register a complaint. A thousand people come and register complaints. Of a thousand people registering complaints, in 50 cases you say that their complaint is justified, and you do what they think you ought to do. In the other 950 cases you say, "We believe you are wrong, and we are going to stand by our original decision." Then those 950 people are not satisfied, and they say that our labor-relations arrangements are bad.

Senator LODGE. I notice that there is a statement in this Handbook of Procedure that—

> The Director or Assistant Director of the Division of Employment shall be a social worker—

which I can understand, but I do not know that there is a similar provision as to the engineer. Was that simply because they thought it was not necessary to make any specific provision as to the engineer?

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Mr. HOPKINS. The head of our Operations Division is always [869] an engineer.

Senator LODGE. I have a letter from a city official in Massachusetts in which he says:

> Stricter rules regarding eligibility or need of relief would also seem to be in order. The rules in this regard should agree with rules of local welfare departments. Under W. P. A. rules employees may have telephones, own and drive cars, and even own property free and clear of mortgage. Twenty-five percent of the persons on W. P. A. today would not apply for or be eligible for public welfare relief if W. P. A. should cease to function.

That letter is from an official of quite a large city in Massachusetts.

Mr. HOPKINS. I think that letter is merely a reflection on [870–1] the way the relief office is administered in that city. No doubt it is true. Probably in other cases the relief standards are inadquate. We do not like to have people crawl on their hands and knees. I do not like that.

The CHAIRMAN. What does that mean? How can they get on W. P. A. projects unless they are certified by the local authorities?

Mr. HOPKINS. They are not on W. P. A. jobs unless those [870–2] offices have certified them. What he has criticism of is probably that in another city right next door the relief office has a different standard, and he objects because the other city certifies people that he says he would not certify.

The CHAIRMAN. You administered direct relief, did you not?

Mr. HOPKINS. I did prior to the W. P. A. [871]

Senator HATCH. Let me interrupt a moment. I do not know whether you are acquainted with the experience that we had in New Mexico. We had a great many complaints in my State about the eligible on relief rolls going through the board set up by the State. We had your department go in there and make a survey and study of that situation, and you did find that there were some people being certified who were not eligible.

Mr. HOPKINS. Yes.

Senator HATCH. Your department went in there and helped our local department to straighten that out, but the basic fault was with our own department in the State.

Mr. HOPKINS. I do not want to indicate that in some instances [872] people have been certified who should not have been.

Senator CLARK. To what extent do people employed on what is it you call it—a sustaining wage——

Mr. JOHNSTONE. Security wage.

Senator CLARK. Security wage, who are on the basis of current wage levels, where you only require them to work a minimum amount of time, say only 40 or 50 or 60 hours a month—to what extent do they go out when they are not employed with W. P. A. and accept other jobs at much lower rates of wages?

Mr. HOPKINS. I think in some parts of the country, and [873–1] particularly in certain seasons there is a good deal of part-time work outside the W. P. A. but I do not know about any general acceptance of lower rates of wages.

Senator CLARK. That is true to some considerable extent, however?

Mr. HOPKINS. I know of a number of specific cases where [873–2] they have done that.

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Senator CLARK. To the extent that that is done it defeats the purpose of Congress and of the W. P. A., does it not?

Mr. HOPKINS. I think that is one of the knotty problems [873–3] that has to be handled.

Senator CLARK. If there is any way by which it could be done, it should be written into the law that that should not be permitted, should it not?

Mr. HOPKINS. Yes. [873–4]

Senator CLARK. I do not profess to have any formula for doing it.

Senator LODGE. I have a communication from another city official who says this:

> There should also be less restriction in the character of projects. Maintenance projects should be allowable, provided they do not interfere with the normal work of regular city employees. New construction, to which we are limited, is continually adding to the general maintenance costs of the communities.

Mr. HOPKINS. That is the problem—what is a normal munic- [874] ipal expense? Many cities maintain that we should collect their garbage. We get hundreds of requests that we collect their garbage or sweep their streets. We do not think that these are proper projects. I know that the man who wrote that did not have in mind our collecting garbage, but he may have had in mind our putting scrub women in the city hall. There is always a very nice line as to what are normal and what are abnormal city functions. In the main, we do not want to do jobs which the cities ought to do, or to have them let people go, because we are hiring them.

Senator LODGE. He says "that does not interfere with the normal work." You feel that up to that point you are doing all the maintenance work to be done.

Mr. HOPKINS. We have a pretty broad program.

Senator LODGE. I am coming near the end.

Mr. HOPKINS. All right.

Senator LODGE. I have a publication here entitled "The Works Progress Administration's Nation-wide Staff Meeting of the Air", and in a letter which Mr. Aubrey Williams very kindly wrote he gave the cost of producing this publication as $2,200. It is printed on glossy paper, and so forth. Mr. Mitchell, of the Government Printing Office, tells me that if that was printed on the customary stock paper used around here, that instead of costing $2,200, the cost of the first thousand would be $64, and the cost of the next 5,000 would be $121. I was wondering why it was necessary or why it was justifiable to print a thing as nicely as this was printed. This is very nicely done. I was wondering what the justification was for that. It seems to me that all of those funds used to print that on that fine paper could have been used for relief purposes.

Mr. HOPKINS. I think that when the United States Govern- [875–1] ment is doing things on the scale that it does them, that it is perfectly proper to tell them in the right way, and not to do it with a lot of sloppy covers or papers. I cannot see any objection at all to the Government, through pamphlets, telling the American people how their money is being spent. Of course, it can be overdone. You can spend too high a proportion for that, but the amount that we have spent for such purposes, altogether, in terms of the total money that

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we have been spending, is not a drop in the bucket. You might disagree with that and say that we should have had that cover look a little less glossy than it looks.

Senator LODGE. I am trying to get at the philosophy of it.

Mr. HOPKINS. My philosophy is that when you tell the [875–2] American people about what their Government does, you ought to tell them in such a way that they will read it. A lot of this stuff that the Government gets out is so bad that nobody reads it.

Senator LODGE. Would you favor printing the Congressional Record this way?

Mr. HOPKINS. I do not want to get into a discussion on [875–3] that.

The CHAIRMAN. It is not really as bad as it looks, is it?

Senator MURRAY. Is it not true that there has been a great deal of misinformation spread across the country with reference to the W. P. A., as well as other agencies of the Federal Government?

Mr. HOPKINS. I think there has been plenty. [875–4]

Senator LODGE. That is correct.

Senator MURRAY. You think it is absolutely necessary that the correct information should be given out to the people of this country?

Mr. HOPKINS. I think it is desirable that the American [875–5] people know what their Government does.

Senator LODGE. That is $2,200. Here is this other one. This is entitled "America Spreads Her Wings." That is beautifully printed. I used to be in the newspaper business myself, and I appreciate this. Mr. Williams tells me that this cost $10,000. Then again phonograph records were made of musical projects, the cost of which totaled $72,000; and then movies of the W. P. A. were made which I understand is done by contract and is not relief work, and they cost $101,000. Those four items add up to $185,000. At $800 per month that would would give work to 232 workers. That is the number of men who would have been given jobs, if that money had been used for relief purposes and not for this kind of work. Do you call that an administrative expense?

Mr. HOPKINS. Yes, sir. Suppose you say that was $300,- [875–6] 000. In terms of five or six billion dollars we spent it would not amount to much. Take the cost of printing that airport job; we have spent $40,000,000 a year in the development of airports in the country. The work that has been done by the W. P. A. on airports in the past 2 or 3 years has probably doubled our facilities. I think that is a modest sum, in terms of the $40,000,000 we have spent, to tell the people of America who are interested in airports, what we have done, and I think it is a perfectly legitimate expense. Of course, I do not think that it ought to be overdone.

Senator LODGE. How much of that has been done, in total? That is what I am getting at.

Mr. HOPKINS. I will be glad to file a statement of that [875–7] with the committee. It is negligible in terms of our expenditures. If you had been running the job you might have decided that we did not need to get that out at all, or that we should have printed 3,000 instead of 10,000. That is an administrative decision, after all. I wish we had not printed some of the things that we have printed.

(The statement referred to follows:)

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Works Progress Administration administrative expenditures for printing and binding July 1936 through February 1938

1936:	
July–December	$409, 182. 63
1937:	
January–June	420, 945. 97
July–December	278, 255. 38
1938: January–February	59, 175. 26

(For the volume The Works Progress Administration's Nationwide Staff Meeting of the Air the cost per copy was 2.2 cents, the same as for the 5,000 copies referred to on p. 1369.)

Senator LODGE. You make mistakes like all the rest of us.

Mr. HOPKINS. I have made some. I could lay them on the line for the committee, if you would like to have them.

Senator LODGE. That is all.

The CHAIRMAN. We have not time for that. We have heard discussion as to changing Federal assistance, changing from the W. P. A. program to assisting the States in a financial way, and permitting them to determine how much should be spent. That is the proposal which has been presented to the committee by a number of gentlemen. Simply exploring the subject, should Congress determine at any time to do that in the near future, what effect would it have upon W. P. A. How many projects do you have under construction, and as to the mechanics of it, how would it work out? W. P. A. would have to continue for some time to come, in any event, would it not?

Mr. HOPKINS. We have about 35,000 projects which we are [876–1] working on at all times in the United States; 35,000 different projects that we are working on at all times. It would be impossible to liquidate that rapidly.

The CHAIRMAN. You would have to turn over those projects to the local governments for their completion?

Mr. HOPKINS. Well, I hate to think what would happen if [876–2] you do that.

The CHAIRMAN. Just at this time what would be the effect?

Mr. HOPKINS. The effect would be, in my opinion, that it [876–3] would compel liquidation of your work program.

The CHAIRMAN. What effect would it have on people who are on the work-relief rolls?

Mr. HOPKINS. I think they would get a terrible deal. [876–4]

The CHAIRMAN. Outside of your opinion as to the advisability, with so many people out of employment, could it be done without too many revolutionary changes?

Mr. HOPKINS. In my opinion it could not. As I said [876–5] before, you can do many things to the mechanics of the relief administration and machinery when you get a national income of around $90,000,000,000 a year that you cannot do when you have a national income at the level at which it is today.

The CHAIRMAN. A program that might care for the unemployed when the national income was $90,000,000,000 would be entirely inadequate when the national income was $56,000,000,000.

Mr. HOPKINS. It works the other way around, too. [876–6]

The CHAIRMAN. You would not want to say by that that there never would come a time when W. P. A. could not be liquidated.

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Mr. HOPKINS. No; I certainly do not want to say that. I do [876–7]
not think that anybody should be too dogmatic about the technicalities which will be used to deal with the unemployment problem in the future.

The CHAIRMAN. If it were to be liquidated it could be done much easier at a time when unemployment was not so great.

Mr. HOPKINS. There is no question about it. [876–8]

The CHAIRMAN. If you were planning on the basis of a 90-billion-dollar income would you think it possible that you might have different views than those based on a 56-billion-dollar income?

Mr. HOPKINS. There is no question about that. I think [876–9]
that the problems we think of as serious, even administratively, either do not exist when the national income gets up, or they are changed so materially that you change your views as to how things should be administered.

The CHAIRMAN. You have administered direct relief and W. P. A. in the regular program. What has the effect been on the morale of the worker of the two programs under one program the worker being given a job, and under the other the worker being given a dole?

Mr. HOPKINS. Of course, the evidence there, in the last [877–1]
analysis, becomes a matter of opinion. I can say this, that the opinion of the recipients—that is, the people who get the work as against direct relief—is unanimous on this point. They prefer work to relief, even though the work offered gives them just the same amount of money that they get from relief. I have never yet in my experience seen a person who was on relief who did not say that he would prefer work to relief. I think that testimony is important. I think there is a substantial body of evidence that it does do things to people when they work for what they get. It is a deeply ingrained characteristic of our people in America that they shall work for what they get, and that they should not get something for nothing. Of course, we have to develop other methods of assistance, because there are people who cannot work, like old people.

But when it comes to work versus relief, I, personally, do not think there is any question but that work does maintain the morale and self-respect and dignity of people. I think the status of these workers in a community and in their negighborhood—being able to walk out on the streets with their heads up—is a very important thing in this country.

Senator MURRAY. Dr. Parran, when he was here, said that it has a very material effect upon their health, also.

Mr. HOPKINS. I have no doubt of that. [877–2]

Senator MURRAY. I would like to ask you a question; under the present operation of the W. P. A. in the States the States are practically in control of the situation. They determine what projects are to be constructed, and they determine who are to be put upon the relief work, do they not?

Mr. HOPKINS. The latter is correct. In the first instance, [878–1]
they suggest the project. If we do not want to do the project we can turn it down on the ground that it was not a proper project, but the cities and counties initiate the project.

Senator LODGE. There is a joint responsibility?

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Mr. HOPKINS. There is a joint responsibility. [878–2]

Senator MURRAY. As long as the States select the proper projects, that are economically sound and engineeringly sound, they are the ones that determine what projects are to be constructed.

Mr. HOPKINS. That is right. [878–3]

Senator MURRAY. And the States, also, then, control who are placed at work on the W. P. A.?

Mr. HOPKINS. That is right. [878–4]

Senator MURRAY. So there is no advantage to be gained by turning the program over to the States, because they are practically in control of it at the present time.

Mr. HOPKINS. I would not say that. I think we control our [878–5] work program. We write the rules and we write the regulations. We determine how many people should be put to work. We determine a great many things. I think it is a relationship that is satisfactory.

Senator MURRAY. The States suffer no detriment as a result of the operations of the W. P. A. as compared to what would be achieved by them under a State administration?

Mr. HOPKINS. I do not think they do. [878–6]

Senator HATCH. Let me see if I have your theory summed up correctly: That with declining national income we may expect more and more unemployment, with all the evils of taxation and burdens of that sort that come with it, and the opposite is also true, that to meet that we must concentrate on increasing national income.

Mr. HOPKINS. That is right. [879]

Senator O'MAHONEY. If it will not inconvenience the committee, I would be very glad to ask a few questions of Mr. Hopkins.

The CHAIRMAN. Go ahead.

Senator O'MAHONEY. I was very much impressed with the replies which you have made to Senator Byrnes with respect to the effect of this W. P. A. program upon the morale of relief workers. You, of course, must be very well aware of the fact that almost every person who attacks the W. P. A. program makes the charge that the morale of relief workers is being terribly undermined; that relief workers prefer to be on relief rather than to accept work in private industry. This charge comes largely from agricultural areas, where it is said that farmers are unable to obtain workers to bring in the crops and to plow the fields, because workers prefer relief. Then the charge is always made in these eastern States that the workers upon public projects along the roads are always loafing or are chiefly loafing. Has the W. P. A. studied that problem?

Mr. HOPKINS. Yes; at great length, Senator. [880–1]

Senator O'MAHONEY. Your considered judgment is that there is no basis for those charges?

Mr. HOPKINS. That is right. You hear those charges imme- [880–2] diately prior to election.

Senator O'MAHONEY. It is your experience, as I understood you to say, that by far the great majority of the people on relief would rather work than receive a dole.

Mr. HOPKINS. There is no question about it. [880–3]

Senator O'MAHONEY. I have been impressed by the fact that the questions which were directed to you this morning have dealt chiefly with the problems of administration. I am more concerned with the

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fundamental problem. Do you offer the W. P. A. program as a cure for the fundamental causes of unemployment?

Mr. HOPKINS. Not at all. I regard it as the best method [881–1] of taking care of unemployed people.

Senator O'MAHONEY. In other words, a sort of a stop gap.

Mr. HOPKINS. That is right. [881–2]

Senator O'MAHONEY. You gave as your premise the belief that every able-bodied man in the United States is entitled to a job?

Mr. HOPKINS. Yes, sir. [882]

Senator O'MAHONEY. With that I agree. The W. P. A. does not meet that need, however, does it?

Mr. HOPKINS. No; obviously, it does not, with 50,000,000 [883–1] working people, and private industry employing 40,000,000 of them, and we employing 2,500,000, but I think it is a pretty good record. I think we have, substantially over the country, given work to most of the employable people in need of relief.

Senator O'MAHONEY. I think so, too.

Mr. HOPKINS. I think we have substantially reached our [883–2] objective. When I say that people have a right to a job I do not mean that that can be accomplished now, but I mean that as a long-time objective I think we can make that stick.

Senator O'MAHONEY. It was reported to us by Mr. Bigger's survey, and estimates which have been made since, that there are from 10,000,000 to 15,000,000 people in the United States today who are anxious and ready to work who are without work. The W. P. A. is not taking care of them.

Mr. HOPKINS. That is right. We have hundreds of thou- [884] sands of families where there are two workers where there is no economic need——

Senator O'MAHONEY. You cannot take care of them by any appropriations Congress is liable to be able to give you?

Mr. HOPKINS. No; and I am not suggesting that. But [885] we have been able to employ a large majority of the unemployed in need.

Senator O'MAHONEY. So all that Congress needs to do is to find the formula, if there is one, by which we can stimulate the demand for employment.

Mr. HOPKINS. That is right. I think one of the things [886] that will tend to stimulate private industry is employment on this Government program. On the W. P. A. alone, we have increased employment from one million five to two million five. I think that W. P. A. and other Government expenditures have an important economic effect in sustaining consumer purchasing power. But I do not think, for a moment, that Government spending, of and by itself, can take us to our objective in terms of the national income. You simply have to get private investment into this picture at some point, and the means by which that is to be done is the problem before Congress and Government.

Senator O'MAHONEY. W. P. A. pays only the security wage?

Mr. HOPKINS. That is right. [887–1]

Senator O'MAHONEY. Modified by the rule that, in most cases, you pay the prevailing rate of wages?

Mr. HOPKINS. On an hourly basis. [887–2]

Senator O'MAHONEY. On an hourly basis?

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Mr. HOPKINS. Yes. [887–3]

Senator O'MAHONEY. So that the security wage is paid for the month, and the worker is actually employed only for a sufficient number of hours during the month to give him the security wage, the monthly wage, whatever that may be, and that is never higher than $72 a month, is it?

Mr. HOPKINS. Yes; it runs higher than that for some pro- [887–4] fessional workers in the big cities.

Senator O'MAHONEY. But the ordinary skilled worker——

Mr. HOPKINS. The average for skilled workers throughout [887–5] the country is about $75 a month. The average for all workers is $55 a month.

Senator O'MAHONEY. Are there any areas in the country where you pay less than the prevailing rate of wages?

Mr. HOPKINS. Not on an hourly basis. [887–6]

Senator O'MAHONEY. If there were any such areas that would not be in harmony with your program?

Mr. HOPKINS. Under the law we must pay the hourly pre- [887–7] vailing rate of wage.

Senator O'MAHONEY. Complaint has been made from time to time that the prevailing wage is not paid. For the materials which you supply you pay the going prices?

Mr. HOPKINS. Yes, sir. [888–1]

Senator O'MAHONEY. In other words, the person who supplies the lumber and the brick and the gravel and cement or whatever goes into a particular job receives the same price from the W. P. A. as he would receive from private individuals.

Mr. HOPKINS. Well, the Government bids on it. We buy [888–2] our goods through the Procurement Division of the Treasury Department the same as anybody else in the Government.

Senator O'MAHONEY. And the United States Government buys just as any private industry buys?

Mr. HOPKINS. Yes; it takes the lowest bid. [888–3]

Senator O'MAHONEY. What is the picture so far as a particular sort of project is concerned? Let us say a sewer project in a city, which is being constructed under W. P. A. The materials which go into that sewer project are paid for by the Government at a rate which enables the producer of those materials, and the middle man, to operate at a profit?

Mr. HOPKINS. Yes; surely. [888–4]

Senator O'MAHONEY. But the contribution which is made to the finished project by labor is that labor does not receive actually the going wage, but it receives only the security wage.

Mr. HOPKINS. No; the laborer receives the going wage in [889–1] terms of the hourly rate.

Senator O'MAHONEY. But not in terms of the project?

Mr. HOPKINS. He does it in terms of hours. He gets the [889–2] going rate. However, he does not make in a month what he would make in private industry.

Senator O'MAHONEY. In the month he ought to make, let us say, $125, but on the security wage he gets only $55.

Mr. HOPKINS. Yes; there is no question about that. [889–3]

Senator O'MAHONEY. Doesn't that put the Government, the cities

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and the States, which cooperate in these programs, in the position of obtaining labor at too low prices?

Mr. HOPKINS. I do not think so. I think, as long as you [889–4] pay the hourly rate you can not make a case out for that.

Senator O'MAHONEY. Do you think that?

Mr. HOPKINS. We might hire two skilled workers in a [889–5] week——

Senator O'MAHONEY. Ordinarily, there is not much advantage in a constant shifting of personnel, is there?

Mr. HOPKINS. I agree that we would be better off from an [889–6] efficiency basis if we could work everyone 120 or 130 hours a month.

Senator O'MAHONEY. You take a job requiring 20 men to complete it because you are employing each man only half the time, it would be completed, in ordinary terms of employment by 10 men.

Mr. HOPKINS. It is perfectly clear that if you could work one [889–7] man, a carpenter, a full month of 130 hours, he would do the job more efficiently than if you have to hire two carpenters.

Senator O'MAHONEY. You are absolutely correct about that, but you have not got my point. Let us assume a case of a particular job which could be completed by 10 men working full time, at full pay.

Mr. HOPKINS. Yes. [889–8]

Senator O'MAHONEY. Under the W. P. A. program that job is not so performed. It is performed by 20 men working at half pay. Is that right?

Mr. HOPKINS. The 20 men would get less on a monthly [889–9] basis, but the same in an hourly basis.

Senator O'MAHONEY. Isn't that a handicap to those men?

Mr. HOPKINS. It has nothing to do with the costs of the job [889–10] or the effect of these expenditures on the economy. You would put just as many dollars into the job by paying 20 men as by paying 10 men.

Senator O'MAHONEY. It has nothing to do with the economy of the particular job but it has a tremendous deal to do with the economy of the individuals who are only able to give half time to that work.

Mr. HOPKINS. There is no question about that I do [889–11] not defend, for a minute, these wages as the kind of wages that people in America ought to get.

Senator O'MAHONEY. Is not our problem to devise a means by which full time employment could be obtained?

Mr. HOPKINS. That is correct. I agree with you. [890–1]

Senator O'MAHONEY. Have you made any suggestions as to how that should be done?

Mr. HOPKINS. I have testified here this morning, chiefly on [890–2] that point.

Senator O'MAHONEY. But you were not dealing with that.

The CHAIRMAN. He thinks that he did in this statement, and he did discuss the thing for 45 minutes. That is his view.

Senator O'MAHONEY. Of course, I know perfectly well when Mr. Hopkins thinks that he has done a thing he has made a pretty good job of it. You state on page 19 of your prepared statement—I was unfortunate in not being able to arrive before you started—"I want to outline a future security program as I see it."

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Mr. HOPKINS. That is right. [890–3]

Senator O'MAHONEY (reading):

Basically, this program must be such that American citizens accept it as a matter of right—with no feeling of social inferiority. This program is not yet complete. It will never be complete. It must be expanded, improved, and integrated as we go along.

In that program which you envision as a permanent program there is included, as I understood your remarks this concept of a W. P. A. program for employment at security wages of those who are unemployed.

Mr. HOPKINS. That is right. That is part of the security [890–4] program.

Senator O'MAHONEY. So if it is a stop gap, it will be a stop gap then.

Mr. HOPKINS. I am not saying that in the future when the [890–5] Government has a work program they should not have a work program that would furnish employment for 130 hours a month and pay wages of $125 a month, on the average instead of an average of $55 a month. That is a detail for the future, however.

Senator O'MAHONEY. Is not your idea that we should stimulate private employment rather than Government employment.

Mr. HOPKINS. That is right. [891]

Senator O'MAHONEY. You are not asking Congress, or suggesting to this committee that the Government, as a permanent or desirable policy, should undertake to employ at these miserable security wages the unemployed which industry is unable to handle?

Mr. HOPKINS. I would not say that. I think, as long as [892] you have people out of work and private industry cannot give them work, that you have a responsibility——

Senator O'MAHONEY. I am not trying to trick you.

Mr. HOPKINS. I do not want to try to make a defense of [893] this $55 a month. I do not think that I can make an awfully good defense of it, but I think that the Government should be giving work to the unemployed.

Senator O'MAHONEY. I agree with you, but we are agreed that it is only a stopgap program, are we not? Are we agreed that we should find a means and method whereby every able-bodied man in the United States should be employed at the going rates of wages for full time in private industry?

Mr. HOPKINS. Yes. [894]

Senator O'MAHONEY. Have you made any such suggestion?

Senator HATCH. I think that has been the whole substance of Mr. Hopkins' statement as I understood the statement.

The CHAIRMAN. That is the impression he made on me.

Senator O'MAHONEY. I was unfortunate in not coming in soon enough.

Mr. HOPKINS. I am going to have dinner with you, Senator.

The CHAIRMAN. Mr. Hopkins' prepared statement was in accord with that.

Senator O'MAHONEY May I say this, and then I will not bother the committee further. All the discussion with respect to this problem seems to be based upon the concept that it is more or less a geographical problem. That is why we talk about States and cities. I agree

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with Mr. Hopkins that it is a Federal program. Unemployment is a national problem. It is on the doorsteps of the Federal Government. But what we do not seem to agree upon is that it is an industrial ill rather than a political or geographical ill, and what we need to do is to find the way to stimulate industry to take up the slack.

The CHAIRMAN. I think we all agree that that is the purpose. There are no further questions I understand. That is all, Mr. Hopkins.

(Witness excused.)

(Thereupon, at 12:15 p. m., the hearing was adjourned subject to the call of the Chair.)

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75TH CONGRESS } SENATE { REPORT
3d Session } { No. 1625

UNEMPLOYMENT AND RELIEF

APRIL 20, 1938.—Ordered to be printed

Mr. BYRNES, from the Special Committee to Investigate Unemployment and Relief, submitted the following

PRELIMINARY REPORT

[Pursuant to S. Res. 36]

At the time of the appointment of this committee last August, recovery was still proceeding at such a rate that the country could look forward to the normal reemployment in private industry of the great body of unemployed citizens of the United States who, since the outset of the depression, had been largely independent of relief and public employment. Early in the deliberations of the committee, however, it became apparent that a pronounced recession in business activity had set in. Beginning in September 1937 large numbers of the workers employed in the industries and business establishments of the Nation began to lose their jobs.

Representatives of the major industries appeared before the committee, expressing their views as to the causes of the recession in business. In response to inquiry by the committee as to what legislation they would recommend to remedy the situation, the only specific recommendation was that Congress either repeal or modify the tax on undistributed profits and modify the tax on capital gains.

The Senate has passed the revenue bill repealing the first-named tax and modifying the second, which bill, if enacted into law, will according to the testimony of those industrial leaders, result in encouraging capital to expand industry and provide jobs.

The committee is of the opinion that the enactment of revenue legislation along the lines contained in the Senate bill will be exceedingly helpful at this time. The committee, however, does not believe that the permanent solution of the unemployment problem is quite so simple, and therefore, intends to pursue its inquiry in the hope that as a result of further study under more normal conditions, it can make recommendations broader in scope than those contained in this report and which will be more helpful to the Senate in dealing with the perplexing problem of unemployment and relief.

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In view of this critical situation, it seems to the committee that at this time no proposals for a long-time policy of the Federal Government for dealing with unemployment and relief can safely be made, but that reliance must be had for the next several months, and perhaps during the entire fiscal year beginning next July, on the Federal, State, and local programs now in operation. The committee proposes to continue its investigation with a view to making recommendations to the Senate at its next session on the larger aspects of this problem. The present report undertakes to present the facts which the committee has been able to gather about the present situation, together with recommendations as to the administration of the current Government programs designed to enable them to handle the present critical situation more efficiently.

The census of the unemployed and partially unemployed population in the United States conducted during the period November 16–20, 1937, disclosed that 5,800,000 citizens in the United States registered as totally unemployed and wanting work, while 2,000,000 more were working on emergency work provided by agencies of the Government. The registration was a voluntary registration. An attempt was made by John D. Biggers, administrator of the registration, to check its accuracy in a number of selected cities throughout the United States. This check indicated that there were 3,000,000 more persons then totally unemployed and wanting work, making the total of the unemployed at that time probably 10,870,000. The registration indicated that there was a considerable additional number of persons who registered as partially unemployed, that is, as having part-time work.

While it is not thought that this entire number of unemployed persons are in need of public assistance, these figures indicate the magnitude of the unemployment problem. It is estimated by responsible witnesses who appeared before the committee that between the date of the voluntary registration and April 1, 1938, approximately 2,000,000 other gainfully employed workers have lost their jobs.

THE DEVELOPMENT OF THE FEDERAL UNEMPLOYMENT AND RELIEF POLICY

At the outset of the depression in 1930, concern for the unemployed was first expressed by private philanthropy. In 1930–31 campaigns to raise voluntary funds for relief and work relief were conducted throughout the Nation. In these years local efforts were stimulated by two voluntary committees appointed by President Hoover, the one in October of 1930 and the other in May 1931. These committees first urged the raising of private funds and later the appropriation of city and county funds in addition to private funds to provide relief.

President Hoover then stated that the care of the unemployed was a local neighborhood concern that could best be met by local funds and local people who knew the unemployed and therefore would share their income with them. Informal local pay-roll deductions from the pay of the employed, contributions from private and corporation funds, grants from community chests, appropriations from city and county tax funds, all combined to motivate and energize local emergency efforts for the jobless.

Finally, in July 1932, Congress appropriated $300,000,000 to be loaned by the Reconstruction Finance Corporation to the Governors

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of the several States or to political subdivisions direct to be used for relief in aid of local relief funds. The loans were to be repaid by deductions from future grants by the Federal Government to the States in aid of their road-building programs. They were canceled by the Congress in 1933.

The work-relief idea, as distinguished from home relief or direct relief, originated in these early efforts, and first local then State work-relief committees promoted the idea that the best relief to the unemployed was jobs, and that money spent in the form of wages for work on worth-while public projects not only preserved the morale of the unemployed person, but produced assets of permanent value to the community.

Finally, in May 1933, the National Government made a direct appropriation of $500,000,000 for emergency relief. The President was authorized to grant this money to the several States first on the basis of their previous expenditures for relief and later without limitation. The same Congress appropriated 3 billions of dollars for a public works program to be granted and loaned to the States or other public bodies on specific projects.

The Federal Emergency Relief Administration was set up by the President to expend the $500,000,000 first appropriated by Congress. This Administration made outright grants to the States and with these funds and such funds as were appropriated by the States, cities, and counties a combined program of direct relief and work relief was inaugurated.

In November of 1933 the President established the Civil Works Administration, an outright Federal undertaking. This Administration undertook projects throughout the Nation, employing unemployed people on a full-time "prevailing wage" basis, and making direct purchases of materials used in the projects to the extent that the States, counties, or cities did not themselves contribute funds for materials. This program was liquidated in May of 1934, and the Federal Emergency Relief Administration again undertook the responsibility of aid to the unemployed by making grants to the States. Finally, in May 1935, the Works Progress Administration was established as a Federal organization and undertook to combine the experience of the Federal Emergency Relief Administration and the Civil Works Administration. Since then, the Works Progress Administration has operated a work-relief program throughout the Nation paying practically the entire cost of labor on projects submitted to it by the States, counties, cities, and other public bodies and by the Government departments. The Works Progress Administration also has, under regulations prescribed by the President, purchased materials to be used in such projects but has required contributions by the sponsors in the way of materials and equipment. In many instances, the sponsors have furnished and paid for certain types of workmen required on specific projects as well as discharging the cost of superintendence and supervision.

In establishing the Works Progress Administration, the President and the Congress assumed responsibility, to the extent of the funds appropriated, for that part of the unemployed population who were in need. Subsequently, in the passage of the Social Security Act, the Federal Government took steps to encourage the States to institute unemployment compensation to protect temporarily unemployed

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workers, the cost of these benefits to be financed by a tax on pay rolls. The Social Security Act also gives national direction and aid from the Treasury to programs for the care of the needy aged, dependent children, and the indigent blind.

Mention should also be made of the Civilian Conservation Corps, which has since its establishment in 1933 offered work to young men from needy families. The fact that the enrollee in the Civilian Conservation Corps is required out of his earnings of $30 per month to send $25 per month to his family makes of the Civilian Conservation Corps a combined work and relief program.

In the United States, as in most other industrialized nations, the problems faced by youth have been intensified and accentuated by the depression. Our youth have been heavy sufferers from the shortage of jobs. In addition to the Civilian Conservation Corps camps, the Federal Government has, through its National Youth Administration (set up by Executive order June 26, 1935) helped American youth to constructively utilize the extended period between leaving school and landing a permanent job. The National Youth Administration student-aid program has been patterned after a program developed by Federal Emergency Relief Administration, and helps high-school, college, and graduate students to continue their education. Through the work projects of National Youth Administration, part-time employment is provided for young persons in need. Completing the undertaking of National Youth Administration, are activities directed toward helping youth to find jobs in private industry.

The Farm Security Administration, too, has developed out of a previous activity undertaken by the Federal Emergency Relief Administration and carries on a program of loans and direct relief grants to destitute and low-income farm families.

THE MAGNITUDE OF THE PROBLEM

The impact of the depression on the social framework of the Nation is shown by the figures given below stating the total number of persons and households in receipt of public assistance, relief, work-program employment or other emergency employment financed from Federal, State, and local funds. The figures for the month of December in each of the years 1933–37 follow.

Year	Households	Persons
1933	7,000,000	24,800,000
1934	6,547,000	23,475,000
1935	5,886,000	19,851,000
1936	5,968,000	18,872,000
1937	5,390,000	15,605,000

The effect on Federal work-relief and local relief rolls of increasing unemployment due to the current business recession is reflected in the figures for January 1938 when the number of households affected was 5,904,000 and the number of persons included was 17,314,000. Reports received by the committee from various agencies of the Government indicate a further increase in the total number of persons in need in the months of February and March. It may conservatively be estimated that on April 1 approximately 14 percent of the popula-

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tion of the United States were beneficiaries of one kind of public aid or another.

The extent of the expenditures of Federal, State, and local governments on the various programs now being conducted to give employment and relief is shown by the following table for the calendar year 1937:

Total costs of relief, public assistance, and social security, January–December 1937

Type of public aid	Total cost	Sharing of total cost	
		Federal Government	State and local
Federal work programs, Works Progress Administration, and other Federal agencies	$1,800,000,000	$1,485,000,000	$315,000,000
Civilian Conservation Corps	380,000,000	380,000,000	
Old-age assistance	340,000,000	165,000,000	175,000,000
Aid to dependent children	80,000,000	20,000,000	60,000,000
Aid to the blind	17,000,000	6,000,000	11,000,000
General unclassified relief	470,000,000		470,000,000
Rural rehabilitation grants of Farm Security Administration	35,000,000	35,000,000	
Total	3,122,000,000	2,091,000,000	1,031,000,000
Emergency Public Works	1,200,000,000	800,000,000	400,000,000
Grand total	4,322,000,000	2,891,000,000	1,431,000,000

It will be observed that the total of public assistance, relief and work-relief expenditures for that year was $3,122,000,000 of which $2,091,000,000 was supplied by the Federal Treasury and $1,031,000,000 by State and local governments. If the cost of emergency public works is added, the total expenditure for the year 1937 is $4,322,000,000 of which $2,891,000,000 came from the Federal Treasury and $1,431,000,000 from State and local sources.

For the entire period 1933–37, inclusive, the total cost of public assistance and relief programs was $13,500,000,000 of which $10,000,000,000 came from the Federal Treasury and $3,500,000,000 from the State and local treasuries.

If to these figures the cost of emergency public works is added, the total expenditure for the period 1933–37, inclusive, is $19,300,000,000 of which $14,200,000,000 came from the Federal Treasury and $5,100,000,000 from State and local sources.

The expenditure of these sums, vast as is their total, has saved the lives and morale of millions of people in America. Public works of great value have been accomplished. The committee has made no formal inquiry as to the resulting value of work-relief projects. However, a survey has recently been made in every State by committees, the personnel of which committees were in no way connected with Works Progress Administration. While the survey has not been completed, reports received to date indicate that in the opinion of these disinterested experts, the projects have been conducted with great efficiency and have contributed to the wealth of the Nation, and to the morale of the people.

With respect to the needy aged, dependent children, and the indigent blind, who are included in the above figures, and with respect to the destitute farmers receiving direct relief grants from the Farm Security Administration, it should be stated that their destitution is

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not due to unemployment. The first three groups, of course, are not normally gainfully employed. The destitution in the farm group is not due entirely to the business recession. Many agricultural workers will, perforce, remain relief clients of the Federal Government until some permanent solution of their economic problem is found. This is also true of a considerable number of rural families being cared for by the Works Progress Administration on its work projects. Their dependency is due to the break-down of their support from agriculture. Unless the base of their farm income can be reestablished or industrial employment can be created for them elsewhere, these rural families will continue to rely upon public support. The same observation may be made of a considerable number of households in small communities, classified as rural, whence the single industry, such as coal or metal mining, logging or lumbering, has departed due to the exhaustion of the natural resources on which the community depended for its livelihood. Unless employment throughout the country increases to the point where all the present unemployed in the cities are employed, no hope can be held out for industrial employment of this surplus rural population. In the present situation, the usual trends of migration from the country to the city have been interrupted. Such a migration now would, of course, decrease rural relief loads in certain sections but would cause a corresponding increase in the rolls in urban centers.

At the present time, it is estimated by competent authorities that close to 12,000,000 workers are totally unemployed. Several million more, although actually on pay rolls, are working short time.

Of those of the unemployed who have been found to apply for relief, the Works Progress Administration is employing approximately 2,500,000. As of the 1st of April, approximately 100,000 others were employed on projects financed out of the Federal Work Relief Appropriation and carried on by Federal agencies other than the Works Progress Administration. The number of youths in the Civilian Conservation Corps camps is approximately 280,000. Each of these youths represents a relief family. The general unclassified relief rolls in the thousands of localities in the United States accounted in March for 1,900,000 families who were being assisted by direct relief financed entirely out of local and State funds.

To complete the picture, approximately 1,600,000 aged persons were in receipt of old-age assistance in March, and there were about 200,000 households in which dependent children were being cared for under the Social Security Act.

WAGES ON WORK RELIEF PROJECTS

For the past year reports have been widespread that Works Progress Administration workers, while employed on the Federal work-relief projects, seek and obtain other employment during the month for which they have been paid out of public funds. An investigation was undertaken to determine the truth with respect to such reports.

In the months of November and December 1937 a group of investigators were sent to the cities of Atlanta, Baltimore, New York, Omaha, and Pittsburgh with instructions to go into this subject.

It will be recalled that the President in 1935 in his proposal for a work program suggested that a "security wage" or monthly payment be made on work-relief projects. The proposal contemplated that the

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worker would give full-time employment for this wage. During the consideration of the appropriation act designed to put the President's suggestion into operation, an amendment was offered to the act which would have required that the Government pay to each worker the hourly rate of wages prevailing in the locality where the project was undertaken. The amendment was not agreed to as proposed, but in its stead the Congress adopted this language:

> The President shall require to be paid such rates of pay * * * as will not affect adversely or tend to decrease the going rates of wages paid for work of a similar nature.

When Congress had under consideration the deficiency appropriation for relief and work relief in February 1936 there was then written into the Deficiency Appropriation Act the principle of the original amendment in the following language:

> The rates of pay to be not less than the prevailing rates of pay for work of a similar nature.

The same principle has been included in subsequent appropriation acts.

Thus, by act of Congress, there has developed the possibility of a man employed on a Works Progress Administration project earning the security wage in one-third of the full working hours of a month and being free for the balance of that month. That Works Progress Administration workers have taken advantage of this opportunity is not surprising. For instance, in the District of Columbia, a carpenter on a Works Progress Administration project earns his security wage of $73.50 by working 42 hours in a month at the established "prevailing rate" of $1.75 per hour.

The study in the five cities mentioned was undertaken to determine whether a "security wage" worker sought other employment in his spare time. Since it was impracticable to check the records of all Works Progress Administration workers in a given community, the study was confined to workers classified as skilled. It was assumed that, since the "prevailing hourly rate" for such workers is higher than for workers in other classifications, spare-time employment, if it existed at all, would be more prevalent among this group.

In the 5 cities mentioned, there were on the Works Progress Administration rolls at the time of the investigation 26,736 workers classified as skilled workers. Of this number, 7,982 were interviewed. Of the number interviewed, 5,049, or 63 percent, when asked the question admitted that they had other employment. Of the total number interviewed, 6,454, or 81 percent, had been on the Works Progress Administration pay rolls constantly since January 1937.

Of the 5,049 workers who admitted outside earnings, 4,312 or 85 percent had such other employment during the same month for which they had already received pay from Works Progress Administration.

A little less than one-fourth (1,036 of 4,312 or 24 percent) were found to be working in outside employment at occupations similar to those at which they were employed by Works Progress Administration but at a lower hourly rate of pay.

Of the 4,312 workers who had outside earnings during the same month as their employment by Works Progress Administration, 2,389 gave the names of their employers. A number of these employers were interviewed, namely, 1,330. In the great majority of cases,

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the amount of the outside earnings was much in excess of the amount stated by the worker himself.

There can be no doubt that the policy of part-time work for Works Progress Administration workers makes possible outside employment during the spare time of the workers. This outside employment is in competition with other unemployed workers. It must be obvious that this practice tends to defeat the evident intent of Congress, which was the protection of the going rate of pay in private industry, by making it possible for workers with a guaranteed monthly income to underbid other unemployed workers for available jobs.

The committee recommends that the worker on work relief be required at the time he receives a check for his wages to file as a condition precedent to continued employment, a statement as to the amount of his earnings during that work period from outside employment. The facts disclosed by the statement should be considered by the administrative official in assigning workers to jobs.

Admittedly, Works Progress Administration does not provide a job for every unemployed person in the Nation. This being true, one worker should not be paid the security wage, receive outside employment and additional income, and continue indefinitely at work on projects, while others certified as eligible are denied the opportunity to receive any employment.

The Administrator should endeavor to spread employment among all eligible workers, and in the rotation of eligible workers should take into consideration the income received from outside employment.

SPONSORS' CONTRIBUTIONS

Complaint has arisen as to the lack of uniformity in the treatment of the different States by the Federal Government in the matter of sponsors' contributions to the cost of work-relief projects. The appropriation acts have never contained any stipulation on this point, and discretion has been left to the Executive to decide how much of the cost of any project should be contributed by the sponsor. The published reports of the Works Progress Administration show considerable variation in the proportion of the total cost of work-relief projects borne by sponsors in the respective States.

Since the inception of the program in the summer of 1935 the proportion of total costs of Federal work-relief projects contributed by sponsors has risen steadily as follows: Fiscal year ending June 30, 1936, 13.6 percent; fiscal year ending June 30, 1937, 16.8 percent; current fiscal year (through November), 22.8 percent, current fiscal year (through March), 23.4 percent. That the trend in the ratio of total cost borne by sponsors is still upward is shown by the fact that during the last half of March of this year contributions pledged by sponsors for new projects amounted to 25.5 percent of total cost.

However, percentage figures are not the most satisfactory criterion of sponsor collaboration because of the variations in labor costs from State to State. Thus, in States in which the monthly security payments are lowest, the percentage of total cost borne by sponsors (represented chiefly by materials, supplies, etc.) will be higher than in industrialized States where the monthly security allowances (i. e., labor costs) are higher.

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In the opinion of the committee, it is highly desirable that the several States should receive equal treatment at the hands of the Federal Government in respect to sponsors' contributions to the cost of work-relief projects. Various methods of accomplishing this have been proposed, but the committee is of the opinion that the simplest and most satisfactory method would be to write into the Appropriation Act for the fiscal year beginning July 1, 1938, a provision that Federal funds are to be used for paying labor costs (i. e., security payments and salaries of nonrelief personnel) and expenses of administration and not exceeding an average for the State of $5 per worker per month for other costs. In other words, all nonlabor costs (materials, supplies, rental of equipment, rental of space, superintendence, etc.) in excess of an average for the State of $5 per worker per month would have to be met by the sponsors of the projects. Flexibility should be provided by authorizing the Executive to use a fixed percentage of the total amount of the appropriation in emergencies resulting from flood, hurricane, drought, or other disaster.

UNEMPLOYMENT COMPENSATION

The role of the Federal work program in the entire scheme of public aid in the United States is being modified through the introduction of the system of unemployment compensation or benefits. Under the State laws, enacted in recent years, payment of weekly benefits to "insured" workers began in 22 States and the District of Columbia on January 1, 1938; in Indiana, benefits became operative on April 1; in South Carolina, payments of unemployment benefit begin on July 1, 1938, and in Idaho on September 1 of this year. Unemployment compensation will be in force in all States and Territories of the Union at the end of January 1939, with the exception of Illinois, Georgia, and Montana, where payments are scheduled to start in July 1939.

While it is as yet too early to say with certainty what the effect of unemployment compensation will be on future appropriations for Federal work relief, or on the local and State expenditures for direct relief, it is apparent that some far-reaching modifications in the present system will have to be made before this type of benefit can serve the purposes for which it was designed.

In New York City, only 3,500 families have been dropped from relief because their unemployment-insurance benefits proved sufficient to provide for their care temporarily. In 1,480 relief cases, the department of public welfare in that city has been supplementing unemployment-compensation benefits which were found to be inadequate. Many workers have had no recent employment at all and therefore are not eligible for unemployment benefits under State law. Others have had such short periods of employment that they will be entitled to draw benefits for relatively short periods. Workers must in many cases be carried on relief while waiting for unemployment compensation. In many cases, after the first check has been received, the second or third checks have been delayed because of administrative difficulties arising out of the fact that the unemployment-insurance system is just getting under way and has been overwhelmed by the size and difficulty of its program.

Reports from unemployment-compensation agencies of the 23 States now paying benefits show that to April 1 something over 3,000,000

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checks have been sent out, averaging slightly over $10 each, to approximately 1,500,000 workers. Many of these weekly benefit checks, of course, were for less than $10, and it is evident that supplemental relief will in many cases become necessary.

Delays in mailing out benefit checks, and errors in computing the amount of benefits have been complained of in many States. It should be emphasized, however, that the difficulties are not due to administrative ineptitude, but rather to the inherent complexity of the State laws.

EMPLOYMENT SERVICE

One of the greatest sources of complaint regarding the new system of unemployment compensation is the fact that the all-important Employment Service, which is to a large extent responsible for the administration of unemployment compensation in most States, is under the control not of the Social Security Board, which has general supervision over State unemployment compensation, but of the Federal Department of Labor. In the States, fortunately, the administration of unemployment compensation and the operation of the Employment Service are now in the hands of the same agency, but the two branches of the service are still ultimately responsible to different bodies in Washington.

Under the Wagner-Peyser Act, a Federal grant-in-aid is made to the States for the maintenance of a State-local public employment service. This grant-in-aid is administered by the Department of Labor. These Federal funds are supposed to apply to that portion of the expense of the local-State public employment service which is concerned with job finding in general. On the other hand, under the Federal Social Security Act, the Social Security Board makes allocations to the State unemployment-compensation services to cover the administration of the State system, including that part of the work of the State employment service which is concerned with unemployment compensation. In other words, Federal grants-in-aid for the same service in the States are made by two Federal departments. On the other hand, the State unemployment compensation administration is entirely dependent on the Federal Government for funds for administrative expenses through the provisions of the Federal Social Security Act that every dollar collected from pay-roll taxes by the States shall be reserved for the payment of benefits.

The committee recommends in the interest of efficiency and economy that the Employment Service now in the Labor Department be transferred to the Social Security Board in order that its work may be coordinated with the work of the Unemployment Compensation Division of that Board.

The present system of separate State laws imposes heavy burdens on employers because of the complexity of the reports they must make to the Federal Government and the States. Every employer of eight persons or more must make a return to the Federal Bureau of Internal Revenue in connection with the 3-percent tax imposed on his pay rolls by the Social Security Act for Unemployment Compensation. He is permitted to claim a credit offset of 90 percent of this tax by reason of the tax of 2.7 percent which he pays on his pay roll in States in which he carries on his business. The remainder of the Federal tax is retained by the Federal Treasury.

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The employer must, moreover, make periodical returns to the different States in which he carries on business covering the 2.7 percent tax on his pay roll for unemployment compensation. However, the coverage of the State laws as to the number of employees for whom taxes must be paid differs from that of the Federal law.

RURAL RELIEF

In 1934 the Federal Emergency Relief Administration established a Rural Division which was designed to administer relief and assistance to destitute farm families. There was established in the various States of the Union, rural rehabilitation corporations to which grants were made from funds appropriated by Congress for relief and work relief. These funds were used to make loans to destitute farm families to enable them to buy work stock and other capital equipment so that they might engage in other farm operations out of the proceeds of which the loans were to be repaid. A number of rural-industrial communities were also promoted in which destitute farm families on relief were given an opportunity on land purchased and developed by the corporation to engage in production and processing of agricultural products.

All these activities, with the exception of four of the rural industrial communities, were taken over on July 1, 1935, by the Resettlement Administration which was established by Executive order of the President. Later, upon the passage by Congress in 1937 of what was known as the farm-tenancy bill, there was established by order of the Secretary of Agriculture the Farm Security Administration which, in addition to the administration of the farm-tenancy bill, took over the activities theretofore carried on by the Resettlement Administration. The program now prosecuted by the Farm Security Administration consists of the further development and conduct of rural industrial communities, the making of rehabilitation loans to destitute families and, in certain parts of the United States—notably the drought area, the making of outright subsistence grants to stranded farm families. Thus, with respect to a certain proportion of the rural population of the United States, the Federal Government is still making direct relief grants. During the calendar year 1937 the sum of approximately $35,000,000 was expended by the Farm Security Administration by way of direct relief, 68 percent of the total was expended in the Great Plains States, 12 percent in the North Central States, 11 percent in the Southwest cotton States, 3 percent in the Middle Atlantic States, 2 percent in the Southeastern cotton States, and less than 1 percent in the New England States.

It is the opinion of the committee that such direct relief grants by the Federal Government are unwise and that the rural population that is in need should be assisted, so far as the Federal Government is concerned, by work and loans, except in those communities where it is not feasible to provide suitable work-relief projects.

GRANTS-IN-AID TO THE STATES FOR RELIEF

A suggestion has been made to the committee that the present program of work relief as administered by the Federal Government in cooperation with the States, cities, and counties of the Nation be abandoned and that the Federal Government return to the system

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of grants-in-aid to the States for relief. It is urged that under such a system the localities can best determine what portion of the total of Federal, State, and local funds appropriated for the purpose should be used for work projects and what portion for direct relief. Under the suggestion, the Federal Government would establish standards for relief administration and might require that a portion of the funds should be used to provide work.

In support of the suggestion it is urged that the program of the Works Progress Administration only reaches a portion of the able-bodied unemployed and cares for them on a higher standard than is available to those who must depend on local relief.

The committee is of the opinion that the adoption of this program would mean the abandonment of work relief. It would also amount to a general lowering of the relief standards to the unsatisfactory low levels prevailing in many States. It can be said in support of the present Federal work-relief program that it provides a reasonably adequate security relief standard for 2,500,000 workers.

In any event, we are of the opinion that at this time, with the army of the unemployed daily receiving recruits, it would be impossible to change the existing machinery without seriously impairing the ability of both Federal and State Governments to care for those in need.

It was suggested by the Administrator of the Works Progress Administration that the social-security program for aid to dependent children might be liberalized so as to include the families of unemployed persons in need in which there were children, and that such an arrangement would probably take care of close to 90 percent of all families in which unemployment of the principal breadwinner created a need for assistance. It is difficult to see how such a system could be inaugurated without destroying the integrity of the program of aid to dependent children. That program now limits aid to those children who have been deprived of parental support by reason of death, desertion, or physical or mental incapacity of the parent. It is based upon funds provided one-third by the Federal Government and two-thirds by the States and localities. To inject into this system the idea of need on account of involuntary unemployment would destroy the integrity of a program fairly well established throughout the United S ates and would involve the amendment of the social-security laws of all the States.

Unemployment relief on a Federal grant-in-aid basis to be administered by the Social Security Board might, of course, be established without doing violence to the principles of the system. While recognizing the great burden on the States and local communities for direct relief (running currently at a rate of about $50,000,000 a month throughout the Nation), the committee cannot agree that the Federal Government should again enter the field of direct relief for able-bodied unemployed people.

CONTRIBUTORY OLD-AGE INSURANCE

The system of contributory old-age insurance established by the Social Security Act is a federally operated system financed out of a tax on pay rolls shared equally by the employer and employee. The tax started at 2 percent in 1937 and will reach 6 percent in 1949.

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Benefit payments do not begin until 1942. The amount of the payment will be based upon a percentage of the previous earnings of the individual recipient. A very large fund will thus be accumulated which is to be invested by the Treasury in bonds of the United States.

It would, in the opinion of the committee, be advisable to begin payments of these benefits at an earlier date than the present law contemplates. To do so would mean that older workers would be retired from the labor market to make way for younger workers awaiting jobs. The purchasing power of the older retired worker would be conserved through the regular receipt of the Federal old-age benefit.

MERIT SYSTEM

Criticism is widespread that although the Federal Government makes a heavy contribution to the costs of old-age assistance, aid to dependent children, and to the indigent blind, as well as supplying all of the money for administration of the State unemployment compensation systems, it is practically without any real influence in the determination of administrative policies and practices in the States on which the efficiency of the various programs depends. This is because of the wording of the Social Security Act itself. This wording, while placing on the Social Security Board the responsibility for seeing that every State plan "provides such methods of administration as are found by the Board to be necessary for the efficient operation of the plan," specifically denies it the right to refuse approval to a State plan on any ground "relating to selection, tenure of office, and compensation of personnel."

The chairman of this committee has introduced in the Senate an amendment to the Social Security Act, S. 3370, to correct this serious defect. The enactment of this amendment would make it incumbent on the Social Security Board to require that the merit system should be in force in the operation of a State plan under the Social Security Act.

It should be a principle governing Federal Government financial collaboration with the States or the local political subdivisions in the field of relief, public assistance, and social security, that the merit system of appointing administrative personnel should be in force.

TRAINING AND RETAINING OF DISPLACED WORKERS

During the early months of 1937 there was a shortage of skilled labor, a surplus of unskilled labor. As a result of the recession in business, this situation has changed, but with a return to anything approaching normal conditions, we will again be faced with a shortage of skilled labor.

While there are many contributing factors, it is true that during the years of the depression there was less opportunity for a young man to secure an opportunity to serve as an apprentice and become a skilled worker. The committee is impressed with the necessity of offering greater opportunities to the young man who desires to become a skilled worker, and in connection with any permanent program this exceedingly important problem must be considered.

There are some communities where the population is dependent entirely upon one industry. When that industry ceases to operate, the

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working population is out of employment. The only solution is to train such workers for some other occupation and, through the Employment Service, endeavor to place them in some other field. Such service would be more effective and more economical than having them remain in the community on work-relief projects. In the attempt to arrive at any permanent solution of the problem consideration must be given to the extension of vocational training, and the possible establishment of training centers.

At this time the committee recommends that the Civilian Conservation Corps, in addition to requiring the enrollees to work while in camp, train them to perform the work they must do after leaving camp. This splendid organization has been devoting part of its program to such work. The training should be emphasized and the corps furnished all necessary equipment to enable it to enlarge its training program.

The committee has heard many witnesses as to a permanent solution of the unemployment problem; as to the effect of technological developments on that problem, and as to other questions embraced within the scope of the resolution creating the committee. It is the purpose of the committee to continue its inquiries, and after it has had an opportunity to give consideration to the subjects embraced in the resolution, to file with the Senate a final report.

JAMES F. BYRNES, *Chairman*,
BENNETT CHAMP CLARK,
LYNN J. FRAZIER,
CARL A. HATCH,
JAMES E. MURRAY.

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75TH CONGRESS } SENATE { REPT. 1625
3d Session } { Part 2

UNEMPLOYMENT AND RELIEF

APRIL 20 (calendar day, APRIL 25), 1938.—Ordered to be printed

Mr. LODGE, from the Special Committee to Investigate Unemployment and Relief, submitted the following

PRELIMINARY MINORITY VIEWS

[Pursuant to S. Res. 36]

The Special Committee to Investigate Unemployment and Relief was directed by Senate resolution to investigate these two problems, which this report will discuss in that order.

UNEMPLOYMENT

The findings of the majority under this heading are correct insofar as they go. Passage of the Senate's tax bill with its corrections of the many grave defects in the current tax structure would certainly be helpful and would tend to encourage new business ventures and thus create new jobs. We concur with the majority in this respect, i. e., when it says:

> The committee is of the opinion that the enactment of revenue legislation along the lines contained in the Senate bill will be exceedingly helpful at this time.

There are, however, many other helpful steps which Government could take to end unemployment, but the majority believes that the time has not yet come to make recommendations of a "permanent" nature.

It may well be doubted whether anything in the way of social reform is ever "permanent," inasmuch as the world is always changing. If, however, there are helpful steps which Government can take, it should take them now. We are in the midst of a sharp depression, causing terrible suffering to millions of Americans. It is not going to give them much comfort to be told that the Committee will "report later." If our statesmanship is not to advertise itself as hopelessly bankrupt, the time to act is now.

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RECOMMENDATIONS

Following are some specific recommendations which should be immediately put into effect by those in authority:

1. Extravagant utterances, in which whole classes of people are insulted and nameless individuals are lambasted over the radio instead of being prosecuted in the courts, tend to frighten the businessman, however little attention may be paid to such attacks by those who are in public life. It is clear, therefore, that this kind of talk tends to discourage new business ventures. This in turn prevents the creation of new jobs. In the interest of creating new jobs, such talk should stop.

2. The businessman, with all his faults, offers the best hope of new jobs. It is essential for Government to curb bad practices which may arise in business; it is equally essential for Government to encourage businessmen to create new wealth and new jobs. The duty of encouraging that which is good is just as binding on Government as the duty of penalizing that which is bad. If businessmen were treated fairly as regards taxation, and administrative and legislative penalties, employment conditions would improve over night.

3. The matters to which Congress has devoted its time since the Seventy-fifth Congress began its sessions are evidently not of a type which will create new jobs. The attempt to bring the judiciary under the authority of the Executive occupied most of the first session of the Seventy-fifth Congress, and the attempt to bring legislative functions under the Executive by means of the reorganization bill has taken most of the time of the current session. It is submitted that, whatever the merits or demerits of these schemes may be, neither of them helps to solve the unemployment problem and the time which Congress has spent in these ways could have been put to much better advantage insofar as the rank and file of the people are concerned.

4. Machinery for a true and continuing unemployment census should be set up which will serve as a basis not only for legislation pertaining to and for the administration of relief but which will also constitute the basis for a scientific treatment on a national scale of the question of wages and hours. The Biggers census, although as ably administered as the defective legislation creating it permitted, was out of date before it ever became public. Figures as to the extent of unemployment in the past are of slight interest compared with the week-to-week figures as to what unemployment actually is and where it is. With up-to-date figures we could come to grips with the problem in an effective manner. We could then really "prime the pump," instead of spraying the hose all over the lot.

5. The majority report advocates that old-age payments under the Social Security Act be started earlier than is provided for under the present law. In this connection it must be realized that even if old-age payments under the Social Security Act were started today, that they would do no good at all insofar as the rank and file of aged workers is concerned. It would only help the more prosperous workers—those accumulating a total taxable wage of $2,000 and over. We should liberalize the whole old-age set-up. The Congress should reduce the tax now imposed on the worker's pay roll to the amount necessary to pay the required benefit so that we may have a true pay-as-you-go plan. Today the Government is imposing on the tired backs of the

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working people taxes in the sacred name of old-age pensions and is using this tax money for general expenses of government. This dishonest practice should stop. Its stoppage would be a powerful help to increased employment and better times.

6. Other noteworthy reforms in taxation would help increase the number of jobs. Effective legislative action against tax-exempt securities would not only eliminate broad avenues of escape for tax dodgers, but would also tend to force capital into industrial uses which is now in Government bonds and is thus taken out of fruitful production. The elimination of these havens for tax evaders would also increase the amount which would be received from normal tax sources, thereby making more funds available for well-considered unemployment-relief programs. It is discouraging in these times when every dollar invested in new business means jobs for American workers to see the Federal Government as recently as February, in its amendments to the Federal Housing Act, pass legislation still further increasing the number of tax-exempt securities.

7. There is virtually unanimous sentiment in favor of scientific tariff-rate making. A policy of true reciprocity has obvious advantages—a policy which recognizes that while a flourishing foreign trade is a great asset and that it is obviously advantageous to buy goods at as cheap a price as possible, that above all things American workmen must be kept at work. A price for your shoes, for instance, which is so cheap that it puts your neighbor out of work is too cheap a price, whether your values be computed in the added dollars you will have to spend for relief or whether your values are those which every person of sensibility feels for his fellow man. It cannot be denied that the extent to which foreign-made goods enter the United States has a direct effect on unemployment. The remedy to be sought may well lie in a strict adherence to a policy of true reciprocity pursued under a precise congressional precept with an absolute minimum of Executive discretion. Clearly this is a subject which deserves careful study. A resolution (S. Res. 242) is pending before the Senate to examine all phases of this subject so full of importance to every wage earner. It should be promptly adopted.

8. The importance of congressional responsibility and control is equally clear in the field of currency. The Constitution of the United States states that—

the Congress shall have the power to coin money, regulate the value thereof.

Let us follow the Constitution.

RELIEF

Under date of March 12 the Chairman of the Committee wrote the following letter:

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
March 12, 1938.

Hon. HENRY CABOT LODGE, JR.,
United States Senate, Washington, D. C.

DEAR SENATOR: With regard to the request that Mr. Whitehurst appear before the Committee, when you discussed the matter with me, although I did not approve of it, I so disliked to disagree with any request you made, I told you I would have no objection. However, after discussing the work of the Committee today with counsel, I have come to the conclusion that if we are to make to the Committee a report in time to be of any service to the Senate in the consideration

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of the question of relief, it is essential that we close the hearings next week and then devote the necessary time to the consideration, particularly of the relief question, in order that we may file a report before a relief bill is submitted to the Congress within the next few weeks. I have, therefore, directed counsel to withdraw a number of invitations that have been extended and to confine the witnesses to those who might be of assistance to us in determining the question as to how relief funds should be administered.

I am satisfied it would be a mistake to invite Mr. Whitehurst. It would be the first time we have permitted any witness to appear to make charges against the administration of the Works Progress Administration. We all know that charges of some kind are made daily in every State about the administration of work relief by the Works Progress Administration, and relief by the State. If we invite Mr. Whitehurst to make these complaints, we will have no argument to justify the refusal to listen to hundreds of others. The administrative officials would have to be given an opportunity to be heard on the question as to whether John Jones was entitled to relief or whether political influence was exercised by some employee of the organization, with the result we would never finish hearings in time to make a report upon this question. I have, therefore, told Mr. Johnstone to withhold the invitation to Mr. Whitehurst. If you disagree with my view, I will be glad to have the Committee meet and pass upon the question of whether or not we should hear Mr. Whitehurst and others who would like to have an opportunity to appear and testify along the same lines.

Sincerely yours,

JAMES F. BYRNES, *Chairman.*

The "Mr. Whitehurst" referred to in the letter was formerly Chief of the Correspondence Division of the Works Progress Administration, and had made a number of charges.

On March 14, on the motion of Senator Lodge that the committee call Mr. Whitehurst and Mr. Stanley High, the committee voted 5 to 2, with Senators Davis and Lodge voting in the minority, to sustain the chairman's policy of not calling any witnesses who would "make charges against the administration of the Works Progress Administration." Inasmuch as the Works Progress Administration is the principal agency conducting Federal relief, this meant that unemployment relief—America's greatest single governmental problem—was to go without benefit of constructive criticism. The undersigned do not contend that there is anything sinister in Government-relief activity. Many of the Works Progress Administration projects deserve the highest praise. The unwillingness to hear any criticism at all, however, will necessarily—and regrettably—cause questions to arise in the minds of impartial persons.

In spite of the committee's policy, certain information was obtained from the Works Progress Administrator, Mr. Hopkins, which may well arouse differences of opinion. Mr. Hopkins was asked why 2,600,000 jobs were divided among the several States so that areas with smaller populations received more jobs than those with larger populations. The following colloquy occurred:

Mr. HOPKINS. I have a feeling that we can make a good case for the way the 2,600,000 are distributed by States.

Senator LODGE. That is what I am asking you to do.

Mr. HOPKINS. I think you might make a case, that in Chicago, in relation to Detroit, we ought to have more than we have. I think if we took the time to go into the details of that we could make a case out of it. A lot of this is nothing but a matter of opinion. If somebody else were administrating this and dividing up these 2,600,000 among 48 States he might do it differently.

This excerpt contains the admission that the allocation of funds to the States for human relief is not done on a scientific or factual basis, but is merely "a matter of opinion." Those who think that executive discretion of this kind is either humane or democratic are at liberty

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to do so. To us it seems a violation of the principle of giving out relief on the basis of need and a clear invitation by Congress to the Executive to play favorites by giving out relief money where it will help or hurt the friends or enemies of the party in power. No administration should want this discretion. No administration should have it.

In a subsequent colloquy Mr. Hopkins' attention was called to the fact that the cost of two pamphlets, a set of phonograph records, and motion pictures, all describing the Works Progress Administration, had totaled $185,000. Some of this work was done by contract; none of it was done by relief labor Mr Hopkins defended the practice, saying that it was proper for the Government to impart information to its citizens. He declined to answer a question as to why the activities of the Works Progress Administration should be printed in a more expensive style than that used to print the Congressional Record.

Attention is called to the philosophy underlying this particular administrative policy In the instances presented, which were selected at random, sufficient funds were spent for this nonrelief work to have taken care of 232 relief workers for 1 year This money is all spent to advertise Government activities, by radio, by movies, and through the printed word. We do not now criticize the amount which, though small in comparison with the total appropriation, would doubtless seem large to the unemployed person seeking relief. We do sharply differ with Mr. Hopkins' contention that it is proper to use money appropriated in the name of relief in order to purchase more elaborate publications than are now devoted to the proceedings of the Congress. There seems to be only one word for this action and that is "waste."

In the February 1938 issue of the Compass, the official organ of the American Association of Social Workers, the following eloquent criticism is made:

> Those who are old but not old enough, those who are young but not young enough; and those who are handicapped but not handicapped enough, find themselves without a champion, and without help. It appears they make up a lost battalion of the needy, and, because "dole" is a hateful word, they are often denied the help they sorely need. It would seem a simple thing to establish the fact that an old man or an old woman just under 65 years can be just as hungry as one just past 65 and just as cold in an unheated tenement. Certainly children just over 16 need clothes and food as much as those just under 16.
>
> Pointless debates on the blessedness of work will not bring the needed aid to the members of this lost battalion. Fruitless discussions of the morale-building effects of work will not provide fuel for the unheated tenements or milk for the hungry children.
>
> Let us have work, real work at going rates, for as many of those who can work as can be fitted into a work program; and for those who cannot work or cannot be cared for through a work program for whatever reasons, let us have some form of decent, humane direct assistance. Not one or the other but both.

In his message to Congress of January 3 the President said:

> * * * the first condition is that we continue the policy of not permitting any needy American who can and is willing to work to starve because the Federal Government does not provide the work.

The casual reader, seeing this statement, might think that the present Works Progress Administration program provides work relief for all persons who are needy, employable, able-bodied, and unemployed.

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The casual reader, reading about old-age benefits under the Social Security Act and provisions for aid to dependent children, might conclude that all old people and all young people are provided for.

The fact is, of course, that while these programs are a real benefaction to those receiving aid from them, that there are many people who receive nothing from them at all. The interests of this unfortunate group are not served by schemes which take large sums of money, Federal, State, and local, for projects from which they will never benefit.

Financial resources being limited, such schemes simply mean that the amount available for those who cannot get on Works Progress Administration is reduced in proportion. If the Works Progress Administration builds a schoolhouse, or a swimming pool, the local government is left with the cost of maintaining the schoolhouse or the swimming pool. The money used for this purpose means just that much less for the unfortunate people who look to that local government for direct relief. To treat one class of needy citizens so much worse than other classes of needy citizens is highly unjust.

RECOMMENDATIONS

In face of the above facts, it is clear that the Federal-relief system, like every other human undertaking, is susceptible of being improved. The possibility of favoritism, both as to localities and as to individuals, the opportunities for waste, the apparent unwillingness to face the problem of destitution among those who cannot get into one of the existing programs, make it imperative that further inquiry, which will hear constructive criticism from persons of standing, be held.

In view of the attitude of those in authority, it is probably sufficient to make the indications just referred to and postpone more definite recommendations until the announced final report of the majority has been completed. Certainly a reorganization of unemployment relief agencies seems highly desirable in order that quick and definite action may be taken under a greater measure of local control with distribution of funds in accordance with the principle of greatest need.

After 9 years the haunting specter of joblessness is still with us—to a greater degree than ever. Let us act quickly, decisively, resourcefully, constructively. Dare we delay longer?

SUMMARY

1. Repeal of undistributed-profits tax and modification of capital-gains tax as proposed in Senate tax bill and general tax reduction wherever possible.

2. Treat businessmen fairly as they are the best hope for new jobs. The duty of encouraging that which is good in business is just as binding on government as the duty of punishing that which is bad. Give business stable conditions and jobs will be created overnight.

3. Congress should stop wasting its time over such schemes as the Supreme Court and reorganization bills, and devote itself to unemployment and relief—problems which will always be with us.

4. Eliminate tax-exempt securities, and reduce at once the unnecessary and burdensome social-security tax in order that the employer and the employee may have more of their own money to spend in their own way.

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5. A true unemployment census as a basis for a scientific treatment on a national scale of the question of wages and hours.

6. End Executive discretion in tariff matters and return to Congress the control of the currency.

7. Prepare for reorganizing the agencies of unemployment and relief in order that quick and definite action may be taken under a greater measure of local control, in accordance with the principle of greatest need.

8. That in the future the committee hear all persons of standing who have constructive criticisms of the operations of the present unemployment-relief system.

9. If our statemanship is not to advertise itself as hopelessly bankrupt, the time to act is now.

JAMES J. DAVIS.
HENRY CABOT LODGE, Jr.

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APPENDIX

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APPENDIX 1

Total costs of relief, public assistance, Federal work programs, and emergency public works [1]

TOTAL, ALL PUBLIC SOURCES OF FUNDS

[In thousands of dollars]

Type of program	Total	1933		1934		1935		1936		1937	
		January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December
I. General relief	5,063,286	419,618	373,315	535,222	914,471	1,044,025	714,489	315,443	235,971	274,440	236,292
A. Direct relief:											
1. Under Federal Emergency Relief Administration and State and local administrations	2,810,290	256,804	225,166	304,472	352,066	427,531	406,882	243,433	186,376	211,740	195,820
2. Under the Farm Security Administration (subsistence grants to farmers)	59,275						2,307	12,465	8,114	27,374	9,015
3. Under the Office of Indian Affairs (direct relief to Indians)	1,692	110	101	124	113	138	120	305	306	214	161
B. Work relief (under Federal Emergency Relief Administration and State and local administrations—payments limited to family need)	1,468,159	139,148	117,352	148,430	419,016	452,632	181,219	6,423	3,939		
C. Other general relief costs	723,870	23,556	30,696	82,196	143,276	163,724	123,961	52,817	37,236	35,112	31,296
II. Federal work programs primarily designed to employ relief labor	[2] 5,368,751		219,743	735,228	11,994	22,393	288,361	1,125,944	1,142,411	1,020,254	[2] 802,423
A. Civil Works Administration and Civil Works Service	943,103		219,057	724,046							
B. Works Progress Administration	4,244,332						273,911	1,094,347	1,115,075	979,043	781,956
C. Federal Emergency Relief Administration:											
1. Emergency education	34,480		415	6,735	6,316	13,862	6,773	303	58	14	4
2. Student aid	14,931		3	3,370	4,420	7,138					
3. Other special Federal Emergency Relief Administration activities	7,298		268	1,077	1,258	1,393	2,275	883	144		
D. National Youth Administration:											
1. Student aid	57,660						5,398	18,289	8,590	19,675	5,708
2. Work projects	[2] 66,947						4	12,122	18,544	21,522	[2] 14,755
III. Work program of the Civilian Conservation Corps	1,864,150	48,018	160,330	155,213	207,762	246,362	284,587	206,092	174,930	221,618	159,238

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IV. Specialized types of assistance to unemployables (both under the Social Security Act and not under this act)	959,285	39,695	37,899	40,617	45,372	57,871	65,988	89,325	147,358	198,244	236,916
A. Aid to the aged	639,604	14,550	13,710	15,527	19,443	31,525	38,843	57,404	111,358	153,710	183,534
B. Aid to dependent children	266,979	22,012	21,016	21,594	21,786	22,145	22,738	25,699	28,974	36,853	44,162
C. Aid to the blind	52,702	3,133	3,173	3,496	4,143	4,201	4,407	6,222	7,026	7,681	9,220
V. Rehabilitation loans to destitute and low-income farmers	231,281			1,563	7,118	46,761	15,773	90,270	10,581	59,257	[3] 42
A. Federal Emergency Relief Administration and State rural rehabilitation corporations:											
1. Amounts loaned	80,038			1,563	7,118	49,243	9,103	7,185	4,020	1,427	379
2. Amounts repaid (deduct)	15,803					2,568	4,597	2,565	2,798	1,633	1,642
3. Net disbursements	64,235			1,563	7,118	46,675	4,506	4,620	1,222	[3] 206	[3] 1,263
B. Farm Security Administration:											
1. Amounts loaned	162,011						7,907	72,106	15,210	55,568	11,220
2. Amounts repaid (deduct)	42,647						1,879		17,537	5,425	17,806
3. Net disbursements	119,364						6,028	72,106	[3] 2,327	50,143	[3] 6,586
C. Other costs of rural rehabilitation program (Farm Security Administration)	47,682					86	5,239	13,544	11,686	9,320	7,807
Subtotal (items I through V)	[2] 13,486,753	507,331	791,287	1,467,843	1,186,717	1,417,412	1,369,198	1,827,074	1,711,251	1,773,813	[2] 1,434,827
VI. Emergency public works	5,390,352	72,358	166,802	411,850	641,743	478,877	634,826	794,583	958,904	678,082	552,327
A. Public Works Administration:											
1. Non-Federal projects (grants, collateral loans, and sponsors' contributions)	1,848,865		7,369	53,681	143,225	133,652	195,120	341,938	421,144	287,929	264,807
2. Federal low-cost housing projects	112,348			654	1,266	6,893	14,077	8,576	18,853	31,795	30,234
3. Other Public Works Administration costs	83,155		1,467	4,625	6,849	8,653	11,327	14,596	15,166	11,850	8,622
B. Bureau of Public Roads (emergency funds)	1,144,565	59,000	74,307	133,429	200,773	100,648	130,710	94,249	186,148	98,960	66,341
C. Resettlement housing and land development projects of the Farm Security Administration	178,719					842	7,755	25,480	46,633	57,987	40,022
D. Projects of other Federal agencies (including miscellaneous nonconstruction projects)	1,762,028		56,501	194,019	259,967	202,397	242,113	279,738	242,357	161,546	123,390
E. Federal loans for public construction (except under Public Works Administration):											
1. Self-liquidating loans of Reconstruction Finance Corporation (act of 1932)	258,817	13,358	27,158	25,442	29,663	25,792	33,724	29,990	28,141	27,067	18,482
2. Other loans	1,855							16	462	948	429

[1] For explanation of details, technical specifications, and qualifications necessary for interpretation, see accompanying text.
[2] Data for sponsors' contributions to National Youth Administration work projects for July to December 1937 are not yet available.
[3] Excess of credits, deduct.

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Total costs of relief, public assistance, Federal work programs, and emergency public works—Continued

TOTAL, ALL PUBLIC SOURCES OF FUNDS—Continued

[In thousands of dollars]

Type of program	Total	1933		1934		1935		1936		1937	
		January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December
VII. Surplus commodities distributed for relief	426,304	30,469	35,640	50,931	184,890	80,061	11,823	5,898	7,015	11,272	8,305
A. Wheat and cotton donated to the Red Cross for relief distribution	40,020	30,469	9,551								
B. Purchase and distribution of surplus commodities by the Federal Surplus Relief Corporation and the Federal Surplus Commodities Corporation	139,171		6,560	35,047	45,401	30,798	7,952	2,650	2,550	1,822	6,391
C. Purchase by Agricultural Adjustment Administration of commodities utilized for relief purposes (including the 1934 drought purchase program)	200,602		19,495	13,472	107,718	38,321	2,616	3,146	4,470	9,450	1,914
D. Care and processing of drought cattle for relief use from Federal Emergency Relief Administration funds	46,511		34	2,412	31,771	10,942	1,255	102	[3] 5		
Grand total (items I through VII)	[2] 19,303,409	610,158	993,729	1,930,624	2,013,350	1,976,350	2,015,847	2,627,555	2,677,170	2,463,167	[2] 1,995,459
FEDERAL FUNDS											
I. General relief	2,905,833	259,094	221,724	343,059	694,323	788,570	501,934	39,563	16,099	31,271	10,196
A. Under Federal Emergency Relief Administration and State and local administrations	2,844,866	258,984	221,623	342,935	694,210	788,432	499,507	26,793	7,679	3,683	1,020
B. Under the Farm Security Administration (subsistence grants to farmers)	59,275						2,307	12,465	8,114	27,374	9,015
C. Under the Office of Indian Affairs (direct relief to Indians)	1,692	110	101	124	113	138	120	305	306	214	161
II. Federal work programs primarily designed to employ relief labor	4,720,027		199,820	668,064	11,976	22,361	265,521	1,038,338	1,007,178	877,046	629,723
A. Civil Works Administration and Civil Works Service	856,067		199,135	656,932							

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B. Works Progress Administration	3,685,803						251,101	1,007,047	980,702	837,697	609,256
C. Federal Emergency Relief Administration:											
1. Emergency education	34,437		415	6,735	6,316	13,862	6,743	293	55	14	4
2. Student aid	14,830		2	3,320	4,402	7,106					
3. Other special Federal Emergency Relief Administration activities	7,298		268	1,077	1,258	1,393	2,275	883	144		
D. National Youth Administration:											
1. Student aid	57,660						5,398	18,289	8,590	19,675	5,708
2. Work projects	63,932						4	11,826	17,687	19,660	14,755
III. Work program of the Civilian Conservation Corps	1,864,150	48,018	160,330	155,213	207,762	246,362	284,587	206,092	174,930	221,618	159,238
IV Specialized types of assistance to unemployables (both under the Social Security Act and not under this act)	270,438							21,392	60,778	84,692	103,576
A. Aid to the aged	231,596							17,704	52,923	73,392	87,577
B. Aid to dependent children	30,048							2,728	5,769	8,888	12,663
C. Aid to the blind	8,794							960	2,086	2,412	3,336
V Rehabilitation loans to destitute and low-income farmers	231,281			1,563	7,118	46,761	15,773	90,270	10,581	59,257	[3] 42
A Federal Emergency Relief Administration and State rural rehabilitation corporations:											
1. Amounts loaned	80,038			1,563	7,118	49,243	9,103	7,185	4,020	1,427	379
2. Amounts repaid (deduct)	15,803					2,568	4,597	2,565	2,798	1,633	1,642
3. Net disbursements	64,235			1,563	7,118	46,675	4,506	4,620	1,222	[3] 206	[3] 1,263
B. Farm Security Administration:											
1. Amounts loaned	162,011						7,907	72,106	15,210	55,568	11,220
2. Amounts repaid (deduct)	42,647						1,879		17,537	5,425	17,806
3. Net disbursements	119,364						6,028	72,106	[3] 2,327	50,143	[3] 6,586
C. Other costs of rural rehabilitation program (Farm Security Administration)	47,682					86	5,239	13,544	11,686	9,320	7,807
Subtotal (items I through V)	9,991,729	307,112	581,874	1,167,899	921,179	1,104,054	1,067,815	1,395,655	1,269,566	1,273,884	902,691
VI. Emergency public works	3,800,740	52,402	126,537	336,800	491,011	345,502	445,607	530,582	652,003	462,250	358,046
A. Public Works Administration:											
1. Non-Federal projects (Federal grants)	596,150		1,798	13,099	34,948	32,612	48,268	113,387	152,084	105,471	94,483
2. Federal low-cost housing projects	112,348			654	1,266	6,893	14,077	8,576	18,853	31,795	30,234
3. Other Public Works Adm. costs	83,155		1,467	4,625	6,849	8,653	11,327	14,596	15,166	11,850	8,622
B. Bureau of Public Roads (emergency funds)	1,068,340	52,402	66,771	124,403	187,981	94,105	122,067	88,805	176,910	93,601	61,295
C. Resettlement housing and land development projects of the Farm Security Administration	178,719					842	7,755	25,480	46,633	57,987	40,022
D. Projects of other Federal agencies (including miscellaneous nonconstruction projects)	1,762,028		56,501	194,019	259,967	202,397	242,113	279,738	242,357	161,546	123,390

[2] Data for sponsors' contributions to National Youth Administration work projects for July to December 1937 are not yet available.
[3] Excess of credits, deduct.

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Total costs of relief, public assistance, Federal work programs, and emergency public works—Continued

FEDERAL FUNDS—Continued

[In thousands of dollars]

Type of program	Total	1933		1934		1935		1936		1937	
		January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December
VI. Emergency public works—Continued.											
E. Federal loans for public construction (except under Public Works Administration):											
1. Self-liquidating loans of Reconstruction Finance Corporation (act of 1932)	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------
2. Other loans	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------
VII. Surplus commodities distributed for relief	426,304	30,469	35,640	50,931	184,890	80,061	11,823	5,898	7,015	11,272	8,305
A. Wheat and cotton donated to the Red Cross for relief distribution	40,020	30,469	9,551	----------	----------	----------	----------	----------	----------	----------	----------
B. Purchase and distribution of surplus commodities by the Federal Surplus Relief Corporation and the Federal Surplus Commodities Corporation	139,171	----------	6,560	35,047	45,401	30,798	7,952	2,650	2,550	1,822	6,391
C. Purchase by Agricultural Adjustment Administration of commodities utilized for relief purposes (including the 1934 drought purchase program)	200,602	----------	19,495	13,472	107,718	38,321	2,616	3,146	4,470	9,450	1,914
D. Care and processing of drought cattle for relief use from Federal Emergency Relief Administration funds	46,511	----------	34	2,412	31,771	10,942	1,255	102	[3] 5	----------	----------
Grand total (items I through VII)	14,218,773	389,983	744,051	1,555,630	1,597,080	1,529,617	1,525,245	1,932,135	1,928,584	1,747,406	1,269,042

STATE AND LOCAL FUNDS

I. General relief	2,157,453	160,524	151,591	192,163	220,148	255,455	212,555	275,880	219,872	243,169	226,096
A. Under Federal Emergency Relief Administration and State and local administrations	2,157,453	160,524	151,591	192,163	220,148	255,455	212,555	275,880	219,872	243,169	226,096
B. Under the Farm Security Administration (subsistence grants to farmers)	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------
C. Under the Office of Indian Affairs (direct relief to Indians)	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------

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II. Federal work programs primarily designed to employ relief labor	[2] 648,724		19,923	67,164	18	32	22,840	87,606	135,233	143,208	[2] 172,700
A. Civil Works Administration and Civil Works Service	87,036		19,922	67,114							
B. Works Progress Administration	558,529						22,810	87,300	134,373	141,346	172,700
C. Federal Emergency Relief Administration:											
1. Emergency education	43						30	10	3		
2. Student aid	101		1	50	18	32					
3. Other special Federal Emergency Relief Administration activities											
D. National Youth Administration:											
1. Student aid											
2. Work projects	[2] 3,015							296	857	1,862	([2])
III. Work program of the Civilian Conservation Corps											
IV Specialized types of assistance to unemployables (both under the Social Security Act and not under this act)	688,847	39,695	37,899	40,617	45,372	57,871	65,988	67,933	86,580	113,552	133,340
A. Aid to the aged	408,008	14,550	13,710	15,527	19,443	31,525	38,843	39,700	58,435	80,318	95,957
B. Aid to dependent children	236,931	22,012	21,016	21,594	21,786	22,145	22,738	22,971	23,205	27,965	31,499
C. Aid to the blind	43,908	3,133	3,173	3,496	4,143	4,201	4,407	5,262	4,940	5,269	5,884
V Rehabilitation loans to destitute and low-income farmers											
A. Federal Emergency Relief Administration and State rural rehabilitation corporations:											
1. Amounts loaned											
2. Amounts repaid (deduct)											
3. Net disbursements											
B. Farm Security Administration:											
1. Amounts loaned											
2. Amounts repaid (deduct)											
3. Net disbursements											
C. Other costs of rural rehabilitation program (Farm Security Administration)											
Subtotal (items I through V)	[3] 3,495,024	200,219	209,413	299,944	265,538	313,358	301,383	431,419	441,685	499,929	[2] 532,136
VI. Emergency public works	1,589,612	19,956	40,265	75,050	150,732	133,375	189,219	264,001	306,901	215,832	194,281
A. Public Works Administration:											
1. Non-Federal projects:											
a. Funds borrowed from the Federal Government	445,236		2,774	20,206	53,911	50,308	72,398	80,387	77,326	45,581	42,345
b. Sponsors' contributions	807,479		2,797	20,376	54,366	50,732	74,454	148,164	191,734	136,877	127,979
2. Federal low-cost housing projects											
3. Other Public Works Administration costs											

[1] Data for sponsors' contributions to National Youth Administration work projects for July to December 1937 are not yet available.

[3] Excess of credits, deduct.

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Total costs of relief, public assistance, Federal work programs, and emergency public works—Continued

STATE AND LOCAL FUNDS—Continued

[In thousands of dollars]

Type of program	Total	1933		1934		1935		1936		1937	
		January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December	January–June	July–December
VI. Emergency public works—Continued.											
B. Bureau of Public Roads (emergency funds)	76,225	6,598	7,536	9,026	12,792	6,543	8,643	5,444	9,238	5,359	5,046
C. Resettlement housing and land development projects of the Farm Security Administration											
D. Projects of other Federal agencies (including miscellaneous nonconstruction projects)											
E. Federal loans for public construction (except under Public Works Administration):											
1. Self-liquidating loans of Reconstruction Finance Corporation (act of 1932)	258,817	13,358	27,158	25,442	29,663	25,792	33,724	29,990	28,141	27,067	18,482
2. Other loans	1,855							16	462	948	429
VII. Surplus commodities distributed for relief											
A. Wheat and cotton donated to the Red Cross for relief distribution											
B. Purchase and distribution of surplus commodities by the Federal Surplus Relief Corporation and the Federal Surplus Commodities Corporation											
C. Purchase by Agricultural Adjustment Administration of commodities utilized for relief purposes (including the 1934 drought purchase program)											
D. Care and processing of drought cattle for relief use from Federal Emergency Relief Administration funds											
Total (items I through VII):											
A. Funds borrowed from the Federal Government (secs. A–1, E–1, and E–2 of item VI)	705,908	13,358	29,932	45,648	83,574	76,100	106,122	110,393	105,929	73,596	61,256
B. Funds secured from other sources	[2] 4,378,728	206,817	219,746	329,346	332,696	370,633	384,480	585,027	642,657	642,165	[2] 665,161
Grand total (total A plus total B)	[2] 5,084,636	220,175	249,678	374,994	416,270	446,733	490,602	695,420	748,586	715,761	[2] 726,417

[2] Data for sponsors' contributions to National Youth Administration work projects for July to December 1937 are not yet available.

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EXPLANATORY NOTES AND TECHNICAL SPECIFICATIONS FOR TABLES ON TOTAL COSTS OF RELIEF, PUBLIC ASSISTANCE, FEDERAL WORK PROGRAMS, AND EMERGENCY PUBLIC WORKS

The tables in this appendix present a statement of the total costs of public relief, public assistance, Federal work programs, and emergency public works for the 5-year period, 1933–37, inclusive. The data are presented by 6-month periods and indicate by type of program and by source of funds the costs of these programs.

This accompanying statement is designed to serve as a reference document for those who wish to study the data in some detail. The introductory general statement explains the coverage of the tabulation as a whole and the method by which it was compiled. These general comments are followed by a brief statement for each individual program which discusses the following points: (1) The major purposes and policies which characterized the program and which determined its place in the classification, (2) the items included or excluded in the data, (3) the sources from which they were derived, (4) the important qualifications to be considered in interpretation, (5) the timing of the expenditure reports used, (6) the extent to which the data have been estimated, and (7) any other pertinent specifications.

General Comments

Responsibility for compilation.—Although these data were used as a basis for the testimony of Dr. Stuart A. Rice, chairman of the Central Statistical Board, they were compiled under the direction of the Special Committee to Investigate Unemployment and Relief, of the United States Senate. The work of compilation was the responsibility of Dorothy Fahs Beck, a member of the staff of the Central Statistical Board, who was loaned to the Committee for this purpose. The major objectives of the study and the procedures in their broad outlines were developed in consultation with, and were approved by, Mr. Pierce Williams and Mr. Alan Johnstone of the senior staff of the Special Committee to Investigate Unemployment and Relief. All other aspects of the study, including the collection, tabulation, and analysis of the data, and the preparation of these explanatory notes, were the full responsibility of Mrs. Beck or members of the Committee staff working under her supervision.

Programs included in the tabulation.—In the development of these tables it has been difficult to maintain a clear distinction between relief or emergency work programs and programs designed to promote other phases of recovery or general welfare. Insofar as possible, all programs have been included in which either the giving of relief to persons in need or the giving of emergency employment to the unemployed has been an important objective. Many of the programs included, however, have served other important functions as well, and in some cases these other objectives have at times been dominant. For example, emergency public works programs have always had the dual objective of the construction of useful public works and the provision of employment for the unemployed. Likewise surplus commodities have usually been purchased primarily in order to relieve the market of agricultural surpluses; however the distribution of these commodities to relief families has served both as a method of supplementing relief allowances and as a means for diverting these products from the usual channels of trade. No allocation of total costs in terms of these dual functions in the cost-accounting sense has been thought practicable. In evaluating the trends, therefore, it should be remembered that functions other than those within the scope of this tabulation have also been served with the same funds and that in many cases capital assets remain which eventually will bring a return of some portion of the costs of the programs either to State and local governments or to the Federal Government.

Although a precise statement of the central theme of this tabulation is difficult, it should be noted that practically all the programs included have in common the requirement of some type of means test, or test of financial need, as a necessary qualification for at least a portion of the persons assisted through the program. The type and level of means test has, however, varied greatly between programs. In the case of some of the emergency public-works programs, this test has at times been required of only a small percentage of the employees or has been omitted entirely; nevertheless, these programs have always represented an alternative method for meeting the needs arising out of widespread unemployment. For this reason relief trends, more strictly defined, cannot be understood without a consideration of these closely related emergency public construction programs.

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For the purposes of this tabulation, the concept of relief is confined further to measures designed to assist unemployed or destitute individuals in a more or less direct manner. Indirect assistance through measures primarily designed to promote business recovery are in general omitted. These indirect measures have consisted largely of loans to private industrial concerns, banks, insurance companies, railroads, and similar enterprises. Loans to individuals are also omitted when they have been granted without regard to the acuteness of the individual need and have required in most cases adequate security as the primary qualification for the receipt of loans. The refinancing of home mortgages through the Home Owners' Loan Corporation and the provision of credit facilities to farmers through the Farm Credit Administration furnish examples of loans of this type.

Assistance granted as a contractual right and without a means test requirement is also excluded. Outstanding examples of this form of aid include the following: Adjusted compensation for World War veterans, popularly known as the veterans' bonus; veterans' pensions granted on the basis of service record, age, physical disability, and other nonrelief criteria; rental and benefit payments to farmers based on crop control and agricultural conservation contracts under the Agricultural Adjustment Administration; and unemployment and old-age benefits involving the contributory principle.

The accompanying tables are also restricted to assistance given outside of institutions; consequently the costs of homes for the aged, poor farms, and other types of institutional care are omitted. General welfare programs, such as those in the fields of health, child welfare, and recreation are omitted because they do not involve direct financial assistance. Customary educational and technical assistance furnished by Governmental bodies are also not included. Further details regarding programs omitted are given in the notes on individual items.

Types of expenditures included.—Insofar as possible, the tabulation represents total costs. All the following types of expenditures have been included: (1) Grants, loans, or the costs of commodities or services extended to persons in need of relief; (2) total pay rolls, whether for relief or nonrelief personnel; (3) costs of materials and supplies; (4) rental payments for both space and equipment; (5) costs of land purchased for site purposes; (6) expenditures for contractual services; and (7) administrative costs. Expenditures for the purchase of submarginal land for the purpose of retiring it from cultivation have been omitted wherever feasible since this purpose is considered to be relatively independent of relief or work program objectives. Insofar as possible, all data represent net disbursements after deductions have been made for repayments and miscellaneous receipts. No account has been taken, however, of assets which may be recoverable at some future date. In minor cases where some aspect of this procedure could not be observed because of technical difficulties, the deviations have been noted in the detailed specifications.

Areas included.—Except as otherwise indicated, the cost data represent all operations under a given program in the 48 States, the District of Columbia, and the United States Territories and insular possessions, excluding the Philippines. They include programs on Indian reservations.

Classification problems.—Because of the wide diversity of relief activities and the many programs of borderline character, the problem of classification has been difficult. In fact, any classification in this field involves both arbitrary decisions and oversimplification. A number of programs could have been included under two or more alternative headings with almost equal justification. The detailed notes on individual programs indicate the basis of some of the decisions on borderline cases.

In general the classification is based on the type of program rather than on the identity of the agency responsible for the program. Agencies which have carried responsibility for two or more types of programs appear under several headings. Other agencies are only partially represented in the tabulation, since they have carried responsibility for functions considered outside the limits of the compilation as a whole. The Agricultural Adjustment Administration and the Reconstruction Finance Corporation furnish outstanding examples of agencies responsible for functions falling both within and outside the scope of the tabulation.

Neither is this classification by any means the only one which might have been adopted. Among other types of classifications which would have been of interest are the following: (1) Total costs of assistance in rural as compared with urban areas; (2) the costs of care for employable persons as compared with care for unemployables; (3) the costs of programs characterized by the production of capital or consumption goods as compared with those not involving work of these types; (4) costs of a recoverable nature as compared with nonrecoverable outlays; (5) the costs of programs involving heavy expenditures for materials as compared

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with those primarily confined to direct relief or direct wage assistance; (6) the costs of relief programs in the strict sense as compared with emergency employment programs; (7) the costs of programs for the relief of unemployment as compared with those designed to meet special needs, such as those arising from drought or flood conditions, or from individual age or disability; (8) the costs of programs compared on the basis of the type of project conducted. The characteristics of each program listed in relation to categories of these types is to some extent obvious. In other cases the data necessary for these classifications are either completely unavailable or available only after much further research. For present purposes it has not seemed advisable to go beyond the elementary classification used in the tables presented.

Timing of expenditure reporting.—No uniform procedure with reference to the timing of expenditure reporting has been followed in the compilation of these tables. For this and other reasons the final statement must be regarded as a statistical approximation rather than as an exact accounting record of expenditures. In general, the intention has been to secure reports timed as nearly as possible in accordance with the date assistance or employment was extended to the individuals whom the programs were designed to aid. Federal expenditures or Federal payments to States and localities for the various programs covered by these tables sometimes precede the granting of relief or wages to individuals; in other cases they lag behind this date. Where feasible the timing of reporting has been varied intentionally to correspond with the circumstances affecting each program. In other cases the nature of the routine statistical procedures used by an agency has necessitated a further lack of comparability in timing. The actual dates chosen for the reporting of expenditures include the following varied selection: The date the obligation was incurred by the Federal Government, the date of the Federal grant to a State, the date the obligation was incurred by a State or local government from Federal funds, the date of completion of the prepayment audit of vouchers, the date of the issuance of the check, the date of the withdrawal of cash from the agency's account for the payment of the check, the date of the completion of a given amount of construction as estimated on the basis of engineering and accounting reports, and miscellaneous additional types. The technical notes for each program specify the timing procedure used in each case.

Sources.—The data from which the tabulation has been compiled have been supplied in each case by the Federal agency most intimately connected with the administration of the specific programs in question. The specifications for the data to be furnished were outlined by the Committee staff after consultation with the agency concerned. Where practicable, the figures supplied have been checked for consistency with other available sources of information regarding the programs, and particularly with published Treasury reports. Wherever major differences were noted, the questions arising have been discussed with the agency supplying the original figures. Since this tabulation is a statistical rather than an accounting statement, no attempt has been made to secure uniformity in the accounting procedures used in the preparation of statements. Wherever adjustments seemed to the Committee staff to be desirable in order to eliminate interagency duplication or to secure comparability in coverage or classification, these adjustments have been made in cooperation with the agency concerned. The data finally utilized, together with the accompanying specifications, have in each case been submitted for criticism and comment to the agency responsible for the basic data. Although much care has been exercised to secure the most accurate data possible, the final responsibility for accuracy rests with the agency supplying the original figures. Attention has been called in the technical comments to significant qualifications to which the data are subject.

Comments on Specific Programs

I. General Relief

In this tablulation the term "general relief" is used to denote programs designed to provide the material necessities of life to persons or families in need of this type of assistance. Eligibility for this form of relief presupposes an investigation of the existence of such need and the duration of assistance is limited to the duration of the need. The amount of assistance given is also customarily limited to the approximate amount estimated as necessary to provide a particular family with the essentials considered necessary for a minimum standard of living, a provision often referred to as the budgetary deficiency principle. The adjective "general" as applied to relief is used to distinguish nonspecialized types of assistance from aid given to special groups under special statutory authority.

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The term "general relief" as used in this classification has a considerably broader coverage than is applicable to its use by the Federal Emergency Relief Administration and the Social Security Board. In addition to the programs included by these agencies, this general relief section includes the Federal Emergency Relief Administration transient program, subsistence grants to farmers under the Farm Security Administration, and direct relief of Indians under the Office of Indian Affairs. The technical notes on programs under these auspices indicate their points of similarity in policy to general relief as defined above. However, from another point of view, these programs could be termed special types of assistance, or categorical aid, since they are limited in one case to farmers, in another case to Indians, and in still another to nonresidents.

As used by the Federal Emergency Relief Administration "general relief" during the period 1933 through 1935 represents emergency relief administered under the general relief program by State and local emergency relief administrations from State and local funds and from Federal funds provided by the Federal Emergency Relief Administration or the Reconstruction Finance Corporation. In conformity with customary general relief procedures, eligibility for, and amount and duration of, assistance under this program were based on need as determined by investigation. During the period 1933 through 1935 this program carried primary responsibility for the relief of both urban unemployment and rural destitution as intensified by depression conditions. Poor relief extended by local units of government was of comparatively negligible importance and was not included in the required statistical reports. Basic changes in Federal relief policies took place in 1935 and 1936 with the initiation of the Works Program in the spring of 1935 to furnish employment to employable persons on relief rolls, the assumption by the Resettlement Administration in July 1935 of responsibility for the type of cases formerly cared for under the rural rehabilitation program of the Federal Emergency Relief Administration, and the passage of the Social Security Act under which Federal grants to States began in 1936 for old-age assistance, aid to the blind, and aid to dependent children. The discontinuance of Federal Emergency Relief Administration grants to States for general relief purposes, as a part of this change in policy, resulted in local poor relief becoming an increasingly important source of public aid and also made it increasingly difficult to distinguish this type of relief from general relief of the type reported as a part of the emergency relief program prior to 1936. In order to provide a comprehensive series on general relief, the scope of the data subsequent to 1935 was expanded by the Federal Emergency Relief Administration to include all general relief from public funds.

In addition to local poor relief prior to 1936, this section omits statutory aid to veterans granted on the basis of financial need. Statistical data regarding expenditures for this form of aid are not at present available on a national scale. Special types of public assistance, such as aid to dependent children, aid to the blind, and old-age assistance are reported separately under section IV. All relief and welfare activities financed from private funds have been excluded, as well as the following public welfare functions: Institutional care, boarding home care of children, medical services granted to clients through channels such as hospitals and clinics, and other specialized social services, such as child placement and protection and the supervision of probation and parole.

Special Federal Emergency Relief Administration programs, with the exception of transient relief, have been placed in other sections of this tabulation since in some respects they are borderline to general relief as defined above. Surplus commodities, which were not a part of the relief budgets of families, are reported under section VII rather than under section I because of the dual objectives of surplus commodity purchases.

A. DIRECT RELIEF

The term "direct relief" is used here to represent general relief in the form of cash, goods, or services for which no return in work was made.

1. *Under Federal Emergency Relief Administration and State and local administrations*

(*a*) *General comments on relief programs under the Federal Emergency Relief Administration and State and local administrations.*—In the table showing totals from all public sources of funds, items representing general relief from Federal Emergency Relief Administration and State and local funds are distributed under three headings: (1) Direct relief, (2) work relief, and (3) other general relief costs. In the tables on Federal funds and on State and local funds these three items are

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combined because available statistical data do not permit a satisfactory distribution of these components by source of funds. The general comments which follow are applicable to all three of these items.

Direct participation of the Federal Government in the financing of general relief on a national scale began in July 1932 with the passage of the Emergency Relief and Construction Act authorizing the Reconstruction Finance Corporation to lend $300,000,000 to States and localities for emergency relief purposes. Of this amount, approximately $280,000,000 was loaned to States under provisions requiring repayment through deductions from future Federal-aid highway allotments. This provision for repayment was eliminated by congressional amendment prior to the date of maturity of these loans, with the result that no repayments were made. For this reason, obligations incurred from these funds are reported as Federal funds in this tabulation. In addition, approximately $20,000,000 was loaned to local units by the Reconstruction Finance Corporation, of which the greater portion has been repaid. Obligations incurred during 1933 from these loans are nevertheless reported as Federal funds since statistical reports for this early period do not make feasible detailed adjustments for repayments. Of total Reconstruction Finance Corporation disbursements for relief purposes, the Federal Emergency Relief Administration estimates that approximately $225,600,000 are included in items reported in this tabulation as Federal funds obligated in 1933.

The Federal Emergency Relief Administration was created in May 1933 and funds were made available immediately for grants to States for emergency relief purposes. The administration and disbursement of these funds were the responsibility of State emergency relief administrations under general policies and regulations laid down by the Federal Emergency Relief Administration. Final Federal Emergency Relief Administration grants to States were determined at the end of 1935, and obligations incurred from Federal funds in 1936 and 1937 were against balances of these grants remaining in the States.

All the data reported for item 1 of direct relief, and for work relief and other general relief costs from Federal, State, and local funds through March 1937 have been furnished by the Federal Emergency Relief Administration. The data for these items after March 1937 have been provided by the Social Security Board. Amounts are reported in terms of obligations incurred by State and local relief agencies for the various types of activities specified. Data for the first 3 months of 1933 and for 1936 and 1937 are partially estimated. The figures also include other minor estimates.

Contrary to the usual procedure for this tabulation, it has been advisable for statistical reasons to exclude data for the Territories and insular possessions. Some concept of the magnitude of the program in the Territories may be gained from the fact that the Federal Emergency Relief Administration made available to the Territories a net amount of $44,751,000. In addition a small sum was made available to Hawaii by the Reconstruction Finance Corporation during 1933.

(b) *Specific comments on direct relief data.*—The data represent the amounts extended to recipients in need of relief for which no return in work was made. For the early months of 1933 the distribution of obligations as between direct and work relief has been partially estimated. After December 1936 work relief earnings have been consolidated with direct relief; in consequence, approximately $3,751,000 of work-relief earnings are included under direct relief in 1937.

2. *Under the Farm Security Administration (subsistence grants to farmers)*

The grant program of the Farm Security Administration, initiated in November 1935, under order from the President, was designed to care for needy farm families who either were ineligible for rehabilitation loans or required temporary assistance beyond the scope of these loans. This program represented a new phase of relief policy in response to the need for rural relief funds after the withdrawal of Federal aid for general relief under the Federal Emergency Relief Administration. Subsistence grants are classified as direct relief since the acceptance of a grant involves no obligation for repayment. The amount of the grant is determined on a budgetary deficiency basis as is typical in the case of other forms of direct relief. A large proportion of emergency-grant funds have been used in the Great Plains drought States.

The data on grant payments were supplied by the Farm Security Administration and are reported on a checks-issued basis. All types of grants are included. The administrative costs of the grant program are reported in item V–C in conjunction with other administrative costs of the rural rehabilitation program of the Farm Security Administration.

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3. *Under the Office of Indian Affairs (direct relief to Indians)*

Indians on Indian reservations for many decades have been considered the wards of the Federal Government rather than the responsibility of State and local governmental units in which reservations are located. For this reason the Federal Government, since the establishment of the Office of Indian Affairs, has carried primary responsibility for direct relief to needy Indians on reservations. The activities represented by these data consist primarily of the provision of food and other rations by this Office to Indians in need of direct relief. The issuance of rations or the furnishing of other forms of relief has been governed by the degree of need of a particular tribe and its inability to provide for its own needs without government assistance. In recent years Indians have not been furnished rations solely because they were Indians.

The data reported here do not include relief to Indians under the Federal Emergency Relief Administration and State and local relief administrations. With some exceptions, these agencies have confined their relief activities to Indians not living on reservations and relief under these auspices is reported under item I–A–1 rather than under this heading. Likewise work programs of a variety of types in which Indians have participated are reported under the appropriate program headings and separate totals for Indians are not presented. Among the programs which have been in operation on Indian reservations are those of the following agencies: Civil Works Administration, Public Works Administration, Civilian Conservation Corps, Works Progress Administration, and National Youth Administration, as well as subsistence grants and rehabilitation loans under the Farm Security Administration, aid to the aged, the blind, and dependent children, drought purchase programs, and the distribution of surplus commodities. Work programs in general should not be confused with work in return for rations, small amounts of which are included in this item.

Direct relief for Indians has been financed for the most part from regular appropriations of the Department of the Interior, although these funds have been supplemented in recent years by allocations from the Emergency Relief Appropriation Acts of 1935 and 1937. Some of these funds have been allocated directly to the Office of Indian Affairs and others have been earmarked for direct relief to Indians but have been allocated to the Farm Security Administration for administration by this Office.

The data on expenditures from regular funds were furnished by the Office of Indian Affairs on a fiscal-year basis and represent the amount of funds in the regular budget earmarked for direct relief. The figure for January to June 1933 has been estimated since the practice of earmarking funds did not begin until the fiscal year 1934. In addition to earmarked funds which have been used for this purpose, a small but unknown additional sum has usually been spent in each year for direct relief; it has not been feasible to include any estimate for expenditures from funds originally set aside for other purposes. Because data relative to the time of the distribution of rations are not available, the value of rations and other relief in kind extended to cases between January and June of each year has been arbitrarily estimated at 55 percent of the fiscal-year total, and that for July to December at 45 percent of this total. To these estimates have been added the amount of checks issued from emergency funds for direct relief to Indians by half-year periods as reported by the United States Treasury. The data for the fiscal years 1937 and 1938 include Alaska; prior to 1937 the program was in operation only in continental United States.

B. WORK RELIEF (UNDER FEDERAL EMERGENCY RELIEF ADMINISTRATION AND STATE AND LOCAL ADMINISTRATIONS)

Two programs of a relatively distinct character are included under this heading: (1) The early work relief projects of States and municipalities, a number of which were in operation at the time the Federal Emergency Relief Administration was established, and (2) the Federal Emergency Relief Administration Emergency Work Relief Program. In the case of the early work relief projects, the work done was for the most part conducted at the discretion of the local agencies under widely varying policies and was miscellaneous in character and quality. With the inauguration of the Civil Works Program, work relief of this type was very largely discontinued. In April 1934, with the termination of the Civil Works Administration program, the Federal Emergency Relief Administration initiated an emergency work program to be administered through work divisions of the State emergency relief administrations under policies and regulations of the Federal Emergency Relief Administration. The planning of projects became

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more systematic and comprehensive in character and the policy of paying prevailing wage rates was uniformly established. Eligibility, however, was made dependent on relief need as determined by home investigations, and total monthly earnings, except in the case of a few skilled nonrelief workers, were limited to the amount which the individual family required for the necessities of life. This program continued in operation until after projects of the Works Progress Administration and other Federal agencies under the Works Program were put into operation in the summer of 1935. Under the Works Program the budgetary deficiency method of determining maximum monthly earnings was replaced by the security wage system.

For the entire period the data reported include work relief earnings; beginning with May 1934, they include also nonrelief earnings and purchases of materials, supplies, and equipment for emergency work relief projects. After December 1936 obligations for work relief earnings have been combined in the tables with those for direct relief; in 1937 these costs represented less than 1 percent of total general relief extended to cases. Included under work relief are approximately $8,000,000 of obligations incurred for education projects not conducted with specifically earmarked funds, but which in other respects resembled closely emergency education projects reported under II–C–1.

C. OTHER GENERAL RELIEF COSTS

The obligations reported under this heading include administrative costs of emergency and general relief in the States and counties and in the Washington office, costs incurred for the rental of equipment and premises, and other services and charges incident to emergency relief, and obligations amounting to approximately $100,000,000 incurred for the Federal Emergency Relief Administration transient program. Obligations incurred from Federal Emergency Relief Administration funds for the following purposes are omitted entirely because they are not considered as falling within the general limitations established for this tabulation: $22,008,000 expended for the rural school continuation program and $4,038,000 expended in connection with land purchases. Because of their miscellaneous character, some additional emergency activities are also omitted which varied widely in nature and period of operation. Because of these omissions and for other technical reasons, it is not feasible to attempt to calculate total Federal Emergency Relief Administration expenditures from this tabulation. It should be remembered that some Federal Emergency Relief Administration activities which have not been classified as general relief are reported at other points in this tabulation.

II. Federal Work Programs Primarily Designed to Employ Relief Labor

This classification includes work programs whose dominant objective has been to provide direct and immediate employment for persons on the relief rolls or to others in need of relief. This section is to be distinguished from the work relief component of general relief in that (1) with the exception of emergency education under the Federal Emergency Relief Administration, none of the programs included have used the budgetary deficiency method of determining wage payments, and (2) the programs have for the most part been characterized either by Federal administration or by a high degree of Federal control in the determination of policy. On the other hand, these programs are to be differentiated from emergency public works in that primary emphasis has been placed on the provision of employment to as large a number of relief persons as possible.

In spite of the differences which distinguish programs in section I from those in section II, there have been many elements of continuity between the various components. In some cases both relief employees and the projects on which they have been engaged have been transferred from the Civil Works Administration to the Federal Emergency Relief Administration Emergency Work Relief Program; likewise, a similar continuity was maintained between the Federal Emergency Relief Administration work program and Works Progress Administration projects. For this reason any consideration of trends requires that these two sections be considered in close conjunction with each other. Any clear differentiation between section II and section VI, on the other hand, is obscured by the fact that public works financed from emergency funds have frequently required the employment of high percentages of relief labor. From the point of view of physical accomplishments, programs under section II have in common with those under section VI the fact that works of permanent social and economic utility have been produced.

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In addition, it should be noted that the Federal Emergency Relief Administration emergency education and student aid programs are definitely borderline in character between section I and section II and could with justification be classified under either heading. The reasons for their inclusion in section II are presented in the general comments on II–C.

A. CIVIL WORKS ADMINISTRATION AND CIVIL WORKS SERVICE

The Federal Civil Works Administration was established in November 1933 in order to meet the unemployment crisis of the winter of 1933–34 by means of the rapid and extensive provision of employment on public construction and related projects. The program had a twofold purpose: (1) That of providing jobs on useful projects at regular wages for about 4,000,000 persons drawn in approximately equal numbers from the relief rolls and from the ranks of the self-sustaining unemployed, and (2) that of stimulating recovery through a rapid increase in consumer purchases. In conformity with the objectives of the program, a relatively high wage scale was maintained, the budgetary deficiency principle of payment was abandoned, employment was spread through the requirement of a short work week, and projects were restricted to those which required a minimum outlay for materials and could be organized and completed within the limited time available. The program was financed primarily from Federal funds, with States and municipalities contributing mainly through the purchase of materials and equipment. Pay rolls were met by direct Federal disbursements to employees rather than through a system of grants to States for this purpose. Although the program provided extensive employment while at its peak, it was of very short duration. Demobilization was begun in February 1934 and by the end of April 1934 employment had been reduced to less than 50,000.

The Civil Works Service, which is also included in the data, was financed from Federal Emergency Relief Administration funds and was designed to provide employment on white-collar and women's projects for persons not qualified for jobs on the type of projects to which Civil Works Administration was legally restricted.

The data utilized were furnished by the Works Progress Administration. They represent Civil Works Administration advances to States adjusted for miscellaneous repayments to the Treasury through November 1936, central office costs, $12,000,000 impounded for the Employees' Compensation Commission, and obligations incurred from Federal Emergency Relief Administration and State and local funds for the Civil Works program as reported by the States. The distribution by 6-months' periods, has been estimated on the basis of reported earnings. Although some expenditures were made subsequent to June 1934, they were comparatively negligible and have been arbitrarily combined with the January through June 1934 period. In contrast to the general procedure in this tabulation, the data are limited to continental United States.

B. WORKS PROGRESS ADMINISTRATION

The establishment of the Works Progress Administration in May 1935, following the passage of the Emergency Relief Appropriation Act of 1935, provided for the substitution of a Federal program of work projects for the grants-in-aid to States for direct or work relief under the Federal Emergency Relief Administration. Under this program the Works Progress Administration, together with other Federal agencies participating in the Works Program, assumed the responsibility of caring for a major proportion of the destitute persons who were employable. Three major changes in Federal relief policy were involved in the establishment of the Works Progress Administration: (1) A security wage scale, uniform within each area for each type of skill, was substituted for the Federal Emergency Relief Administration policy of permitting the worker to earn only the amount of the budgetary deficiency of his family, (2) the program provided for Federal administration in cooperation with sponsors and involved no grants-in-aid to States, and (3) assistance for unemployables was withdrawn, except as certain groups of unemployables were assisted through Federal grants-in-aid to States under the Social Security Act. Although these changes in policy were instituted, many of the projects previously conducted under the Federal Emergency Relief Administration Emergency Work Relief Program were transferred to the Works Progress Administration, as were also most of the employees on these projects. In these respects the present classification fails to convey the full extent of the continuity of the Federal relief program.

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Since the program of the Works Progress Administration is primarily designed to provide employment for persons in need of relief, its policies have been adapted to conform to this primary objective. In line with this major objective, the percentage of employees certified as in need of relief has been maintained at an average of over 94 percent and has recently averaged over 97 percent. Work Progress Administration projects, on the whole, have been planned to conform to the skills of relief persons and to their places of residence. By the provision for force-account rather than contract construction, the program has been kept flexible and its volume adjusted to the seasonal incidence of unemployment and to variations in business conditions. The ratio of direct labor costs to the costs of materials has also been kept at a high level. Through October 1937 direct labor costs on projects amounted to 77 percent of the total costs of Works Progress Administration projects exclusive of administration. While no definite ratios are maintained between Federal and sponsors' outlays, the proportion of sponsors' funds required for each project varies in general with the amount of nonlabor costs, since expenditures of Federal funds for nonlabor items are limited to a minimum.

The data reported include Federal expenditures from the Emergency Relief Appropriation Acts of 1935, 1936, and 1937 for State Works Progress Administration projects, Federal Nation-wide Works Progress Administration projects, and Works Progress Administration and National Youth Administration administrative costs. Expenditures from all allocations to the Works Progress Administration are included with the exception of expenditures from those allocations for land utilization and emergency drought loans and grants which were supervised by the Farm Security Administration, and which are reported elsewhere in the table in conjunction with expenditures of the Farm Security Administration. Of allocations to the Works Progress Administration for drought loans and relief, approximately $262,000 was expended under the supervision of the Works Progress Administration. This amount has been added to other Works Progress Administration expenditures for the second half of 1936, although these outlays were for general relief rather than work project purposes. The item on State and local expenditures for Works Progress Administration projects represents sponsors' contributions.

The data were furnished by the Works Progress Administration. Federal expenditures are based on checks issued as reported by the United States Treasury, while those for State and local funds represent certifications of contributions received by Works Progress Administration from sponsors. The data on sponsors' contributions include estimates of the monetary value of contributions in the form of loan of staff or equipment, or through the provision of materials and supplies. Reporting on sponsors' contributions in New York City is incomplete. The entire series on sponsors' contributions should be considered preliminary and subject to revision.

C. FEDERAL EMERGENCY RELIEF ADMINISTRATION (SPECIAL PROGRAMS)

Although characterized by a type of administrative procedure analogous to other aspects of the Federal Emergency Relief Administration program included under section I, the Federal Emergency Relief Administration emergency education and college student-aid programs and various miscellaneous activities of the Federal Emergency Relief Administration have been included in section II for several reasons. Not only did they provide assistance for classes of persons outside the usual scope of general relief programs; with the exception of emergency education, they also departed from the general Federal Emergency Relief Administration policy of using the family budgetary deficiency as the basis of compensation. Moreover, both in conception and in policy the Federal Emergency Relief Administration emergency education and student-aid programs were the direct forerunners of the emergency education program conducted by Works Progress Administration and the student-aid program of National Youth Administration.

1. *Emergency education*

The data represent obligations incurred by the various States and local agencies from funds earmarked for teaching projects, chiefly in the field of adult education, which were developed as a means of providing work for unemployed teachers who were considered eligible for relief. Only those projects are included which were specifically financed and administered as part of the emergency education program under the Federal Emergency Relief Administration Educational Division. The figures therefore omit over $9,000,000 expended from Federal, State, and

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local funds for similar programs carried on in New York and Delaware as part of the Federal Emergency Relief Administration Emergency Work Relief Program, since these obligations are included under work relief (item B in table on "Total, all public sources of funds"). Because separate data on the administrative costs of this program are not available, these costs are included in the item entitled "Other general relief costs." The data for the period through March 1937 were reported by the Federal Emergency Relief Administration; those for the period after March 1937 were furnished by the Social Security Board.

2. *Student aid*

The data represent obligations incurred by the various States from funds earmarked for the Federal Emergency Relief Administration program of part-time employment for college students. The students so employed were subject to a variation of the means test on a high level in that they were required to prove that their continuance in college depended upon such assistance. The data have been supplied by the Federal Emergency Relief Administration. The administrative costs incurred by the Washington office in connection with this program are reported under other general relief costs rather than under this heading because no allocation by programs of the central office costs of the Federal Emergency Relief Administration has been feasible.

3. *Other special Federal Emergency Relief Administration activities*

Included under this heading are certain special emergency activities financed from Federal Emergency Relief Administration funds but not customarily included in statistical reports on emergency relief. They include self-help cooperatives, relief research, and costs incurred in connection with public works of art projects. The Federal Emergency Relief Act of 1933 empowered the Federal Emergency Relief Administration "to aid in assisting cooperative and self-help associations for the barter of goods and services." The $3,199,000 for self-help cooperatives included here represents grants adjusted for transfers made under this authority to cooperatives of this type. The Federal Emergency Relief Administration grants were used primarily for the purchase of tools and equipment and to provide working capital for these enterprises. They do not represent work relief expenditures in the usual sense, although it has been estimated that the activities of these cooperatives resulted in a saving of over two million dollars in emergency relief costs. The relief research item, which amounts to $3,975,000, represents obligations incurred from Federal Emergency Relief Administration funds for research on relief problems, conducted on projects not subject to the budgetary deficiency method of wage payment. The public works of art projects were designed to give employment to needy artists in connection with the decoration of public buildings. These projects were begun under Civil Works and were completed by the Federal Emergency Relief Administration after the close of the Civil Works Program. The obligations included here are small in amount and represent only that portion of the total costs of projects of this type which was met from Federal Emergency Relief Administration grants for this purpose. For a discussion of other special Federal Emergency Relief Administration activities, see comments on item I–C.

D. NATIONAL YOUTH ADMINISTRATION

1. *Student aid*

The data represent expenditures for those student-aid projects which were carried on by National Youth Administration as a continuation and expansion of the Federal Emergency Relief Administration student-aid program. Like the latter, the National Youth Administration program has consisted of part-time employment for needy students; unlike the latter, however, it has been extended to include high-school as well as undergraduate and graduate college students. No funds derived from State and local sources are reported for the National Youth Administration student-aid program. The data were furnished by the Works Progress Administration and are based on checks issued, as reported by the United States Treasury. The administrative costs incurred by the Washington office in connection with this work are reported in conjunction with Works Progress Administration expenditures rather than under this item.

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2. *Work projects*

The data include expenditures made by the National Youth Administration and the various State and local agencies in connection with the National Youth Administration program for the employment of youths. In addition to amounts expended directly on construction, white-collar, and other work projects, the data include expenditures for the various educational, recreational, and health services furnished by the National Youth Administration to youths who participate in its program. At least 95 percent of the total number of youths employed on its work program have had relief status. Designed primarily as a program of part-time employment, the National Youth Administration limits the monthly earnings per worker to approximately one-third of the security wage schedule. The data have been supplied by the Works Progress Administration. Federal expenditures are stated in terms of checks issued, as reported by the United States Treasury. The data on sponsors' contributions are based on certifications submitted by sponsors. No data for sponsors' contributions during the last half year of 1937 are at present available. Administrative expenditures for the National Youth Administration work and student-aid programs have been included in the data on expenditures of the Works Progress Administration.

III. Work Program of the Civilian Conservation Corps

The work program of the Civilian Conservation Corps has had two coequal objectives: (1) That of providing employment and training for unemployed young men, especially those on the relief rolls, and (2) that of conserving the natural resources of the Nation. The costs of this program are included in this tabulation because of the first of these two objectives, but it should be remembered that the expenditures reported have at the same time contributed greatly to preserving the natural resources of the country, particularly the soil, forests, and recreational areas.

The data utilized were furnished by the Civilian Conservation Corps. Because of recent provisions for direct appropriations for this program, it has been necessary to include both regular and emergency funds in this tabulation. The data include administrative and all other obligations except those for the purchase of land. Obligations for land purchases in the case of the Civilian Conservation Corps are omitted because they are believed to be almost wholly an expense necessary for fulfilling the second rather than the first objective of the program. During the period covered by this tabulation, obligations for the purchase of land have amounted to $34,960,000. The data reported include obligations for programs on Indian reservations and in the Territories. Costs of the Civilian Conservation Corps are reported in terms of obligations rather than checks issued because a comparable series for the entire period can be more readily presented on this basis. It should be remembered, however, that obligations are almost always recorded in advance of Treasury disbursements. On December 31, 1937, for example, unliquidated obligations or expenditure authorizations of the Civilian Conservation Corps amounted to $59,605,609. It should be noted also that obligations are usually liquidated at a somewhat lower cost than was originally estimated.

The program of the Civilian Conservation Corps has been essentially a Federal undertaking. State and local governments, however, have made relatively minor contributions on a voluntary basis. Since estimates of these contributions are not available, obligations from State and local funds could not be included in the tabulation.

IV Specialized Types of Assistance to Unemployables (Both Under the Social Security Act and Not Under This Act)

Aid to the aged, to the blind, and to dependent children fall within the scope of this table, since all these types of assistance are noncontributory and require that the applicant prove his need for financial aid in order to qualify. These special types of assistance were well established prior to the recent depression, although aid to dependent children, otherwise known as mothers' aid, was the most widespread. Aid to the aged spread rapidly only after 1929, 29 States, the District of Columbia, and Hawaii having enacted such legislation between 1930 and 1935. With the enactment of the Social Security Act in 1935, assistance to these groups became for the first time the joint responsibility of the Federal and State Governments. Prior to February 1936, when Federal grants-in-aid first became available under this act, Federal funds were not appropriated for these forms of assistance.

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With the exception of these three categories, all benefits or services provided for by the Social Security Act are excluded from this tabulation. Old-age benefits and unemployment compensation are omitted because they are paid as a matter of right established on the basis of previous contributory payments. Grants-in-aid for public-health services, for maternal and child-health services, and for services to crippled children are omitted because they do not come within the definition of relief adopted for this tabulation. Grants for child-welfare services are likewise excluded since no payments to individuals are involved and since these grants to some extent have served to supplement public welfare services of a type not included elsewhere in this table. Grants for vocational rehabilitation have been omitted because their primary objective is considered educational rather than relief in character.

The data for all three types of specialized assistance were furnished by the Social Security Board and follow similar specifications. They represent obligasions incurred by States, counties, or municipalities, for payments to recipients, plus the estimated cost of administration and miscellaneous expenses incident to the program. Reports on expenditures from Federal funds are timed on the basis of obligations incurred by States or localities from Federal funds rather than on the basis of the date grants were made to States. The figures for 1936 and 1937 include data reported to the Social Security Board by the States administering these programs under the Social Security Act and estimates for other States administering these programs. Costs incurred by the Social Security Board in connection with the administration of these programs are also included. Figures for administrative costs for the years 1933–35 are estimated in accordance with data reported for later years. General sources for the period 1933–35 differ between programs and details are noted under the individual headings. Data for the period July–December 1937 include obligations incurred for payments in kind to persons other than those certified for public assistance for rendering services to the recipients. Such payments are excluded for States with plans approved by the Social Security Board for the period February 1936 through June 1937 because of lack of statistical reports on this item. This omission is not believed to affect the trend since the maximum amount of such payments was less than 1 percent of the total reported for July–December 1937.

A. AID TO THE AGED

The Social Security Act provides for Federal grants-in-aid for public assistance for needy persons over 65 years of age in States having plans which conform to the specific requirements of the act. These grants amount to 50 percent of the expenses incurred by the States for payments to recipients up to $30 per month per person, plus an allowance of 5 percent for administrative costs. Under the stimulus of Federal aid, the number of States having plans in operation increased from 30 States and 2 Territories in December 1935 to 47 States, the District of Columbia, Alaska, and Hawaii in December 1937.

The data provided by the Social Security Board for the period 1933–35 are estimated on the basis of a report by Florence E. Parker, published in the Monthly Labor Review for October 1936.

B. AID TO DEPENDENT CHILDREN

The Social Security Act provides for grants to States to be used for cash payments for the support of needy, dependent children who have been deprived of parental support because of the death, continued absence from home, or incapacity, either physical or mental, of the parent. The act precludes Federal assistance for payments for the support of dependent children whose parents are unemployed but who are neither absent from home nor incapacitated. States with approved plans receive from the Federal Government grants equal to one-third of the total State and local expenditures both for assistance payments and for administration, except that the Federal Government will not contribute to that part of the State's expenditure for any child which exceeds $18 a month for the first child in a family and $12 for each additional child in the same family. In December 1937, 37 States, the District of Columbia, and Hawaii were operating approved plans. In addition, 8 States were operating plans not approved by the Social Security Board.

Data for the years 1933–35 were collected and compiled by the Social Secuity Board.

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C. AID TO THE BLIND

Under the Social Security Act Federal grants are made to States for the provision of public assistance to blind persons who are in need. Federal grants to States with approved plans equal one-half of the total expenditures of the State and local units for this form of assistance, except that no contribution is made to that part of the individual monthly payment which may exceed $30. In addition, 5 percent is added to the grant for administrative expenses or further assistance. In December 1937, 35 States, the District of Columbia, and Hawaii were operating approved plans. In addition, five States provided assistance to the blind under plans not approved by the Social Security Board.

The data for 1934 and 1935 represent estimates for 6-month periods prepared by the Social Security Board on the basis of calendar year totals obtained from a report entitled "Public Pensions for the Blind in 1935," published in the Monthly Labor Review for August 1936. Obligations reported for 1933 were estimated by the Works Progress Administration on the basis of the urban and rural relief series.

V Rehabilitation Loans To Destitute and Low-Income Farmers

Rehabilitation programs have been initiated to give assistance to those destitute and low-income farmers who are considered able to become self-supporting, but who cannot obtain loans from the usual public or private credit agencies. Without such assistance these farmers would, in most cases, have to apply for public relief. For this reason, rehabilitation loans are considered within the scope of this tabulation although all other types of loans to individuals are excluded. Under the rehabilitation programs farmers are given financial help for the purchase of the necessary livestock, farm equipment and operating supplies, and for expenditures on farm improvements; they are also provided with means for subsistence during the initial period of rehabilitation. The totals cited for section V represent net expenditures for all program costs, including administration, after repayments on loans have been deducted.

A. FEDERAL EMERGENCY RELIEF ADMINISTRATION AND STATE RURAL REHABILITATION CORPORATIONS

Early in 1934 the Federal Emergency Relief Administration began a program of special grants to States for rural rehabilitation purposes. In the States, special rural rehabilitation corporations acted as financial agents for rehabilitation programs worked out by the individual State emergency relief administrations in accordance with general policies determined by the Federal Emergency Relief Administration. These corporations gave advances to the rehabilitation clients who fulfilled requirements for relief eligibility In most cases a low interest rate was charged on these advances which were repayable over a period of years.

The data for the period prior to July 1935 were furnished by the Federal Emergency Relief Administration and are reported in terms of obligations incurred by the various States for this program. In contrast to the period after July 1935, administrative costs are included with the exception of those incurred by the Washington office. Since the program was not initiated until April 1934, and repayments were infrequent during this early period, all repayments prior to June 1935 have been assigned to the last 6 months of this period.

After the transfer on June 30, 1935, of the rural rehabilitation program of Federal Emergency Relief Administration to the Resettlement Administration (now Farm Security Administration), the State corporations continued their activities independently, although controlled, in most instances, by the new Administration. Since no new funds have been made available to the corporations, their loan operations have been financed from funds remaining from Federal Emergency Relief Administration grants. As collections on corporation loans do not revert to general Treasury receipts, these returns constitute in some respects a revolving fund. By December 31, 1937, balances of State corporations amounted to $14,599,499 of which the greater part belonged to corporations transferred to the Farm Security Administration.

The data for the period after June 1935 were provided by the Farm Security Administration and are based on reports from State rural rehabilitation corporations. After July 1935 the figures on amounts loaned do not include the administrative costs of the State corporations. The collections shown after June 1935 include amounts collected on advances under the Federal Emergency Relief Administration program. For the period July 31, 1935, to December 31, 1936,

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the break-down into 6-month periods have been estimated by the Farm Security Administration from a cumulative figure. The repayments listed omit credits to clients' accounts for work, commodities, and repossessions.

B. FARM SECURITY ADMINISTRATION

Under the rehabilitation program of the Farm Security Administration, the farmers who accept a detailed farm management plan receive the so-called standard loans for which an interest rate of 5 percent is charged. In cases where the farm management plan is not yet completed, emergency loans are given to assist the farmer during the intervening period. These emergency loans were first extensively used in 1936 to aid farmers affected by drought. The loan data cover also seed and feed loans, loans to cooperatives, and other group loans, including loans to farmers on resettlement projects.

The collections include payments on both principal and interest, as well as collections made through the repossession and sale of chattels. For the fiscal year 1936, no half-year figures on collections are available. As repayments on loans are usually greatest after harvest time, total collections for this period are arbitrarily credited to the first half of the fiscal year. In the period from July through December 1937, the amounts collected were in excess of the new loans made.

In any interpretation of collections and net disbursements for these loans, it should, however, be noted that collections on Farm Security Administration loans revert to general Treasury receipts and are not available to this Administration for further rehabilitation activities. The collection record, likewise, should be judged not in relation to total loans but rather in relation to data on maturities. Such an analysis shows that repayments on principal through December 1937 represent 47.1 percent of the amount of the principal becoming due prior to January 1938. The Farm Security Administration anticipates that about 80 percent of the money lent to rehabilitation clients will ultimately be returned to the Federal Treasury.

The data for rehabilitation loans were reported by the Farm Security Administration and are based on Treasury statements of the amount of checks issued. To the data reported by the Farm Security Administration have been added the amounts loaned by the Office of Indian Affairs to Indians for rehabilitation purposes as reported on a checks-issued basis by the United States Treasury. These loans totaled $112,623 for the period July 1936 through December 1937, of which $5,619 was repaid prior to December 1937. Because of the limited scope of this program, it has received no separate classification, although it is not under the administrative jurisdiction of the Farm Security Administration.

It will be noted that this classification omits entirely emergency crop and feed loans, as well as drought loans, made by the Farm Credit Administration. From the general policies and collection experience of the Farm Credit Administration, it may be assumed that farmers granted emergency credit facilities through this Administration are further removed from the relief rolls than those assisted by the Farm Security Administration. The emergency drought loans made by the Farm Credit Administration in the drought period 1934–35, however, represent up to the present an exception with reference to success in collection and may serve, therefore, to illustrate the problem of delimiting the scope of this tabulation. An additional distinction between seed and feed loans under the Farm Credit Administration and the rehabilitation loans of the Farm Security Administration can be made on the basis of the emphasis on rehabilitation objectives characteristic of these latter loans.

C. OTHER COSTS OF RURAL REHABILITATION PROGRAM (FARM SECURITY ADMINISTRATION)

In this item are included the administrative expenses of the Farm Security Administration for the rehabilitation program. The costs of the farm debt adjustment program and the administrative expenses of the emergency grant program are also listed under this item since, for technical reasons, no separation of these data was feasible. The figures are reported in terms of checks issued and represent administrative costs incurred by county, State, and regional offices, as well as by the Washington office.

VI. Emergency Public Works

Because of their dual function, emergency public works programs have been separated in this tabulation from programs having assistance of a relief character as their primary purpose. In the vast majority of the enterprises considered under

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this heading, the construction of useful public works has been the dominant objective. While the relief of unemployment has also been a constant objective, emphasis has been laid on the stimulation of general recovery, and upon the indirect repercussions of the programs upon private employment. This difference in conception constitutes the main line of differentiation between the emergency public works enterprises and the activities included in section II, where the primary purpose has been the provision of employment for workers in need of relief. It is, however, true that allocations of Works Program funds for emergency public works carried with them the proviso that labor paid with these funds be recruited in the main from the relief rolls. Although the consistent execution of this policy has met with practical difficulties, high percentages of relief labor have been maintained on most of the Works Program enterprises included under emergency public works. Thus the difference between emergency public works and Federal work programs is one of emphasis and basic function, rather than of systematic policy. In the case of borderline programs, an arbitrary decision as to classification has been necessary.

While some of the public works agencies, such as Public Works Administration, were established to meet emergency conditions, others, like the Bureau of Public Roads and some of the agencies included in VI–D, are regular Federal agencies, to which emergency funds have been allocated. In such cases expenditures made from regular funds have been excluded from the totals. In many instances, however, the regular funds of these agencies were curtailed during the period of emergency construction. In such cases the granting of emergency funds has made possible the restoration and expansion of functions previously restricted for reasons of economy. Because of this inverse relationship between emergency and regular public works programs, the trend for emergency public works cannot be accepted as the trend for public works as a whole.

Because of the lack of the necessary statistical data, State and local public works financed on an emergency basis but without Federal aid cannot be reported under this heading. It should be noted further that, in conformity with the procedure in the case of Federal agencies, regular State and local public works are also omitted. This second type of omission affects in major fashion the trends presented.

In addition to construction activities strictly defined, the emergency public works classification, for purposes of convenience, has been expanded to include such miscellaneous activities as maintenance, soil conservation, the building of navy vessels, and white-collar projects when these have been financed from emergency appropriations.

The character of the expenditures under this category indicates that they are not to be considered nonrecoverable in the same sense as, for instance, general relief expenditures. The highways, buildings, sewer systems, power plants, and other enterprises which were financed as emergency public works not only represent permanent additions to the physical wealth of the Nation, but will probably diminish public pressure for such construction during periods of improved business conditions. In some cases, moreover, such as the Federal low-cost housing program and the self-liquidating projects financed with Reconstruction Finance Corporation loans, a substantial return of the capital investment is anticipated.

A. PUBLIC WORKS ADMINISTRATION

The costs of the Public Works Administration program, in its broadest sense, appear under four headings: (1) Non-Federal projects, (2) Federal low-cost housing projects, (3) other Public Works Administration costs, and (4) projects of other Federal agencies (an item in which Public Works Administration Federal projects are included). The non-Federal Public Works Administration program is comprised of those projects which have been sponsored by, and the greater portion of the cost borne by, various State and local bodies. Item VI–A–2 in the Federal table represents expenditures for low-cost-housing projects under the direction of the Housing Division of the Public Works Administration, a program which has now been transferred to the United States Housing Authority. The item, "Other Public Works Administration costs," appearing in the Federal table, is comprised of administrative expenditures of the Public Works Administration. The remaining item in the Public Works Administration program consists of the so-called Federal projects of the Public Works Administration. The latter are projects financed from funds which were provided by the National Industrial Recovery Act and the Emergency Appropriation Act of 1935 and were allocated by Public Works Administration to other Federal agencies. They are

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reported as projects of other Federal agencies in item VI–D of the Federal table along with similar programs financed by allocations for which the Public Works Administration carried no responsibility.

1. *Non-Federal projects*

The loans and grants made in connection with the non-Federal program of the Public Works Administration were financed from funds provided by the National Industrial Recovery Act, the Emergency Appropriation Act of 1935, the Emergency Relief Appropriation Act of 1935, the First Deficiency Appropriation Act of 1936, and the Public Works Administration Extension Act of 1937. Additional resources have been drawn from a revolving fund obtained from the sale of securities deposited by State and local bodies as collateral for Public Works Administration loans and sold in the open market either by the Public Works Administration or the Reconstruction Finance Corporation. Although the revolving fund was at first used only for additional loans, the First Deficiency Appropriation Act of 1936 authorized the use of this fund for Federal grants up to the limit of $300,000,000. This act also limited the amount of the Federal grant to 45 percent of the total cost of the project.

Not only the sponsors' contributions but the loans are regarded as expenditures of the States and localities, since the loans were secured by bonds furnished by the States or municipalities and deposited with the Public Works Administration. The grants, however, are nonrecoverable expenditures of the Federal Government and appear, therefore, in the Federal table.

In contrast to Works Progress Administration projects, direct labor costs on Public Works Administration non-Federal projects represent approximately 35 percent and material costs approximately 65 percent of the combined cost of labor and materials.

The data are based on engineering and field accounting reports on the cost of materials in place (including the cost of labor performed and miscellaneous expenses) for that portion of the work completed at a given time on each individual project. Such reports, while they necessarily involve a potential margin of error, have the advantage of indicating more precisely than loan-and-grant data the actual progress of the work. Reports on these project costs were submitted by the Public Works Administration in terms of the total value of work completed under each appropriation during each half-year period. The distribution of these totals as between grants, loans, and sponsors' funds has been estimated by the Committee staff on the basis of percentages computed from Public Works Administration reports on the total estimated share of each of these items in estimates of the ultimate cost of projects.

Loans made by the Public Works Administration to railroads and to limited dividend housing corporations are excluded since these projects are considered private enterprises. Interest payments on Federal loans which, according to Public Works Administration reports, amounted to $14,870,000 through March 27, 1937, are not included in reports on costs incurred by States and localities. The total expenditures of the State and local governments for the Public Works Administration non-Federal program are, therefore, underrepresented to that extent. Also omitted are minor unreported costs incurred by sponsors in the development of original plans for projects.

2. *Federal low-cost housing projects*

The data represent expenditures for the 51 Federal low-cost housing projects which were undertaken as part of the Public Works Administration program. Begun and partially completed by the Housing Division of Public Works Administration, the construction of these projects was transferred on October 27, 1937, to the United States Housing Authority which had been established by the United States Housing Act of 1937. The data do not include the non-Federal program of the Housing Authority, which at the close of the period covered by the table was only in its initial stages and for which no disbursements had been made under commitments for loans and grants. Nor does the present table take into account the expenditures of the Federal Housing Administration, since the latter organization has confined its activities to assisting private housing enterprises.

The construction of these projects has been financed entirely by Federal funds made available by the National Industrial Recovery Act and the Emergency Relief Appropriation Act of 1935. Although the total outlays of the Federal Government for these projects are here reported, it was provided by the United

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States Housing Act of 1937 that in selling, leasing, or administering them, the United States Housing Authority should realize such sums as would insure the enterprises being of low-rent character. The proportion of the expenditures which will be recoverable through the sale or leasing of projects cannot be estimated with any reasonable degree of accuracy.

The data were reported by the United States Housing Authority and are based on audited vouchers. They exclude loans for limited dividend housing, which is considered in the category of private enterprise. Expenditures for subsistence homesteads and expenditures of the Alley Dwelling Authority of the District of Columbia are also omitted here, since they are included under item D of this section, with "Projects of other Federal agencies." Administrative costs of the low-cost housing program for the period during which it was supervised by the Housing Division of Public Works Administration are included with the general administrative expenditures of Public Works Administration, as reported in the item entitled "Other Public Works Administration costs"; for the period subsequent to the date of transfer to the United States Housing Authority, no administrative costs are available, since at present it is not feasible to separate these costs from other administrative expenditures of the United States Housing Authority.

3. *Other Public Works Administration costs*

The data presented under this heading were submitted by the Public Works Administration and include all expenditures of Public Works Administration for the administration of its programs, including the non-Federal and housing projects, and such administrative expenses as were incurred by Public Works Administration in connection with the Federal projects reported in item VI–D. The administrative costs which Public Works Administration incurred in connection with these Federal projects represent only the costs of planning for the allocation of funds to other Federal agencies and the cost of providing facilities for statistical reporting on the progress of the work. All other administrative expenditures for these programs were made by the Federal agencies responsible for their prosecution and, insofar as they were financed from emergency funds, are included in the total costs of the projects as reported in item VI–D.

In connection with both its non-Federal and housing programs, Public Works Administration has made loans to certain private enterprises, consideration of which is omitted from the present table. Since no differentiation was made in the available figures between the administrative costs involved in such activities and the administrative costs which are chargeable to enterprises of a public nature, the administrative expenditures of Public Works Administration are somewhat overrepresented in relation to the programs included in the table. On the other hand certain minor expenses incurred by Public Works Administration in the course of assisting in the administration of certain phases of the programs of the Civil Works Administration and the Bureau of Public Roads are omitted from the present data. All administrative expenditures reported by Public Works Administration are based on audited vouchers.

B. BUREAU OF PUBLIC ROADS (EMERGENCY FUNDS)

The data presented include expenditures for highway and road construction work supervised by the Bureau of Public Roads and financed by the Bureau, in cooperation with the States, from allocations from emergency funds. They omit, on the one hand, highway and road construction supervised or financed by other agencies, such as Works Progress Administration or Public Works Administration and, on the other, expenditures from the regular funds of the Bureau, as provided by the Federal Highway Act and supplementary acts. The major portion of the emergency funds used during the period covered by the table was expended on sections or extensions of the Federal-aid system and on secondary or feeder roads. Since such projects make up the bulk of the regular operations of the Bureau, the emergency program in one sense may be considered a partial substitute for the regular program which, in itself, was very much curtailed during the period. However, the emergency program differed from the regular in that it placed major emphasis upon the relief of unemployment. On all projects financed with emergency funds, the Bureau has given preference to workers on the relief rolls. On those projects which have been financed with Works Program funds, between 24 and 43 percent of the workers employed by the Bureau, according to data compiled by Works Progress Administration, have been certified as in need of relief. During the last half of 1937, as available emergency funds approached exhaustion, the regular program was correspondingly expanded

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Regular Federal expenditures of the Bureau, which during the entire period between January 1933 and June 1937 totaled only $224,918,246, rose to $100,994,456 for the last 6 months of 1937.

The emergency funds represented by the data include the Emergency Construction Act of 1930, the Emergency Relief and Construction Act of 1932, the National Industrial Recovery Act of 1933, the Emergency Appropriation Act of 1935, and the Emergency Relief Appropriation Acts of 1935 and 1936, as well as expenditures of the Bureau from certain special funds for the repair and construction of roads in areas damaged by flood. Apart from the highway and road work already mentioned, the Bureau has carried on with emergency funds a special program of grade-crossing elimination and protection. In the case of highway projects usually designated as "work relief highways," the figures of the Bureau include only expenditures for materials and equipment, while labor costs are reported by the Federal Emergency Relief Administration in the earlier period and later by Works Progress Administration. Among the minor items included are expenditures for road construction in public lands and reservations and for major forest highways. However, in the case of the minor forest roads, the major portion of the costs are charged to the Forest Service and included in item VI–D with "Projects of other Federal agencies." Also included in the latter category are roads built in the national parks, although they were supervised by the Bureau. The costs reported include administrative expenditures of the Bureau, with the exception of expenses incurred in connection with work supervised by the Bureau but not financed with its own funds.

The data presented are based on unpublished reports of audited vouchers furnished by the Bureau of Public Roads. In contrast to the procedure in the case of most other agencies, the original disbursements for all project work are made by the States, which are subsequently reimbursed by the Bureau in the amount of the Federal share of the cost. The figures in the table indicate the time at which the payments were made. During the height of project operations, Bureau payments lag approximately 2 to 3 months behind the time of the completion of work for which payment is made. During periods when payments by the States were financed by means of advances from the Bureau, the same lag exists since the Bureau has not taken account of such advances in these reports.

The expenditures of the State governments from their own funds have been estimated on the basis of percentages obtained from the share of the total estimated cost of each type of construction which is to be borne by non-Federal funds; the distribution by time periods has been arbitrarily made to coincide with the Federal trend. Since no incentive was offered the States to report expenditures in excess of the amounts required to obtain maximum Federal reimbursement, it may be inferred that the actual outlays of the States are somewhat underestimated in the data.

C. RESETTLEMENT HOUSING AND LAND DEVELOPMENT PROJECTS OF THE FARM SECURITY ADMINISTRATION

The costs of the following activities of the Farm Security Administration are included in this item: (1) Rural resettlement projects, (2) suburban resettlement projects, (3) land-development projects under the land-utilization program, and (4) administrative costs incident to these programs. The rural resettlement program has been designed to provide farmers who have been cultivating submarginal land with farms of sufficient productive capacity to enable them to become self-supporting. This program also includes the development of tenant-purchase projects and the continuation of a number of community projects initiated by the Division of Subsistence Homesteads of the Department of the Interior and by the Rural Rehabilitation Division of the Federal Emergency Relief Administration. Data on subsistence homesteads prior to the establishment of the Resettlement Administration are reported under item VI–D, "Projects of other Federal agencies," whereas rural industrial communities initiated by the Federal Emergency Relief Administration are, with some exceptions, reported prior to the date of transfer under Federal Emergency Relief Administration items in this table. The suburban resettlement program consists of the building of communities in suburban areas as homes for low-income city workers and suburban farmers. Under the land-utilization program of the Farm Security Administration, submarginal lands which have been purchased and retired from cultivation are developed for productive use as forests, wild-life refuges, recreation areas, and grazing lands. For all three programs the majority of workers were drawn from the relief rolls.

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The data included were furnished by the Farm Security Administration and are reported in terms of checks issued. The expenses incurred by this Administration for the purchase of submarginal land are omitted, as well as the administrative cost incident to these purchases, since these expenditures are not considered essential to relief or emergency employment objectives. Expenses incurred in connection with the purchase of land for site purposes for rural and suburban resettlement projects are included, however, together with the costs of materials and all other costs.

D. PROJECTS OF OTHER FEDERAL AGENCIES (INCLUDING MISCELLANEOUS NONCONSTRUCTION PROJECTS)

This category is intended to include those costs of the emergency public works programs under the direction of various Federal agencies which have not been considered under other headings. The projects included fall into two classes, distinguished according to source of funds: Those financed from allocations from the National Industrial Recovery Act and the Emergency Appropriation Act of 1935 and those financed from Work Program funds. The former coincide roughly, although by no means exactly, with the Federal program of the Public Works Administration. This program consists of all those projects of Federal agencies which have been financed from funds allocated by Public Works Administration and which have been included in the centralized statistical reporting of that organization. Apart from the allocations for which Public Works Administration has carried responsibility, funds from the National Industrial Recovery Act and the Emergency Appropriation Act of 1935 were granted to various Federal agencies by impoundment or by statutory allotment, and therefore fall outside the program of the Public Works Administration. The major portion of such funds was transferred to agencies whose expenditures are reported in the table under other headings, such as the Federal Emergency Relief Administration, the Civil Works Administration, the Civilian Conservation Corps, the Federal Surplus Relief Corporation, and the Farm Security Administration, in addition, a substantial portion was transferred to such agencies as the National Recovery Administration and the National Labor Relations Board, which have been associated with aspects of the general recovery program excluded from consideration in the present tabulation. However, the present data include the residual items, insofar as they are considered within the scope of the emergency public works category. The great majority of all the projects included under the heading VI–D have consisted of construction work, but various nonconstruction items have also been included in the data. Such are amounts expended in connection with soil conservation activities and white-collar projects, and in connection with coordinating, planning, or administrative work by such agencies as the United States Employment Service, the National Emergency Council, the National Resources Committee, and the Employees' Compensation Commission.

The agencies which have carried on projects under the Public Works Administration Federal program include all the regular departments of the Federal Government and certain additional independent establishments, including the Office of the Architect of the Capitol, the Federal Power Commission, the National Advisory Committee for Aeronautics, the National Resources Committee, and the Veterans' Administration. Of the projects usually included in the Federal program of the Public Works Administration, the only items omitted from the present data are those reported by the Bureau of Public Roads. All costs of the major forest highway program are reported by this Bureau; in the case of the program of forest road development, the Bureau has reported a portion of the costs, while the remainder is included in the present figure. Expenditures for the establishment of subsistence homesteads, while that program was under the supervision of the Department of the Interior, are included; other costs of the subsistence homestead program are reported under item VI–C. The following items falling outside the Federal program of the Public Works Administration but financed from allocations from the National Industrial Recovery Act and the Emergency Appropriation Act have been added to the data: Expenditures of the General Accounting Office, of the National Emergency Council, of the Alley Dwelling Authority, and those expenditures which the Navy Department made from the Emergency Appropriation Act of 1935; expenditures of the Department of Agriculture for wildlife refuges, and for the silviculture and japanese-beetle projects; and expenditures of the National Park Service for its recreational demonstration project. For purposes of completeness, data for the National Reemployment Service have been augmented by the amount of obligations incurred for activities of this agency

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from funds provided by the Federal Emergency Relief Administration. Expenditures amounting to $75,000,000 made by the Tennessee Valley Authority from funds provided by the National Industrial Recovery Act and Emergency Appropriation Acts of 1935 have not been taken into account. In the composite figure which appears in item VI–D, the amount representing expenditures from National Industrial Recovery Act and Emergency Appropriation Act of 1935, totals $1,153,371,556. Of this amount, $1,102,349,503 was expended for projects under the Public Works Administration Federal program, and was reported by Public Works Administration. This figure omits the expenditures reported by the Bureau of Public Roads from allocations made by Public Works Administration; had those amounts been included, the total expenditures for the Public Works Administration Federal program would have reached a figure of $1,521,360,708. Expenditures for other projects financed from National Industrial Recovery Act and Emergency Appropriation Act of 1935 funds were reported directly by the agencies which supervised the program.

The costs of those projects which have been financed from Works Program funds and which have been included in the present data total $606,171,099, expended between July 1, 1935, and December 31, 1937 This figure represents expenditures for all programs financed with funds from the Emergency Relief Appropriation Acts of 1935, 1936, and 1937, other than those supervised by Works Progress Administration, Federal Emergency Relief Administration, Public Works Administration, Civilian Conservation Corps, the Bureau of Public Roads, the Farm Security Administration, the Farm Credit Administration, and the United States Housing Authority Expenditures of the Rural Electrification Administration have also been omitted, since the loans to States have been included in item VI–E and those to private corporations are considered outside the scope of the present tabulation.

In conformity with the broader purposes of the Works Program, projects financed with Works Program funds have employed high percentages of relief labor. Whereas projects carried on under the Federal program of the Public Works Administration laid less stress upon relief employment, data compiled by Works Progress Administration indicate that the percentage of relief labor employed at stated periods on specific projects operated under the Works Program has ranged as high as 94 percent for projects of the War Department and 95 percent for projects of the Department of Labor.

All administrative costs met from emergency funds and used in connection with the emergency projects here reported are included in the present data, with the exception of the expenditures made by Public Works Administration in allocating funds and maintaining facilities for centralized statistical reporting on the progress of its Federal program. The latter item is included in VI–A–3 with other costs of Public Works Administration. Expenditures for land utilized in connection with the projects considered in the data have in general been included, although in the case of projects which have used land for other than site purposes, such as the wildlife refuges and recreational demonstration projects, expenditures for land purchases have been deducted, wherever feasible, in accordance with the procedure followed elsewhere in this tabulation.

It has been impossible to avoid a certain lack of consistency in the timing of the data. Expenditures for the projects included in the Public Works Administration Federal program are in general based upon engineers' and field accountants' reports of the type explained in more detail in the technical specifications accompanying the Public Works Administration non-Federal program. Data for the projects financed with Works Program funds have been derived from Treasury reports and are based on checks issued.

E. FEDERAL LOANS FOR PUBLIC CONSTRUCTION (EXCEPT UNDER PUBLIC WORKS ADMINISTRATION)

1. *Self-liquidating loans of Reconstruction Finance Corporation (act of 1932)*

The loans made by the Reconstruction Finance Corporation to public bodies for construction projects on a self-liquidating basis are included in this tabulation since they may be regarded as one form of expenditure for emergency public works. With the exception of disbursements for relief and work relief purposes under the act of 1932, which are reported in another manner under section I, all other loans and investments made by the Reconstruction Finance Corporation are omitted from this tabulation since they have been extended either to private or semiprivate corporations or to governmental bodies for general recovery purposes not included within the scope of this report.

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The self-liquidating loans are reported under State and local funds rather than under Federal funds since they represent in each case an indebtedness assumed by a non-Federal public body. This classification is subject to qualification, however, in that future losses, if any should ultimately occur, would be more correctly classified as Federal expenditures.

The loans reported include only those made under section 201 (a), title II, of the Emergency Relief and Construction Act of 1932, as amended. From loans under this authorization, loans for financing repair of damage by earthquake, fire, tornado, or cyclone in 1933 have been excluded, as well as loans to limited-dividend corporations, since such loans are not considered loans to public bodies in the strict sense of the term. The authority of the Reconstruction Finance Corporation to make loans of the type reported here was terminated by the National Industrial Recovery Act of 1933 and transferred to the Public Works Administration in June of that year; however, the Reconstruction Finance Corporation was authorized to make further loans for the completion or improvement of projects approved prior to June 26, 1933. For this reason, disbursements on loans of this type have continued through the whole period under consideration.

The disbursements reported are those made by the Reconstruction Finance Corporation and do not necessarily represent the full cost of work completed under these projects since in some cases additional funds have been secured from other sources. Loans have been authorized only to projects whose revenues it was believed would eventually repay the full amount of the loan. More than half of the amount of disbursements have been made on loans which are guaranteed by receipts from tax sources.

The amounts reported are based on unpublished data supplied by the Reconstruction Finance Corporation. They are stated in terms of disbursements rather than authorizations since disbursements more nearly correspond to the actual use of the funds in construction operations. In some cases disbursements include interest during the period of construction.

2. *Other loans*

The data represent disbursements on loans made by the Rural Electrification Administration and the Disaster Loan Corporation for public construction. While the major portion of the loan disbursements by these agencies has been made to private corporations, individuals, or cooperative associations, only loans to public bodies are included here, in accordance with the procedure followed elsewhere in the table. During the period covered in the table, such loans totaled, in the case of the Rural Electrification Administration, $1,828,261, disbursed between January 1, 1936, and December 31, 1937, to State and municipal corporations in Nebraska, South Carolina, South Dakota, and Tennessee; and, in the case of the Disaster Loan Corporation, $26,750 disbursed during the calendar year 1937 for the rebuilding of structures damaged by flood. The loans are considered expenditures of State and local bodies, since full repayment is anticipated by the Federal Government. The data represent only loan disbursements. Administrative expenditures of the Rural Electrification Administration are included in item VI–D; no administrative expenditures are reported in the table for the Disaster Loan Corporation. The data on loan disbursements by the Rural Electrification Administration have been derived from Treasury reports, while the figures included for the Disaster Loan Corporation have been supplied by that Corporation on the basis of the names of the borrowers.

VII. Surplus Commodities Distributed for Relief

Surplus commodities distributed for relief might be considered in one sense as direct relief in kind and as such might be included in item I. All surplus commodity programs, however, have had the primary objective of removing price-depressing surpluses from the market, an activity entirely outside the field of this tabulation. This principal objective has often been dominant and in the selection of commodities for purchase, considerations of relief needs have in general been outweighed by considerations of market conditions. Because of this dual character of surplus commodity programs, these costs are listed separately from direct relief and are entirely omitted from the subtotal given after item V. It should be remembered in addition that Federal policies for the distribution of surplus commodities have always required that these be given as an addition to, rather than as a subsitute for, the usual family relief allowance.

All items included are reported in terms of the actual costs of the programs rather than in terms of the estimated value of the commodities distributed. No

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State and local funds are reported under these programs because State and local expenses incurred in connection with the distribution of these commodities are reported in item I as general relief costs.

The data cited are incomplete since they omit (1) grants amounting to approximately $8,000,000 made by the Federal Emergency Relief Administration to the States for the purchase of surplus commodities, and (2) expenses incurred by the Bureau of Agricultural Economics and the Bureau of Home Economics of the Department of Agriculture in connection with dairy products distributed for relief. Item 2 amounts to only about $60,000. Data on item (1) available to the committee are too inadequate to permit their inclusion in a financial statement.

A. WHEAT AND COTTON DONATED TO THE RED CROSS FOR RELIEF DISTRIBUTION

This item is intended to represent the value of the wheat and cotton acquired by the Grain and Cotton Stabilization Corporations of the Federal Farm Board as a result of surplus removal operations under the Agricultural Marketing Act of 1929 and transferred by congressional acts to the Red Cross for relief distribution. After supervising the conversion of the wheat into stock feed and flour and the exchange of the cotton for cotton goods, the Red Cross distributed the finished products among relief clients selected on the basis of need.

The figures reported in the table are based on data furnished by the Red Cross. They represent, in the case of wheat, its market value at the time it was processed or used to settle milling, transportation, and terminal charges; and, in the case of the cotton, its market value at the time it was used to pay the manufacturers for the cotton goods and to reimburse them for transportation and other incidental costs. Apart from the milling, manufacturing, and transportation costs, which were met from the commodities themselves, the Red Cross incurred additional expenses amounting to $725,000 in connection with the administration of the distribution. This cost is not included in the data since this tabulation omits in all cases relief expenditures from private sources. The extent of the program is not completely represented in the table since the Red Cross had disposed of wheat and cotton to the value of $33,578,204 prior to January 1, 1933.

The program had certain relief characteristics in addition to its obvious general relief aspects. Most of the stock feed was distributed in drought areas, and from this point of view may be considered in the category of drought relief. Moreover, in arranging for the processing of the wheat and the manufacture of cotton goods, the Red Cross paid special attention to placing its orders where the relief of unemployment was most urgent.

B. PURCHASE AND DISTRIBUTION OF SURPLUS COMMODITIES BY THE FEDERAL SURPLUS RELIEF CORPORATION AND THE FEDERAL SURPLUS COMMODITIES CORPORATION

The Federal Surplus Relief Corporation was organized on October 4, 1933, as a nonprofit corporation for the purpose of purchasing surplus price-depressing commodities and distributing them for relief purposes. The Corporation had as its director the Administrator of the Federal Emergency Relief Administration and in the determination of operating policies emphasis was given to relief needs. In November 1935, the name of the Corporation became the Federal Surplus Commodities Corporation and its direction was transferred to the Department of Agriculture. This transfer involved a shift in emphasis from relief to the removal of agricultural surpluses and the encouragement of domestic consumption. Since the distribution of commodities through relief channels was nevertheless continued, the disbursements for this program are included in the tabulation for the entire period of its operation.

The data utilized were supplied by the Federal Surplus Commodities Corporation and represent net disbursements of both this Corporation and its predecessor. All the funds disbursed prior to July 1, 1937, were derived from Federal Emergency Relief Administration grants to the States which were assigned to the Corporation by the States. After July 1, 1937, disbursements of the Corporation include $4,910,265 expended from customs receipts transferred to the Corporation by the Secretary of Agriculture, pursuant to Public 165, Seventy-fifth Congress.

Disbursements are reported on a net-checks-issued basis, the disbursements in each case being entered in accordance with the date when the original obligation was incurred. They include all disbursements for operating expenses, including the costs of the purchase, processing, and transportation of commodities, and administrative expenses. Items other than operating costs are omitted and appropriate deductions have been made for refunds from processing taxes and

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returns from field disbursing officers. Deduction has been made in item VII–C for receipts amounting to $6,480,669 derived from the sale of hides and skins of drought livestock donated by the Agricultural Adjustment Administration and deposited in miscellaneous receipts of the Treasury.

In addition to its own purchases, the Corporation has distributed commodities donated to it by the Agricultural Adjustment Administration and by State emergency relief administrations. The cost of commodities donated by the Agricultural Adjustment Administration are included under items VII–C and –D. Cost data, other than out-of-pocket distribution costs of the Corporation for commodities from State emergency relief administrations are not sufficiently precise to permit their inclusion in this statement.

The responsibility for the distribution of surplus commodities within the States has rested with State relief administrations and costs incident to this function are reported in section I. Some commodities have been distributed by the States for institutional relief. Although the costs of institutional care are not reported elsewhere in this tabulation, it has not been feasible to make a deduction for commodities distributed for this purpose.

C. PURCHASE BY AGRICULTURAL ADJUSTMENT ADMINISTRATION OF COMMODITES UTILIZED FOR RELIEF PURPOSES (INCLUDING 1934 DROUGHT PURCHASE PROGRAM)

Various Agricultural Adjustment Administration programs have provided for the elimination from the market of price-depressing surpluses of agricultural commodities through their purchase and removal from the normal channels of trade. The majority of commodities so purchased have been made available for relief distribution. In one sense, therefore, these expenditures may be considered relief costs, although the dual nature of the objectives served by these purchases should not be overlooked.

The commodity purchase programs included in this item are as follows: The hog-purchase programs of the fiscal year 1934; the drought purchase program, which included the purchase of cattle, sheep, goats, seed, feed, and forage with drought relief funds; the purchase of cattle, dairy products, and sugar from other funds specifically appropriated for this purpose; and various minor purchases financed from miscellaneous appropriations. In 1936 and 1937 this item also included the cost of commodities purchased with customs receipts assigned to the Agricultural Adjustment Administration under section 32 of Public, 320, Seventy-fourth Congress.

The 1934 drought purchase program is included because of the subsequent distribution of the slaughtered livestock for relief purposes in the same manner as other surplus commodities. From another point of view, however, this drought program might be considered relief at the point of purchase as well as at the point of distribution since the purchases were made from farmers suffering financial losses as a result of the drought. In order to make more complete the cost data for the drought purchase program of the Department of Agriculture, the costs incurred from drought-relief funds by the Bureau of Animal Industry and the Agricultural Extension Service of this Department have been added to the totals for item VII–C. Nevertheless, this item should not be considered to include the total costs of drought relief in 1934 since programs which did not involve the purchase of agricultural commodities are reported at other points in this tabulation rather than under this item.

The costs as cited in this table refer, with very minor exceptions, to expenditures for the purchase of commodities utilized for relief distribution. Expenditures for diversion of products to foreign markets, or for diversion to byproducts are excluded. An appropriate deduction has been made for the cost of pigs purchased during the emergency hog marketing program which could not be processed for human consumption. Purchases of diseased cattle have also been omitted. A deduction totaling $5,625,000 has been made for the resale of seed purchased in the drought program; likewise, a deduction of $6,481,000 has been made for receipts from the sale by the Federal Surplus Commodities Corporation of hides from cattle purchased by the Agricultural Adjustment Administration and donated to this Corporation. In both cases the proceeds from these sales were deposited with the Treasury as miscellaneous receipts and were not credited to the accounts of either the Corporation or the Agricultural Adjustment Administration. It has not been feasible, on the other hand, to make any deduction for cattle, sheep, and goats purchased under the drought program which were too emaciated for use as food and hence were condemned. Of the total number of 1934 drought cattle purchased, about 18 percent were condemned, whereas 62 percent of the sheep and goats were condemned. However, since sheep and goats

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were purchased in relatively small numbers as compared with cattle, the losses from condemned sheep and goats were not as great as these percentages might seem to indicate.

The overstatement of the costs of surplus commodities distributed for relief resulting from the inclusion of the costs of condemned livestock is to some extent balanced by the omission of about $8,000,000 of Federal Emergency Relief Administration grants to States for surplus commodities, as explained under the general comments for section VII, and by the omission of some of the administrative costs to the Agricultural Adjustment Administration of these programs. The data for the Agricultural Adjustment Administration include administrative costs only when these costs have been met from specific appropriations for surplus removal operations. All other administrative costs are merged with the costs of other functions of the Agricultural Adjustment Administration and no records are kept on which a reliable estimate of the full administrative costs of these programs individually can be based. The data for this item also do not include in most cases the costs of distribution since the responsibility for the distribution of these commodities has been carried by the Federal Surplus Relief Corporation and the Federal Surplus Commodities Corporation.

The data were provided for the most part by the Records and Accounts Section of the Agricultural Adjustment Administration and represent actual disbursements. Since this section enters expenditures in its accounts after the receipt from the field of reports on checks issued, the expenditures indicated lag behind actual purchases. Miror additional items were derived from the following sources: (1) The deduction figure for pigs which could not be processed for human food was provided by the Field Audit Division of the Agricultural Adjustment Administration, and (2) data with reference to checks issued from drought relief funds by the Bureau of Animal Industry and the Agricultural Extension Service of the Department of Agriculture were furnished by these bureaus.

D. CARE AND PROCESSING OF DROUGHT CATTLE FOR RELIEF USE FROM FEDERAL EMERGENCY RELIEF ADMINISTRATION FUNDS

This item represents obligations incurred from Federal Emergency Relief Administration funds for the care, feeding, pasturing, processing, and packing under contract arraugements of cattle purchased by the Agricultural Adjustment Administration in connection with the drought purchase program of the Department of Agriculture and donated to State emergency relief administrations. These obligations were incurred in addition to expenditures by the Federal Surplus Commodities Corporation and its predecessor from Federal Emergency Relief Administration funds and reported under item VII–B. The meat packed under these contract arrangements, however, was distributed to relief families under provisions similar to those for other surplus commodities. This item does not include drought relief expenditures of a general relief character since these obligations are reported under section I, together with other general relief costs.

APPENDIX 2

PART 1

(Submitted for the record by the Division of Research, Statistics, and Records, Works Progress Administration)

ESTIMATED NET NUMBER OF RELIEF AND NONRELIEF HOUSEHOLDS AND PERSONS RECEIVING RELIEF, WORK PROGRAM EMPLOYMENT, AND EMERGENCY EMPLOYMENT

In February 1934 at the peak of the Civil Works Program, it is estimated that a net total of 7,879,000 households were receiving relief or emergency work. These households represented a total of 27,606,000 persons, including dependents, or 22 percent of the total population of the continental United States.

These totals include both those certified as in need of relief and nonrelief personnel. Administrative employees are excluded. The accompanying tables show the total for each month from July 1933 through January 1938 and the distribution by separate programs for the month of July in each year. The estimates cover all households and persons benefitting from the general and emergency relief programs financed in part from Federal Emergency Relief Administra-

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tion funds and in part from State and local funds; all relief and nonrelief persons benefitting from Civil Works Program, Works Progress Administration, National Youth Administration, and Civilian Conservation Corps employment, employment on projects financed by the Public Works Administration from funds appropriated by the National Industrial Recovery Act, projects financed by the Reconstruction Finance Corporation, and Federal projects under the Works Program with funds appropriated by the various emergency relief appropriation acts; persons benefitting from rural rehabilitation advances made from Federal Emergency Relief Administration funds and grants made by the Resettlement Administration and Farm Security Administration, the three special assistance programs of the Social Security Board, old-age assistance, aid to the blind, aid to dependent children, and other programs of these types conducted by State and local agencies. These estimates represent revisions of those presented on pages 75 and 76 of the House Hearings on the Supplemental Appropriation Relief and Work Relief, Fiscal Year 1938, and exclude rehabilitation loans made under the Resettlement and Farm Security Administration and regular Federal construction employment.

In estimating the net number of separate households and persons aided by emergency programs allowances were made for duplication between programs. It would be inaccurate to add up the reported figures for each agency to a grand total since some households appear on the rolls of two agencies. Examples of such households are those which receive general relief and at the same time have a son in the Civilian Conservation Corps or those which are on general relief the first part of the month and are transferred during the month to Works Progress Administration, thus being counted during the month by both agencies. In some months of rapid transfer such as during the period of inauguration of the Works Progress Administration this duplication was extensive. Estimating this duplication is a complex process and the results presented herewith are approximations and necessarily subject to revision. They are, however, based on all information now available to the Social Security Board and the Works Progress Administration.

The seasonal nature of the relief problem is apparent from the figures. There was, however, a general downward trend from 7,879,000 households, including 27,606,000 persons, at the peak to 4,764,000 households, including 14,135,000 persons at the low point in September 1937. By January 1938 the totals had increased to 5,904,000 households and 17,314,000 persons, representing 14 percent of the population of the country. Since January, further substantial increases have occurred.

The attached tables suggest how the shifts occurred within the programs included in the grand totals. From January 1933 to July 1935, general relief was by far the most important means of providing assistance except for the brief Civil Works Administration period. During July 1935 it accounted for 73 percent of the unduplicated number of households as compared to 7 percent for Civilian Conservation Corps, and 5 percent for aid to the aged, blind, and dependent children. Since the beginning of 1936 the Works Program has represented a major portion of the estimated net totals. Special types of assistance rose rapidly after the Social Security Board started to participate in these activities early in 1936.

The estimates presented herewith were assembled by the Works Progress Administration in cooperation with the Social Security Board, which provided, reported, and estimated data concerning recipients of aid to the aged, aid to the blind, and aid to dependent children available from its records. Estimates of amounts of duplication between these special types of assistance and other forms of public aid were prepared in part by the Social Security Board and in part by the Works Progress Administration.

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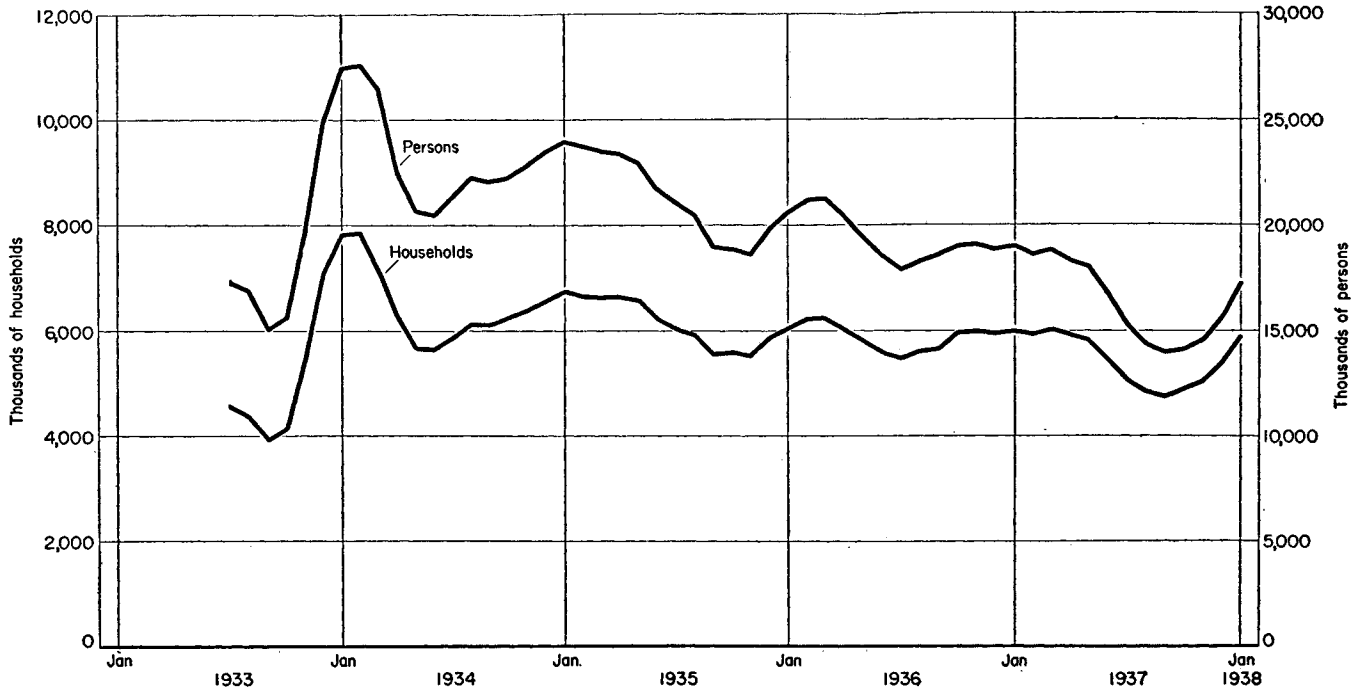
Estimated net total number of relief and nonrelief households and persons receiving relief, Work Program employment, and emergency employment, January 1933 through January 1938

Year and month	Households	Persons	Year and month	Households	Persons
1933:			1935:		
January	4,647,000	18,224,000	August	5,916,000	20,461,000
February	4,968,000	19,510,000	September	5,539,000	18,998,000
March	5,463,000	21,479,000	October	5,588,000	18,879,000
April	5,349,000	21,046,000	November	5,528,000	18,604,000
May	5,275,000	20,653,000	December	5,886,000	19,851,000
June	4,851,000	18,839,000	1936:		
July	4,551,000	17,286,000	January	6,044,000	20,633,000
August	4,372,000	16,895,000	February	6,209,000	21,192,000
September	3,973,000	15,071,000	March	6,229,000	21,243,000
October	4,116,000	15,596,000	April	6,018,000	20,450,000
November	5,403,000	19,787,000	May	5,809,000	19,414,000
December	7,062,000	24,802,000	June	5,587,000	18,517,000
1934:			July	5,477,000	17,900,000
January	7,821,000	27,449,000	August	5,602,000	18,286,000
February	7,879,000	27,606,000	September	5,670,000	18,615,000
March	7,169,000	26,495,000	October	5,958,000	19,048,000
April	6,270,000	22,448,000	November	6,005,000	19,113,000
May	5,658,000	20,648,000	December	5,968,000	18,872,000
June	5,631,000	20,475,000	1937:		
July	5,872,000	21,352,000	January	6,000,000	19,050,000
August	6,106,000	22,244,000	February	5,954,000	18,614,000
September	6,111,000	22,065,000	March	6,015,000	18,846,000
October	6,220,000	22,204,000	April	5,919,000	18,373,000
November	6,391,000	22,758,000	May	5,844,000	18,041,000
December	6,547,000	23,475,000	June	5,473,000	16,783,000
1935:			July	5,069,000	15,266,000
January	6,727,000	23,964,000	August	4,849,000	14,380,000
February	6,651,000	23,716,000	September	4,764,000	13,987,000
March	6,630,000	23,492,000	October	4,907,000	14,135,000
April	6,650,000	23,357,000	November	5,041,000	14,597,000
May	6,575,000	22,934,000	December	5,390,000	15,603,000
June	6,258,000	21,769,000	1938:		
July	6,033,000	21,042,000	January	5,904,000	17,314,000

Estimated net number of households and persons receiving relief, Work Program employment, and emergency employment during July, by years and by programs, continental United States

Agency or program	July 1933		July 1934		July 1935
	Households	Persons	Households	Persons	Households
General relief	3,908,000	15,385,000	4,427,000	17,245,000	4,459,000
Works Progress Administration					71,000
Civilian Conservation Corps	290,000	1,041,000	349,000	1,253,000	456,000
Aid to aged, blind, and dependent children	213,000	610,000	245,000	651,000	392,000
Transient relief	81,000	115,000	244,000	346,000	263,000
Rural Rehabilitation (F. E. R. A.)			31,000	147,000	167,000
Net total relief programs	4,422,000	16,899,000	5,205,000	19,351,000	5,577,000
Other works program					12,000
Net total relief and works program	4,422,000	16,899,000	5,205,000	19,351,000	5,577,000
Emergency employment of other Federal agencies	129,000	387,000	667,000	2,001,000	456,000
Net grand total	4,551,000	17,286,000	5,872,000	21,352,000	6,033,000

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ESTIMATED NET NUMBER OF PERSONS AND HOUSEHOLDS RECEIVING RELIEF AND EMERGENCY EMPLOYMENT
JANUARY 1933 - JANUARY 1938

Division of Social Research, WPA
AF-2631

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Estimated net number of households and persons receiving relief, Work Program employment, and emergency employment during July, by years and by programs, continental United States—Continued

Agency or program	July 1935	July 1936		July 1937	
	Persons	Households	Persons	Households	Persons
General relief	16,348,000	1,449,000	4,406,000	1,265,000	3,795,000
Works Progress Administration	283,000	2,300,000	9,021,000	1,828,000	7,195,000
Civilian Conservation Corps	1,675,000	385,000	1,490,000	317,000	1,216,000
Aid to aged, blind, and dependent children	799,000	901,000	1,591,000	1,500,000	2,443,000
Transient relief	402,000	7,000	12,000	1,000	1,000
Rural Rehabilitation (F. E. R. A)	835,000				
Resettlement grants		41,000	205,000	54,000	270,000
National Youth Administration work projects		165,000	181,000	148,000	160,000
Net total relief programs	19,674,000	4,735,000	15,450,000	4,606,000	13,752,000
Other works program	48,000	542,000	1,891,000	309,000	1,085,000
Net total relief and works program	19,674,000	5,236,000	17,177,000	4,882,000	14,705,000
Emergency employment of other Federal agencies	1,368,000	241,000	723,000	187,000	561,000
Net grand total	21,042,000	5,477,000	17,900,000	5,069,000	15,266,000

Source: Works Progress Administration.

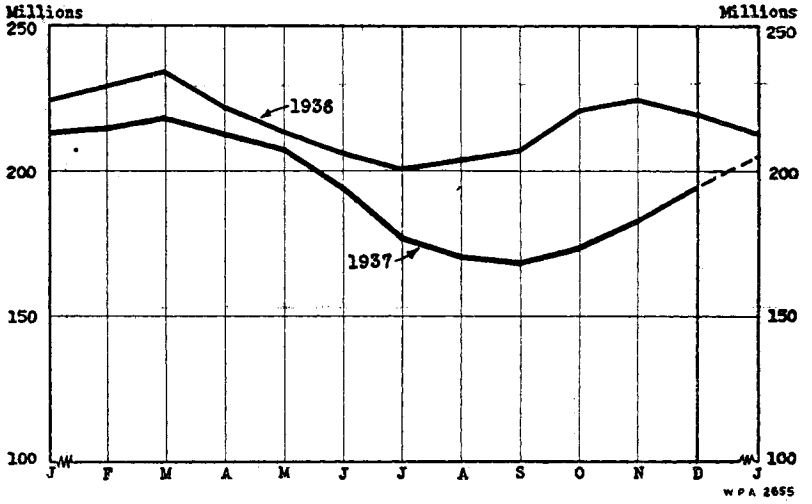
PART 2

WORKS PROGRESS ADMINISTRATION MEMORANDUM

Subject: Relief in December 1937 and summary for the year.

In preparing this memorandum on relief for the use of Works Progress Administration officials, it has been necessary in many instances to use estimated data

CHART 1.—Amounts extended from public funds to recipients in need of relief, by months, January 1936—December, 1937.



for recent months and to give figures preliminary to their official publication by the responsible Federal or State agencies.

Administrative developments.—Plans for aid to the blind in Florida and Montana were approved by the Social Security Board in December. A plan for aid to dependent children in Missouri was approved October 5, but no payments had been made under the plan through December. Payments for old-age assistance were resumed in Maine in December after suspension during September, October, and November because State funds were not available for this purpose.

Amount of relief extended in December 1937.—The December total of $195,000,000 extended to recipients in need of relief under all programs was larger by 6.4 percent

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than the November total and represented the third successive monthly increase. Despite the recent upward trend, however, the December total was at approximately the same level as that for June 1937 and 11.5 percent below the total for December 1936.

TABLE A.—*Amounts extended to recipients in need of relief and change from preceding month, by programs December 1936 and December 1937*

[In thousands of dollars]

Program	1937		1936	
	December	Changes from November	December	Changes from November
Total	194,525	+11,768	219,910	−4,852
Works program, total	107,488	+2,561	148,890	−11,762
Works Progress Administration	82,085	+4,140	114,584	−9,765
Civilian Conservation Corps	19,911	−965	22,945	−1,061
Other Federal agencies	5,492	−614	11,362	−935
National Youth Administration	4,073	+185	5,759	+104
Work projects	2,061	+143	2,627	+94
Student aid	2,012	+42	3,132	+11
Categorical assistance	39,351	+1,347	26,587	+1,629
General relief	41,336	+7,178	36,500	+4,419
Rural rehabilitation grants	2,276	+497	2,174	+758

The rise of $12,000,000 from November to December was the result of increases in amounts extended for all programs except Civilian Conservation Corps and other Federal agencies operating under the Works Program. An increase in Works Progress Administration earnings of 5 percent accompanied a rise of 21 percent in general relief.

Reports on Works Progress Administration employment and general relief in urban areas indicate that an additional increase of 150,000 persons in Works Progress Administration employment and more than 200,000 general relief cases may be expected during January. On the basis of these and other supporting data, it is estimated that the total amount extended under all programs for January was probably slightly more than $205,000,000.

Changes by Works Progress Administration administrative regions and by States.[1]—Regional increases in amounts extended to recipients in need of relief ranged from 2 percent in the Southern and Southwestern States of region 3 to 10 percent in New York and New England. The relatively small increase in region 3 was the result of increases under all programs except Civilian Conservation Corps. A decrease of 6 percent in the number of Civilian Conservation Corps enrollees, in terms of $70 per enrollee, was sufficient to offset the major part of the increases under the other programs.

Decreases in total amounts extended were recorded for the District of Columbia (3 percent), Kentucky (4 percent), Oklahoma (3 percent), and Virginia (2 percent). Reduced Works Progress Administration earnings and Civilian Conservation Corps benefits were chiefly responsible for the decreases in Oklahoma and Kentucky; an additional factor in the decline in the latter State was a reduction in the amount of payments for old-age assistance. The reduction in Virginia may be attributed to a decline in amounts for Civilian Conservation Corps and that in the District of Columbia for the most part to reduced earnings on projects of other Federal agencies.

[1] States included in Works Progress Administration administrative regions are:
Region 1.—Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont.
Region 2.—Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, and West Virginia.
Region 3.—Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.
Region 4.—Area 1: Illinois, Indiana, Kentucky, Michigan, Missouri, and Ohio. Area 2: Iowa, Kansas, Minnesota, Nebraska, North Dakota, and South Dakota.
Region 5.—Area 1: Montana and Utah. Area 2: Colorado, New Mexico, and Wyoming. Area 3: Idaho, Oregon, and Washington. Area 4: Arizona, California, and Nevada.

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In contrast to the decreases mentioned above, 11 States showed increases of 10 percent or more—Connecticut, Maine, Massachusetts, Rhode Island and Vermont, Michigan and South Dakota, Nevada, Oregon, Utah and Washington. Chief factors in the increases in most of these States were larger amounts extended for general relief and greater Works Progress Administration earnings. In the industrial State of Michigan, the increase was almost entirely in general relief, while in Utah the rise in Works Progress Administration earnings was the most important single item. In South Dakota, increased Works Progress Administration earnings and subsistence payments to farmers, and in Nevada increases in Works Progress Administration earnings and categorical assistance, were important.

The most significant increase in any type of assistance from November to December was that of 21 percent in general relief. The total amount of general relief for region 3 was only 8 percent higher in December than in November, but regions 2, 4, and 5 showed increases of slightly more than 25 percent between the 2 months. Outstanding among State increases in general relief were those of more than 50 percent in Indiana and Michigan. In addition, rises of 25 percent or more were reported for Connecticut, Massachusetts and Vermont, Pennsylvania and New Jersey, South Carolina, Iowa, Kansas, Kentucky, Nebraska and Wisconsin, Arizona, Montana, Oregon, Washington and Wyoming. Only two decreases were reported for December—in the District of Columbia and in New Mexico. Increases of less than 10 percent occurred in New York, Arkansas, Florida, Louisiana, Mississippi, Oklahoma, Texas and Virginia, Colorado and Idaho. In the majority of these States local relief agencies were relatively unable to respond to increased relief needs because of inadequate funds for general relief.

The Bureau of Labor Statistics estimates a reduction from November to December of 650,000 in all nonagricultural employment. Reduced employment was shown in 13 of the 16 nonmanufacturing industries and in 79 of the 89 manufacturing industries surveyed by the Bureau of Labor Statistics. Although employment in retail trade showed an increase of 9.2 percent as the result of the hiring of workers for Christmas sales, it is estimated that 513,000 wage earners in manufacturing industries, a decline of 6.4 percent, were laid off between November and December. This was the largest decline reported for any December since 1920. Employment decreases were particularly pronounced in the durable-goods industries, affecting employment in Michigan and Indiana to a marked degree and resulting in declines of 11.4 and 6.8 percent, respectively, in those States. Decreases of more than 5 percent occurred in Connecticut and Vermont, Mississippi, Idaho, Montana, Nevada, Oregon, Utah and Washington.

The effect of declines in steel, automobile, and related manufacturing industries was particularly evident in general relief trends in December in the cities largely dependent on these industries. Outstanding increases from November to December were those of 100 percent in Gary, 80 percent in Fort Wayne, 77 percent in South Bend, 100 percent in Toledo, 70 percent in Grand Rapids, 55 percent in Detroit, 61 percent in Schenectady, 55 percent in Reading, 43 percent in Pittsburgh, 58 percent in Sacramento, and 49 percent in New Haven. A number of smaller cities also showed unusually large increases in general relief from November to December.

Decreased employment in the lumber industry is mentioned in press reports as an important factor in increased need in Oregon and Washington; reduction in employment, particularly in shoe and textile factories, resulted in a sharp increase in general relief in New Hampshire; and reports from Pennsylvania State that most of the 28 percent increase in general relief payments was confined to the steel and soft-coal regions in the southwest part of the State.

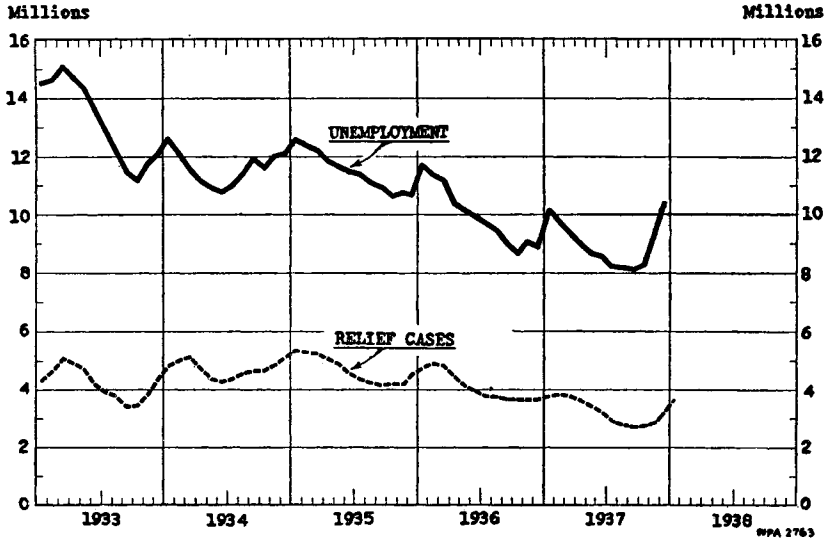
A decrease of less than 1 percent in earnings of persons certified as in need of relief employed on Works Progress Administration projects occurred in region 2 as the result of slight declines in earnings in the District of Columbia, New Jersey, and Pennsylvania. The largest relative increase in Works Progress Administration earnings was that of 13 percent in region 1. Although employment on Works Progress Administration projects increased from the end of November to the end of December in all States except New York (excluding New York City), slight decreases were shown in Works Progress Administration earnings in the District of Columbia, New Jersey and Pennsylvania, Oklahoma, Illinois, Kentucky, Missouri and Ohio, and New Mexico. None of these declines was large, however, and they may be attributed in most instances to fluctuations in employment during the months of November and December. Other factors may be changes in pay roll and reporting procedures and in the proportion of persons employed at unskilled rates.

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Reductions in employment and earnings on work projects of the Bureau of Public Roads and the Farm Security Administration accounted for half the decrease of $614,000, or 10 percent, in the earnings reported for projects of other Federal agencies. Eleven States—Connecticut, Louisiana, Mississippi and Oklahoma, Indiana and Kansas, Colorado, New Mexico, Oregon, California and Nevada—showed increases from November to December. The largest relative increase for other Federal agencies occurred in Mississippi where a rise of 34 percent resulted chiefly from expanded project operations of the Public Works Administration. Earnings on projects operated in Connecticut, Mississippi, and Nevada also increased more than 10 percent. The greatest relative reduction occurred in Nebraska, where a drop of 41 percent resulted from decreased earnings on projects of a number of agencies; the largest part of the decrease was reported by the Forest Service. A decline of 39 percent in Wisconsin may be attributed almost entirely to reduced operations on a resettlement project of the Farm Security Administration in suburban Milwaukee.

Amounts for Civilian Conservation Corps decreased 4.6 percent from November to December with the discharge of 15,600 enrollees, most of whom left the

CHART 2.—Trend of unemployment and relief.



Corps because of expiration of their term of enrollment. Slightly less than 2,000 of these enrollees left the Civilian Conservation Corps to accept private employment. Regional changes were relatively uniform with regions 3, 4, and 5 showing declines of 4 percent, and regions 1 and 2, reductions of 6 percent. Increases were recorded for only two States, Nevada and Oregon.

Payments for the special types of assistance continued to rise slightly in December. Regional increases amounted to 1.5 percent in region 2 and 4.9 percent in region 3 where new plans inaugurated in the second half of 1937 in four States continued to expand at a much higher rate than those in other States and regions.

Five States—Kansas, Montana, Nebraska, North Dakota, and South Dakota—continued to account for more than 90 percent of the total amount of subsistence payments to farmers in December. Regional changes from the preceding month ranged from a decrease of 42 percent in region 1 to an increase of 31 percent in region 4. Only the latter change is significant, however, since payments in other regions were negligible.

Changes by States and regions from December 1936 to December 1937.—Despite an increase of almost 15 percent in payments for general relief from December 1936 to December 1937 the total amount extended under all programs was 12 percent lower in December 1937 than in the same month of the preceding year, chiefly as the result of a decline of 28 percent in Works Progress Administration earnings. The smallest regional decrease was that of 1.6 percent in region 5, the largest, 15.9 percent in region 4. Increases in total amounts were recorded for eight States—Rhode Island, Florida and North Carolina, Iowa and North

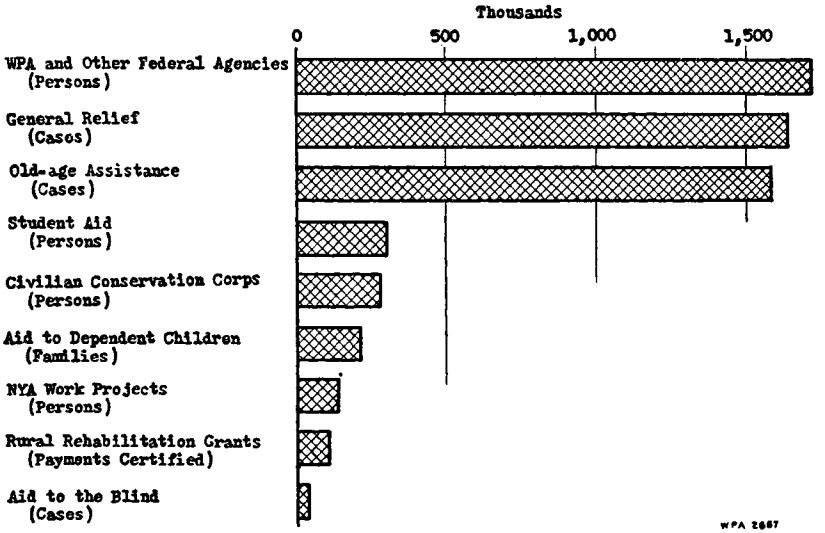
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Dakota, Montana, Colorado and Washington. The increase in Washington was by far the largest, amounting to almost 18 percent, and that in Rhode Island was the only other rise of 10 percent or more. Of this group, only North Carolina and Colorado showed decreases in general relief; in most of these States the rise in the total amount extended may be attributed almost entirely to the expansion of categorical assistance. The largest part of the increase recorded for North Dakota was that of almost 300 percent in subsistence payments to farmers.

Larger amounts of Works Progress Administration earnings were reported for December 1937 than for December 1936 for two States, Rhode Island and Washington. Similarly, amounts extended for Civilian Conservation Corps were higher in December 1937 in New Jersey and Pennsylvania, Alabama, Arkansas and Louisiana, and Nebraska. Smaller earnings were reported in all States for projects of other Federal agencies and for student aid, but higher earnings on National Youth Administration work projects were reported in 14 States.

Total payments for the special types of assistance were larger in December 1937 than a year yearlier in all States except Maine, where operation of old-age assistance had been suspended for 3 months because of lack of funds.

CHART 3.—Recipient data for principal programs, December 1937



Although general relief increased 13 percent over the corresponding month of 1936 for the country as a whole, reductions were reported for 22 States, of which 10 were in region 3. The other 12 States were Vermont, the District of Columbia, Maryland and West Virginia, Ohio and Nebraska, Arizona, Colorado, Idaho, Nevada, New Mexico, and Utah. However, in all these States except Idaho, Ohio, and Virginia, the increase in payments for the special types of assistant was great enough to offset the decline in general relief payments between December 1936 and December 1937

Recipients of relief.—The number of recipients of aid increased from November to December under each program except Civilian Conservation Corps and projects of other Federal agencies. The number of cases receiving general relief increased 19 percent and the number of subsistence payments to farmers rose 30 percent.

Comparison with data for December 1936 indicates a reduction in the number of recipients of earnings under the Works Program, Civilian Conservation Corps, and National Youth Administration, large increases in recipients of categorical assistance, and a rise of 8 percent in the number of families and single persons receiving general relief. The estimated number of cases receiving general relief or Works Program earnings (shown in chart 2) decreased 14 percent from December 1936 to December 1937 despite the increase of 28 percent in the number of recipients of general relief in the last 2 months of 1937.

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Sources of funds.—Increases from November to December in amounts both of earnings on Works Progress Administration projects and of general relief caused the ratio of Federal funds to the total to remain at about 70 percent. Comparison of the proportion of the total represented by Federal funds during the calendar years of 1936 and 1937 shows a decrease from 76.4 percent in the first quarter of 1936 at the peak of Works Program employment to 69.5 percent in the last quarter of 1937. Reduced Works Program activities and increased State and local participation in the special types of assistance were largely responsible for this change.

Types of relief.—Table B presents a summary of relief expenditures based on monthly averages for each general type of relief, from 1933 through 1937. The total for December 1937 ($195,000,000) is at almost the same level as the average for the year but the December total for work relief is much lower than the yearly average; this decrease is balanced by increased amounts for both components of direct relief—general relief and categorical assistance. However, the monthly average for general relief for the year 1937 is lower than that for 1936, whereas the monthly average for categorical relief was almost twice as high in 1937 as in 1936.

TABLE B.—*Average monthly amounts extended from public funds to recipients in need of relief, 1933 through 1937, and monthly data for 1937 by types of relief*

[In millions of dollars]

Year and month	Total	Work and work relief	Direct relief		Rural rehabilitation grants
			General relief	Categorical assistance	
Years (monthly average, January through December):					
1933	83	37	41	6	----------
1934	139	75	57	7	1
1935	173	86	73	9	4
1936	217	162	36	18	2
1937	195	125	34	33	3
Months (monthly data) 1937:					
January	214	143	38	28	5
February	216	144	39	29	4
March	219	143	39	30	6
April	214	142	36	31	5
May	208	142	30	32	4
June	196	133	28	31	3
July	178	115	29	33	1
August	171	106	30	34	1
September	169	102	30	36	1
October	174	105	31	37	1
November	183	109	34	38	2
December	195	112	41	39	2

Actual totals for each year, 1933 through 1937, are shown in table C. The total for the 5 years amounts to somewhat less than $10,000,000,000. The proportion of the total extended in the form of work relief was highest in 1936 when it represented almost 75 percent. However, 1933 and 1934 would have shown more nearly similar proportions had all Civil Works Administration earnings been included instead of the 50 percent arbitrarily chosen to represent the proportion of total earnings going to recipients in need of relief. The proportion of the total amount going to recipients in the form of categorical aid has increased from 7 percent of the total in 1933 to 17 percent in 1937. In actual amounts this total was five times as large in 1937 as in 1933.

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TABLE C.—*Annual amounts extended from public funds to recipients in need of relief by types of relief—1933 through 1937*

[Amounts in millions of dollars]

Type of relief	Grand total	Calendar years—				
		1933	1934	1935	1936	1937
Grand total	9,692	999	1,671	2,078	2,610	2,335
Work and work relief	5,807	442	896	1,033	1,939	1,496
Direct relief	3,770	557	767	993	651	802
Direct relief (general)	2,894	486	689	880	434	404
Categorical assistance	875	70	78	113	216	398
Rural rehabilitation grants	116	----	7	52	20	36
	Percent of total					
Grand total	100.0	100.0	100.0	100.0	100.0	100.0
Work and work relief	59.9	44.3	53.6	49.7	74.3	64.1
Direct relief	38.9	55.7	45.9	47.8	24.9	34.4
Direct relief (general)	29.9	48.7	41.2	42.3	16.6	17.3
Categorical assistance	9.0	7.0	4.7	5.5	8.3	17.1
Rural rehabilitation grants	1.2	----	.5	2.5	.8	1.5

Average monthly benefits.—Average monthly amounts extended (per family, worker, or case) under the several programs are shown by States in table 14. These averages are computed on the basis of the first 11 months of 1937. Some indication of the variation in quarterly averages for 1937 as compared with averages for the first 11 months may be obtained from the following summary table showing averages by programs for the United States:

TABLE D.—*Average monthly benefits, in dollars, under various programs, by quarters*

[January through December 1937]

Period	Works Project Administration and other Federal agencies	National Youth Administration work projects	Public assistance program of Social Security Board			General relief	Rural rehabilitation grants
			Old-age assistance	Aid to dependent children	Aid to the blind		
12 months	50.45	15.32	18.89	30.56	25.30	23.41	17.46
First quarter	49.68	15.37	18.79	28.72	25.46	23.04	16.69
Second quarter	50.78	15.14	18.78	30.36	25.09	22.36	17.17
Third quarter	50.40	15.30	18.68	30.73	25.02	23.52	17.53
Fourth quarter	51.12	15.54	19.24	31.69	25.61	24.79	20.77

Averages for the Civilian Conservation Corps and for National Youth Administration student aid are not included in this summary because the amounts are to some extent arbitrarily determined and neither program is reported by State or residence. Averages are not shown for categorical assistance for a number of States, since reported data include only amounts extended under plans in which the Social Security Board participates, and averages for certain other States are based on data for less than 11 months.

These averages should not be confused with "total man-month cost data" published officially by certain agencies, since they reflect only the average benefits or assistance extended to the family or individual. Furthermore, a number of technical factors involved in the computations should not be overlooked in the use of these averages. Most important are the variations from program to program and from State to State in the proportions of accessions and separations, in the extent of supplementation of other types of relief and of income from other sources, and in the criteria used for reporting the number of recipients and the amounts of aid extended. These factors were discussed at some length in the August and September issues of this memorandum.

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Administrative developments during the year 1937.—Under the Emergency Relief Administration Act of 1937, which became effective July 1, only minor changes in the wage and employment provisions of the Works Program were made. The act specifically provided that persons refusing offers of private employment providing similar wages and working conditions could not be retained on Works Program jobs, but that persons losing jobs in pirvate employment through no fault of their own should immediately resume their previous employment status if still in need of relief.

With the beginning of the fiscal year 1938, regulations for enrollment in the Civilian Conservation Corps were modified to give preference first to youths receiving relief, second to youths in need of relief, and third to youths in need of employment. Although no data have been collected on the proportion of youths not in need of relief enrolled since July, reports from a few large States show that about half the youths enrolled were not certified as in need of relief.

Effective September 1, the name of the Resettlement Administration was changed to the Farm Security Administration by order of the Secretary of Agriculture. In addition to its previous functions (rural rehabilitation, land development, and urban and rural resettlement), the agency is responsible for the administration of the program established by the Bankhead-Jones Farm Tenant Act, providing for loans to tenants and sharecroppers for the purchase of land.

During the year 1937, payments for old-age assistance were initiated under plans approved by the Social Security Board in 7 States, for aid to dependent children in 12 States, and for aid to the blind in 12 States. By December 1937, 34 States and the District of Columbia were making payments for all three types of assistance under approved plans. Virginia remained the only State with no approved plans and in nine States old-age assistance was the only type of aid for which payments were made under approved plans in December.

Several changes occurred in State participation in the financing of general relief during 1937 In Montana and Tennessee, State funds were used throughout 1936 but discontinued in 1937 In contrast, Kansas and South Carolina had no State funds in 1936 but received appropriations for this purpose in 1937 which were first used in August. In Maryland, State funds available at the beginning of 1936 were exhausted in the course of the year but additional State funds were made available in the latter months of 1937 State funds were provided in New Hampshire and Wisconsin at the end of 1937 following lapses earlier in the year; in Wisconsin, State funds had been used throughout 1936, in New Hampshire, during the second half of that year only. The States of Kentucky Mississippi, South Dakota, and Texas contributed funds for general relief in the first part of 1936 but withdrew their participation before the end of the year, and all general relief was issued from local funds during 1937 In Louisiana and Virginia, State participation begun in 1936 was continued through the end of the year 1937 State funds for general relief were available in Missouri at the beginning of 1936, were exhausted during the year, but additional funds were provided in 1937 In six States, Florida, Georgia, Indiana, Nevada, North Carolina, and Vermont, no State funds were used for general relief in either year. In the remaining 28 States, there was State participation in the financing of general relief, in varying degrees, throughout the 2 years.

The end of the year 1937 marks the accomplishment of a turning point in Federal participation in the field of assistance to the unemployed with the inauguration of unemployment compensation in 22 States and the District of Columbia. Prior to January 1938, unemployment compensation was in operation only in Wisconsin.

Changes from 1936 to 1937.—The total amount extended under all programs in the year 1937 was 11 percent less than the 1936 total. The decline for the country as a whole resulted from reductions in Works Progress Administration and other Federal agency earnings, in amounts for Civilian Conservation Corps, student aid, and general relief, and increases in the other programs. For the Works Program and National Youth Administration combined, the decline was slightly less than 23 percent and for general relief, 8 percent. In contrast, payments for aid to the aged, to the blind, and to dependent children increased 100 percent, 48 percent, and 25 percent, respectively, and the total amount of subsistence payments to farmers rose 76 percent.

Regional decreases in total amounts extended under all programs ranged from 6 percent in region 3 to 14 percent in region 1 In Works Program and National Youth Administration earnings, the smallest decrease for any Works Progress Administration administrative region was the 16 percent recorded for the Southern and Southwestern States comprising region 3. Earnings in region 2 dropped 21

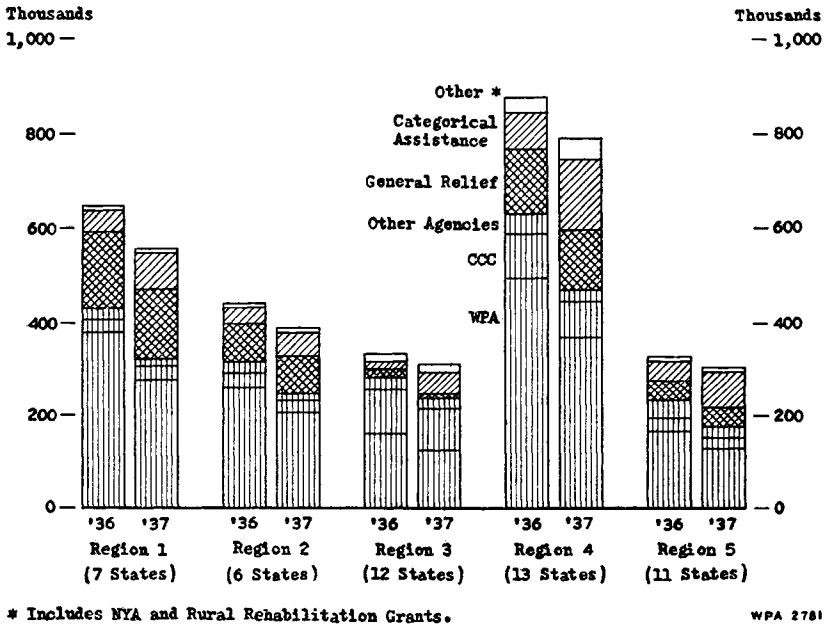
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percent and the declines in the remaining regions amounted to approximately 25 percent. One important reason for the relatively small decline in region 3 was the fact that amounts for Civilian Conservation Corps, computed on the basis of $70 per enrollee, comprised almost a third of the Works Program total, and decreased less than 2 percent as compared with reductions of at least 15 percent in other regions.

In contrast, region 3 showed a reduction of 37 percent in general relief although no other regional decrease amounted to more than 11 percent and an increase of 3 percent occurred in region 5. The reduction in general relief in region 3 was largely the result of the expansion of aid to the aged, to the blind, and to dependent children during 1937; the increase in region 5 may be attributed almost entirely to a rise of 48 percent in the amount o general relief extended in the State of Washington in 1937

In region 3 payments for old-age assistance were nearly three times as large in 1937 as in 1936; grants for aid to dependent children more than doubled and pay-

CHART 4.—Amounts extended to recipients in need of relief in each WPA administrative region, by programs 1936 and 1937.



ments for aid to the blind were five times as great. The smallest regional increase in payments for old-age assistance was that of 78 percent in region 1, which also showed the smallest increase in payments for aid to dependent children. These smaller increases are due in large part to the relatively stable operation of categorical assistance in New York and the New England States throughout the 2 years. A relatively small increase in aid to the blind in region 4 (10.5 percent) may be attributed chiefly to the fact that aid to the blind given in Illinois and Missouri without Federal participation showed little change in the 2-year period and comprised more than half the total payments made in the region.

Subsistence payments to farmers in region 4 more than doubled during the year 1937 but the only other region showing an increase was region 3, with 19 percent. One important reason for this increase was the transfer of responsibility for drought relief from Works Progress Administration to the Farm Security Administration at the end of 1936. The most striking contrast in changes in the regional distribution of amounts extended under the several programs may be seen in the concentration of two-thirds of the total amount of subsistence payments to farmers in area 2 of region 4 in 1937, as compared with 48 percent in 1936.

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Although total amounts extended under all programs were higher in 1937 than in 1936 in nine States, the increase in only one State—Nebraska—amounted to more than 10 percent and in only two States—Oklahoma and South Dakota—were the totals larger by more than 5 percent. Decreases of from 5 to 15 percent were recorded for more than half the States but reductions of 28, 27, and 25 percent, respectively, occurred in Maine, Nevada, and Vermont; declines of 20 percent or more were shown for four other States, Delaware, Michigan, New Mexico, and Ohio.

Determination of the reasons for these changes in difficult because of the interaction of the several programs, and the fact that certain relief activities are more responsive to administrative changes than to increases or decreases in need; a corollary of this point is the variation from program to program and from State to State in the amount of Federal, State, and local funds available.

Works Progress Administration and other Federal agency earnings were lower in 1937 than in 1936 in all States but decreases in Works Progress Administration earnings ranged from 3 percent in Florida to 42 percent in Maine, and reductions in earnings on other Federal agency projects ranged from 5 percent in the District of Columbia to 73 percent in Delaware. Half the States showed reductions of from 20 to 30 percent in Works Progress Administration earnings but much less concentration occurred in declines in other Federal agency earnings, the natural result of the variations in size and location of projects operated by the several Federal agencies. Seven States—Alabama, Arkansas, Oklahoma and Texas, Nebraska and South Dakota, and Wyoming—showed increases in amounts for Civilian Conservation Corps while reductions amounted to more than 30 percent in Connecticut, New Hampshire and Vermont, Michigan, and Utah.

Even greater variations occurred in changes from 1936 to 1937 in amounts for general relief, ranging from a rise of 48 percent in Washington to a decline of 83 percent in Mississippi. Nine States showed reductions of 40 percent or more in amounts for general relief from 1936 to 1937, whereas five States showed increases of 10 percent or more. In general it may be said that the largest reductions occurred as the result of two important factors, shortage of State and local funds for general relief and the expansion of categorical assistance under the Social Security Act. Decreases resulting from the combined effect of these two factors were largely concentrated in region 3. States in other regions showing decreases of similar magnitude for these reasons were Kentucky, Nebraska, New Mexico, and the District of Columbia. It should be noted that one phase of the relative shortage of funds in 1937 in many of these States was the exhaustion of balances of Federal Emergency Relief Administration funds which had been used extensively for general relief in the early months of 1936. A number of the increases from 1936 to 1937 may be attributed to the availability of more adequate funds for 1937 Reductions in general relief effected through the expansion of categorical assistance were offset in a number of States by increased need arising from declines in Works Program employment in 1937 and reduced private employment accompanying the recession in the fall and winter months.

The only decrease from 1936 to 1937 recorded for any State in total payments for the special types of assistance occurred in Mississippi where lack of State appropriations resulted in the discontinuance of aid to the blind and to dependent children. Although payments for old-age assistance were continued throughout the 2-year period, the total for 1937 was 8 percent lower than that for 1936. In contrast to this reduction, payments for this type of aid in 1937 were at least twice as high as those for 1936 in 18 States. In five other States, payments were made for old-age assistance for the first time in 1937, but amounts extended in these States accounted for only 2 percent of the 1936–37 increase.

Somewhat less striking increases were recorded in payments for aid to dependent children, but total amounts in 12 States were at least twice as high in 1937 as in 1936. Payments made in 1937 for the first time in four States accounted for only 5 percent of the total increase. In region 1, the relative increase from 1936 to 1937 was only 16 percent, largely as the result of an increase of only 6 percent in New York State where Federal participation in 1937 did not effect the expansion characteristic of most programs of this type during the 2-year period.

An even smaller number of States—eight—showed increases of 100 percent or more from 1936 to 1937 in payments for aid to the blind, but payments were initiated during 1937 in eight additional States.

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APPENDIX 3

A SURVEY OF THE CURRENT RELIEF SITUATION IN 43 REPRESENTATIVE AREAS IN 28 STATES OF THE UNITED STATES, WINTER OF 1938

(Prepared by the American Association of Social Workers, 130 East Twenty-second Street, New York, N. Y., March 21, 1938)

SOURCES OF INFORMATION

Published reports of Federal, State, and local relief and assistance administration, special studies and reports issued by nongovernmental agencies, newspaper files, and reports from correspondents of the association in the areas indicated supplied the data for this summary report.

I. FOREWORD

The facts about existing conditions in respect to the availability and adequacy of general or direct relief presented in this report—as differentiated from the various types of special assistance for groups like the aged, the blind, and mothers with dependent children available under the provisions of the Social Security Act—reveal a large group of men, women, and children undergoing untold hardships in many sections of the country.

The Works Progress Administration program does not provide work for more than a large segment of those in need who are able to work. Large numbers of able-bodied employable family heads cannot and are not able to secure placement on Works Progress Administration projects because of quota and other restrictions.

This group of able-bodied persons, added to those who have been arbitrarily labeled "unemployable" make up a group variously estimated as between 6 and 8 million individuals. According to the latest available statistics,[1] there were approximately 2,000,000 cases of this type receiving direct relief—excluding aid to veterans—during the month of February 1938. The cost of relief granted is estimated by the same agency as $47,770,000 for the month. All of these funds came from State and local governmental jurisdictions.

In addition to those now receiving direct relief—able-bodied as well as those unsuited for work—there are untold numbers on the verge of dependency who are denied any kind of help because—

1. They are "employable."
2. They are aliens.
3. They are transients.
4. Available funds are lacking.
5. They are not "destitute enough."

Applications for direct relief—which are in effect applications for Works Progress Administration placement since it is necessary to qualify for local direct relief before assignment to Works Progress Administration is possible—have materially increased each month since July. This increase has placed a drain on available State and local funds which further threatens the adequacy and even continuance of this necessary relief in many sections.

State and local goverments faced with the problem of providing more and more relief have resorted to various expedients in an attempt to spread resources over growing needs. Relief allowances already below levels necessary to maintain life and health have been further pared; relief has been made hard to get and difficult to endure; medical care and clothing allowances have been eliminated; administrative expenses have been slashed arbitrarily; relief offices have been closed periodically; new applicants are being refused.

While standards of relief and practice vary from State to State and even between counties within States, the same situation prevails throughout the country, different only in degrees.

Similar surveys made in 1936 and 1937 revealed that the withdrawal of the Federal Government from participation with the States in the financing of direct relief had resulted in a serious breakdown in the adequacy and availability of relief, affecting adversely the health and well-being of those needy families and individuals who could not be cared for through a restricted Federal work program.

By comparing the existing situation with that which prevailed 2 years ago and a year ago, certain significant facts about the way of life of the hundreds of thousands of men, women, and children who are without means to maintain

[1] Social Security Board Summary of Data Collected for Senate Committee to Investigate Unemployment and Relief.

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themselves, come to light. These facts are presented in this report as evidence of the need for a recasting of public thinking on the question of providing for those who, through no fault of their own, find themselves dependent upon outside assistance for their bare subsistence.

II. SUMMARY OF FINDINGS

Significant facts revealed by reports secured from the areas tested indicate the following situations prevail:

1. Marked increases in the number of applicants for relief in all areas swamping both public and private relief agencies.
2. Widespread layoffs in industry and drastic pay-roll cuts.
3. Evidence that the Works Progress Administration program has not been able to absorb all employable needy on relief rolls.
4. Works Progress Administration wages inadequate to provide minimum subsistence to large families in many sections.
5. Periodic stoppages of relief in many sections.
6. Direct relief allowances shockingly low in many areas.
7. Family groups which include a so-called employable member denied any relief in many sections.
8. Little or no care available in majority of areas for nonresident transients.
9. Malnutrition commonly reported among relief families throughout the country.
10. Children kept from school because of lack of clothing.
11. Aliens denied Works Progress Administration placement or direct relief in many sections of country.
12. Low-paid jobs in private industry force full-time workers to seek supplemental aid.
13. Federal surplus commodities, intended as a supplement to relief, being issued in place of relief in sections of the South.
14. Available State and local funds for direct relief exhausted in many sections.
15. Wholesale evictions of relief families in communities where relief agencies do not pay rents.
16. Unattached transients housed overnight in jails and almshouses in some sections—told to move on in others.
17. Eligibility rules for relief being tightened all along the line—relief harder to obtain—allowances more and more meager as funds run low.
18. Migrants from "dust bowl" region living in ditch-bank camps in a sea of mud in San Joaquin Valley, Calif. Twenty-seven out of thirty children reported suffering from malnutritional diseases.
19. Couples receiving $12.40 per month for all needs in Colorado.
20. Children kept from school to forage for wood.
21. Survey made of clothing needs of 100 men on relief in Chicago showed: 72 without overcoats, 7 without any kind of jacket, 40 with bad shoes, 21 had practically worthless underwear, while 10 had no underwear of any kind. Out of all clothing of the 100, only enough decent shoes, underwear, jackets and overcoats to clothe 28 men could be collected.
22. Average actual monthly grants per case for all relief run as low as $5.87 in Georgia; $6 in Arkansas; $8 in Alabama; $12 in Nebraska.
23. Monthly food allowances as low as $11.90 per month for a family of four persons prevail in some sections. When compared with the United States Department of Agriculture, Bureau of Home Economics "restricted diet for 4 persons for emergency use only" of $26.55 per month ($6.15 per week), it is easy to understand why malnutrition and other diseases due to undernourishment are prevalent among families on relief. The Department of Agriculture diet is for emergency use only "because it may not provide a sufficient surplus of protective foods to insure good health over an indefinite period." (Bulletin No. 1757, p. 12).

Alabama

Applications for all types of assistance have increased steadily since September 1937. This is particularly true of applications from unemployed, able-bodied persons for referral to Works Progress projects.

Many cases have been investigated and certified but are receiving no work or financial assistance because of lack of funds.

Some employables receive direct relief pending assignment to Works Progress Administration or receipt of unemployment compensation benefits. According to present regulations, Works Progress Administration wages and private employ-

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ment wages may be supplemented, but these supplementations are rarely made, due to the limitation of funds. When available there are supplementations of Federal surplus commodities.

The average amount of relief or public assistance per family is so small that it does not cover minimum food needs.

Certain county departments of public welfare make special arrangements for medical care and hospitalization.

Federal surplus commodities, food and clothing, are an important supplementation. Only in instances where cases are certified as in need, and where public assistance or Works Progress Administration is not immediately available, are Federal surplus commodities used as a substitute.

Aside from the three social security categories, Old Age Assistance, Aid to the Blind, and Aid to Dependent Children, the State and local departments of public welfare give assistance to totally unemployable persons, and to certain emergency cases.

The above limitations exclude a large group of partially employable persons not totally incapacitated.

Transients and aliens find it hard to secure any type of relief, or referral to Works Progress Administration.

There are no private relief-giving agencies in Alabama.

Arkansas

Relief standards shockingly low, maximum monthly relief allowable $12 per family. Average monthly relief $6 per case.

In Little Rock, during February, it was discovered 2,000 families in county receiving no aid and near starvation. Situation so serious that business men met February 4 to raise $10,000 for immediate relief of the 2,000 families for 10 days, during which time it was thought it might be possible to get Federal aid.

Federal jobless survey found 8,916 unemployed in county, Works Progress Administration taking care of 1,000 less than 2 years ago, although same amount of unemployment.

California

General.—January 1938: Alarming reports of hunger and starvation among migratory farm workers of San Joaquin Valley and other agricultural districts.

Farm Security Administration representative reported that in one district 27 of 30 children found defective through malnutritional diseases. In another ditch-bank camp, 21 of 22 infants examined were defective. Children dying at rate of one or two a day in Tulare County with 90 percent of the mortality among children of migrants. Families living in squatter camps made of dirty torn tents and makeshift shacks in a sea of mud.

Most of migrants refugees from the Oklahoma and Texas dust bowl, who have been entering California seeking work in fields and orchards.

Migratory families ineligible for local aid relief—cannot meet residence requirements of 1 year for State relief and 3 years for county relief.

Farm Security Administration reported ready to begin giving direct aid in cash. About 13,000 migrant families expected to be in dire need during next 3 months.

Sacramento.—Increase of 30 percent in relief applications over last winter. Greatest unmet needs in transient or State homeless group. Serious housing deficiency in this area.

Allowances for clothing discontinued. Medical service varies from county to county. Under present practice medical care tends to be delayed.

January 27 in Sacramento County there were 2,000 cases classified employable but not on Works Progress Administration. Works Progress Administration employs only about 75 percent of those certified.

San Diego.—Employment in building trades at lowest point since depths of depression. Estimated twice as many union men in building trades unemployed now in comparison to year ago. Over 50 percent those certified to Works Progress Administration in 2 months (December and January) have not been employed on Works Progress Administration in last 18 months.

San Francisco.—Department of public welfare requires liens to be signed before persons can be accepted for relief and the refusal of some to sign these results in denial of relief to some who need it.

Inadequate relief in shelter, clothing, etc. Adequate as to food. Men on relief have difficulty securing presentable outer clothing in which to apply for a job.

Assistance chiefly given on emergency basis so families cannot make long-time plans.

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Largest unmet problem that of able-bodied, single nonresident men, over 22 years old, who get what temporary care they can from one of the private agencies.

One problem not adequately handled is that of nonresident boys below age of 18. Some returned to homes, some allowed to drift away.

On February 3, State relief administration reported that applications for relief average about 1,500 weekly for past 5 weeks, of which about 1,000 accepted per week. Works Progress Administration cannot take care of all employables.

City and county sponsoring most Works Progress Administration projects and there is some feeling they cannot contniue to meet cost of this contribution through which Federal funds are secured.

Colorado

Transients given no aid except transportation or in case of serious illness.

Resident employables certified to Works Progress Administration.—Direct relief allowances inadequate. On most cases only 40 percent budgets paid since June. Single men average $9.80 a month, not enough for food. Single women average $10.40. Couples average $12.40 per month. Family of four received about $29 per month. Surplus commodities given as supplement.

Private agencies assist some aliens, few transients.

Medical care available through hospitals and clinics.

Special problem of alien families.—New ruling following Works Progress Administration makes them unable to get relief unless naturalized.

Typical case.—Father born in Mexico, has lived in Colorado for 30 years. Six children at home varying from 12 to 1 year. Laid off Works Progress Administration in summer of 1937; then worked in beet fields, but did not earn enough to support family. Secured job picking beans, taking three of his boys to help him. All together earned about $2 a day, not to be paid till end of season. School authorities insisted on boys returning to school. But soon absent again. Mother explained they must search the alleys and dump heaps for bottles and rags to sell as junk and for cardboard to burn in cook stove. Baby became ill and sent to hospital. Through assistance of neighbors family survived, living mostly on beans and flour.

Denver.—Applications at public agency have swamped agency. November 1937 applications, 1,813; December 1937 applications, 2,824, first half of January applications, 1,557

Sudden and startling increase of employable cases. Increase in December over November was 114.05 percent. Chiefly due to loss of work in industry. Many applicants new to bureau. Of 1,485 cases accepted, 511 were new to the agency.

Need for expanding Works Progress Administration program. Quota closed with 400 certified and awaiting employment. End of December, Denver Bureau Public Welfare was still carrying 629 cases of employables. In December, average allowance per person relief was $9.08 per month.

Connecticut

New Haven.—Applications for relief increased about 100 percent since September 1937

Waterbury.—Case load doubled from October 1 to January 1.

Waterbury and Stamford.—Drastic reductions in industrial pay rolls.

District of Columbia

Estimated $2,022,000 needed this year for relief for unemployables and about $1,225,000 for employables—no appropriation for latter.

No applications for direct relief accepted since October 1. Since July 1936 only unemployables accepted for emergency relief because of limited funds.

Transient bureau expected to close by June 30, 1938. Single transients given aid only during period of determining residence. Service is refused if single person has no residence elsewhere. Nonresident unemployable families assisted only if they have no residence elsewhere.

At least 3,000 employable cases given no assistance for year and a half. Unemployables who do not fall within the Social Security categories are being refused on application.

Between 1,200 and 1,500 applications being rejected each month. Private agencies report they are swamped.

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In December, limited assistance given 2,661 general relief cases. Refused aid to 1,038 applicants of whom 956 were employable. Appropriations not enough for unemployables alone.

No work in sight. Recent census estimates 37,000 unemployed. At present 8,875 people on Federal and local Works Progress Administration projects.

One informed observer writes: "There is no other large city in the country of which I am aware in which there is so acute a situation of need. Other States and cities are making appropriations for relief of the employables. Here, we not only make no appropriations of our own for their relief, but are faced with completely inadequate funds for the relief of two-thirds of the unemployable needy as well. The situation not only is inhuman, but is discreditable to the Capital of the wealthiest Nation in the world."

Definite limits placed on amount for personnel. Very inadequate this year, indications it will be worse next year. Case loads on the average as high as 150 for part of year, now about 135 per worker.

Florida

No State-wide general relief program. Certain cities and counties still carry their old pauper lists.

One observer reports: "The relief population is increasing far faster than funds to take care of them. Submarginal families still live in shacks, in crowded town sections or on isolated farms. Families of six and seven are known to be in homes with maybe two beds and few other articles of furniture."

Northwest Florida—lumber mills closed. Fishing has not paid and crops were hurt by serious cold before Christmas.

South Florida—tourist season in full blast, but unemployment there expected to be serious by the 1st of May.

Tallahassee.—Offices certifying for Works Progress Administration are swamped with applicants. Many are new cases, let out by lumber mills and slowing up of building program. But many also show no real employment history, having always led submarginal existence.

Pensacola.—Over 800 applicants certified as in need were awaiting placement on Works Progress Administration projects the last week of January.

Illinois

Chicago.—Autumn decline in Chicago employment and pay rolls was largest in 14 years. In November 1937 families on relief were 84,495. In December 1937 families on relief were 91,889. Sixty-eight thousand now employed on Works Progress Administration. City's appropriation for relief probably will be all spent by March or April, leaving only State money, about $2,000,000 a month. Outlook for 1938 very poor. "Crisis will deepen and State and city governments will have an even worse problem than now confronts them," one observer states.

Significant that many persons applying for relief who never applied before. Skilled workers from steel industries. Others who have been off relief for several years and economically independent now applying. Also notable younger men coming now for relief. Apparently in some places increase in nonresidents, suggesting that people from rural areas are coming into Chicago.

Illinois State Employment Service reports increasing number of applicants, decreasing number of job openings.

Monthly relief budget for family of four:

Food	$29.03
Rent [1]	7.50
Coal	5.75
Gas	1.50
Total	43.78

[1] One-half the rental is permitted—$10 for family of more than 7.

No provision for light. Case workers have interviewed families in the dark.

Clinic section, Council Social Agencies reports difficulties not due to lack of medical service but to fact that patients do not have basic necessities of life.

Sample cases:

The B family consists of two adults and five children ranging in age from six to 17 years. Mr. B has been laid off Works Progress Administration recently because of ill health, and the family is totally dependent for support upon the Chicago relief administration. Mrs. B recently underwent a major operation.

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Both parents are receiving medical care through one of the private clinics and three of the children are attending another private clinic. They have been under medical supervision because of repeated colds, serious ear infections, and malnutrition. These children were also exposed to tuberculosis when a sister died with the disease. At the present time one patient, the 10-year-old girl, is 20 pounds underweight and another patient, the 8-year-old child, is undersized and malnourished. All three children are without sufficient clothing, and in order to attend clinic have to borrow clothes from a neighbor's children. They should be having special health-building diets, but the family is unable to provide adequate food since part of the food allowance furnished by the relief agency must be spent for other essentials.

Mr. D has a serious heart condition, and extreme malnutrition. His wife is ill. There are five small children, including an infant less than 1 year of age. They were recently evicted from a heated flat. Mr. D, though ill and running a slight temperature, was successful in obtaining a small unheated flat and was extremely active in trying to obtain some furniture and a stove. This activity resulted in a marked increase in his heart symptoms and a loss of 15 pounds in weight. He is a trained clerical worker and had hoped to obtain some suitable work so that he could support his family At present, due to his recent relapse, this will not be possible.

Mr. X fainted while waiting his turn in the relief line. He was picked up and taken to the Cook County Hospital, where he later died of stomach hemorrhages. It is believed that his illness was aggravated by poor diet.

Survey made of clothing needs of 100 men on relief showed: 72 without overcoats, 7 without any kind of jacket, 40 with bad shoes with foot showing, 21 had practically worthless underwear while 10 had no underwear of any kind. Out of all clothing of the 100, only enough decent shoes, underwear, jackets, and overcoats to clothe 28 men could be collected.

Indiana

St. Joseph County, Portage Township.—Increase in case load for direct relief last 3 months of year, nearly double and total obligations doubled to sum of $50,401 in St. Joseph County.

January 1937 case load	1,585
November 1937 case load	1,560
December 1937 case load	2,372

At present between 3,200 and 3,300 on Works Progress Administration. Referrals December 10–January 26, 1938, 2,395; accepted 960, rejected 500, remaining not yet interviewed.

Drastic reductions in pay rolls, especially automobile industries.

Housing conditions among relief families poor, families crowded, no modern conveniences, run-down neighborhoods, only one stove running in most homes, so only one or two rooms heated.

Monthly relief for four (resident families):

Food	$14.
Surplus	$4.
Rent	$10–$14.
Fuel	1⅓ tons coal.
Kerosene	3 gallons per month.

One person receives $2 for food. Old schedule $1.05—slight increase for all groups under new schedule. Kerosene for lamps. Public utilities only in emergency cases. Water bills worked out if possible. No back rent paid. Family stays where they are until evicted. Then township starts paying rent on another house. Shortage cheap houses.

Border-line cases find difficulty. Single persons are given food orders, but no rent is paid. Aliens eligible for relief but not for Works Progress Administration.

Transients—single men given meal tickets and one night's lodging. Families in automobiles given $1 worth of gasoline and told to go on. Families without legal settlement are cared for temporarily.

Iowa

Relief load up over 1935 but not over 1936. Drought affected State. Works Progress Administration throughout State employs 80–85 percent employables. However, in Woodbury County only 65 percent of employables on Works Progress Administration. Some counties require employable needy to work for all aid.

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Works Progress Administration wages often need to be supplemented. Sometimes private wages. Many stockyards and packing plants do not guarantee more than $16 a week. Sometimes necessary to supplement with medical aid, and even with other assistance in order for family to live at a very minimum standard.

Monthly budget for family of four:

Food	$18.40
Rent	7.50
Clothing	5.00
Fuel	8.00

Forty counties out of ninety-nine receive State aid. State money from sales tax. Some counties carry their entire relief bill.

Kansas

Monthly relief budget for family of four, $55.79 a month. Works Progress Administration prevailing scale, $46.20. Works Progress Administration supplemented only in case of emergency. About one-third case load employable persons.

Relief in kind to single women; single men may earn $4 to $12 a week cutting wood.

Transients given temporary care and transportation—if transportation refused, assistance withdrawn.

Employables given relief in kind; categorical relief, 100 percent cash.

State pays 30 percent of noncategorical relief.

Shawnee County (Topeka).—Acceptance if total income less than 90 percent minimum budget—aliens, homeless, and employables are eligible.

Louisiana

Large transient population in winter. Transients ineligible for Works Progress Administration or for direct relief. Large turn-over at transient shelters and much begging.

Greatest hardships among families on general relief. Custom prevails of granting only 75 percent of budgetary needs due to "shortage of funds." This shortage has prevailed over several years. New Orleans standard budget for family of four persons includes rent, food, fuel, household supplies, and medical care, totaling $50.78. Relief check would then be $38, as 75 percent of needs. No clothing allowed, except as it may be secured through Works Progress Administration commodity-distribution division; this can cover only fraction of families' needs.

Typical case: Aliens removed from Works Progress Administration projects. In January 1938, Works Progress Administration laborer, born in Trinidad, who had served in American Expeditionary Forces during the war, lived in United States for 21 years, removed from Works Progress Administration project. Married to American-born woman who might have been given priority on Works Progress Administration project, but she is hospital patient. Referral made to department of public welfare, but current policy here makes it impossible to accept for relief an able-bodied worker even though such worker not eligible for employment on Works Progress Administration.

Massachusetts

Great increase in applications for relief and for supplementary relief from people working only 1 and 2 days a week.

If the unemployment situation continues as serious over a long period of time, another group which will be seriously concerned would be those who are earning a few days' pay which brings their income just to the minimum budget of the public agency so that they are unable to get relief. Replacements in clothing, dental care, etc., would be difficult to obtain.

Public agency budget for family of four is $56.92 in Fitchburg, $76.67 in Worcester. Private agency budgets somewhat higher and varied according to circumstances of family. Medical services seem adequate.

Eligibility governed by client's needs. Both private and Works Progress Administration wages may be supplemented.

Worcester.—Of 6,721 persons seeking relief during 1937, 72 percent were accepted—15 percent were new and 85 percent recurrent.

Applications for relief, exclusive of categories, increased from 349 in October 1937 to 943 in December 1937.

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Case load, 3,991 families for week ending January 15, 1937 Of 3,045 families with employable members, 2,287 were receiving full support and 758 supplement to inadequate income.

Fitchburg.—Of persons on relief, 1,918 totally unemployed, 1,311 partially, and 157 on Federal work projects.

Special shortage in housing, with families living in basements.

Michigan

Budget standards have fallen steadily ever since Federal Government withdrew from relief—"unless something is done we are afraid that they will fall still further."

Funds—65 percent State, 35 percent county—available to meet about 60 percent minimum subsistence budget. Neither State nor county surplus on which to draw when relief need increases.

Regular direct-relief budget 10 percent below standard restricted food budget alone—$10.36 for food, rent, fuel for family of four. Supplemented by medical care, Federal surplus commodities, direct relief from private agencies. In Kalamazoo, clothing only for school children and workingmen.

In Kent County (Grand Rapids) rent sometimes paid for single persons but often only food.

Kalamazoo.—January 1936: Applications, 621, accepted, 326. January 1937: Applications, 531, accepted, 357 January 1938: Applications, 861, accepted, 654.

At present 1,686 employables on relief Supplementation to large families on Works Progress Administration and in private employment.

Kent County (Grand Rapids).—November and December, increase in case load (omitting shelter cases) of 54 percent—November, 2,668; December, 3,752; January, 5,003. New applications coming in at high rate. Restrictions on intake mean greater need in those cases finally accepted.

Minnesota

Urban.—Vitally concerned over increased expenditures and at a loss to know how to finance needs of the near future. Requested appropriations drastically reduced at last legislative session.

Increased relief load because of drastic shut-downs in several industries in fall.

Works Progress Administration and private wages supplemented on budgetary basis.

Budget same as in 1936: $55.30 and 1 ton of coal a month for family of 4.

Out of 9,151 applicants in December 1937, only 5,825 accepted.

Of 29,079 on direct relief, 14,429 employable; 4,052 awaiting assignment to Works Progress Administration in 3 areas.

Rural.—More adequate standards in 1935 and 1936 when Federal funds available.

Eligibility rules vary from county to county—technicalities often prevent acceptance of needy cases. Rent and fuel not always granted. Single persons given relief only in emergency. Works Progress Administration or private wages seldom supplemented.

Of a direct-relief case load of 12,320 there are 6,898 employable.

In January 1938, 14,030 on Works Progress Administration; 4,319 awaiting assignment.

Missouri

St. Louis.—Inadequate diet and unhygienic living conditions have produced widespread malnutrition in St. Louis among persons on the relief rolls and to a lesser extent among families of Works Progress Administration workers and those who are eking out an existence upon near-starvation wages. A survey of clinics, welfare and social agencies shows that case histories comparable to the foregoing are numerous and their number is growing each day, while the State, city and Federal Governments disagree as to ways and means of providing more money

Lack of milk, fresh vegetables, and fruit is one of the primary causes of undernourishment.

Those close to the relief situation—doctors, nurses, welfare workers, and educators—believe that the future health of the community is at stake. They believe that the subnormal mental and physical impairments that follow undernourishment in the cases of children will swell the increasing ranks of "unemployables."

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Children so affected will become adults who cannot, even if they would, work for a livelihood and will thus become public charges.

They also believe that it is impossible to cope with the health problem with any degree of success as long as their patients are underfed and underhoused.

"What good are diets and prescriptions," asked one doctor, "when these people haven't enough money to buy the bare necessities of life?"

Welfare agencies are being flooded with requests far beyond their capacity to supplement inadequate relief allowances, Works Progress Administration wages and meager earnings from occasional employment. Agencies report many cases referred to them by Social Security workers who realize the need for supplementary aid. Relief allowances make no provision for rent or medical supplies.

City relief funds were exhausted last fall. For the month of February the Social Security Commission, sole present source of funds, allowed $155,000. There are about 25,000 persons on the relief rolls of St. Louis, an average of less than $6.21 a month for each. This amount is totally inadequate, dietitians agree, to provide sufficient food to ward off malnutrition, even though in some cases the amount is more, in some less.

As a result more and more of the responsibility is falling upon the various welfare agencies and the hospital clinics to provide food, shelter, and medical attention in cases aggravated and often directly caused by undernourishment.

"We find many cases in our out-patient department where the health is greatly impaired by faulty diet," reports Sister Alphonsine, superintendent of DePaul Hospital, "and in most cases inadequate relief is a factor. In a few cases small infants are improperly nourished and growing children are deprived of fruit, fresh vegetables, milk, etc."

According to the annual report of the Board of Education for 1936–37, during that year 70,000 children were given physical examinations and 8 percent, or more than 6,000, were found to be undernourished. Balanced free lunches and milk, distributed at the schools, have done much to overcome poor food in the homes; but a new crop of undernourished children, entering the schools each year, has kept the percentage at the same level. There are thousands of children who do not come under school observation until they are between 5 and 6 years of age.—St. Louis Post Dispatch, February 20, 1938.

Southeastern Missouri.—The situation in the southeastern Missouri cotton-producing counties has been called to the attention of the Social Security Commission by a report of V. S. Harshbarger of Sikeston, district supervisor of the Commission, which shows that in December the allotment in the seven cotton-producing counties was $17,224 for 11,587 individuals, an average of $1.48 per month per person. For January the estimated number is 12,780 and the estimated allotment is $18,990, again only $1.48 per person. The January figures, however, are subject to revision.—Building a Better State, January 1938.

Nebraska

Douglas County (Omaha).—Law provides for "the relief of unemployed and indigent persons," but all able-bodied employables removed from rolls. Attitude in Douglas County that there are only two categories, the unemployable and those who could work if they wished.

No attempt being made to meet minimum needs. Douglas County Assistance Bureau allowances about 40 percent of minimum needs. Relief per family averages around $6.90 per month with 870 direct relief cases in October 1937. The county supervisor considers this about 15 to 25 percent of those actually needing help, thus about 2,500 families in need who have been refused. No record of number of applications since doorman refuses interviews in all cases where there is an employable person in the family. Only 1.4 percent of Omaha's population are receiving direct relief. Forty to fifty single men given cot and two meals a day in shelter. Evicted families housed in Old City Mission Building.

On January 21, 1938, there were 7,500 employed on Works Progress Administration. There were 994 certified and waiting for work. It is expected that $550,000 will be spent here in February, including materials. On November 29, 1937, there were 4,081 men and women not receiving relief, not employed and looking for work.

County relief director denies that evictions are a problem. It is alleged that 101 families were evicted during 60 days. Almost daily applications to private agencies from public schools for clothing for children. Visiting Nurse Association reports great increase in illness and has on file tragic stories. Medical care inadequate. Rent and clothing not provided. Family food budget, four persons, is $11.90 per month, with allowance of 3 cents a meal per person.

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Up to May 1936, when Federal Government cut off its financial contributions, Omaha had been spending at rate of $100,000 a month, with a load of 4,500 cases. In June 1936, $5,700 was spent for relief, under direction of a businessman in charge of relief. He kept expenditures for a year within $140,000.

Riots had been forecast but there were no disturbances. Asked if there were protests, the director replied: "There were. But the protests soon died out. We had people thrust their children at us and tell us they were abandoning them to our care. But we ended that by reminding them we had a jail for people who abandoned their children." (Quoted in Chicago Herald-Examiner, December 13, 1937.)

New Jersey

Relief cases are accepted under New Jersey State law as provided in Chapter 83, P. L. 1936, which states in part "immediate assistance shall be promptly rendered to any needy person by the overseer of the poor of that municipality where the person is found at the time of application, subject to determination and adjustment of responsibility as hereinafter provided." This law became effective May 4, 1936, and vests responsibility in an overseer or a relief director rather than in a centralized State relief agency such as the Emergency Relief Administration. The Financial Assistance Commission, empowered under the act to supervise (but not administer) relief within the State, does not advocate the granting of public assistance to full-time employables or transients. However, nonresidents may apply for and receive relief from municipal relief offices at the expense of the State prior to determination of legal settlement and resettlement in a State of former residence.

Relief rolls in the State for December 1937 totalled 69,132 cases as compared to 55,716 cases in the same month of 1936, and this difference is attributed to the current recession in business and the resultant unemployment. More than 10,000 cases added to rolls were due to loss of "private employment." Approximately 22 percent of the December case load represents cases classified as "unemployables," i. e., those that do not contain any person who is over 16 and under 65 years of age, physically and mentally fit for work and not needed at home. Increase in the load is general with greater proportions in rural areas.

Forecast for 1938 estimates cost of relief between $18,000,000 and $20,000,000. Increase over 1937 due to probable continuance of unsettled economic conditions during part of 1938, constant depletion of capital assets by unemployed as shown by many persons coming on relief for first time, temporary employment of persons on relief at low wages making accumulation of reserves for lay-off periods impossible.

"In some places relief standards were cut to the bone—and even farther. Many really needy persons were denied assistance." State-wide average monthly relief allowance in 1937 was $24.30. Allowances varied in certain counties to as low as $14.16 per month.

Atlantic County.—Relief denied to aliens, transients, homeless, employables in Atlantic City. Definite effort to cut number on relief, which is now smaller than in 1935–36.

In Atlantic City, food allowance is $1.80 per person per week, $2.10 if on special diet. Allowed clothing, rent, fuel, medical care except for tubercular. Poor director contends this a function of board of health; board of health contends it is function of city doctor. Acutely ill hospitalized, but it is reported that it is hard to get care for chronics.

Hudson County.—In Jersey City and some other places, 5-year residence requirement. Transient relief almost impossible to secure.

Single persons given meager assistance, rents exceedingly hard to secure. In Jersey City police and firemen investigate applicants. Many clients being cut off. Appeal through ward leader often required before relief is granted.

In Hoboken, overseer cut off many clients and is reported as especially hard and unyielding.

"Children have remained out of school for days and even weeks because of lack of shoes and clothing. * * * Men, women, and small children find clothing almost impossible to secure." In Jersey City shoes withheld till after school started, so many children remained at home until shoes available. Fuel may be withheld even after supply exhausted. "Families are required to forage for everything they can possibly find to burn until they can fight through their order for fuel." Evictions frequent. Medical care and hospitalization adequate; however.

Great increases in applications. Relief standards inadequate. Considerable malnutrition among adults and children. Milk only given children under 1 year,

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on special order of physician. Average monthly allowance for all needs, $14.16.

Newark.—Tremendous increase in applications. Definitely inadequate allowance for rent and fuel. All employables not on Works Progress Administration.

Food and rent allowances, and milk for children. One-half ton coal per month in winter. Food allowance for family of four about $22.62 per month, rent $15. Many children kept from school because of lack of clothing. Board of health survey shows many children undernourished.

Somerset County.—All overseers agree relief load increased greatly in past 3 months, with little prospect of improvement in near future. Each community having to meet its own problem, due to lack of definite State program.

Conditions vary greatly. One observer reports: "Believe that some overseers of the poor do not know that budgets exist."

New York

Poughkeepsie.—Decided increase in applications. Majority employables. Only small number can be certified to Works Progress Administration. Public and private employment supplemented to full extent of emergency budget deficits.

Single employable men who have been privately employed during summer are offered only the county home "which policy is tending to teach them to save for their small needs during the winter." No plan for single transients or homeless other than night's lodging and meals.

Valhalla.—Steady increase applications: July, 692; steady rise to December, 1,259.

Works Progress Administration not meeting needs. On January 15 there were 1,186 employable men and 95 women certified by towns as eligible for Works Progress Administration placement. Also about 120 heads of families already certified but not placed. Works Progress Administration wages and private employment supplemented. Relief fairly adequate.

Yonkers.—Works Progress Administration not meeting needs employables because of rules barring single men, all aliens and those judged physically unfit. Employables on direct relief rolls because Works Progress Administration does not accept clients applying for and receiving aid after January 20, 1938. Department of public welfare makes up deficits for those on Works Progress Administration, private industry or receiving unemployment insurance, if sums received do not cover the budget.

City secures funds through sale of relief bonds. State reimburses 40 percent. No break-down expected.

Full relief budget includes food, milk, rent, fuel, light, household supplies, ice where needed. Clothing not included in budget but granted as needed.

Buffalo.—Percentage increase last 3 months was 30.6, while same period last year increase was only 1.1 (Buffalo). Erie County case load increased 64 percent over last year.

Works Progress Administration not meeting needs of employables. Works Progress Administration and private wages supplemented by direct relief.

Buffalo anticipates break-down in near future, as city has about reached limit for its bonded indebtedness. Communities so far meeting needs with adequacy.

Budget for family of four about $55.50 per month, clothing excluded. Erie County about $61 per month ($5 more rent allowed in county. Buffalo has State's second largest relief load.)

Rochester.—Increases noticed as early as October. Last week of January the cental office intake was 109 applications—normal only 35 to 50. Few assignments to Works Progress Administration in last few months. At present between 700 and 800 employables on direct relief. Supplement Works Progress Administration, private wages and unemployment insurance. No break-down expected, but department understaffed. Feel relief has been adequate.

White Plains.—Increase applications: October, 635; December, 820; January 1938, 959. Approximately 230 male and female employables on relief. Works Progress Administration and private wages supplemented by direct relief.

Rockland County.—Since November, decided increase. But no evidence of unmet needs. Works Progress Administration program taking care of about one-third of needy employables. Sometimes Works Progress Administration wages are supplemented by direct relief, private wages rarely.

Putnam County.—Increase in intake. Some months figures have surpassed figures of any month in last 3 years. Unemployment materially increased. In addition, problem of return to relief of those who have had only seasonal employment in last few years. Works Progress Administration wages not sufficient to meet needs of average family—must be supplemented. Increased number of

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employable persons on direct rolls due to fact Works Progress Administration certifications have not increased with need. Appalling extent of health and social problems presented in rural community.

Sullivan County.—Laboring class largely dependent on wages earned in 10 to 12 summer weeks. Hopelessly in debt. Pay last winter's debts during summer, face new winter destitute. Works Progress Administration far short of need. Many employables on relief. Truly rural slums are worse than city slums. "Homes are, almost without exception, old frame farm or camp buildings on shallow foundations. They are heated by wood-burning stoves. In the past few years wood has become scarce and almost as costly as coal. Families of from five to seven members have been obliged to move beds into kitchen and crowd up the best way possible to sleep and keep from freezing. They could not get enough fuel to afford two fires even if they owned a second stove. Hardly without exception, roofs leak, plastering is off walls and ceilings, and cracks let in cold air to add to the cold, damp, mildewed air of the unheated rooms. These houses have not been heated and dried out thoroughly in years, or since the original owners, who built them for summer homes, abandoned them. Some of these old dwellings were originally farm houses on farms that did not pay"

Orange County.—August 1937: Case load—203, rapid increase to 582 in December. Further increases expected. Works Progress Administration unwieldy, not adequate.

"In order that a man be placed on Works Progress Administration it is necessary that he remain on home relief for usually 3 months before he can be 'certified' to the Works Progress Administration. In the meantime if he accepts part-time employment, the Works Progress Administration considers that public assistance rendered is only supplementary and that he is therefore not in need of Works Progress Administration earnings. From this it may be plainly seen that all employable needy are certainly not on Works Progress Administration. At this time there are shown upon our rolls approximately 400 of this type. In all probability they will not be employed for at least another month. Almost all of them have already been receiving public assistance for more than a month."

New York City.—Toward the end of August increase in unemployment reflected in relief rolls. In spite of transfer 12,000 cases to Works Progress Administration, number on relief remained almost static. When Works Progress Administration quotas were not increased, relief rolls mounted steadily. Applications home relief June to December increased, 105.7

Sufficient appropriations still available, but indications of restrictions appearing. No clothing allowance last quarter January On March 15 a 10 percent cut in all budgets was announced.

Recent increase in food allowances, so that family of five would receive $8.85 per week for food offset by cut.

Housing more adequately cared for than many of other responsibilities. Largest number clients pay $5 to $8 per room per month, which is about the rental allowance. In some areas—Bronx—rents exceed $8 and relief families are in debt to landlords. Much of housing difficulties can only be met by new and better housing. Only about 40 percent families live in homes having private baths, central heat, and hot water. Overcrowding common.

Fairly adequate medical service.

Works Progress Administration makes no real attempt to meet needs of all employables. Past year few persons placed on any but laboring jobs. Large group of white-collar and professional employable persons remain on relief.

Case loads per worker increased through attempt to cut administrative costs.

Funds: City, 60 percent; State, 40 percent. State reimburses city. City funds obtained through sales tax, tax on utility corporations, excise tax and tax on business. Tax of 3 percent on gross income of utility corporations. City now allowed only 1 percent, other 2 percent deflected to State. This results in estimated reduction of city income of $10,000,000.

Ohio

Cincinnati.—Funds are inadequate, only $170,000 being available for the month of December. A local work program initiated by the city in connection with the relief department has had applications during December from 5,700 men. During the first 3 weeks of the month, only 1,193 had been assigned to work. Thus, over 4,000 who registered for work have received neither work nor relief.

Standards are low, $22.09 being the average per case for November. Inasmuch as the clients represented were generally the totally dependent group, those involv-

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ing sickness and those with large families, this average is more inadequate than would be the case with a normal relief group.

A recent census of school children showed more than 800 lacking adequate clothing. Private agencies have been besieged by tragic cases of destitution. A large number of persons have sought to place their children in institutions and, crime and delinquency have increased. Social workers representing private agencies and community chest officials have stated that the situation is worse than at any time during the depression.—Report on General Relief in the Fall of 1937 published by the American Public Welfare Association, January 15, 1937

Cleveland.—Applications for direct relief on increase since July. City without funds for relief first 7 days of January. Present relief fairly adequate.

Toledo.—Reports of recent drastic cuts in pay rolls. Illustration—three plants: Pay roll: (1) 4,100—1,861 persons working 24 hours per week. (2) 2,500—776 persons working 2 days per week. (3) 4,150—1,200 persons working 24 hours per week.

Case load of relief bureau has increased about 70 percent between November and February.

Pennsylvania

On January 29 there were 689,181 persons on direct relief—a 2-year high.

In January, 49 of State's 67 counties reported increase in relief rolls. In counties which reported decreases, augmented Works Progress Administration employment was the predominant factor in all but two instances.

Direct relief case load dropped below 200,000 for the first time in 6 weeks, the week ending February 19. Major causes were expanding Works Progress Administration and receipt of unemployment compensation.

During 1937, 14 percent of the people of Pennsylvania received some form of public aid. Persons on relief totaled 455,713 in January 1937—521,968 in December 1937.

Applications for relief in 5 weeks ending January 30, 1937, were 46,548—January 29, 1938, were 69,439.

About 68 percent relief families have male employable members who have not been absorbed by Works Progress Administration

Relief allowance for family of four is $50.75 a month in Philadelphia, $44.40 in rural western counties. Federal commodities in addition except to single persons.

Works Progress Administration wages not supplemented. Assistance during waiting period for social security cases if there is acute need.

South Carolina

Recent wholesale lay-offs in cotton mills and pulp mills, a new industry. This affects not only laborers but farmers who sold trees.

Department of public welfare gives relief to aged, blind, and dependent children and other handicapped.

General relief confined to those unable to support themselves because of mental or physical infirmity. Three years' residence in county required. Transients and homeless not assisted. Employables excluded, except in one county where several cotton mills have been closed.

In 1935, relief met through Emergency Relief Administration funds, at times spread thin, but some assistance to practically everyone. In 1936, need of unemployables generally met. In 1937, no intake March 1 to July 1, due to change from Emergency Relief Administration grant to present department.

Medical care through counties, mostly inadequate. Federal surplus commodities supplement relief.

Current monthly relief allowance for a family of two adults and two children:

Shelter	$10.00
Food	28.66
Clothing	6.50
Fuel	3.03
Light	1.00
Insurance	1.73
Incidentals	1.20
Total	52.12

Works Progress Administration intake closed for 8½ months of 1937. In November demand was so great Works Progress Administration was forced to set up staff to accept applications. From November 15, 1937, to January 15,

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1938: New applications, 11,971; applications from persons formerly on Works Progress Administration, 5,302; total, 17,273.

Of this, 14,281 certified. On January 15, Works Progress Administration projects employed 17,450 men, 6,859 women.

Quota reached, assignments now stopped. Works Progress Administration only partly meeting needs of unemployed.

Tennessee

Nashville.—Factories shutting down, causing increase in applications for direct relief.

About 60 percent employable needy on Works Progress Administration. These wages not supplemented.

Full monthly allowance family of four is about $16, which includes surplus commodities amounting to about one-half of that. Rent never included. Fuel taken care of through State-mined coal. Medical care through public-health nurses and city hospital; clothing through sewing projects.

For direct relief there is appropriation from city and county. Funds available for next year are about $35,000. Community chest supplies about $20,000 to various agencies. Present load cannot be carried after the 1st of March without new money.

Chattanooga.—Heavy increase in relief applications beginning late in August. Partly due to withdrawal of State from relief picture but major portion due to unemployment. Relief load of social service bureau increased from 400 in August to 1,066 in December.

Allowance for family of four:

Food	$3.75
Milk	.50
Rent (maximum)	12.00
Total	16.25

Fuel, ½ ton coal every 3 to 4 weeks; clothing, mostly from Works Progress Administration projects. Federal surplus commodities given in addition.

Works Progress Administration program never has met needs of employables. Materially increased since December but not yet sufficient.

Texas

Texas has no State-wide agency responsible for giving relief. Needs met county by county through county welfare agencies. Relief given varies depending on temper and financial ability of counties. In many counties the main part of relief consists of Federal surplus commodities, in many instances this is the only relief.

Texas has only one social security category. That of old-age assistance. All other needs met in each county by local political subdividions and citizen groups. Evidence of indifference to need shown by failure of last special session of legislature to appropriate funds to carry on aid to the needy blind and aid to dependent children, although amendments for this were approved by the people of Texas in August.

Dallas.—Serious conditions in Dallas. On December 31, 1937, of 2,430 families, 1,589 were receiving surplus commodities only; 841 were receiving food allowances. Rent, fuel, and medicines not provided. Hospital care provided totally unemployable families on individual case basis. Actual allowance for family of four, where food, shelter, and fuel is allowed, is $27.50. Only one-third of case load receives this. Average is $13. Suggested basic budget for family of four is $42—suggested by social service department of the Texas Relief Commission.

Salvation Army only social agency taking financial responsibility for transients. They estimate daily average of 150 applicants and have an annual budget of $5,000 for this purpose.

From June to December 1937, few applicants added to public agency rolls, as county officials ordered rolls cut to 500 families and budget held to $10,000 a month, including administration. In December, case load increased to 841. All social agencies in Dallas have daily evidence of unmet needs.

Meeting of unemployed called in Dallas, January 22, under appeal "Organize or starve." Dallas papers report at least $100,000 additional per month needed to meet relief situation. "Whole families are undernourished. This leads directly

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to wholesale increase of illness, pneumonia, pellagra, tuberculosis." "Wholesale despair and suffering is aggravated by walking, walking—when there is neither shoe leather nor carfare and the faint hope of help is scattered among many inadequate and distant points. There are men and women 'on W. P. A.' but without food to sustain them until the check arrives; unable to subsist at a level of human decency if the weather halts work projects." (Quoted from statement of committee on relief needs in Dallas Morning News, December 19, 1937.)

Utah

Heavy increase in applications for direct relief during last 3 months of 1937. Increase in general relief cases for this period was 32 percent, but increase in employable families, 144 percent.

Long waiting lists of those certified for Works Progress Administration who cannot be employed. If Works Progress Administration does not soon assume care of employables, it will be necessary to cut relief allowances not later than end of March. Expenditures running about $30,000 a month beyond available funds.

Present monthly budget for family of four approximately $52, plus Federal commodities. Insulin available but otherwise Salt Lake County has no adequate provision for medicine or hospital care.

State money for general relief reduced because of preference to old-age assistance—5 out of every 10 persons over 65 receiving aid and on a scale more generous than that given to chilren.

Latter Day Saints Church has local work relief program but this has not yet reduced demand on public departments nor taken any off public rolls.

Virginia

Decrease increase in applications for work during past 3 months, exceeding any similar period since 1935. Heavy lay-offs from local factories.

Relief budgets vary from county to county. In Richmond, $19.07 a month plus clothing and project-made furniture, for a family of four; Petersburg County $14; Henrico County $10.

In Chesterfield County family on relief "would probably live in a 3-room unpainted wooden building, with no modern conveniences such as water and light, would have an outdoor toilet and use kerosene lamps. Heat would be provided by an open fireplace or a tin stove. A small garden would provide a few vegetables in season, and $3 a week in cash would be allowed the family for groceries."

State furnishes 55 percent direct relief funds—rest local.

Washington

"The need for public assistance has increased alarmingly" Last year at this time, 4,634 employables not assigned and receiving assistance. This year the figure is 9,320 employables. Last year Works Progress Administration had 30,000 on rolls; this year quota of 38,000 is filled. Certifications to Works Progress Administration now being made at rate of 2,000 a week. Last year relief to 72,857 unemployables. This year 115,000 unemployables.

All-time high point reached by first of 1938. Sharp decline in industry. Approximately 30 percent drop in pay rolls in 10 leading industries; 50 percent drop in lumber pay rolls.

Greatest unmet need is employment for employables. Need at least 52,000 Works Progress Administration jobs per month next 3 months, but quota 38,000. Meeting needs of these employables from relief funds seriously threatens Social Security program.

Since October 1, 1937, relief budgets include food and fuel for unemployables. Shelter and clothing where necessary Employables receive food, with fuel, clothing, shelter on emergency basis. Supplemetary assistance granted to large families on Works Progress Administration.

State and county funds only available for relief. Drawn upon so heavily in first 9 months of the biennium that in many counties their share already exhausted. Nineteen counties now holding conferences to determine what can be done.

It is anticipated that State funds can be available to carry the Social Security program the balance of the biennium, but this will be true only if additional Federal funds are found to meet the needs of all able-bodied unemployed. If this is not done, the whole Social Security program of the State is threatened, or if that is to be avoided, direct relief to the ablebodied group pending Works Progress Administration assignment must be refused.

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Northwest area—Whatcom, Skagit, and San Juan Counties.—Increase in applications. September 1–December 31, huge increase on requests for direct relief over 1936.

Works Progress Administration not meeting needs of employables. In Whatcom County assignments can only be made to replace workers now employed. Forty percent of employables certified but not employed are receiving relief. In Skagit County now 325 certified awaiting employment. Relief granted some of these. In San Juan County no Works Progress Administration projects although this year the fishing was poor, canneries did not run as long as usual, and farm labor not as highly paid as before.

Industrial conditions in Skagit County worse than before. Practically all mills shut, lumber camps closed 2 months earlier than usual. New applications coming for relief who never came before, Forty-four percent applicants in January had never received relief.

Direct relief from State funds. Money allotted counties is about half enough to meet actual food needs. Constantly going beyond budgets at present time.

Only meet food requirements. Lower standards than in 1936. In rare cases, rent or fuel allowed for unemployables. Clothes from commodity service. Some funds for medical care. Allowance family of four depends on age of children; with maximum about $30.

West Virginia

Relief expenditures increased greatly due to winter needs and unemployment: November 1937, $199,696.12; December 1937, $218,183.87

End of December, 5,143 applications pending for general relief. December applications 72 percent higher than November.

Works Progress Administration carried 29,216 persons in December showing increase over November. Year ago more than 45,000 persons on Works Progress Administration.

Family of four standard budget:

Food	$17.00
Rent	6.00
Clothing	2.00
Light and fuel	1.00
Household supplies	.75
Medical care	1.00
Total	27.75

Not all counties yet applying this budget. Average monthly grant, including hospital and other service, $14.15.

Wyoming

Lay-offs in industry more drastic this year than in 3 or 4 years. Conditions in coal companies worse now than any time since 1933. Beet laborers paid less this year than had been anticipated due to climatic conditions.

Works Progress Administration quota inadequate, leaving employables on direct relief. No supplementation of Works Progress Administration wages except for emergency medical aid to families of five and over. Only 5 counties out of 23 have public hospitals; most have small private hospital.

Seasonal fluctuations in relief needs. Generally applications double or treble in winter. This winter load treble to what it was in summer of 1937 but not as high as in winter of 1935 and 1936. This load includes direct relief, Works Progress Administration, and Farm Security program.

Budget suggested family of four:

Food	$26.00 plus Federal surplus commodities.
Rent	$12 to $15.
Water and lights	Minimum.
Fuel	1 ton coal a month.
Medical	$1.50.
Clothing	$5 supplemented by commissary.

Average relief grant, $15.85–$19.06.

Transients usually denied regular care but emergency assistance given. Most counties refuse direct relief to employables, but will certify for Works Progress Administration. Homeless, single persons and aliens are not certified for Works Progress Administration but are eligible for direct relief.

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Appendix 4

General Relief Case Loads and Costs in 126 Urban Areas Continue Rise in February 1938

SUMMARY OF DATA ON URBAN AREAS COLLECTED BY THE SOCIAL SECURITY BOARD FROM STATE AGENCIES

Reports received from 41 States and the District of Columbia for 126 urban areas show an increase of 5 percent in the number of cases receiving general relief and an increase of 2 percent in the amount of obligations incurred from January to February. The population of these 126 urban areas comprise 80 percent of the urban population and 35 percent of the total population of the United States. Of the 126 urban areas included, 82 were cities of 100,000 or more population.

General relief includes all State and local relief extended to the needy except public assistance to the needy aged, blind, and children under the Social Security Act, other public assistance of these special types, and aid to veterans under State and local statutes. It does not include costs incurred for services, such as maternal and child health and welfare services, or costs of hospitalization, burials, or institutional or boarding-home care of children: nor does it include earnings under the Works program, loans and subsistence grants made by the Farm Security Administration, or Federal surplus ocmmodities.

In 79 urban areas there was an increase in the number of cases of general relief. Although more than 45 of these showed an increase of less than 10 percent, 17 showed an increase of as much as 20 percent. These 17 cities in which the increase in cases was 20 percent or more were located in the Middle West and in the South, with a few exceptions. The cities in the Middle West were: Canton, Cincinnati, Columbus, Dayton, and Youngstown, Ohio; South Bend, Ind.; and Detroit and Flint, Mich. Unemployment in the automobile and rubber industries is doubtless the cause of the increased case loads in some of these cities. The southern urban areas in which increases of 20 percent or more are shown are widely distributed. These areas include Roanoke, Va.; Charlotte, N. C.; Greenville, S. C.; Chattanooga and Memphis, Tenn.; and Vicksburg, Miss.

In 32 of the 45 cities in which there was a decrease in the number of cases, the declines were less than 10 percent; in only one area was the decrease as much as 30 percent.

There were increases in the obligations incurred in more than one-half of the 125 urban areas for which changes were computed. In 35 of the 64 areas in which increases occurred, the rise was 10 percent or more; the increases in 14 urban areas were as much as 20 percent. As was noted for the increase in the case loads, most of the cities in which increases in obligations occurred were in the Middle West or the South. Four cities in Ohio, two in Michigan, and one in Indiana and five in the South showed a rise in obligations of 20 percent or more.

In a large proportion, 36 of the 60 urban areas, in which there were decreases in obligations the drop was less than 10 percent. In only two cases was the decline as much as 30 percent.

Although increases in the costs of general relief and in the case loads were less in February than in January, the conditions high-spotted above reveal a distressing picture.

Upon the basis of these preliminary reports from ubran areas, it is estimated that in the country as a whole, total obligations of $47,770,000 were incurred in February for general relief extended to 2,000,000.

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General relief in selected urban areas, February 1938 [1]

Urban area	Cases receiving general relief		Obligations incurred for general relief extended to cases		Cases with an employable person	
	Number of cases	Percentage increase (+) or decrease (−) from January	Amount of obligations	Percentage increase (+) or decrease (−) from January	Number of cases	Percentage of total case load
Total for 126 urban areas	1,059,443	+5	$30,018,595	+2	407,216	57
Alabama:						
Birmingham [2]	594	+6	6,045	−5	4	1
Mobile [2]	76	+6	1,155	+6	0	0
Montgomery [2]	95	+14	806	+12	0	0
Arkansas:						
Fort Smith [2]	90	−2	507	−2	0	0
Little Rock [2]	467	−1	3,179	−3	24	5
Pine Bluff [2]	100	[3]	889	+1	4	4
California:						
Los Angeles [2]	47,648	+7	1,611,694	+9	30,758	65
Oakland [2]	12,678	+9	348,713	+9	9,416	74
Sacramento [2]	3,236	−7	96,029	+15	2,369	73
San Diego [2]	5,779	+27	136,511	+12	2,524	44
San Francisco [2]	16,282	+5	454,745	+8	12,715	78
Colorado: Denver	4,472	+6	86,467	+47	1,008	23
Connecticut:						
Bridgeport	1,895	−1	53,708	−5	219	12
Hartford	2,157	+2	59,750	−13	351	16
New Britain	720	−7	15,105	−7	56	8
New Haven	2,003	−5	50,732	−6	213	11
Waterbury	1,155	+1	19,322	−14	207	18
District of Columbia: Washington	2,539	+1	65,652	[3]	52	2
Georgia:						
Atlanta [2]	2,883	−2	27,906	−7	408	14
Augusta [2]	334	−1	2,410	+3	85	25
Columbus [2]	504	−11	4,890	+8	250	50
Decatur [2]	153	−19	635	−14	132	86
Macon [2]	369	+10	1,894	+8	31	8
Savannah [2]	418	−8	2,705	−2	62	15
Illinois:						
Chicago [2]	104,231	−3	2,864,607	−4	45,121	43
Peoria [2]	4,076	+10	63,245	+10	2,856	70
Springfield [2]	3,661	−1	61,799	+6	2,261	62
Indiana:						
Evansville [2]	2,995	+3	48,000	+16	[3]	[3]
Fort Wayne [2]	1,900	−1	35,000	+30	[3]	[3]
Gary [2]	12,000	+17	300,000	+16	[3]	[3]
Indianapolis [2]	12,500	−3	192,000	−7	[3]	[3]
South Bend [2]	4,650	+20	82,500	+11	[3]	[3]
Iowa:						
Cedar Rapids [2]	1,600	+12	27,577	−2	1,004	63
Davenport [2]	1,751	+13	40,470	+16	1,228	70
Des Moines [2]	4,858	−8	86,924	−12	3,119	64
Sioux City [2]	3,344	+4	70,091	−1	2,151	64
Kansas:						
Kansas City	2,679	+2	40,556	−5	1,129	42
Topeka	1,004	−28	12,786	−32	305	30
Wichita [2]	2,187	−3	45,035	−2	631	29
Kentucky: Louisville	1,398	−5	26,000	−2	733	52
Louisiana:						
New Orleans [2]	2,378	−11	46,049	−14	508	21
Shreveport [2]	307	+3	6,423	+8	61	20
Maine: Portland	1,424	+4	32,000	+2	[3]	[3]
Maryland: Baltimore	6,388	+8	173,939	+11	[3]	[3]
Massachusetts:						
Boston	18,432	−4	529,418	−2	10,945	59
Brockton	1,632	−10	30,755	−20	1,350	83
Cambridge	2,578	+13	64,089	+1	1,978	77
Fall River	3,784	−6	66,587	−16	3,316	88
Lowell	2,120	−24	84,814	−3	1,984	94
Lynn	2,596	[3]	43,645	−3	2,474	95
New Bedford	2,011	−27	51,494	−22	1,480	74
Somerville	1,862	−4	73,520	[3]	1,114	60
Springfield	3,466	+5	112,274	−12	2,976	86
Worcester	4,715	+1	181,000	+7	3,801	81
Michigan:						
Detroit	57,410	+35	1,584,688	+33	12,666	22
Flint [2]	9,755	+30	240,000	+30	5,961	61
Grand Rapids [2]	5,050	+14	107,600	+12	1,622	32

[1] Figures for some of the urban areas are preliminary or estimated by the State.
[2] Includes data for entire county in which city is located.
[3] Less than 1 percent.

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General relief in selected urban areas, February 1938—Continued

Urban area	Cases receiving general relief		Obligations incurred for general relief extended to cases		Cases with an employable person	
	Number of cases	Percentage increase (+) or decrease (−) from January	Amount of obligations	Percentage increase (+) or decrease (−) from January	Number of cases	Percentage of total case load
Minnesota:						
Duluth [2]	5,961	+16	$156,507	−3	3,154	53
Minneapolis [2]	18,153	+2	539,170	−7	5,742	32
St. Paul [2]	9,338	+3	296,529	−9	6,177	66
Mississippi: Vicksburg [2]	136	+25	460	−6	(3)	(3)
Missouri:						
Kansas City	7,184	−2	82,460	−28	4,000	56
St. Louis	8,646	−23	164,701	+4	5,200	60
Montana:						
Butte [2]	1,626	+99	22,231	+111	1,323	81
Great Falls [2]	1,112	−7	23,508	+24	812	73
Nebraska:						
Lincoln [2]	1,148	+7	19,944	+16	790	69
Omaha [2]	918	−7	9,566	−12	147	16
Nevada: Reno	260	−6	1,942	−27	31	12
New Hampshire: Manchester	3,490	(3)	90,000	−11	2,100	60
New Jersey:						
Camden	4,563	+4	104,753	+2	4,064	89
Jersey City	8,487	−7	216,978	(3)	6,790	80
Newark	16,940	+12	475,649	−2	6,028	36
Paterson	3,180	−1	71,620	−7	2,600	82
Trenton	3,555	+13	89,550	+17	(3)	(3)
New Mexico: Albuquerque [2]	691	+103	3,339	−13	324	47
New York:						
Albany	1,906	+6	45,313	+1	(3)	(3)
Buffalo	17,821	+8	645,575	+7	(3)	(3)
New York	212,729	+2	8,424,720	+1	(3)	(3)
Rochester	8,774	+6	345,624	+3	(3)	(3)
Schenectady	1,580	+16	42,320	+7	(3)	(3)
Syracuse	7,605	(3)	258,040	+11	(3)	(3)
Utica	2,563	+6	85,679	+6	(3)	(3)
Yonkers	3,366	+6	112,260	+5	(3)	(3)
North Carolina:						
Asheville	237	−13	2,135	−17	69	29
Charlotte	622	+34	3,210	+25	253	41
Durham	256	+8	1,348	+6	108	42
Greensboro	116	−52	941	−70	45	39
North Dakota: Fargo	748	+3	11,599	−12	354	47
Ohio:						
Akron	4,319	+5	59,394	+21	(3)	(3)
Canton [2]	5,305	+22	86,708	+27	4,130	78
Cincinnati [2]	14,500	+51	328,000	+39	11,200	77
Cleveland [2]	30,006	+3	716,171	(3)	11,000	37
Columbus [2]	8,208	+22	137,473	+15	3,334	41
Dayton	5,051	+21	111,510	+10	3,017	60
Toledo	12,210	+18	309,000	+62	10,366	85
Youngstown [2]	5,741	+47	81,781	+17	(3)	(3)
Oregon: Portland [2]	7,295	−4	118,744	−8	3,835	53
Pennsylvania:						
Erie [2]	3,085	+4	70,700	−13	2,842	92
Philadelphia [2]	73,648	+2	2,146,312	−2	56,764	77
Pittsburgh [2]	42,464	+7	1,166,536	(3)	37,126	87
Reading [2]	4,175	+4	100,444	−15	3,741	90
Scranton [2]	7,478	−5	175,150	−23	7,039	94
Wilkes-Barre [2]	11,510	+5	303,270	−12	10,582	92
South Carolina:						
Charleston	190	+19	2,289	+14	0	0
Greenville	133	+36	2,082	+29	0	0
Spartanburg	13	(4)	165	(4)	0	0
South Dakota: Sioux Falls [2]	810	−3	11,000	−8	400	49
Tennessee:						
Chattanooga [2]	1,442	+90	17,590	+108	869	60
Knoxville [2]	1,364	+12	5,934	−14	1,117	82
Memphis [2]	276	+32	2,760	+32	0	0
Nashville [2]	1,074	+12	8,991	+20	570	53
Texas:						
Fort Worth	1,790	−7	14,245	−7	1,193	67
Houston	2,102	−12	28,815	−21	271	13
Utah: Salt Lake City [2]	2,189	+3	59,015	(3)	674	31
Vermont:						
Burlington	398	−1	3,097	−7	338	85
Rutland	213	−4	5,512	−5	154	72

[2] Includes data for entire county in which city is located.
[3] Less than 1 percent.
[4] No general relief extended during January.

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General relief in selected urban areas, February 1938—Continued

Urban area	Cases receiving general relief		Obligations incurred for general relief extended to cases		Cases with an employable person	
	Number of cases	Percentage increase (+) or decrease (−) from January	Amount of obligations	Percentage increase (+) or decrease (−) from January	Number of cases	Percentage of total case load
Virginia:						
Norfolk	557	−2	$7,696	−6	[3]	[3]
Richmond	2,427	+3	29,165	−8	1,042	43
Roanoke	447	+22	4,468	+46	69	15
Washington:						
Seattle [2]	17,707	+5	313,217	+17	4,495	25
Spokane [2]	6,689	+10	125,375	+8	4,181	63
Tacoma [2]	5,740	+2	108,480	+1	3,094	54
West Virginia:						
Charleston [2]	1,179	+3	16,404	[3]	[3]	[3]
Huntington [2]	1,001	+8	11,168	+21	[3]	[3]
Wheeling [2]	1,247	+3	13,929	−6	[3]	[3]
Wisconsin: Milwaukee [2]	24,360	+7	490,000	+4	[3]	[3]

[2] Includes data for entire county in which city is located.
[3] Less than 1 percent.

APPENDIX 5

(See vol. I, p. 723 for explanation of terms)

UNITED STATES EMPLOYMENT SERVICE,
Washington, March 31, 1938.

Special Committee to Investigate Unemployment and Relief:

Responding to the request of the chairman of your committee, I submit statement of the claims for unemployment compensation benefits presented in the several States since the 1st of January, as follows:

	Original claims		Continued claims, Mar. 26
	Jan. 1–Mar. 26	Week ending Mar. 26	
Total	3,316,936	134,586	968,300
Alabama	84,714	3,311	36,715
Arizona	11,636	468	5,887
California	220,665	10,735	111,312
Connecticut	138,434	6,178	48,898
Louisiana	36,675	2,410	12,117
Maine	50,160	3,189	23,795
Maryland	103,882	3,383	39,310
Massachusetts	279,486	8,961	[1]
Minnesota	91,235	3,010	52,611
New Hampshire	37,349	1,703	14,527
New York	923,688	39,027	[1]
North Carolina	119,711	7,091	69,313
Oregon	58,001	1,334	26,589
Pennsylvania	628,524	20,061	258,133
Rhode Island	96,212	2,935	56,631
Tennessee	71,513	2,882	42,848
Texas	79,097	4,411	32,698
Utah	19,666	644	8,919
Vermont	14,035	592	5,274
Virginia	54,028	2,250	25,872
West Virginia	111,851	5,681	59,975
Wisconsin	62,241	3,564	27,313
District of Columbia	24,133	766	9,563

[1] Not available.

These reports will be continued through the month of March.

Very truly yours,

W. FRANK PERSONS, *Director.*

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APPENDIX 6

SUMMARY ON UNEMPLOYMENT INSURANCE BY HERMAN A. GRAY, MARCH 17, 1938

Before the maximum advantage can be derived from the American system of unemployment insurance, its underlying principles will have to be reconsidered and the system itself fundamentally revised. As at present constituted, it is cumbersome, complex, and confused; the benefit provisions are so complicated they are not readily understood even by the expert and they have no necessary relation to the needs of the unemployed so that there is no assurance of any real help to them; the burden upon employers is unnecessarily heavy and expensive; because of the complexities, administration is difficult and costly, all the more so since the present system employs multiple and duplicating administrative agencies, with resultant divided responsibility, friction, and loss of efficiency; no attempt has been made at integrating unemployment insurance with other relief measures so as to achieve a unified and smooth program for assistance to those who have no work.

The following changes are suggested:

I. METHOD OF FINANCE

(*a*) *A single Federal tax.*—There should be but one tax to be collected by the Federal Government. The present scheme entails 50 different tax systems: one for each of the States, one for the District of Columbia and the Federal tax under title IX of the Social Security Act. This duplication of the tax-collecting machinery is inexcusably wasteful. It is troublesome and expensive for all employers, particularly those employers whose operations extend over several States.

(*b*) *The tax coverage.*—The tax should be limited to the first $3,000 of annual compensation paid to each employee and should not be imposed on the entire pay roll as at present. The present tax imposed with respect to the highest-paid salaries in full is not required by unemployment insurance and is a fiscal measure which is thoroughly unsound. A pay-roll tax is not a tax upon surplus wealth but becomes just one more item in the cost of operation which, like a sales tax, is passed on to the consumer. To raise more than is absolutely needed by such means is to overburden industry and the consuming public. Because of this unnecessary tax load the very employees for whose protection unemployment insurance is designed and who constitute the bulk of the consumers face a further shrinkage in an already meagre purchasing power through an increased cost of living.

Moreover, if the tax for unemployment insurance is placed upon the same base as the tax for old-age annuities under title VIII of the Social Security Act, which is limited to the first $3,000 of annual compensation, it will make administration simpler and less expensive both for the Government and the employers.

(*c*) *Money collected to be placed in trust for unemployment insurance.*—In order to avoid misunderstanding and confusion, all moneys collected through the Federal tax should be earmarked and placed in trust for the sole purpose of paying unemployment insurance benefits and the cost of administration. The failure so to earmark the money may result in unsettling the financial structure of the plan and may lead to uncertainties and controversy. This is shown by the present situation with respect to the 10-percent margin which is being retained by the Federal Government under title IX of the Social Security Act. When the present Federal Act was adopted there was a distinct promise made by its sponsors, both in and out of Congress, that this 10-percent margin would be turned back to the States to defray the cost of administering their unemployment insurance systems. As a matter of fact that is the only source to which the States can look for administrative expenses since under the Social Security Act they are required to devote all moneys which they collect from employers exclusively to the payment of benefits. But the Federal authorities have never paid over to the States the full amount of the 10-percent margin collected by the Federal Government and they are now proposing to limit the appropriation to the States at a figure substantially below what is estimated the States will need for the successful operation of their unemployment insurance systems. The balance has gone and will continue to go into the United States Treasury. Thus, as nearly as we can calculate, less than half of what was collected in 1937 went back to the States, the Federal Treasury profiting to the extent of well over $25,000,000. If the present plan is consummated, this figure will be doubled in 1938. And this is money ostensibly collected for the benefit of the unemployed. In the meanwhile every State system of unemployment insurance is threatened by break-down because of in-

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sufficient funds with which to operate. The recurrence of such a disastrous situation can be avoided only if the funds are from the very outset earmarked and placed in trust.

2. THE ADMINISTRATIVE SYSTEM

(*a*) *Local administration, under Federal control.*—While it is proposed there should be but a single tax imposed and collected by the Federal Government, it would be advisable that the payment of benefits and the operation of the employment offices be in the hands of State authorities. While in each State the administrative machine would be manned by local officials, the essential controls and responsibility would be centered in the Federal Government which would provide all the money needed not only for the cost of administration but for the payment of the benefits.

(*b*) *Uniform national standards.*—The present system is sadly deficient in failing to provide at least minimum standards with respect to benefits and the quality of administration. There is no uniformity of any kind. Each State has written an act to suit itself with the result there is a bewildering diversity in detail which is confusing to employer and employee both. Moreover, despite the fact that the Social Security Board is paying for the cost of administration in the several States, it has little real control over the procedures or the character of the personnel. Under the proposed system it would be possible for the Federal Government to impose standards with respect to benefits which would be natoinally uniform and which would guarantee everywhere at least a minimum of protection. Real administrative control would also be lodged with the Federal authorities so that they could insure administration by people who are properly equipped and trained for the task.

(*c*) *All matters connected with unemployment insurance should be in the hands of a single Federal administrative agency.*—At present the various phases of unemployment insurance are administered through three different agencies of the Federal Government: the Social Security Board, the Federal Department of Labor which has jurisdiction over the employment offices, the Treasury Department which collects the employers' tax. This results in wasteful duplication, friction, and delay. Certainly the matter of benefits and the operation of the employment offices should be in the same administrative agency. Which agency it is to be is not so important as that there should be only one.

It is likewise advisable that the same agency should have charge of the collection of the tax. At present the tax is being collected by the Treasury Department and this Department, in its interpretations and methods, deals with it like any other tax designed to raise money. But that is not the true nature of this particular levy. It has a distinct purpose and must be administered with full understanding of and sympathy for its broad social objectives. It can receive such administration only in the hands of those who are concerned with the payment of benefits.

3. PROVISIONS WITH RESPECT TO BENEFITS

Four factors enter into a consideration of the benefit structure: (*a*) Eligibility for benefits; (*b*) the waiting period or the amount of noncompensable unemployment; (*c*) the benefit rate; (*d*) the duration of benefits.

All of the State acts have dealt with these factors through highly technical and complex formulas which have often overlooked the needs of the unemployed and the physical limitations on effective administration in the interests of abstract economic theories. Benefits have been so closely related to prior earnings and so circumscribed and limited that it is questionable whether the great majority of employees have very much to look forward to and whether we have not defeated what we originally set out to do. At the same time putting these formulas into effect has meant a burden of elaborate and costly reporting on employers and a most complicated system of record keeping and calculations for the administrators which is not only expensive to maintain and operate but which is overtaxing their physical resources. It becomes increasingly clear that the present benefit provisions cannot be administered so as to assure a ready determination of benefit rights and speedy payment of the benefits themselves.

(*a*) *Reconsideration of our objectives.*—Before making any change in benefit provisions we must reconsider what our aims are. Unemployment insurance is designed to pay benefits to those who are unemployed without reference to immediate want and without a needs test. We must first determine how much money we should pay and can afford to pay under such conditions. Having decided upon this, we should make sure that the provisions of the acts are so written as to assure that this money will actually be paid. No such assurance

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exists today. Not only are the present provisions so complicated as to make it almost impossible for the average employee to know what benefit he will receive and for how long a time, but there is every likelihood that in a great many cases the amount received will fall far short of the promise and the expectation.

(*b*) *Simplicity of benefit provisions.*—Having determined what it is we want our unemployment insurance system to produce by way of benefits, we must then insist on the utmost simplicity in structure. All existing overrefinements and complexities must be swept away. A system serving a population of many millions can be administered successfully, speedily, and economically only if it is written in the clearest, broadest, and simplest terms.

4. RELATIONS WITH THE RELIEF SYSTEM

Unemployment insurance deals with only one class of the unemployed and does nothing for a large residual group composed of the following:

(*a*) Those who during recent years have had little or no employment at all and so cannot qualify for unemployment-insurance benefits.

(*b*) Those who have had sufficient employment to qualify but of so short a duration that the benefits which they will receive will be too small to afford any protection against want.

(*c*) Those who continue unemployed after receiving the maximum allowed in unemployment-insurance benefits.

We shall, therefore, need a permanent residual relief system and it is vital that unemployment insurance be integrated with this system. As at present organized, unemployment insurance stands by itself. Its benefit rates are fixed without reference to what is being paid under relief or work projects and its administrators are independent of and have no working arrangement with the relief agencies.

Such independent functioning is not only wasteful but involves serious dangers. Different and conflicting policies in fundamental matters are certain to develop and cause hardship and misunderstanding. A wide discrepancy between unemployment-insurance benefits and the amount of relief payments will not be easily tolerated. The unemployed who can no longer look to unemployment insurance for aid must be given a way of transferring to the general relief rolls which is easy and smooth and which will not involve a breakdown in morale and self-respect.

It may be that the best way of solving the problem is to bring the administration of relief and of unemployment insurance together into a single agency. The claimant would then be under one system with unified policy, methods, and personnel. There would then be only this difference, that after he had exhausted his rights to unemployment-insurance benefits he would have to undergo something in the nature of a means test before he would get relief. But the transition would be easy and with minimum disturbance and delay. If that isn't done at least machinery should be set up for integrating and coordinating the agency administering unemployment insurance with that charged with the administration of relief. Such coordination must be on the basis of the fullest exchange of all necessary information and the formulation of common policies where uniformity is desirable.

APPENDIX 7

THE HIGH COST OF RELIEF

By CARL P. HERBERT, Director, Bureau of Municipal Research, St Paul, Minn.

[A series of articles discussing the problem of relief in St. Paul and Ramsey County as it affects those who must bear the financial burden is reproduced here as they appeared in the St. Paul Dispatch. The basic problem is much the same in other communities. The question is presented from a factual standpoint, and careful study of the information is recommended. (Compliments of Minnesota Taxpayers' Association).]

1. THE MILLIONS THAT GO INTO RELIEF HERE

Funds spent for relief and other welfare purposes have grown at a tremendous rate in recent years and have reached a total that is almost unbelievable. With so many different agencies distributing funds for public assistance, few citizens have any conception of the extent to which the relief problem has expanded.

A study of the records of the many agencies engaged in relief and welfare activities which we have carried on over a period of many months shows that the total cost of this work in Ramsey County has increased more than 600 percent since 1929.

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The bill for these services in 1936, here in this one county, was fully $16,000,000, and the average number of people assisted each month was more than 65,000. This means that during the year fully 100,000 persons were helped in one way or another.

The money spent for relief and welfare activities here now is greater than all the property tax collected from residents of this county for city, county, and State purposes.

Relief, in terms of money spent, has, in short, become the major activity of government in St. Paul, as it has in most large centers of population. Expenditures for schools and numerous other activities are dwarfed beside the millions being poured into relief and welfare services.

Difficult to get idea on total cost involved

Because these services are being performed by many different agencies—Federal, State, and local—and are being financed in such a variety of ways, it has been difficult for anyone to get any idea of the total cost, even after the most painstaking investigation.

The great mass of our citizens, busy with their own affairs, obviously has had no opportunity to learn what is being done through these many agencies. Nearly all, it is certain, would be astounded if they could put the pieces of this complicated pattern together and measure its extent and count the cost.

Yet that is precisely what we need to do. We need to assemble the disconnected parts and put them all together where we can see the picture as a whole. We need to get at the facts and then soberly on that basis as individual citizens endeavor to determine what must be the ultimate effect of given policies. It is important that we do this, both from the standpoint of what is going to happen to other governmental services, if present relief expenditures are continued, and from the standpoint of the future growth and prosperity of the community.

St. Paulites pay share of general relief load

The Government itself has no money What it gives to one it has to take from others. All who work and produce, in greater or less degree, contribute to support those who are dependent on relief. The relief funds which we get from the State or Federal Government are not gifts. We here in St. Paul pay our share, and everyone who works in one way or another helps carry the load. We are all bound up together.

It is important, therefore, that we as citizens know what is being done in what now is the biggest governmental activity in St. Paul. Many believe that we cannot continue the present scale of expenditures without a serious break-down of many of our governmental functions, if not material impairment of our whole economic structure. Obviously, we can make no attempt to answer that question or reach any conclusion as to future policies without getting at the facts.

We have gathered after many months of effort as definite information as it is possible to get of the growth and extent of relief and welfare activities here in St. Paul, together with data as to methods of financing these new services.

These facts will be presented in succeeding articles, in the hope that they may contribute somewhat to public understanding of this important question and afford some basis for the conclusions with reference to future policies which citizens generally will wish to make.

II. HOW RELIEF LOAD HAS MULTIPLIED

Relief expenditures in Ramsey County assume astonishing proportions when we trace their growth and contrast them with the amounts spent for these purposes in predepression years. For direct and work relief and old-age assistance, for instance, Federal, State, and local governments spent $11,540,916 in 1936, and $10,211,899 in 1937, or more than 100 times the average amount required for these purposes annually in the period between 1923 and 1929.

During the major part of the past year the city was enjoying prosperity It is startling to note, therefore, that the relief load in point of numbers was then as high as at any time during the depression, and more than 6,000 higher, on a monthly average, than during 1933. The temporary return of prosperity did not affect appreciably the relief problem in point either of numbers or of amount spent. This, in itself, must cause us the gravest apprehension.

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Relief and finance pictures compared

[St. Paul has 95 percent of the population and 96 percent of the assessed valuation of the county, so that the picture of the county is the picture of St. Paul]

Year	Population of Ramsey	Relief costs—direct and work relief and old-age assistance		Relief cases		Taxable assessed valuation		Property tax collections for all purposes, including the State, from Ramsey County		Tax rate, St. Paul	Net general bonded debt Jan. 1—city and county combined, total	Per capita
		Total	Per capita	Monthly average number	Average cost per case annually	Total	Per capita	Total	Per capita			
1923	257,202	$66,414	$0.26	[1] 291	$228	$160,152,626	$622	$10,200,902	$40	61.50	$13,949,478	$55
1924	261,418	69,574	27	362	192	174,733,211	668	12,014,815	46	72.40	17,282,208	66
1925	265,634	72,722	27	373	195	179,755,763	677	12,540,400	47	67.90	22,914,777	86
1926	269,850	77,317	29	404	191	183,011,433	678	13,084,894	48	70.41	25,435,107	94
1927	274,066	117,553	43	657	179	186,097,902	679	13,475,511	49	69.11	26,767,570	98
1928	278,282	133,595	48	737	181	188,825,527	678	13,957,151	50	71.03	26,429,438	95
1929	282,498	138,258	49	821	169	189,504,711	671	14,535,394	51	71.63	25,680,771	91
1930	286,721	229,032	80	1,197	191	188,117,382	656	14,598,940	51	72.10	28,933,332	101
1931	288,828	286,011	.99	2,306	124	186,842,482	647	14,292,435	49	71.10	33,221,955	115
1932	290,940	904,360	3.11	5,954	152	173,345,458	596	13,479,169	46	74.20	35,272,988	121
1933	293,053	3,003,002	10.25	12,213	246	169,925,902	580	11,875,129	41	73.50	36,287,684	124
1934	295,166	7,329,134	24.83	14,298	513	139,760,207	473	13,544,720	46	81.30	35,481,921	120
1935	297,279	8,652,924	29.11	18,492	468	138,214,587	465	13,941,937	47	99.20	36,618,052	124
1936	299,392	11,540,916	38.54	18,811	614	140,934,714	471	14,242,171	48	98.10	38,039,620	127
1937	301,509	10,211,899	33.87	18,829	[2] 542	140,457,395	466			94.00	38,300,338	127

[1] The figures for the latter years include duplications. A person may be on work relief or old-age assistance and also receive direct aid. These duplications have not been eliminated.

[2] During 1937 the average monthly cost per case of persons on work relief was $74.01; on direct relief, $36.73; on old-age assistance, $20.38.

Relief costs include only direct and work relief and old-age assistance, together with the cost of their administration. The cost of the county hospital and home, the children's preventorium, mothers' aid, child welfare, and debt charges on relief bonds, as well as certain miscellaneous items, are not included. The debt charges on local welfare bonds were as follows: 1934, $145,500; 1935, $333,765; 1936, $430,079; 1937, $578,105. Welfare bonds outstanding on Jan. 1, 1938, totaled $5,278,000. The total welfare bonds issued to date aggregate $6,318,000.

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Expenditures for relief mount while community's assets decline

The tabulation which appears on page 5 shows how expenditures have mounted while assets of the community, as measured by assessed valuations, were declining.

Back in 1923 expenditures for direct and work relief and old age assistance in Ramsey County amounted to only 26 cents for each inhabitant. Now, with Federal, State, and local governments engaged in new and far-reaching relief programs, public expenditures for these purposes have jumped to $38.54 per capita in 1936, and to $33.87 in 1937

The number and average cost of relief cases have gone skyward in much the same way, it will be seen from a study of the accompanying table. Where there were only 291 cases handled at the beginning of this period, the number of cases in 1936 was 18,811 and 18,829 in 1937. Figures for the latter years include some slight duplication, but it seems certain that the cases receiving relief or old age assistance here in 1937 must have included, on a most conservative basis, more than 65,000 persons.

The aid given a family or individual on relief in 1923 cost on the average only $228. In 1937 the cost had jumped to $542 per case.

Bonded indebtedness of St. Paul multiplies as property taxes soar

Meanwhile, assessed valuations dropped from $160,152,626, or $622 per capita, in 1923 to $140,457,395, or $466 per capita, in 1936. Property tax collections increased substantially, it will be seen, but much of the money spent for these new and growing activities did not find its way into the tax statements. Bonds were issued for considerable sums.

The net general bonded debt of the city was only $13,949,478, or $55 per capita, in 1923. It had climbed to $38,300,338, or $127 per capita, in 1938, due to our large improvement programs and relief.

That debt and the interest that will be required before it is paid off are sufficient to eat up more than a third of the present assessed valuation of the homes and other property in St. Paul.

If the costs set forth in the table seem a little staggering, it may be well to remember that this is only a part of the picture. The relief costs cited include only direct and work relief and old age assistance. The cost of the Ancker Hospital and Ramsey County Home, Children's Preventorium, mother's aid, child welfare and debt charges on relief bonds, and other items are not included. The debt charges on local welfare bonds in 1937 amounted to as much as $578,105.

III. HOW THE MONEY IS SPENT

As we suggested in a previous article, the average citizen will be surprised to learn how much is being spent for relief and welfare purposes in Ramsey County.

The total cost cannot be ascertained definitely, since expenditures in a few lines cannot be determined readily on a city or county basis, but enough of the parts can be put together, after considerable effort, to show pretty closely the total that is being spent in this monumental enterprise.

Here, for instance, are amounts spent by private and governmental agencies for specific welfare purposes here in 1936, the last year for which complete figures can now be obtained:

Direct and work relief	$11,059,982
Old-age assistance	480,934
Mothers' aid	173,670
Child welfare	82,817
Ancker Hospital and Preventorium	909,253
County home	95,501
Aid to blind	16,479
Welfare debt charges	488,721
Welfare board, miscellaneous	39,248
Community chest	672,118
Wilder Charities	220,390
Veterans' welfare	110,000
Total	14,349,113

Nor does this table include certain services where the amount of money spent in Ramsey County cannot be determined readily. If these other items could be isolated and added in, the total as we shall see, would be substantially larger.

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Before taking up these other items, however, let us see how the expenditures covered by the preceding tabulation compare with the amounts spent for similar purposes in other years. Here is the total, year by year, from 1923 on:

1923	$1,614,317	1930	$2,464,714
1924	1,840,214	1931	2,374,963
1925	1,757,013	1932	3,205,001
1926	1,851,112	1933	5,193,660
1927	2,003,505	1934	9,713,960
1928	2,060,329	1935	11,342,273
1929	2,153,705	1936	14,349,112

The expenditure for 1936, it will be seen, is approximately nine times the amount in 1923.

The $14,349,113 total for 1936, big as it is, does not represent the entire welfare expenditure here, as pointed out before. It was not possible to include sponsors' contributions toward W. P A. projects, the value of surplus commodities distributed here by the Government, the cost of Ramsey County boys in C. C. C. camps, N. Y. A. costs in this country, and unemployment insurance.

The C. C. C. camps, for example, had from 500 to 1,000 boys, and the cost per boy was from $100 to $110 a month. The total cost of all these welfare activities, public and private, here in Ramsey County in 1936, therefore, was somewhere around $16,000,000.

IV. WHERE DOES THE RELIEF MONEY COME FROM?

Where does the money come from for relief?

Not many stop to ask. Aware in a general way that governmental agencies are spending huge sums in their relief and welfare activities, most citizens have not bothered much about where it is being obtained. Not a few, if thinking about it at all, have been inclined to believe that it is springing from some magic, inexhaustible fountain in Washington. It isn't our money, they feel. Someone else is paying for these things.

Others, alarmed over the extent of the relief burden, have wondered where the money is coming from to carry on all these widespread activities but have not been able in most cases to follow the question through all the complicated pattern of governmental and private agencies and obtain an answer.

Millions spent here annually must be extracted from people

As pointed out in previous articles, from $14,300,000 to $16,000,000 annually is being spent here in Ramsey County for public and private relief and welfare activities, on the basis of 1936 figures. That is a lot of money. It must be collected somewhere; it does not just grow on trees. It is pertinent, therefore, that we stop and inquire where the money comes from.

Suppose we take the $14,349,113 in relief and welfare expenditures made in Ramsey County in 1936 which can be definitely segregated to this county. We can get exact information on that. Here are the sources of this money:

	Amount	Percent of total
Federal Government	$8,371,624	58.3
State government	1,935,131	13.5
City and county	3,149,850	22
Private contributions	892,508	6.2

From there on the trail grows dimmer and somewhat more confused. Small wonder that the ordinary man, busy with his own affairs, gets the impression that a goodly share of this money comes out of distant pockets.

"Oh, Washington pays that," he says, or "Washington and the State, they pay it." Then he goes on about his work.

Washington and the State can pay only as they obtain money from their citizens. The State of Minnesota collects a great variety of taxes—property taxes, income taxes, and other taxes of many kinds. The people of St. Paul pay a tenth of the State property tax, 23 percent of the State income tax and a big share of many of the other State taxes.

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Hidden taxes exact heavy toll from every self-supporting family

The Federal Government collects millions in taxes here, much of it in hidden taxes which exact a toll from every self-supporting family. The city and county impose taxes on property to obtain funds for their needs and all families, except those who are dependent, must help carry the load either directly or indirectly.

Taxes are not something which can be saddled on the other fellow and leave us untouched. They are paid in the main by all who work and produce. The huge funds spent for relief and welfare activities inevitably must come, in greater or less degree, out of the pockets of all of us who have jobs, or earn our way.

That we get some of the money from the State or from Washington doesn't change the picture much. Washington and the State get their money from us. To a large extent we are just trading checks.

It must not be forgotten, however, that up to the present much of the huge cost of relief has not been paid for. The city, county, State, and Nation have resorted to a policy of borrowing much of this money. The next article will discuss the extent of this borrowing.

V. MOST OF RELIEF FUNDS ARE BORROWED

The multiplicity of agencies engaged in relief and welfare activities is not the only factor that has kept the public generally from appreciating how big and extensive the complicated pattern of relief has become. Most of the money being spent on these activities has been borrowed, and the full cost hasn't showed up in the tax statements as yet. The greater part of the bill still is to be paid.

While the financing from borrowed funds has varied some from year to year, 1936 will afford a good illustration of the policies that have been pursued. Of the $14,349,113 spent on relief and welfare activities in Ramsey County in 1936, fully 79.3 percent came from borrowed funds, and only 13.9 percent came from current taxes. The other 6.8 percent came from private contributions and a few miscellaneous sources.

The following table shows the amounts obtained from the different sources:

St. Paul and Ramsey County:	
From current taxes	$1, 756, 631
From borrowing	1, 302, 565
Private contributions	892, 508
Miscellaneous receipts	90, 654
Total	4, 042, 358
State of Minnesota:	
From current taxation	228, 296
From borrowing	1, 706, 835
Total	1, 935, 131
Federal Government:	
From current taxation	
From borrowing	8, 371, 624
Total	14, 349, 113

Obviously it is difficult to attribute the Federal money spent here to particular sources, but since relief and the new activities growing out of it are the major reason for the big increase in expenditures of the Federal Government and since the relief expenditures roughly approximate the operating deficit which the Government has been running it is fair to say that the relief funds are in effect borrowed funds. Money is borrowed from year to year in one way or another to meet the deficit.

The city of St. Paul and Ramsey county have issued bonds for relief purposes which aggregate to date $6,318,000. For the first few years the annual debt charge for carrying the relief bonds was not large, but the load now is beginning to pile up, and it will get much heavier even if no more bonds are issued. The

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following tabulation shows the annual debt charge for relief bonds required of the city and county on just the present relief bonds between 1934 and 1947:

Year:	Grand total	Year:	Grand total
1934	$145, 500	1942	745, 356
1935	333, 765	1943	754, 693
1936	430, 079	1944	643, 170
1937	578, 105	1945	420, 306
1938	724, 432	1946	311, 178
1939	729, 388	1947	154, 458
1940	733, 486		
1941	741, 167	Grand total	7, 445, 183

BONDS FOR CURRENT EXPENDITURES MAY RESULT IN CRUSHING LOAD

There has been a lot of argument over whether our governmental units should issue bonds for current operating expenditures. Generally speaking, it is an unsound and dangerous practice. Many have felt, however, in view of the extreme emergency resulting from the depression that this policy was justified, and considerable support can be found for both views. All students of government, however, agree that we must as soon as possible put current expenditures on a basis of current taxes. It is easy to issue bonds for current expenditures, much easier than levying taxes for them, but a day of reckoning usually comes eventually when the debt assumes crushing proportions. Expenditures as a rule are larger, too, when payment for them can be deferred to another generation.

The growth of our public debt is a matter of real concern. Not merely relief bonds but a multiplicity of other obligations have piled up until St. Paul and Ramsey County now have a total net bonded debt of $38,300,338, compared to $13,949,478 in 1923. It took $3,789,767 of our city and county tax funds to meet charges on this debt in 1936, or more than we spent on all our schools. Ten years ago the total debt charge was only $2,198,490.

VI. CAN WE KEEP UP PRESENT SPENDING?

Can we continue to finance relief expenditures on the present scale?

That is a question which shortly must impel all citizens who are interested in keeping their homes and in improving the general public welfare to sit down and do some serious thinking.

We have seen as a result of the study outlined in this series of articles that $14,349,113 was spent for relief and welfare activities in Ramsey County in 1936, counting just the funds that could be definitely segregated to this county, and that three-fourths of it, or more than $11,000,000, was borrowed money. The annual charge on city and county debt alone has reached $3,789,767.

Can we blissfully go on issuing bonds to pay relief costs?

Loss of Federal and State aid would multiply local burden

Questions like that certainly must cause us to pause shortly and ask where we are going. Suppose we measure, in terms of taxes, what we are spending this year for relief activities in Ramsey County. If we had elected to raise from current taxes the money which the city and county will spend this year for this purpose, instead of issuing $2,440,000 of bonds, the general property tax rate would have been 18.3 mills higher. In other words, instead of a maximum rate of 98.20 mills we would have 116.50 mills to pay this year.

If the State or Federal Government, or both, should step out of the relief picture—and there is strong pressure on them at least to curtail their assistance—the burden on the local governments will be infinitely higher. If the city and county had to take over the State and Federal share of our present relief load and finance all of the relief out of current taxes from their present revenue sources, our property taxes would have to be increased many mills.

In other words, we would have a tax levy, not of 98.2 mills, but 166 mills on the basis of 1937 expenditures, or 178.6 mills on the 1936 basis. Apparently 1938 conditions will more closely approximate 1936 than 1937 conditions. And these millage figures do not take into account the resulting delinquency, which would boost the rates enormously.

Can we afford a tax levy of 166 or 178.6 mills? Few even would contend that we could. As a matter of fact, many competent observers think that a levy of even 116.5 mills, which would be necessary if we were financing our present city and county relief expenditures out of current taxes, would result in disaster.

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Owners of many properties could not carry the increased load and tax delinquency would increase. The increase in delinquency would require a still higher rate to get the same amount of money, and more would be forced into delinquency, throwing the load on an ever smaller number.

Thirty two percent of St. Paul properties drop off lists of revenue producers

Fully 32 percent of the parcels of property in the city are not paying taxes now.

If we can't afford to pay out of current taxes for the present city and county relief expenditures, how can we afford to do it later when a tremendous interest bill has been added?

It is believed there can be only one answer to that. All signs indicate that we must begin shortly to reduce relief expenditures, or make substantial cuts in other municipal services, or both. We cannot go on paying increasing debt charges and maintain our present operating expenditures.

Our city and county debt charge for relief bonds in 1938 will be fully $725,836, and it is growing. If we really were paying for the relief activities now instead of borrowing a good share of the money, cuts in the other municipal services undoubtedly would have to be made now.

Borrowing for relief may defer the evil day, but it can delay the payment only a little and it guarantees that the cuts in school funds, police and fire funds must be much more drastic when they do come.

The city and county have got to make a decision, whether they are going to finance relief on a pay-as-you-go basis or continue to finance much of the cost out of bond issues. If the present policy is not changed, the time will come when the bond maturities will be as great as the relief costs.

If we do not stop floating bond issues for current costs, the local tax rate soon will be almost confiscatory, especially on commercial property and even on homes. Property owners in an unprecedented number will face the complete loss of their property as delinquencies increase and the tax base shrinks.

We must give this question serious consideration, It is up to property owners, in short, to devise policies that will keep them from losing their property and at the same time provide necessary help for those who are in need.

Relief money can come only from those who pay taxes. If the number paying taxes is reduced by excessive levies, and governmental services have to be cut, the persons in need may have to suffer hardships. Our resources must be conserved, or we may not be able to provide even inadequately for those most in need.

Ban on bonds for current expenses and public vote on issues proposed

With these things in mind, the people of St. Paul might very well consider seriously three proposals:

1. That the practice of issuing bonds for current relief costs be abandoned. This may have been justified in the earlier years of the depression. Relief, however, can no longer be classified as an unexpected or emergency requirement: it is a current expense. Continued borrowing merely aggravates an intolerable situation.

2. That all proposed bond issues for relief, in case any should be considered necessary, be submitted to a vote of the people. Under these conditions, if financial policies of the city and county cause a decline in values and property of many of our citizens is confiscated, it will be the result of the action of the people and not merely a vote of their representatives, who often cannot tell what is the will of the people and who always are subject to pressure groups interested in more spending. Our city charter and the State law for years required that bond issues be submitted to the people for approval. It may have been advisable to dispense with this for a time, but the need for it certainly now is passed. Relief is a current, continuing need, and funds should be provided for it in the usual way. If more funds are needed than anticipated, a special election always can be held for $15,000. The people should have the right to say whether additional bonds are to be issued.

3. That a definite per capita limitation be established for city and county relief expenditures out of current revenues, with the provision that if more than the prescribed amount is levied the question first must be submitted to a vote of the people. This would place relief on a democratic basis. The people would decide what should be done. The officials would only recommend what in their opinion is needed. This question, if it is going to be settled, is going to be settled by the

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people as a whole, not by political leaders, guessing at what the people want, or yielding to the dictates of pressure groups.

We should not forget the enormity of our relief bills. What the city and county do is but a minor part of the whole relief problem. The State and Federal Government combined are spending from two to five times as much here as our local units of governments.

There is the possibility always with us that the State may discontinue all aid and the Federal Government substantially reduce if not eliminate all the assistance it is giving.

It is well to remember, however, that wherever this money comes from—whether local, State, or Federal sources—the costs of all these manifold activities have to be paid in large part if not entirely by this community through direct and indirect taxes. The load falls on all of us who work and produce.

APPENDIX 8

(These are data supplementing statement of Carter W. Atkins.)

Relief expenditures and cases, city of St. Louis

Year	General relief [1]	C. W. A. and C. W. S.	W. P. A. [2]	Old-age assistance [3]	Blind pensions [3]	City infirmary, mothers and children [4]	Total public funds	Relief, private charity funds
Expenditures and commitments:								
1928					$150,702	$281,894	$432,597	
1929					141,372	307,864	449,237	$300,339
1930					141,372	345,565	486,938	363,450
1931					164,905	350,096	515,001	826,171
1932	$852,477				164,905	422,269	1,439,652	1,951,535
1933	6,503,144				185,661	374,141	7,062,947	455,726
1934	12,118,381	$6,518,354			185,661	373,042	19,195,439	416,634
1935	15,511,925		$1,712,998		198,110	422,394	17,845,427	318,338
1936	4,932,698		14,472,250	$434,673	198,110	480,609	20,518,341	311,408
1937	3,211,100		9,824,194	919,305	200,000	494,359	14,648,958	347,624
	Monthly average		Monthly average	As of December	Maximum number			
Number of cases:								
1928					490			
1929								
1930					566			
1931								
1932	[5] $26,939				683			
1933	26,973							
1934	32,946				728			
1935	39,831		[5] $12,813					
1936	10,285		16,975	$5,791	766			
1937	9,549		12,362	7,686				
	Federal	State	City	Total				
Source of funds:								
1928		$150,702	$281,894	$432,597				
1929		141,372	307,864	449,237				
1930		141,372	345,565	486,938				
1931		164,905	350,096	515,001				
1932	$353,581	164,905	921,166	1,439,652				
1933	4,423,602	348,907	2,290,437	7,062,947				
1934	15,052,979	1,271,740	2,870,719	19,195,439				
1935	12,815,342	2,542,507	2,487,578	17,845,427				
1936	16,397,137	1,291,368	2,829,836	20,518,341				
1937	10,757,093	2,342,994	1,548,870	14,648,958				

[1] Includes administration and commodities distributed.
[2] Estimated city share of city and county.
[3] Administration costs not prorated to city.
[4] For city fiscal year ending in year shown.
[5] Last 2 months of year.

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Relief costs compared with cost of city government, St. Louis

Year	Operation and maintenance general city departments		Relief and other public aid	
	Including schools [1]	Excluding schools [1]	From public funds [2]	From private charity funds
Amount of expenditures:				
1928	$31,027,625	$20,442,759	$432,597	$293,459
1929	33,255,974	22,018,096	449,237	300,339
1930	33,140,525	21,333,336	486,938	363,450
1931	35,193,951	22,856,289	515,001	826,171
1932	34,547,137	22,690,518	1,439,652	1,951,535
1933	30,521,944	20,490,038	7,062,947	455,726
1934	31,129,117	21,059,510	19,195,439	416,634
1935	31,110,162	21,357,442	17,845,427	318,338
1936	31,624,995	21,945,187	20,518,341	311,408
1937	35,101,016	23,784,388	14,648,958	347,624
Per capita expenditures:				
1928	$38.30	$25.23	$0.53	$0.36
1929	40.80	27.01	.55	.37
1930	40.43	26.02	.59	.44
1931	42.68	27.72	.62	1.01
1932	41.79	27.45	1.74	2.36
1933	36.84	24.73	8.52	.55
1934	37.49	25.36	23.12	.50
1935	37.47	25.72	21.49	.38
1936	38.09	26.43	24.71	.37
1937	42.27	28.65	17.64	.42

[1] Does not include capital outlays, debt payments or water department.
[2] Includes W. P. A., old-age assistance, and other forms of relief.

Consolidated financial report, city of St. Louis

	1930	1931	1932	1933
1. Fiscal year ends:				
City, April	8	8	12	11
Schools, June	30	30	30	30
2. Summary all funds:				
Receipts, revenue	$51,357,681	$54,972,554	$49,762,781	$43,789,618
Disbursements, government cost payments	55,194,473	60,708,853	55,120,561	49,782,712
Deficit	3,836,792	5,736,299	5,357,780	5,993,094
3. Receipts, by sources:				
Taxes	35,910,536	37,094,036	35,711,169	30,715,760
Special assessments	4,807,289	5,823,795	4,129,835	3,998,647
Fines, forfeits, and escheats	167,453	134,962	219,641	110,092
Subventions and grants	1,063,039	1,299,494	1,204,125	865,502
Highway privileges, rents, and interest	2,982,121	4,366,740	2,646,372	2,197,381
Earnings, general departments	2,055,156	1,943,673	1,806,027	1,649,888
Earnings, public-service enterprises	4,372,087	4,309,854	4,045,612	4,252,248
Total	51,357,681	54,972,554	49,762,781	43,789,618
4. Disbursements:				
Relief	345,565	673,736	942,968	1,037,533
Other governmental	32,794,960	34,520,215	33,604,169	29,484,411
Pulbic-service enterprises	2,681,946	2,798,308	2,689,739	2,449,501
Interest	2,704,862	3,253,746	3,121,274	3,247,140
Capital outlays	16,667,140	19,462,848	14,762,411	13,564,127
Total	55,194,473	60,708,853	55,120,561	49,782,712
Retirement of bonds	4,062,000	3,099,000	4,160,000	2,767,000
5. Expenditures for relief:				
Outdoor relief	9,985	336,469	545,221	692,831
Institutional care	131,425	133,469	130,096	101,543
Mothers' aid and dependent children	204,155	203,798	267,651	243,159
Total	345,565	673,736	942,968	1,037,533

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Consolidated financial report, city of St. Louis—Continued

	1934	1935	1936	1937
1. Fiscal year ends:				
City, April	10	9	14	13
Schools, June	30	30	30	30
2. Summary, all funds:				
Receipts, revenue	$41,565,753	$40,889,348	$43,740,179	$45,319,776
Disbursements, government cost payments	43,568,763	42,393,665	43,690,448	50,034,254
Surplus			49,731	
Deficit	2,003,010	1,504,317		4,714,478
3. Receipts, by sources:				
Taxes	31,562,751	30,946,282	32,555,874	32,944,022
Special assessments	830,715	883,846	563,442	851,495
Fines, forfeits, and escheats	90,052	101,000	146,020	184,236
Subventions and grants	773,121	750,893	2,074,584	3,160,692
Highway privileges, rents, and interest	1,870,425	1,786,059	1,781,278	2,126,847
Earnings, general departments	1,552,203	1,516,038	1,725,230	1,270,897
Earnings, public-service enterprises	4,886,486	4,905,230	4,893,751	4,781,587
Total	41,565,753	40,889,348	43,740,179	45,319,776
4. Disbursements:				
Relief	1,540,120	2,574,597	2,495,281	2,783,701
Other governmental	29,588,997	28,535,565	29,129,714	32,317,315
Public-service enterprises	2,211,312	2,709,137	2,751,915	2,251,558
Interest	3,477,670	3,613,762	3,500,080	3,606,442
Capital outlays	6,750,664	4,960,604	5,813,458	9,075,238
Total	43,568,763	42,393,665	43,690,448	50,034,254
Retirement of bonds	3,401,000	11,509,000	2,495,000	3,652,000
5. Expenditures for relief:				
Outdoor relief	1,180,799	2,154,204	2,020,672	2,296,342
Institutional care	96,223	109,919	121,145	124,874
Mothers' aid and dependent children	263,098	310,474	353,464	362,485
Total	1,540,120	2,574,597	2,495,281	2,783,701

Total and per capita assessed valuation and collections real and personal property for city, State and schools in city of St. Louis

	Total assessed valuation	Per capita assessed valuation	Total tax collections	Per capita tax collections
Fiscal year ending—				
1928	$1,171,837,780	$1,446	$32,905,801	$40.61
1929	1,205,484,730	1,479	31,769,009	38.97
1930	1,243,022,010	1,516	32,765,688	39.97
1931	1,253,610,090	1,520	33,857,667	41.06
1932	1,129,049,196	1,366	33,716,256	40.79
1933	997,055,920	1,203	29,009,622	35.01
1934	978,671,442	1,179	28,999,355	34.93
1935	1,001,791,721	1,206	28,348,044	34.14
1936	989,297,745	1,191	28,603,647	34.45
1937	1,038,618,314	1,251	29,373,773	35.37

Property Tax Calendar

Date of assessment.—Real and personal property assessed as of June 1, in year prior to year of levy. Public utilities assessed in year of levy.

Date of levy.—City and school levy fixed in April or May next following date of assessment.

Date on which taxes become due.—Taxes are due when bills are ready which is usually in September next following date of levy.

Date of delinquency.—Taxes become delinquent on January 1, following date of levy.

Note.—No change in tax calendar during years 1930 to 1937.

Legal Restrictions on Taxes and Debt

(*a*) *Tax limit.*—1. For city general purposes the State constitution limits the tax rate to $13.50 per $1,000 of assessed valuation.

2. No limit fixed on tax rate for city debt.

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3. For school-operating purposes the State constitution limits the tax rate to $6 per $1,000 of assessed valuation but the above rate may be increased to $10 per $1,000 by majority vote of the taxpayers.

4. No limit fixed on tax rate for school debt.

(b) *Debt limit.*—1. City general obligation bonds are limited by State constitution to an amount not to exceed 10 percent of the assessed valuation as ascertained by the assessment next before the last assessment previous to incurring the indebtedness.

2. Current borrowing by the city may not exceed an amount which can be liquidated from the revenues of the current year.

3. Utility bonds which are to be serviced from revenues of the utility are limited by State constitution to 20 percent of the assessed valuation as determined for city general obligation bond limits.

4. School bonds are limited to 5 percent of the assessed valuation as above determined.

APPENDIX 9

A REPORT TO THE SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF ON THE EFFECT OF THE "PREVAILING WAGE" PROVISION IN THE WORKS PROGRESS ADMINISTRATION

For the past several years reports have been widespread that workers, while employed on the Works Progress Administration projects, seek and obtain other employment during the month for which they have been paid by the Government. An investigation was undertaken to determine the truth with respect to such reports.

In the months of November and December 1937, a group of investigators were sent to the cities of Atlanta, Baltimore, New York, Omaha, and Pittsburgh with instructions to go into this subject.

It will be recalled that the President in 1935 in his proposal for a work program suggested that a "security wage" or monthly payment be made on work-relief projects. The proposal contemplated that the worker would give full-time employment for this wage. During the consideration of the appropriation act designed to put the President's suggestion into operation, an amendment was offered to the act which would have required that the Government pay to each worker the hourly rate of wages prevailing in the locality where the project was undertaken. The amendment was not agreed to as proposed, but in its stead the Congress adopted this language: "The President shall require to be paid such rates of pay * * * as will not affect adversely or tend to decrease the going rates of wages paid for work of a similar nature."

However, when the Works Progress Administration, which was subsequently established by Executive order, actually got under way, the administrator in New York City by administrative order established wages on the principle of the "prevailing rate"; that is, in that city payment of the prevailing hourly rate for sufficient number of hours required to earn the amount of the security wage was actually inaugurated.

When Congress had under consideration the deficiency appropriation for relief and work relief in February 1936, there was then written into the Deficiency Appropriation Act the principle of the original amendment in the following language: "The rates of pay to be not less than the prevailing rates of pay for work of a similar nature." The same principle has been included in subsequent appropriation acts.

Thus, by act of Congress, there has developed the possibility of a man employed on a Works Progress Administration project earning the security wage in one-third of the full working hours of a month and being free for the balance of that month. That Works Progress Administration workers have taken advantage of this opportunity is not surprising. For instance, in the District of Columbia, a carpenter on a Works Progress Administration project earns his security wage of $73.50 by working 42 hours in a month at the established "prevailing rate" of $1.75 per hour.

The study in the five cities mentioned was undertaken to determine whether a "security wage" worker sought other employment in his spare time. Since it was impracticable to check the records of all Works Progress Administration workers in a given community, the study was confined to workers classified as skilled workers. It was assumed that since the "prevailing hourly rate" for such workers

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is higher than for workers in other classifications spare time employment, if it existed at all, would be more prevalent among this group.

In the five cities mentioned, there were on the Works Progress Administration rolls at the time of the investigation 26,736 workers classified as skilled workers. Of this number, 7,982 were interviewed. Of the number interviewed, 5,049 or or 63 percent, when asked the question stated that they had other employment. Of the total number interviewed, 6,454, or 81 percent, had been on the Works Progress Administration pay rolls constantly since January 1937.

Of the 5,049 workers who admitted outside earnings, 4,312, or 85 percent, had such other employment during the same month for which they had already received pay from Works Progress Administration.

A little less than one-fourth (1,036 or 4,312, or 24 percent) were found to be working in outside employment at the same occupations at which they were employed by Works Progress Administration and at a lower hourly rate of pay.

Of the 4,312 workers who had outside earnings during the same month of their employment by Works Progress Administration, 2,389 gave the names of their employers. A number of these employers were interviewed, namely, 1,330. In the great majority of cases, the amount of the outside earnings was much in excess of the amount stated by the worker himself.

There can be no doubt that the policy of part-time work for Works Progress Administration workers makes possible outside employment during the spare time of the workers. This outside employment is in competition with other unemployed workers. It must be obvious that this practice tends to defeat the evident intent of Congress, which was the protection of the going rate of pay in private industry, by making it possible for workers with a guaranteed monthly income to underbid other unemployed workers for available jobs.

ALAN JOHNSTONE, *Counsel.*

APRIL 6, 1938.

APPENDIX 10

DETAILED REPORT BY THE UNITED STATES PUBLIC HEALTH SERVICE ON ILLNESS AND MEDICAL CARE AMONG THE UNEMPLOYED

I. EXTENT OF ILLNESS AMONG UNEMPLOYED

The Public Health Service has made various studies of the relation of economic status to illness. In some instances these studies have taken the form of comparing illness among employed and unemployed workers. But in others, the families have been classified according to income, occupational class, and according to various other indexes of economic status. While these various classifications are not assumed to be equivalent, they all show the same general situation, namely that the unemployed, the low-income families, and the unskilled workers all have higher sickness rates than those farther up in the scale of economic well-being. In the data quoted in the following pages, all three of the methods of classifying individuals have been used.

Some of the data quoted refer to illness among the workers, but many of the tables include all of the members of the family as well as the workers themselves. Both the workers and the members of families show an excess of illness in the low economic groups over that in more comfortable groups.

Data here cited are taken principally from the following sources:

(*a*) The National Health Survey conducted by the United States Public Health Service in the fall and winter of 1935–36, which included illness records among three-quarters of a million families in 84 cities.

(*b*) The Health and Depression studies of 1933 by the United States Public Health Service and the Milbank Memorial Fund, which included illness records for approximately 1,200 wage-earning families in 10 localities.

(*c*) Medical care and costs survey of 14 California urban communities by the State Relief Administration of California, which included illness records for approximately 4,500 families.

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Economic status[1] *and prevalence of illness on a given day*

Preliminary tabulations of data in the National Health Survey show twice as much sickness on any one winter day among unemployed workers as among employed persons of working age. These data are from reports for more than 200,000 persons of working age, both sexes, white and colored, in eight large cities (table 1).

Among men who were unemployed (able to work and seeking work, or on work relief) the illness rate was 2.2 times that for employed men; among women of the same category, the illness rate of the unemployed was 1.9 times that for the employed. The illness rates for women, both employed and unemployed, were higher than those for men of the corresponding employment categories.

TABLE 1.—*Rates per 1,000 population, 15 to 64 years of age, white and colored, disabled*[1] *on the day of visit as related to age groups, sex, and employment status*[2] *220,123 persons in eight large cities, 1935–36.*[3]

Sex and employment status	Rates per 1,000 of persons disabled on the day of the visit			
	All ages 15–64	15–24	25–44	45–64
Both sexes:				
Employed	20.8	15.6	19.8	26.8
Unemployed	42.2	25.8	45.8	57.5
On work relief	31.9	28.3	30.5	35.9
Seeking work	45.5	25.5	53.0	66.7
Unemployable	1,000.0	1,000.0	1,000.0	1,000.0
Other and unknown	58.7	39.1	60.3	75.7
Male:				
Employed	18.1	12.9	16.0	24.4
Unemployed	38.8	19.8	39.0	55.5
On work relief	30.2	22.7	28.6	35.6
Seeking work	42.4	19.3	45.3	64.7
Unemployable	1,000.0	1,000.0	1,000.0	1,000.0
Other and unknown	57.0	34.3	501.9	193.7
Female:				
Employed	27.0	18.5	28.8	37.0
Unemployed	50.5	34.6	64.1	67.4
On work relief	42.7	49.5	42.3	37.9
Seeking work	51.6	33.8	68.3	74.7
Unemployable	1,000.0	1,000.0	1,000.0	1,000.0
Other and unknown	58.9	42.0	57.0	72.4

[1] Persons disabled on the day of visit were those prevented from pursuing their regular activities because of illness.

[2] "Unemployed" includes all persons on work relief or able to work and seeking work. "Unemployable" includes all persons not seeking work because of disability. "Other" includes the nonworking population. In this class are housewives, students, retired persons, and others living on pension or investments and persons in institutions.

[3] Unpublished data from National Health Survey canvass in Atlanta, Cincinnati, Dallas, Fall River, Newark, Oakland, St. Paul, Seattle, largely during the period November 1935 to March 1936.

Illness rates found from the Health Survey reflect an abnormal number of minor respiratory diseases such as common colds, influenza, grippe, bronchitis, and sinusitis. These diseases were present in epidemic proportions in some of the surveyed cities at the time of canvass. If minor respiratory diseases found on the day of the visit are excluded, the rate of illness is materially lowered (table 2). The illness rate for employed persons is lowered to a greater degree than that for unemployed with the result that the rate for the unemployed workers is 2.3 times as great as for those who were employed.

[1] The National Health Survey was conducted by the United States Public Health Service with the aid of financial grants from the Works Progress Administration. The entire project embraced a house-to-house canvass for approximately three-quarters of a million families including 2,800,000 persons in 84 cities and 23 rural areas in 19 States. Citations here are made from that portion of the urban data which are now available.

This survey was made during the winter (largely from November to March) of 1935-36. The total surveyed population from urban areas was so distributed as to give a sample which was, in general, representative of cities in the United States according to size and region.

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TABLE 2.—*Prevalence of disabling [1] illness on the day of the survey for the working population [2] 15–64 years of age—8 cities [3] canvassed in the National Health Survey, 1935–36. (All diagnoses and all diagnoses except minor respiratory)*

Employment status and sex	Surveyed population	Case rate per 1,000 population			
		All diagnoses		All diagnoses except minor respiratory diseases	
		All disabling cases	Cases that had disabled for 7 days or longer	All disabling cases	Cases that had disabled for 7 days or longer
Both sexes:					
Employed	102,479	20.8	13.3	13.0	10.3
Unemployed	28,814	42.2	33.2	29.4	26.2
Work relief	6,984	31.9	20.6	18.8	14.7
Seeking work	21,830	45.5	37.2	32.8	29.9
Unemployable [4]	1,731	1,000.0	1,000.0	1,000.0	1,000.0
Male:					
Employed	71,222	18.1	12.3	12.2	10.0
Unemployed	20,465	38.5	30.2	27.5	24.5
Work relief	6,001	30.2	19.8	18.0	14.5
Seeking work	14,464	42.4	34.6	31.4	28.7
Unemployable	1,408	1,000.0	1,000.0	1,000.0	1,000.0
Female:					
Employed	31,257	27.0	15.7	14.8	11.0
Unemployed	8,349	50.5	40.4	34.0	30.4
Work relief	983	42.7	25.4	23.4	16.3
Seeking work	7,366	51.6	42.4	35.4	32.3
Unemployable	323	1,000.0	1,000.0	1,000.0	1,000.0

[1] "Disabled" means unable to work or pursue other usual activities.
[2] "Working population" includes all persons working, seeking work, and those not seeking work because of chronic disability. It does not include housewives, students, or persons retired or at home for reasons other than disability.
[3] Unpublished data from National Health Survey canvass in Atlanta, Cincinnati, Dallas, Fall River, Newark, Oakland, St. Paul, Seattle, largely during the period November 1935–March 1936.
[4] "Unemployable" includes all persons not seeking work because of disability.

It was found that among unemployed men illnesses other than minor respiratory were 2.2 times as prevalent on the day of the visit as among those men who were working. Among unemployed women, the corresponding rate was 2.3 times that for employed women (table 2).

Prevalence of illness in relation to work relief status.—Not only is illness more prevalent among unemployed workers as a whole, but within the unemployed group itself, a proportionately higher number of disabling cases were reported for that part of the unemployed who were able to work and seeking work than for those on work relief; 4.5 percent of those seeking work (ages 15–64) were disabled on the day of the interview as compared with 3.2 percent of those on work relief. For each sex, illness was approximately 40 percent more prevalent among those seeking work than for that part of the unemployed population who were on work relief.

It is reasonable to assume that some of those who reported that they were able to work and seeking work were not on work relief because of illness. That this may be true to some extent is demonstrated by the fact that in various special studies, a certain proportion of work relief applicants have been found by medical examination to be unfit for work. The great bulk of such cases, however, were reported in the Health Survey as not seeking work because of disability and appear in table 1 and following tables as "unemployables."

Unemployment status and frequency of illness during a given period

Illness is not only more prevalent among unemployed workers on any given day but they suffer more frequently from serious illness in the course of a year when measured in illnesses causing 7 or more consecutive days of inability to work. Data for 8 large cities from preliminary tabulations of the National Health Survey indicate an illness rate among the unemployed that is 43 percent greater than that for employed workers. White and colored workers (ages 15–64) who were unemployed on the date of the canvass suffered such disabling illnesses at the annual rate of 143 cases per 1,000 population. Those workers who were employed experienced illness at the rate of 100 cases per 1,000 population (table 3).

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TABLE 3.—*Frequency of disabling [1] illness among workers [2] of both sexes classified by age, color, and employment status—133,024 persons in 8 large cities [3] canvassed in the national Health Survey, 1935–36*

Color and employment status of workers	Disabling illness per 1,000 persons, 12-month period			
	All ages 15–64	15–24	25–44	45–64
White and colored:				
Employed	100.3	91.4	97.7	111.9
Unemployed and unemployable [4]	191.8	113.4	194.8	274.4
Unemployed	143.1	107.4	153.8	172.2
Unemployable	1,000.0	1,000.0	1,000.0	1,000.0
White:				
Employed	98.1	90.9	94.7	109.9
Unemployed and unemployable [4]	183.2	108.8	183.7	266.7
Unemployed	135.6	103.4	142.8	167.1
Unemployable	1,000.0	1,000.0	1,000.0	1,000.0
Colored: [5]				
Employed	120.5	96.1	122.4	135.7
Unemployed and unemployable [4]	233.3	143.2	234.9	318.1
Unemployed	179.9	133.8	194.0	201.9
Unemployable	1,000.0	1,000.0	1,000.0	1,000.0

[1] Illness from all causes including disease, accident, and impairment, preventing pursuit of usual activities for 7 consecutive days or longer. Also all confinements, hospital, and fatal cases of whatever duration.

[2] Defined as including all persons 15–64 years of age who were employed at time of survey on work relief or seeking work and also persons not seeking work because unemployable due to disability.

[3] Unpublished data from national health survey canvass in Atlanta, Cincinnati, Dallas, Fall River, Newark, Oakland, St. Paul, Seattle, largely during the period November 1935–March 1936.

[4] "Unemployed" includes all persons on work relief or able to work and seeking work. "Unemployable" includes all persons not seeking work because of disability. While not strictly workers they are included here because they are unemployed by reason of illness.

[5] Due to small proportion of colored families in some cities (St. Paul and Fall River) data for colored workers were included with whites for these cities. Colored workers in other cities (Seattle and Oakland) were classified as such. Negroes, however, made up a minority of this group.

Findings from two other studies may be cited. (1) A study of illness among 13,270 persons in 14 urban communities in California,[2] and (2) the Health and Depression Studies [3] covering illness and unemployment among wage-earning families in eight cities. These studies consider, not the worker alone, but the worker and his family.

The California study shows for a 3-month period in 1934, for illnesses causing disability for 1 day or longer, a rate of 198 cases per 1,000 persons in families with no employed workers as compared with 125 in families with full-time workers (table 4). In other words, the rate of disabling illness was 58 percent greater among families of the unemployed than in families with employed workers.

[2] Klem, Margaret C., Medical Care and Costs in California Families in Relation to Economic Status. State Relief Administration of California, 1935. This survey was made by a house-to-house canvass during May and June 1934. Records were obtained from approximately 4,500 families covering income and employment during 1933. Illness records were for the early months of 1934.

[3] The Health and Depression Studies were conducted jointly by the Milbank Memorial Fund and the United States Public Health Service. Reports are based on a house-to-house canvass in 8 large cities and 2 industrial communities. The families surveyed were not representative of the total population. Only the poorer districts (exclusive of the slum areas) were canvassed. The study was made from March to May 1933. Income data covered the period 1929 through 1932. Illness data apply to early 1933. Unemployment status is as of early 1933.

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TABLE 4.—*Incidence of disabling*[1] *illness in the early spring of 1933 in 11,511 canvassed white wage-earning families classified according to employment status of the wage-earners during 1932, in 10 localities in Eastern States*

Employment status of the family's wage-earners	Illnesses per 1,000 persons for 3-month period (adjusted for age)			Number of persons observed
	Total	Onset within survey period	Onset prior to but sick during survey period	
No employed worker	182	121	61	4,935
Part-time worker only (1 or more)	160	112	48	21,224
Full-time worker (1 or more)	123	91	32	21,022

[1] Causing inability to pursue usual activities (work, school, etc.) for 1 day or longer.

Data from Relation of Sickness to Income and Income Change in 10 Surveyed Communities. Public Health Reports, May 3, 1935.

The Health and Depression Studies of the United States Public Health Service also clearly indicate a higher rate of illness in families of the unemployed. In a 3-month period in the early spring of 1933, disabling illnesses among white wage-earning families with no employed workers occurred 48 percent more frequently than among families with one or more full-time workers (table 5).

TABLE 5.—*Incidence of disabling*[1] *illness among persons of specific ages in the early part of 1934 in about 3,700 families classified according to employment status of the wage earners during 1933—13,270 persons in 14 urban communities of California*

Employment status of the family's wage earners	Illness per 1,000 persons for 3-month period									
	All ages			Total with onset within or prior, by age						
	Total	Onset within survey period	Onset prior to but sick during survey period	0–9	10–19	20–29	30–39	40–49	50–59	60 and over
No employed worker	198	111	87	184	109	121	191	174	266	324
Part-time worker only (1 or more)	146	96	50	205	118	132	125	144	131	179
Full-time worker (1 or more)	125	85	40	204	105	100	100	111	122	166

[1] Causing inability to pursue usual activities (work, school, etc.) for 1 day or longer.

Data from Klem, Margaret, Medical Care and Costs in California Families. State Relief Administration of California, 1935, pp.83–84.

It was noted above that in the health survey the unemployed reported, on the day of the interview, about twice as much disabling illness as the employed workers, whereas during a 12-month period the illness rate for the unemployed workers was only 1.4 times as great as for employed workers. This difference in excess, as will be seen later, is largely attributable to the fact that, among the unemployed, diseases of a continuing or chronic nature constitute a higher proportion of all illnesses than among the employed. Illness on the day of the canvass is heavily weighted by the long-duration chronic diseases.

Unemployment and the duration of illness

A marked excess for the unemployed over the employed was found in the total number of days of illness during the year as well as in the frequency of cases. Two indexes of the duration of illness may be used:

(*a*) The percentage of illnesses that are of a chronic or relatively long duration (or the symptoms of which are of long duration), and

(*b*) The number of days of inability to work per person per year and per case of disabling sickness.

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The first measure shows that there is a disproportionate number of chronic or long-duration illnesses among those of insecure economic status. The second measure shows that the average days of disability per person observed and also per case of illness is greater among the unemployed than among the employed.

Unemployment and the chronicity of illness.—Among unemployed workers 15–64 years of age living in 8 large cities covered by the National Health Survey (see footnote 1, p. 1489), cases of long duration (symptoms lasting 3 months or more) occurred about twice as frequently as among the employed group, whereas the case rate for short illnesses (symptoms lasting less than 3 months) among the unemployed exceeded by only 20 to 25 percent such rates among the employed (table 6).

TABLE 6.—*Frequency rates of disabling illness* [1] *of white and of white and colored* [2] *workers* [3] *of both sexes classified as acute and chronic* [4] *as related to age groups and employment status—133,024 persons in 8 large cities canvassed in the National Health Survey, 1935–36* [5]

WHITE AND COLORED

Employment status	All ages 15–64			Ages 15–24		
	Disabling illness per 1,000 persons—12-month survey period			Disabling illness per 1,000 persons—12-month survey period		
	Total	Acute	Chronic	Total	Acute	Chronic
Employed	100.3	75.6	24.7	91.4	78.0	13.4
Unemployed and unemployable	191.8	91.8	100.0	113.4	86.7	26.7
Unemployed [6]	143.1	94.8	48.3	107.4	86.7	20.7
Unemployable	1,000.0	41.6	958.4	1,000.0	90.9	909.1

WHITE ONLY

Employed	98.1	74.3	23.8	90.9	78.0	12.9
Unemployed and unemployable	183.2	86.8	96.4	108.8	83.2	25.6
Unemployed [6]	135.6	89.4	46.2	103.4	83.2	20.2
Unemployable	1,000.0	41.8	958.2	1,000.0	96.2	903.8

WHITE AND COLORED

Employment status	Ages 25–44			Ages 45–64		
	Disabling illness per 1,000 persons—12-month survey period			Disabling illness per 1,000 persons—12-month survey period		
	Total	Acute	Chronic	Total	Acute	Chronic
Employed	97.7	74.6	23.1	111.9	75.8	36.1
Unemployed and unemployable	194.8	96.2	98.6	274.4	91.5	182.9
Unemployed [6]	153.8	99.2	54.6	172.2	98.6	73.6
Unemployable	1,000.0	37.9	962.1	1,000.0	40.6	959.4

WHITE ONLY

Employed	94.7	72.7	22.0	109.9	74.6	35.3
Unemployed and unemployable	183.7	88.0	95.7	266.7	89.4	177.3
Unemployed [6]	142.8	90.6	52.2	167.1	95.8	71.3
Unemployable	1,000.0	36.0	964.0	1,000.0	41.5	958.5

[1] Illness from all causes including accidents and impairments that prevent the pursuit of usual activities for 7 consecutive days or longer. Also confinements, hospital and fatal cases of whatever duration.

[2] Due to small proportion of colored families in some cities (St. Paul and Fall River) data for colored workers were included with whites for these cities. Colored workers in other cities (Seattle and Oakland) were classified as such. Negroes, however, made up a minority of this group.

[3] Defined as including all persons, 15–64 years of age, employed on work relief or seeking work on day of interview and also persons not seeking work because of disability. Excludes retired individuals and those not seeking work for reasons other than disability.

[4] Diseases the symptoms of which were less than 3 months in duration are classified as "acute"; those with symptoms of 3 months duration or longer are designated as "chronic"

[5] Unpublished data from the Health Survey canvass in Atlanta, Cincinnati, Dallas, Fall River, Newark, Oakland, St. Paul, Seattle, largely during the period November 1935 to March 1936.

[6] "Unemployed" includes all persons on work relief or seeking work. "Unemployable" includes all persons not seeking work because of disability. While not strictly workers, they are included here because they are unemployable due to illness.

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Singular agreement was found between the 1934 data for California and the 1933 health and depression data for eight eastern cities. These studies considered the families of the worker as well as the worker himself. In the California study, persons in families with no employed worker experienced disabling illnesses of longer duration (onset prior to 3 months survey period) more than twice as frequently as persons in families with one or more full-time employed workers. Disabling illnesses (1 or more days) of shorter duration (onset within 3-month survey period) in families with no employed workers exceeded by 31 percent such illnesses in families with full-time employed workers (table 5). In the Health and Depression Studies, the corresponding rate for longer-term illness among the unemployed was 1.9 times that for the employed. The rate for shorter-duration illness in families with no employed workers was 1.3 times that in families with one or more full-time employed workers (table 4).

Relief and income status and severity of illness.—The Health Survey indicates higher illness rates among relief and low-income families than among those with higher incomes. Preliminary tabulations from 81 cities measure the severity of illness in days of inability to work (disability) per case and furnish a sickness rate in terms of annual days of disability per person canvassed.

Measured in days of disability per case, persons in families which were on relief experienced a greater severity of disabling illness than did members of the non-relief population (table 7). Persons in families with low income suffered more days of illness per case, on the average, than persons with higher incomes (table 7).

The severity of acute illness (symptoms of less than 3 months duration) was found not to vary greatly by relief or income status (table 7). Severity of chronic disabling illness (symptoms of 3 months or more duration), however, varied with income and relief status to a marked degree. The days of disability per case of chronic disease among persons in families (relief and nonrelief) receiving less than $1,000 annual income exceeded by more than 50 percent the days of incapacity per illness in families with income of $3,000 per year or more. Association of the severity of chronic cases with relief status is not of such a high order; the days of disability per case of chronic disease for persons in the relief group exceeded those experienced by persons of all incomes who were not on relief by 23 percent. Days of disability per chronic case experienced by relief families were not significantly greater than the rate found among nonrelief families under $1,000.

TABLE 7.—*Frequency, severity, and disability rates of illness* [1] *classified as acute and chronic* [2] *as related to annual family income and relief status—2,224,449 persons* [3] *in 81 cities canvassed in the National Health Survey, 1935–36*

Annual family income and relief status	Frequency rate			Severity rate			Disability rate		
	Disabling illnesses per 1,000 persons—12-month period			Days of disability per case [4]			Estimated annual days of disability per person [5]		
	Total	Acute	Chronic	Total	Acute	Chronic	Total	Acute	Chronic
Under $1,000: By relief status:									
Relief [6]	234	163	71	70	27	168	16.3	4.4	11.9
Nonrelief	173	119	54	67	26	159	11.7	3.1	8.6
Relief and nonrelief:									
Under $1,000	199	137	62	68	26	161	13.6	3.6	10.0
$1,000–$1,999	155	117	38	49	24	127	7.6	2.8	4.8
$2,000–$2,999	150	113	37	47	25	116	7.1	2.8	4.3
$3,000 and over	149	111	38	44	25	103	6.6	2.7	3.9
All nonrelief	160	117	43	55	25	137	8.8	2.9	5.9

[1] Disabling for 1 week or longer in a 12-month period.
[2] Diseases the symptoms of which were less than 3 months in duration are classified as "acute"; those with symptoms of "3 months' duration or longer" are designated as "chronic."
[3] Excludes 84,139 persons with unknown income.
[4] Rates observed in a surveyed group of 280,073 persons in the following large cities: Atlanta, Cincinnati, Dallas, Fall River, Newark, Oakland, St. Paul, Seattle.
[5] Disability rates estimated on the basis of severity rates observed in a surveyed group of 280,073 persons in 8 large cities.
[6] Relief level considered here as under $1,000.

Considering the frequency of all illnesses that disabled for 7 or more consecutive days, higher rates coupled with the greater average durations per case in the low-income and relief groups are responsible for a greater volume of illness in these

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groups. The Health Survey of 1935–36 shows that members of families receiving an income of $3,000 or more lost from work, on account of illnesses that disabled for 7 consecutive days or longer, an annual total of 6.6 days per person canvassed, as compared with 13.6 days per person in families receiving less than $1,000 per year (relief and nonrelief). Thus, over a period of a year, persons in the lowest income groups lost from sickness twice as much time as persons in the highest income group.

Comparison of rates for relief families with those of low-income nonrelief families also reveals a large difference. Members of relief families lost on account of sickness about 40 percent more time per year than did persons in nonrelief families with incomes under $1,000.

These results from the Health Survey are confirmed by data from a study of illness made by the Committee on the Costs of Medical Care. This study canvassed 9,000 families of different income levels in 18 States during the period 1929–31, and recorded illnesses lasting 1 day or longer during a period of 12 consecutvie months. Days of inability to work per disabling illness experienced by wage earners 15–64 years of age in families with less than $1,200 income was 2.2 times the corresponding rate in families with incomes of $3,000 or more (table 8). The annual days of disability per worker in families of the lowest income group were 2.3 times those experienced in the highest income group.

TABLE 8.—*Illness among wage earners of the ages 15–64 years, in families of different income levels—9,000 families in 18 States observed for 12 consecutive months, 1928–31*

Annual family income	Annual rate		
	Disabling cases per person [1]	Days of disability—	
		Per person	Per disabling case
Under $1,200	0.36	8.9	24.7
$1,200–$1,999	.37	5.7	15.4
$2,000–$2,999	.36	5.0	13.9
$3,000 and over	.34	3.8	11.2

[1] Wage earners, ages 15–64, both sexes, exclusive of farmers and farm laborers, professional persons, proprietors, managers, and officials.

Data from The State of the Nation's Health. Annals of the American Academy of Political and Social Science, November 1936.

Unemployment and illness at specific ages

Within the age group 15–64, which includes the bulk of the gainfully employed, cases of illness per 1,000 population show an increase from one age class to the next. The phenomenon is true for employed as well as unemployed workers and for men as well as for women.

Unemployment and daily prevalence of illness at specific ages.—In each of the age classes 15–24, 25–44, and 45–64 years, the rate of disabling illness as shown on a given day among unemployed workers exceeds by a large percentage that among employed workers. This is indicated by illness records of 220,123 persons (white and colored) in eight cities during the period 1935–36 (table 1). The excess in the rate for the unemployed over the employed is larger at 25–44 years than at either the younger- or the older-age groups; in other words, the excess of illness for the unemployed is greatest in the most active working ages.

Unemployment and the annual frequency of illness at specific ages.—Rates of disabling illness during the year also show an excess among the unemployed (white and colored) over the rates for employed persons of the same ages. The greatest difference in annual rate is also found among individuals of the ages 25–44 (table 3). Considering the white population alone, the frequency of illness among unemployed workers exceeded the rate for employed workers by 51 percent for the ages 25–44 and 52 percent for the ages 45–64 years (table 3).

Most available data on illness in relation to unemployment are restricted to the worker alone. Some information is available, however, respecting differences in illness rates for children and for adults in families of employed and unemployed workers (table 9).

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Sickness rates for children are usually significantly higher than those of adults irrespective of the employment status of the workers of the family. However, the rates for children of the unemployed were found in the Health and Depression Studies of 1933 to be higher than for children of the employed. With respect to the long-term or chronic (onset prior to survey period) illnesses (disabling and nondisabling) the frequency for children in families of the unemployed exceeded by 58 percent that for children in families with full-time employed workers. The rate of long-term illnesses among adults 15–64 years old in families with no employed workers exceeded by 85 percent that for the same age class in families with full-time employed workers. With respect to short-term (onset within survey period) illnesses (disabling and nondisabling) the percentage excess in the rates for the unemployed families over those with full-time workers is not much greater for children than for adults.

TABLE 9.—*Rate of illness per 1,000 persons for a 3-month period in the early spring of 1933, classified by period of onset and broad diagnosis among individuals of specific ages in white wage-earning families grouped according to employment status during 1932—8 large cities*

DISABLING AND NONDISABLING ILLNESS PER 1,000 PERSONS FOR 3-MONTH SURVEY PERIOD

Employment status of family's wage earner [1]	Onset within survey period				Onset prior to survey period		
	All illnesses	Respiratory diseases	Communicable diseases	Other illnesses	All illnesses	Respiratory diseases	Nonrespiratory diseases
Under 15 years old:							
No employed workers	240.9	144.0	64.1	32.8	51.2	24.4	26.8
Full-time employed workers	180.4	101.1	52.4	26.9	32.5	11.3	21.2
15 to 64 years old:							
No employed workers	145.3	92.0	2.2	51.1	29.7	25.0	104.7
Full-time employed workers	110.9	73.0	1.5	36.4	70.0	12.7	57.3
Over 65 years old:							
No employed workers	114.3	64.3	.....	50.0	342.8	21.4	321.4
Full-time employed workers	131.4	75.5	.....	55.9	197.9	25.7	172.2
RATIO OF RATE IN FAMILIES WITH NO EMPLOYED WORKERS TO THAT IN FAMILIES WITH FULL-TIME EMPLOYED WORKERS							
Under 15 years old:							
No employed workers	134	143	122	122	158	215	126
Full-time employed workers	100	100	100	100	100	100	100
15 to 64 years old:							
No employed workers	131	126	105	140	185	197	183
Full-time employed workers	100	100	100	100	100	100	100
Over 65 years old:							
No employed workers	87	85	.....	89	173	83	187
Full-time employed workers	100	100	100	100	100	100	100

[1] Families were classified as having "no employed workers," "part-time, no full-time workers," and "full-time workers." The first and last classes are included here.

[2] Unpublished data from Health and Depression Survey made Mar. 20–May 15, 1933, by the U S. Public Health Service and Milbank Memorial Fund cooperatively in the poorer districts of the following cities: Baltimore, Birmingham, Brooklyn, Cleveland, Detroit, New York, Pittsburgh, Syracuse.

Persons of 65 years of age and older in families with full-time employed workers experienced more short-duration illnesses than persons of the same age in families with no employed workers. The reverse was true in cases of long duration, Probably there is no significant difference between the two employment groups in these older ages where few are actively employed and few are adequately provided with medical care.

Types of illness associated with low economic status

Future tabulations from the Health Survey are expected to furnish a large body of information on the kinds of illness that are most closely associated with economic status. At the present time, rates for specific causes of disabling illness are available for only a sample of the surveyed population in eight cities canvassed during

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1935–36 (table 10). Minor respiratory disaeases such as common colds, grippe, and bronchitis were responsible for the greatest number of illnesses among persons both in the relief and nonrelief groups. Infectious and communicable diseases and diseases of the heart and circulatory system rank next in importance.

TABLE 10.—*Incidence of illness disabling 1 week or longer during a year, by cause, relief status, and annual family income, among 57,157 persons, representing a 20-percent random sample of the surveyed population of 8 cities*[1] *canvassed in the National Health Survey, 1935–36*

Diagnosis	Case rate per 1,000 persons			Ratio to group with income $2,000 and over (rate for $2,000 and over equals 1.0)	
	Relief	Nonrelief		Relief	Nonrelief under $1,000
		Under $1,000	$2,000 and over		
All causes	266.1	184.4	148.7	1.8	1.2
Pulmonary tuberculosis	3.5	1.4	10.9	3.9	1.6
Hernia	2.3	1.4	10.6	3.8	2.3
Major orthopedic conditions	4.6	4.1	1.5	3.1	2.7
Pneumonia	9.3	4.2	3.3	2.8	1.3
Chronic digestive diseases [2]	5.9	4.3	2.5	2.4	1.7
Nepritis	4.1	2.8	2.0	2.0	1.4
Chronic respiratory diseases [3]	5.2	3.3	2.6	2.0	1.3
Rheumatism	7.6	7.3	3.9	2.0	1.9
Nervous diseases	8.5	7.5	4.5	1.9	1.7
Acute digestive diseases	6.7	6.0	3.6	1.9	1.7
Infectious diseases	45.6	23.1	25.4	1.8	.9
Diabetes	1.4	1.3	.8	1.8	1.6
Minor respiratory diseases	72.0	45.1	46.7	1.5	1.0
Cancer	1.2	1.4	.8	1.5	1.8
Heart and arteries	10.6	11.0	7.2	1.5	1.5
Appendicitis	7.1	4.4	5.9	1.2	.8
Home accidents	7.0	5.1	4.1	1.7	1.2
Automobile accidents	3.0	3.9	3.3	.9	1.2
Other accidents	9.2	9.2	6.9	1.3	1.3

[1] Atlanta, Ga.; Cincinnati, Ohio; Dallas, Tex.; Fall River, Mass.; Newark, N. J.; Oakland, Calif., St. Paul, Minn.; Seattle, Wash.
[2] Ulcer of the stomach or duodenum, and diseases of the gall bladder.
[3] Sinusitis, asthma, and hay fever.

With the single exception of disability resulting from automobile accidents, the frequency of illness for each cause is greater in the relief group than among familes with income of $2,000 and over. With the exception of disability due to cancer, diseases of the heart and arteries and automobile accidents, the incidence of sickness in the relief group exceeds that for persons in nonrelief families with family incomes of $1,000 or less.

Comparing illness in the relief group with that among persons enjoying an annual family income of $2,000 or more pulmonary tuberculosis shows the largest excess for the relief families, being experienced 3.9 times as frequently among persons on relief as among those with family incomes of $2,000 or more. Hernia, major orthopedic conditions (loss of arm or leg, injury to the spine, etc.) pneumonia, and chronic digestive diseases, in the order named, rank next in the order of the amount of the percentage excess (table 10).

Table 11 shows for the National Health Survey the percentage of families of different income levels which reported an active case of tuberculosis at home or in a hospital. Among relief families, the percentage is about 4 times what it is among families with $2,000 or more per year.

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TABLE 11.—*Percentage of households of different income levels which reported an active case of tuberculosis in the family—654,811 families in 81 cities canvassed in the National Health Survey, 1935–36*

Annual family income and relief status	Percent of families with an active case of tuberculosis at home or in a hospital
All incomes	0.74
Relief	1.74
Nonrelief:	
Under $1,000 [1]	.65
$1,000 to $1,999	.49
$2,000 and over [2]	.47

[1] For the colored, all nonrelief families are included under the category "nonrelief under $1,000."
[2] Include unknown income.

Respiratory diseases are closely associated with low income (tables 9 and 10). The Health and Depression Studies of 1933 show 42 percent more respiratory diseases of short duration among children in families with no employed workers than among children in families with one or more full-time employed workers (table 9). The excess is even greater for respiratory diseases of long duration or chronic nature. For this class of diseases, children in families with no employed workers suffered an illness rate per 1,000 that was twice that experienced by children in families of employed workers. Nonrespiratory diseases occur only 20 to 25 percent more frequently among children in families with no employed workers than among those with full-time workers. Sickness of long duration (onset prior to survey) among adults is largely of a nonrespiratory character, but the long-duration respiratory diseases show a relatively greater excess among the unemployed than do chronic diseases of a nonrespiratory nature.

Illness as related to change in economic status

Although illness has been shown to have a high association with adverse economic circumstances, the change in circumstances was seemingly an even greater factor as found in the Health and Depression Studies. The rate of disabling illness per 1,000 population during a 3-month period in the early spring of 1933 was greater for persons who were poor during the period 1929 through 1932 than for persons who were in comfortable circumstances during that entire period (table 12). But an even higher illness rate was experienced by persons who had been in comfortable circumstances in 1929 but had become poor by 1932 than by persons who had been poor throughout the period; and members of families on relief in 1932 who had enjoyed comfortable circumstances in 1929 suffered the highest sickness rate of any group.

TABLE 12.—*Incidence of disabling [1] illness in the early spring of 1933 in canvassed white wage-earning families classified according to change in family income between 1929 and 1932 and relief status in 1932, in 8 large cities of the Eastern States*

Economic and relief status [2]	Illness per 1,000 persons for 3-month period (adjusted for age)			Number of persons observed
	Total	Onset within survey period	Onset prior to but sick during survey period	
Comfortable in 1929 but on relief in 1932	208	142	66	1,328
Comfortable in 1929 but poor in 1932	145	103	42	1,479
Poor throughout the period 1929–32	139	97	42	1,761
Comfortable throughout the period 1929–32	120	90	30	4,117

[1] Causing inability to pursue usual activities (work, school, etc.) for 1 day or longer.
[2] In all cities except New York "poor" means an income of less than $150 per capita and "comfortable" an income of $425 or more per capita. In New York (including Brooklyn) the corresponding figures are under $250 and $500 and over.

Data from Relation of Sickness to Income and Income Change in 10 Surveyed Communities, Public Health Reports, May 3, 1935.

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Mental disease and economic status

There are no data on this elusive problem which give much idea of the relation of the depression and of economic status to mental health. Apparently unemployment has not been a direct etiological factor in precipitating mental disease, although it has led to an increase in suicides and to some acute mental episodes commonly called nervous break-downs. However, unemployment creates a domestic problem for the family; the lack of economic security reflects itself in an emotional instability on the part of the children which is theoretically comparable to a child's situation in a broken home; the aftermath of this situation is problematical. On the other hand, unemployment has taught some families the necessity of cooperation and teamwork in attacking family problems that arise from strained economic circumstances.

The economic stress of families during the depression has led to an increase in commitments to mental institutions, particularly institutions for mental defectives, because of the inability to continue to care for such persons in the home. With respect to institutions for the insane, the economic inability of the family to take care of cases that could have been paroled has led to fewer paroles of mental patients and thus to larger numbers to be cared for within institutions.

It has been noted in studies of the populations of different sections of cities that those slum and near-slum areas from which come an excessive proportion of cases of tuberculosis and other chronic diseases also provide an excess of the mental disorder known as dementia praecox and an excess of delinquency. These various kinds of ills are all associated with the conditions of the poorest sections of cities.

Mortality and economic status

A few studies have attempted to compute mortality rates for different occupations. The American Tuberculosis Association in cooperation with the United States Bureau of the Census related deaths during the year 1930 to the census count of persons in different occupations. Table 13 shows death rates among persons classified in broad social-economic occupational groups.

TABLE 13.—*Mortality from certain causes among males 15–64 years of age in different occupational groups in 10 States, 1930*

Occupational group	Annual death rate per 100,000 (adjusted for age)											
	All causes	Diseases of the heart	Tuberculosis of the respiratory system	Cancer and other malignant tumors	Pneumonia	Nephritis	Cerebral hemorrhage	Diabetes mellitus	Cirrhosis of the liver	Suicide	Accidents	All other causes
Unskilled workers	1,448	243	185	107	136	83	58	12.5	17.0	44	51.7	510
Semiskilled workers	1,009	200	102	91	72	60	41	13.2	10.5	42	34.1	345
Skilled workers and foremen	829	166	72	85	60	54	39	10.9	10.0	29	34.2	269
Clerks and kindred workers	775	186	66	78	51	54	37	13.5	10.2	35	18.7	228
Proprietors, managers, and officials	793	184	43	81	52	56	38	16.2	14.4	40	22.3	245
Professional men	671	177	26	70	39	51	48	10.9	10.8	29	14.5	194
Agricultural workers	623	96	47	56	43	41	36	9.4	4.3	29	15.1	246
All gainfully occupied	910	175	88	82	69	58	42	12.1	10.7	35	29.5	308

Data from Whitney, Jessamine S., Death Rates by Occupation, Based on Data of the U. S. Census Bureau, 1930, National Tuberculosis Association, June 1934; and from Britten, Rollo H., Mortality Rates by Occupational Class in the United States. Public Health Reports, Sept. 21, 1934. The 10 States are Alabama, Connecticut, Illinois, Kansas, Massachusetts, Minnesota, New Jersey, New York, Ohio, and Wisconsin. In the report only occupations with 500 or more deaths are utilized for studies by cause. This includes about 80 percent of the data for all except the professional group, which includes only about 35 percent and is limited to lawyers, physicians, and technical engineers.

Considering mortality from all causes among persons 15–64 years of age, unskilled laborers experienced a death rate that was about twice as high as the rate for professional men, managers, officials, and merchants; even skilled and semi-skilled workers show a markedly greater mortality than merchants and professional men. The higher mortality in the unskilled and semiskilled classes runs through nearly all causes of death, but the excess is particularly large for

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pneumonia and tuberculosis of the lungs. The excess is also large for accidents, presumably because of the much greater exposure of the laboring groups to the hazards of industry. Agricultural workers show a uniformly low death rate for practically all causes of mortality.

For four or five decades the Registrar General of England and Wales has made similar studies of mortality in certain occupations covering 3 years centering around each decennial census. The results are very similar to those of the American study; that is, there is a large excess mortality among the laboring classes as compared with merchants and professional men, respiratory diseases and accidents showing larger excesses than other causes of death (table 14) As in the United States, agricultural workers show exceptionally low death rates. In the English report these workers have been divided into farmers and agricultural laborers and the latter group, which are presumably of lower economic status than the owners and operators of farms, show a slightly higher mortality than the farmers, particularly in respiratory tuberculosis and other respiratory diseases (table 14).

TABLE 14.—*Mortality from certain causes among males 20 to 64 years of age in different occupational groups, England and Wales, 1921–23*

Occupational group	Annual death rate per 100,000 (adjusted for age)											
	All causes	Valvular heart disease	Respiratory tuberculosis	Cancer	Pneumonia	Bronchitis	Chronic nephritis	Nervous diseases (except cerebral hemorrhage)	Diabetes mellitus	Appendicitis	Cirrhosis of the liver	Accidents
Unskilled labor	1,151	74	210	144	117	80	34	37	7.4	5.7	7.6	54
Intermediate laboring group	921	62	150	113	83	54	29	29	8.4	6.9	6.5	58
Skilled labor	870	56	146	116	70	43	31	27	10.2	7.2	5.8	43
Intermediate and merchant group	862	52	126	108	66	25	36	28	16.2	11.6	16.4	32
Professional and independent	743	33	73	94	65	12	31	24	13.9	13.8	14.3	37
Agricultural laborers	630	43	88	82	50	22	19	30	6.5	5.4	2.5	42
Farmers	617	41	62	85	46	10	23	24	14.3	13.2	6.8	34
All occupied and retired civilian males	915	58	150	117	78	45	32	29	10.9	8.1	8.7	45

Data from Britten, Rollo H., Occupational Mortality among Males in England and Wales, 1921-23: A Summary of the Report of the Registrar-General, Public Health Reports, June 22, 1928; and from Registrar-General's Decennial Supplement, England and Wales, 1921, pt. II, Occupational Mortality, Fertility, and Infant Mortality, 1927.

Some data on mortality among insured persons of different occupations is available for the United States. The insured population is composed largely of the active working ages of 20 to 65 years when mortality for all classes is very low. However, a comparison of the different social-economic or occupational classes indicates an excess for the laboring groups, as is seen in table 15.

TABLE 15.—*Mortality from all causes except accidents among policyholders of the ages 15 years and over, classified into occupational groups—12 companies, 1915–26*

Occupational group	Annual death rate per 1,000 (adjusted for age and years policy had been in force)
Unskilled [1]	4.77
Semiskilled	4.53
Skilled	3.67
Professional and semiprofessional	3.27

[1] Farm laborers excluded.

Data from Britten, Rollo H., Occupational Mortality as Indicated in Life Insurance Records for the Years 1915–26. Public Health Reports, May 30, 1930, and Joint Occupation Study, 1928, compiled and published by the Actuarial Society of America and the Association of Life Insurance Medical Directors, New York, 1929.

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II. ILLNESS AND UNEMPLOYABILITY

In addition to the large number of persons in the United States who are unemployed because industry offers no job, there is a considerable number who are not working or seeking work because of chronic disability due to disease or accident or their results. In the National Health Survey it was found that approximately three-quarters of this group had been ill for 12 months or more. Moreover, most of these persons were dependent; 78 percent of family heads classed as unemployable [4] (not seeking work because of chronic disability) were on relief or were in nonrelief families with annual incomes of less than $1,000 (table 16).

TABLE 16.—*Proportion of family heads [1] reported as not seeking work because of chronic disability, by income of family—654,811 families in 81 cities in the National Health Survey, 1935–36*

Annual family income and relief status	Percentage	Number of heads [1]	Number not seeking work because of chronic disability
Relief	5.2	88,090	4,616
Nonrelief:			
Under $1,000	2.4	157,177	3,738
$1,000 to $2,000	0.8	209,088	1,721
$2,000 to $3,000	0.5	60,134	308
$3,000 and over	0.4	31,792	138

[1] Does not include family heads who are housewives, students, or persons retired or at home for reasons other than disability.

Extent of unemployability induced by illness

The Health Survey recorded 16,500 persons in 83 cities who were not seeking work because of chronic disability. (See table 18.) Of these, 68 percent or 11,275 were of working age, *i. e.*, between 15 and 64 years of age. This means that 11 out of every 1,000 persons of the working population of these ages are physically unfit for employment (table 17). In other words, in addition to those persons of all ages who are on work relief or seeking work there exists another group, equal to 7.1 percent of the unemployed population, who are not working or seeking work because of chronic and permanent disability (table 17).

TABLE 17.—*Number of unemployables expressed as a rate per 1,000 of the total surveyed population; of the working population; of employed workers; and of unemployed workers—83 cities canvassed in the National Health Survey, 1935–36*

	All ages [1]	Age				
		15–64	15–24	25–44	45–64	65 and over
Unemployables:						
Per 1,000 total population	6.6	6.4	0.9	4.6	14.6	36.4
Per 1,000 working population [2]	15.4	11.0	1.7	7.3	25.2	122.0
Per 1,000 employed workers	20.0	14.2	2.6	8.8	33.0	196.1
Per 1,000 unemployed workers	70.9	50.9	5.0	44.7	120.9	476.9

[1] All ages includes a few of unknown age.
[2] "Working population" includes all persons working, seeking work, and those not seeking work because of chronic disability. It does not include housewives, students, or persons retired or at home for reasons other than disability.

To say that the above group was physically incapacitated does not necessarily mean that except for the disability they would have been working. Some lost their jobs because of their chronic disability and their places were taken by others or were never filled. Others may have incurred disability while unemployed.

What is significant is that this group of chronically disabled persons is not available for future employment because of impairments due to disease and accident. At a time when jobs are at a premium, it is possible that no great concern may be felt for that part of our adult population which, because of illness, will never work again. When man power is again at a premium, however, this

[4] The term "unemployable" as here used includes only those who are incapacitated by reason of chronic disability.

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group will be in demand. On a basis of population estimates for 1936, they represent approximately half a million persons.

The National Health Survey indicated that 5 percent of the heads of families which were on relief were unable to seek work (unemployable) because of chronic disability (table 16), and 3 percent of the heads of all of the families receiving less than $1,000 per year (including those on relief) suffered chronic disability. From an immediate social and economic standpoint, concern should be felt that so large a proportion of the heads of families in the low-income groups are incapacitated by chronic illness, for the greater part of these families must remain permanently in a dependent or semidependent state.

Age as a factor in unemployability

Two-fifths of those who were unemployable because of chronic disability were between 45 and 64 years of age. The physically incapacitated in this age group, together with those who were 65 years old and over, made up almost three-fourths of the total (table 18). This fact reflects the large increase with age in the prevalence of diseases and serious impairments; the major causes are the degenerative diseases such as heart disease, arteriosclerosis, or hardening of the arteries, kidney and bladder disorders, cancer, and diabetes. These Health Survey results are confirmed by other studies for which diagnostic data are available.

TABLE 18.—*Age composition of working population [1] in 83 cities canvassed in the national health survey, 1935–36*

Employment status	Working population [1]	Percentage in each age group						
		All ages [2]	Ages 15–64	Age				
				Under 15	15–24	25–44	45–64	65 and over
All classes	1,074,385	100.0	96.0	(3)	21.3	48.5	26.2	4.0
Employed	825,173	100.0	96.8	(3)	18.3	52.4	26.1	3.2
Unemployed	232,710	100.0	95.2	0.1	33.4	36.6	25.2	4.7
Work relief	57,767	100.0	96.8	(3)	14.7	49.5	32.6	3.2
Seeking work	174,943	100.0	94.7	1	39.6	32.3	22.8	5.2
Unemployables	16,502	100.0	68.4	1	2.3	23.1	43.0	31.5

[1] "Working population" includes all persons working, seeking work, and those not seeking work because of chronic disability. It does not include housewives, students, or persons retired or at home for reasons other than disability.

[2] The percentages are based on the populations of known ages; the totals given in the first column include a few of unknown age.

[3] Less than one-tenth of 1 percent.

In contrast to high concentration of unemployables in the older age groups, the employed and the unemployed are of a younger average age, the largest percentage being in the age class 25–44 years. The number of unemployables per 1,000 of the working population increases with each successive age class. The percentage of the working population of specific ages who were employed on the day of the canvass was largest in the age group 25–44 years; conversely the percentage of the working population who were unemployed was smallest in this age class (table 19).

TABLE 19.—*Percentage of the working population [1] of given ages who are in each employment status—83 cities canvassed in the national health survey, 1935–36*

Employment status	All ages	Ages 15–64	Age				
			Under 15	15–24	25–44	45–64	65 and over
Working population [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employed	76.8	77.4	61.9	65.8	82.9	76.6	62.2
Unemployed	21.7	21.5	35.3	34.0	16.4	20.9	25.6
Work relief	5.4	5.4	3.9	3.7	5.5	6.7	4.4
Seeking work	16.3	16.1	31.4	30.3	10.9	14.2	21.2
Unemployable	1.5	1.1	2.8	2	7	2.5	12.2

[1] Does not include housewives, students, or persons retired or at home for reasons other than disability.

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Direct causes of unemployability

While tabulations from the Health Survey are not available a large body of material from other sources indicate the direct causes of handicapping impairments. Foremost among these may be cited studies from the Occupational Characteristics Survey made by the Federal Relief Administration, 1934.[5] Of 210,507 males between the ages 16 and 64, 8,032 or 3.8 percent were chronically incapacitated by reason of disease or accident (table 20).

TABLE 20.—*Total and incapacitating impairments* [1] *of males 16–64 years of age by some specific causes of impairment expressed as rates per 1,000 of all males surveyed 16–64 years of age—also incapacitating impairments per 1,000 of total impairments—210,507 males in 79 cities—Federal Emergency Relief Administration Occupational Characteristic Survey, May 1934*

Specific causes of impairments	Total number of cases of impairments reported	Number of cases of incapacitating impairments reported	Total impairments as a rate per 1,000 of all males 16–64 years of age	Incapacitating impairments as a rate per 1,000 of all males 16–64 years of age	Percent of all reported impairments of each type that caused total incapacity
Heart disease, arteriosclerosis, and high blood pressure	3,385	1,004	16.1	4.8	30
Mental and nervous disease	2,196	897	10.4	4.3	41
Tuberculosis	1,576	783	7.5	3.7	50
Injuries to extremities	5,912	712	28.1	3.4	12
Paralysis (total and partial)	940	680	4.5	3.2	72
Rheumatism, arthritis, and neuritis	2,780	607	13.2	2.9	22
Injuries to trunk and spine	1,843	416	8.8	2.0	23
Stomach ulcers and other digestive	1,930	339	9.2	1.6	18
Hernia	3,454	249	16.4	1.2	7
Asthma and hay fever	941	238	4.5	1.1	25
Blind, both eyes	303	237	1.4	1.1	78
Kidney and bladder	949	213	4.5	1.0	22
Senility	250	163	1.2	.8	65
Cancer and tumor	274	155	1.3	.7	57
All other causes	9,060	1,339	43.0	6.4	15
All causes	35,793	8,032	170.1	38.2	22

[1] Incapacitating impairments are those impairments or handicaps, or serious disabilities which were reported as preventing the seeking of work.

Diseases of the heart, hardening of the arteries, and high blood pressure were the most frequent causes for such incapacity. Mental and nervous diseases, tuberculosis, and injuries to limbs rank next in frequency, in the order named. Paralysis (total and partial), rheumatism, arthritis, and neuritis, injuries to trunk and spine, stomach ulcers and other digestive disorders, hernia, asthma, and hay fever, total blindness, and kidney and bladder disorders were all reported fairly frequently as causes of chronic incapacitating illness.

Severity of impairments.—A measure of severity is afforded by the proportion of total impairments from a given cause which was chronically incapacitating to the individual (table 20). Of the conditions listed, total blindness is most likely to cause unemployability. Nearly all of the reported paralysis was chronically incapacitating. Other diseases and impairments likely to chronically incapacitate are cancer, tumor, and tuberculosis.

Further data on unemployability due to disease and impairments

During the past 10 or 12 years physical disability has been recorded repeatedly as a common reason for rejection of job applicants; as an important causative factor in loss of employment; and as the outstanding explanation of chronic unemployability. The salient facts from a number of representative studies are presented here to illustrate the ever-growing body of evidence on these points.

[5] From unpublished data collected in the Federal Emergency Relief Administration's Occupational Characteristics Survey in May 1934 discussed in Perrott, G. St. J., and Griffin, Helen: An Inventory of the Serious Disabilities of the Relief Population. Milbank Memorial Fund Quarterly, July 1936.

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Physical disability as a cause of rejection of applicants.—Two studies may be cited as to the part disease and impairment play in keeping would-be workers out of employment.

The National Industrial Conference Board a few years before the depression, when labor was in demand, investigated rejections on account of disability by 255 plants using physical examination procedures. A tenth of the plants reported rejection of from 10 to 20 percent of applicants. Establishments which, because of health hazards connected with the work, could use only persons in excellent physical condition, rejected as high as 50 percent of the persons examined. Only very large organizations providing a variety of occupations reported no rejections because of physical condition.[6] As a result of physical examinations recently made for a general contractor on an open-cut job requiring excavation, drilling, concrete work, and road building, 17 percent of 1,000 applications were rejected.[7]

Disease and impairments as causative factors in loss of employment.—Physical examinations of nearly 2,000 workers in 3 cities were conducted by the University of Minnesota during three depression years, sociological records being obtained for each person examined (table 21). The conclusions stated in the report are—

"Although it is difficult to generalize from the findings in such diverse occupational groups as the subjects of this study, the data seem to justify the following statements: (1) That individuals who are in good health and who keep themselves as free as possible from physical handicaps are less likely to suffer unemployment than individuals who are handicapped by physical defects; and (2) that employers could expect greater efficiency from their employees if provisions were made to discover and correct their physical handicaps and to keep them in better general health." [8]

TABLE 21.—*Physical condition of 1,930 employed and unemployed workers in 3 Minnesota cities, 1932–34, according to occupational class and employment status*

Occupational group	Men			Women		
	Early-depression unemployed	Late-depression unemployed	Employed	Early-depression unemployed	Late-depression unemployed	Employed
Number of cases:						
Professional and business	35	71	91	19	19	37
Clerical	144	131	149	69	85	269
Skilled	174	265	98	----------	----------	----------
Semiskilled	92	112	61	9	----------	----------
	PERCENT DISTRIBUTION					
Professional and business	100.0	100.0	100.0	100.0	100.0	100.0
Defects probably reducing efficiency	25.7	11.3	9.9	26.4	5.3	10.8
Defects possibly reducing efficiency	45.7	39.4	39.5	36.8	36.8	32.4
No defects affecting efficiency	28.6	49.3	50.6	36.8	57.9	56.8
Clerical	100.0	100.0	100.0	100.0	100.0	100.0
Defects probably reducing efficiency	24.3	11.4	12.7	21.7	10.6	9.3
Defects possibly reducing efficiency	29.9	25.2	21.5	46.4	34.1	28.6
No defects affecting efficiency	45.8	63.4	65.8	31.9	55.3	62.1
Skilled	100.0	100.0	100.0	100.0	100.0	100.0
Defects probably reducing efficiency	25.9	22.3	10.4	----------	----------	----------
Defects possibly reducing efficiency	36.7	30.0	37.5	----------	----------	----------
No defects affecting efficiency	37.4	47.7	52.1	----------	----------	----------
Semiskilled	100.0	100.0	100.0	100.0	100.0	100.0
Defects probably reducing efficiency	14.1	6.2	3.3	----------	----------	----------
Defects possibly reducing efficiency	27.2	27.7	26.2	----------	----------	----------
No defects affecting efficiency	58.7	66.1	70.5	----------	----------	----------

Data from Diehl, Harold S., Physical Condition and Unemployment. Public Health Reports, Nov. 15, 1935, table 2.

[6] Medical Care of Industrial Workers. National Industrial Conference Board, Inc., New York, 1926.
[7] Barsky, Michael H. and Wolff, Julian, Preemployment Examinations, A Digest of the First Thousand of a Series. Industrial Medicine, January 1937.
[8] Diehl, Harold S., Physical Condition and Unemployment. Public Health Reports, Nov. 15, 1935.

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Physical incapacity among work-relief employees.—Medical examinations of work-relief employees have revealed facts on the health of this group which are significant in considering the possibility of reemployment in private industry. Representative of a number of studies of this type is the one made by the Illinois Emergency Relief Commission in 1934.

In reporting the results of physical examinations of persons recommended for work relief in 1934, the Commission pointed out that these individuals at the time of recommendation were believed to constitute a picked group in better physical condition than the average of the general relief population. It is doubly significant, therefore, that 16 percent of the 50,800 persons examined were able to perform only light work and almost 2 percent were physically unfitted for any work at all. Only 53 percent of the entire group were without some apparent physical defect. [9]

Physical disabilities as a cause of permanent unemployability and dependency.—Reports on reasons for unemployability among the relief population testify again and again to the force of illness and physical impairment in causing extended idleness and resultant dependency among persons still in the normal working ages, 16 to 65. Valuable data on this subject were obtained in the Occupational Characteristics Study of the Urban Relief Population, made by the Federal Emergency Relief Administration in 79 cities in 1934. The facts are summarized below:

In the 165,000 relief families included in the study there were 24,550 males, 16 years of age and over, who were not employed and not seeking work. Of these, 44 percent of the whites and 49 percent of the colored reported disabilities as the reason for not seeking work. Further analysis of the data showed a direct association between physical condition and employability. Persons 16 to 64 years of age who were either employed or seeking work had a disability rate about half that of persons of the same ages who were not seeking work. The percentages of persons reporting diseases or impairments were 14 and 27, respectively for these two classes.[10]

Assignment of employable relief cases to the Works Progress Administration rolls in 1935 and the additional segregation of cases eligible for old-age assistance and aid to dependent children left the Nation faced with the stark fact that there are thousands of persons of normal working age who because of disease and impairment have but scant prospect of self-support. In California at the end of 1935 some 60 percent of the residual cases, after the major Works Progress Administration assignments, were classified as unemployable because of the disability of family heads who were within the normal working age range.[11] In Chicago in May 1937 this class of cases amounted to nearly 60 percent of the total family heads on direct relief.[12] In Baltimore, the corresponding percentage was 53.[13]

Reducibility of unemployment arising from disease and impairments

From the medical, public health, and vocational rehabilitation standpoints, there is possibility of reducing the volume of unemployment which, over a period of years, derives from disease and impairment. This fact is evident when we scan the types of disabilities which account for rejection of job seekers (table 22); for assignments to light work (table 23); and for complete unemployability (see table 20). It is substantiated also by the findings in a number of studies on the medical needs of the so-called unemployables and on the feasibility of physical rehabilitation and vocational re-training for them. In addition to the burden of partial and complete unemployability which results from the aging process and degenerative diseases, often manifested as early as 45, there is an additional heavy load of unemployment associated with preventable and remediable disability.

[9] Monthly Relief Statstics. Illinois Emergency Relief Commission, October 1934.
[10] Perrott, G. St. J. and Griffin, Helen, An Inventory of the Serious Disabilities of the Relief Populaton. Milbank Memorial Fund Quarterly, July 1936.
[11] A Study of the Case Load Composition. Special Surveys and Studies, State Relief Administration of California, San Francisco, 1936 (mimeographed).
[12] Preliminary Report on Survey of Unemployable Cases Open on Chicago Relief Administration Rolls, May 15, 1937. Chicago Relief Administration, August 1937 (mimeographed).
[13] Annual Statistical Report, June 16, 1936–June 15, 1937. Emergency Charity Association, Inc., Baltimore, 1937 (mimeographed).

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TABLE 22.—*Results of 1,000 preemployment examinations for a general contractor*

Type of disability [1]	Total	Employability class					
		A [2] Employables	B [3] Unemployables	C [4] Unemployables	D [5] Unemployables	Total unemployables	Disability distribution of all unemployables (percent)
Number examined	1,001.0	828.0	101.0	46.0	26.0	173	100.0
Whites	924.0	770.0	94.0	37.0	23.0		
Negro	76.0	58.0	7.0	8.0	3.0		
Unknown	1.0			1.0			
Average age (years)	35.4	33.3	44.4	45.4	45.7		
Tuberculosis		[6]	[7] 14.0	21.0		35	20.2
Hernia		[6]	30.0	1.0		31	17.9
Silicosis		[6]			26.0	26	15.0
Hypertension including sclerosis		[6]	17.0	3.0		20	11.5
Varicose veins		[6]	7.0	3.0		10	5.8
Marked impairment of limbs		[6]	7.0			7	4.1
Marked defect of vision		[6]	6.0			6	3.5
Diabetes		[6]		6.0		6	3.5
Cardiac conditions		[6]	1.0	5.0		6	3.5
Other		[6]	19.0	7.0		26	15.0

[1] Only the main condition is listed.
[2] A. Those in average health.
[3] B. Subnormal owing to one or more conditions which made employment an undue hazard.
[4] C. Persons with one or more conditions making exposures incidental to this work unadvisable.
[5] D. Persons with silicosis.
[6] No data given on disabilities.
[7] Arrested.

Examinations made for a general contractor on an open-cut job requiring excavation, drilling, concrete work, and road building. Data from Barsky, Michael, and Wolff, Julian, Preemployment Examinations, Industrial Medicine, January 1937.

TABLE 23.—*Number and type of defects according to physical classification of 50,817 work-relief clients in Chicago in 1934, on a basis of medical examinations*

Type of defect	Total	Physical classification					Disability distribution of C+D
		A [1] No apparent defect	B [2] Slight defects	C [3] Special employment	D [4] Unemployable	C+D	
Number examined	50,817	26,677	15,264	8,079	797	8,876	
Male	48,707						
Female	2,110						
Total defects			23,757	16,161	1,566	17,727	100.0
Heart and pulse			2,723	2,752	251	3,003	16.9
Mouth and throat			5,467	2,480	142	2,622	14.8
Limbs			2,908	2,136	175	2,311	13.0
Hernia			1,683	1,871	93	1,964	11.1
Eyes			2,056	1,439	134	1,573	8.9
Anal region			2,167	999	85	1,084	6.1
Genito-urinary			1,458	787	255	1,042	5.9
Spine			666	571	42	613	3.5
Lungs			371	373	85	458	2.6
Hearing			502	413	44	457	2.6
Weight-height			586	324	44	368	2.1
Mental			95	193	30	223	1.2
General			3,075	1,823	186	2,009	11.3

[1] A. Without apparent defects.
[2] B. Slightly defective but able to perform ordinary types of work.
[3] C. More seriously defective—special placement necessary.
[4] D. Unadapted for relief employment.

Data from Monthly Bulletin on Relief Statistics, Illinois Emergency Relief Commission, October 1934.

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Tuberculosis, a controllable communicable disease, closely related to poor living and working conditions and to lack of prompt and adequate care, is a leading reason for rejection of job seekers and for unemployability among the relief groups. Remediable conditions such as hernias stand high on the list of disabilities among the wholly and partially incapacitated. Injured and lost members—the results of industrial, public, and other types of accidents which should be preventable—account for a large percentage of the handicaps reported. Other orthopedic defects arise from failure to arrest the course of crippling diseases by suitable medical means. Provision of surgical applicances is the simple requirement in other cases. Recognition of the potential earning capacity of disabled persons and retraining for suitable occupations is another important factor in reduction of unemployability.

Although available studies apply to special groups and localities and are not comparable, they do afford significant illustrations of unemployment and unemployability which, from the health standpoint, need not exist. The possibility of reducing this economic waste depends upon the maintenance of adequate programs of public health protection, industrial hygiene and safety, and medical care; upon vocational rehabilitation and placement services; and upon an adequate standard of living.

Medical care needs and rehabilitation possibilities among unemployables.—While not comprehensive, some data are available on rehabilitation of unemployables. The following are perhaps as complete and authoritative as any:

From a study of the medical needs and possibility of rehabilitation of 22,729 persons, 18 to 65 years of age, on the Chicago relief rolls in May 1937 and classified as primarily unemployable because of physical or mental disability, 40 percent were found to be permanently disabled; 7 percent were temporarily disabled with affections that were curable in 6 months, and 53 percent suffered disability of undetermined duration of over 6 months. Of the total number of cases only 48 percent were known to be receiving medical treatment. Of those not receiving care, 31 percent were classified as needing medical care.[14]

The United States Vocational Rehabilitation Service (in a report published in 1936) estimated on the basis of several State censuses, that there is at any one time in each 1,000 of the general population at least one person who is permanently, physically handicapped and in need of vocational rehabilitation.[15]

Among the 9,422 persons rehabilitated through the United States Vocational Rehabilitation Service in 1935, the types of disability and the causes of handicaps were as follows:

	Percent of cases
Types of handicaps:	
Orthopedic, other than back	68. 3
Vision	7. 0
Hearing	7. 0
Miscellaneous	6. 4
Tuberculosis	5. 0
Back	4. 6
Cardiac	1. 6
Causes of handicaps:	
Diseases	42. 0
Public accidents	7. 0
Other accidents	25. 0
Employment accidents	18. 0
Congenital	8. 0

III. MEDICAL CARE AMONG THE UNEMPLOYED

It was seen in the preceding section that illness occurs more frequently among the unemployed than among the employed population. It is important to consider the kind and volume of medical care that is received in connection with this excessive illness load and what preventive service the unemployed group obtains.

[14] Preliminary Report on Survey of Unemployable Cases Open on Chicago Relief Administration Rolls, May 15, 1937. Chicago Relief Administration, August 1937. (Mimeographed.)

[15] Vocational Rehabilitation of the Physically Handicapped. Vocational Education Bulletin, No. 190, Vocational Rehabilitation Series 35. U. S. Department of the Interior, Government Printing Office, 1936.

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Medical care for illness

Early and adequate medical care may be assumed to be an important factor in reducing the total days of illness.

In the study of illness and medical care among nearly 5,000 families in California by the State Works Progress Administration and the State health authorities, it was found that in families with no employed workers 65 percent of the disabling illnesses were attended by a doctor, as compared with 72 percent among families with one or more full-time workers. Moreover, the calls per case of disabling illness amounted to 3.8 in families with no employed workers as compared with 4.3 in families with one or more full-time workers.

TABLE 24.—*Medical care received for illness in the early part of 1934 among families of employed and unemployed workers—13,270 persons in 14 urban communities of California*

Employment status of the family's wage earners	Frequency rate (annual cases per 1,000 persons)	Percent of disabling [1] illnesses attended by a physician	Physicians' calls on disabling [1] illnesses per 1,000 cases of disabling illness
No employed worker	198	65.1	3,810
Part-time worker only (1 or more)	146	64.1	3,895
Full-time worker (1 or more)	125	72.5	4,280

Employment status of the family's wage earners	All cases (disabling and nondisabling)						
	Percent receiving hospital care			Hospital days per 1,000 total illnesses			Percent that had a visiting nurse (total)
	Total care	Private care	Public care	Total	Private care	Public care	
No employed worker	12.9	1.4	11.5	1,770	152	1,618	10.0
Part-time worker only (1 or more)	8.5	2.6	5.9	1,235	410	825	6.0
Full-time worker (1 or more)	7.7	4.9	2.8	799	481	318	3.3

[1] Causing inability to pursue usual activities (work, school, etc.) for 1 day or longer.

Data from Klem, Margaret, Medical Care and Costs in California Families, State Relief Administration of California, 1935, pp. 28, 29, 85, 89.

In the matter of the percentage of cases of illness that were hospitalized, the unemployed group fared somewhat better than other working-class families. This showing reflects public hospital care, for among families with full-time workers 4.9 percent of all illnesses were hospitalized as private cases, as compared with 1.4 percent among families with no worker. The families with no workers received so much more public hospital care than those with full-time workers that their total hospital care amounted to more than was received by the families with employed workers (table 24).

In the matter of care by a visiting nurse, the unemployed group received more calls per case of illness than the families with full-time workers. The services of visiting nurses have long been given largely to low-income and unemployed groups (table 24).

In the study by the United States Public Health Service of illness in 10 localities during the early spring of 1933, the volume of medical care was also recorded. The families were classified, according to their annual per capita income during 1932, into three groups which in the following table have been designated as "poor," "moderate," and "comfortable." These families were from areas that were severely affected by unemployment and the incomes were very low.

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TABLE 25.—*Medical care for illness occurring in a 3-month period early in 1933 among persons classified according to per capita family income—28,959 individuals in 6,686 canvassed families in 7 large eastern cities.*

Kind of service and income group [1]	Percent of illnesses receiving the specified service			Volume of service (calls or days)					
				Per 1,000 persons			Per 1,000 illnesses		
	Total care	Pay care	Free care	Total care	Pay care	Free care	Total care	Pay care	Free care
Physician:									
Poor	50.2	18.8	31.4	558	219	339	2,219	869	1,350
Moderate	51.4	34.3	17.1	677	456	221	2,963	1,998	965
Comfortable	58.0	45.9	12.1	817	630	187	3,699	2,852	847
Hospital, all cases:									
Poor	9.5	1.3	8.2	575	72	503	2,293	287	2,006
Moderate	7.8	2.8	5.0	447	85	362	1,963	375	1,588
Comfortable	6.9	3.4	3.5	371	115	256	1,681	524	1,157
Hospital, exclusive of cases hospitalized 90 days:									
Poor	8.4	1.2	7.2	323	43	280	1,304	173	1,131
Moderate	6.8	2.8	4.0	233	79	154	1,031	348	683
Comfortable	6.0	3.3	2.7	187	93	94	855	423	432
Visiting nurse:									
Poor	5.6	1	5.5	79	3	76	319	14	305
Moderate	2.8	1	2.7	48	2	46	207	7	200
Comfortable	1.2	2	1.0	14	5	9	62	23	39

[1] The 3 classes, poor, moderate, and comfortable are based on income and have the following meanings:
Poor: Under $150 per capita per year.
Moderate: $150–$424 per capita per year.
Comfortable: $425 and over per capita per year.

Data from a study by the U. S. Public Health Service and the Milbank Memorial Fund—Milbank Memorial Fund Quarterly, April 1934.

It is seen here that the comfortable group had in the course of the 3-month study period 817 calls by a doctor for each 1,000 persons under observation, on compared with 558 for the poor group. The poor group got more free calls than the comfortable group but pay calls were so deficient that the total calls per 1.000 persons in the poor group were considerably less than in the comfortable grgup. If the doctors' calls are related to the number of illnesses, the results are approximately the same; that is, the poor get fewer calls per illness than the higher income groups (table 25).

In the matter of hospital care, however, the poor got more days than the comfortable; in these families in which even those classified as comfortable had very low incomes, a large proportion of the hospital care was free. The poor group got less pay care than the comfortable (table 25).

It must be remembered that a relatively small proportion of the illnesses received any hospital care, 8.4 percent of all illnesses included in the study. Medical care for the great majority of illnesses consists of calls by a physician and the adequacy or deficiency of such service really measures the adequacy or deficiency of care in the various income groups. In other words, the slightly greater amount of hospital care for the poor does not take the place of the deficiency in doctors' calls which affects so many more cases than the hospitalization of the few emergency cases that receive such care in these working families (table 25).

The National Health Survey of 1935–36 recorded for a 12-month period the severe cases that caused inability to work or pursue other usual activities for 7 consecutive days or longer. Of such illnesses that occurred among families on relief, 70 percent were attended by a doctor as compared with 72 percent for non-relief families with incomes of less than $1,000 and 83 percent for families with annual incomes of $3,000 or over (table 26).

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TABLE 26.—*Physicians' care received for disabling illness as related to annual family income—2,308,588 persons in 81 cities canvassed in the National Health Survey, 1935–36*

Annual family income and relief status	Frequency rate—Annual cases per 1,000 persons	Percentage of cases attended by a physician	Physicians' calls [1]	
			Physicians' calls per case [2] of disabling illness [3]	Ratio to calls per case among families on relief
All incomes	172	74	4.9	126
Relief	234	70	3.9	100
Nonrelief:				
Under $1,000	174	72	4.6	118
$1,000 to $2,000	155	76	4.6	118
$2,000 to $3,000	150	80	5.1	131
$3,000 and over	149	83	5.7	146

[1] Based on surveyed population of 280,073 persons in 8 large cities.
[2] Attended and not attended.
[3] Disabling for 1 week or longer in a 12-month period.

The adequacy of care may be judged to some extent by the number of doctors calls per case of disabling illness. Considering all cases that were disabling for 7 days or longer, whether or not attended, there were 3.9 doctors' calls per illness in relief families, 4.6 among nonrelief families with less than $1,000 income, and 5.7 calls per case among those with incomes of $3,000 or over. Thus it appears that in terms of volume of service per case which presumably needed service, the highest income group had 46 percent more doctors' calls than the relief population (table 26).

Table 27 gives some idea of the extent of nursing care in the different income levels as found in the National Health Survey. Among relief families, only 1 percent of the illnesses that disabled for 7 days or longer had a full-time bedside nurse for 1 day or longer, but 12 percent of such illnesses had this service in families with annual incomes of $3,000 or more. On the other hand, the services of visiting nurses are highly concentrated in relief and low-income families, but such short-time nursing care would not take the place of a regular full-time nurse (table 27).

TABLE 27.—*Nursing care received for disabling illness [1] as related to annual family income—2,308,588 persons in 81 cities canvassed in the National Health Survey, 1935–36*

Annual family income and relief status	Annual cases of illness per 1,000 persons with—		Percentage of disabling illnesses attended by—	
	Private duty nurse	Visiting nurse	Private duty nurse	Visiting nurse
All incomes	6.2	13.3	3.6	7.7
Relief	2.5	30.5	1.1	13.0
Nonrelief:				
Under $1,000	4.3	11.0	2.5	6.4
$1,000 to $2,000	6.2	9.9	4.0	6.4
$2,000 to $3,000	9.8	7.3	6.6	4.9
$3,000 and over	17.3	4.9	11.6	3.3

[1] Disabling for 1 week or longer in a 12-month period.

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The National Health Survey results on the hospitalization of disabling illnesses lasting 7 consecutive days or longer do not show as large a discrepancy in favor of the low-income groups as in the other studies cited. In this survey there were in the relief population 63 such cases hospitalized for each 1,000 persons observed, as compared with 41 in the nonrelief population with annual family incomes of less than $1,000 and 45 among persons with family incomes of $3,000 or more (table 28).

TABLE 28.—*Hospital care as related to annual family income—2,308,588 persons in 81 cities canvassed in the National Health Survey, 1935–36*

Annual family income and relief status	Hospital cases per 1,000 persons	Proportion of disabling cases hospitalized
All incomes	46.7	27.1
Relief	62.8	26.8
Nonrelief:		
Under $1,000	41.5	23.9
$1,000 to $2,000	43.3	28.0
$2,000 to $3,000	43.6	29.2
$3,000 and over	45.4	30.4

Considered in relation to the need for hospitalization, hospital care in the relief population was less than in the higher income groups; 27 percent of the cases in the relief population that disabled for 7 days or longer were hospitalized, as compared with 30 percent among families with annual incomes of $3,000 or more. Nonrelief families with less than $1,000 income showed the least hospitalization, 24 percent of the disabling cases (table 28).

Surgery and economic status.—Surgery is a type of medical care that is for some conditions resorted to in the face of emergencies but in many others is used at such times as is most convenient to the patient and the surgeon. Typical examples of emergency operations are (*a*) an appendectomy performed on a ruptured appendix; and (*b*) an operation on an infected wound to prevent blood poisoning. Tonsillectomies, on the other hand, are seldom performed during the acute stages of tonsillitis but the tonsils are taken out after the patient has recovered from the illness and at a time that is convenient and conditions are favorable for recovery without complications.

One would not expect large differences in the frequency of emergency operations in the several economic classes, except as a condition such as appendicitis might be misdiagnosed and the patient die without any one suspecting that an appendix operation would save his life. In the case of such nonemergency operations as tonsillectomy and the removal of a benign tumor, one might expect large variation with economic status because for the poor a convenient time never arrives for surgery that is not absolutely necessary.

In a recent study by the Public Health Service surgical operations of all kinds were reported at periodic visits and tabulated for a group of about 9,000 families in 18 States. It was possible to classify the individuals according to broad occupational classes and to compute for each group the frequency of surgical operations per 1,000 individuals for a year during which the families were kept under observation. Male unskilled laborers had 36 operations per 1,000 persons as compared with 51 for clerks and salesmen and 75 for professional and businessmen. Similarly, among women the operation rate for skilled and unskilled labor was 35 per 1,000 as compared with 70 for professional and businesswomen, an excess of almost 100 percent for professional women over skilled and unskilled labor (table 29).

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TABLE 29.—*Frequency of surgical operations among employed males and females classified into broad occupational groups—8,758 canvassed white families in 18 States*

Occupational group	Annual number of operations per 1,000 persons (adjusted for age)			Ratio (percent) of the rate in each occupational group to the rate for unskilled laborers		
	Total, 15–64	15–34	35–64	Total, 15–64	15–34	35–64
	Males—All operations					
Unskilled labor	35.6	29.0	42.9	100	100	100
Skilled labor	46.6	56.7	39.6	131	196	92
Clerks and salesmen	50.9	52.2	50.4	143	180	117
Professional, merchants, and business men	74.9	72.4	72.3	211	250	169
	Females—All operations					
Skilled and unskilled labor	35.3	43.7	20.8	100	100	100
Professional, business, and clerical women	70.1	62.9	97.5	199	144	469
Housewives	69.3	86.5	65.4	197	198	314
	Females—All operations except on female genital and puerperal conditions					
Skilled and unskilled labor	32.4	39.7	20.8	100	100	100
Professional, business, and clerical women	63.6	56.1	89.1	196	141	428
Housewives	48.8	53.1	46.7	151	134	225

Unpublished data to be published in Public Health Reports.

It was also possible to classify these families according to family income. Among families with annual incomes of less than $1,200 there were 52 operations per 1,000 persons as compared with 94 in families with $5,000 or more income, an excess of 81 percent. Between these two extremes the operation rate increases fairly regularly as income increases (table 30).

TABLE 30.—*Frequency of surgical operations of certain kinds among families of different income levels—8,758 canvassed white families in 18 States*

Annual family income	Nature of operation							
	All operations	Tonsillectomy and adenoidectomy	Ear and mastoid operations	Appendectomy	Boil or abscess lanced	Benign tumor removed	Female genital and puerperal operations	Operations on injuries
	Annual number of operations per 1,000 persons (adjusted for age)							
Under $1,200	52.0	15.2	1.34	5.77	1.42	1.43	7.21	12.78
$1,200 to $1,999	56.0	15.4	2.00	3.56	1.48	1.60	12.96	13.48
$2,000 to $2,999	69.8	17.4	2.18	7.14	2.84	5.10	12.62	14.30
$3,000 to $4,999	66.1	20.1	2.84	5.92	2.05	3.20	9.11	13.08
$5,000 and over	94.5	29.4	6.45	8.17	3.82	8.68	10.65	14.56
	Ratio (percent) of the rate in each income group to the rate for under $1,200 group							
Under $1,200	100	100	100	100	100	100	100	100
$1,200 to $1,999	108	101	149	62	104	112	180	105
$2,000 to $2,999	134	115	163	124	200	357	175	112
$3,000 to $4,999	127	132	212	103	144	224	126	102
$5,000 and over	182	193	481	142	269	607	148	114

Unpublished data to be published in Public Health Reports.

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It was possible also to classify surgery according to the nature of the operation and to consider the variations with income in the frequency of operations of specific kinds. Tonsillectomy rates among persons in families with less than $1,200 annual income was 15.2 per 1,000, as compared with 29.4 per 1,000 in the over $5,000 group. The rate for families with $1,200 to $2,000 income was approximately the same as that for the group under $1,200, but above $2,000 the rate increased regularly with income (table 30).

Appendix operations showed a less regular tendency to increase with income but the rate for the group with more than $5,000 was well above that for persons under $1,200 (table 30.)

Operations on benign tumors varied largely with incomes, the rate in the $5,000 and over group being about six times the rate among persons under $1,200. The removal of these apparently benign growths is evidently considered a luxury which the lower-income groups cannot afford. However, one of the important objectives of health education with respect to cancer is to get persons with any type of growth to see a physician and thus obtain treatment in the early stages before it is impossible to cure a growth. Thus it would appear that the leveling of these differences in the removal of benign tumors might be an important factor in the prevention of cancer in the lower economic groups where it is now considerably above the usual rate in the upper-income brackets (table 30).

The puncturing of the eardrum in cases of infection of the middle ear is another operation that shows large variation with income. One would think that these cases, which occur largely in young children, would constitute emergencies where some operations would be necessary. However, if the surgical procedure is not used to relieve the pain the eardrum usually bursts, sometimes in such a way that the rent will not heal and thus the eardrum be left with a permanent puncture which may result in impairment of the hearing (table 30).

Preventive services

The lower-income families get a certain minimum of doctors' calls and similar ordinary care. However, the preventive and related services such as vaccinations and immunizations, physical examinations, dental service, and nonemergency surgery are received in much less frequency in the lower than in the higher income brackets.

Vaccinations and immunizations.—Recent data on diphtheria immunizations from a Public Health Service study indicate that for children under 5 years the annual immunizations amounted to 37 per 1,000 for families with annual incomes under $1,200, 32 per 1,000 for families with incomes of $1,200 to $2,000, and increased markedly with income above that figure to 120 per 1,000 for families with incomes of $5,000 or more. In the school ages, 5 to 14 years, when the school and health department begin intensive work, there is little difference in the frequency of immunizations among the various income levels. To be effective, diphtheria immunizations must be done at an early age, for a large percentage of the deaths occur under 5 years of age; the income differential must be taken out of the early ages to prevent the occurrence of diphtheria in a population group (table 31).

TABLE 31.—*Frequency of smallpox vaccinations* [1] *and diphtheria immunizations* [2] *among preschool children in families of different income levels—8,758 canvassed white families in 18 States*

Annual family income	Smallpox vaccinations among children under 5 years of age		Diphtheria immunizations among children under 5 years of age	
	Annual vaccination per 1,000 children	Ratio (percent) of the rate in each income group to the rate for under $1,200	Annual immunizations per 1,000 children	Ratio (percent) of the rate in each income group to the rate for under $1,200
Under $1,200	46.8	100	37.4	100
$1,200 to $1,999	24.4	52	31.6	84
$2,000 to $2,999	35.0	75	48.2	129
$3,000 to $4,999	60.2	129	86.5	231
$5,000 and over	133.2	285	120.1	321

[1] Data from Public Health Reports, Apr. 17, 1936, p. 461.
[2] Data from Public Health Reports, Dec. 18, 1936, p. 1756.

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The frequency of smallpox vaccinations shows a similar relationship to family income, varying among children under 5 years from 47 per 1,000 for families of less than $1,200 income and 24 for families with incomes of $1,200 to $2,000, to 133 per 1,000 for families with $5,000 or more income. Even in the school ages the highest and lowest income groups get more vaccination service than the intervening groups; smallpox vaccination is not quite so much a public service for all school children as in the case of diphtheria immunization (table 31).

Large cities are much better vaccinated than rural populations; the city-rural difference is apparently greater for smallpox vaccination than for diphtheria immunization.

Typhoid fever immunizations are likewise used more frequently in high- than in low-income groups (table 32).

TABLE 32.—*Frequency of typhoid fever immunizations among persons of all ages in families of different income levels—8,758 canvassed white families in 18 States*

Annual family income	Annual number of typhoid immunizations per 1,000 persons	Ratio (percent) of rate in each income group to the rate for under $1,200 group
Under $1,200	2.2	100
$1,200 to $1,999	3.0	136
$2,000 to $2,999	4.5	205
$3,000 to $4,999	6.3	286
$5,000 and over	7.9	359

Data from Public Health Reports, July 10, 1936, p. 913.

Physical examinations and eye refractions.—Among children under 5 years there is a large variation with income in the frequency of health examinations; the annual rates range from 43 per 1,000 for children in families with less than $1,200 income and 35 for families with $1,200 to $2,000 income, to 177 examinations per 1,000 in families of $5,000 or above. In the school ages, where physical examinations are accepted as a function of the school medical service, the rates are about the same in the various income groups up to $5,000, but above that amount there is a higher rate. In the adult ages there is again a large increase in the rates as income increases, the relative variation with income becoming greater as age increases (table 33).

TABLE 33.—*Frequency of physical examinations* [1] *among persons in families of of different income levels—8,758 canvassed white families in 18 States*

Annual family income	All ages	Under 5	5–14	15–24	25–44	45–64	65 and over
	Annual number of physical examinations per 1,000 persons of specific ages [2]						
Under $1,200	52.2	42.6	109.9	38.7	24.9	9.2	8.1
$1,200 to $1,999	51.3	35.2	120.3	32.1	18.2	18.3	7.1
$2,000 to $2,999	56.7	57.7	104.9	50.5	28.4	33.3	42.3
$3,000 to $4,999	70.7	82.7	119.9	56.5	50.3	42.0	64.3
$5,000 and over	136.7	177.5	175.9	117.0	109.5	135.1	135.8
	Ratio (percent) of rate in each income group to the rate for under $1,200 group						
Under $1,200	100	100	100	100	100	100	100
$1,200 to $1,999	98	83	109	83	73	199	88
$2,000 to $2,999	109	135	95	130	114	362	522
$3,000 to $4,999	135	194	109	146	202	457	794
$5,000 and over	262	417	160	302	440	1,468	1,677

[1] Data from Public Health Reports, Mar. 9, 1934, p. 330.
[2] Exclusive of infant welfare service to babies and young children.

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Professional men and women had physical examinations more frequently than laborers and clerical workers (table 34). The same is true of eye refractions for glasses (table 35). Because of the nature of the occupation of the laborer it may be argued that he does not need glasses or a change of glasses as frequently as the professional and businessman who has more close and exacting eye work. In spite of this situation one would not expect large differences. Among women, particularly housewives, one would not expect any difference between income groups on the basis of the need for glasses.

TABLE 34.—*Frequency of physical examinations*[1] *among employed males and females of certain occupational classes—8,758 canvassed white families in 18 States*

Occupational group	Annual number of physical examinations per 1,000 persons of specific ages				Ratio (percent) of the rate in each occupational group to the rate for laborers			
	Total, 15–64	15–24	25–44	45–64	Total, 15–64	15–24	25–44	45–64
	Males							
Skilled and unskilled labor	12.0	5.0	12.4	15.4	100	100	100	100
Clerks and salesmen	32.8	26.7	31.4	41.8	273	534	253	271
Merchants and businessmen	64.6	25.6	43.6	97.9	538	512	352	636
Professional men	84.6	69.0	82.9	89.4	705	1,380	669	581
	Females							
Skilled and unskilled labor	22.7	17.9	25.3	28.6	100	100	100	100
Clerks, saleswomen, and merchants	51.7	42.1	55.4	96.8	228	235	219	338
Professional women	125.5	56.0	148.8	156.3	553	313	588	547

[1] Data from Public Health Reports, Mar. 9, 1934; p. 332.

TABLE 35.—*Frequency of eye examinations*[1] *among employed males and females of certain occupational classes—8,758 canvassed white families in 18 States*

Occupational group	Annual number of eye examinations per 1,000 persons of specific ages				Ratio (percent) of the rate in each occupational group to the rate for laborers			
	Total, 15–64	15–24	25–44	45–64	Total, 15–64	15–24	25–44	45–64
	Males							
Skilled and unskilled labor	18.8	11.7	16.2	29.7	100	100	100	100
Clerks and salesmen	42.3	7.6	37.0	86.8	225	65	228	292
Merchants and businessmen	66.1		50.3	94.0	352		310	316
Professional men	87.6	34.5	55.3	148.9	466	295	341	501
	Females							
Skilled and unskilled labor	27.8	11.9	25.3	71.4	100	100	100	100
Clerks, saleswomen, and merchants	66.2	52.0	93.4	32.3	238	437	369	45
Professional women	106.7	64.0	124.6	109.4	384	538	492	153

[1] Data from Public Health Reports, June 1, 1934; p. 657.

Few eye refractions for glasses are done in the preschool ages. In the ages 5–19 when glasses are used more frequently, children in families with less than $1,200 income had 30 eye refractions per 1,000 as compared with 109 per 1,000 in families with annual incomes of $5,000 or above (table 36).

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TABLE 36.—*Frequency of eye examinations* [1] *among persons in families of different income levels—8,758 canvassed white families in 18 States*

Annual family income	All ages of 5 years and over	5–19	20–44	45–64	65 and over
	Annual number of eye examinations per 1,000 persons of specific ages				
Under $1,200	26.0	30.2	21.6	26.2	20.2
$1,200 to $1,999	27.7	27.7	23.4	45.7	17.7
$2,000 to $2,999	41.3	36.6	36.5	67.6	58.2
$3,000 to $4,999	54.7	50.0	53.9	65.7	64.3
$5,000 and over	110.2	109.0	84.4	161.3	74.1
	Ratio (percent) of the rate in each income group to the rate for under $1,200 group				
Under $1,200	100	100	100	100	100
$1,200 to $1,999	107	92	108	174	88
$2,000 to $2,999	159	121	169	258	288
$3,000 to $4,999	210	166	250	251	318
$5,000 and over	424	361	391	616	367

[1] Data from Public Health Reports, June 1, 1934; page 656.

In almost every age group there is a tendency toward more frequent eye refractions among residents of cities than of rural districts.

Dental care

Dental care is both preventive and therapeutic in character. It is discussed here in connection with preventive services because the individual who goes to the dentist does not usually think of himself as sick in the same sense as an individual who goes to or calls in a doctor of medicine.

There is probably no form of medical care of any variety that is more completely denied the individual in the underprivileged classes than dental care. Recent and also earlier studies join in indicating that corrective dentistry is not a luxury that is useful only in the cosmetic sense of improving the appearance of an individual, but is a vital element in the prevention of various serious diseases. While the filling of cavities in the teeth is not the complete and final answer to the problem of dental caries, the repair of dental decay is the most efficient way now known to arrest that decay and is a service which should not be denied to any person, particularly to a growing child to whom it may mean health in later life.

The California study of illness and medical care included questions about dental care. Table 37 shows for persons of specific ages in families with and without employed workers, the proportion who had received some dental service during the year preceding the canvass.

Considering persons of all ages over 5 years together, 37 percent of the individuals in families with full-time workers had received some dental service during the year, as compared with 24 percent in families with no employed workers. With the exception of the 5–9 year group, the various ages are consistent in showing the most dental service for families with full-time workers; the least for families with no employed workers, with persons in families with only part-time workers falling consistently between the two extremes.

TABLE 37.—*Percent of persons reporting receipt or nonreceipt of dental care within the specified time prior to the canvas—13,174 persons in about 3,700 canvassed urban families in 14 localities in California, 1934*

Employment status of wage earners, 1933	All ages over 5	Age of persons							
		0–4	5–9	10–19	20–29	30–39	40–49	50–59	60 and over
	Percentage who received dental care during year preceding canvas								
No employed worker	24.3	4.1	40.8	32.8	29.3	25.4	11.0	19.5	12.5
Part-time worker	28.5	3.1	34.0	36.8	30.0	28.8	22.8	19.6	14.4
Full-time worker	36.7	6.9	41.2	45.1	41.1	39.0	34.0	24.6	18.2
	Percentage who had never received dental care								
No employed worker	19.4	93.9	41.8	18.5	28.3	14.9	13.2	11.7	.18
Part-time worker	15.6	91.5	46.9	18.8	11.1	9.2	8.9	5.9	10.6
Full-time worker	9.8	87.4	37.3	13.4	6.4	5.3	4.6	5.9	3.8

Data from Klem, Margaret, Medical Care and Costs in California Families. State Relief Administration of California, 1935, p. 92.

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Table 37 also shows the percentage of the individuals who had never been to a dentist. The showing here is again consistently better for persons in families with full-time workers. Considering all ages over 5 years, nearly 20 percent of the persons in families with no employed workers had never received dental service, as compared with 10 percent for members of families with full-time workers.

Recent studies by the Public Health Service have indicated a woeful lack of dental care in the low-income classes. In a group of nearly 9,000 families in 18 States that were kept under observation for a 12-month period, dental fillings were done at a rate of 141 per 1,000 persons in families with less than $1,200 income, as compared with 997 in the income group of $5,000 and over. More extensive repair by the use of crowns showed a similarly large variation from rates of 4 per 1,000 in the lowest income group to 35 in the highest; and bridges varied from 4 per 1,000 for the under $1,200 group to 48 in the highest income group. Thus reconstructive work of these kinds was done 8 to 10 times more frequently in the higher income groups than among low-income families. In the matter of extractions there is not so much difference with income; extractions in the under $1,200 group amounted to 234 per 1,000 individuals as compared with 312 in the income group of $3,000 to $5,000 and 254 in the $5,000 and over group. The attention to and filling of cavities before they reach the stage where extraction is the only remedy is undoubtedly a factor in this more or less equal showing for extractions (table 38).

TABLE 38.—*Frequency of certain types of dental care* [1] *among persons in families of different income levels—8,758 canvassed white families in 18 States*

Annual family income	Type of dental service rendered								
	Fillings	Extractions	Crowns	Bridges	Plates	X-ray	Orthodontia (straightening of teeth)	All prophylaxis	Examination only or examination and prophylaxis
	Annual rates per 1,000 persons (adjusted for age)								
Under $1,200	141	234	4.0	3.6	6.9	6.4	0.59	23.3	5.3
$1,200–$1,999	289	298	9.7	9.2	11.9	14.2	1.89	44.8	13.1
$2,000–$2,999	474	309	16.8	15.5	15.9	23.9	3.40	81.0	17.0
$3,000–$4,999	618	312	32.2	23.2	12.8	40.8	5.35	145.4	37.5
$5,000 and over	997	254	34.5	47.7	13.2	69.6	29.02	359.6	91.2
	Ratio (percent) of rate in each income group to the rate for under $1,200 group								
Under $1,200	100	100	100	100	100	100	100	100	100
$1,200–$1,999	205	127	243	256	172	222	320	192	247
$2,000–$2,999	336	132	420	431	230	373	576	348	321
$3,000–$4,999	438	133	805	644	186	638	907	624	708
$5,000 and over	707	109	863	1,325	191	1,088	4,919	1,543	1,721

[1] Data from the study to be published in the Public Health Reports.

Such data as are available on the prevalence of dental decay indicate as much or more decay in the teeth of the poor as of the well-to-do. The large variation in the amount of dental care therefore indicates variation in the extent to which needed care was secured rather than in the extent of the need for care.

The frequent use of X-ray in diagnosing the state of health of the teeth and detecting unseen ulceration is important. The fact that underprivileged groups get only the most obvious and most needed attention is therefore illustrated by variation in the use of X-ray In the under $1,200 group there were 6.4 dental cases with the use of X-ray per 1,000 persons, as compared with 69.6 in the highest-income group, a ten-fold difference that must be accounted for largely by the ability to pay (table 38).

Orthodontia, or the straightening of the teeth, is a procedure which is practically absent in the low-income groups but shows a fairly large frequency in the upper income brackets. The rate for the under $1,200 group is 0.6 cases per 1,000 persons as compared with 29.0 in the highest-income group (table 38).

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Prophylaxis, or cleaning of the teeth, is frequently done when the individual has gone to the dentist for some other attention. Considering all prophylaxis, alone or in connection with other dental work, the annual rate for the under $1,200 group is 23 per 1,000 persons as compared with 360 in the highest-income group, a ratio of 16 to 1. The individual who goes to the dentist for examination with no other dental work or for examination and prophylaxis only may be assumed to be a person with reasonably good teeth who is attempting by periodic check-up and care to keep them in that condition. Few individuals in the lowest-income class had such examinations, there being only 5 such cases per 1,000 persons as compared with 37 in the $3,000–$5,000 income group and 91 in the $5,000 and over group (table 38).

The need for and the purchase of dental care varies considerably with age; also the proportion of young as compared with older individuals varies considerably in different income groups. For these reasons it is essential to make adjustment for differences in age distribution before comparing one income group with another. In all of the above rates which are summarized in table 38, adjustment has been made for age differences so that the various rates are comparable for the different income levels. If the rates are considered for persons of specific age groups one finds the same large variations in the frequency and amount of dental care. The differences among the several income groups are particularly large for children where dentistry is so important as a preventive as well as a corrective measure.

IV. MISCELLANEOUS ENVIRONMENTAL CONDITIONS

In various other respects the standard of living of the unemployed is distinctly inferior to that of the employed population.

Housing

Unemployment and low income are accompanied by lowered standards of living in various respects and it is, of course, through these lowered standards that the deleterious effects of low income are manifested.

Along with depression, low income, and unemployment go restrictions in the amount and quality of housing. These restrictions manifest themselves in moves to inferior quarters and the doubling up of families in houses that were built to accommodate only one family.

In a study of 1,100 wage-earning families suffering a high degree of unemployment and partial employment in an Indiana city in 1932, it was found in a study by the United States Women's Bureau that nearly a tenth of the families had changed to less expensive quarters or had moved in with relatives since 1930.[16] Among a large group of railway employees studied in 1934, 23 percent of the families had moved at least once within the preceding 4 years, mainly in order to reduce rent payments in the face of declines in wages and short-time and irregular employment. In half the cases the shifts were into smaller, poorly equipped houses and apartments.[17]

Overcrowding.—In the National Health Survey conducted by the United States Public Health Service in 1935–36, which covered more than 80 cities in 19 States, data on the number of persons in the family and the number of rooms in the house were recorded, thus making it possible to classify families according to congestion in the household. Table 39 shows the distribution of families according to the number of persons per room in low as compared with high income groups. Among relief families, 34 percent had more than one person per room, as compared with 17 percent among non-relief families with less than $1,000 annual income and 7 percent among families with $2,000 or more income. If a greater degree of congestion be considered, as indicated by two or more persons per room, the discrepancy among the different income groups is even greater; nearly 11 percent of the relief families had two or more persons per room as compared with 5 percent of non-relief families with less than $1,000 income and 0.7 percent among families with $2,000 or more income.

[16] Byrne, Harriet A.: The Effects of the Depression on Wage Earners' Families. Bulletin No. 108, Women's Bureau, U. S. Department of Labor. Washington, D. C., 1936, pp. 21-22.

[17] Goodrich, Carter: Earnings and Standard of Living of 1,000 Railway Employees during the Depression. U. S. Department of Labor, Washington, G. P. O., 1934. p. 27.

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TABLE 39.—*Percentage of households with specified degrees of congestion in the household—651,717 families in 81 cities, canvassed in the National Health Survey, 1935–36*

Annual family income and relief status	Total households	Percent of households with— More than 1 person per room	More than 1½ persons per room	2 or more persons per room
All incomes	100.0	15.8	6.0	3.9
Relief	100.0	34.1	16.0	10.6
Nonrelief:				
Under $1,000 [1]	100.0	16.9	7.2	5.2
$1,000 to $1,999	100.0	11.1	2.8	1.6
$2,000 and over [2]	100.0	7.0	1.4	.7

[1] For the colored, all nonrelief families are included under the category "nonrelief under $1,000."
[2] Include unknown income (19,992 households).

Overcrowding was found to be especially prevalent among Negro families, particularly Negro families on relief in the South. Considering all surveyed Negro families in the South, 16 percent lived in households with two or more persons per room, and of those Negro families in the South that were on relief, 27 percent were living in households with two or more persons per room.

The spread of communicable diseases of various kinds, and particularly of tuberculosis, is associated with overcrowding, but it is also associated with other manifestations of low income such as inadequate diets.

Sanitary facilities.—The National Health Survey of 1935–36 also recorded data on sanitary facilities in the homes of the surveyed families. It is commonly assumed that, at least in large cities, private flush toilets are almost universal, but among relief and other low-income families a considerable proportion of families were found living in houses without private flush toilets.

A recent study in a Southern city correlated the typhoid fever case rate in different wards of the city with the percentage of families that did not have private sanitary toilet facilities.[18] It was found that the typhoid rate was much higher in the wards where adequate private toilet facilities were not available.

Many other items are important in housing in relation to health, including such items as lighting, dampness, and play space for children adjacent to the house.

Nutrition

An adequate study of family diets which would evaluate their deficiencies and their possible effects upon the health of individuals is an extremely detailed and difficult job. Consequently, few data are available that consider diet in a thorough way. Such studies as have been made indicate that the low-income families have a more inadequate and a less balanced diet.

A study by the United States Women's Bureau in 1932 [19] of 1,100 families indicated that five-sixths of them decreased their expenditures for food as a method for meeting the depression reductions in income. In an investigation of standards of living of 1,000 railway employees in 1934,[20] it was found that curtailment of family income brought drastic reductions in expenditures for such essential foods as butter, milk, meat, fresh vegetables, and fruits.

As a part of the Health and Depression Studies of the Public Health Service in 1933, the diets of about 1,000 families of different income levels were studied. The procedure was to obtain as complete a record as possible of all foods bought within 1 week and relate this record to the family income and relief status for that week. Inasmuch as the families were all of the low-income group, there seemed to be little error due to the carrying over of foods from one period to another or the purchase of larger quantities for future use. The following table compares the average milk consumption in the surveyed families with an adequate and with a restricted standard as set up by the Bureau of Home Economics of the United

[18] Graves, M. D. and Fletcher, Alfred H.: Housing Problem in a Southern City. Amer. Journ. of Public Health, January 1935. Pp. 20–25.
[19] Byrne, Harriet A.: The Effects of the Depression on Wage Earners' Families. Bulletin No. 108, Women's Bureau, U. S. Department of Labor, Washington, D. C., Government Printing Office, 1936; p. 9.
[20] Goodrich, Carter: Earnings and Standard of Living of 1,000 Railway Employees during the Depression. U. S. Department of Labor, Washington, Government Printing Office, 1934; p. 30.

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States Department of Agriculture as representing the minimum necessary to health. The amounts consumed by these families, particularly those in the lowest-income groups, are definitely less than either the adequate or restricted standard. The relief group in this table shows a slightly higher milk consumption than low-income groups that were not on relief (table 40).

TABLE 40.—*Weekly milk supply of families according to income in Baltimore, Cleveland, Detroit, Pittsburgh, and Syracuse, April and May 1933*

Weekly income per capita	Quarts weekly per adult male unit			Number of families with children	Percent of families having specified quarts weekly per child under 17 years of age		
	Standard		Average for observed families [1]				
	Adequate	Restricted			Less than 3	3 to 5.9	6 or more
Relief	6.31	3.95	3.29	166	24.7	53.0	22.3
Under $2	5.98	3.76	2.42	75	46.7	33.3	20.0
$2 to $2.99	5.81	3.64	2.87	57	26.3	49.1	24.6
$3 to $3.99	5.83	3.72	3.80	41	12.2	39.1	48.8
$4 or more	5.46	3.55	4.06	100	12.0	30.0	58.0

[1] Includes fresh and canned milk and equivalent amounts of cheese.

Data from Diets of Low-Income Families Surveyed in 1933. Public Health Reports, Jan. 24, 1936.

In the matter of the total calories of food consumed per day per adult male unit, a definite deficiency was also found in the lower income groups. In five large cities included in this survey the average calory consumption per day in these low income families ranged from 2,470 in the lowest income nonrelief group to 3,350 for the highest income group. The relief families had a slightly higher calory consumption, 2,700 calories per day, than the lowest nonrelief group. In the relief and lowest income groups about one-quarter of the families were getting less than 2,200 calories per day as compared with only 5 percent in the highest income groups (table 41)

TABLE 41.—*Average calories per day per adult male unit and distribution of families according to caloric value of the food supply for families of various incomes (based on records of a week's food supply for 472 families in Baltimore, Cleveland, Detroit, Pittsburgh, and Syracuse, April and May 1933)*

Weekly income per capita	Number of families	Calories per day per adult male unit [1]	Percent of families having specified calories			
			Less than 2,200	2,200 to 2,699	2,700 to 3,399	3,400 or more
Relief	177	2,700	24.9	32.2	25.4	17.5
Less than $2	77	2,470	27.5	33.8	31.2	7.8
$2 to $2.99	60	2,800	16.7	35.0	28.3	20.0
$3 to $3.99	46	3,180	13.0	8.7	41.3	37.0
$4 or more	112	3,350	4.5	17.0	33.0	45.5

[1] Average of the calories per day per adult male unit for each family; i. e., each family has the same weight in the average regardless of its size.

Data from Wiehl, Dorothy G., Diets of Low-Income Families Surveyed in 1933, Public Health Reports, Jan. 24, 1936.

The United States Bureau of Home Economics, as a result of a study in 1936 of consumer purchases in various parts of the country estimated that, even in the nonrelief population surveyed, 30 to 40 percent of the white families did not spend for food the amounts necessary for a fully adequate diet, and 60 percent of the Negro families studied had budgets below standard.[21]

Data on weights and measurements of school children of specific ages indicate that, aside from depression, children of the lower income groups average slightly less in weight and are slightly shorter in average height than those of better economic status. Physical examinations of children also indicate that, as based

[21] How Much Do Self-supporting Families Spend on Food? Preliminary release, Bureau of Home Economics, U. S. Department of Agriculture (mimeographed).

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on the judgment of the examining physician, a higher percentage from low income families have poor nutrition than of those from higher income families.[22]

In a study by the Public Health Service,[23] average annual gain in weight during 1 year for children of employed parents were compared with children of similar ages from families of the unemployed. The differences were small for boys but for girls there was a slight excess for nearly every age group in the gains of children of the employed over those of the unemployed (table 42).

TABLE 42.—*Mean annual gain in weight (May 1933–May 1934) of children with 1 parent employed full time and children with neither parent employed full time (white elementary school children, Hagerstown, Md.)*

Age	Boys				Girls			
	Number		Mean annual gain in pounds		Number		Mean annual gain in pounds	
	With full-time employment	No full-time employment	With full-time employment	No full-time employment	With full-time employment	No full-time employment	With full-time employment	No full-time employment
All ages	709	135			696	159		
7	92	10	4.51	5.35	82	10	4.29	3.78
8	133	24	4.89	4.67	128	36	4.86	4.78
9	164	36	5.33	4.71	166	37	5.36	5.20
10	146	41	5.27	5.75	166	38	6.11	5.13
11	174	24	6.42	5.15	154	38	8.09	6.10

Data from Palmer, C. E., Further Studies on Growth and the Economic Depression, Public Health Reports, Dec. 7, 1934, table 5.

APPENDIX 11

PART 1

Net number, amount, and averages of grant payments by States and by months for the calendar year 1937

[Prepared by Statistics Section, Finance and Control Division, Farm Security Administration]

State	January 1937			February 1937			March 1937		
	Net number of payments	Net amount of payments	Average payment	Net number of payments	Net amount of payments	Average payment	Net number of payments	Net amount of payments	Average payment
U. S. total	334,568	$5,484,144	$16.39	227,876	$3,754,828	$16.42	323,041	$5,552,629	$17.19
Alabama	29	850	29.31	56	1,655	29.55	536	14,156	26.41
Arizona	1	30	30.00	54	1,557	28.83	7	172	24.57
Arkansas	20,557	202,227	9.84	18,802	191,533	10.19	19,437	190,750	9.81
California	68	1,440	21.18	185	4,564	24.67	245	5,527	22.56
Colorado	1,659	33,442	20.16	1,995	39,958	20.03	3,238	65,616	20.26
Connecticut	4	120	30.00	5	135	27.00	4	98	24.50
Delaware	3	66	22.00	10	202	20.20	18	369	20.50
Florida	14	274	19.57	3	100	33.33	177	2,990	25.56
Georgia	1,685	23,713	14.07	3,150	39,117	12.42	2,109	32,414	15.37
Idaho	138	3,663	26.54	298	6,922	23.23	423	9,805	23.18
Illinois	8,453	127,635	15.10	6,434	96,535	15.00	9,073	140,685	15.51
Indiana	604	9,884	16.36	526	8,397	15.96	643	10,342	16.09
Iowa	5,664	98,812	17.45	5,300	94,406	17.81	6,164	111,059	18.02
Kansas	26,074	438,422	16.81	18,943	323,626	17.08	27,537	478,263	17.37
Kentucky	13,611	181,313	13.32	9,445	123,560	13.08	12,574	165,313	13.15
Louisiana	264	3,360	12.73	36	501	13.92	241	5,455	22.63
Maine	205	6,245	30.46	61	1,731	28.38	32	915	28.59

[22] Kiser, Clyde V and Stix, Regine K.: Nutrition and the Depression. Quarterly Bulletin, Milbank Memorial Fund, October 1933.

[23] Palmer, C. E., Further Studies on Growth and the Economic Depression, Public Health Reports, December 7, 1934.

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Net number, amount, and averages of grant payments by States and by months for the calendar year 1937—Continued

State	January 1937			February 1937			March 1937		
	Net number of payments	Net amount of payments	Average payment	Net number of payments	Net amount of payments	Average payment	Net number of payments	Net amount of payments	Average payment
Maryland	19	$673	$35.42	17	$425	$25.00	27	$627	$23.22
Massachusetts	11	485	44.09	12	333	27.75	23	617	26.83
Michigan	454	9,060	19.96	689	14,025	20.36	888	18,675	21.03
Minnesota	9,513	174,401	18.23	10,775	194,778	18.08	12,083	230,858	18.03
Mississippi	142	1,561	10.99	63	1,410	22.38	264	8,826	33.43
Missouri	29,230	400,420	13.70	17,152	235,535	13.73	46,460	628,950	13.54
Montana	4,774	105,526	22.10	8,400	189,983	22.62	9,570	218,451	22.83
Nebraska	22,773	445,094	19.54	15,654	308,592	19.71	22,903	449,581	19.63
Nevada	1	15	15.00	4	85	21.25	4	95	23.75
New Hampshire	28	953	34.04	36	972	27.00	40	1,081	27.03
New Jersey	98	2,302	23.49	77	2,428	31.53	79	2,158	27.32
New Mexico	332	5,467	16.47	855	14,201	16.61	1,198	19,730	16.47
New York	160	4,223	26.39	140	3,535	25.25	155	4,001	25.81
North Carolina	460	6,879	14.95	669	8,767	13.10	572	7,478	13.07
North Dakota	52,324	1,005,973	19.23	28,478	541,839	19.03	36,309	700,007	19.28
Ohio	528	9,855	18.66	619	12,897	20.84	880	16,753	19.04
Oklahoma	42,089	531,954	12.64	33,301	424,249	12.74	25,276	331,215	13.00
Oregon	81	2,005	24.75	214	5,278	24.66	337	8,081	23.98
Pennsylvania	145	3,788	26.12	128	3,098	24.20	148	3,616	24.43
Rhode Island	4	113	28.25	10	276	27.60	14	396	28.29
South Carolina	1,793	33,664	18.78	1,043	19,129	18.34	538	10,019	18.62
South Dakota	44,262	842,281	19.03	24,045	464,976	19.34	54,457	1,149,942	21.12
Tennessee	481	6,063	12.60	876	9,961	11.37	775	10,157	13.11
Texas	19,576	210,263	10.74	5,470	63,862	11.67	9,165	108,321	11.82
Utah	136	3,672	27.00	81	1,714	21.16	106	2,662	25.11
Vermont	28	753	26.89	58	1,453	25.05	64	1,430	22.34
Virginia	30	665	22.67	85	1,732	20.38	51	1,002	19.65
Washington	197	4,057	20.59	279	7,230	25.91	529	13,906	26.29
West Virginia	1,420	25,349	17.15	342	6,010	17.57	1,417	25,018	17.66
Wisconsin	23,073	483,427	20.95	11,330	242,694	21.42	13,875	305,229	22.00
Wyoming	1,373	32,707	23.82	1,671	38,862	23.26	1,716	39,811	23.20

	April 1937			May 1937			June 1937		
U. S. total	299,815	$5,259,686	$17.54	217,608	$3,670,609	$16.87	191,256	$3,236,453	$16.92
Alabama	287	5,873	20.46	201	4,723	23.50	2,415	61,633	25.52
Arizona	12	262	21.83	7	165	23.57	15	432	28.80
Arkansas	4,631	50,488	10.90	195	4,990	25.59	423	7,628	18.03
California	483	10,849	22.46	384	10,042	26.15	372	10,743	28.88
Colorado	2,823	56,628	20.06	1,907	35,683	18.71	1,701	31,515	18.53
Connecticut	9	225	25.00	7	170	24.29	9	225	25.00
Delaware	22	478	21.73	16	383	23.94	8	177	22.13
Florida	481	10,485	21.80	503	11,652	23.17	2,503	57,101	22.81
Georgia	1,035	19,102	18.46	1,230	22,791	18.53	3,400	77,315	22.74
Idaho	579	13,424	23.18	280	6,883	24.58	314	8,130	25.89
Illinois	10,019	153,078	15.28	5,715	84,372	14.76	3,193	48,272	15.12
Indiana	874	14,810	16.95	575	9,582	16.66	468	7,664	16.38
Iowa	6,404	116,027	18.12	3,142	56,346	17.93	1,830	32,842	17.95
Kansas	20,812	362,807	17.43	20,347	347,540	17.08	14,215	236,851	16.66
Kentucky	17,619	241,802	13.72	9,926	132,915	13.39	6,718	91,247	13.58
Louisiana	458	8,146	17.79	672	11,879	17.68	1,608	29,935	18.62
Maine	16	415	25.94	22	586	26.64	42	1,095	26.07
Maryland	22	445	20.23	23	490	21.30	17	350	20.59
Massachusetts	24	617	25.71	21	496	23.62	15	377	25.13
Michigan	1,220	26,397	21.64	912	20,109	22.05	656	14,348	21.87
Minnesota	11,789	214,237	18.17	8,610	154,683	17.97	3,556	62,260	17.51
Mississippi	577	12,456	21.59	1,165	14,317	12.29	4,177	48,156	11.53
Missouri	39,566	538,223	13.60	24,521	328,878	13.41	19,007	239,592	12.61
Montana	9,770	227,773	23.31	7,390	170,745	23.10	7,652	174,196	22.76
Nebraska	23,283	455,348	19.56	15,821	300,109	18.97	12,247	219,722	17.94
Nevada	4	105	26.25	7	155	22.14	7	210	30.00
New Hampshire	40	1,111	27.78	23	662	28.78	34	967	28.44
New Jersey	104	2,765	26.59	84	2,260	26.90	84	2,257	26.87
New Mexico	1,523	24,247	15.92	1,460	21,668	14.84	1,655	23,687	14.31
New York	228	5,982	26.24	162	4,244	26.20	225	5,861	26.05
North Carolina	631	8,589	13.61	498	7,491	15.04	730	11,738	16.08
North Dakota	40,489	780,866	19.29	30,251	564,043	18.65	28,875	530,638	18.38
Ohio	983	18,602	18.92	670	12,446	18.58	820	15,814	19.29
Oklahoma	26,985	339,072	12.57	27,164	350,814	12.91	20,210	253,871	12.56
Oregon	406	10,326	25.43	221	5,537	25.05	202	4,898	24.25

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Net number, amount, and averages of grant payments by States and by months for the calendar year 1937—Continued

State	January 1937			February 1937			March 1937		
	Net number of payments	Net amount of payments	Average payment	Net number of payments	Net amount of payments	Average payment	Net number of payments	Net amount of payments	Average payment
Pennsylvania	164	$4,114	$25.09	133	$3,269	$24.58	143	$3,514	$24.57
Rhode Island	18	491	27.28	13	357	27.46	11	292	26.55
South Carolina	467	9,328	19.97	231	5,186	22.45	3,708	48,980	13.21
South Dakota	52,111	1,050,138	20.15	33,496	602,963	18.00	35,966	638,808	17.76
Tennessee	1,389	18,529	13.34	814	10,319	12.68	960	11,905	12.40
Texas	3,554	49,302	13.87	7,231	89,642	12.40	3,710	53,390	14.39
Utah	315	6,863	21.79	415	8,158	19.66	574	12,193	21.24
Vermont	52	1,351	25.98	24	630	26.25	37	975	26.35
Virginia	150	2,617	17.45	57	996	17.47	116	2,073	17.87
Washington	769	21,077	27.41	647	17,261	26.68	893	23,825	26.68
West Virginia	1,114	19,065	27.11	424	7,335	17.30	326	5,792	17.77
Wisconsin	13,654	302,275	22.14	8,904	199,050	22.36	4,335	97,532	22.50
Wyoming	1,850	42,476	22.96	1,087	25,594	23.55	1,074	25,427	23.68

	July 1937			August 1937			September 1937		
U. S. Total	56,283	$980,514	$17.39	75,848	$1,306,256	$17.22	66,623	$1,197,063	$17.97
Alabama	3	105	35.00	47	1,206	25.66	87	2,491	28.63
Arizona	0	0	0.00	10	260	26.00	6	155	25.83
Arkansas	37	672	18.16	48	1,000	20.83	149	3,830	25.70
California	0	0	0.00	65	1,770	27.23	78	1,988	25.49
Colorado	879	14,943	17.00	1,192	21,494	18.03	1,114	20,110	25.23
Connecticut	0	0	0.00	1	25	25.00	0	0	0.00
Delaware	0	0	0.00	7	150	21.43	0	0	0.00
Florida	40	875	21.88	274	6,844	24.98	66	1,560	23.64
Georgia	24	645	26.88	83	1,526	18.39	101	2,116	20.95
Idaho	[1]—1	[1]—12		10	380	38.00	13	335	25.77
Illinois	375	6,047	16.13	539	8,914	16.54	67	1,406	20.99
Indiana	160	2,508	15.68	181	3,062	16.92	38	610	16.05
Iowa	172	3,247	18.88	892	17,019	19.08	327	6,164	18.85
Kansas	3,581	58,016	16.20	4,566	76,211	16.69	5,013	82,750	16.51
Kentucky	[1]—14	[1]—177		24	335	13.96	23	340	14.78
Louisiana	[1]—3	[1]—55		0	0	0.00	31	945	30.48
Maine	0	0	0.00	47	1,209	25.72	22	624	28.36
Maryland	0	0	0.00	6	125	20.83	6	150	25.00
Massachusetts	0	0	0.00	14	336	24.00	8	210	26.25
Michigan	0	0	0.00	175	3,265	18.66	138	2,428	17.59
Minnesota	[1]—15	[1]—270		221	4,819	21.81	162	3,150	19.44
Mississippi	[1]—8	[1]—112		0	0	0.00	258	2,632	10.20
Missouri	746	8,978	12.03	5,012	58,575	11.48	1,446	17,189	11.89
Montana	5,970	131,509	22.03	6,281	134,898	21.48	4,995	103,977	20.82
Nebraska	5,200	86,418	16.31	4,846	81,500	16.82	5,764	94,600	16.41
Nevada	0	0	0.00	0	0	0.00	0	0	0.00
New Hampshire	0	0	0.00	16	461	28.81	14	412	29.43
New Jersey	0	0	0.00	37	986	26.65	29	761	26.24
New Mexico	585	8,196	14.01	708	9,752	13.77	468	6,003	13.83
New York	1	30	30.00	114	2,995	26.27	73	1,836	25.15
North Carolina	[1]—5	[1]—92		316	5,455	17.26	62	1,007	16.24
North Dakota	14,741	264,782	17.96	21,266	402,240	18.91	20,320	413,897	20.37
Ohio	58	1,035	17.84	466	8,206	17.61	241	4,437	18.41
Oklahoma	1,765	22,608	12.81	2,374	30,613	12.90	330	5,334	16.16
Oregon	0	0	0.00	2	45	27.50	22	569	25.86
Pennsylvania	[1]—2	[1]—50		98	2,492	25.43	46	1,238	26.91
Rhode Island	0	0	0.00	3	81	27.00	3	84	28.00
South Carolina	286	3,644	12.74	1,526	16,783	11.00	1,167	13,869	11.88
South Dakota	21,099	355,897	16.87	21,993	357,859	16.27	22,716	372,981	16.42
Tennessee	[1]—3	[1]—30		79	867	10.97	59	838	14.20
Texas	473	7,637	16.15	1,288	21,509	16.70	412	7,741	18.79
Utah	0	0	0.00	142	2,755	19.40	123	2,212	17.98
Vermont	[1]—1	[1]—30		15	325	21.67	11	275	25.00
Virginia	1	20	20.00	18	374	20.78	6	165	27.50
Washington	[1]—3	[1]—116		7	160	22.86	76	2,074	27.29
West Virginia	[1]—6	[1]—68		16	344	21.50	9	255	28.33
Wisconsin	[1]—17	[1]—336		279	5,951	21.33	183	2,920	15.96
Wyoming	165	4,050	24.55	454	11,080	24.41	341	8,395	24.62

[1] Minus figures result from the cancelation of grant payments made during previous months.

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Net number, amount, and averages of grant payments by States and by months for the calendar year 1937—Continued

	October 1937			November 1937			December 1937		
U. S. total	70,724	$1,394,938	$19.72	77,141	$1,779,011	$23.10	108,526	$2,276,224	$20.97
Alabama	111	2,507	22.59	95	2,089	21.99	170	4,863	28.61
Arizona	16	455	28.44	13	350	26.92	10	275	27.50
Arkansas	61	1,555	25.49	58	1,455	25.09	34	818	24.06
California	25	645	25.80	83	1,922	23.16	85	2,394	28.16
Colorado	942	17,003	18.05	1,192	23,809	19.97	1,317	25,480	19.35
Connecticut	1	30	30.00	2	50	25.00	1	30	30.00
Delaware	0	0		1	20	20.00	2	40	20.00
Florida	74	1,788	24.16	47	818	17.40	46	1,019	22.15
Georgia	85	1,564	18.40	97	2,137	22.03	82	1,715	20.91
Idaho	14	438	31.29	44	1,273	28.93	60	1,649	27.48
Illinois	50	959	19.18	53	1,040	19.62	50	975	19.50
Indiana	22	383	17.41	19	298	15.68	25	471	18.84
Iowa	239	4,731	19.79	162	3,711	22.91	132	2,922	22.14
Kansas	4,914	80,163	16.31	895	111,589	16.18	7,478	122,115	16.33
Kentucky	57	1,029	18.05	47	974	20.72	30	577	19.23
Louisiana	52	1,243	23.90	27	556	20.59	73	1,447	19.82
Maine	29	811	27.97	45	1,385	30.78	19	560	29.47
Maryland	4	110	27.50	8	210	26.25	11	285	25.91
Massachusetts	3	70	23.33	8	240	30.00	9	270	30.00
Michigan	127	2,329	18.34	236	4,285	18.16	253	4,424	17.49
Minnesota	201	3,771	18.76	454	8,402	18.51	704	12,522	17.79
Mississippi	349	4,020	11.52	198	2,306	11.65	97	1,131	11.66
Missouri	1,150	14,462	12.58	766	10,594	13.83	674	9,569	14.20
Montana	3,571	75,647	21.18	5,443	120,401	22.12	5,453	119,150	21.85
Nebraska	7,755	130,485	16.83	10,775	191,295	17.75	14,705	263,437	17.91
Nevada	1	25	25.00	1	25	25.00	2	50	25.00
New Hampshire	23	670	29.13	19	528	27.79	10	297	29.70
New Jersey	21	561	26.71	45	1,225	27.22	54	1,451	26.87
New Mexico	137	1,691	12.34	121	1,516	12.53	126	1,675	13.29
New York	38	1,019	26.82	77	2,057	26.71	55	1,462	26.58
North Carolina	146	2,356	16.14	62	1,173	18.92	66	1,268	19.21
North Dakota	25,951	598,567	23.07	29,327	772,490	26.34	34,313	858,413	25.02
Ohio	224	4,238	18.92	203	3,862	19.02	183	3,599	19.67
Oklahoma	537	9,976	18.58	349	6,498	18.62	258	5,631	21.83
Oregon	7	179	25.57	49	1,294	26.41	59	1,510	25.59
Pennsylvania	44	1,214	27.59	76	2,032	26.74	58	1,451	24.59
Rhode Island	3	84	28.00	3	84	28.00	0	0	
South Carolina	953	11,366	11.93	1,098	14,085	12.83	1,401	18,245	13.02
South Dakota	21,619	391,315	18.10	23,291	445,502	19.13	37,442	741,247	19.80
Tennessee	73	1,130	15.48	50	844	16.88	20	305	15.25
Texas	213	4,505	21.15	104	2,362	23.53	80	1,691	21.14
Utah	55	1,095	19.91	59	1,377	23.34	97	1,809	18.65
Vermont	12	325	27.08	14	347	24.79	4	110	27.50
Virginia	17	353	20.76	16	320	20.00	73	1,105	15.14
Washington	71	1,726	24.31	196	5,275	26.91	265	8,143	30.73
West Virginia	29	633	21.83	35	817	23.34	24	567	23.63
Wisconsin	288	5,681	19.73	764	14,505	18.99	1,913	36,174	18.91
Wyoming	410	10,031	24.47	414	9,584	23.15	503	11,883	23.62

PART 2

The following statement was prepared by the staff of the Senate Committee investigating unemployment and relief.

FARM SECURITY ADMINISTRATION

This Administration was created in September 1937, and took over the activities of the Resettlement Administration, with the additional responsibility for handling the new Farm Tenancy Program.

Resettlement Administration was an outgrowth of the original rural rehabilitation program started by Federal Emergency Relief Administration in April 1934.

The activities of Farm Security Administration are grouped under four main heads as follows:

Rural rehabilitation: The extension of supervised credit to farm families unable to secure credit elsewhere, for the purpose of purchasing needed stock, equipment, and sometimes for the renting of land in order to enable them to become self-supporting.

Land utilization: The development of basic land-use plans for the important problem in American agriculture and the purchase of more than 9,000,000 acres of land unsuited to farming as one means of accomplishing necessary adjustments in land use of the purpose of agricultural rehabilitation.

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Rural resettlement: The development of farms and part-time farms on good land for farm families that have lacked the necessary fertile land for successful operations.

Suburban resettlement: The development of three greenbelt towns, near large cities, and industrial centers, as demonstrations of a new and highly improved technique of land use and town planning in suburban areas.

The early rural rehabilitation program was carried on through the respective State relief administrations. Later rural rehabilitation corporations were set up in most States in order to carry on these operations. A capital fund was provided by Federal Emergency Relief Administration from which loans were to be made and into which the payments would be paid.

During 1934 large numbers of families in the drought States became destitute and were given work relief through Federal Emergency Relief Administration. By the end of 1935, the number of these drought-stricken families totalled 250,000. From this point on, the rural rehabilitation program grew steadily until 367,000 families were under care of all State organizations by the end of June 1935.

On July 1, 1935, Resettlement Administration replaced the Federal Emergency Relief Administration as the agency responsible for the rural rehabilitation program. Through a ruling of the Comptroller General, however, the State rehabilitation corporations became more or less obsolete as agencies for handling rehabilitation loans.

On December 1, 1935, the rural rehabilitation activities were separated from the strictly "resettlement" activities of the Administration. This last activity involved the transfer of farmers from submarginal farms to new farms on which it was believed they could become permanently self-sustaining.

The form of organization set up by Resettlement Administration is still maintained in Farm Security Administration, viz, a relatively small headquarters office in Washington and 12 regional offices. Each State has developed a relatively large staff engaged in the process of arranging loans and making outright grants, but the greater proportion of the personnel engaged in rural rehabilitation is located in some 3,000 county offices throughout the United States.

The standard loan program ranks first in importance in the rural rehabilitation activities of Farm Security Administration. Loans at 5 percent are made to destitute and low-income farm families on the basis of carefully worked out farm and home improvement plans. These loans are repayable at times when agricultural producers have harvested or have sold their crops and are best able to make repayments. In this sense, the rehabilitation loan differs from usual bank loan which is often made without reference to the producers' seasonal ability to pay.

Loans for nonrecoverable goods are made for a period of 2 years or less; loans for recoverable goods for not exceeding 5 years. Both types of loans are secured by chattel mortgages, liens, or assignments of the producers of the sale of agricultural produce, and the indebtedness is evidenced by a carefully drawn note. The inclusion of the element of supervision by the Federal Government makes the rehabilitation loans unique. It is not the collateral put up by the borrower which is the best assurance of repayment but the element of supervision by the Government. The Farm Security Administration loans might be termed "character loans."

From Security Administration describes these rural rehabilitation corporations as "supervised credit" and in its report for the year ending June 30, 1938, describes the program in the following language:

"Supervised credit is based upon the realization that farm families in the less advantaged groups cannot improve their condition without a combination of financial help and technical guidance. On the one hand they are unable to take advantage of the available educational and scientific facilities of the Department of Agriculture because they lack the necessary financial resources to introduce improvements in their farm operations. On the other hand, they cannot qualify for financial help offered by other established agencies because they are unable, without better training, to improve their farming to the point where they might build up an equity that would serve as the basis of a loan. The rural rehabilitation program of supervised and financed home and farm management has been formulated to break this dilemma, by bringing both credit and technical guidance to the aid of the disadvantaged farmer.

Clients of this program are helped to formulate a farm and home plan for the most economical use of their land, labor, livestock, and crops. These plans are financed by small short-term loans of 2 to 5 years. The loans cover the cost of the minimum of livestock, equipment, operating supplies, and subsistence required by the family to make a living in keeping with acceptable standards and local conditions, and to pay operating expenses and repay the rehabilitation loan."

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From July 1, 1935, to June 30, 1937, the total of $150,000,000 had been loaned for rural rehabilitation to over 300,000 farm families. Over the whole period for the program loans have averaged $360, of which approximately $171 was represented by fixed assets (work for livestock, poultry, building machinery, tools, etc.) and the remainder for consumable goods, feed, seed, etc., taxes and refinancing.

As of March 31, 1937, $22,000,000 had been repaid representing about 27 percent of maturities to that date. Percentage of repayment varies considerably from State to State.

Another important part of the rural rehabilitation activities of Farm Security Administration is concerned with outright grants to farm families for whom standard loans are not considered feasible, and whose breadwinner, for one reason or another, cannot find employment on a Works Progress Administration work project. This program was started in November 1935, following orders issued by President Roosevelt. The original intention was that no farm family should receive an outright recurring grant unless it was believed to be a potential rehabilitation case by the voluntary county advisory committee. However, as the program developed there was considerable diversion from these principles, particularly in order to take in families whose need was believed to be merely temporary and who were soon able to go their independent way after receiving some temporary assistance. On the other hand, many farm families who never could be considered rehabilitated clients because of their economic or health situation, but who gained the greater portion of their livelihood from agriculture, became eligible for these outright grants.

In all, 468,000 farm families have received these outright Federal grants since the beginning of the program, and from July 1, 1935, to April 23, 1937, a total of $42,000,000 was paid out in grants.

In appearing before the House Committee on Appropriations in May 1937, Resettlement Administration officials stated that nearly all of these grant families were still "active" cases, i. e., still greatly in need of help. The industrial recession has had severe repercussions in many agricultural sections of the country and the need for relief is acute. It is understood that some $30,000,000 remaining on the Emergency Appropriations Act for the year ending June 30, 1938, have been turned over to Farm Security Administration by President Roosevelt for both loans and grants.

The impracticability of setting up and operating Works Progress Administration projects in many rural sections of the United States explains the necessity for direct grants to such a large number of farm families. It should be noted, however, the Farm Security grants are not handled through the regular county relief office, although they are in nowise different from direct relief grants made periodically by county relief or welfare offices to other needy families.

In many of the agricultural counties of the United States, therefore, there are two relief programs operating side by side: The regular county relief program financed entirely by local and State governments without any aid from the Federal Government; and the Farm Security grant program financed 100 percent by the Federal Government.

Accompanying this memorandum are the following three tables prepared from the data in the preceding table supplied by Farm Security Administrations:

Table I.—Amounts of outright security grants to needy farm families in the different States of the Union for the year 1937, the total for the year being nearly $36,000,000.

Table II. Number of "active" cases (i. e., number of payments) in all States, by months; the total payments by months; the average amount of the monthly grants per case, by months. The average monthly grant for all States amounted to $17.51.

Table III.—Shows the distribution of the total expended by Farm Security Administration during 1937, by groups of States. This table shows that of the $36,000,000 expended by Farm Security Administration during 1937, 68 percent went into the six States of Kansas, Oklahoma, Nebraska, Montana, North Dakota, South Dakota, and nearly 40 percent into North and South Dakota. The seven southeast cotton States received 2 percent of the total; four southwest cotton States (Missouri, Arkansas, Louisiana, Texas), received 11 percent, seven North Central States received 12 percent.

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TABLE I.—*Farm Security Administration summary of "Security" payments, by States, 1937*

United States total.	$35, 892, 355	Montana	$1, 772, 256
		Nebraska	3, 026, 181
Alabama	102, 151	Nevada	765
Arizona	4, 113	New Hampshire	8, 114
Arkansas	656, 946	New Jersey	19, 154
California	51, 884	New Mexico	137, 833
Colorado	385, 681	New York	37, 245
Connecticut	1, 108	North Carolina	62, 109
Delaware	1, 885	North Dakota	7, 433, 755
Florida	95, 506	Ohio	111, 744
Georgia	224, 155	Oklahoma	2, 311, 035
Idaho	52, 890	Oregon	39, 722
Illinois	669, 918	Pennsylvania	29, 776
Indiana	68, 018	Rhode Island	2, 258
Iowa	547, 286	South Carolina	204, 298
Kansas	2, 718, 353	South Dakota	7, 413, 909
Kentucky	939, 228	Tennessee	70, 888
Louisiana	63, 412	Texas	620, 225
Maine	15, 576	Utah	44, 510
Maryland	3, 890	Vermont	7, 944
Massachusetts	4, 051	Virginia	11, 422
Michigan	119, 354	Washington	104, 618
Minnesota	1, 062, 611	West Virginia	91, 117
Mississippi	96, 703	Wisconsin	1, 695, 102
Missouri	2, 490, 965	Wyoming	259, 900

TABLE II.—*Farm Security Administration summary of "security" payments, by months, 1937*

Month	Number of payments	Total payments	Average grant
January	334, 568	$5, 484, 144	$16. 39
February	227, 876	3, 754, 828	16. 42
March	323, 041	5, 552, 629	17. 19
April	299, 815	5, 259, 686	17. 54
May	217, 608	3, 670, 609	16. 87
June	191, 256	3, 236, 453	16. 92
July	56, 283	980, 514	17. 39
August	75, 848	1, 306, 256	17. 22
September	66, 623	1, 197, 063	17. 97
October	70, 724	1, 394, 938	19. 72
November	77, 141	1, 779, 011	21. 40
December	108, 526	2, 276, 224	20. 97
Total or monthly average	143, 403	35, 892, 355	17. 51

TABLE III.—*Distribution of total payments, 1937, by groups of States*

Great Plains (6) (68 percent)		$24, 676, 389
North Dakota, South Dakota (40 percent)	7, 433, 755	
	7, 413, 909	
Nebraska		3, 026, 181
Kansas		2, 718, 353
Oklahoma		2, 311, 835
Montana		1, 772, 256
North Central (7) (12 percent)		4, 274, 024

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TABLE III.—*Distribution of total payments, 1937, by groups of States*—Continued

Ohio	$111,744
Indiana	68,018
Illinois	669,918
Michigan	119,345
Wisconsin	1,695,102
Minnesota	1,062,611
Iowa	547,286
Southwest cotton (4) (11 percent)	3,831,548
Missouri	2,490,965
Arkansas	656,946
Louisiana	63,412
Texas	620,225
Middle Atlantic (8) (3 percent)	1,133,717
New York	37,245
New Jersey	19,154
Pennsylvania	29,776
Delaware	1,885
Maryland	3,890
Virginia	11,422
West Virginia	91,117
Kentucky	939,228
Southeast cotton (7) (2 percent)	855,810
North Carolina	62,109
South Carolina	204,298
Georgia	224,155
Florida	95,506
Alabama	102,151
Mississippi	96,703
Tennessee	70,888
New England (6) (less than 1 percent)	39,101
Maine	15,576
New Hampshire	8,114
Vermont	7,994
Massachusetts	4,051
Rhode Island	2,258
Connecticut	1,108
All others (10) (3 percent)	1,081,766
Total (48) (100 percent)	35,892,355

APPENDIX 12

(The following charts prepared by the Graphic Service Section of the Division of Social Research, WPA, with explanatory material are reproduced to illustrate the extent and character of rural poverty in the United States.)

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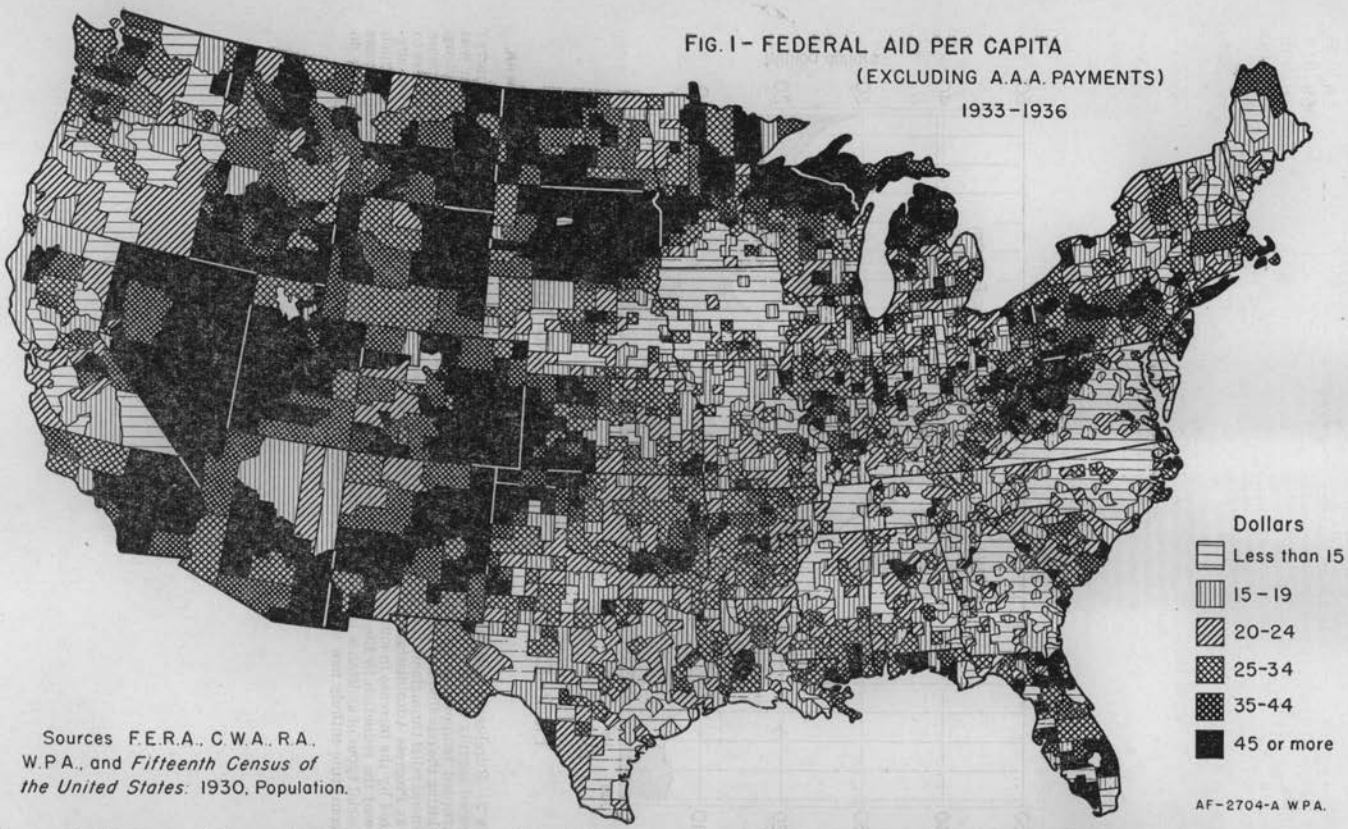


FIGURE 1.—The largest relief expenditures per person in the total population were concentrated during the 4-year period in the drought area of the Great Plains, in the Mountain States, in the cut-over area of Minnesota, Wisconsin, and Michigan, and in the northern part of the Appalachian Highlands. The high ratios of relief expenditures to population in these rural areas reflect both high relief loads and relatively high payments, except in the Appalachian Highlands, where the payment per case were relatively low.

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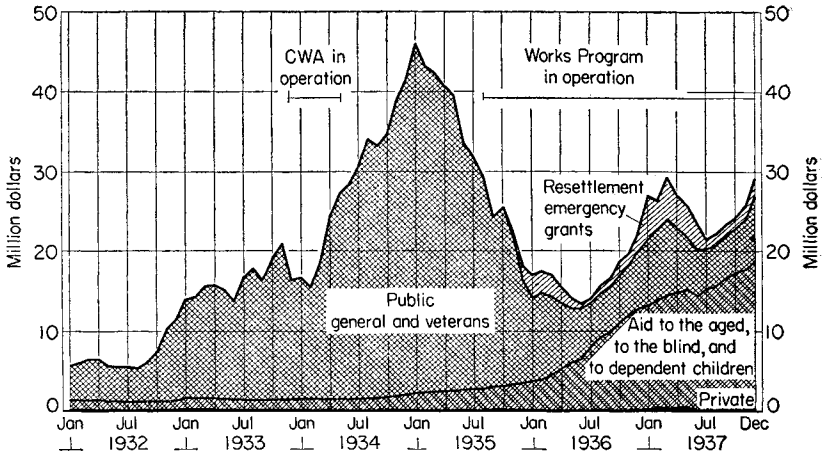


FIG. 2 - EXPENDITURES FOR RURAL AND TOWN RELIEF

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FIGURE 2.—Rural-town relief (including all places with less than 25,000 population and the open country) increased sharply during the fall and winter of 1932–33. The increase during the following winter was interrupted temporarily by the Civil Works Administration program which accentuated the sharp rise during the remainder of 1934, which was increased further by the drought. There was a rapid decrease in general relief throughout 1935 and the spring of 1936 because of the transfer of employable relief cases to Works Progress Administration. The seasonal rise in the fall of 1936 and the following winter was augmented by the increase in emergency subsistence payments by the Resettlement Administration which followed the reduction in the Works Progress Administration drought program. The market increase in special types of assistance in 1936–37 was due mostly to increases in old-age assistance; these cases do not constitute entirely new obligations because many of them were transferred from general relief.

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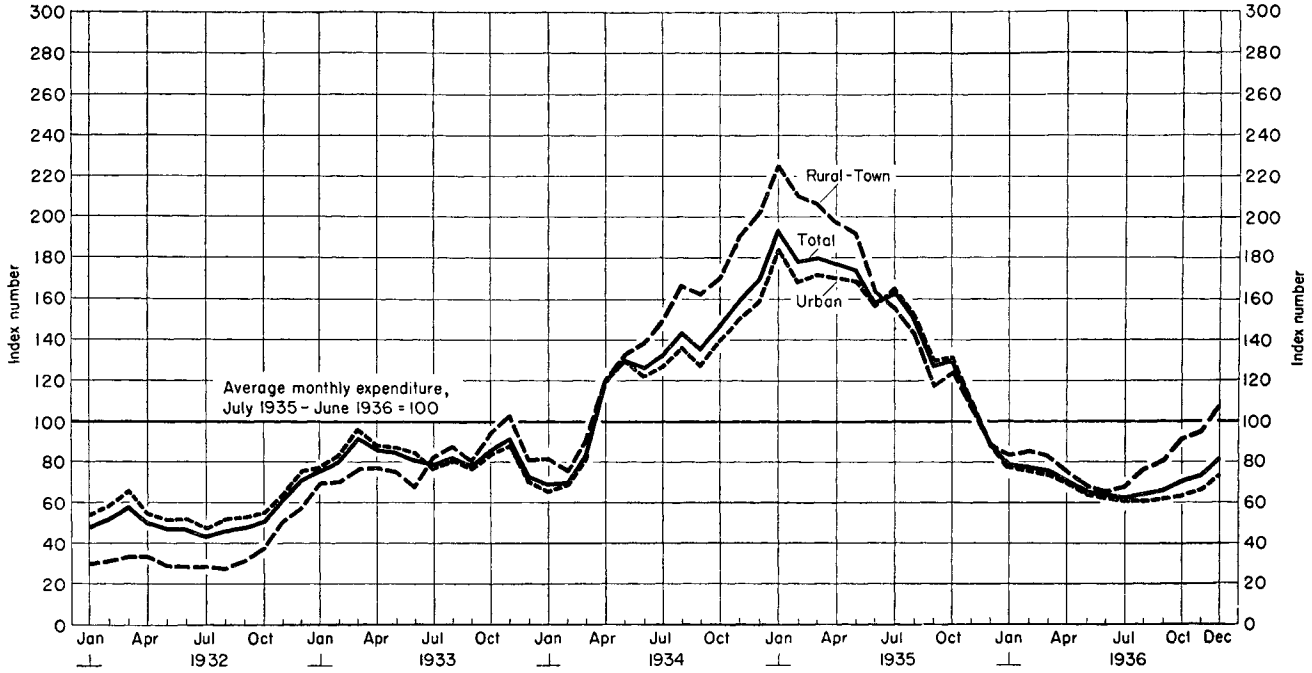


FIG. 3- TRENDS OF EXPENDITURES FOR RELIEF* (Estimated)
1932 - 1936

*Relief under the following programs public general and veterans, aid to the aged, to the blind, and to dependent children; private, Resettlement emergency grants

AF-2348, W P A

FIGURE 3.—Rural-town relief (including open country and places under 25,000 population) was relatively undeveloped previous to June 1933. Since that time the rural index rose and fell with the urban except for the drought years, when the rural-town expenditures increased more rapidly than the urban. Otherwise rural-town and urban expenditures seem subject to much the same forces and conditions.

In terms of percentages, the rural-town expenditures averaged 15 percent of the total in 1932, 22.5 percent in 1933, and from 25 to 27 percent during 1934, 1935, and 1936. Monthly averages during the last 3 years mentioned varied from 22 percent in October 1935 to 30 percent in October 1936.

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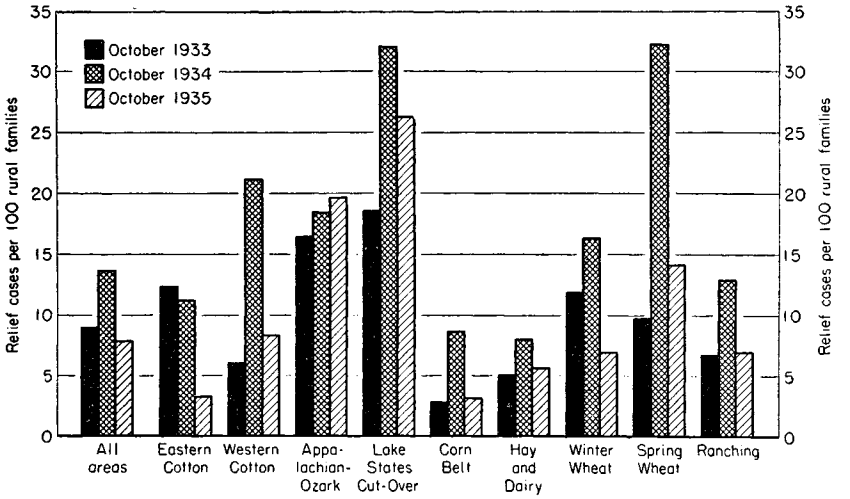


FIG. 4 - INCIDENCE OF RURAL RELIEF, BY AREA
October 1933, 1934, and 1935

Sources: *Fifteenth Census of the United States: 1930*, Population Vol VI; *Unemployment Relief Census, October 1933*, Federal Emergency Relief Administration, Report No. 2; Survey of the Rural Relief Situation, October 1934, Division of Research, Statistics, and Finance, Federal Emergency Relief Administration; and Survey of Current Changes in the Rural Relief Population, Division of Social Research, Works Progress Administration

AF-2433, W P A.

FIGURE 4.—The proportion of rural families on relief shows extreme variations between different areas The cut-over area in Minnesota, Wisconsin, and Michigan, and the Appalachian-Ozark area show the largest proportions, ranging between 16 and 32 percent of the total during the 3-year period. The spring wheat area also reached 32 percent during the 1934 drought. The Corn Belt and the hay and dairy area had the smallest proportions on relief, well below 10 percent in all 3 years. The drought contributed to the increases noted in all areas but 1 in 1934.

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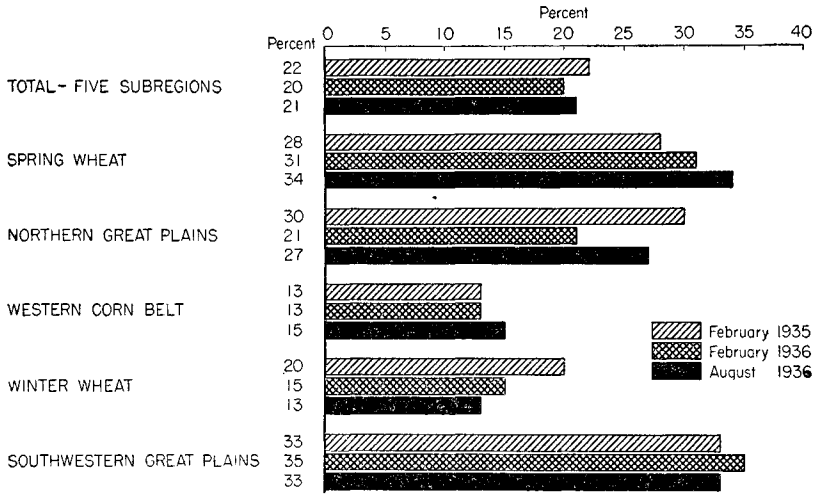


FIG. 5 - PERCENT OF TOTAL RURAL FAMILIES IN MAJOR SUBREGIONS OF THE GREAT PLAINS RECEIVING PUBLIC ASSISTANCE IN FEBRUARY 1935,* FEBRUARY 1936,** AND AUGUST 1936**

*Emergency relief

**All relief financed by federal, state or local public funds, including W.P.A. employment and Resettlement emergency grants

AF-2284, W.P.A.

FIGURE 5.—The seriousness of the relief situation on the Great Plains is shown by the high proportion of rural families which received public assistance. While the western Corn Belt and the winter wheat areas were below the average of 1 family in 5, public assistance was received by more than 30 percent of rural families in the spring wheat area and on the Southwestern Great Plains.

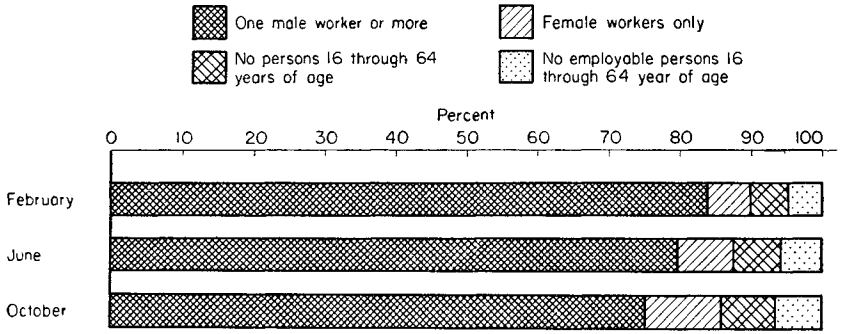


FIG 6 - EMPLOYABILITY COMPOSITION OF RURAL RELIEF CASES

February, June, and October 1935

AF-2471, W.P.A.

FIGURE 6.—Rural families on relief in 1935 included a vast army of able and willing workers who were without remunerative employment. About 85 percent of the cases included at least 1 worker.

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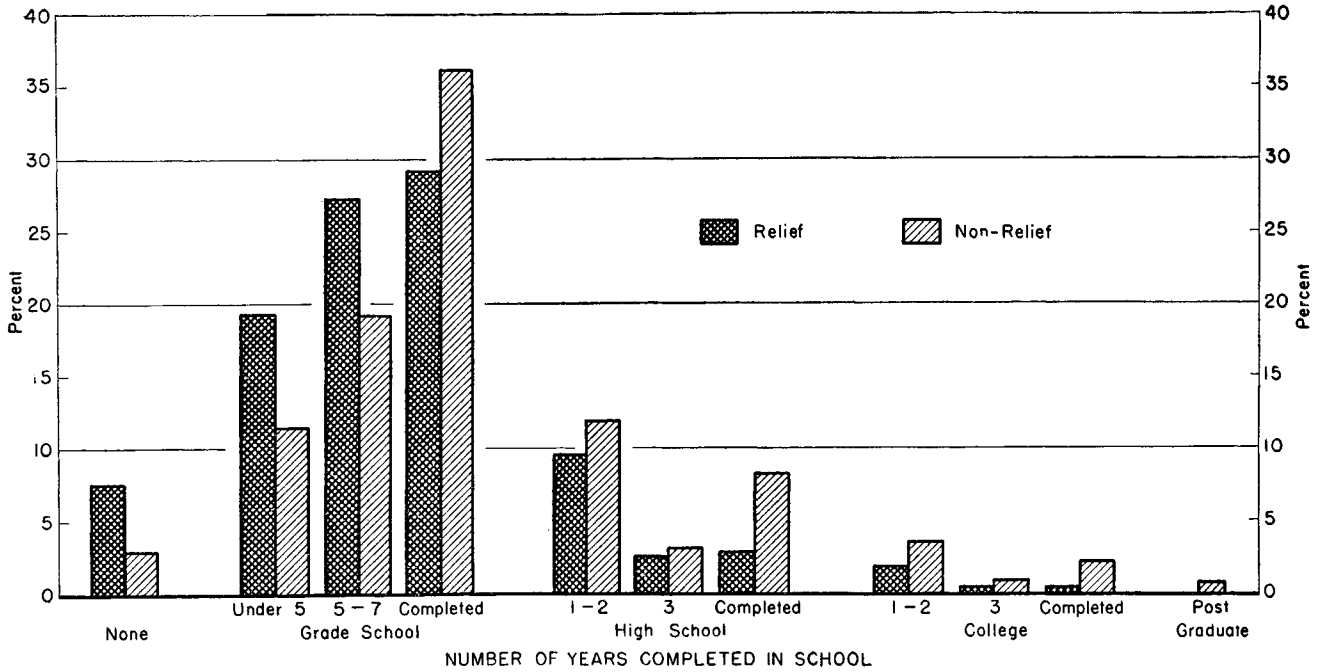


FIG. 7 - COMPARISON OF THE EDUCATION OF HEADS OF RURAL RELIEF AND NONRELIEF HOUSEHOLDS OCTOBER 1933

AF - 2641, W.P.A

FIGURE 7.—A low level of school attainment was characteristic of both relief and near-relief groups studied. The heads of rural households receiving relief had distinctly less schooling than their neighbors who were not on relief. More of those on relief had not completed grade school, while more of the non-relief neighbor had completed grade school or even attended high school or college. More than twice as high a proportion of those on relief had never attended any school. Areas with large numbers of Negroes and Mexicans had higher illiteracy rates, but in all areas those not on relief had a decided advantage in educational attainment over those on relief.

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FIG. 8 - FARM OPERATORS RECEIVING RELIEF GRANTS OR REHABILITATION ADVANCES IN JUNE 1935 IN ACTUAL NUMBERS AND AS A PERCENT OF ALL FARM OPERATORS IN 1935, BY STATES

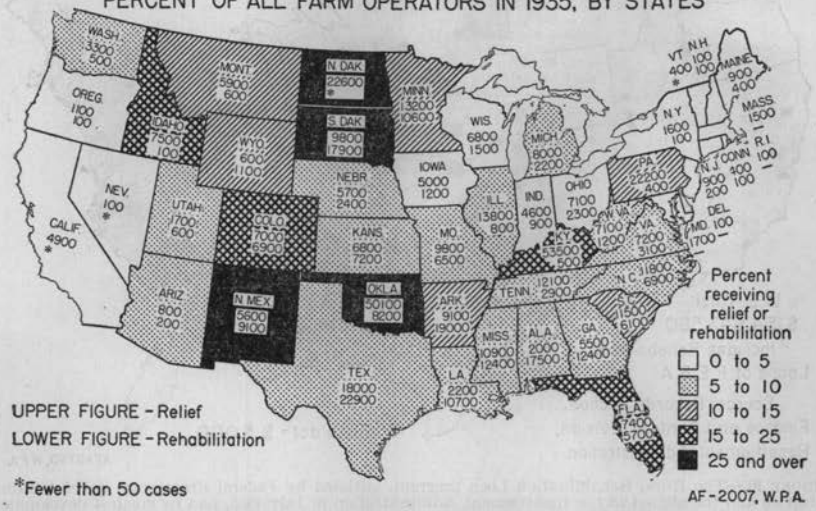


FIGURE 8.—More than half a million farmers received relief grants or rehabilitation advances in June 1935. New Mexico, Oklahoma, and the Dakotas were highest, followed closely by Colorado, Idaho, Florida and Kentucky. All but one of these States are in drought or poor land regions. While the proportion of farmers is generally highest in the Great Plains States, the actual numbers are highest in the Southern States. Rehabilitation clients in June were still largely concentrated in the Southern States, where the program was first developed.

FIG. 9 - RESETTLEMENT EMERGENCY GRANTS

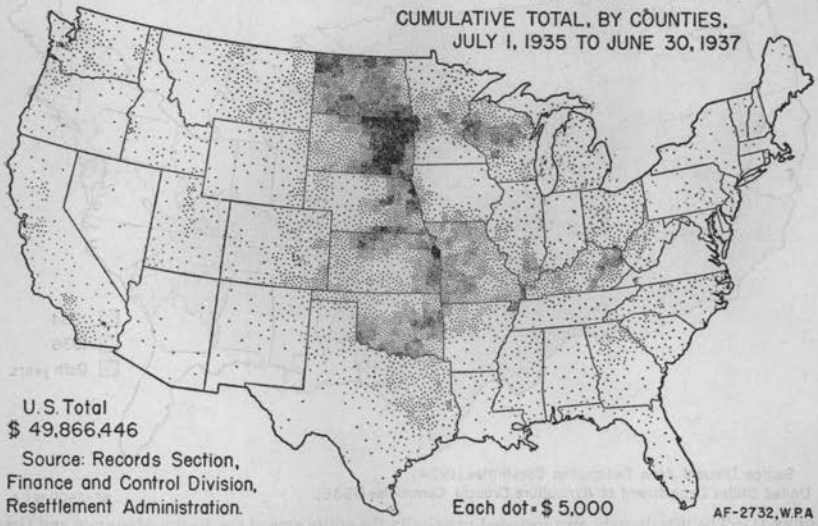


FIGURE 9.—The Resettlement Emergency Grant program, which provided for direct relief grants to needy farmers, was initiated in November 1935. Greatest expenditures have been made for grants in those States which were most affected by drought in 1936.

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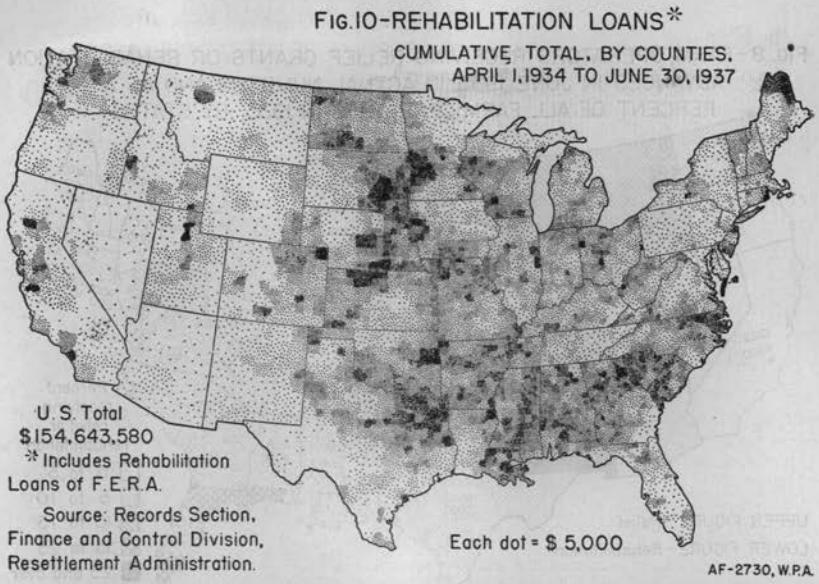


FIGURE 10.—The Rural Rehabilitation Loan program, initiated by Federal Emergency Relief Administration and transferred to the Resettlement Administration in July 1935, had its greatest development in the Southern States. Another area in which resettlement loans have been especially important includes eastern South Dakota, southwestern Minnesota, western Iowa, eastern Nebraska, and northern Kansas.

In the Western States these loans were one form of assistance made available to large numbers of drought-stricken farmers. In the South, rehabilitation loans largely replaced direct relief to needy farmers and accounted for the removal of large numbers of needy farmers from the relief rolls.

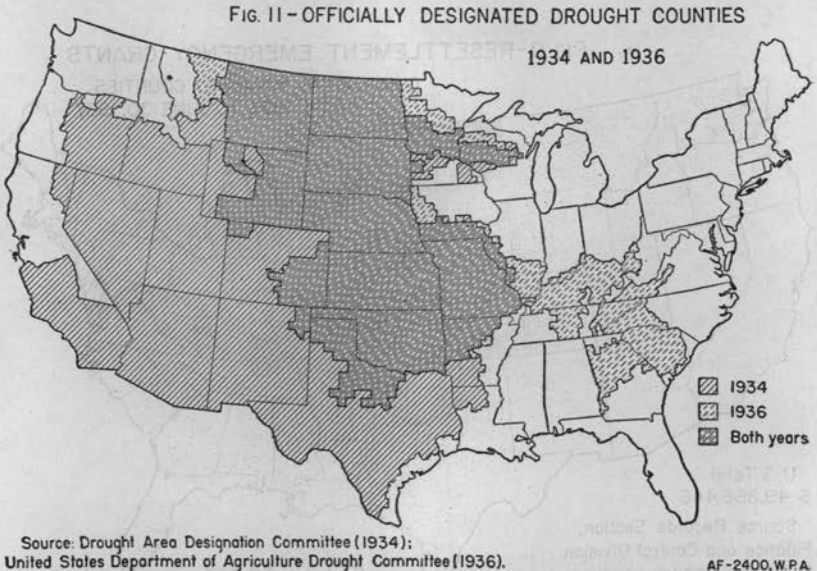


FIGURE 11.—The 1934 drought area included practically the entire area of the Rocky Mountain and Great Plains States. On the west, it also included southern California and eastern Oregon. On the east, it included much of Minnesota, northern Wisconsin, southern Iowa, Missouri, and most of Arkansas.

In 1936 drought swept again over the Great Plains States and extended in a southeasterly direction across Kentucky, Tennessee, Georgia, and South Carolina.

Striking twice in the same highly commercialized area, it is not surprising that drought exhausted the economic resources of many farm families.

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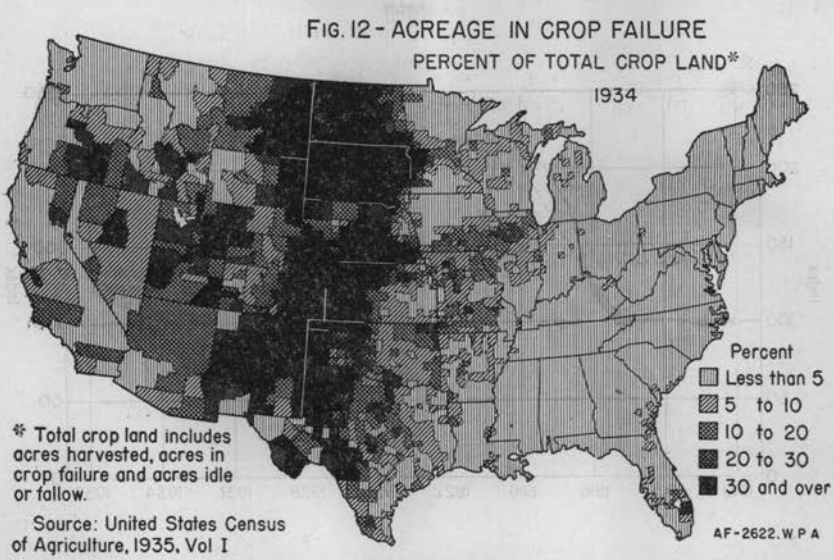


FIGURE 12.—Crop failure caused by the drought during the summer of 1934 was most severe in the States of the Great Plains and the Rocky Mountains. In most of this entire area a total crop failure was reported on 30 percent or more of all cropland.

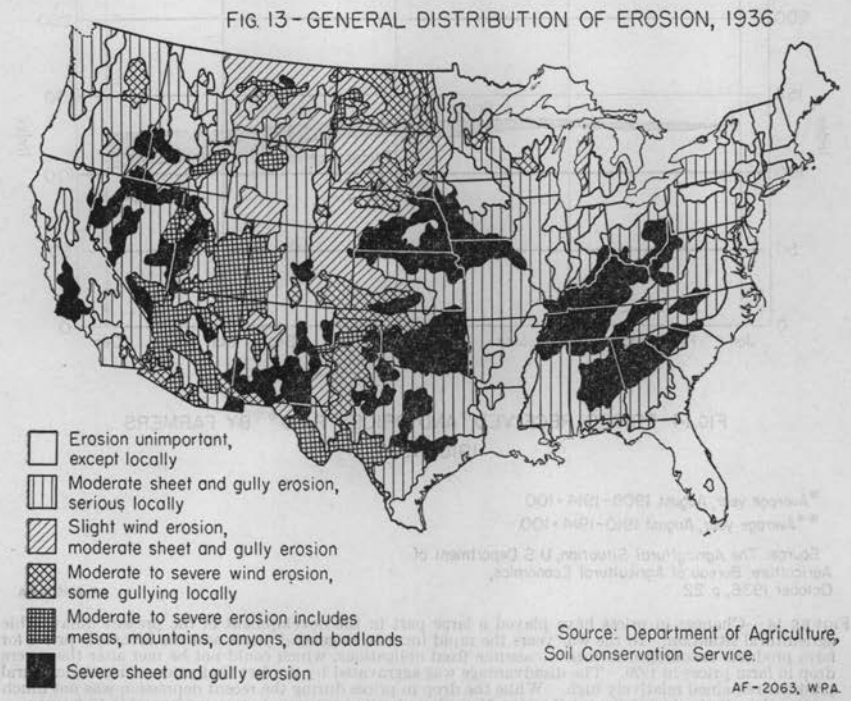


FIGURE 13.—About one-tenth (50,000,000 acres) of all land used for crops in the United States is so severely eroded that it should not be used for intertilled crops like corn and cotton. Another 50,000,000 acres which was formerly cultivated has been rendered incapable of cultivation because of gullying and other forms of erosion.

Moderate to severe erosion by wind or water characterizes the entire Great Plains area and extends into the western Corn Belt. Severe sheet and gully erosion extends from the Appalachian Highlands west to the Mississippi River and south into the cotton areas of Alabama and Georgia.

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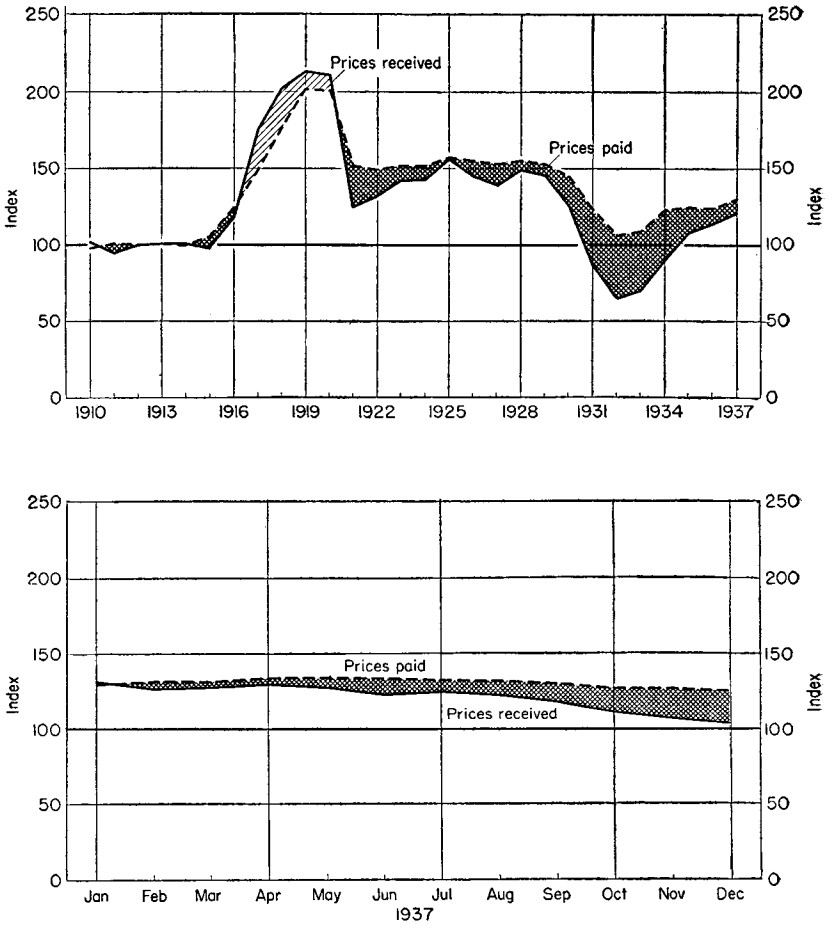


FIG. 14 - PRICES RECEIVED* AND PRICES PAID** BY FARMERS
1910 - 1937

*Average year, August 1909 - 1914 = 100.
**Average year, August 1910 - 1914 = 100.

Source: *The Agricultural Situation*, U. S. Department of Agriculture, Bureau of Agricultural Economics, October 1936, p. 22.

AF-2515, W.P.A.

FIGURE 14.—Changes in prices have played a large part in the development of the present unfavorable agricultural situation. In the war years the rapid increase in general prices and the favorable prices for farm products encouraged farmers to assume fixed obligations, which could not be met after the severe drop in farm prices in 1920. The disadvantage was aggravated by the fact that prices of nonagricultural products remained relatively high. While the drop in prices during the recent depression was not much greater than that which followed the war, the price situation was much more unfavorable to farmers.

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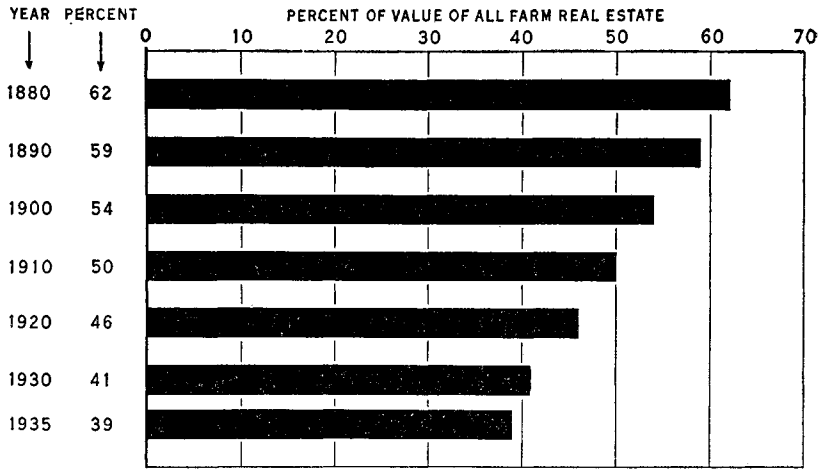


FIG. 15-ESTIMATED EQUITY OF FARM OPERATORS IN FARM REAL ESTATE THEY OPERATED, 1880-1935

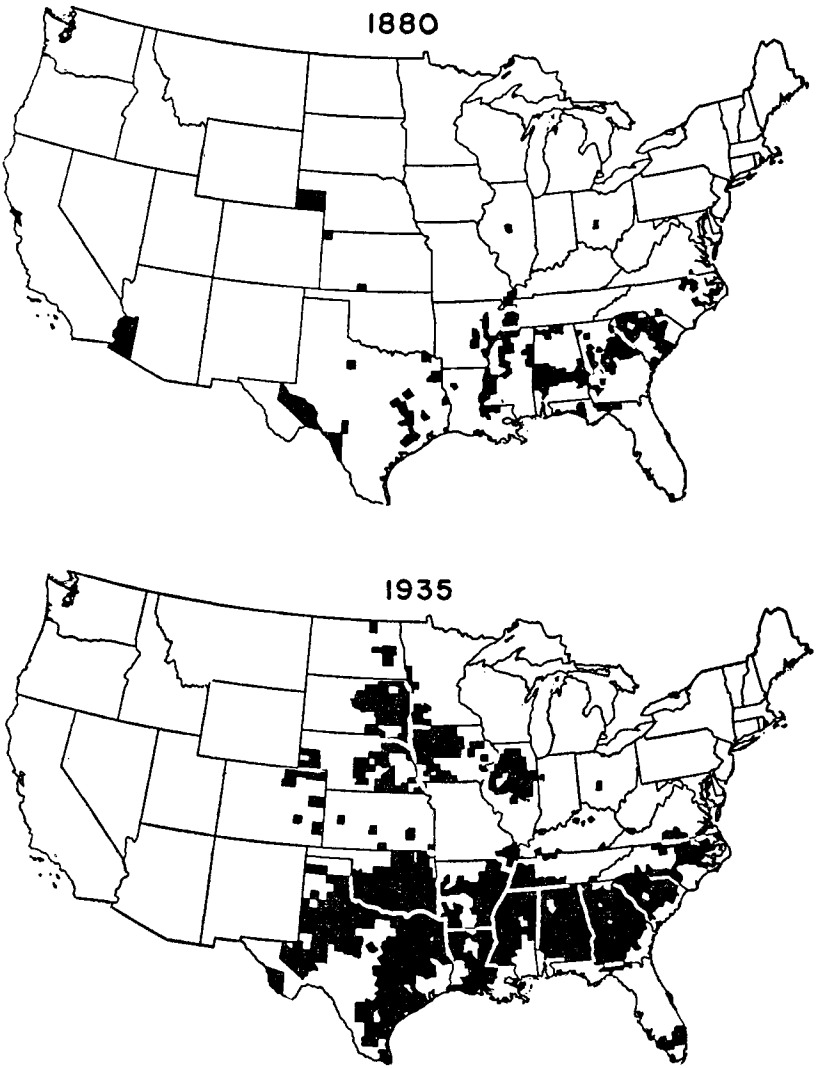
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FIGURE 15.—In 1935 farm owner-operators had a mortgage-free equity in farm real estate equal to less than two-fifths of the total value of the land. This is in contrast to an equity of 62 percent of the total value of farm real estate in 1880. The decrease in equity has been continuous, averaging 4 percent each decade. If such a decrease were to continue for a century, farm operators would lose all equity in the land they operate.

Speaking of this situation, the Department of Agriculture says, "An increasing proportion of farm operators have been sharing the income from the land with landlords or with mortgage holders" (U. S. Department of Agriculture, Miscellaneous Publication 261, p. 4).

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FIG. 16 - COUNTIES IN WHICH AT LEAST HALF OF THE FARMS WERE OPERATED BY TENANTS AND CROPPERS 1880 AND 1935



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FIGURE 16.—Counties in which half or more of the farms were operated by tenants increased steadily from 180 in 1880 to 890 in 1935. Starting in the Southern States, tenancy soon concentrated also in the Western Corn Belt. By 1935 nearly all of the counties in the Cotton Belt had more than half the farms operated by tenants. In the North, tenancy was concentrated in Illinois, Iowa, South Dakota, and Nebraska.

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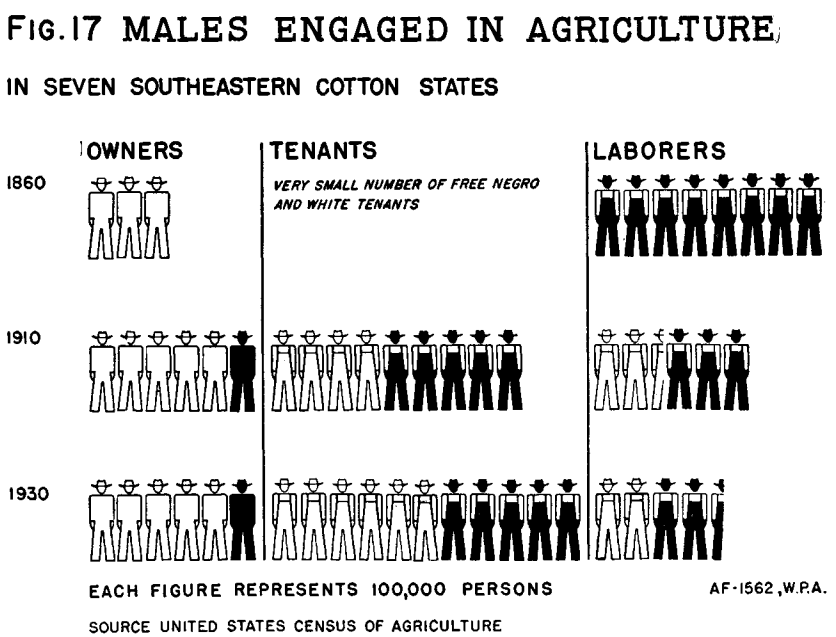


FIGURE 17.—The number of males engaged in agriculture in these Eastern Cotton States doubled between 1860 and 1930. This was an increase of whites, who were four times as numerous in 1930, while the number of Negroes increased hardly at all. Most of the increase consisted of tenants and laborers. Thus, the relatively simple situation of 1860, when nearly all whites in age were owners and nearly all Negroes were laborers, has changed to one in which tenants predominate. At present large numbers of whites compete with Negroes for a place on the land, and are in most respects equally disadvantaged.

While present Negro tenants and owners are children and grandchildren of laborers, the white tenants and laborers are the children and grandchildren of former owners. Large gains in the helpless sharecropper class are fixing the institution of tenancy, with its accompanying limitations, more firmly in the Southern agricultural organization.

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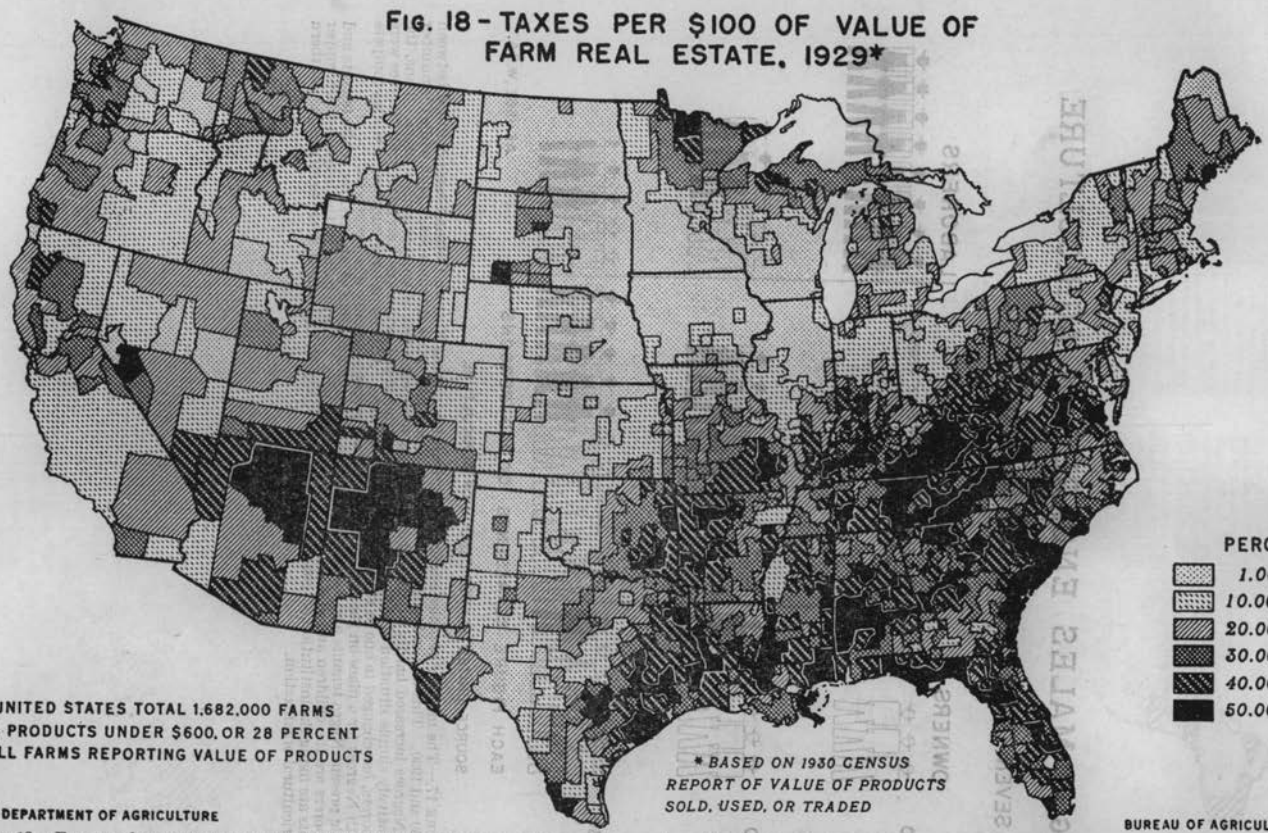


FIGURE 18.—Farm real-estate taxes were highest before the depression in the urban northeast, including the New England, Middle Atlantic, and East North Central States, in the lower Ohio and Mississippi Valleys and in the eastern cotton area. Comparison between similar local areas indicates wide variations in the policy of State and local governments regarding the amount of taxes farmers should pay.

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FIGURE 19.—The proportion of hired laborers among persons in agriculture is highest in the irrigated areas of the Pacific Coast and Mountain States, in the winter garden area of southwest Texas, the counties bordering the Gulf of Mexico, and the States of the Atlantic seaboard. It is in these areas of intensive fruit and vegetable productions that migratory farm labor is a serious problem.

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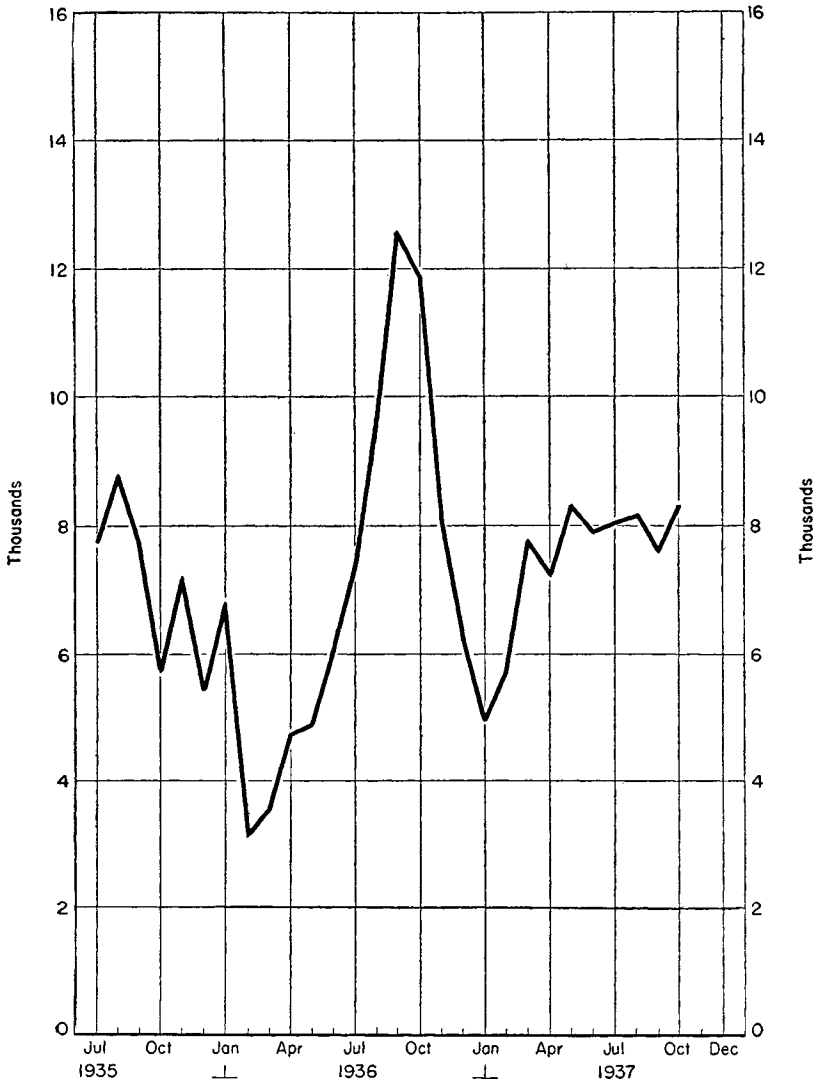


FIG. 20 - MIGRANTS "IN NEED OF MANUAL EMPLOYMENT" ENTERING CALIFORNIA IN MOTOR VEHICLES,* BY MONTHS

July 1935 through October 1937

*Except those entering in vehicles with California license.

Source: Farm Security Administration and California Department of Agriculture.

AF-2633, W. P. A.

FIGURE 20.—About 7,000 migratory workers per month motored into California from July 1935 to October 1937. The usual range is from a low point of three to five thousand in January and February up to 8,000 per month during the summer. Drought on the Great Plains, coupled with good crops on the coast caused an unprecedented migration in 1936.

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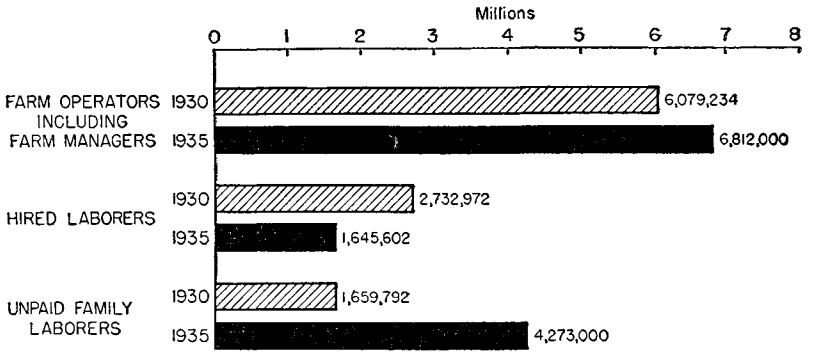


FIG. 21 - FARM OPERATORS, INCLUDING MANAGERS, HIRED LABORERS, AND UNPAID FAMILY LABORERS ON FARMS IN THE UNITED STATES, 1930 AND 1935

Source: *Fifteenth Census of the United States: 1930; Agricultural Census of the United States: 1935.*

AF - 2637, W.P.A.

FIGURE 21.—The number of hired farm laborers decreased while the number of farm operators increased between 1930 and 1935. Most striking, however, was the increase in unpaid labor furnished by members of the operator's family.

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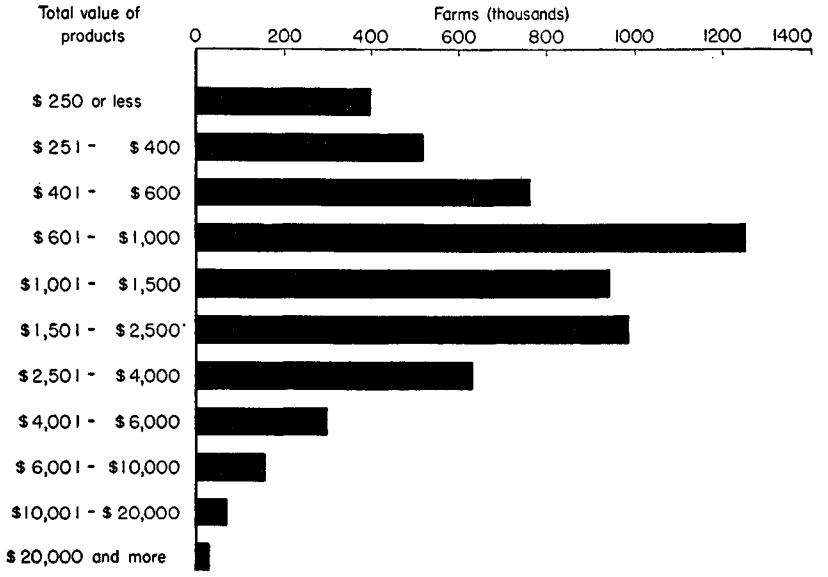


FIG. 22 - FARMS REPORTING TOTAL VALUE OF PRODUCTS SOLD AND CONSUMED, UNITED STATES 1929

Source: Baker, O. E., *A Graphic Summary of the Number, Size, and Type of Farm, and Value of Products*, U.S. Department of Agriculture, Miscellaneous Publication No. 266, October 1937.

AF - 2635, W.P.A.

FIGURE 22.—Over one-fourth of the farmers in the United States reported a gross production of less than $600 worth of products for sale and home use in 1929. Two-fifths of these reported products valued at between $400 and $600 and three-fifths reported less than $400 worth.
One-half of all farmers reported less than $1,000 worth of products, four-fifths reported less than $2,500 worth, and only 15 farmers in 1,000 reported the production of products worth more than $10,000.
Regarding this situation the United States Department of Agriculture says, "More than a million farming people in the United States have a level of living probably little if any better than that of the average Chinese farmer in the Yangtze Valley." (Miscellaneous Publication 266, p. 70.)

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FIG. 23 - FARMS WITH GROSS INCOME UNDER $600, PERCENT OF ALL FARMS REPORTING, 1929*

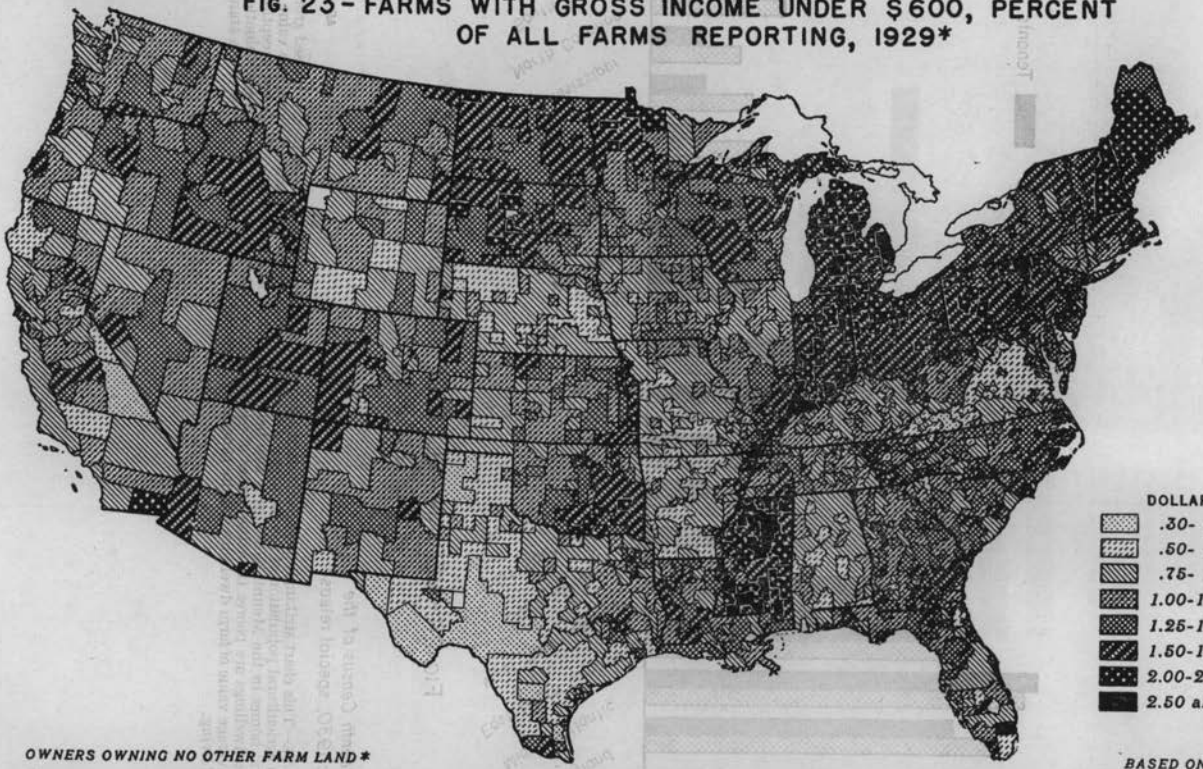


FIGURE 23.—A total valuation of less than $600 for all the farm products (sold and used) in a comparatively good year like 1929 definitely marks these families as underprivileged. These low-income farms were concentrated in the States of the Appalachian Highlands, the Ozarks, Arizona, and New Mexico; that is, mostly in the hilly poor land areas and in the Cotton South. These areas and the Great Plains drought area are the ones in which rural relief needs have been greatest.

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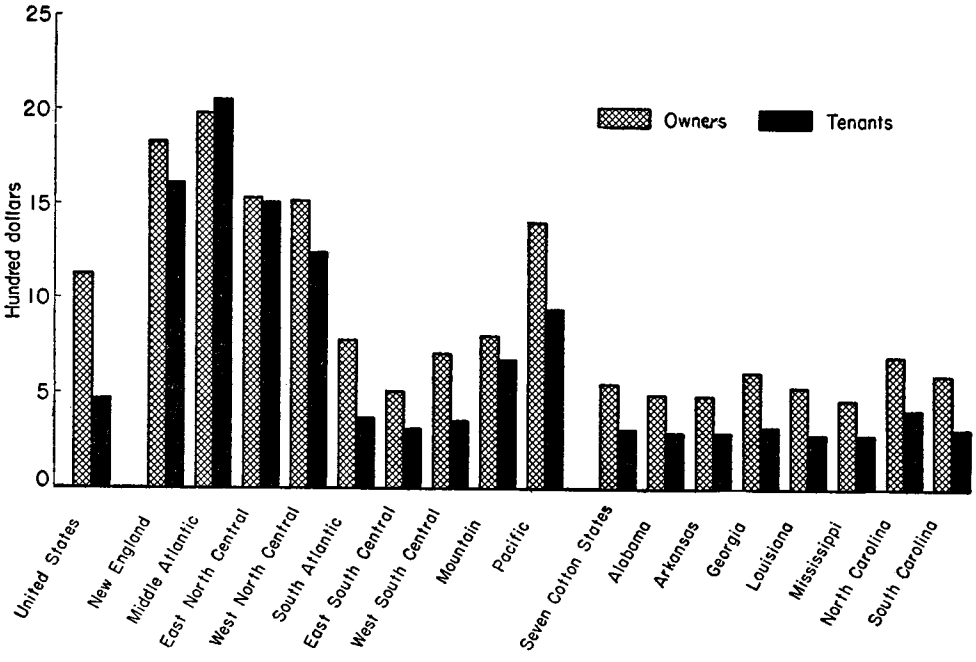


FIG. 24 - MEDIAN VALUE OF FARM DWELLINGS, BY TENURE, 1930

Source: *Fifteenth Census of the United States: 1930*, special release

AF-1495, W.P.A.

FIGURE 24.—This chart strikingly reveals the farmers of the South as by far the most poorly housed group in the agricultural population of the country. In addition to the three southern divisions, the value of owners' homes in the Mountain States is also below the United States average. With few exceptions tenant dwellings are poorer than the homes of owner-operators when measured by average valuation. The average value of farm dwellings is quite generally recognized as one of the best measures of the standard of living.

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FIG. 25- WHITE CHILDREN UNDER 5 YEARS OF AGE, PER 1,000 WHITE WOMEN 20 THROUGH 44 YEARS OF AGE

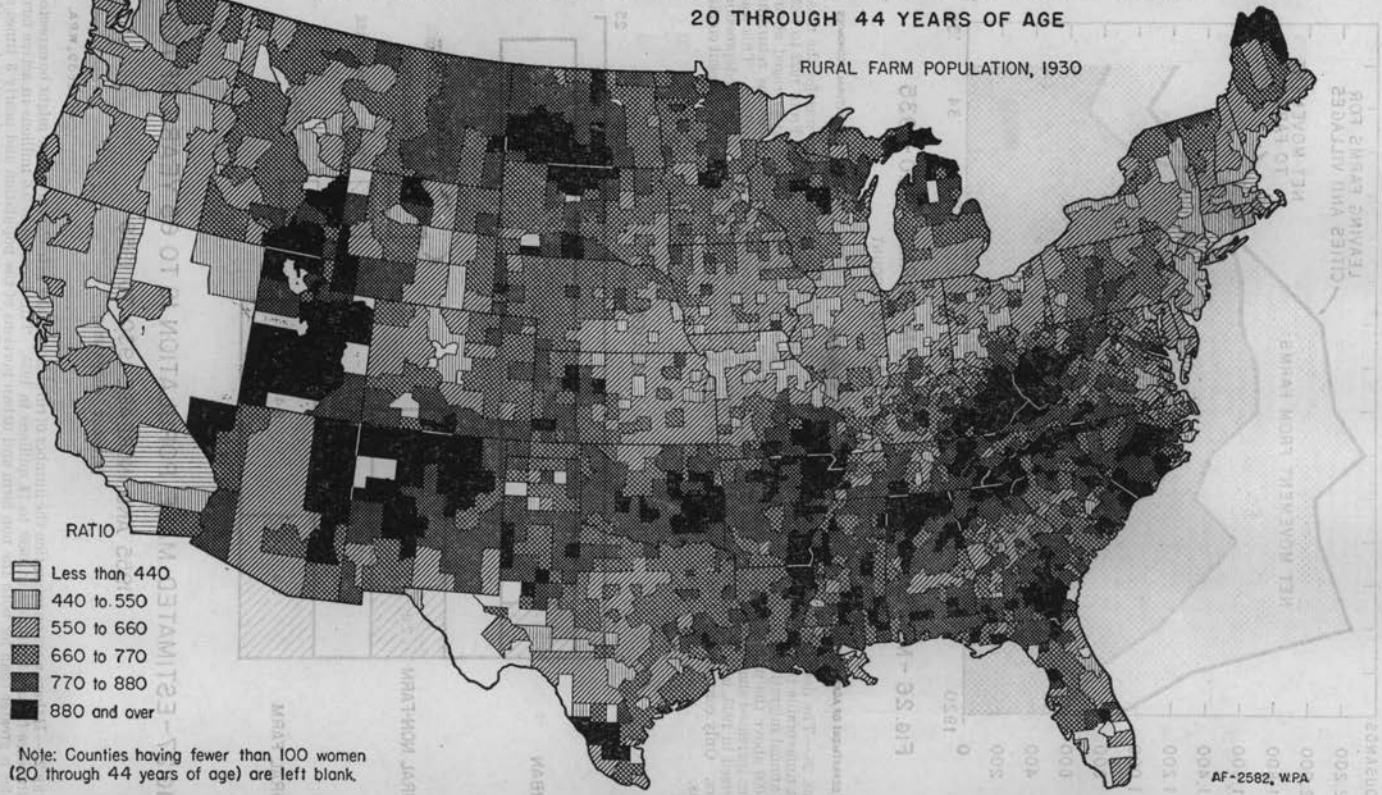


FIGURE 25.—The high birth-rate areas of the United States are located in the Appalachian Highlands, the Cotton South, the Dakotas, Utah, and New Mexico. The farm population in these rural areas are producing a disproportionately large part of the population of the United States. It is from uch areas as these that urban centers must recruit much of their population through migration from farms.

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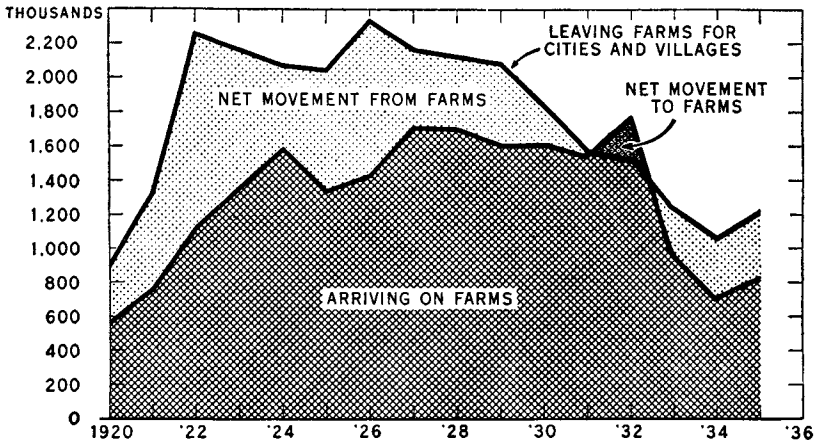


FIG. 26 - MOVEMENT TO AND FROM FARMS, 1920-1935

BIRTHS AND DEATHS NOT TAKEN INTO ACCOUNT

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FIGURE 26.—The decrease in migration from farms which was caused by the depression was for the most part unfavorable to agriculture since it caused an accumulation of farm population. From 1922 to 1929 the annual migration from the farms to towns and cities exceeded 2,000,000 persons, and averaged about 700,000 above the number that moved to farms from urban areas. The number of persons returning farms increased sharply in 1932 and caused for the first time a net movement in that direction. This was reversed in 1933, and migration from the farm has since exceeded arrivals on farms, as in predepression years. Only continued migration can prevent the piling up of population on farms under present conditions.

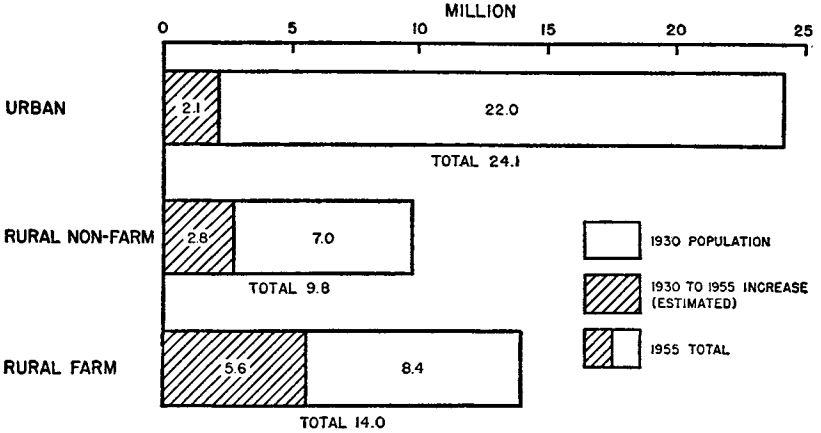


FIG. 27 - ESTIMATED MALE POPULATION 18 TO 65 YEARS OF AGE

1955 AND INCREASE 1930 TO 1955

(WITHOUT MIGRATION)

AF-2639, W.P.A.

FIGURE 27.—If there were no migration the number of rural farm males 18 to 65 years of age might be expected to increase from 8.4 millions in 1930 to 14 millions in 1955. This increase of 5.6 millions in active farm males is greater than for both the non farm and urban portions of the population and nearly 3 times as great as the increase of 2.1 millions in the number of urban males. Only extensive migration from the farms can prevent a tremendous increase in the pressure of population against rural economic resources.

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APPENDIX 13

RICH LAND—POOR PEOPLE

(By Max R. White, Douglas Ensminger, Cecil L. Gregory, January 1938)

This is a report prepared by the regional office of the Farm Security Administration at Indianapolis. It bears particularly on the point that rich land does not automatically produce a high standard of living among the occupants of the land. This is a phase of the general rural situation which often is overlooked.

The text of chapters I and V was selected for printing from the following list of chapters. Tables and charts were omitted:

I. Social and Economic Conditions in Southeast Missouri: A Paradox of Rich Land and Poor People.
II. Natural Resources.
III. The Settlement of Southeast Missouri and the Composition and Characteristics of Its Population.
IV. The Agriculture and the Farm Tenure System.
V. How the People Live.
VI. Their Community Organization.

CHAPTER I

SOCIAL AND ECONOMIC CONDITIONS IN SOUTHEAST MISSOURI

A PARADOX OF RICH LAND AND POOR PEOPLE

Living conditions on the fertile lands of the Missouri lowlands, which include the seven southeastern counties of Missouri, where the Mississippi Delta meets the Ozark highlands, and the "Colonial" agriculture of the South merges into the agricultural economy of the Corn Belt, refute the American myth that a region of rich agricultural lands will always be populated by healthy, happy, farm people living in security and enjoying the benefits of a rich community life.

This belief that there were few social problems in regions of rich land was rather well justified in years past in regions where a system of general agriculture was practiced, which, through crop rotation and the production of livestock, tended to maintain soil fertility and give year-round employment to the farm family. Such a system was a firm foundation upon which superior rural living could be developed and maintained with an accompanying sense of security. As soil fertility diminished over large areas of the United States owing to improper land use, we became conscious of a definite decline in the level of living of farm people and in the institutions of the farm community. This was brought forcefully to our attention in 1910 by the report of the Roosevelt Country Life Commission. Although the declining fertility of the land brought about a decline in the status of the farm family's living and in rural institutions, still it did not result, except in limited areas, in such extreme social disorganization as to create a distinctly underprivileged class for whom the future held little of economic opportunity or of solidarity of family life. Farmers continued to live in good houses; their children were adequately clothed and fed; and the family had ready access to the various institutions and services maintained by the village and the surrounding farming community which were available to all of the people regardless of status.

As a result of our alarm over the rapid depletion of our soil resources most of our research has been centered on land-use adjustment problems and we have often lost sight of the fact that the only reason we need be concerned about these problems is because of their relationship to human welfare and security. We have become solicitous about the erosion of the soil and have been willing to spend more time and money in correcting it than we have been willing to spend in assisting the human beings living on eroding land to adjust themselves to a new economy where they can attain social and economic security for themselves and their children. This emphasis on land conservation rather than on the conservation of human resources has led us to ignore largely the human conservation problems in areas in which soil conservation problems are not acute.

Until rather recently we have ignored, except where soil depletion was a factor, the social and economic insecurity of the farmers in regions in which a one-crop system of agriculture—usually cotton or tobacco—has developed. In contrast to general farming, one-crop farming is characterized by its demand for seasonal hand labor which can be performed by poorly trained people. In the cotton and tobacco fields have evolved the cotton tenant, the sharecropper, and the farm laborer.

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As the crop share and the wage rate are low and the work season limited, there has evolved a quasi feudal system in which the mass of the farmers are dependent upon and subservient to the landowners. Low and insecure levels of living, illiteracy, superstition, resentment, malnutrition, and disease are the rule. The long seasons of unemployment, with the attendant economic uncertainty, result in a dissatisfaction with the present and a marked fear of the future among sharecroppers, laborers, and the less thrifty renters. The primary concern of those in the ascendency is usually the immediate profits to be derived from the land, rather than its conservation or the well-being of the people who work it.

Physical Characteristics

The lowlands of southeast Missouri are an example of the conditions previously cited. Its soils are mostly of moderate to high productivity, and are adapted to the growing of a wide variety of crops. The growing season is long, averaging 188 days, and the rainfall is generous and distributed throughout the year. The long growing season and adequate rainfall encourage the growing of cotton. The fertile soils produce abundant crops but the level of living of the people who till the soil is lower than that of families living in the slum districts of our large American cities.

At one time the lowlands had a rich natural resource in its virgin timber. In about two decades this resource was almost completely exploited. Lumber companies came into the territory between 1890 and 1910, stripped the timber and disposed of the land as quickly as possible. Large numbers of families brought in for timber work found themselves stranded without a means of livelihood and suffered the accompanying destruction of fundamental values in family life. At the present time agriculture is about the only industry in the area. The few small commercial industries which exist are engaged in the processing of the cotton crop.

The principal physical problem of the area is that of floods and drainage. The land is extremely level and formerly was subject to constant overflow from the principal rivers. Although levees have been built along the rivers and most of the area has been incorporated in drainage districts, the danger from high water still exists and much of the land is flooded because of the slow run-off during heavy rains.

Population Characteristics

The rapid expansion of agriculture resulted in an equally rapid increase in population. Although fur-trading posts were established in the early part of the eighteenth century and farming began before 1800, settlement was slow before 1900. A series of earthquakes in 1811 and 1812 and the effects of the guerilla warfare during the Civil War were partly responsible for the slow development; the swampy character of the land hindered settlement. After 1900, however, the population increase was rapid. From 1900 to 1930 the total population increased 75 percent. The majority of the population in the territory is on farms. In 1930, 61 percent of the total population was rural-farm, as compared with only 31 percent in the State of Missouri.

The farm population of the area is characterized by a high proportion of native-born people, large numbers of Negroes, large families, high fertility, a high ratio of males to females, a large proportion of the families normal families, a high rate of illiteracy, malnutrition, high mortality, and morbidity rates, and a lack of social participation. The people who migrated to this area during the era of rapid settlement came largely from Arkansas, Tennessee, and Mississippi. They included large numbers from the sharecropper class. Many were Negroes; two-thirds of the Negro farm population in Missouri is found in these seven counties. In the migration, the old people, the broken families, and the unmarried females were left behind. Outstanding is the lack of formal education. The rate of illiteracy is 8.5 percent as compared with 2.9 percent in the State. The average education of the heads of the families is only 5.5 grades. The Negroes have an average schooling of only 2.6 grades. In the raising of cotton, where women and children work alongside the men, the youthful population provides a bountiful labor supply. The lack of training of the people makes them more susceptible to exploitation.

There is very little stability of residence within the area. The white sharecroppers and farm laborers and the Negroes move constantly from place to place in the hope of bettering their fortunes. As reported by the Census of Agriculture in 1935, 43 percent of the tenants—including sharecroppers but not farm laborers—had been on their present farms less than 1 year. Among 903 white families

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interviewed by the authors in 1936, 2 percent of the owners, 23 percent of the renters, 34 percent of the sharecroppers, and 44 percent of the farm laborers had changed residence at the rate of two or more times in 5 years. This high rate of mobility affects adversely the entire social structure of the area. Its devastating effects are particularly marked upon children in relation to school and church. Being "on the move" becomes a part of their pattern of life with frequent changes of residence from one community to another the rule, rather than the exception.

In the Missouri lowlands there has developed a stereotyped system of attitudes which reflects the status of sociability, good will, tolerance, and sense of justice. Here is to be found the equivalent of a caste system with the landowners on the upper level and white-renters, sharecroppers, laborers, and Negroes on a consecutive descending scale status. This differentiation in status dominates the activities and relationships of everyday life and determines the institutions and services which are available to the several groups. The lower income groups are at a distinct disadvantage in such things as rights in contract, the facilities in health service, in housing, in education, and in their rights before the law. The system appears to have consigned certain groups to a level of existence almost as low as that of serfs of other days.

The story of the plight of these people is pathetically told in their level of living. One-half of the white owner-operators queried by the authors in 1936 had a gross income of less than $1,269 in 1935, and one-half of the white renters less than $854. For white sharecroppers the figure was $415, with $264 for white farm laborers. Negroes of all tenure groups had an average gross income of only $251. Although the gross income does not include the value of the dwelling nor the value of the products produced and consumed on the farm, it is obvious from the figures given above that at least one-half of the families do not have sufficient cash income to maintain a decent standard of living. The actual income of the sharecropper is even less than represented here, because of the system of advances used. The sharecropper contracts with the landlord in the spring for "furnish" to make a crop. Having no capital of his own, the sharecropper begins immediately to receive advances from his landlord in the form of cash or merchandise or the establishment of a credit account at a merchant store. When the cotton is picked there is a settlement in which the landlord charges a flat rate of interest on the total amount of the advances. No statistical evidence is available on the rate of interest in this area, but there is reason to believe that it is not less than the 10 percent or more which is charged in many sections of the older Cotton South. The landlord keeps the books, and the tenant is often too ignorant, or, particularly in the case of the Negro, afraid to question the accounts.

The houses in which the white sharecroppers and farm laborers and the Negroes live are crude shacks. The typical house in the area is a "box house" boarded up and down with narrow stripping over the cracks to keep out the weather. Single floors of rough lumber with many cracks are the rule. The roof is frequently of the "dry weather" type. Inside walls are covered with building paper, cardboard, or newspapers, or are bare. The exterior is unpainted. Such is the home environment of some 20,000 cropper and laborer families.

The white sharecroppers and farm laborers and the Negroes have few of this world's possessions. Household equipment is meager and inadequate. Such luxuries as washing machines, carpet sweepers, and rugs are almost unknown. While 40 percent of the owner-operators and 26 percent of the tenants have radios, only 10 percent of the sharecroppers and 3 percent of the farm laborers have them. The percentage for automobiles are 44, 25, 9, and 5, respectively.

The diets of the white sharecroppers and farm laborers and the Negroes are meager and ill-balanced with malnutrition and disease, especially in children, everywhere in evidence. Hot breads—usually biscuits or corn pone—dried beans, macaroni, salt pork, and molasses are the standard foods. Gardens are lacking or inadequate and are usually discouraged by the landlord; the cotton patch surrounds the house and even if there is a garden it will not begin to supply the family needs. Fruits, cereals, milk, and eggs are absent from the average diet. One-half of the sharecroppers and four-fifths of the farm laborers do not have cows, and two-fifths of the farm laborers to not have chickens. Such a condition on some of the best land in the Middle West is almost unbelievable.

The typical housing and the average diet largely explain the tragic health conditions of the people. The mortality rates for preventable diseases are exceedingly high. The rate for malaria is higher in every county in the lowlands than for the State as a whole and in some years has been as much as 20 times the State rate. Typhoid rates range up to 9 times the State rate. The pulmonary tuberculosis rates are often double the State rate. The death rate from pneumonia is often higher than in the State as a whole. The mortality rates for diarrhea and enteritis

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among children under 2 years have been as high as 18 times the State rate. The infant mortality rate in 1934 ranged from 75 deaths under 1 year per 1,000 live births in Scott County to 158 per 1,000 in New Madrid, as compared with the State rate of 62 per 1,000. A visit by a physician must usually be preceded by a guarantee of the fee by the landlord. Thus illness in all age groups often lingers on until it is too late.

The relief load is heaviest among white sharecroppers and farm laborers. Before Negroes receive relief in the area, they must be in much more desperate straits than the whites. Some of the landlords in the area have been relieved of the load of providing subsistence to their tenants by the governmental agencies providing relief. In the winter months after the cotton is picked the relief load rises; in the spring after cotton chopping begins the load declines. The substitution of farm laborers for sharecroppers was perhaps aided by the emergence of Government relief. This instability, affecting every member of the family, appears to be a byproduct of the tenure system.

Social Organization

The social institutions are functioning indifferently so far as the needs of the white sharecroppers and farm laborers and the Negroes are concerned. Custom and lack of transportation facilities leaves them stranded. The system of public education is characterized by gross inequalities of opportunity as among classes with marked unequal opportunities for Negroes. Negro schools are maintained separately from the white schools and are distinctly inferior.

SCHOOLS

A considerable proportion of the children of high-school age do not live in districts with high schools. The necessity for having to arrange with other districts for high-school training discourages many of the children from attending. Of 572 eighth-grade graduates in the rural districts in the spring of 1934, only 332 entered high school in the autumn. The administration of compulsory attendance lags when applied to the low-income groups where nonattendance is frequently encouraged by parents.

The school system in this area is a multiplicity of one-room school districts, with poorly trained and low-paid teachers. The buildings and grounds are below standard, the library facilities are limited, and attendance even with a split term for "cotton vacation" is most irregular. Only 24 schools out of over 400 rural districts are approved by the State department of education as being up to the standard set for elementary schools. Such a situation makes it imperative that the school systems be organized upon some basis of taxation that will provide ample funds for better school buildings, more adequate equipment, and properly trained teachers. If the experience of other Middle Western States such as Indiana is indicative, this will necessitate State-wide system of school taxation based upon ability to pay, and a system of apportioning school funds based upon the need for school facilities. The establishment of more and better high schools and a means of bringing the rural pupils to these would do much to disburden this area of the illiteracy and ignorance that is consigning the large mass of its people to a life of insecurity and poverty.

ADULT EDUCATION

Of equal importance is the program for the education of the adult population. The extension centers at our State colleges with their county agricultural agents were organized to provide a link between the great wealth of knowledge accumulated by research agencies and the rural farm family. Much progress has been made by the Agricultural Extension service but it has been unable to reach, to any great extent, families of the sharecropper and farm-laborer groups. The value of the Extension services and similar organizations for a program of education of the under-privileged farm family needs to be recognized and their programs modified and expanded. In order to reach the lower income groups in areas such as southeast Missouri, and bring about a fundamental readjustment of human resources to natural resources which will enable the majority of the farm families to attain a level of living and security which meets standards of minimum adequacy, it will be necessary for the Agricultural Extension Service and similar organizations to expand their programs far beyond the scope now possible with present funds and the number and type of field personnel available. In establishing the type of program needed, it must be recognized that the social

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problems of areas such as southeast Missouri are matters of more than local concern, and the program planned and executed in terms of a State and national policy.

RECREATIONAL AND SPECIAL INTEREST GROUPS

While women's clubs, civic clubs, lodges, farm organizations, and boys' and girls' clubs are found in abundance both in variety and numbers, their membership does not include the great mass of white sharecroppers and farm laborers, and Negroes. Public recreational facilities are limited, and the more desirable forms of commercial recreation are not available to the low-income groups. Thus these people are left to their own devices and live in the midst of a dullness of life which is deadening. The failure of organized activities to reach these groups has led to the emergence of the night club or road house in rural areas, which with its dance hall, bar, gambling rooms, and other diversions caters to Negroes and white farm laborers and sharecroppers.

CHURCHES

The established churches of the area are reaching only a small proportion of the farm people. A large number of newer, less stabilized religious organizations have sprung into existence to serve the needs of the white sharecroppers and farm laborers and the Negroes, and are conducted on their cultural level. With the crudest edifices serving as churches and with untrained and often illiterate preachers, these sporadic sects are indulging in an emotional type of religion. Their appeal is often that of prejudice and emotion in relation to such factors as education, health, and improved agricultural practices.

In this area of low standards of living and insecurity there is placed an unusually large burden upon the social institutions. The prevalence of emotional religious groups of a temporary nature, together with part-time and irregular services among the established churches, and the rapid development of roadhouses with their cheap entertainment and gambling devices is sufficient evidence that the established social organizations are not meeting the needs of these people. Because facilities for transportation are poor and lacking, and because most of the energy of the great mass of people is consumed in making a mere subsistence, their community life must be meager. Recognition by institutionalized organizations such as the church, of the need for more vital, more constructive and more extensive programs which will interest, and which will be carried to, the great mass of the people, should do much in alleviating the prejudice, resentment, and superstition of this area.

Basic Elements of a Decadent Agricultural System

The social and economic problems of southeast Missouri are the result of a complex of interrelationships. Chief among these are the rapid development of cotton farming, the high incidence of concentrated, corporate, and speculative landholdings, and the types of tenancy prevailing. No simple and easily found solution can be expected. Nor can the present landowners be expected to bear the burden of correcting a situation that has been accumulating since the development of the "colonial" agriculture of the South. The early agricultural system was based upon slavery and instituted by the English country squire for the benefit of the mother country. Only through the intervention of State and National agencies can we hope to change a system which has developed as a result of the land policies initiated by the English in their early settlement of the country, and perpetuated by 150 years of development through the policy, or lack of policy, of the Federal Government.

Farms of the lowlands in 1935 were operated by 6,000 owners and 27,000 tenants, sharecroppers, and laborers. In two counties almost 90 percent of the farmers were tenants, and in a third county more than 80 percent. The tenants may be classified into three groups: (1) Renters, who own their own workstock and equipment and pay either cash or crop rent; (2) croppers, who furnish only their labor and receive a share of the crop—usually one-half of the cotton—in return; and (3) day laborers, who furnish only their labor and receive a cash wage. These types of tenants all prevail in the cotton-growing Old South. In southeast Missouri, however, an unusually high proportion of the farm families are wage day laborers. Landowners are in some cases owner-operators of small acreages, but many large tracts are held by individual owners who are landlords only or are held by corporations.

The struggle for existence by the resident landowner on the one hand and the sharecroppers and farm laborers on the other hand led to mutual distrust. The

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tenants charge that the landowners are unfair, and the landlords charge that the tenancts are shiftless and worth no more than the wages they receive. The leasing agreements between the landowners and the tenants are often unsympathetic bargains on the part of both parties. This has resulted in a general lack of provisions supported by good will and cooperation, provisions which add materially to the benefits accruing to both parties. Both the tenant and the landowner are correct in their charges to the extent that neither are receiving the full benefits which might result from their contractual relationship.

Wide fluctuations in the prices of cotton, and the heavy drainage and labor cost involved in producing it make the present one-crop system of farming hazardous for both the owner and the tenant farmer. The value that has been placed on land is out of proportion to the income that can be derived from it under a system of farming which will conserve the land and enable the men who till the soil to maintain an adequate standard of living. The inflated land values have resulted in a heavy mortgage debt load which has forced the landowners to perpetuate the one-crop system of farming which exploits both the land and the families who till it. As long as the fertility of the soil is such that one can continue to get high returns per acre through the use of a soil-depleting system of agriculture and through the exploitation of cheap labor, cotton farming offers the landowner the best opportunity to remain solvent. Changing to a system of agriculture which will maintain the fertility of the soil and permit the payment of living wages would require one to increase his mortgage burden and probably bankrupt himself. Any change in the system of agriculture would involve a complete reeducation of the tenants and laborers before they could operate it, or the substitution of other tenants familiar with a more general type of farming.

The situation described previously explains much of what appears to be wanton exploitation of tenants and laborers by resident landowners. However, large acreages of land in this area are owned by corporate absentee landlords who are receiving a high rate of return on their investment by the deliberate exploitation of the land and the people without assuming any social responsibility for the effect of this exploitation upon the people who expect to continue to work and live in southeast Missouri. The situation described, both with respect to the resident landowner and the absentee exploiter is a vicious circle destroying both land and the people. It is now beyond possible control by the people of southeast Missouri and if it is to be corrected, State or Federal action supported by adequate legislation will be necessary. It is sufficient to point out that, if no other means are at hand, sufficient penalties should be inflicted through legislation to discourage the speculative holding and selling of land.

Inasmuch as the system of land tenure is basically at fault in the maladjustment of the area, the modification of this system is basic to reform. Until the system of tenure is stabilized and until the tenant is permitted to share in the rich resources of the area, raising his level of living is impossible. It would appear that the system of tenure cannot be stabilized without a change of ownership. Ownership by the operators themselves or ownership by some governmental agency are the possible alternatives. Any type of tenure which is established must be supported by intensive supervision of farm practices and guidance in the problems of home management and the handling of finances. The great proportion of the white sharecroppers and farm laborers and the Negroes are deficient in education and managerial ability and it will be necessary to assist them through an educative process before they can be expected to handle their own farms. This can take the form of State and Federal assistance in the development of more equitable leasing arrangements. Their advantages could be demonstrated through projects in which the Federal Government would purchase and develop farm land under a system of agriculture which would conserve the land and enable the people who work it to maintain an adequate plane of living.

An alternative to an educational and demonstrational program in types of leasing and types of farming suitable to the area, and legislation to control land speculation is governmental control of land use either through regulation of the crops which may be grown or complete nationalization of land resources. The latter offers many difficulties owing to our land policy of past years which has assumed that land is a chattel which may be bought, sold or destroyed by the individual without hindrance by his neighbor or the State.

These or similar measures must be taken if the population is to receive the benefits of the rich, fertile soil on which they reside. Progress will of necessity be slow, and perhaps the children of the present generation will be the principal beneficiaries of such a program. With stability of tenure and larger incomes established, it will be possible to aid in the solution of other problems of these rural families. The necessary improvements include, among others, control of

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disease, raising of housing standards, reorganization of the school system, and the introduction of such adult social and educational facilities as will afford a rational and satisfying stimulus outlet for all groups.

The farm land in southeastern Missouri is rich in agricultural resources, yet is populated with a submerged people. They are untrained in farm and home management and are without adequate systems of social institutions, an example of a condition which has developed under our "frontier" land policy. The paradox, of rich land and poor people, is a direct challenge to established State and Federal agencies designed to promote a better rural life.

Chapter V

How the People Live

Sharecroppers and farm laborers make up the majority of the population but have little influence in determining the conditions under which they work and live. Their levels of living are best described in terms of low income, poor housing, lack of property, inadequate diet, poor health, excessive mobility, and the relief history of the mass of the people.

Much of the data included in this chapter was obtained by interviews with approximately 1,500 families in Dunklin, Pemiscot, and New Madrid Counties during the spring and summer of 1936. Careful methods of sampling were used so that it is believed the conditions among the famliies interviewed are fairly representative of the conditions which prevail among all farm families in these three counties. Since Dunklin, Pemiscot, and New Madrid Counties have proportionately more cotton farms than the other four counties, these data are not fairly representative of the conditions which exist in the whole area; they do, however, portray conditions among approximately 6,000 farm families living in the cotton-growing sections of Missouri. Similar conditions exist in the whole Mississippi Delta section which includes some 200,000 rural farm families living in Missouri, Arkansas, Tennessee, Mississippi, and Louisiana, approximately 4 percent of the rural farm population of the United States.

The incomes of the majority of the sharecroppers, laborers, and Negroes of all classes are too low to maintain a decent standard of living. Although one-half of the white farm owners had a gross income in 1935 of $1,269, and one-half of the renters $854, the comparable figure for sharecroppers was only $415, for laborers only $264, and for Negroes of all classes only $251. The source of these incomes was largely the value of the individual's share of the cotton crop or the wages received. However, the value of the crops sold, the value of livestock poultry produce, and dairy produce sold, pensions, income from roomers and boarders, cash income from real estate and investments, Agricultural Adjustment Administration benefit checks, direct relief, and miscellaneous types of income are included. The value of products consumed on the farm is not included, but for the sharecropper and laborer, this is very small.

Out of their gross income the owners and renters must pay certain farm expenses, including wages of laborers. The sharecropper's income is also reduced considerably before it enters into his level of living, because of the system of advances which, as in the older South, exists in this area. In the spring at the beginning of the cotton season the sharecropper is usually without resources upon which to live through the coming summer. The landlord provides advances through the cotton season. These advances may be in the form of cash, of provisions, or of a credit account with a local merchant. After the cotton is sold there is a settlement in which the sharecropper is charged a flat interest rate on the total amount of his advances. While no statistical data are available as to the interest rate, there is reason to believe that it is not less than the 10 percent or more which is charged in many areas of the South. The landlord keeps the books, and the sharecropper is often too uninformed to question the account, or, particularly in the case of the Negro, afraid to do so.

The day laborer is dependent for his income almost entirely upon what he and the members of his family can earn during the period of cotton chopping and picking. This is supplemented only by such small amounts as can be picked up by doing odd jobs or by relief. This means a most precarious existence for many thousand families in the seven lowland counties.

The few Negroes who are renters have a relatively high income. Most of the Negro owners interviewed live in a Negro colony in Pemiscot County. They have come into an area of uncleared land within the past 2 years, constructed rude shacks, and cultivated a few acres of land while they are in the process of clearing more land.

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Their Savings for the Future

Although specific data are not available on the number of families with savings accounts or other evidences of saving, the study indicated the rarity of any form of saving among the majority of the families.

Insurance is generally recognized as a criterion of thrift and usually implies sufficient income to cover living expenses plus a surplus to be laid aside for future use. About one-half of the white farm owners, 33 percent of the renters, 25 percent of the croppers, and 11 percent of the farm laborers carried life insurance. Only 14 percent of the Negro families were protected by life insurance.

Judging from the relative amounts of life and burial insurance, the families studied are interested, first, in a proper burial, and second, in security for the family in case of the death of the breadwinner. Forty percent of the white farm owners; 52 percent of the renters, 48 percent of the croppers, 40 percent of the farm laborers, and 28 percent of all Negro families carry burial insurance as compared with 50, 33, 25, 11, and 14 carrying life insurance.

Burial insurance is popular due to the low rate, the persistent effort on the part of the undertakers and managers of funeral homes, and the feeling that "we don't want no county burials." There is evidence that some insurance agents play on the emotions of the people, collect premiums, and scheme to keep from paying burial expenses. The following case is illustrative:

A farm laborer family of eight living in a little two-room shanty in a cotton patch—house with dirt floors, low ceiling, no windows, very few pieces of furniture, nothing with which to keep house, not even a change of clothing for the sick baby—felt that they should at least have decent burials in case of the death of a member. On the previous week, they had taken their last $1.50 to pay the burial insurance. On the day after the premium was paid, one child died of colitis and on the day the family was interviewed, another child lay at the point of death. The insurance agent came during the interview and informed the family that the burial policy did not cover colitis. "We didn't know what the policy covered because he didn't give us the paper," said the family.

Income is so low that many families manage to save only for the inevitable—death—and many of these, either through their own ignorance or the connivance of exploiters, fail to achieve the end for which they save.

The Houses in Which They Live

Housing conditions in the lowland counties fail in every respect to meet the barest standards of comfort, health, and decency. It is a standard of housing so widespread and so far inferior to other parts of the State as to make extremely difficult any comparable measurement. A journey through this area presents a picture of poverty, deprivation, and hopelessness, with but few avenues of escape even for those who keep alive a flickering desire for something better. For miles around, the dull monotony of dilapidated and weather-beaten houses of the tenants and laborers can be seen and the physical pattern of these houses varies but slightly; there are not enough good houses to incite interest in anything different. The interior of the homes presents the same discouraging picture—a picture of squalor, filth, and poverty, a condition of life that destroys all hope for something better. Ironically enough, these conditions exist in a part of the State where the extremes of wealth and poverty are represented; wealth in the sense of the productive value of the soil, and poverty of the people who work this soil—a paradox of rich land, poor people.

The "strip house," with vertical siding and stripping over the cracks to keep out the weather is typical. This type of construction was reported by nearly two-thirds of the Negro and more than one-half of the white families. The "weatherboard house," which is of frame construction with drop siding, was reported by 36 percent of the white and 15 percent of the Negro families. Of all the lowland families, 87 percent live in these two kinds of dwellings. When comparison is made on the basis of tenure, the data show that each advance made on the agricultural ladder is accompanied by some improvement in the type of housing. Two-thirds of the white owners and 45 percent of the renters live in "weatherboard houses." The housing of Negro families is generally poor.

None of the houses have cellars because of the high-water table and the sandy composition of the soil. They are usually built on cubical blocks of concrete, cement, or cypress wood and the open space under the houses is used as a shelter for dogs and poultry as well as for storage space. The houses near the levee are always built on cypress blocks, 3 or 4 feet in height, to protect them in times of high water.

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Less than one-fourth of the houses have paint and 61 percent have never been painted. The remainder have at one time been painted but the effects of weather and age have given them a dull and weathered appearance. The lack of paint explains the deteriorated condition of most of the houses since materials left unprotected from the elements tend to warp and leave wide openings on the sides. This creates a health problem both in the summer and winter since the wide openings present an easy access of flies and mosquitoes and makes heating difficult.

The interior of the homes are little better than the exterior. Building paper serves as wall covering in about two-fifths of the dwellings, and one-fifth have no wall covering of any kind. Only in the more permanent homes of white owners was wallpaper found, and more than one-half of the white renters reported building paper. Twice as many Negro homes as white homes use no wall covering of any kind.

Few of the cropper and laborer homes are plastered or have any kind of insulation. The roofs of many houses are in disrepair and offer little protection to the occupants from rain or snow. This is brought out more pointedly by the following statement of a village housewife: "I'm sorry the house is so upset, but since it rained I had to move the furniture out in the middle of the floor to keep it from getting wet."

In the houses of the white sharecroppers and day laborers and the Negroes, the furniture includes only the bare necessities. Floor covering is almost unknown. There are not enough beds and many children sleep on thin pallets spread on the rough board floors. Tables, benches, and heating-stoves are often home-made. The supply of dishes, knives, and forks, and chairs is inadequate. The family wash is almost always done on the washboard and oftentimes both tubs and boards have to be borrowed. While some families own sewing machines, telephones, and radios, they are luxuries which are practically unknown among the lower-income groups. The one thing owned by every laborer and sharecropper is a hoe.

Their Sanitary Facilities

Sanitation in this area is primitive. About 98 percent of the households have no indoor toilet facilities. Many have no toilet facilities of any kind. Most of the outdoor toilets are of the open-vault type, unscreened, and with no doors to insure privacy. Generally a piece of sacking or cloth is placed across the entrance to serve as a door.

The lack of improved sanitary facilities creates one of the greatest health problems in this area since the careless disposal of human excreta is the greatest cause of certain filth-borne diseases. There is a close relationship between the number of cases of typhoid fever, dysentery, hookworm, and other intestinal diseases and the method that is used for the disposal of human excreta. Furthermore, since driven wells furnish water for 97 percent of the families, the danger of contamination is acute. Water from driven wells is obtained close to the surface of the ground and the large percentage of outdoor toilets increases the danger of contamination, as these toilets are usually close to the source of the water.

The health problem assumes greater significance when the adequacy of screening is considered. Over three-fourths of the houses have screens of some sort. No standard of scoring was followed and a house was reported as screened if it had mesh netting, mosquito bar, and other improvised means of screening. In most cases the screens are badly worn and rusted and flies and mosquitoes have little difficulty in gaining access to the house. The incidence of malaria and typhoid is high. This can be traced directly to improper screening and poor drainage, and inadequate sanitary facilities. The usual defense offered by owners when approached on this matter of screening is that the tenants and laborers are destructive and that it would be a waste of time and money to provide screens for the houses. One landlord expressed his interest in the problem in saying: "There is no use to buy screens; they leave them open anyway. Perhaps they want to let the flies out."

What They Eat

Salt pork, corn pone, dried beans, and occasionally a few vegetables make up the usual fare. Eggs, butter, milk, fruit, and green vegetables are seldom included in the diet. Although many families have gardens of some sort (83 percent in 1936), they are usually small and poorly tended and little effort is made to preserve foods for winter use.

The prevalence of pellagra, colitis, and malnutrition is mute evidence of the effects of the food habits of the people upon their health. In spite of the fact that nearly one-half of the households have cows and that nearly three-fourths

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keep chickens, the use of milk and eggs in the family diet is not general. Most of the families keep only a few chickens whose value from the standpoint of egg production is negligible.

Deficient diets are both the result of ignorance and the inability of the families to provide healthful foods. One white woman, the wife of a cropper, expressed the general point of view as follows: "Yes; there is an awful lot of colits around here, but no wonder—we can't change our food, can't afford it. It means greens, when it is season, but otherwise potatoes and beans or nothing. We would eat differently if we could get it."

The preservation of foods is also a problem. In the northern counties, particularly on the ridges, caves provide a practical method of storing and preserving foods, but in the lower plains section caves or outdoor cellars are unsatisfactory because of seepage. Some of the families dig pits but these are very poor makeshifts. Others use a tub of water, sometimes placing it under the house. These devices, however, will rarely keep foods more than a few hours during the hot summer months and the average family is forced to plan foods for immediate consumption. As a result, fresh fruits and vegetables are almost a negligible part of the diet unless they are available from family gardens.

It is paradoxical that the greatest amount of canning is done by white owners and renters who would logically be able to buy canned food. White croppers and laborers, and Negroes of all classes, who have greatest need for fruits and vegetables and who have less cash with which to buy supplies, can only small amounts of food. Of the white laborers studied, one-third canned no fruits or vegetables. Nearly 40 percent of the Negroes did no canning in 1935.

Their Health

The mortality rates for preventable diseases are exceedingly high in the Missouri lowlands. With very few exceptions, year after year, in all seven counties, the death rates for malaria, typhoid, pulmonary tuberculosis, pneumonia, and diarrhea and enteritis, and the infant mortality rate have been greater than the State average for Missouri. Occasionally the rates have been as high as 20 times the State average.

Two-thirds of all the deaths from malaria in the State occur in these counties. The mortality rate tells only a small part of the story about malaria, however, for the disease is chronic and year after year it undermines the health of hundreds of people. Sapping the energy of its victims, its effects are aggravated because in the cycle of cotton culture the periods of chopping and picking fall during the months of greatest malaria incidence. Individuals report that they work "between chill days." And malaria is no respecter of age, for schools report many cases of absence on "chill days"; much of the irregular school attendance, retardation, and elimination are the result, at least in part, of lowered vitality from malarial infection.

The topography and the waters have done much to localize malaria in this section of the State. The undrained swamps, drainage ditches, and rivers make natural breeding places for the mosquito. Despite the extensive drainage projects, there are still many swamps. Drainage ditches, unless dredged every 2 or 3 years, grow up in weeds and the water becomes stagnant. The Mississippi River on the east and the St. Francis on the west, as well as smaller rivers throughout the area, move sluggishly in the plain section as they wend their way southward to the Gulf. Floods in certain seasons, although greatly reduced since the construction of levees, further aggravate the problem.

Some progress has been made in the towns and urban centers in the control and eradication of malaria. But in the rural areas, where the heart of the problem lies, the ignorance concerning health measures and lack of cooperation of the people and the cost of drainage have greatly impeded proper methods of control. Adequate screening would seem to be one of the first measures to be undertaken. Rural people, however, are not conscious of the relation of an adequately screened house and the control and prevention of the disease. Many houses are not screened at all; and where screens are provided they are often left open, in bad repair, or used for other purposes. The failure to consult a physician aggravates the disease. However, it is not difficult to see why a family which has only a hand-to-mouth existence finds it virtually impossible to pay a physician's fee. The people rely almost entirely on home remedies or patent medicines. Barns and vacant buildings are plastered with colorful advertisements of the "patent" medicines popular in the section. Drainage, except in a few districts, can probably be considered adequate, but the cost of upkeep is high. During depression years when companies are unable to collect drainage taxes, the cleaning of ditches and the drainage of ponds are neglected and malaria increases.

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While the mortality rate for typhoid has been declining steadily, it is still considerably higher, except in Scott County, than the average rate for the State. In recent years doctors, schools, and civic clubs have combined in their efforts to combat the disease. Village and town schools, largely through the efforts of the public health nurse, have introduced inoculation. Free inoculation is provided by the county health units. The chemistry department of the Southeast Missouri State Teachers College at Cape Girardeau will make a free test of drinking water when requested, and civic clubs have been educating people to take advantage of this service. In the rural areas, however, progress in control of the disease has been slow. Rural schools and patrons are not easily convinced of the importance of precautionary measures. There is little hope of improvement until effective disposal systems are generally used.

Pulmonary tuberculosis also takes a heavier toll of lives in the southeast than in the State as a whole, although it is also declining.

Because of its high incidence, the State tuberculosis association is making a special study of this area and carrying on extensive experiments, particularly in Mississippi County where the rate is highest. Unhygienic living conditions and inadequate and poorly balanced diets induce colds, sore throat, influenza, and other respiratory difficulties, and improper treatment and neglect lead to pneumonia or activate tuberculosis. Ignorance in the care of the disease, in turn, results in its spread to other members of the family.

More deaths result from pneumonia than from either typhoid or tuberculosis. The low altitude and relatively high humidity, combined with inadequate nutrition, low living standards, and lack of medical and hospital service, operate to produce a high incidence of pneumonia. The death rate shows no tendency to decline, and with a few exceptions, remains higher for most of the counties than for the State as a whole.

The high death rate for children under 2 years of age from diarrhea and enteritis is distinct testimony to the low living standards and lack of knowledge of child care. If the morbidity rate for children were available it would further magnify the problem. During the hot summer months intestinal disturbances are chronic. The general opinion of the more illiterate mothers is that diarrhea is caused by hot weather and cannot be avoided. Little concern is given to appropriate summer diets. Hot breads, fried foods, and overcooked vegetables are as common in summer as in winter. Foods are generally exposed to flies, and refrigeration is usually lacking. In Pemiscot, Dunklin, and New Madrid Counties, where sharecropping and day labor are more commonly used in cotton production, the death rate is persistently higher than in the other counties in the area. The high mortality rate from diarrhea and enteritis for the population over 2 years indicated that the disease is not confined entirely to children.

The infant mortality rate is higher in every one of these counties than the State average, and is more than twice as high in some of the counties. Again, generally low living standards and the ignorance and poverty which are associated with degrading social conditions are the apparent causes.

Their Insecurity of Tenure

The movement from farm to farm among families is considerable. As reported by the Census of Agriculture in 1935, 43 percent of the tenants (including sharecroppers but not day laborers) had been on their present farms less than 1 year. Mobility among tenants generally is high, but the rate is considerably above that of the 34 percent for the State of tenants who had been on their present farms less than 1 year. Even among the owner-operators the mobility is greater here than in the State as a whole. Only 7 percent of the owners in the State had been on their present farms less than 1 year as compared with 16 percent in southeast Missouri.

The mobility among day laborers is even greater than among renters and sharecroppers. Among 1,091 farm families, 2 percent of the white owners, 23 percent of the white renters, 34 percent of the white sharecroppers, and 44 percent of the white laborers have moved on the average twice in 5 years or more frequently. Among the Negroes, the laborers are also the most mobile tenure group.

A high rate of mobility is expected in a system of cotton tenancy. With little or nothing to lose, the tenant moves constantly with the hope of improving his lot. In southeast Missouri, this mobility is accelerated. Laborers are imported from Arkansas and Tennessee during the cotton season and return at the end of the season. Levee workers move in and out of agriculture. The ownership of

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the land changes and a shake-up in the tenants occurs. The land is flooded and the tenants move on, their places being taken by tenants who move in.

This unusually high rate of mobility affects adversely many phases of the life of the people. For example, it is not unusual for a teacher to begin her term of school with an enrollment of 35 to 40 pupils and by the end of 8 months have only 10 to 15 of the same pupils. Because of the shifting about, children of school age become retarded or quit school altogether. These semitransients do not attach themselves to organizations in the community, with an adverse effect both on themselves and the community. The small proportion of attendance at established churches is the result in part of the high rate of mobility which discourages membership in the church. The emergence of the night club, with its bar, gambling devices, dance floors, and other diversions is also related to the impermanence of residence. Landlords are not interested in constructing adequate homes for roving tenants.

The Role of Public Relief in Their Lives

The extent to which relief is received by farm families is closely associated with tenure status and race. Only a small percentage of the owner-operators and renters receive relief. Even the proportion of sharecroppers is not unusually high. But the percentage of day laborers receiving relief at some time during the year has been more than 30 percent.

In the older cotton areas farther south, with the coming of the depression and the Federal relief program, there was considerable conflict between the tradition that the landlord should take care of his cotton tenants, on one hand, and the advantages of transferring the financial burden of taking care of the tenants during the winter months to the relief agencies, on the other. Actually, many of the landlords did shift the burden to the relief agencies. In southeast Missouri, the traditional attitude was much less effective than in most of the areas of the older South and the exploitation of the potentialities of the relief program was much more vicious. A practice was adopted of substituting day labor for sharecroppers, in maintaining low wage rates for day labor, and of assuming that the relief agencies would take care of the laborers when they had no work.

While the need for relief among Negroes was as great as among whites, or probably greater, the proportion of them receiving relief was much less than that of whites. Before a Negro can receive relief, he must be in much more desperate straits than a white man. Among many members of the Negro group there was a general attitude that relief was not for them.

Appendix 14

Exhibit 1

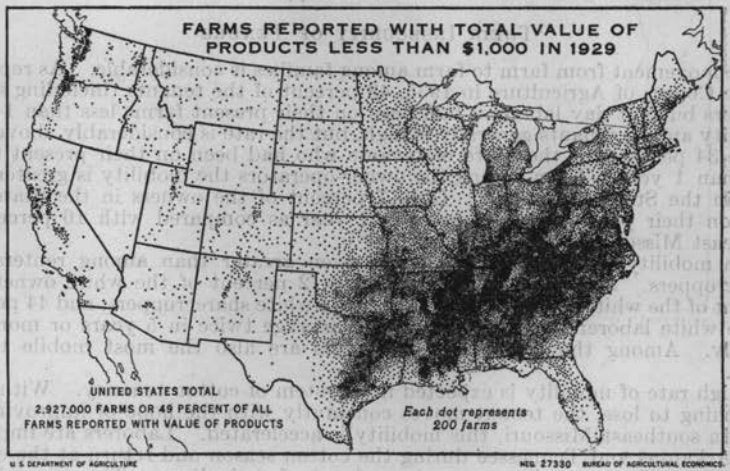


Chart 1

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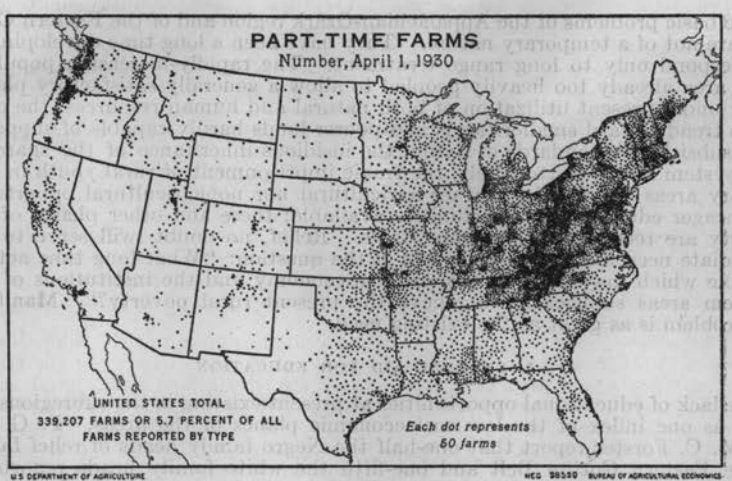


CHART 2



CHART 3

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EXHIBIT 2

SUPPLEMENTAL STATEMENT OF RUPERT B. VANCE, RESEARCH PROFESSOR, INSTITUTE FOR RESEARCH IN SOCIAL SCIENCE, UNIVERSITY OF NORTH CAROLINA

RURAL PROBLEM AREAS IN THE SOUTHEAST[1]

The basic problems of the Appalachian-Ozark region and of the Eastern Cotton Belt are not of a temporary nature. They have been a long time developing and will respond only to long range treatment. The rapidly-increasing population in an area already too heavily peopled to allow a generally satisfactory plane of living under present utilization of both natural and human resources; the cumulative trend toward smaller farms and poorer lands hardly capable of supporting even subsistence standards of living; the insidious inheritance of the sharecropping system in the Cotton Belt; the tragic imprisonment of rural youth in open-country areas which offer neither agricultural nor nonagricultural opportunity; the meager educational opportunities available; these and other phases of rural poverty are recognized as existent facts. Relief, no doubt, will serve to meet immediate need but our problem lies in the question: "What long time action is possible which may serve to reshape the economy and the institutions of these problem areas sufficiently to relieve the present rural poverty?" Manifestly, the problem is as great as the existing need.

I. FEDERAL AID FOR EDUCATION

The lack of educational opportunities at present existing in the subregions must serve as one index of the low socioeconomic planes of the areas. P. G. Beck and M. C. Forster report that one-half the Negro family heads of relief families in the Eastern Cotton Belt and one-fifth the white family heads reported no schooling. Four-fifths of the Negro heads and about one-half of the white heads had less than 5 years' schooling. In the Appalachian-Ozark region more family heads had had some schooling, but a greater proportion (56 percent) had completed fewer than five grades.[2] Asch and Mangus found that heads of rural relief families in all areas had consistently less schooling than the comparable nonrelif heads.[3]

The education of southern children is a problem of national concern. T. J. Woofter, Jr. has pointed out that in about 12 percent of the cases a child born in Alabama has made his life contribution to a nonsouthern section.[4] The same is roughly true for other Southern States. The South with meager tax resources for education and a disproportionately high number of children to educate, has, due to the heavy migration from the South to other regions, been called upon to contribute to the wealth of the latter by bearing the burden of educating future citizens who will migrate from the South at the beginning of their productive years. More and more the population of the Nation is likely to have its antecedents in the rural South. The social, economic, and political attitudes of the future citizens of the United States will more and more tend to depend upon the education and training of the southern rural population. The Nation simply cannot afford to allow the continuance of the present tremendous educational discrepancy between the South and those regions situated by geographical accident at the points of concentration of industry and of wealth. For many Southern States to attain national standards in education would require the expenditure of practically all revenue collected under any model plan that may be used.

The Advisory Committee on Education has recommended general Federal aid to the States for elementary and secondary education should be initiated with a 6-year program of grants beginning July 1, 1939. For the first year the grant recommended begins at $40,000,000 and increases to $140,000,000.[5]

Arguments for a Federal subsidy for education have long been advanced by numerous experts in social and economic fields. The need for an increase in both cultural and vocational training and, under the latter heading, for both agricultural and industrial training; the need for adult as well as child education, must be apparent. More subtle arguments have been advanced by J. J. Spengler, who

[1] The writer has had the assistance of Vincent H. Whitney in the preparation of this statement.
[2] Six Rural Problem Areas, p. 90. F. E. R. A., Research Monograph I, Washington, 1935, 1936.
[3] Farmers on Relief and Rehabilitation. W P. A., Division of Social Research, Monograph, VIII Statement from abstract of chapters 5 and 6.
[4] Southern Population and Social Planning, p. 5. Chapel Hill: University of North Carolina Press, 1936.
[5] Report of the Advisory Committee on Education. Washington, D. C., 1938. Pp. 197–207.

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declares that a heavy Federal subsidy would more than pay for itself. Of such a subsidy he writes:

"First, it would increase interclass interoccupational mobility. Second, it would place on the States which 'import' migrant southern labor part of the cost of creating this labor. * * * Third, it would enable the southern migrant to fit into the nonsouthern economic structure. Fourth, it would yield a return on investment far in excess of the 'normal'." [6]

Woofter strongly urges "a national educational plan to which the States will contribute according to their ability and for which the broader tax base of the Nation will be used for equalization of opportunity." He adds, "any long-time program which tries to salvage the human waste now occasioned by the pressure of population on resources and the lack of cultural institutions will adopt, as its central theme, the organization and revitalization of the educational system from the kindergarten to the university." [7]

II. BIRTH RATES OF FAMILIES ON RELIEF

A second recommendation has to do with the high birth rates of those families who in rural problem areas come under the care of the relief, rehabilitation, and social work of agencies. It is generally known that reproduction in this country is half voluntary and half involuntary. Voluntary childbearing is found among the upper and middle class, the educated and urban groups generally. Involuntary reproduction is no doubt responsible for the 6- to 12-children families found among the poorest and most isolated of our rural groups. While it is still a mooted question as to whether we should say here that poverty causes high birth rates or large families cause poverty, it is agreed that around 2,000,000 children have been born to families on relief. It is here contended that a realistic relief program would refer families too poor to provide for children to doctors or clients for instruction in the most suitable methods of family limitation. The last legal barrier between the doctor and contraceptive information and materials was removed by the decision of the New York Federal court in the case of the *Treasury Department* v. *Dr. Howard Stone.*

While there has been a heavy drop in the birth rate in the areas under survey, the effective fertility of the subregions demands further reduction. An efficient program of birth restriction among those groups who already have sizable families is necessary to prevent the further splitting up of farms into still more unprofitable units, to prevent the drag of increasing poverty on individual families and upon the region. There seems to be no ground on which the lack of such a program may be defended other than the claims of religious groups. And among religious groups in the problem areas, it is likely that only the Catholics would protest against such a program. In regions where the Catholic population is heavy, such protest might be valid; in these problem areas, however, the Catholic population likely to be affected is very small.

An argument in favor of such a program is advanced by Spengler when he writes, "What we are stressing * * * is not the self-evident fact that population growth has depressed and is depressing southern wage levels, but that it is depressing southern income levels by preventing the formation of that type of occupational pyramid which would result if the rate of natural increase were more nearly alike in all categories of the southern population." [8] Rise in planes of living, then, wait in part upon the reduction of the high birth rates of the subregions and their equalization with more urbanized parts of the country. A change in the size of families among the rural poor must be brought about by the intelligent spread of birth-control information among those classes most in need of it. Yet it must be emphasized that contraception is a palliative only for poor families with excessively high birth rates. Under a voluntary system the poor will have, and should have, families, but families of a smaller size.

III. PROVISIONS FOR RURAL YOUTH

The problem of providing for the rural youth who are already with us is as difficult a question as faces us today. Between 1920 and 1930 a million and a half male youths between the ages of 15 and 25 migrated from the farms to the cities.

[6] "Population Problems in the South," pt. III. The Southern Economic Journal, vol. 4, p. 144, October 1937. For proof of the last point Spengler refers to J. R. Walsh, Quarterly Journal of Economics, vol. 44, pp. 268–285.

[7] Woofter, op. cit., p. 9.

[8] Spengler, *op. cit.*, p. 143.

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With the advent of the depression, however, such migration was effectively blocked by the lack of opportunities in industry. The relatively poor training which had been available for rural youth made it even more difficult for them to leave the farm. As a result, a tremendous potential capacity is going to waste; the capacity of youth rendered idle by the lack of industrial opportunity and the concomitant lack of any need for them in agriculture.

Woofter has pointed out that between 1930 and 1935 3,000,000 young people matured into adult ages in the rural districts of the 11 Southern States. Of these about a half million found work in places made vacant by the deaths of their elders, about another half million remained in school, and about a quarter million were cared for by the increase in farms recorded during that period. A million and three-quarters, then, remain in the farm home as casual labor or are unemployed.[9]

Frankly, it would seem quite impossible to find immediate opportunity for all these young people. Programs such as that of the Civilian Conservation Corps are aiding a few; scattered programs here and there are offering meager opportunities to another few. Meanwhile, there is nothing for the vast majority.

We can begin to help them by enlisting them in our plans for a new subregional economy, in performing some of the tasks specifically enumerated in the close of section IV. We can encourage the beginnings of home industry. We can educate them to better agricultural method and vocational skill. And for the next generation we must do this and a great deal more. We cannot afford to continue the waste of youth if we are to develop any economy superior to that of the present.

IV. A MIGRATION POLICY FOR THE MOUNTAINS

Surveys of the Appalachian-Ozark area have produced the conclusion that in many regions the resident population is already too large and that extreme difficulty encompasses any attempt to enroll all the manpower of the region in any industrial or agricultural program possible at the present time. From this statement we may conclude that some sort of migration policy is necessary for the region.

Any sort of migration must depend in large part upon the industrial and agricultural opportunity offered in other regions. With a pick-up in such opportunities, it may be expected that the stream of migrants from the region will again increase. Such migrants, however, should be receiving educational advantages which will enable them to compete successfully in other areas with natives of those regions. Better equipped, they may be encouraged to leave the Appalachian-Ozark region and lessen the pressure of population on resources in the area. Little attempt, however, should be made to bring about the movement of older or middle-aged families now settled on farms.

Within the South there must be internal migration. As Spengler points out, "emigration from opportunity-lacking to opportunity-offering areas within the South would elevate income appreciably." [10] Continued migration to cities and to growing industrial opportunities by better-trained workers might mean an increase in the proportion of workers in occupations yielding a relatively higher income than do agriculture and the unskilled occupations in which so high a proportion of the southern population is today engaged. No agricultural migration should be encouraged to the eroded Piedmont or to the overcrowded cotton areas but opportunities may be found in level coastal plains where sparsely settled areas possess good land. The experience of the Tennessee Valley Authority in moving families in the Norris Basin to new homes may well be studied in this connection. It is suggested that the Government may well place the emphasis at this juncture on the transplanting of people rather than the retirement of submarginal land.

The Appalachian area is a difficult one for which to plan. Certain it is, however, that a migration policy for it must be formulated. In addition to that and the suggestions already made above, the region will need to pursue the reforestation of lands too rough and too steep for grazing and cultivation and particularly the reestablishment of hardwood forests; the concomitant control of erosion by other methods; the stimulation of wood and textile handicrafts; the establishment of farm forest communities; the obtaining of supplementary work for farm members outside the exploitive and extractive industries; the movement of families from submarginal land; the regulation of the commercial exploitation of natural resources; the development of recreational areas; the teaching of better methods

[9] Woofter, *op. cit.*, p. 6.
[10] Spengler, *op. cit.*, p. 141.

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of farming. Stranded mining communities must be rescued and means should be worked out for those "wagon mines" which can supply small local markets to continue in operation. The mere listing of such categories as those above is indicative of the wide program which must be put into effect if the standard of living in the Appalachian-Ozark area is to be raised and the need for relief decreased.

V. FARM SECURITY FOR THE COTTON BELT

The problem of the eastern Cotton Belt is a problem arising from long-existent poverty and the continuing drag of the sharecropping system. As a group, many of the croppers, tenants, and small owners have long lived on the edge of rural poverty. Early forced into a hazardous scheme of agriculture, they have continued to subsist, lacking in economic and social facilities and opportunities, constantly imprisoned by debt, and dependent for their livelihood upon the condition of the world cotton market.

Two primary problems must be solved for the region. On the economic side there must be an adjustment of the system of farm management. On the social side there must be education toward an improved standard of living.[11] Certain it is that little can be accomplished toward the solution of either problem merely by the perpetuation of the furnishing system under Government auspices.

The President's Tenancy Committee has recommended State legislation "to improve the leasing contract and landlord-tenant relationships, to modify the taxation of farm lands with a view to favoring farm ownership, and to make better provisions for safeguarding the civil liberties of tenants on the land." Realizing, however, that Federal action is necessary for the greatest changes in land tenure, the committee has recommended the establishment of a Farm Security Administration within the Department of Agriculture. This has been done.

The purpose of the Administration as planned was to be the purchase of land with the object of reselling it to approved tenants on a long-time series of payments. Variable payments increasing in good years, decreasing in bad years, were to be combined with certain requirements for upkeep of improvements and conservation of the soil. Cooperative marketing, ownership, and employment were to be introduced to provide greater economic power for the small farm. Meanwhile, the rural rehabilitation program was to remain in effect.

It is recommended, as it proves its worth that the program of farm security for the Cotton Belt be expanded. It must be a program whose requirements can be met by the tenants, croppers, and, sooner or later, by the farm laborers, who together form practically two-thirds of the unassisted needy cases in the South. Such a program is becoming increasingly needed now that shifts from tenancy downward to the position of casual wage hands have reduced so large a number of families to the relief level. The program cannot place its main dependence on cotton, for the amount of cotton that can be grown in the eastern belt will continue to decline. Alternative crops must be developed and a greater amount of the farmer's food must be efficiently grown at home. The need for careful supervision of families enrolled under the farm security program must be stressed. In the majority of cases, it is unreasonable to expect families accustomed to follow the orders of owners and to shift responsibilities to them, to assert a sudden initiative. Expert supervision is necessary for subsequent healthy development. Spengler warns of deficiencies in efficiency, born of the tenant system.[12] Both equipment deficiency and deficiency in personal initiative must be corrected if the program is to be a success.

For a long time cotton tenancy was an open system into which maturing youth, lacking capital and education, might easily flow. By reason of their poverty and ignorance, tenants found it a hard system to get out of. Now cotton cropping is hard to get into and easy to get out of. We have reached the limit of expansion, and the solution of the tenancy problem now before us is the elimination of sharecroppers, for cotton picker or no, mechanization is on the way. The tractor and the newly developed chopper will likely be able to turn the trick, aided by the utilization of former tenants as casual cotton pickers. For whether it is done through depression and price failure, loss of foreign markets, mechanization, or by crop restriction, thousands of families once employed as cotton tenants cannot get a crop to tend. In January 1938 after the greatest cotton crop in our history a W. I. P. A. survey reports that the unmet relief needs are most acute in the cotton States where it is estimated 200,000 destitute rural cases are receiving no form of aid. Here "the number of families who need relief but

[11] Beck and Forster, *op. cit.*, p. 2.
[12] Spengler, *op. cit.*, p. 140.

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are not receiving it in many areas is larger than the number who have been granted assistance." Two-thirds of these cases are tenants, croppers or laborers who cannot meet the requirements for standard loans from the Farm Security Administration.[13]

Here an immediate need is a method of keeping up with the changes that now appear imminent in rural life and population in the Southeast. Research is necessary to furnish information on the amount of mechanization, displacement of agricultural labors and relief needs. With the new farm program going into effect, it is especially important that the Works Progress Administration, Agricultural Adjustment Administration, and related agencies keep tab on the situation. Only by a research program well integrated with the Agricultural Colleges and Extensions Forces can we hope to understand or provide for the major social changes now facing the South. A related need is found in research into the status of village population in these problem areas. It will be recalled that approximately one-half the rural relief population has been regularly non-agricultural and has lived in smaller towns and villages. Whether these people largely come from open country areas is not known. Until we know more about origin, the status, and prospects of our village and nonfarm relief populations, there is little constructive that we can hope to do about their situation.

At the same time programs should be instituted to return submarginal soil to forest land; to introduce diversified farming instead of dependence on a cash crop; to revive or introduce industrial employment for the non-agricultural population. And, once again, the fundamental problem of education presents itself. Beck and Forster, writing of the eastern Cotton Belt, state: "Much of the relief problem in the South is a result of the inability of an unschooled, almost illiterate group to adjust itself to changing economic conditions." [14] Certainly it will be difficult to make progress with any program with a group not capable of understanding its aims and purposes.

Appendix 15

Supplemental Report of W. H. Brokaw Before the Special Senate Committee on Unemployment and Relief, March 9, 1938

Nebraska is going through the last winter following a 7-year drought. The average rainfall in Nebraska over a period of 55 years of official records is 23.5 inches. This record is from the year 1876 to 1930, inclusive. The extremely light rainfall of the past 7 years beginning with 1931 has pulled that average down to just less than 23 inches. The last year of sufficient rainfall was 1930 when Nebraska had 26 inches. Since that time the precipitation is recorded as follows:

	Inches		*Inches*
1931	19.7	1935	22.7
1932	20.9	1936	14.4
1933	20.2	1937	17.7
1934	14.6		

The average for the past 7 years has been 18.6 inches. Basing this on the average rainfall for 60 years, we find that during the past 7 years Nebraska has suffered a loss of 1½ years of normal rainfall. Just speaking of this as rainfall does not give the full picture. It must be remembersd that even in the best of years, so far as precipitation is concerned, if the rainfall does not come seasonably it may be just as bad as if there were insufficient moisture. Nebraska is always spotted. In normal years of rainfall there are counties or areas in the State which are not sufficient. These are not always the same areas but change from year to year.

Throughout the years since Nebraska has been settled, we have been able ordinarily to care for our own people under drought conditions. However, this particular instance has brought us to the point where all reserves are not only used up now but have been used up for 2 or 3 years. Many framers who have been pillars in their community and who have always been recognized as safe and sound businessmen have now come to the point where they have not only used up their reserves but are breaking into their capital and at the present time have no credit. With an industry which is dependent on natural conditions,

[13] Statement of Corrington Gill before Special Senate Committee Investigating Relief and Unemployment March 7, 1938.

[14] Beck and Forster, *op. cit.*, p. 2.

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where results of labor are dependent upon soil and water, 7 years of water shortage can and have created havoc with the industry.

It is difficult for us to make statements or present figures without a knowledge of what rural poverty means. We ask ourselves the question: What is an existence level of living? If measured by the scale advanced by our nutrition people, there would be more people on a poverty level than we now figure. Where the main meal of the day may be a sugar beet cooked up and presented to the family, one would naturally think that would be less than a bare existence level. We have in our minds many times an idea of what should constitute a farm and farm living. Today there are many farms in Nebraska without a chicken and without a pig or other farms without one of these two. In our conception, we cannot think of a farm being called a farm without these aids to living. Then again we find under the constant pressure of hardships during the past 7 years, many homes have been stifled by lack of ambition and absolute loss of hope. Poverty in material things can be easily overcome, but when ambition and hope are lost we have poverty of the spiritual kind for which there must be a much different treatment.

We must look to the cases which are now under rehabilitation through the Farm Security. These report definite figures and while some of them will fail in this plan of rehabilitation, still because of the plans which have been made for them and the selection of the particular cases, a vast majority will come through to a place of usefulness and citizenship which they could not have attained without this help. The numbers which are on the rehabilitation roll now are probably less than half of the actual cases needing help until the drought situation clears up. By a survey which was made as of January 1 of this year, a survey running down into the precincts and school districts in every portion of the State, we find that very probably 25 percent of our farm people will need help until some income can be returned to them from their labors, and that means help must be given until some kind of a crop is harvested.

The problem of farm tenancy has been one of increasing moment during the past 25 years. The danger signs have been up, but attention could not be forced upon those people who did not see the problem. Tenancy in itself may not be so bad, but with its attendant factors it becomes a very definite problem. It has been said that "Labor is notoriously without property." That is one of the reasons why we are having and have had continual labor disturbances. When we get to the point where half of our farm people are recognized as being without property, we will have this same situation facing us in the agricultural realm. In Nebraska now, we have a tenancy problem with approximately one-half of our farmers. Tenancy is necessary with a portion of our farm men who are climbing the ladder of land ownership. For such men tenancy is necessary during a few years of their agricultural climb. However, our tenancy problem is clear beyond that and it has not ceased but is growing. If it were at a standstill, we could think more clearly of a solution, but it is constantly growing. Today in Nebraska on moving day which is about March 1, we have approximately 10,000 farmers who pick their property up from one farm and move to another. The tenure of renters on farms in Nebraska is just about 3 years. This continual moving with its attendant costs, both to the renter and to the landlord, becomes an economic loss to the whole country. Furthermore, there is no inspiration for the proper care of land. There is an impossibility of the accumulation of very much property. During the past 3 years farms have been deserted overnight by farmers picking up their whole property and putting it in the bed of a lumber wagon and moving out to other fields. To us this is poverty.

The normal farm income of Nebraska is about $350,000,000. This may be divided into income from crops and income from livestock. The income from livestock would include income from livestock products such as cream and eggs. We made a special survey as of January 1 of this year to find out the actual situation as it relates to livestock in the State of Nebraska. The results of this are not based on high figures or the peaks of any particular year. We asked for what the normal carry of the counties and districts of the State would be and then in comparison with that, the present estimated number of livestock. It was our idea that we would use this in addition or in conjunction with the figures which are collected in the regular way by the United States Department of Agriculture.

We find that in the total number of cattle we are 26 percent short of our normal supply. In milk cows we are only 22 percent short. This may be defined by saying that very probably some of the old red cows which under ordinary conditions would be put out to pasture as soon as they had calved are being kept up in the lot to get what milk can be procured from them. At any rate, the actual pro-

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duction of milk and cream in Nebraska has not suffered to the same extent that the shortage of milk cows shows. The normal number of swine in Nebraska is about 2¾ millions. At the present time we have less than one-third that many hogs in the State of Nebraska. Poultry has dropped one-third and horses are one-third less than our normal supply. It is desirable to use these figures in conjunction with the figures for agricultural income for the State.

It is estimated that income from the crops this year was $60,800,000, but far the largest part of that was our wheat crop. We did get a chance to harvest approximately 40,000,000 bushels of wheat. This represents the largest part of this $60,000,000. So far as corn is concerned, there is no income from that. The normal corn crop in Nebraska runs from 225,000,000 to 250,000,000 bushels. In 1936 we had a corn crop of less than 30,000,000 bushels. This is approximately one-tenth of a crop. In 1937 when all of the rest of the country was harvesting a bumper crop and we thought we had every reason to expect the same thing, we find our crop is less than 80,000,000 bushels. This means that we have less than one-third of a normal crop to carry us through this winter. These 2 years of grain failure are directly associated with the loss in livestock numbers. Livestock cannot be kept without feed.

Now let us turn to the income from livestock. Our income from livestock for 1937 is estimated at $173,600,000. If that income were from livestock which was riding in its regular course to slaughter there would be no complaint, but this figure represents the capital investment of farmers. They have had to sell off their basic stock to a degree which now represents at least one-third of the actual livestock numbers in the State of Nebraska. Nebraska will remain in a precarious condition until the farms of the State have been restocked so as to put us back on a normal operating footing.

The only other source of income available to farmers in Nebraska has been Federal aid. This has been almost $17,500,000 and represents almost 8 percent of the total income of farms for the past year. This makes a total income for Nebraska farmers of approximately $252,000,000. This is almost $100,000,000 short of normal or only 60 percent of the normal situation.

The present relief set-up is doing an excellent piece of work. The Farm Security is attacking the problem for the lower income group. With their set-up of definite farm and home plans, they are offering a constructive scheme for improvement. The thing which is decried more than anything else is the lack of continuity of plan and personnel. There is too great a turn-over in personnel, and consequently there is a continual change in the contacts which are made between the relief agency and the individual on relief. Experience is a personal thing. Once having acquired the experience in a job, an individual cannot pass it back to the person who takes his place. For the period of an emergency it is probably just as important to look to the closing date as to recognize the opening date. So far as the actual use of the funds is concerned and the use to which they may be put for doing good, it would be a great deal better if the personnel could be carried over beyond the actual need rather than to have them feel that they are likely to be dropped at any time before the actual need is over.

There is a very definite need of coordination of the different activities in the field. There is so much that should be done that there is no need for any one organization to attempt to step over into the field of any other.

The problem of tenancy is a big problem and we do not yet know what we are going to do for a solution. Whatever is done from a Federal Government standpoint, probably should be called supplementary or complementary to the actual big job. We believe tenancy will not be solved until it is attacked by the people living in a community and aid given by those permanent dwellers to people purchasing farms in their neighborhood so that there may be more permanent dwellers therein. There should be a more wholesome attitude and a more enlightened recognition of the problems facing the farmers by their landlords. We know there are problems of ownership. We know that the investment factor is a very real one, but in the long run the safety of investment depends on the maintenance of security. There is no doubt but that probably much of the land now being held by absentee landlords has come into unwilling hands. Even though the ownership is an unwilling ownership, they much recognize to an extent the problems of the farmer or pass the land into hands that do recognize it.

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APPENDIX 16

The following report was submitted by witness L. R. Simons.

REPORT TO COMMITTEE ON EXTENSION ORGANIZATION AND POLICY OF THE LAND-GRANT COLLEGE ASSOCIATION

(By The Committee on Older Rural Youth)

This report is confined chiefly to two recommendations with supporting evidence to justify them. For a more detailed explanation of the responsibilities and work of the older rural youth committee, we refer you to this committee's report to the extension section of the Association (a copy is attached to this report).

RECOMMENDATIONS

1. The assistance of research workers of the land-grant colleges and the United States Department of Agriculture is needed in order that the extension service may build a sound extension program with the young people, out of school, at home on farms.
2. The extension service needs additional funds and personnel if the extension program is to be expanded to include the participation of older rural youth and young married couples.
3. The committee on older rural youth should be continued for another year with possibly some change in personnel. This is in line with the usual policy of rotating committee membership.

SUPPORTING EVIDENCE

1. *Research.*—We have circularized all of the States regarding their research programs on farm youth problems. We have found very little information already available or being accumulated that would be helpful to the extension worker in guiding farm young people to become established in farming or to determine whether they have qualities for successful farming.

The figures in table 1 indicate the increasing difficulties the young farmer faces in getting title to a farm as well as in getting a farm to operate. These figures also indicate that even if he does operate a farm, it is on a share basis and that he is not really his own manager but is subject largely to landlord directions.

TABLE 1.—*Number of farm operators by ages—Iowa*

Farm operators	1930	1920	1910
Under 25 years:			
All owners	700	1,505	1,686
Managers	204	348	254
Cash tenants	2,416	3,325	4,882
Share tenants	3,964	4,687	5,297
Total	7,284	9,865	12,119
25 to 34 years:			
All owners	8,351	16,216	18,204
Managers	597	842	620
Cash tenants	15,160	20,483	19,648
Share tenants	18,927	17,580	13,896
Total	43,035	55,121	52,368

The committee assumed that continuity of family ownership was essential to maintaining the most satisfactory agriculture and rural life, but found that family continuity in ownership exists to only a very limited extent and was not considered essential by many agricultural college people. Our committee feels that the committee on extension organization and policy should raise the question with the executive committee as to whether more research should be devised to determine the method whereby the next generation is to earn its living from farming.

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Is it to be a landlord-tenant relationship or a laborer-tenant-owner relationship? This basic human problem should be given consideration by all land-grant colleges. Available statistics show that only one-fourth of the farm boys and girls will engage in full-time farming for themselves if the present standard of living is to be maintained or improved. Another one-fourth will be on farms where the resources are so meager that they will need to find part-time employment in some nonagricultural occupation in order to maintain a satisfactory living. The other one-half will need to be entirely dependent upon nonagricultural occupations. Therefore, any program designed to help farm youth must provide assistance to those who will eventually engage in other occupations. Occupational guidance and training in fields other than agriculture and homemaking should be stressed in such a program. This will involve the active participation of the school people and probably the cooperation of trade-union and industrial leaders.

Research workers in the United States Department of Agriculture and the land-grant colleges should collaborate with research workers of the Office of Education of the Department of the Interior, the Works Progress Administration, the National Youth Administration, the American Youth Commission and other agencies dealing with youth problems, in order that the needs of rural youth may be determined and the best educational facilities provided and methods developed to meet their needs.

2. *Extension.*—It is becoming increasingly evident that there can be no great expansion in extension activities with farm young people without an increase in personnel. Two thousand additional county 4–H club workers and 1,000 additional home demonstration agents are needed to complete the contemplated system of extension work. To finance each new agent, together with necessary office and travel facilities and leadership and specialist assistance, $5,000 per agent would be needed. This would mean an additional budget of at least $15,000,000. The present status and goal for the future would be somewhat as follows:

TABLE 2.—*Goals for number of county extension workers*

	Number of counties with agents July 1, 1937	Additional number of agents needed	Total	Counties without agents
County agricultural agents	2,900	0	2,900	175
Home demonstration agents	1,675	1,000	2,675	400
County club agents	300	2,000	2,300	775

We all realize that such an objective cannot be achieved over night. However, it is essential that we look at the long-term aspects of the situation and commence to lay the ground work for the accomplishment of this objective.

Even in a county having a county agricultural agent, a home-demonstration agent, and a 4–H club agent, we find insufficient time available to adequately meet the requirements of the out-of-school young people.

If one additional worker for each of 2,000 counties is provided to work with the older-youth group, an additional budget of at least $10,000,000 will be needed.

In several States where a good start had been made in developing plans for the older-youth group, such extension activities have been abandoned because additional funds authorized by the last Congress are not forthcoming.

At present the county extension workers are giving about one-third of their time to 4–H club work. (Only 300 counties now have club agents and only 1,675 counties have home-demonstration agents.) As the number of such agents increases, it may be assumed that more time would be available for work with older youth and young married couples.

For an average county, the addition of a county club worker to the present staff of a county agricultural agent and a home-demonstration agent would mean that assistance could be given to at least 200 more 4–H club members and more intensive work could be done with all enrolled members. In addition, at least 200 of the older young people and 200 of the younger married group could be aided.

At the present time very few of either of the last two mentioned groups are touched by the extension system. The possible number of people to be reached by the plan outlined in the preceding paragraph is indicated below.

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TABLE 3.—*Number of people influenced by county extension agents*

	Present number influenced	Possible number to influence through proposed total number of agents
Farmers	3,250,000	4,000,000
Farmers' wives	1,140,000	2,500,000
Small-town wives	400,000	800,000
4-H club members	1,145,000	1,500,000
Farm young people	51,000	500,000

ADDITIONAL FACTS ABOUT THE UNFINISHED EXTENSION JOB

Age groups.—A study of the ages of persons whom we reach through the Extension Service indicates that the 4-H clubs enroll the majority of young people between the ages of 12 and 16, but as they pass beyond this age and leave school, a relatively small number are engaged in an extension activity. It is estimated that between three and four million individuals who are out of school at home on farms are not touched by the extension program. In addition, large numbers of young people in villages and small towns are socially a part of this group. If an extension program is to be developed to serve the farm youth in this period of their life cycle, many of these village and small-town people will want to join them.

Another group of young people, who have not been married many years or who have recently started farming on their own account, are not at present involved to any large degree in our extension program. This number is nearly as large as the out-of-school-at-home-on-the-farm group. The older, more thoroughly established farmer and his wife are those who are most active in our present extension program. These two "in between groups" need different subject matter and a different extension approach. Additional extension personnel will be necessary to render this service.

Farm and home practices.—When the present system was set up, the results of research at the agricultural colleges became the basis of the program. The research results were primarily farm and home practices including improved methods in the various operations carried on about the farm and in the home. Typical examples were varieties of crops to grow, methods of controlling diseases and pests, improved methods of fertilization, etc. As time went on, problems involving the management of the farm and home, and cooperation between farmers in the purchase and sale of agricultural products came into the picture, and called for a modification of the demonstration method of teaching. The farm young people are bringing up a new set of problems. The choice of an occupation or of a mate that is interested in farm and country life, requires a different approach from any that has been extensively used in the past. These are some of the gaps in the field of subject matter concerning our farm people that we have not effectively covered in our extension programs.

THE DEMONSTRATION METHOD

When the Smith-Lever Act went into effect the demonstration idea led the type of extension activities. As time went on it became clear that demonstrations could be used primarily where research work by the experiment station had progressed far enough to find a solution to some local farm or home problem. This solution provided a highly standardized answer. If the county workers and the extension specialists made a correct diagnosis of the local situation, the demonstrations in a county could be copied or imitated by those who had sufficient initiative and imagination. These demonstrations dealt with specific practices which were a part of the actual farm and home operations. No other type of education has influenced so many people as effecitively and as cheaply as this method, and this resulted in a marked confidence in the extension system.

DISCUSSION METHOD

At the present time the discussion method of reaching people is being extensively pushed. It is particularly helpful where (1) judgment is to be exercised, (2) where more complex situations require a longer period of time and a larger number

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of factors or influences, and (3) in other situations where a large number of people must agree to a common objective and uniform means of reaching that objective. The first phase involves such problems as management of a farm, the adjustment of farm enterprises to meet a price or market situation; the second phase involves such choices as that of a vocation or a mate. The third phase involves such problems as cooperative marketing organizations or a crop-adjustment program.

FARM AND HOME VISITS OR INDIVIDUALIZED TEACHING

Another device being used is what is called by the extension workers as "farm and home visits," or individualized education or the case system. This teaching device means that the extension worker visits the individual, analyzes his situation, works out a solution, and stimulates and assits him to bring about that solution. From the standpoint of the future, if the farm and home visit was an incident in itself and was not organized in such a way that influence flowed from the individual visited to other individuals having similar problems, it is considered a service job and not true extension work. However, more of this individual instruction will be necessary in dealing with many of the problems of the farm young people and the young married couples.

SUMMARY OF UNFINISHED EXTENSION JOB

The type of extension instruction used most commonly in 4–H club work is based primarily upon "learning to do by doing." The demonstration method, supplemented by other teaching devices, has been particularly effective in solving the problems of the adult farmers and their wives who have established themselves upon farms. Their job is primarily the improvement of their farm and home practices. The situations confronting the out-of-school young man or woman and the young married couples who are just starting farming require more of the farm and home visits and the discussion type of approach.

The individualized farm-and-home-visit method of approach is particularly helpful in many situations in which the young farmer and his wife find themselves. The same method is also useful in dealing with the under-privileged farmer and his wife and those with little education or not particularly intelligent.

If the extension program is to be expanded to take in groups of rural people we are not now reaching, and to influence all rural people with subject matter not now a part of our program, additional funds and personnel will be necessary. Even with the expansion suggested above, at least one-third of the farm people in any 1 year would not be affected by an extension influence.

F. L. BALLARD,
Oregon,
R. K. BLISS,
Iowa,
EUGENE MERRITT,
United States Department of Agriculture,
Miss MAUDE E. WALLACE,
(Secretary), Virginia,
L. R. SIMONS,
(Chairman), New York,
Committee members.

APPENDIX 17

EXHIBIT 1

[Submitted by Paul S. Taylor)

I. FARM LABORERS AND OPERATORS ON RELIEF

Rural relief is a problem not only of relieving and rehabilitating the low-income farm operator. Equally, or even more, it is a problem of relieving and rehabilitating the agricultural laborer who is subject to unemployment and insufficient income.

The incidence of relief is probably about twice as great among agricultural laborers as among operators. Not only that but the total number of agricultural laborers on relief exceeds the number of farm operators.

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Available statistics, although unsatisfactory for extended comparisons, support both these statements. Agricultural laborers comprised 54 and 58 percent, respectively, of the combined total of laborers and operators on relief, according to the occupational relief censuses of March 1935 and January 15, 1936. Among farm operators the incidence of relief was reported as only 7 7 and 5 percent, respectively, on those dates, as compared with 13.5 and 11.6 percent, respectively, among the laborers. See table 1 Farm operators and laborers on relief in the United States, March 1935; and chart 1.

TABLE 1.—*Farm operators and laborers on relief in the United States, March 1935*

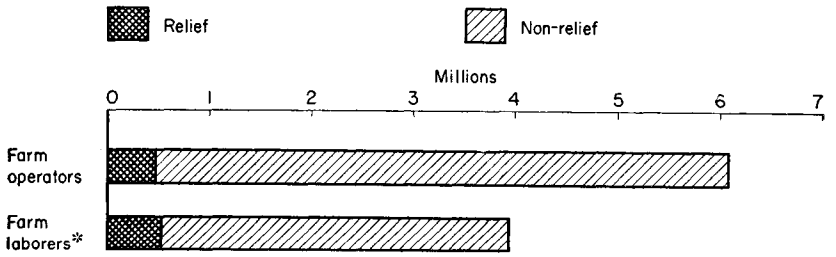
	Total	On relief	Percent on relief
Farm operators	6,079,203	461,539	7.7
Farm laborers [1]	3,930,119	532,227	13.5
Both	10,009,322	993,766	9.9
Percentage of farm operators and laborers on relief who were—			
Farm operators			46
Farm laborers			54

[1] Farm laborers 16 years of age and over, 1930.

Source: Farm Security Administration, U. S. D. A. Data from U. S. Census, on laborers, 1930; on operators, 1935; and Workers on relief in the United States, March 1935 (Works Progress Administration). In the latter study see Limitation of comparisons, p. 133.

The W P. A. census of "Usual occupations of workers eligible for works' program employment in [the United States, Jan. 15, 1936" reported on relief, on the same basis as above, 5 percent of farm operators and 11.6 percent of farm laborers. Operators comprised 41.6 percent, and laborers 58.4 percent of the combined total.

CHART 1



FARM OPERATORS AND LABORERS ON RELIEF IN THE UNITED STATES

March 1935

* Farm laborers 16 years of age and over, 1930.

Source: Farm Security Administration, U.S.D.A. Data from U.S. Census, 1930 and 1935, and *Workers on Relief in the United States in March 1935*, Works Progress Administration. In the latter study see "Limitation of Comparisons", p. 133

Division of Social Research, WPA
AF-2609

II. STATUS OF PERSONS ENGAGED IN AGRICULTURE

Among those engaged in agriculture in the United States, operators and laborers are almost evenly balanced in numbers. In 1930, laborers (including croppers, who both economically and legally are laborers paid in kind) comprised more than 48 percent of the total. Croppers comprised 1 in 14 of all persons gainfully engaged in agriculture, unpaid family laborers comprised 1 in 7, and wage workers comprised 1 in 4. See table 2: Principal groups engaged in agriculture in the United States, 1930; and chart 2.

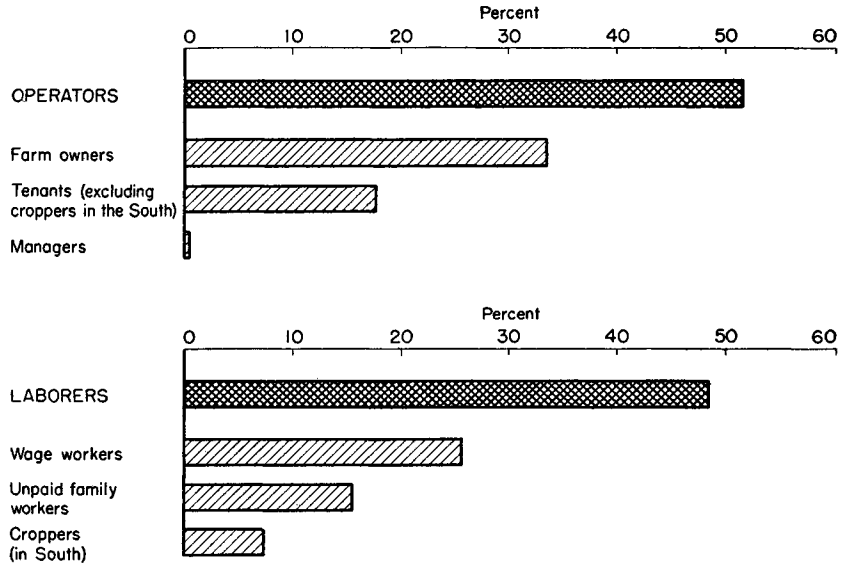
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TABLE 2.—*Principal groups engaged in agriculture in the United States, 1930*

	Number	Percent
Operators:		
Farm owners	3,568,394	33.4
Managers	55,889	.5
Tenants (excluding croppers in the South)	1,888,087	17.7
Total	5,512,370	51.6
Laborers:		
Croppers (in South)	776,278	7.3
Wage workers	2,732,972	25.6
Unpaid family labor	1,659,792	15.5
Total	5,169,042	48.4

NOTE.—Adapted, with some reclassification, from the census. The census volume on occupations reports 6,012,012 farm owners and tenants, which is 276,636 or 4.6 percent fewer than the number of owners, managers, and tenants (including croppers) reported in the volume on agriculture. Classification of croppers as "laborers," although contrary to census procedure, is nevertheless in accord with economic facts and legal decisions.

CHART 2



PRINCIPAL GROUPS*ENGAGED IN AGRICULTURE IN THE UNITED STATES, 1930

*Adapted from Census data

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AF-2605

III. REGIONAL VARIATIONS IN AGRICULTURAL LABOR STRUCTURE

Agricultural wage workers and unpaid laborers belonging to the operators' family are employed in greatly varying proportions in different sections and divisions of the country. In the North, 77.3 percent of all farm laborers were wage workers in 1930, and 89.4 percent in the West. In the South wage workers were less than half the total of farm laborers, and only 42.3 percent if croppers are included with laborers. In the Pacific States the percentage of wage workers rose as high as 94, and in the East South Central States it stood as low as 36.4.

The South depends heavily upon unpaid family laborers. There they comprised nearly 52 percent of the total, compared with only 22.7 percent in the North and 10.6 percent in the West. In the Pacific States the percentage of unpaid family laborers stood as low as 6, but in the East South Central States it rose to 63.6, or

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more than 10 times as high. See Table 3: Farm laborers (wage laborers and unpaid family labor) in the United States, 1930, by regions and divisions; and chart 3.

TABLE 3.—*Farm laborers (wage laborers and unpaid family labor) in the United States, 1930, by regions and by divisions*

	Farm laborers	Wage laborers		Unpaid family laborers	
		Number	Percent	Number	Percent
United States	4,372,258	2,727,035	62.4	1,645,223	37.6
North	1,478,064	1,143,149	77.3	334,915	22.7
South	2,440,673	1,178,502	48.3	1,262,171	51.7
West	453,521	405,384	89.4	48,137	10.6
New England	105,620	95,595	90.5	10,025	9.5
Middle Atlantic	255,198	222,477	87.2	32,721	12.8
East North Central	527,905	411,137	77.9	116,768	22.1
West North Central	589,341	413,940	70.2	175,401	29.8
South Atlantic	959,997	510,363	53.2	449,634	46.8
East South Central	749,326	272,954	36.4	476,372	63.6
West South Central	731,350	395,185	54.0	336,165	46.0
Mountain	188,074	155,743	82.8	32,331	17.2
Pacific	265,447	249,641	94.0	15,806	6.0

Source: United States Census 1930.

NOTE.—In the South there are 347,848 croppers. Legally and economically these are laborers, paid with a share of the crop. Of the 2,788,521 "farm laborers" and "croppers" in the South, 42.3 percent are wage workers, 45.2 percent are unpaid family laborers, and 12.5 percent are share-croppers.

IV. EXTREME SEASONALITY OF EMPLOYMENT

Employment of agricultural workers is highly seasonal. Partly this is because of the nature of the growth of crops, which require attention in very different degree at different periods. Partly it is because of market conditions, which are reflected in the employing farmers' choices of crops, and of the times at which they should be planted to reach maturity when the market is expected to be most favorable. Market influences are particularly strong in the fruit and vegetable industry.

Seasonal employment means a large volume of unemployment. Some who work only at the seasonal peaks, particularly women and children, do not desire steady work, but typically the paid farm laborers and many of the unpaid, need that continuous employment in agriculture which its seasonal character prevents.

Just how extreme the fluctuation in demand for agricultural labor can be, may be illustrated from important areas. In Florida, the monthly carlot shipments of fruits and vegetables in 1934, measuring roughly the seasonal demand for laborers, fluctuated between 18,000 in March and only 26 in August. The monthly average of 8,000 carlots is meaningless in the face of such extreme variation. See table 4; Florida—Carlot shipments of fruits and vegetables, by months, 1934; and chart 4.

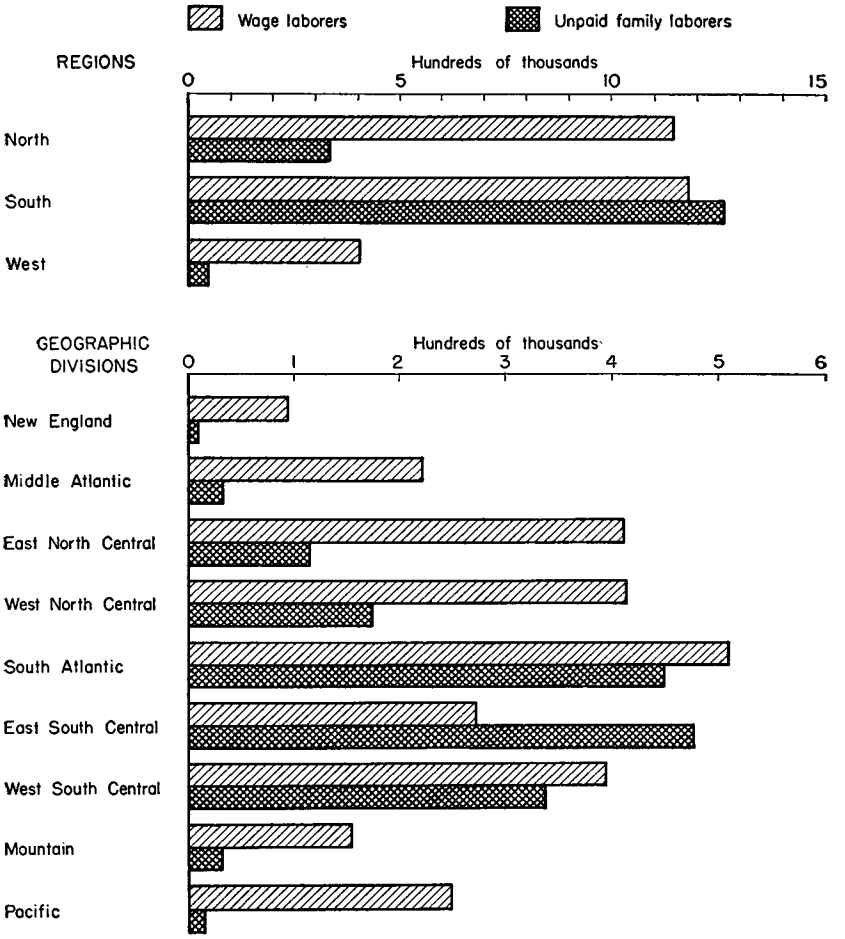
TABLE 4.—*Carlot shipments of fruits and vegetables, by months, 1934, in Florida*

January	15,141
February	13,933
March	17,795
April	16,145
May	10,964
June	4,384
July	419
August	26
September	636
October	3,301
November	9,322
December	9,583
Total	101,649

Source: Market News Service.

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CHART 3



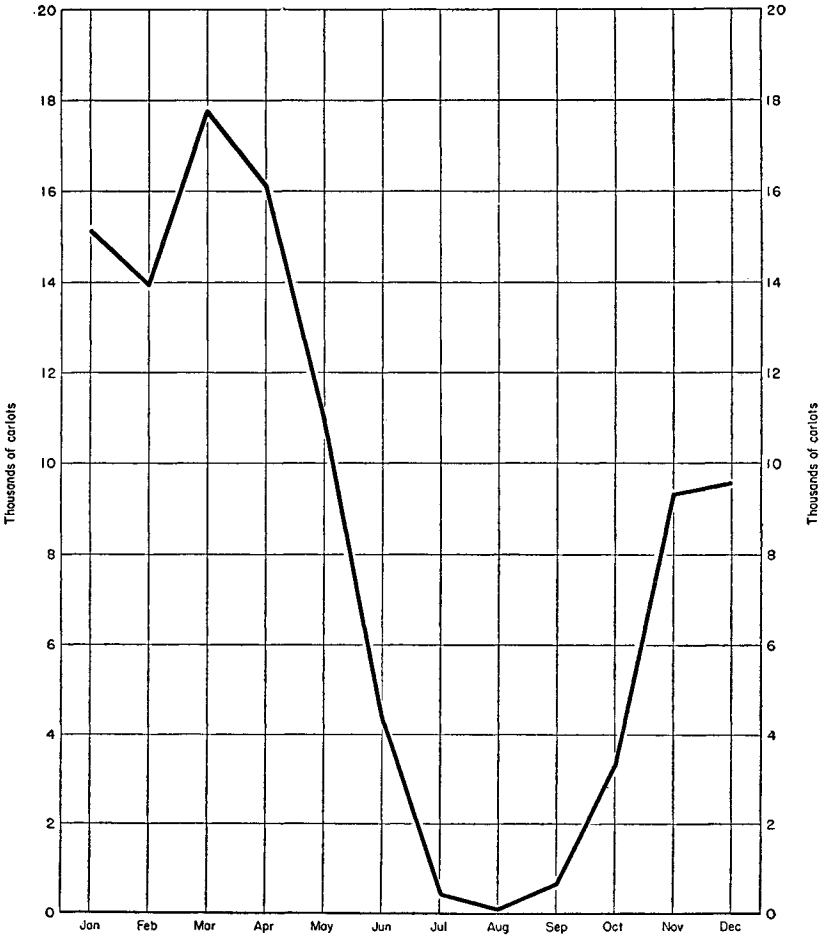
FARM LABORERS (WAGE LABORERS AND UNPAID FAMILY LABOR) IN THE UNITED STATES, 1930, BY REGIONS AND BY DIVISIONS

Source: *Fifteenth Census of the United States, 1930.*

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CHART 4



FLORIDA
CARLOT SHIPMENTS OF FRUITS AND VEGETABLES,
BY MONTHS, 1934

Source: *Market News Service.*

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In the Yakima Valley of Washington, where hops and fruit are the principal crops, the demand for hired labor fluctuates from 32,737 full-time workers during the second week in September down to an average of less than 500 during December and January. See table on "Estimated number of hired workers needed for all crops in irrigated section of Yakima County, by weeks," Monthly Labor Review, August 1937, p. 307, and see chart 5.

The seasonal agricultural labor requirements of Arizona, which produces mainly cotton, lettuce, cantaloupes, and citrus fruit, were as high as 698,790 man-days in November 1936 and as low as 110,737 in March, or a peak demand equal to six times the slack demand. See table 5: Seasonal agricultural labor requirements of Arizona by man-days, 1936; and chart 6.

TABLE 5.—*Seasonal agricultural labor requirements of Arizona*

[By man-days, 1936]

Month	Man-days	Percent of annual	Month	Man-days	Percent of annual
January	168,015	4.4	August	145,104	3.8
February	122,193	3.2	September	473,497	12.4
March	110,737	2.9	October	645,331	16.9
April	141,285	3.7	November	698,790	18.3
May	240,567	6.3	December	656,786	17.2
June	244,386	6.4			
July	171,834	4.5	Total	3,818,524	100.0

Source: Tetreau, E. D., "Seasonal Labor on Arizona Irrigated Farms," University of Arizona, 1937, mimeographed.

In California the agricultural labor requirements of 33 principal counties rise from 46,000 in January to 198,000 in September, or four times the demand at the low point. See Table 6: California: Agricultural labor requirements of 33 principal counties, by regions, 1935; and chart 7.

TABLE 6.—*Agricultural Labor Requirements of 33 Principal Counties, by Regions, 1935 in California*

Region	Labor required											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
33 counties	46,448	48,973	61,316	79,982	126,160	125,717	140,461	158,530	198,349	182,531	85,624	46,833
Central coast	3,920	2,420	8,659	19,853	30,525	29,870	32,688	41,530	48,694	53,327	13,190	1,000
Sacramento Valley	200	200	1,000	17,000	32,833	24,459	16,388	19,972	19,429	10,140	8,141	3,050
San Joaquin Valley	6,259	3,025	5,665	6,546	26,803	33,739	52,698	59,043	74,287	63,754	33,398	16,314
Southern California	36,069	43,328	45,992	36,583	35,999	37,649	38,687	37,985	55,939	55,310	30,895	26,469

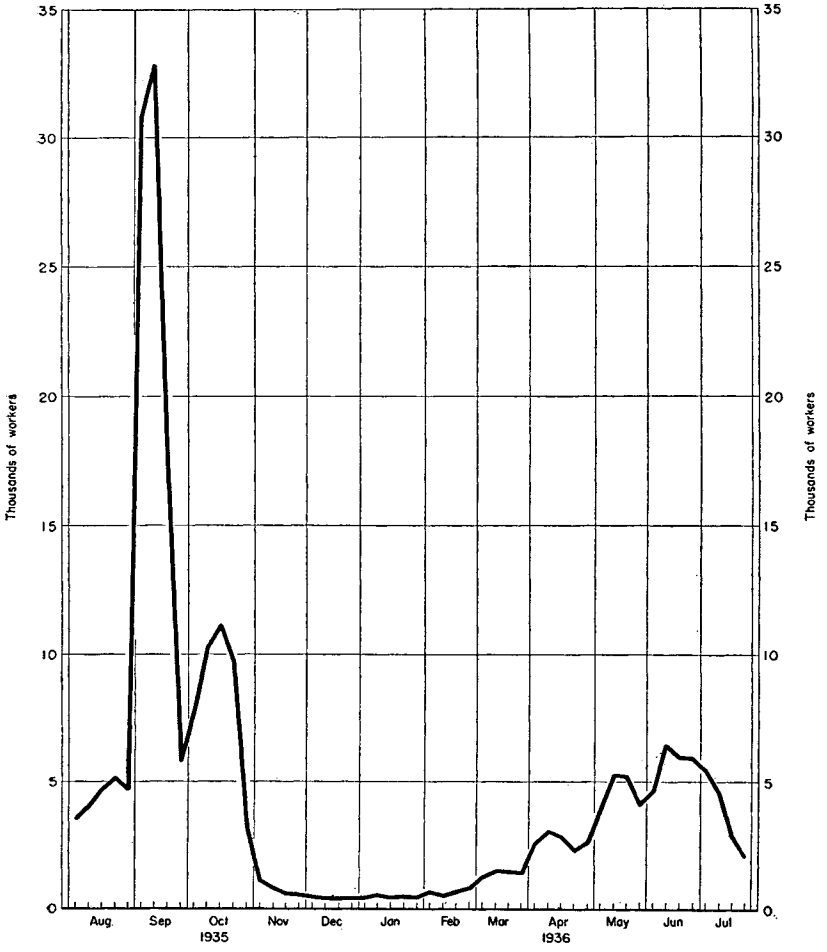
Source: "Survey of Agricultural Labor Requirements in California, 1935," State Relief Administration of California, table 3, p. 20.

V. UNDEREMPLOYMENT OF AGRICULTURAL LABORERS

This extreme seasonality of agricultural operations makes it impossible for laborers to obtain regular and full employment. A study by the Farm Security Administration and the Bureau of Agricultural Economics of 11 widely scattered counties affords some statistical measure of the actual duration of employment under the most varied conditions. The laborers are classified by the study into those who worked only in agriculture, and those who worked both in agriculture and outside. See table 7: Percentage dstribution of farm laborers by days worked in agriculture and in mixed employment (agricultural and non-agricultural), in 11 counties, year ending when interviewed, 1936; and chart 8.

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CHART 5



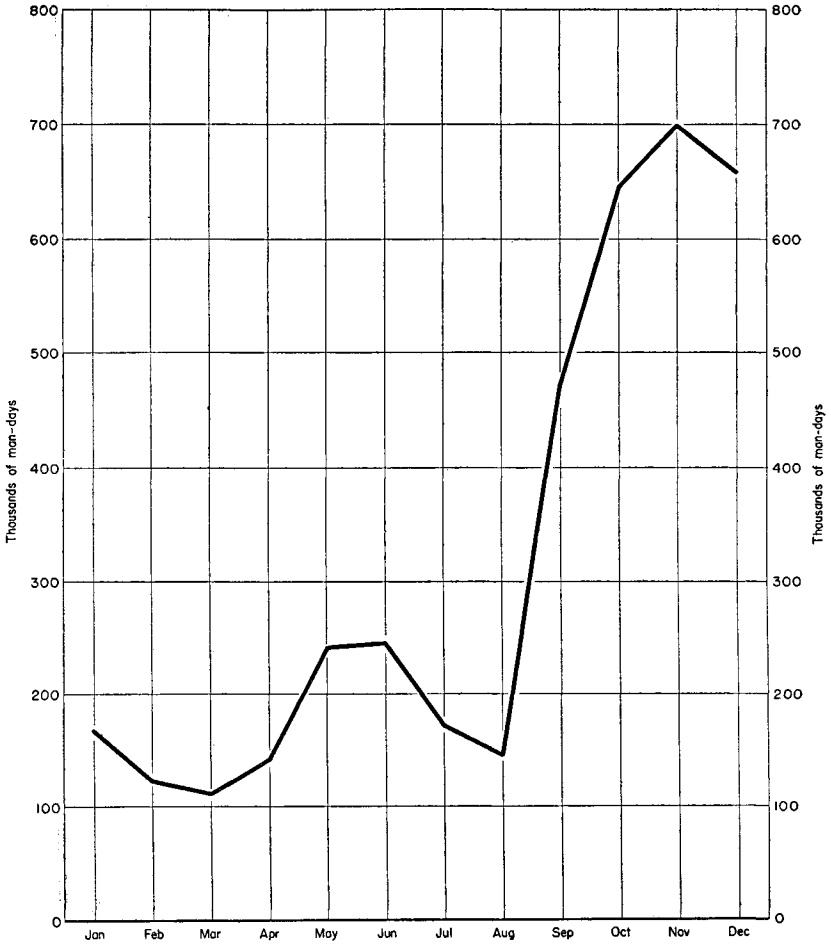
YAKIMA COUNTY, WASHINGTON
DEMAND FOR FULL-TIME PAID WORKERS ON IRRIGATED FARMS
1935-1936

Source: Paul H. Landis, in *Monthly Labor Review*, August, 1937, page 307

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CHART 6



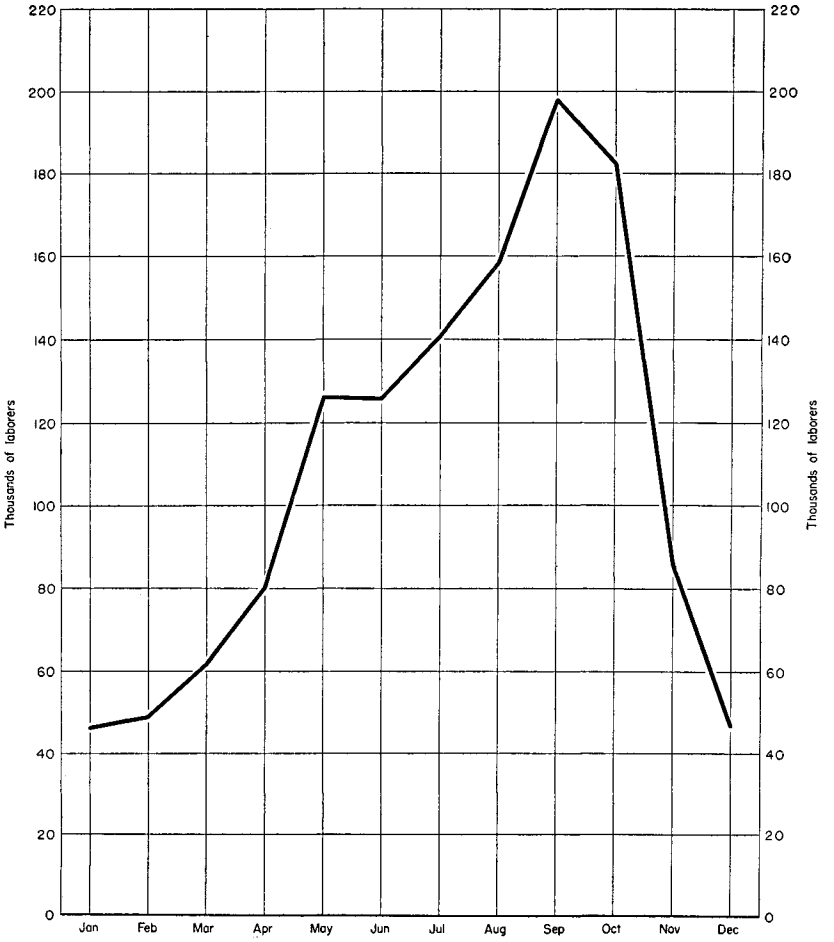
SEASONAL AGRICULTURAL LABOR REQUIREMENTS OF ARIZONA, BY MAN-DAYS, 1936

Source: Tetreau, E. D., "*Seasonal Labor on Arizona Irrigated Farms*," University of Arizona, 1937, mimeographed.

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CHART 7



CALIFORNIA

AGRICULTURAL LABOR REQUIREMENTS OF
33 PRINCIPAL COUNTIES, 1935

Source: California SRA.

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TABLE 7.—*Percentage distribution of farm laborers by days worked in agriculture and in mixed employment (agricultural and nonagricultural), in 11 counties, year ending when interviewed, 1936*

[Percentage distribution of laborers by days worked in various types of employment]

Type of employment	Days worked (by class intervals)	Wayne County, Pa.	Livingston County, Ill.	Hamilton County, Iowa	Lacqui Parle County, Minn.	Karnes County, Tex.	Placer County, Calif.	Concordia Parish, La.	Todd County, Ky.	Pawnee County, Kans.	Archuleta County, Colo.	Fentress County, Tenn.
Agriculture	0- 59	6.4	1.7	5.9	20.5	51.7	8.2	36.3	16.7	15.0	42.0	56.0
	60-119	4.7	3.4	5.9	8.8	6.8	5.6	38.2	7.3	18.7	26.0	6.7
	120-179	8.2	14.1	17.0	30.4	9.5	5.1	16.6	8.5	9.3	12.0	6.7
	180-239	4.1	19.2	16.5	12.3	13.6	5.6	3.8	8.5	8.4	0.0	5.3
	240-312	76.6	61.6	54.7	28.0	18.4	75.5	5.1	59.0	48.6	20.0	25.3
	0-312	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mixed	0- 59	0.0	2.6	0.0	3.8	33.3	5.3	10.3	16.7	15.7	12.5	36.4
	60-119	10.8	5.1	18.8	11.5	33.3	26.3	32.4	25.0	27.5	0.0	25.5
	120-179	21.6	23.1	12.5	30.8	16.8	21.1	33.8	8.3	15.7	43.7	18.2
	180-239	16.2	10.3	12.5	34.6	8.3	10.5	14.7	8.3	19.6	25.0	12.6
	240-312	51.4	58.9	56.2	19.3	8.3	36.8	8.8	41.7	21.5	18.8	7.3
	0-312	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
All employments	0- 59	5.2	1.9	5.0	18.3	50.3	7.9	28.8	16.8	15.2	34.8	47.7
	60-119	5.8	3.7	7.7	9.1	8.8	7.4	36.8	8.1	21.5	19.6	14.6
	120-179	10.6	15.7	16.4	30.5	10.1	6.5	22.2	8.3	11.4	19.6	11.5
	180-239	6.2	17.6	15.9	15.2	13.2	6.1	7.6	8.5	12.0	6.1	8.5
	240-312	72.2	61.1	55.0	26.9	17.6	72.1	6.6	58.1	39.9	19.9	17.7
	0-312	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Adapted from an 11-county "Survey of Agricultural Labor Conditions" by Tom Vasey, Farm Security Administration, and Josiah C. Folsom, Bureau of Agricultural Economics, U. S. Department of Agriculture.

Underemployment of those engaged in agriculture only, who worked less than 120 days, or approximately under 5 months within the year, ranged from 5.1 in Livingston County, Ill., up to 68 in Archuleta County, Colo. The median was 29.3 percent, in Lacqui Parle County, Minn. The percentage of those who worked more than 240 days within the year ranged from 5.1 in Concordia Parish, La., to 76.6 percent in Wayne County, Pa. The median was 48.6 percent in Pawnee County, Kans. In general, employment was longer in those counties where the "hired-man" on the family-sized farm is the typical labor relationship. (See footnote to table 9.)

VI. UNDEREMPLOYMENT OF THOSE ENGAGED IN AGRICULTURE AND OUTSIDE

The percentage of those who worked outside as well as in agriculture, who were employed less than 120 days, ranged from 7.7 in Livingston County, Ill., up to 66.6 in Karnes County, Tex. The median of those employed under 120 days was 31.6 percent, in Placer County, Calif. The percentage who worked more than 240 days ranged from only 7.3 in Fentress County, Tenn., up to 58.8 in Livingston County, Ill. The median of those employed more than 240 days was only 21.5 percent, in Pawnee County, Kans.

VII. DURATION OF EMPLOYMENT—ALL KINDS

The percentage of all agricultural laborers who worked in employment of all kinds less than 120 days ranged from 5.6 in Livingston County, Ill., up to 65.6 in Concordia Parish, La., where cotton plantations predominate. The median of those employed less than 120 days was more than one-third, or 36.7 percent, in Pawnee County, Kans. The percentage who worked in all employments more than 240 days ranged from only 6.6 in Concordia Parish to 72.2 in Wayne County, Pa., where the "hired-man" is typical. The median of those employed more than 240 days in all employments was 39.9 percent, in Pawnee County.

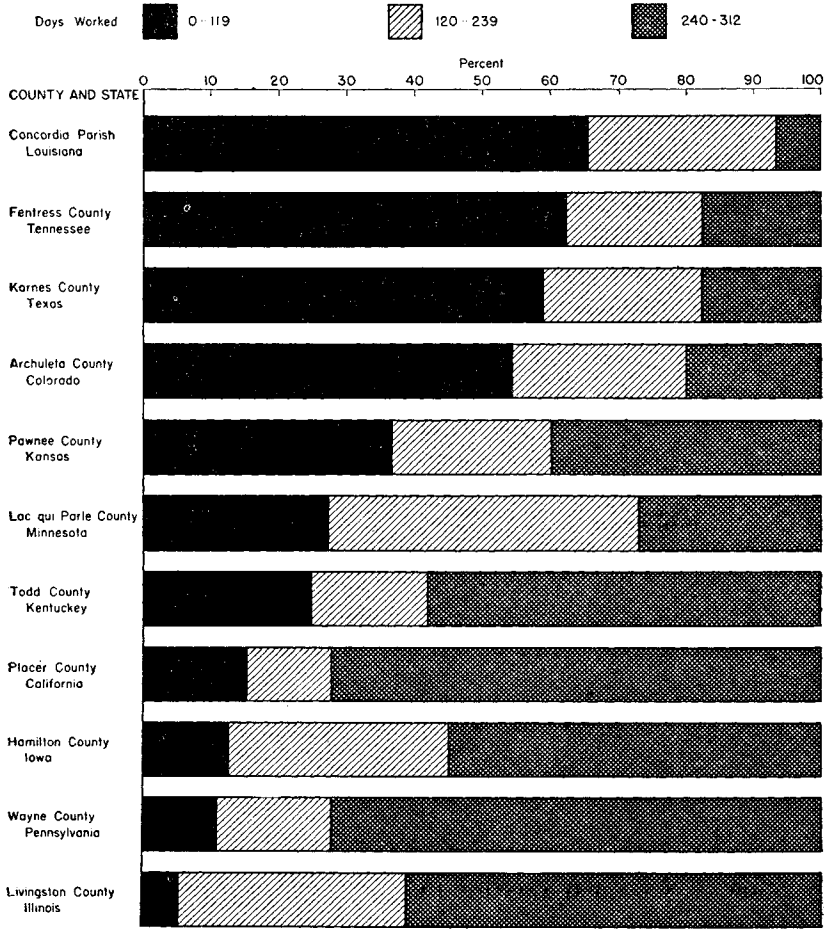
In other words, on the (median) average, about 37 percent of the agricultural laborers in the 11 counties studies were employed less than 120 days, or well under 5 months, and only about 40 percent on the (median) average were employed 240 days or more.

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VIII. LOW INCOME OF AGRICULTURAL LABORERS

Low income, and a relief problem, were inevitable consequences of underemployment. According to the study of agricultural laborers in 11 selected counties by the Farm Security Administration and the Bureau of Agricultural Economics, the total annual income from all sources, including relief and earnings from dependents, ranged from $572 down to $127. Maximum income was reported from steadily employed Oriental and white laborers in Placer County, Calif. The lowest income was reported from Fentress County, Tenn., by hired laborers in a region of self-sufficing farms and minor lumbering operations.

CHART 8



PERCENTAGE DISTRIBUTION OF FARM LABORERS BY DAYS WORKED YEAR ENDING WHEN INTERVIEWED, 1936

SOURCE: Vasey and Folsom, Farm Security Administration and Bureau of Agricultural Economics.

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The median cash income was only $262, in Pawnee County, Kans. See table 8; Average income from agriculture, nonagricultural employment, and relief, of agricultural workers and their gainfully employed dependents in 11 sample counties of the United States, September 1935 to August 1936; and chart 9.

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TABLE 8.—*Average income from agriculture, nonagricultural employment, and relief, of agricultural workers and their gainfully employed dependents in 11 sample counties of the United States, September 1935 to August 1936*

County and State	Earnings reported by status of workers and for households		Average income from all sources	Agricultural earnings			Nonagricultural earnings			Relief		
	Number	Status		Average in dollars	As percent of total income of group	Percent receiving	Average in dollars	As percent of total income of group	Percent receiving	Average in dollars	As percent of total income of group	Percent receiving
Wayne County, Pa.	210	Agricultural workers	$354.60	$285.96	80.6	100.0	$67.33	19.0	18.6	$1.31	0.4	1.0
	1	Dependents [1]	150.00				150.00	100.0				
	210	Households	355.32	285.96	80.5	100.0	68.04	19.1	(2)	1.31	.4	1.0
Livingston County, Ill.	233	Agricultural workers	312.93	282.43	90.3	100.0	20.96	6.7	13.5	9.55	3.0	6.7
	9	Dependents [1]	112.44	97.44	36.7	88.9	15.00	13.3	11.1			
	223	Households	317.47	286.36	90.2	100.0	21.56	6.8	(2)	9.55	3.0	6.7
Hamilton County, Iowa	217	Agricultural workers	308.84	287.65	93.1	100.0	16.18	5.2	12.4	5.02	1.6	3.7
	10	Dependents [1]	170.50	106.80	62.6	50.0	63.70	37.4	50.0			
	217	Households	316.70	292.57	92.4	100.0	19.11	6.0	(2)	5.02	1.6	3.7
Lac qui Parle County Minn.	193	Agricultural workers	209.82	185.26	88.3	100.0	21.07	10.0	11.4	3.49	1.7	2.6
	0	Dependents [1]										
	193	Households	209.82	185.26	88.3	100.0	21.07	10.0	11.4	3.49	1.7	2.6
Karnes County, Tex.	322	Agricultural workers	156.50	149.36	95.4	100.0	5.78	3.7	8.4	1.36	.9	3.4
	119	Dependents [1]	41.67	34.56	82.9	74.8	7.11	17.1	25.2			
	322	Households	171.91	162.13	94.3	100.0	8.41	4.9	(2)	1.36	.8	3.4
Placer County, Calif.	233	Agricultural workers	492.99	453.88	92.1	100.0	31.61	6.4	8.2	7.50	1.5	3.9
	76	Dependents [1]	242.82	232.62	95.8	93.4	10.20	4.2	6.6			
	233	Households	572.19	529.75	92.6	100.0	34.94	6.1	(2)	7.50	1.3	3.9
Concordia Parish La.	238	Agricultural workers	124.52	92.12	74.0	100.0	26.38	21.2	28.6	6.02	4.8	11.8
	96	Dependents [1]	31.14	19.63	63.0	82.3	11.51	37.0	17.7			
	238	Households	137.09	100.04	73.0	100.0	31.02	22.6	(2)	6.02	4.4	11.8
Todd County, Ky.	290	Agricultural workers	174.00	162.67	93.5	100.0	7.97	4.6	8.3	3.36	1.9	4.4
	77	Dependents [1]	64.25	22.32	34.7	24.7	41.92	65.3	75.3			
	290	Households	191.06	168.60	88.2	100.0	19.10	10.0	(2)	3.36	1.8	4.4
Pawnee County, Kan.	160	Agricultural workers	250.64	207.09	82.6	100.0	36.07	14.4	23.8	7.48	3.0	9.4
	11	Dependents [1]	163.63	72.09	44.1	45.5	91.54	55.9	54.5			
	160	Households	261.89	212.05	81.0	100.0	42.36	16.2	(2)	7.48	2.8	9.4
Archuleta County, Colo.	58	Agricultural workers	304.84	224.13	73.5	100.0	61.05	20.0	15.5	19.66	6.4	1.2
	0	Dependents [1]										
	58	Households	304.84	224.13	73.5	100.0	61.05	20.0	15.5	19.66	6.4	1.2
Fentress County, Tenn.	158	Agricultural workers	115.65	65.92	57.0	100.0	34.53	29.9	37.3	15.21	13.2	20.3
	55	Dependents [1]	31.96	9.02	28.2	56.4	22.94	71.8	43.6			
	158	Households	126.78	69.06	54.5	100.0	42.51	33.5	(2)	15.21	12.0	20.3

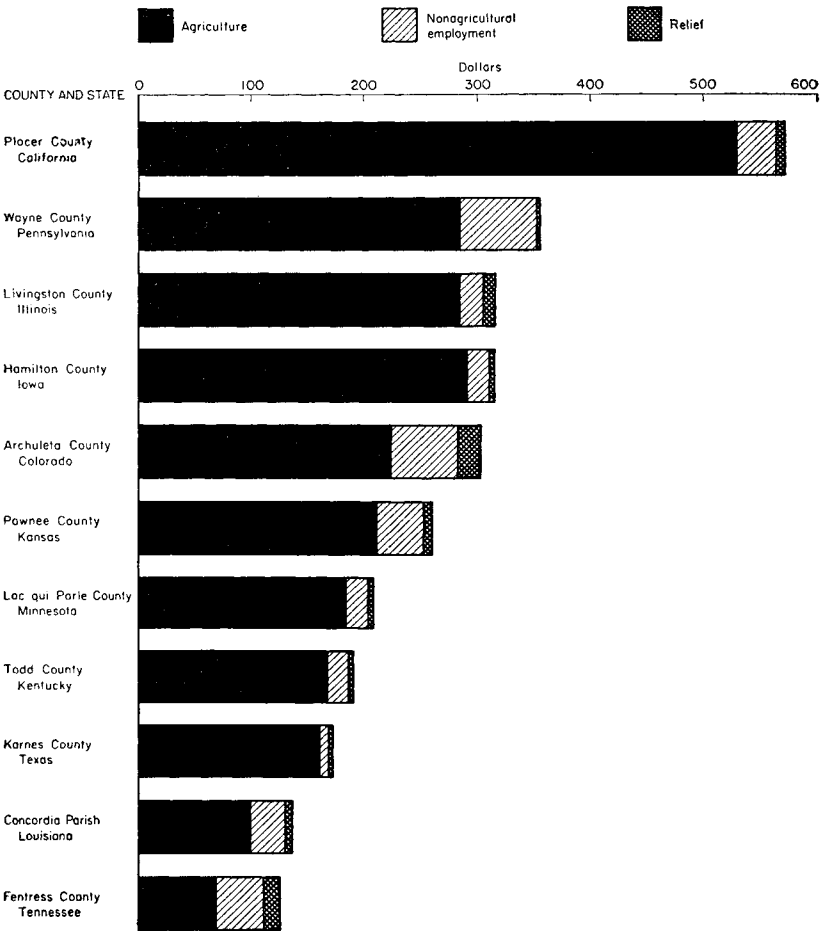
[1] "Dependents" does not refer directly to individual dependents of the agricultural laborers included in the survey but to agricultural workers with dependents contributing to the gross family or household income. Thus, for example, the "9 dependents" shown for Livingston County, Ill., indicates that 9 of the workers included in the survey had their earnings supplemented by the earnings of other dependent members of their families. The averages and percentages shown for dependents are based on the earnings of dependents and the number of agricultural workers directly affected. The influence of the earnings of dependents as an average in relation to all workers included in the surveys is shown by a comparison of the lines titled "Agricultural workers" and "Households."

[2] With the exception of Hamilton County, Iowa and Archuleta County, Colorado, where no dependents were involved the data do not lend themselves to a computation of this percentage.

Source: Adapted from an 11-county "Survey of Agricultural Labor Conditions" by Tom Vasey, Farm Security Administration, and Josiah C. Folsom, Bureau of Agricultural Economics, U. S. D. A.

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CHART 9



AVERAGE INCOME FROM AGRICULTURE, NONAGRICULTURAL EMPLOYMENT, AND RELIEF, OF AGRICULTURAL WORKERS AND THEIR GAINFULLY EMPLOYED DEPENDENTS
1935 - 1936

SOURCE: Vasey and Folsom, Farm Security Administration and Bureau of Agricultural Economics.

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IX. PROPORTION OF LABORERS' INCOME DERIVED FROM AGRICULTURE

The proportion of total income of the agricultural laborers' households which was derived from agriculture ranged from 94.3 percent in Karnes County, Tex., down to 54 percent in Fentress County, Tenn. The median proportion of income which came from agriculture was 88.2 percent, in Todd County, Ky. See Table 9: Percentages of agricultural laborers' households which received income from agriculture, nonagricultural employment, and relief, respectively, and from gainfully employed dependents; and percentages of total incomes derived from each of these sources.

TABLE 9.—*Percentages of agricultural laborers' households which received income from agriculture, nonagricultural employment, and relief, respectively, and from gainfully employed dependents, and percentages of total incomes received from each of these sources*

County and State	Agriculture, percent of total income	Source of income				Dependent's earnings	
		Nonagricultural employment		Relief			
		Percent receiving [1]	Percent of total income	Percent receiving	Percent of total income	Percent receiving	Percent of total income
Karnes County, Tex.	94.3	8.4	4.9	3.4	0.8	37.0	9.0
Placer County, Calif.	92.6	8.2	6.1	3.9	1.3	32.6	13.8
Hamilton County, Iowa	92.4	12.4	6.0	2.6	1.7	5.0	2.5
Livingston County, Ill.	90.2	*13.5*	6.8	6.7	3.0	4.0	1.4
Lac qui Parle County, Minn.	88.3	11.4	10.0	2.6	1.7	0.0	0.0
Todd County, Ky.	*88.2*	8.3	*10.0*	*4.4*	*1.8*	26.6	8.9
Pawnee County, Kans.	81.0	23.8	16.2	9.4	2.8	*6.8*	*4.3*
Wayne County, Pa.	80.5	18.6	19.1	1.0	.4	.5	.2
Archuleta County, Colo.	73.5	15.5	20.0	1.2	6.4	0	0
Concordia Parish, La.	73.0	28.6	22.6	11.8	4.4	40.3	9.2
Fentress County, Tenn.	54.5	37.3	33.5	20.3	12.0	39.9	8.8

[1] Percentage of agricultural laborers (not households) receiving income from nonagricultural employment. Data by households not available.

Source: Vasey and Folsom, Farm Security Administration and Bureau of Agricultural Economics "Survey of agricultural labor conditions" in 11 selected counties, 1937.

Income from agriculture was received by 100 percent of laborers' households. The median figures are in italics.

The samples represent labor types approximately as follows:

Karnes County, Tex.: local, and some migratory, cotton pickers; 288 Mexicans, 19 other whites, 21 Negroes.

Placer County, Calif.: Permanent, nonmigratory laborers; 112 whites, 105 Orientals, and 15 others.

Hamilton County, Iowa: "Hired men" on typical family farms. Same types in Livingston County, Ill., Lac qui Parle County, Minn., and Wayne County, Pa.

Pawnee County, Kans.: Short-time "hired men"; fairly mobile, but not typical migrants.

Archuleta County, Colo.: Sheepherders, mostly Mexicans, and cowhands, mostly American whites.

Todd County, Ky.: Local tobacco plantation labor; 73 whites and 233 Negroes. Corcordia Parish, La., represents cotton plantation labor; 10 whites and 243 Negroes.

Fentress County, Tenn.: Hired laborers in an area of generally self-sufficing farms; frequently the laborers are themselves owners or tenants of small acreages, who work occasionally on other farms or in lumbering.

X. INCOME FROM NONAGRICULTURAL EMPLOYMENT

The proportion of laborers who received income from nonagricultural employment ranged from 37.3 percent in Fentress County down to 8.2 percent in Placer County, Calif. The median percentage receiving income from nonagricultural employment was 13.5 percent, in Livingston County, Ill.

The proportion of total household income from nonagricultural employment ranged from 33.5 percent in Fentress County down to 4.9 percent in Placer County. The median was only 10 percent.

XI. INCOME FROM RELIEF

The proportion of households which received income from relief ranged from 20.3 percent in Fentress County, down to 1 percent in Wayne County, Pa. The median was only 4.4 percent, in Todd County, Ky.

The proportion of total income derived from relief was even lower than the proportion of households which received relief. It ranged from 12 percent in Fentress County down to 0.4 percent in Wayne County. The median was only 1.8 percent.

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XII. INCOME FROM DEPENDENTS

The proportion of agricultural laborers' households which received earnings from dependents ranged from 40.3 percent in Concordia Parish, La., where cotton plantations predominate, down to nothing in Lac qui Parle County, Minn., and Archuleta County, Colo. The median was only 6.8 percent, in Pawnee County, Kans.

The proportion of total income derived from dependents was even lower than the proportion of households which received income from this source. The percentage of total income coming from earnings of dependents ranged from 13.8 in Placer County down to nothing. The median was only 4.3 percent, in Pawnee County. On the average the earnings of the dependents were low.

XIII. NECESSITY FOR MIGRATORY LABOR

The highly seasonal character of demand for labor in agriculture means not only irregular employment and low income for a large proportion of agricultural laborers. It also compels some hundreds of thousands of them including women and children, to follow the crops in search of livelihood. Migratory labor is an important element in the agricultural labor supply from Texas and Oklahoma westward to the Pacific coast. It appears also, although in lesser volume, in the Mississippi Valley and along the southeastern seaboard. Cotton, hops, fruit, berries, sugar beets, and truck crops are the principal crops which induce and depend upon migration of labor. The following are examples:

XIV. MIGRATORY LABOR IN SUGAR BEETS

Every year the sugar-beet companies recruit laborers for their fields. For 23 years between 1915 and 1937, the Great Western Sugar Co., which produces approximately one-half the beet sugar of the country, annually paid the transportation to the beet fields of an average of more than 5,000 workers. In single years the number has risen to 14,500. In 1937, some 5,620 laborers were shipped in this manner.

XV. MIGRATION IN SOUTHEAST AND MISSISSIPPI VALLEY

In the Southeast numbers of migrants follow the tomato harvests. After spring work in Florida which reaches a climax in March and April, many of the workers go to the tomato harvests of the Lower Rio Grande Valley in May and June, or to the southern Mississippi harvests which reach a short but very high peak, in June. From there, many go to the samller harvests in Tennessee in June and July. Thereafter they scatter to a variety of crops and places. These migrants include both field workers and packers, mostly the latter. See Table 10: Tomatoes, carlot shipments, by months, from Florida, Texas, California, Mississippi, and Tennessee, 1934; and chart 10.

TABLE 10.—*Tomatoes, carlot shipments, by months, from Florida, Texas, California, Mississippi, and Tennessee, 1934* [1]

State	January	February	March	April	May	June	July
Florida	768	1,114	1,955	2,057	1,342	44	----
Texas	5	----	----	23	2,784	2,793	77
California	----	----	----	20	89	196	403
Mississippi	----	----	----	----	176	2,835	1
Tennessee	----	----	----	----	----	710	979

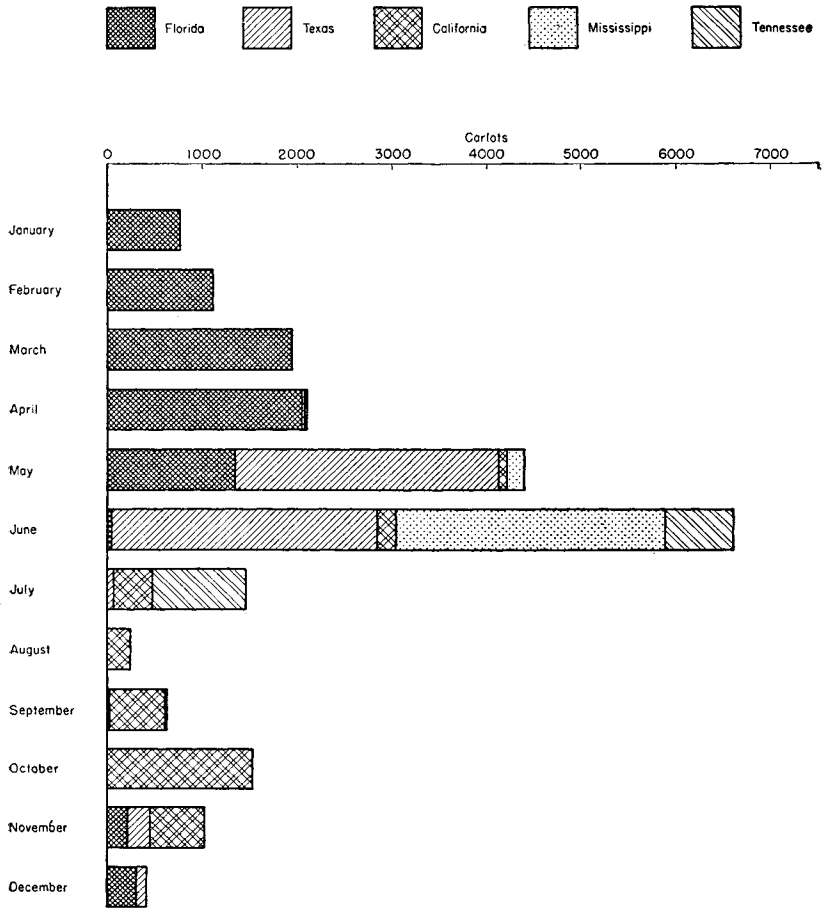
State	August	September	October	November	December	Year
Florida	----	----	4	219	314	7,817
Texas	2	11	3	232	110	6,040
California	242	602	1,531	573	4	3,360
Mississippi	----	----	----	----	----	3,012
Tennessee	3	10	----	----	----	1,702

[1] States with more than 1,000 carlot shipments.

Source: Market News Service.

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CHART 10



TOMATOES

CARLOT SHIPMENTS BY MONTHS, FROM FLORIDA, TEXAS, CALIFORNIA, MISSISSIPPI, AND TENNESSEE, 1934*

*States with more than 1,000 carlot shipments.

Source: *Market News Service.*

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Strawberry growers depend largely upon migrant pickers. The Florida harvest lasts from January through April. After its peak in March, pickers from there and elsewhere assemble for the harvest around Hammond, La., in April and May. In May large numbers of migrants, mostly families, assemble to pick the strawberry crops in Arkansas, Tennessee, and Missouri, which ripen in May.

Some migrants follow the strawberry harvests from Florida to Arkansas, and Missouri; but many include one or another of the strawberry fields in a swing of movements embracing cotton in Texas, wheat from Kansas to the Dakotas, or peaches and grapes in Michigan.

These crops offer employment which is not only seasonal, but uncertain from year to year. For example, it was estimated in 1934 that some 20,000 people, mostly from outside the community, worked in the strawberry fields of Arkansas. In 1937, because of drouth in 1936, there was no crop and no migration. Yet when harvests are large growers are completely dependent upon the migrants. See Table 11: Strawberries, carlot shipments by months, from Louisiana, Arkansas, Florida, Tennessee, and Missouri, 1934; and chart 11.

TABLE 11.—*Strawberries, carlot shipments, by months, from Louisiana, Arkansas, Florida, Tennessee, and Missouri, 1934* [1]

State	January	February	March	April	May	June	July
Louisiana			43	1,762	973		
Arkansas				27	2,105	12	
Florida	396	511	618	274	1		
Tennessee					1,213	4	
Missouri					536	78	

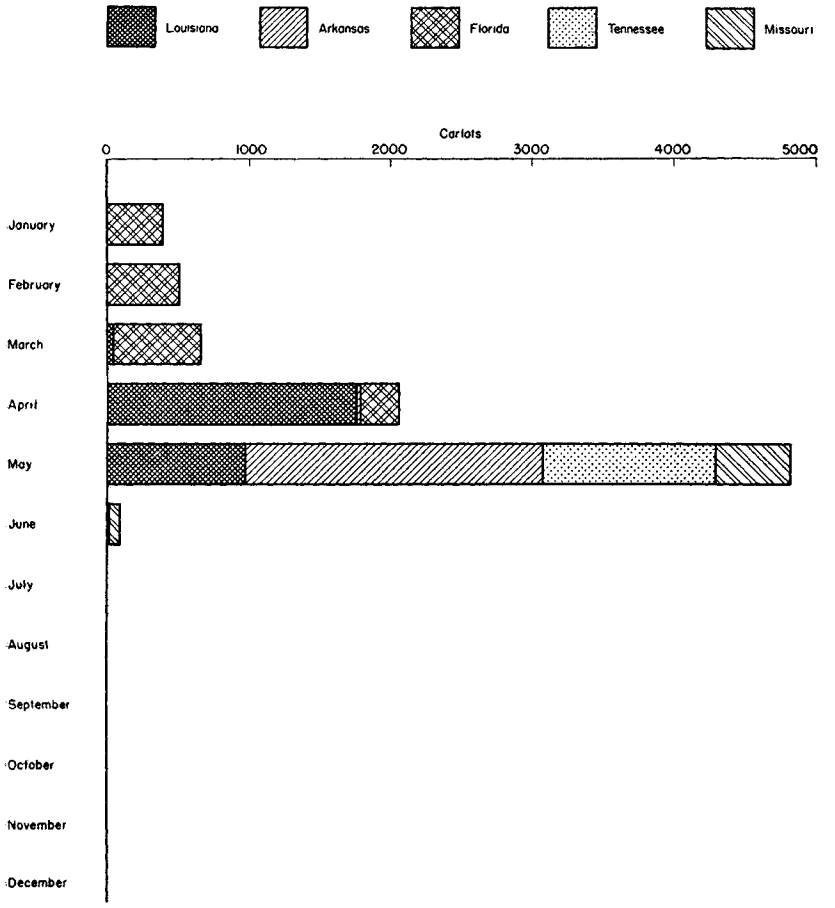
State	August	September	October	November	December	Year
Louisiana						2,778
Arkansas						2,144
Florida					3	1,803
Tennessee						1,217
Missouri						614

[1] States with more than 500 carlot shipments.

Source: Market News Service.

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CHART 11



STRAWBERRIES

CARLOT SHIPMENTS BY MONTHS, FROM LOUISIANA, ARKANSAS, FLORIDA, TENNESSEE, AND MISSOURI, 1934*

*States with more than 500 carlot shipments.

Source: *Market News Service.*

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XVI. MIGRATORY LABOR ON PACIFIC COAST

The greatest volume of agricultural labor migration in the United States takes place along the Pacific coast. One partial index of the interstate portion of this movement is the reentry into California by motor vehicles bearing California licenses of persons "in need of manual employment." In the period since July 1935 these persons have reentered in numbers ranging from as low as 387 in March 1937, to as high as 2,665 in January 1936, and averaging 1,200 per month.

Fifty percent of the California migrants reentered via the Oregon border, mainly after agricultural work in Oregon and Washington. See table 12, California migrants "in need of manual employment" reentering California by motor vehicle, by zone of entry, by months; and chart 12.

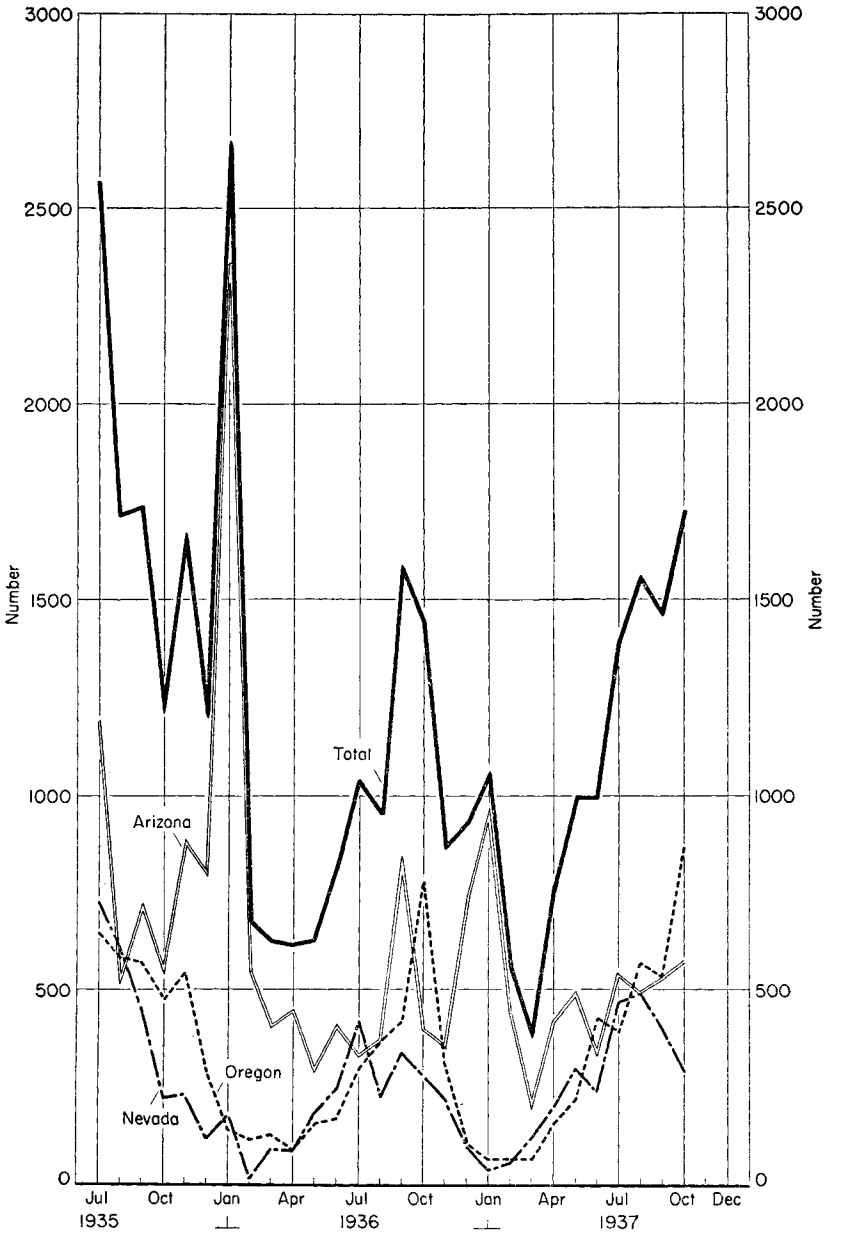
TABLE 12.—*California migrants "in need of manual employment" reentering California, by motor vehicles, by zone of entry, by months*

Months	1935				1936				1937			
	Total	Arizona	Via Nevada	Oregon	Total	Arizona	Via Nevada	Oregon	Total	Arizona	Via Nevada	Oregon
January	-------	-------	-------	-------	2,663	2,345	179	139	1,053	950	38	65
February	-------	-------	-------	-------	674	543	17	114	559	438	55	66
March	-------	-------	-------	-------	625	407	91	127	387	202	120	65
April	-------	-------	-------	-------	616	442	85	89	764	413	195	156
May	-------	-------	-------	-------	629	291	182	156	999	488	293	218
June	-------	-------	-------	-------	816	403	243	170	999	339	234	426
July	2,568	1,194	727	647	1,038	327	417	294	1,392	537	468	387
August	1,713	522	610	581	957	369	224	364	1,551	492	490	569
September	1,735	717	449	569	1,580	831	332	417	1,461	528	396	537
October	1,238	547	217	474	1,441	394	274	773	1,724	570	284	870
November	1,658	882	229	547	869	351	214	304	-------	-------	-------	-------
December	1,204	800	117	287	931	722	96	113	-------	-------	-------	-------

Source: Farm Security Administration and California Department of Agriculture.

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CHART 12



CALIFORNIA MIGRANTS "IN NEED OF MANUAL EMPLOYMENT" RE-ENTERING CALIFORNIA BY MOTOR VEHICLES, BY ZONE OF ENTRY, BY MONTHS

Source: Farm Security Administration and California Department of Agriculture.

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XVII. MIGRATORY LABOR IN CALIFORNIA

The most extensive migration within a single State is compelled by the fluctuating demands for field laborers of the growers in the valleys of California. The volume of migration necessary to serve the crops in the Sacramento Valley, the San Joaquin Valley, and the southern portion of the State is suggested by the three accompanying charts which measure the estimated labor requirements by months in each of these sections. The labor peak in the Sacramento Valley is in May and June. In southern California the peaks occur in March, September, and October. In the San Joaquin Valley the peak is from August through October. See charts 13–15, and table 6. No recent count of migrants in California is available. In August 1927 there were counted 11,500 Mexicans only passing a point on the highway leading to the San Joaquin Valley. Many more moved than were counted. In recent years, the Mexicans have been to a large extent replaced and augmented by America-born whites from the Southwest. See table 13, California: Mexican laborers migrating between San Joaquin Valley and Southern California, 1927–28; and chart 16.

TABLE 13.—*Mexican laborers migrating between San Joaquin Valley, Calif., and southern California, 1927–28*

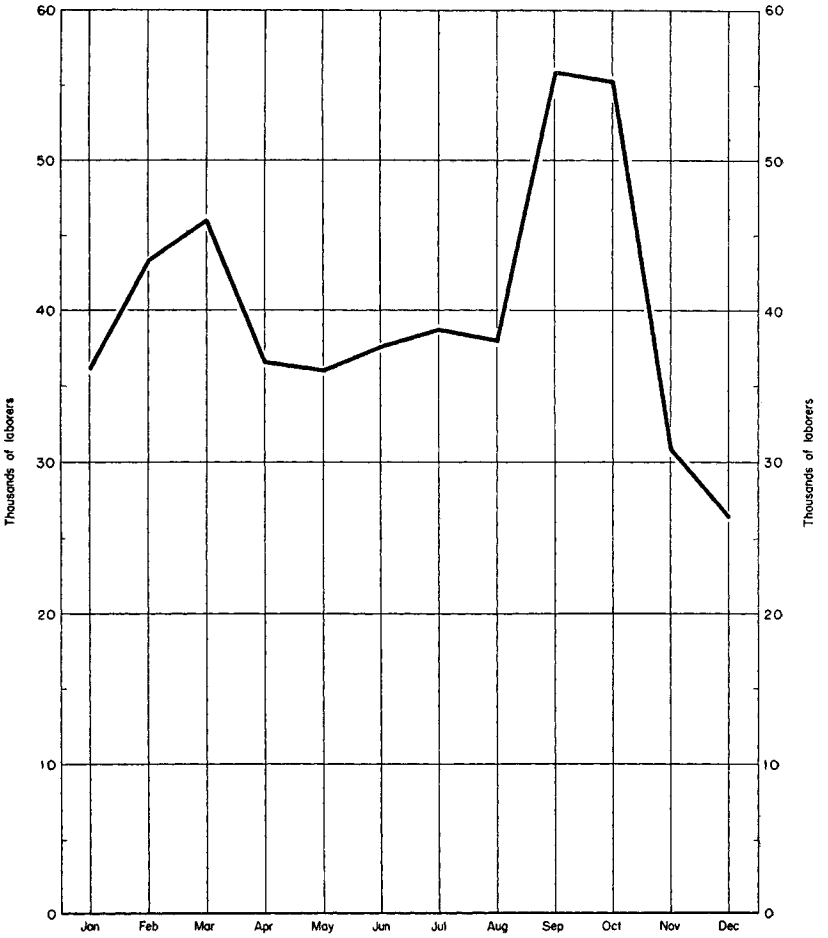
[By semimonthly periods]

Month	Northbound		Southbound	
	First half	Second half	First half	Second half
1927				
May	----------	1,014	----------	949
June	1,613	1,661	989	833
July	2,068	3,096	765	258
August	6,370	5,082	290	99
September	424	302	633	3,413
October	258	132	3,082	1,935
November	241	376	1,301	1,292
December	143	164	690	526
1928				
January	92	73	534	451
February	81	112	283	221
March	127	88	216	216
April	195	469	225	195
May	508	----------	265	----------
Total	12,120	12,569	9,273	10,388

Source: Taylor, Paul S., "Mexican Labor in the United States, Migration Statistics III," University of California, 1933.

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CHART 13



CALIFORNIA

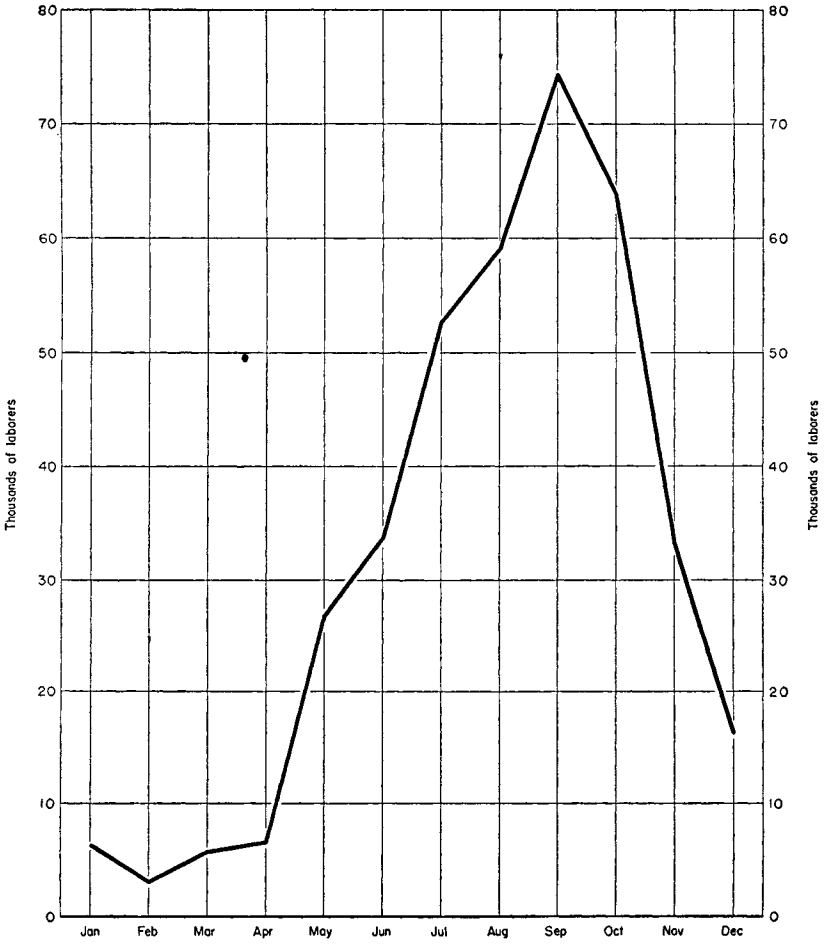
AGRICULTURAL LABOR REQUIREMENTS OF SOUTHERN CALIFORNIA, 1935

Source: California SRA.

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CHART 14



CALIFORNIA

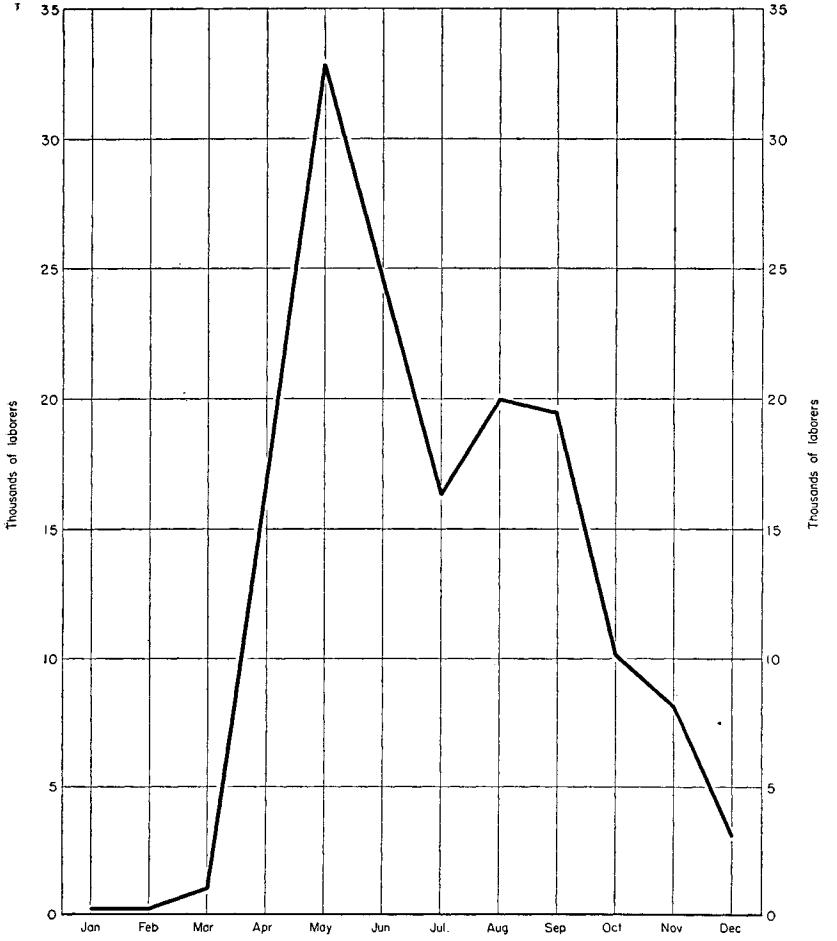
AGRICULTURAL LABOR REQUIREMENTS OF SAN JOAQUIN VALLEY, 1935

Source: California SRA.

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CHART 15



CALIFORNIA

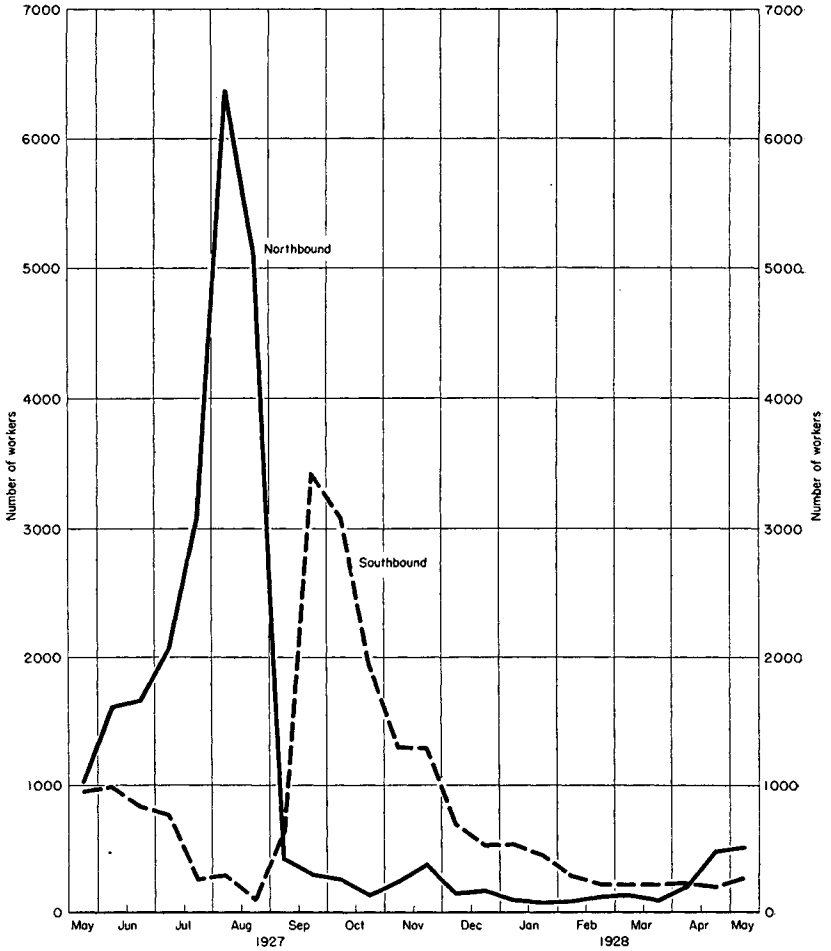
AGRICULTURAL LABOR REQUIREMENTS OF SACRAMENTO VALLEY, 1935

Source: California SRA.

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CHART 16



CALIFORNIA

MEXICAN LABORERS MIGRATING BETWEEN SAN JOAQUIN VALLEY AND SOUTHERN CALIFORNIA, BY SEMI-MONTHLY PERIODS 1927-1928

Source: Taylor, Paul S., *Mexican Labor in the United States, Migration Statistics III*, University of California, 1933.

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XVIII. COMMERCIAL STABILIZATION MAY NOT STABILIZE LABORERS

Grower-shippers of vegetables make efforts to adjust production in different areas in order to smooth the flow of produce to market. These commercial adjustments, however, are not at all certain to stabilize labor. The national production of lettuce, for example, is concentrated largely in three counties separated 740 miles by highway. Carlot shipments reach peaks in Imperial Valley, Calif., in January and February. Peaks in Maricopa County, Ariz., 258 miles distant, occur in December and again in March or the month before and the month after those in Imperial Valley. From April through November the major production is in the Salinas Valley of Monterey County, 74 miles from Maricopa County. Many lettuce workers who stabilize their employment and serve the crops are able to do so only at the price of regular migration between these distant valleys. See table 14: Lettuce, carlot shipments, by months, from Maricopa County, Ariz., Imperial and Monterey Counties, Calif., 1934; and chart 17.

TABLE 14.—*Carlot shipments of lettuce, by months, from Maricopa County, Ariz., Imperial and Monterey Counties, Calif., 1934* [1]

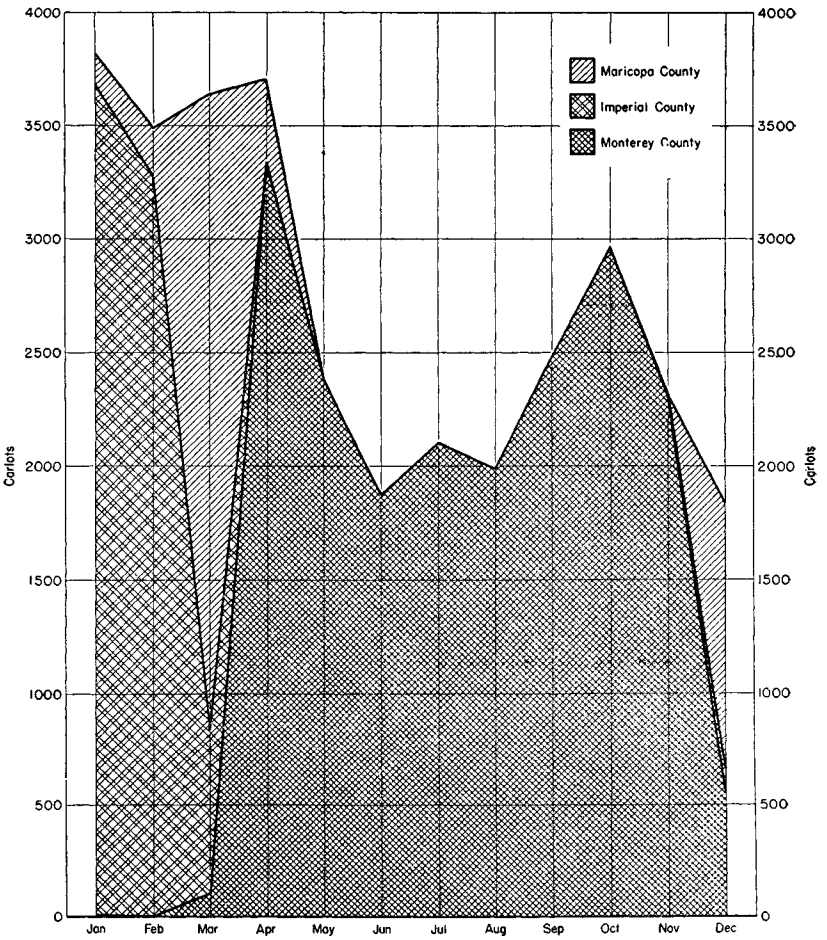
Month	County				United States
	Maricopa	Imperial	Monterey	Total	
January	139	3,673	3	3,815	4,412
February	208	3,280		3,488	3,917
March	2,791	741	104	3,536	4,325
April	377		3,337	3,714	5,051
May			2,374	2,374	3,696
June			1,874	1,874	3,046
July			2,104	2,104	3,510
August			1,989	1,989	2,976
September			2,485	2,485	2,956
October			2,963	2,963	3,478
November	5		2,304	2,309	3,471
December	1,177	103	559	1,839	3,520
Total	4,697	7,797	20,096	32,590	44,158

[1] These three counties ship 73.8 percent of all carlots of lettuce in the United States. Distance by highway from Phoenix (Maricopa County) to El Centro (Imperial County) 258 miles; from El Centro to Salinas (Monterey County) 542 miles; from Phoenix to Salinas 740 miles.

Source: Market News Service.

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CHART 17



LETTUCE

CARLOT SHIPMENTS, BY MONTHS, FROM MARICOPA COUNTY, ARIZONA; IMPERIAL AND MONTEREY COUNTIES, CALIFORNIA; 1934*

* These three counties ship 73.8 percent of all carlots of lettuce in the United States. Distance by highway from Phoenix (Maricopa County) to El Centro (Imperial County) 258 miles; from El Centro to Salinas (Monterey County) 542 miles; from Phoenix to Salinas 740 miles.

Source: *Market News Service*

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XIX. SHIFTING CROPS SHIFT LABORERS

The rise and fall of crop acreages and yield add further irregularity and uncertainty to the fluctuations of seasonal demand. Variations always occur with weather conditions. In the truck industry and even cotton, plantings fluctuate greatly in anticipation of the market. Still more serious are the labor dislocations produced by permanent crop shifts. The movement of cotton production out of Imperial and Coachella Valleys and into the San Joaquin Valley, and the boll weevil invasion in some sections of the South are examples. Laborers were forced to abandon their homes and move to other localities to obtain a livelihood, or even to leave agriculture entirely. See table 15: California: cotton ginned in Imperial County, Riverside County, and the San Joaquin Valley, 1909–36; and chart 18.

TABLE 15.—*Cotton ginned in Imperial County, Riverside County, and San Joaquin Valley, Calif., 1909–36*

Year	California	Imperial County	Riverside County	San Joaquin Valley
1909	183			
1910	5,986			
1911	9,817	9,217		
1912	7,934	7,214		
1913	22,411	21,145		
1914	48,374	45,152		
1915	28,586	26,955		
1916	43,664	39,028		
1917	58,974	52,939	6,035	
1918	71,479	57,750	13,594	135
1919	59,082	39,082	17,095	2,905
1920	77,892	49,981	18,740	8,782
1921	34,809	22,604	10,414	1,791
1922	28,473	18,844	8,045	1,584
1923	55,313	28,806	16,979	9,528
1924	79,938	28,247	15,669	36,022
1925	122,260	24,395	18,445	78,395
1926	128,835	13,747	17,537	96,828
1927	89,998	8,165	13,299	67,942
1928	171,042	15,713	13,499	138,688
1929	254,126	11,543	13,454	227,637
1930	256,337	6,725	10,771	238,841
1931	171,238	2,642	8,264	160,332
1932	124,361	(1)	(1)	119,373
1933	210,682	2,194	(1)	202,902
1934	251,523	3,186	8,752	239,585
1935	232,725	3,970	7,687	221,068
1936	436,322	5,279	9,306	421,737

[1] Included only in State total so as to avoid disclosure of individual operations.

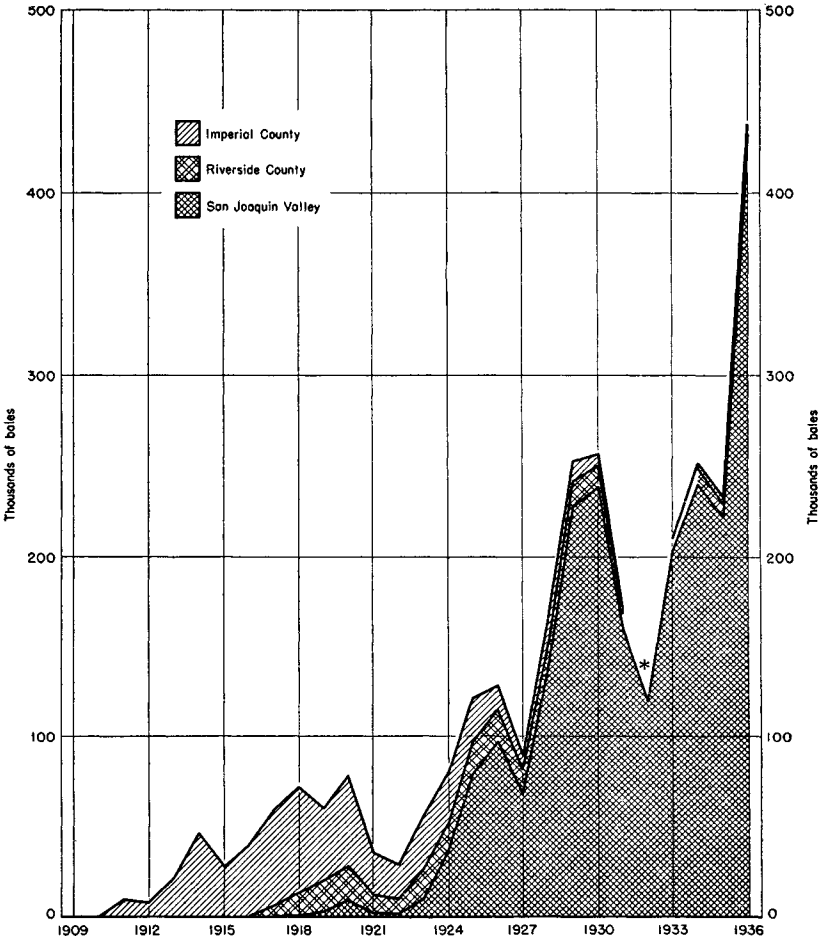
Source: U. S. Bureau of the Census.

XX. INTERSTATE MIGRATION OF REFUGEE WORKERS

In Arizona, Idaho, and the States of the west coast the problems of agricultural labor have been seriously aggravated by the stream of refugees which has been pouring out of the Great Plains and adjacent drought-stricken States. Drought, depression, and recently, farm mechanization, have been expelling thousands of rural families who have taken to the highways leading westward. About 84 percent of these migrants entering California have come from the drought States, and 52 percent from the 10 States of the Great Plains alone. About 60 and 57 percent, respectively, of rural migrants in Oregon and Washington, came from the drought States, and about 40 percent from the Great Plains. See table 16: Origins of migrants to California, Oregon, and Washington, and charts 19–21.

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CHART 18



CALIFORNIA

COTTON GINNED IN IMPERIAL COUNTY, RIVERSIDE COUNTY, AND SAN JOAQUIN VALLEY, 1909-1936

*Included only in State total so as to avoid disclosure of individual operations.

Source: U S Bureau of the Census

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TABLE 16.—*Origins of "migrants" to California, Oregon, and Washington*

States	California		Oregon, percent	Washington,[1] percent
	Number	percent		
Maine	43	(2)	0.1	0.2
New Hampshire	28	(2)		
Vermont	36	(2)		
Massachusetts	291	0.1	1	.2
Rhode Island	65	(2)		
Connecticut	147	1		
New England States	610	3	2	.4
New York	975	4	.5	.6
New Jersey	252	1	1	.4
Pennsylvania	572	3	1	2
Middle Atlantic States	1,799	8	7	1.2
Ohio	1,134	6	.4	.2
Indiana	1,080	5	.6	.6
Illinois	2,518	1.2	.9	2.4
Michigan	1,924	.9	.6	1.1
Wisconsin	1,359	6	.8	1.1
East North Central States	8,015	3.8	3.3	5.4
Minnesota	1,864	.9	1.6	2.4
Iowa	3,126	1.5	2.8	1.3
Missouri	14,335	6.8	2.2	2.6
North Dakota	2,237	1.1	4.4	8.1
South Dakota	2,618	1.2	4.7	6.4
Nebraska	7,078	3.4	6.7	3.1
Kansas	10,330	4.9	5.9	3.0
West North Central States	41,588	19.8	28.3	25.9
Delaware	5	(2)		
Maryland	104	(2)	2	
District of Columbia	52	(2)		
Virginia	109	(2)	2	.4
West Virginia	83	(2)	3	
North Carolina	168	(2)	.2	2
South Carolina	62	(2)		
Georgia	457	2	1	
Florida	381	2	1	
South Atlantic States	1,421	7	1.1	6
Kentucky	372	2	1	
Tennessee	974	.4	4	6
Alabama	408	2	.3	
Mississippi	315	1	2	
East South Central States	2,069	9	1.0	6
Arkansas	16,390	7.8	7	.4
Louisiana	560	.3	.4	
Oklahoma	50,347	23.9	4.4	5.6
Texas	19,341	9.2	3.4	1.3
West South Central	86,638	41.2	8.9	7.3
Montana	2,631	1.3	2.9	7.1
Idaho	4,585	2.2	8.6	8.6
Wyoming	1,518	.7	1.9	2.1
Colorado	7,062	3.4	5.1	3.0
New Mexico	6,439	3.1	.5	2
Arizona	20,702	9.8	1.5	.9
Utah	2,717	1.3	1.2	
Nevada	1,943	9	3	4
Mountain States	47,597	22.7	22.0	22.3
Washington	7,369	3.5	10.6	
Oregon	13,162	6.3		18.4
California			23.9	9.6
Pacific States	20,531	9.8	34.5	28.0

[1] 8.3 percent of migrants to Washington had origins outside of continental United States.
[2] Less than 1/10 of 1 percent.

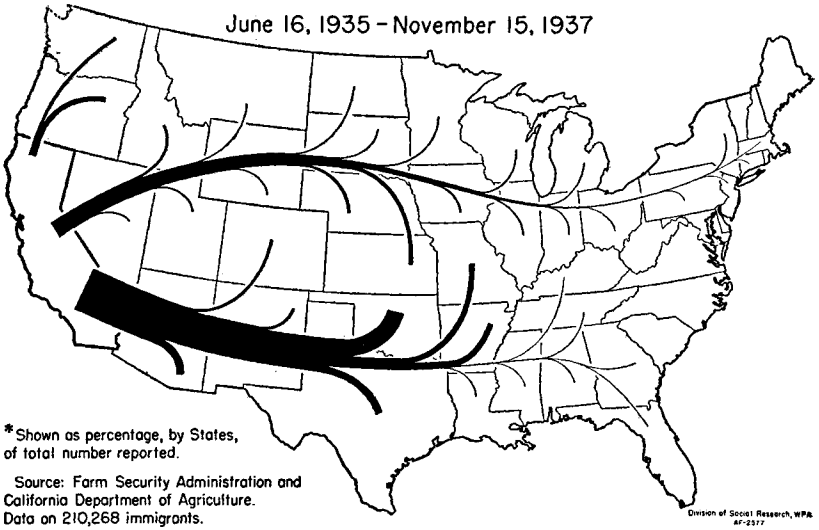
Sources: California data on 210,268 migrants "in need of manual employment" entering that State by motor vehicle between June 16, 1935, and November 15, 1937; excludes those entering in vehicles with California license who numbered 35,842: from Farm Security Administration and California Department of Agriculture. Oregon data on 5,022 families of rural immigrants; from Briethaupt & Hoffman, "Preliminary information concerning immigration into rural districts of Oregon January 1933 to June 1936." Washington data on 467 rural immigrant households; from Landis, "Rural Immigrants to Washington State 1932-36."

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CHART 19

ORIGINS OF MIGRANTS TO CALIFORNIA*

June 16, 1935 - November 15, 1937



*Shown as percentage, by States, of total number reported.

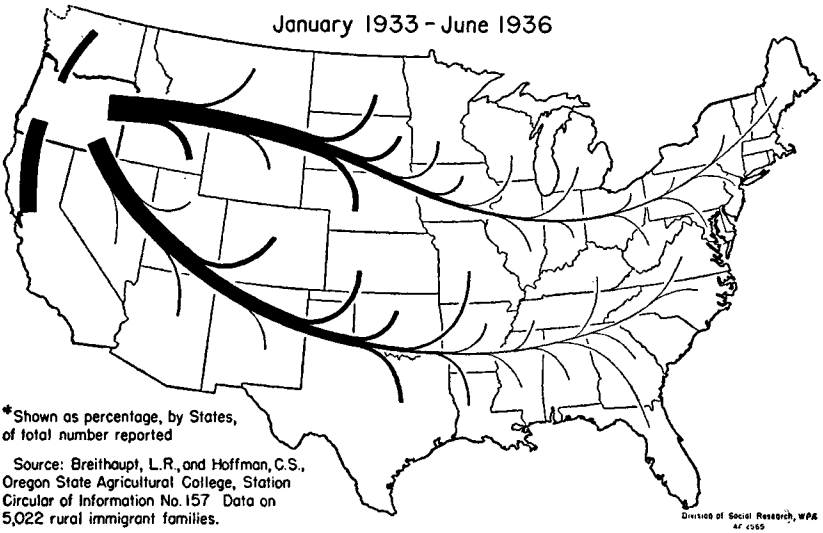
Source: Farm Security Administration and California Department of Agriculture. Data on 210,268 immigrants.

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CHART 20

ORIGINS OF MIGRANTS TO OREGON*

January 1933 - June 1936



*Shown as percentage, by States, of total number reported

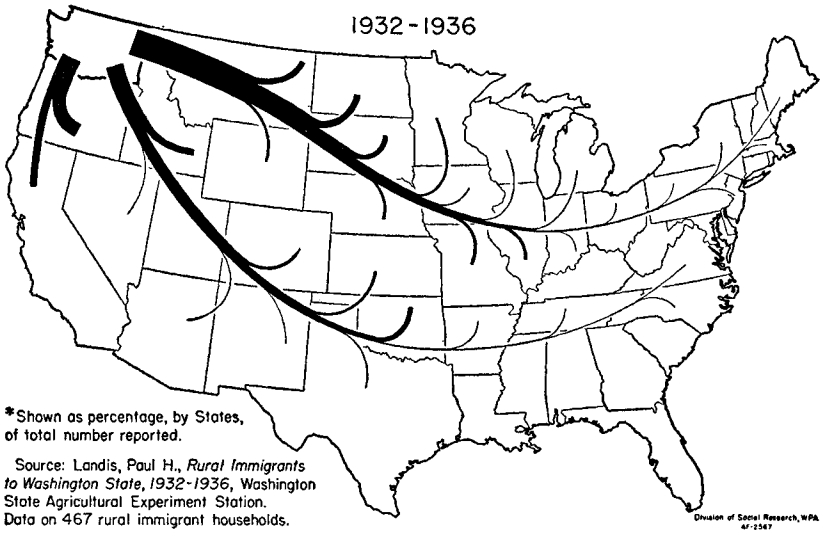
Source: Breithaupt, L.R., and Hoffman, C.S., Oregon State Agricultural College, Station Circular of Information No. 157 Data on 5,022 rural immigrant families.

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CHART 21

ORIGINS OF MIGRANTS TO WASHINGTON*
1932-1936



Upon arrival in the irrigated valleys of the West, a large proportion of these migrants have sought employment as agricultural workers. There they augment the most distressed elements of the labor supply. The westward stream of the dislodged continues at an undiminished rate, aggravating problems of relief and unemployment in the States where refuge is taken. See table 17: Migrants "in need of manual employment" entering California in motor vehicles, by months, and chart 22.

TABLE 17.—*Migrants "in need of manual employment" entering California by motor vehicle for the period June 16, 1935 to Dec. 31, 1937* [1]

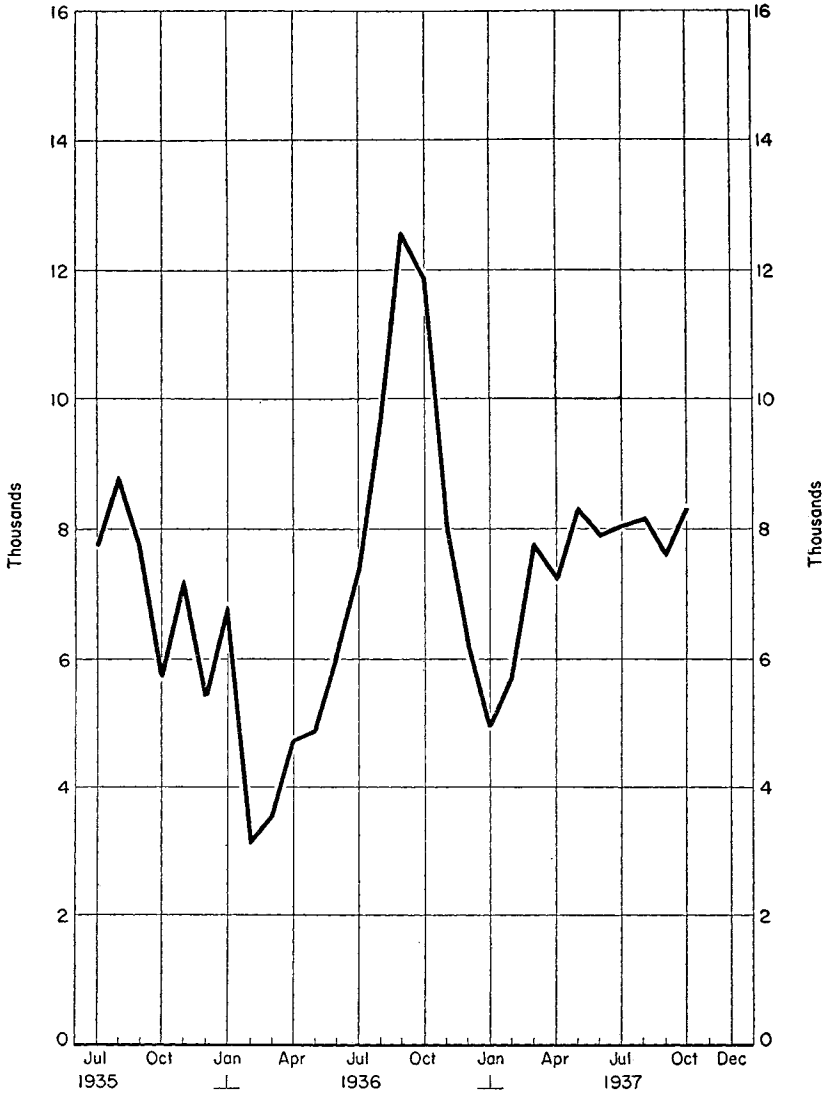
Month	1935	1936	1937	Month	1935	1936	1937
January		6,774	4,949	August	8,773	9,657	8,156
February		3,126	5,701	September	7,715	12,549	7,609
March		3,527	7,752	October	5,730	11,848	8,302
April		4,719	7,242	November	7,157	8,053	9,917
May		4,895	8,299	December	5,430	6,226	6,891
June	[2] 3,440	6,079	7,908				
July	7,754	7,370	8,035	Total		84,823	90,761

[1] Except those entering in vehicles with California license.
[2] One-half month only.

Source: Farm Security Administration and California Department of Agriculture.

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CHART 22



MIGRANTS "IN NEED OF MANUAL EMPLOYMENT" ENTERING CALIFORNIA IN MOTOR VEHICLES,* BY MONTHS

July 1935 through October 1937

*Except those entering in vehicles with California license.

Source: Farm Security Administration
California Department of Agriculture.

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AF-2633

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One of the causes of dislocation of the refugees who come from the Cotton Belt is mechanization. Even before achievement of a successful picking machine, introduction of the all-purpose farm tractor and improved tillage machinery is displacing thousands of tenant families and laborers. Until 1930 only 12.2 percent of all farm tractors in the country were in the 10 cotton States. Barely 7 years later, in 1937, the percentage had risen to 18.5, and the number of tractors in the cotton States had nearly doubled. The introduction of tractors will continue to be a factor in removing cotton people from the land. See table 18: Farm tractors in 10 cotton States and in the United States, 1920–37 Also see article on Power Farming and Labor Displacement in the Cotton Belt, in Monthly Labor Review, March 1938.

TABLE 18.—*Farm tractors in 10 cotton States and in the United States, 1920–37*

Year	Cotton States			United States	
	Number	Percentage increase	Percentage in cotton States	Number	Percentage increase
1920	29,075	----------	11.8	246,083	----------
1925	58,701	102.1	11.6	505,933	105.6
1930	111,839	90.4	12.2	920,021	81.9
1937	210,088	87.9	18.5	1,138,375	23.7

Source: United States census, 1937, data from Farm Implement News.

XXI. "INDUSTRIALIZED" LABOR IN AGRICULTURE

The family sized farm, using only the labor of the operator's family and occasionally that of a "hired man" is commonly regarded as the typical American farm enterprise. This generalization, however, obscures the fact that the farm-labor problem is concentrated on a relatively small percentage of farms where the "hired man" relationship is superseded by an employment relationship approximating that of industrial labor. Some clue to this is the fact that all the paid laborers employed in agriculture on January 1, 1935, were concentrated on one-seventh of the farms.[1] Furthermore, 56 percent were concentrated on less than 4 percent of the farms, and almost one-third of the laborers were employed on less than 1 percent of the farms. In the Pacific States, three-fourths of the paid laborers were employed on less than 8 percent of the farms. In the entire country one-tenth percent of the farms, employing 10 or more paid laborers, employed almost 15 percent of the laborers. On the Pacific coast concentration of employment was so far advanced that 31 7 percent of the laborers were employed by 0.7 percent of the farms. See Table 19: Cumulative percentage distribution of farms and hired laborers by number of hired laborers reported per farm, by geographic divisions, January 1935, and chart 23. See also Table 20: Cumulative percent distribution of farms and hired laborers per farm in the United States and selected areas, January 1935.

[1] In 1929, in April when the census was taken, about 40 percent of the farms employed no paid laborers as compared with 85.8 percent in 1935 in January. In August 1935, according to Wendzel, only about 78 percent of the farms employed hired laborers.

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TABLE 19.—*Cumulative percentage distribution of farms and hired laborers by number of hired laborers reported per farm, by geographic divisions, January 1935*

Number of hired laborers on farms	United States		New England		Middle Atlantic		East North Central		West North Central	
	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers
None	85.8	0.0	76.4	0.0	76.4	0.0	83.8	0.0	86.8	0.0
1 or more	14.2	100.0	23.6	100.0	23.6	100.0	16.2	100.0	13.2	100.0
2 or more	3.6	56.1	6.8	57.9	5.3	47.7	2.4	33.6	1.9	32.4
3 or more	1.6	39.4	2.8	38.7	2.0	28.8	.7	17.3	.6	16.5
4 or more	.9	31.4	1.6	29.4	1.0	20.7	.4	11.7	.3	10.8
5 or more	.6	26.0	1.0	23.4	.6	16.1	.2	8.9	.2	7.5
6 or more	.4	22.2	.7	19.6	.4	13.2	.1	7.3	.1	5.6
8 or more	.2	17.6	.4	15.0	.2	9.7	.1	5.1	(1)	3.6
10 or more	.1	14.8	.3	12.3	.1	7.8	(1)	4.0	(1)	2.6

Number of hired laborers on farms	South Atlantic		East South Central		West South Central		Mountain		Pacific	
	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers	Percent of farms	Percent of hired laborers
None	83.7	0.0	91.7	0.0	89.3	0.0	85.5	0.0	78.4	0.0
1 or more	16.3	100.0	8.3	100.0	10.7	100.0	14.5	100.0	21.6	100.0
2 or more	5.3	64.8	2.4	58.4	3.5	68.5	4.8	68.8	7.9	74.5
3 or more	2.5	47.0	1.1	39.7	1.7	53.0	2.3	53.0	4.3	61.0
4 or more	1.5	37.7	.7	30.4	1.1	44.7	1.5	44.7	2.9	53.1
5 or more	1.0	30.7	.4	23.2	.7	38.6	1.0	38.7	2.1	47.0
6 or more	.7	25.9	.3	18.1	.5	34.0	.7	34.2	1.5	42.2
8 or more	.4	19.9	.1	12.6	.3	28.7	.4	28.1	1.0	36.0
10 or more	.2	16.2	.1	9.3	.2	25.6	.3	25.1	.7	31.7

[1] Less than 0.05 percent.

Source: Monthly Labor Review (September 1937), Julius T. Wendzel, Social Security Board, "Distribution of hired farm laborers in the United States."

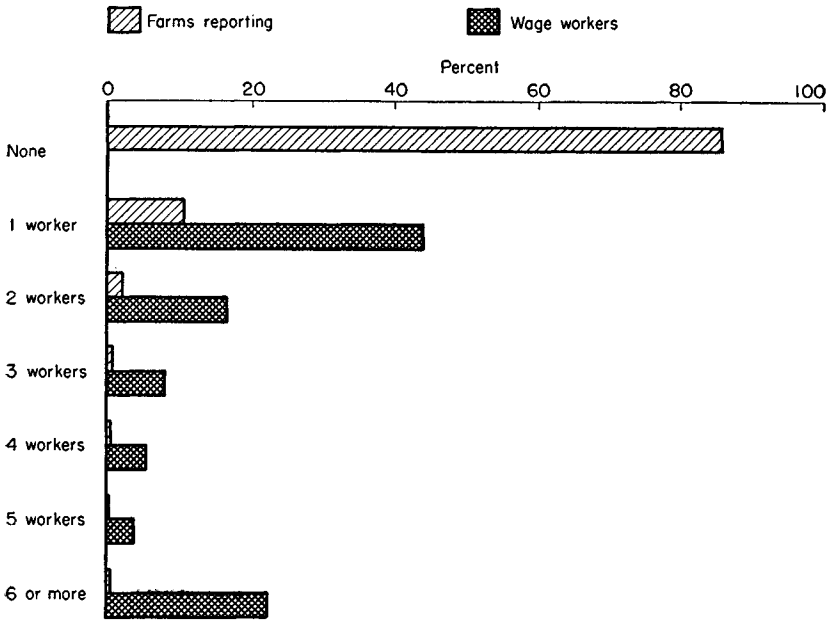
TABLE 20.—*Cumulative percent distribution of farms and hired laborers per farm in the United States and selected areas, January 1935*

Number of hired laborers on farms	United States		West North Central division		Pacific division		Minnesota		Arizona	
	Percent of farms	Percent of farm laborers	Percent of farms	Percent of farm laborers	Percent of farms	Percent of farm laborers	Percent of farms	Percent of farm laborers	Percent of farms	Percent of farm laborers
1 or more	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 or more	25.3	56.1	14.7	32.4	36.6	74.5	11.5	24.7	45.3	88.8
3 or more	11.1	39.4	4.6	16.5	19.8	61.0	2.9	10.1	29.0	82.1
4 or more	6.6	31.4	2.2	10.8	13.3	53.1	1.2	5.9	22.1	77.9
5 or more	4.3	26.0	1.2	7.5	9.5	47.0	.6	3.9	18.4	74.9
8 or more	1.7	17.6	.3	3.6	4.7	36.0	.2	1.7	12.4	67.8
10 or more	1.2	14.8	.2	2.6	3.4	31.7	.1	1.2	10.7	65.0

Source: Wendzel, Social Security Board.

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CHART 23



PERCENT OF UNITED STATES FARMS REPORTING SPECIFIED NUMBERS OF WAGE WORKERS, AND PERCENT OF WAGE WORKERS EMPLOYED ON THESE FARMS

January, 1935

Source: Wendzel, Julius T., "Distribution of Hired Farm Laborers in the United States," *Monthly Labor Review*, Social Security Board, September 1937

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AF-2607

Another measure of the concentration of employment in few hands is the fact that although large-scale farms, i. e., those with gross incomes of approximately $30,000 or over, constituted only one-tenth percent of all farms in the country, these 7,875 farms spent 11 percent of the total amount expended by all farms for hired labor. In California, large-scale farming is so far developed that the large farms constituted 2.1 percent of all farms, and spent more than one-third of all farm expenditures for hired labor. (See table 21.)

Under these conditions, agricultural employment relations lose most of its peculiar character, and closely approximates industrial employment relations.

TABLE 21.—*Percentage comparison of large-scale farms with all farms, United States and California, 1929*

	Large-scale farms	
	United States	California
Number of farms	0.1	2.1
Expenditure for hired labor	11.0	34.6
Acres of land in farms	6.9	25.4
Acres of crop land harvested	1.3	21.4
Value of land and buildings	3.2	19.8
Value of products sold	4.5	28.5

SOURCE: Bureau of Census and Bureau of Agricultural Economics. "Large-scale farming in the United States."

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XXII. URBAN AND RURAL NON-FARM STAKES IN RELIEF OF AGRICULTURAL LABORERS

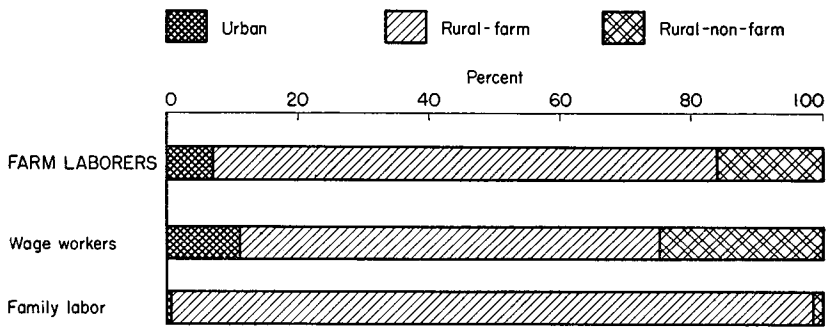
Urban and rural communities, as well as farmers and unemployed laborers have a stake in the relief problem of the agricultural laborers. One index of this is the residence of the laborers. One-quarter of the farm laborers in 1930 lived away from a farm, and 7 percent lived in urban communities. See table 22, farm laborers (wage workers and unpaid family labor) in the United States, 1930, by residence; and accompanying chart 24.

TABLE 22.—*Farm laborers (wage workers and unpaid family labor) in the United States, 1930, by residence*

	Farm laborers		Wage workers		Family labor	
	Number	Percent	Number	Percent	Number	Percent
Urban	305,855	7.0	298,498	11.0	7,357	0.4
Rural farm	3,364,202	76.9	1,752,047	64.2	1,612,155	98.0
Rural nonfarm	702,201	16.1	676,490	24.8	25,711	1.6

Source: U. S. Census 1930. In California 28.6 percent of the wage workers had urban residence.

CHART 24



FARM LABORERS (WAGE WORKERS AND UNPAID FAMILY LABOR) IN THE UNITED STATES, 1930, BY RESIDENCE

Note: In California 28.6 percent of the wage workers had urban residence

Source: *Fifteenth Census of the United States, 1930.*

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Among wage workers the proportion living off farms is even greater. One-third of these live away from farms and 11 percent reside in urban communities. In California the proportion of wage workers with urban residence is 29 percent.

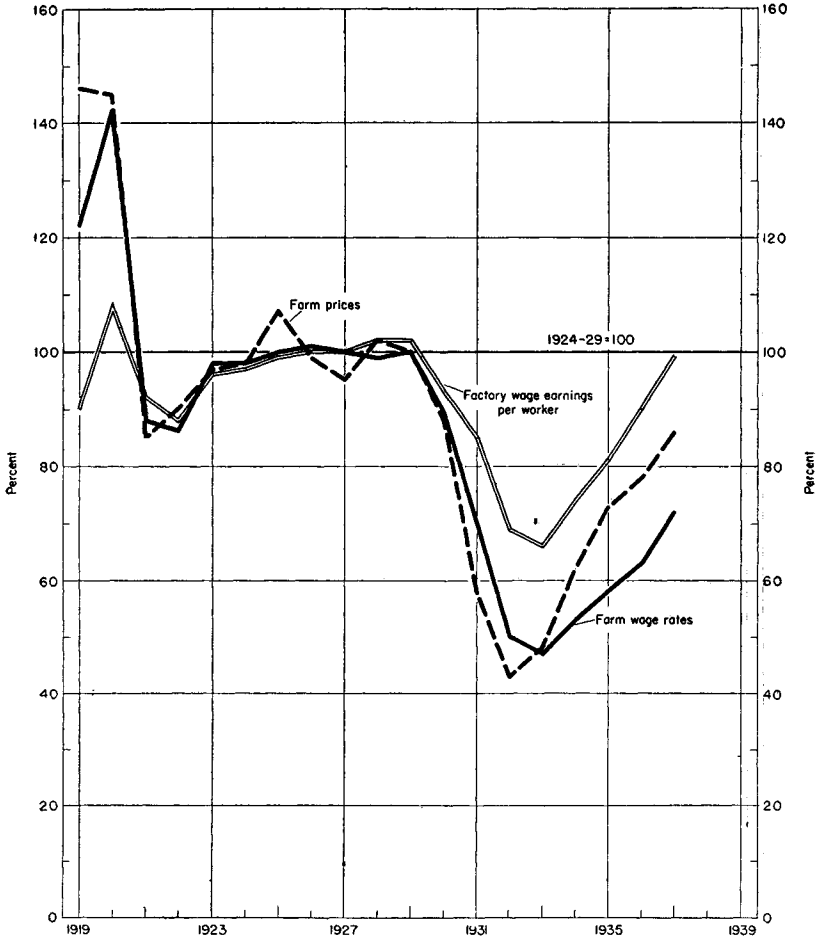
The destitution of agricultural laborers, therefore, is of direct concern to non-farm and to urban communities, because of residence. Because of the strong tendedcy of farm workers in distress to gravitate to the town and cities, the stake of the urban communitieis is even greater than that which these statistics indicate.

XXIII. RECENT TRENDS IN AGRICULTURAL WAGE RATES AGGRAVATE RELIEF PROBLEM

Recent trends in farm wages have aggravated the problem of relief of agricultural laborers. Although wage levels have been rising from their low point in 1933, the farm wage index stands well below the index of farm prices and the index of factory wages. As of 1937 the farm price index stood at 99, the factory wage index at 86, and the average of farm prices and factory wages at 90 percent of the 1919–24 average, compared to the farm wage index of only 72 percent. See charts 25, 26, and L. H. Bean, "The lag in farm wages," in Agricultural Situation, October 1, 1937.

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CHART 25



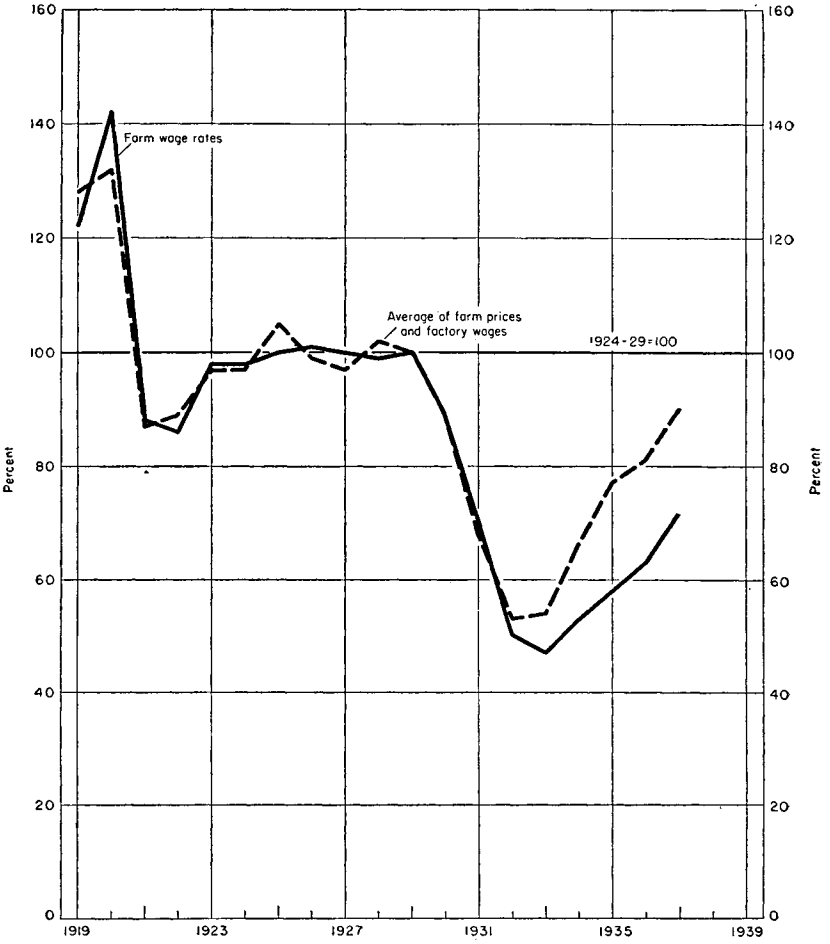
FARM WAGES, FARM PRICES, AND FACTORY WAGES
1919-1937

Source: L. H. Bean, in *The Agricultural Situation*, October 1, 1937, page 12

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CHART 26



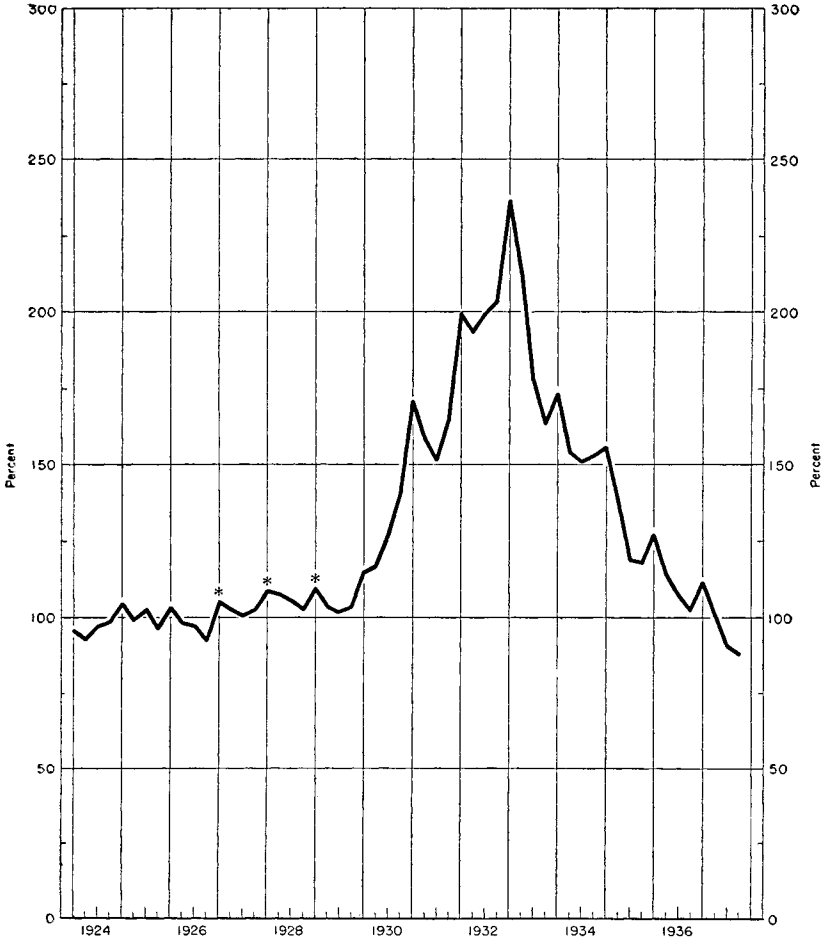
FARM WAGES AND WEIGHTED AVERAGE OF FARM PRICES AND FACTORY WAGES
1919-1937

Source: L. H. Bean, in "*The Agricultural Situation*," October 1, 1937, page 12

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CHART 27



UNITED STATES
FARM LABOR SUPPLY EXPRESSED AS PERCENT OF DEMAND
1924-1937

*As of February 1; January data not available.

Source: *Crops and Markets*, United States Department of Agriculture.

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The reason for the failure of farm wages to keep pace with farm prices and factory wages lies largely in the great oversupply of agricultural labor which has existed almost continuously since 1929 practically to the present. In January 1933 the estimated oversupply reached the astonishing peak of 236 laborers for every 100 jobs available. See table 23: United States farm labor supply expressed aa percent of demand; and chart 27. These conditions favor the employing farmer, but inevitably they increase the relief burden of those communities in which the agricultural laborers reside.

TABLE 23.—*United States farm labor supply expressed as percent of demand, 1924–37*

	Jan. 1	Apr. 1	July 1	Oct. 1		Jan. 1	Apr. 1	July 1	Oct. 1
1937	111.4	100.7	90.8	87.9	1930	114.7	116.8	127.0	140.8
1936	127.2	114.3	107.5	102.5	1929	[1] 109.6	103.7	101.7	103.6
1935	155.8	138.1	118.9	118.1	1928	[1] 108.5	107.5	105.5	102.7
1934	173.4	154.2	151.0	152.9	1927	[1] 105.0	102.5	100.4	102.3
1933	236.6	213.5	177.5	163.6	1926	103.0	98.1	97.0	92.1
1932	199.8	193.4	199.2	203.3	1925	104.5	99.5	102.4	96.2
1931	171.0	158.8	151.3	164.6	1924	95.7	92.8	96.9	98.3

[1] As of Feb. 1; January data not available.

Source: "Crops and Markets," U S. Department of Agriculture.

EXHIBIT 2

MIGRATORY COTTON PICKERS IN ARIZONA, 1937

(By John Webb, of the Works Progress Administration)

1. *Expansion in cotton acreage.*—Because of the opening up of new reclamation projects and a temporary release of crop control, Arizona's cotton acreage in 1937 was double what it had been in 1934. Meanwhile other important Arizona crops—alfalfa, truck, and citrus—showed much smaller increases because of the preference for an easily financed cash crop.

2. *Seasonal labor demands.*—The expansion in cotton acreage was principally a matter of large-scale and highly mechanized operations employing a minimum of workers the full year. The ratio of labor needs at picking time to the labor required for year-round operations was at least 10 to 1 and frequently as high as 15 to 1. At the peak of the picking season, about 37,000 pickers were at work in the Arizona cotton fields. Only 7,000–8,000 of these pickers were residents of the State.

3. *Need for out-of-State workers.*—The disparity between the resident labor supply and the peak needs was not peculiar to the 1937 season; it has existed in varying degrees since the time of the World War. The under-supply of resident cotton pickers and the marked increase in the acreage planted created a demand for out-of-State workers that was unusually large during the 1937–38 season. As a result, a vigorous campaign to recruit workers from the western Cotton States was carried on during the fall of 1937

4. *Works Progress Administration workers.*—There was also strong local pressure to suspend Works Progress Administration work projects during the picking season despite the fact that the picking operations for the large 1937 crop were delayed for a matter of only 1 to 2 weeks. The Arizona Works Progress Administration, however, had suspended all cotton pickers at the beginning of the season. At the time of local pressure for the general suspension of workers the Arizona Works Progress Administration had left on its rolls only 6,600 workers of whom none had any experience at cotton picking and of whom 1,000 were women and 3,300 were over 50 years of age.

5. *Origin of out-of-State families.*—Judging from school-attendance records in typical cotton-growing areas of Arizona all but a very few of the out-of-State cotton pickers came from four western cotton-growing States—Oklahoma, Texas, Arkansas, and Missouri. Oklahoma alone was the source of every second cotton picking family; and Oklahoma and Texas together supplied nearly three out of every four families. Arkansas was the next most important source, followed by Missouri. Together these four States accounted for 85 percent of the total number of cotton-picking families.

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6. *Agricultural background of families.*—In nearly every case the pickers from these States came from cotton farms and therefore were experienced pickers. Most of the pickers had been either tenants or hired cotton-farm workers. Many were renters and sharecroppers who had finally given up the struggle with the boll weevils, low prices, and submarginal land. Others had left because they could not compete with the tractor farmers: "You can't get land to rent any more." Those who had been hired workers had left the Cotton Belt principally because of low agricultural wages.

7 *Few California workers.*—California was represented by only 6 percent of the out-of-State school attenance. This small representation was explained by the low Arizona wage scale and the lack of experience as cotton pickers, selective factors which eliminated most of the California fruit tramps. The California cotton pickers had all arrived late in the season, and the major attraction was the healthful dry climate rather than the expectation of a good job.

8. *Principally first-year migrants.*—The mobility of the Arizona cotton pickers is altogether unlike the mobility usually associated with migratory agricultural labor. Regular seasonal migrants, similar to the Pacific coast fruit and vegetable tramps who follow the same itinerary every year, were a small group among Arizona's 1937 nonresident cotton pickers. The school-registration figures show that the children of families who had migrated to Arizona in both 1936 and 1937 constituted only one-fifth of the total. These regular seasonal migrants were no more numerous than those who had managed to find off-season work enabling them to remain in Arizona between the 1936 and 1937 seasons.

About three-fifths of the out-of-State cotton picker families had never been in Arizona before the 1937 season. This fact was not generally recognized among the cotton growers, most of whom assumed that the pickers "go back and forth between here and Oklahoma every year." The increased 1937 acreage and labor need alone would hardly account for so large a proportion of newcomers among the 1937 pickers. What appears to be indicated is a peculiar labor supply in which the pickers generally work no more than one season, then leave and do not return.

Apparently the lack of same pattern repetition will be repeated among the new pickers of 1937. Though their future plans were often uncertain, the families were positive that they would not make a yearly trip to pick Arizona cotton.

9. *Single workers.*—The information secured from the school records apply only to families employed in the 1937 picking season. The unattached workers, who were a decidedly minor group among the white cotton pickers, were essentially like the families both as to their being newcomers and their western Cotton Belt origin.

Several hundred unattached transients passed each day through the entire length of the Arizona cotton district on main-line Southern Pacific freight trains, or as hitch-hikers on U. S. 80, the southern transcontinental highway to Los Angeles. But few of these transients stopped off to pick cotton, not because they did not need money or because they did not want to work, but because they were urban industrial workers who had learned that they could scarcely make a living in the cotton.

10. *Negroes and Mexicans.*—The school-census data also fail to include migratory Negro pickers, whether unattached or family. Negro migrants, especially in Maricopa County, were fairly numerous in the 1937 labor supply. There were several large segregated Negro camps near Beardsley and Buckeye. Many migratory Negro cotton pickers made their temporary home in Phoenix and rode back and forth daily, together with the resident Negro cotton workers, in the contractors' trucks.

The Negro pickers like the whites had originated chiefly in Texas and Oklahoma. But unlike the white pickers (1) unattached Negro workers were numerous, and (2) the Negro pickers had usually left Texas and Oklahoma with the intention of returning there as soon as the Arizona cotton-picking season was over. There were almost no out-of-State Mexican workers among the cotton pickers.

11. *Ill health.*—The benefits of the Arizona climate are one of the chief talking points in recruiting migratory cotton pickers. There was accordingly a large amount of chronic illness among the migratory cotton pickers, Negro and white alike. Arizona social workers estimated that there was chronic illness in at least every third cotton picker's family. Families in which one or more members were suffering from asthma and sinus trouble were almost frequently observed, tuberculosis was by no means rare, and pellagra and various other malnutritive ailments were also frequently reported. Where illness existed, it was usually the principal reason for migration to the Arizona cotton areas.

12. *Labor recruiting.*—In order to secure enough migratory cotton pickers to harvest the cotton crop of the two leading cotton counties the growers have set

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up a special labor-recruiting organization. In the fall of 1937 this organization carried on an extensive newspaper advertising campaign in eight States. Newspaper advertisements were supplemented by the distribution of handbills and verbal reports at strategic highway points in Oklahoma, Texas, New Mexico, and Arizona. Private-grower organizations also advertised over the radio. This advertising was highly effective both directly and indirectly.

13. *Earnings.*—The estimates of Arizona growers placed the average daily output per picker at 175 pounds of seed cotton. At the prevailing rate of 85 cents per 100 pounds the average daily earnings were about $1.50. Although pickers worked 5½ days in most sections the loss of working days because of weather conditions reduced the average picking time per month to 20 days. Thus, earnings per worker were in the neighborhood of $30 per month, to which must be added the value of perquisites in the form of shelter and occasionally wood. On the average the monthly value of these perquisites was roughly $5 to $6 a family. These earnings are subject to some reduction because of the cost of transportation into the State, from job to job, and return at the close of the season. A trip from Oklahoma to Arizona and return costs $40 to $60 per automobile.

14. *Cotton camps.*—Some growers have found that good camp accommodations are profitable in that they attract and hold pickers throughout the season. On the whole, however, the Arizona camps were overcrowded, unsanitary, and poorly equipped. Poor camp accommodations contributed markedly to the relatively high incidence of pneumonia, dysentery, typhoid, and other communicable diseases in the cotton camps.

EXHIBIT 3

The foreign countries which include agriculture under some branch of social insurance are as follows:

Austria (not yet enforced): Old age, invalidity, sickness, accident.

Belgium: Old age, death, workmen's compensation.

Bulgaria: Accident, sickness, maternity, invalidity, old age, unemployment insurance.

Chile: Sickness, invalidity, old age, workmen's compensation.

Czechoslovakia: Sickness, invalidity, old age. Self-employed (not yet enforced). Invalidity, old age, widows', widowers', and orphans' pensions.

Finland (to go into effect in 1939): Old age, invalidity, death.

France: Old age, invalidity, sickness, death, maternity, family maintenance, workmen's compensation.

Germany: Invalidity, old age, workmen's compensation, sickness.

Great Britain: Old age, orphans' pensions, widows' pensions, health unemployment.

Hungary (salaried persons, not yet enforced): Invalidity, old age, widows' pensions, orphans' pensions.

Iceland (have not yet begun to pay benefits): Sickness, accident, invalidity, old age, unemployment insurance.

Irish Free State: Health insurance, workmen's compensation.

Italy: Invalidity, old age, death, tuberculosis.

Netherlands: Invalidity, old age, widows' pensions, orphans' pensions, death, sickness, maternity.

Norway: Sickness.

Peru (have not yet begun to pay benefits): Sickness, maternity, invalidity, old age, death.

Spain (no old-age pensions to be paid until 1941): Old age, invalidity.

Sweden: Old age, invalidity, workmen's compensation.

Switzerland: Canton of Glarus, old age, invalidity; Canton of Appenzell, old age, death; Canton of Basle Town, old age, orphans' pensions.

Union of Soviet Socialist Republics: Invalidity, survivors, old age, maternity, health.

EXHIBIT 4

TRACTOR FARMING V. THE TENANT FARMER

[From the Semiweekly Farm News, Dallas, Tex., Jan. 19, 1937]

Will you kindly allow us a little space in the good old Farm News to discuss a very important subject which vitally concerns the welfare of thousands of men and women in the Texas Panhandle and hundreds of thousands throughout the

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great Farm Belt. This is the matter of tractor farming. In this county of Hall, of which Memphis is the county seat, we have as fine agricultural land as one would want. Our soil is particularly adapted to the growing of cotton, maize, and kafir. We have some real practical farmers here, who practice the best cultural methods, such as are recommended by the United States Department of Agriculture and the Texas A. & M. College. We have some large landowners, who have from 10 to 20 tenant farmers.

Some of these tenants have resided on these farms for 18 years and have cooperated with their landlords in every way, taking their advice and instructions in applying the best methods in building up the soil so as to get the best possible results, but it appears now that these tenants have about reached the end of their row, for the landlords have advised them to vacate the farms, saying they wanted to farm all their land with tractors. In this connection in Hall County along there will be moving from the farms here 420 tenant farmers. With an average of five persons to the family it simply means that 2,100 men, women, and children will be driven, if I should use such a word, from the only occupation which they have ever known. Whither will they go?

In these perilous times of the great depression which is trying the very souls of men to earn a living for their families and those they love, just what is going to be the proper solution of the problem? Well, there is a reason for this sudden and unexpected movement of the tenant farmer from our farms. It can be explained in a very few words, and there is absolutely no other explanation to be given, and that is that the large landowner wants all the lease money that is being paid for the retirement of land from production, and by getting rid of his tenants he will reach out with a craving and greedy hand and be the sole recipient of all lease checks. There are, of course, some exceptions to this rule, but in Hall County they are few and far between. As evidence that it is true as a general rule we simply submit the undenied and indisputable fact that hundreds of landlords had contracts with our Government, together with their tenants, on the lease money, went behind the Government contracts and contracted with their tenants to turn over to the landlord all the lease money. If a single reader doubts the truthfulness and correctness of this statement we will gladly furnish you names and addresses upon request.

Hall County now has more than 200 tractors on the farms, and shipments of new ones are received almost daily. It appears that the big landowners have gone money-mad, and, too, at the expense, misery, and suffering of the tenant farmer, his wife and little children. All agree that something will have to be done to relieve this deplorable situation.

Sit down now and write or wire your Congressman and Senator, asking his hearty support of a movement which will mean the purchase of small tracts of land by the Federal Government upon which to locate these tenant farmers and their families. They will in due time become self-supporting and not have the embarrassment of being forced to move when the landlord says so. We believe that there is sufficient land for all, and that the Supreme Ruler of the Universe never intended that a few should "hog" all the land, but that all should have land upon which to live, rear their families and enjoy the blessings of home ownership and its happy surroundings.

To sum up the tenant situation in this or any other county as it stands today: They are looking for empty houses in the towns and in many instances with less than a month's funds with which to meet their dire needs, they are facing a very gloomy and uncertain future. On the other hand we have been reliably informed that the landlords expect to hire men to drive their tractors at $1.25 per day. This will give them time to take their vacation and incidentally, drop around to see if their checks have arrived. So the tenant farmer's predicament is bad indeed. The tractor's abuse will not only prove a detriment to him but a curse in its very worst form. This last statement is based upon sights we have seen here in Hall County. Men without funds, wives looking sad and blue, and worst of all, little children who should be in school, half naked and undernourished, the victims of tractor farming and that greedy, selfish spirit of the "land hog" who no doubt feels that he should own and cultivate the earth.

These few lines are written in the hope that something will be done to relieve this awful situation. Our Government is doing everything humanly possible to relieve the situation. They have created jobs for thousands and are going to keep on doing things to aid our people, but we don't feel that the tenant farmer has gotten his share of the benefits as our Government intended he should receive.

L. A. KENNEDY,
E. V. NAYLOR,
Memphis, Hall County, Tex.

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EXHIBIT 5

The evidence upon which conclusions about displacement of tenant farmers in northwest Texas were based, is typified in part by the following (1937) quotations from residents of Hall and Childress Counties, Tex.:

Landlord with business in town who formerly rented to tenants, and now operates with tractor and day labor:

"I'm opposed to the tractor. It puts too many off the land. We could take everyone off the relief rolls if we'd make them tenants again. But I got $700 behind on my taxes. Since 1918 I've lost $50,000 on this piece of land, that is with what I was offered for it, and what I could get for it now. Before the depression we lived off the farm. Since the depression it has lived off us. I need all I can get. I went to my limit, more than most—I kept my renters until this year."

An ex-tenant, now driving a tractor for wages:

"My landlord put me off because I couldn't get help (credit) to go on. I could have if I'd got my Government check."

"The landlords farm their own place. The people who used to work are gone on relief."

A town official:

"If the landlord could have had a crop, instead of a failure, not 10 percent would have forced the tenant off to get the money."

A banker:

"Tractor farming and fewer people will be bad for the merchants and good for the banks."

A postmaster:

"The landlords get the Government crop reduction money and buy tractors with it, and it's putting the renters out. The landlords take all the "reduction." If the tenants don't give 'em all, they put 'em off."

(Pointing to abandoned houses surrounded by well-tilled fields): "There used to be two families out there. The tractor got both of them."

"The tractors are keeping our families from making a living."

"That farm has made a living for a family ever since the land was broke."

"The farmall is ruining our country."

"You can't have a country without homes. It's no good for the country."

Groups at country stores:

"Nine out of ten that works a tractor works 320 acres. Every tractor takes off one family."

"There never will be no more sharecropping much, because the landlord will work it with tractors and hired labor."

"I've seen this country since the land was broke. It's ruining our schools and churches."

"We've got to have a different farm program. Eighty-seven percent of this land is on Government loan. They've got to put these folks back to where they're going to produce a living. They've got to do it. It's going to save the country. Take these folks off relief."

"Every time a farmall tractor cuts out another renter we have another man on relief."

"The farmall is knocking our renters out of their place and scattering them all over."

APPENDIX 18

EXHIBIT 1

COMMITTEE ON CARE OF TRANSIENT AND HOMELESS,
New York City, March 14, 1938.

SUPPLEMENT TO STATEMENT OF PROBLEMS INVOLVED IN ADAPTING SOCIAL SECURITY AND RELIEF PROVISIONS TO THE NEEDS OF MIGRANT AND NONRESIDENT PERSONS AND FAMILIES, AND RECOMMENDATIONS FOR REMEDIAL ACTION

Since the organization of the Committee on Care of Transient and Homeless in 1932, we have maintained constant contact with conditions in the several States and with national agencies, both public and private, which have an interest in the problems of migrant and nonresident people. The information made avail-

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able through these channels supports our statement of the problems as they exist and provides the basis for the remedial action suggested.

The depression brought into sharp focus the problems resulting from the movement of needy persons and families. These became so acute that the Federal Government established the Federal transient program in June, 1933. It was discontinued on September 20, 1935. The mere issuance of an order from Washington at that time did not stop transiency. It did not put an end to the necessary movement of people. A problem cannot be solved simply by closing one's eyes to its existence.

We submit the following evidence that these problems still exist:

Current correspondence.—From every section of the country reports have come describing the living conditions of migrants, the attempts to give some assistance, the almost universal system of passing on the transient and his family to the next town, the next county, the next State. Excerpts from this correspondence and from news stories are shown in exhibit B.

Statistical information.—Comprehensive, authoritative statistical information, showing volume and flow of transient population, has not been available since the abolition of the Federal program. "Spotty" reports indicate that the volume is still of such magnitude as to demand public attention.

The Association of American Railroads reports ejection of illegal train riders or trespassers from railroad property. These reports show a monthly average of 240,000 such ejections for the last 3 months of 1937 Monthly figures for the full year appear in exhibit C.

The Farm Security Administration reports that from January 1, 1936, to June 1, 1937, 20,000 families moved from the drought States into Idaho, Oregon, and Washington, that dust-bowl refugees entered California at a rate of 70,000 per year.

The midmonthly census of the Washington State Department of Public Welfare indicates from 2,600 to 5,800 transients under care per month. The January 1938 figure of 6,677 is the highest since March 1935.

For additional statistics, see exhibit C.

Continued interest by private and public agencies.—1 The Council of State Governments continues to urge interstate and Federal action to meet the transient situation.

2. The American Public Welfare Association recognizes the importance of uniform settlement laws and uniform provisions for the care of nonresidents in the public-welfare administrations of the several States.

3. The National Tuberculosis Association is concerned because of the risks to health, individual and community, because of the lack of medical provisions for migrants but particularly because of the danger of spreading disease in the communities through which they pass. A conference of the Southwestern States was called in 1936 at Santa Fe by this group, seeking remedial provisions.

4. The American Social Hygiene Association is interested in proper care for transients with particular reference to the control of venereal disease and related health problems.

5. Other agencies concerned with the problem are the Family Welfare Association of America, the Salvation Army, the Young Women's Christian Association, the National Urban League, the Council of Jewish Federations and Welfare funds, the Community Chests and Councils, Inc., and the National Association for Travelers Aid and Transient Service.

6. State-wide groups in California, Louisiana, Texas, Ohio, and other States have been formed in attempts to provide adequate care for migrants.

7 Interstate conferences have been held at Trenton, N J. (21 States), and St. Paul, Minn. (11 States), to discuss their mutual problems of transiency and settlement laws.

8. The annual conference of mayors has called for Federal assistance to meet the needs of migrants.

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For excerpts from the statements and resolutions adopted, see exhibit D.

State studies of relief problems.—1. State reports from New York,[1] California,[2] Michigan,[3] Pennsylvania,[4] Connecticut,[5] among others, urge Federal assistance in meeting this problem which is too big for them individually.

Federal studies.—1. Congress recognized the problem when in 1936 it passed Senate Resolution No. 298, directing the Secretary of Labor to "study, survey, and investigate the social and economic needs of laborers migrating across State lines." The preliminary report of this study, submitted to the Senate on July 6, 1937, supplies facts which support our contention that the transient problem continues to exist and that it requires governmental action if remedial measures are to be provided. For excerpts from this study, see exhibit F.

2. The United States Public Health Service is now engaged in a study of the medical needs of transients.

3. The Works Progress Administration Division of Social Research has continued to make spot studies of the transient situation.

4. The Farm Security Administration has conducted studies of the movements of people, particularly from the dust bowl into the far Western States.

5. Other governmental agencies which have concern in these problems of moving people: Social Security Board, United States Employment Service, Farm Labor Placement Service, Children's Bureau, Bureau of Labor Statistics, and National Resources Committee.

EXHIBIT 2

EXCERPTS FROM CORRESPONDENCE

BUREAU OF HOMELESS AND UNATTACHED PERSONS,
Lansing, Mich., November 10, 1937.

* * * The Michigan transient case load has increased nearly 20 percent over last year, at the present time, undoubtedly influenced in large part by the increasing knowledge among transients that there is such a program in Michigan and the fact that adjoining States have no adequate program of care.

JACKSON, MISS., *October 7, 1937.*

* * * The Y. W. C. A. reports 145 transient girls and women during the past year assisted by their organization.

ST. LOUIS, MO., *December 1937.*

MEN OF ST. LOUIS

The number of unattached men receiving relief * * * has shown a fairly constant decrease since January 1935 * * * some of this reduction * * * due to a general improvement in employment * * * Other causes, including the use of a notarized application blank * * * but it is certain that there have been too many artificial limitations and controls in the public-relief picture in the past 2 years to conclude that the reduced loads reflect reduced needs * * *.

NEWARK, N. J., *May 5, 1937.*

Only the private agencies are accepting transient persons * * * they have reverted to the old practice of passing along the transient after one or two nights lodging.

SANTA FE., N. MEX., *December 20, 1937.*

A newspaper clipping (December 8) reporting the formation of a Transient Relief Coordinaring Council with the purpose of discouraging indigent transients from coming to Santa Fe * * *. The form of relief to be given will, in general, be the minimum period of lodging and adequate food to be furnished at the city jail, and the minimum gasoline or other need to get the transient out of town.

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[1] Public Relief for Transient and Non-Settled Persons in the State of New York, Governor's Commission on Unemployment Relief, August 3, 1936.

[2] Transients in California, State Relief Administration of California, August 3, 1936.

[3] Michigan's Plans for Relief of Homeless and Unsettled Persons, State Emergency Welfare Relief Commission of Michigan, January 1937.

[4] A Modern Public Assistance Program for Pennsylvania, First General Report of Pennsylvania Committee on Public Assistance and Relief, December 1936.

[5] Relief Problems of Transiency in Connecticut, Emergency Relief Commission, 1936.

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DEPARTMENT OF PUBLIC WELFARE,
SHELTER CARE DIVISION,
Cincinnati, Ohio, July 27, 1937.

* * * Our shelters monthly average registration is about 1,800 transients or about 75 to 80 percent of the city's total load, and * * * our own medical work is appreciable, it is the minor part of what the city does for individuals of recent origin in the city.

TRAVELERS AID,
Columbus, Ohio, December 20, 1937.

There is an average of about 700 transients passing through the transient referral bureau each month. In addition we have an average of about 70 a month referred to us through the bureau or through other sources.

TRAVELERS AID,
Scranton, Pa., July 26, 1937.

We have treated approximately 3,000 transients during the past year.

PITTSBURGH, PA., *May 20, 1937.*

Since the termination of the Federal * * * responsibility * * * the local handling of the problem has been most haphazard. The problem is particularly acute for the young boy, the physically handicapped, and the Negro.

COUNCIL SOCIAL AGENCIES,
Louisville, Ky., November 29, 1937.

The Salvation Army is providing lodgings for able-bodied men and referring the sick and incapacitated to the Travelers Aid for casework treatment. The number of transients applying is increasing daily probably due to two factors: The weather and industrial lay-offs to the north of us.

COMMUNITY CHEST,
Charleston, S. C., May 28, 1937.

Statistics show that 1,092 transients were reported to the social service exchange by chest agencies from October 1936 through April 1937.

H. F. LEIES, ST. MARY'S UNIVERSITY,
San Antonio, Tex., January 10, 1938.

Since the Federal transient bureaus have ceased to operate, San Antonio has not attempted to meet the problem. Some agencies take care of family transients or of special groups, the Salvation Army is making desperate efforts but gets no municipal support, and the city restricts itself to accommodating some 40 to 50 a night in a room in the jail by offering the concrete floor for the night's rest.

MADISON COMMUNITY UNION,
Madison, Wis., June 29, 1937.

Within the last week we have been notified that the State department is withdrawing all funds for transient service and it looks as if we are back in the same position we were in 1930.

DEPARTMENT OF SOCIAL SECURITY,
Olympia, Wash., May 11, 1937.

We have had to restrict our program * * * because * * * few other States in this part of the country were assuming any responsibility * * * We * * * limited care to 48 hours, hoping that before another winter came there might be a more nearly uniform approach to this whole question in other nearby States.

EXHIBIT 3

(Supporting section on statistical information)

AMERICAN ASSOCIATION OF RAILROADS

Approximate number of illegal riders or trespassers removed from trains or ejected from railroad premises but not arrested:

1937:		1937:	
January	185, 343	July	463, 287
February	188, 686	August	407, 478
March	248, 231	September	338, 389
April	292, 647	October	269, 795
May	360, 655	November	241, 151
June	400, 745	December	199, 627

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Mid-monthly 1-day Census transients receiving relief as reported by State Department of Public Welfare, Olympia, Wash.

	Unattached individuals	Families	Individuals in families	Total individuals
1937				
January	165	883	3,717	3,882
February	228	1,174	5,338	5,566
March	143	1,257	5,709	5,852
April	138	1,028	4,656	4,794
May	89	701	3,297	3,386
June	127	705	3,240	3,367
July	216	570	2,646	2,862
August	144	552	2,497	2,641
September	176	595	2,733	2,909
October	163	562	3,036	3,199
November	334	616	2,675	3,009
December	250	899	4,046	4,396
1938				
January	223	1,545	----------	6,677

Migrants entering California June 16, 1935, to June 15, 1936 [1]

State	Total	White [2]	Mexican	Filipino	Negro	Others [3]
Total migrants	87,362	78,233	5,245	2,048	1,046	700
Percent	100.0	89.6	6.0	2.3	1.2	0.9
California	16,315	12,271	2,294	1,280	325	145
Arizona	7,671	5,774	1,449	179	213	56
Texas	6,685	5,988	563	----------	100	34
Montana	1,027	661	62	281	3	20
New Mexico	2,637	2,244	376	10	7	----------
Washington	3,108	2,941	----------	146	2	19
Oklahoma	13,984	13,720	111	----------	153	----------
Other	35,935	34,634	390	152	243	516

[1] Table 5, page 8, Drought refugee and labor migration to California in 1936. Bureau of Labor Statistics, United States Department of Labor. December 1936.
[2] Used as an inclusive term for all not classified otherwise.
[3] Includes Japanese, Chinese, American Indians, Hindus, and 622 gypsies.

The New York Times, January 30, 1938, reports, under the headline—

"RURAL CALIFORNIA HAS STARVING MEN

"With the December cotton harvest over and field work in other crops reduced to a minimum, alarming reports of hunger, privation, and actual starvation among migratory farm workers come from the San Joaquin Valley and other agricultural districts in California.

"* * * Conditions in Kings County are said to be even worse * * *. Children are dying at the rate of one or two a day in Tulare County and 90 percent of the mortality is among children of migrants * * *. Most of the migrants are refugees from Oklahoma and Texas 'dust bowl' who have been entering California by automobiles at the rate of about 70,000 a year seeking work. * * *

"* * * Migratory families are ineligible for local aid relief because they cannot meet residence requirements of 1 year for State relief and 3 years for county relief."

RELIEF PROBLEMS OF TRANSIENCY

(A Survey of the Methods of Providing Relief for Transient and Local Homeless Men in Connecticut. January–June 1936, p. 5)

1. Due to lack of records in the towns, the extent of the transient problem has been estimated by using several different methods, which indicate that numbers under care vary from 250 to 600 on any one day, with a total of from 3,000 to 7,000 in any one month, and that the number of applicants is increasing.

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(From the Speech of Mayor Frank L. Shaw of Los Angeles, Calif., at the 1937 Conference of Mayors, Washington, D. C.)

In his speech before the 1937 conference of mayors, Mayor Frank L. Shaw of Los Angeles, said: "Today it is probable that between 500,000 and 600,000 persons, including many family groups, are wandering through this country without ample means of support."

MIGRATION OF LABORERS

(Unpublished Report of the Secretary of Labor on the Survey of Labor Migration Conducted Under S. Res. 298 (74th Cong.) submitted to the Senate on July 6, 1937)

With regard to the volume of migration the preliminary report of the Labor Department's study of migratory labor, says:

"During the depression hundreds of thousands of destitute workers were dislodged and migrated across State lines in the somewhat futile hope of finding subsistence * * *. The total volume of relocation since 1929 is probably no greater than the previous decade, although the volume of domestic migration may have doubled. Increased domestic migration has been offset by the almost complete disappearance of foreign immigration. The burden of adjusting to changing economic conditions has been largely shifted from the immigrant to the American worker."

The Labor Department study continues with: "Families appear to form a larger proportion of all migrant groups than formerly. Most of the migrants in agriculture move in family groups, including small children."

(From Farm Security Board in San Francisco as Reported by Walter A. Haas of the Community Chest of San Francisco Before Special Senate Committee to Investigate Unemployment and Relief, January 13, 1938)

Number of out-of-State transients in need of manual employment entering California in automobiles

June 15 to Dec. 31, 1935	57,006
Jan. 1 to Dec. 31, 1936	97,672
Jan. 1 to Nov. 15, 1937	91,445

"The total for 1937 ending November 15 indicates that the number of migrants for the 12-month period will exceed that of the previous year despite the betterment of drought conditions in the Middle West."

EXHIBIT 4

(Excerpts from resolutions and conclusions of various interstate conferences)

COUNCIL OF STATE GOVERNMENTS

WASHINGTON, *January 22, 1937.*

Resolved, That it is the sense of the third general assembly that uniform settlement laws be enacted, providing for—

(*a*) A period of 1 year's residence as a requirement for gaining settlement.

(*b*) A provision for the retaining of settlement in one State until a new one is acquired in another State.

(*c*) Relief and service to unsettled persons in accordance with the local standards of relief, wherever they may be found in need and until such time as the necessary investigations regarding settlement is completed.

(*d*) Vesting in the State department on public welfare the power to determine the final decision as to the retention of an unsettled person in the State or the return of such person to his place of legal residence.

(*e*) Authorization of State departments of public welfare or the corresponding agency to reimburse the local units for the costs of relief and service given to the person without legal settlement.

(*f*) Authorization of State departments of public welfare or the corresponding agency to provide relief and service for transients—interstate and intrastate—as an integral part of the general relief and service department.

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Resolved, That the Third General Assembly recommends the adoption of the Uniform Transfer of Dependents Act, and urges the application of the principle of reciprocal agreements between groups of two or more States having adequate laws to encourage uniformity of practice between the cooperating States. Be it further,

Resolved, That the third general assembly urge the Congress of the United States to develop the necessary legislation and make appropriations to take care of the problems of the transient, the needy stranded migratory laborer, and other unsettled persons through grants-in-aid to the States on the basis of certain basic requirements.

TRENTON CONFERENCE

TRENTON, N. J., *March 6–7, 1936.*

Be it resolved, That we call upon the Government of the United States, through an appropriate permanent branch of the public service and as a part of the public assistance program, to accept immediate responsibility for the relief and employment of transients, and we urge that this relief and employment be made effective through permanent departments of State government and coordinate local units of administration and that funds be made available by the Federal Government on a grant-in-aid basis * * *.

We are fully aware of the differences between the States in the manifestations of the Federal relief and transient problems, and the impracticability of this conference attempting to formulate a detailed and specific program of State action.

However, there are certain general principles which should be embodied in State legislation and which, if adopted in the several States as part of their general relief program, would substantially reduce the volume of transiency. We conceive these principles to include

(1) A uniform period of residence, preferably brief, for acquiring a legal settlement.

(2) A reorganization of the relief laws to provide care for persons not having local settlement.

(3) Adequate standards of relief for all persons in need, regardless of settlement status.

Be it further resolved, That this conference approve and encourage all efforts being made and to be made to bring about uniformity of legal settlement laws between the several States.

That for immediate action this conference approve the principle of reciprocal agreements between groups of two or more States which shall encourage uniformity of practice by agreement as between the cooperating States.

MIDWEST CONFERENCE ON TRANSIENCY AND SETTLEMENT LAWS

ST. PAUL, MINN., *March 11–12, 1937.*

(Referring to removal of nonresidents, it was agreed that) the following principles should govern action taken:

(1) That removal to the place of legal settlement within the State should be on the basis of the best interest of the client.

(2) That before returning an individual or family to the place of legal settlement, permission should be obtained and a plan made for the individual or family within the community to which the person or family is to be returned.

(3) That the final decision as to whether an individual or family should be returned from a political subdivision in which there is no legal settlement to the political subdivision of legal settlement should be by the State welfare department.

* * * the following conclusions were reached:

(1) That the States should work toward the development of a period of 1 year's residence as a requirement for gaining settlement within a State.

(2) That States should work toward a provision for the retaining of settlement in one State until a new one is acquired in another State.

* * * It is obviously impossible to make action effective on interstate problems unless there is a reasonable degree of Federal supervision and an adequate amount of Federal financial support. This conference is convinced that either as a part of a more general Federal relief program or as a special class of relief care by itself there must be created some Federal provisions for the supervising and financing of the program for interstate transients. The Conference recognizes that this is not a matter which can be passed off for the supervision and financial control of the Federal Government only, but it is a problem that must be shared in its administration and financing as a partnership between Federal, State, and local governments.

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* * * The conference realizes that the transient population presents a serious health problem because of the existence of contagious diseases, particularly tuberculosis and venereal diseases, among this group. This problem shows the importance of Federal-State joint action. Because of the health menace and the other social evils consequent upon the lack of care for our moving population, the conference, therefore, stresses the point that the expense of an adequate transient program would be much less than the social costs of continued neglect.

UNITED STATES CONFERENCE OF MAYORS

WASHINGTON, *November 15–20, 1937.*

INDIGENT TRANSIENTS

Whereas the unemployment problem of many sections of the West, as well as other parts of the United States, is greatly aggravated and distorted by the mass movements of indigent transients into such areas, and

Whereas those cities and communities which receive undue influx of such migration of indigent transients, seasonally or continuously, are confronted with extraordinary emergencies of relief, social welfare, and crime control far in excess of those with which such local jurisdictions should be expected to cope, and

Whereas these migrations of indigent transients are interstate in character, and therefore constitute a national problem and responsibility, therefore be it

Resolved, That this annual conference of the United States Conference of Mayors recommend to the Congress of the United States and to the appropriate committees thereof suitable action to accomplish a solution of this urgent problem.

EXHIBIT 5

EXCERPTS FROM STATE STUDIES OF RELIEF PROBLEMS

NEW YORK

(Public Relief for Transient and Nonsettled, Persons in the State of New York, Governor's Commission on Unemployment Relief, August 3, 1936)

Individuals will continue to seek escape from situations which appear intolerable to them, irrespective of the existence of resources for their care. Nor does the search for work stop at the State boundaries. Families and individuals of limited means, or on relief in their home locality, will undoubtedly continue to go to the place or State wherein they prefer to live or consider job opportunities to be relatively favorable. The elimination of a program of transient relief cannot stop the processes of life itself.

Transiency is peculiarly in interstate problem, requiring interstate coordination and standard making, and Federal financial assistance in order to equalize the cost of care between the States on the basis of the numbers given to or received from the flow of transiency. The interstate character of the problem seems to indicate clearly and inescapably the propriety of Federal responsibility, on a permanent basis, for the care of needy interstate transients.

Their movement across State lines and into communities on which they have no legal claim for care makes them peculiarly an interstate problem and a Federal responsibility. This movement is in part a resettlement problem and in part a labor problem; it is by no means wholly a problem of return of persons to a point of legal settlement.

CALIFORNIA

(Transients in California, State Relief Administration of California, August 3, 1936)

The Federal Government has brought its service and relief for transients to an end, but the survey shows that the transients are still with us.

Liquidation of organized care, closing of camps and shelters, restrictions on intake policy, withdrawal of Federal funds, have not solved the problem. Blockading the borders of the State or trying to send all persons to place of legal residence, have made little impression on the number of transients in California who must find some way to keep alive.

Renewed efforts should be made to secure Federal aid for transients.

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MICHIGAN

(Michigan's Plan for Relief of Homeless and Unattached Persons, State Emergency Welfare Relief Commission of Michigan, January 1937)

The Federal Government should assist in the financing of care for homeless and unattached persons as a part of the Social Security Act in grants in aid to States in proportion to the homeless and unattached cases receiving assistance in each State and in proportion to State and local contributions:

(*a*) In order to equalize the cost of transient relief among the States.

(*b*) In order to provide equal standards of homeless and unattached relief among States to prevent migration of persons from States with poor standards of relief to States with better standards.

(*c*) To insure adequate care for unattached persons not generally provided because of prevalent misunderstanding of the needs of the unattached persons and misconception of his ability to meet these needs.

(*d*) To reduce prejudices against aid for transients arising because they do not "belong" to the community.

(*e*) To reduce tranciency by standardization and adequate relief for the local homeless and domiciled single in his own community.

PENNSYLVANIA

(First General Report and Recommendations of the Pennsylvania Committee on Public Assistance and Relief. A Modern Public Assistance Program for Pennsylvania, December 1936)

It is the judgment of this committee that the Federal Government should be urged to resume a substantial measure of responsibility in the care of transients, certainly that part which is represented by interstate movements of people, and that it should also cooperate in encouraging harmonization of the settlement laws of the several States through the enactment of uniform legislation or of interstate compacts. Under Federal leadership of this kind, standards of care and treatment in this field could be largely improved through the application of the principle of grants-in-aid by the Federal Government, under minimum requirements as to administration.

CONNECTICUT

(Relief Problems of Transiency, a survey of the methods of providing relief for transient and local homeless men in Connecticut, January–June 1936, Emergency Relief Commission, 1936)

The interstate aspects of the transient problem were brought out very definitely during the operation of the Federal Transient Bureau, and our study has revealed that these interstate aspects still exist.

Present conditions in Connecticut are essentially the same as those which convinced the Federal Emergency Relief Administration, in 1933, of the necessity of providing Federal funds for the care of transients. These funds were discontinued in 1935, not because of lack of need but because of a change in policy.

The efforts of a large proportion of the population to find work make it necessary for them to disregard State borders. The trend is toward the large centers where the opportunities for employment are more plentiful than in the smaller towns. It is noticeable that rumors of special work projects in any one part of the country bring a large number of transients to that location.

EXHIBIT 6

FEDERAL STUDIES

(From "Migration of Laborers," unpublished report of the Secretary of Labor on survey of labor migration conducted under S. R. No. 298 (74th Cong.) submitted July 6, 1937)

The common picture of the migrant as an unemployable drifter appears to be the result of sheer provincial prejudice.

The rapid development of the United States would have been impossible without an extreme mobility of workers. Relocation of workers is necessary in any dynamic society and in this country relocation must involve movements across State

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lines. Industrialization, the development of new areas, drought, the collapse of old structures such as farm tenancy, technical changes, depression, and the quest for health all force workers to move from one State to another.

The interstate migrant has been largely overlooked in many of the recent laws to provide for the security of workers. Agricultural workers have been excluded from the unemployment compensation laws so far enacted and from Federal old-age annuities. Seasonal workers are inadequately covered in most State social security laws. Many workers now stand to lose whatever right to unemployment compensation they may have accumulated if they migrate from one State to another, unless special arrangements to cover such cases are successfully established by future interstate agreements.

* * * Seasonal migrants in agriculture seem to be able to average only about 6 months of work each year. They appear to average about $300 a year per single man and $400 a year per family.

* * * Lack of medical care and health protection for the migrant menaces the community as well as the migrants themselves. The ordinary health services of the community are seldom available to nonresidents except in extreme emergencies. Few communities attempt to control venereal and other contagious and infectious diseases among migrant workers. Educational opportunities are lacking or extremely limited for the children of thousands of migrant families, particularly those of migrant agricultural workers. Children old enough to work in the fields are expected to contribute badly needed income, and parents often do not consider it worth while to enroll the younger children in school during their short stay in any one community. School authorities, on their part, are frequently lax in enforcing the school attendance laws in cases of the children of migrant families.

* * * Migration of workers is a normal process of adjustment to changes in opportunity. The causes of migration are so fundamental and pervasive as to leave little hope that workers may be immobilized and little justification for the existing discrimination against the migrant himself.

(From The Transient Unemployed, John N. Webb, Works Progress Administration, Division of Social Research, Monograph III, 1935)

The great majority of transients were native white persons; Negroes represented approximately one-tenth of the monthly registration, and foreign-born whites approximately one-twentieth. In the transient relief population the proportion of native white persons was higher, the proportion of foreign-born whites lower, and the proportion of Negroes about the same as in the general population.

* * * It seems evident from this study that the problem of depression transiency can be solved only through an adjustment of this mobile labor supply to areas where there is a demand for their services. Resettlement and stability are contingent upon economic opportunity.

* * * The argument that the solution of the transient problem can be accomplished by an immediate return of all needy nonresidents to their place of settlement appears to confuse the legal with the economic aspects of relief. Moreover, it has been shown that of a representative sample of the transient relief population only slightly over one-half had verifiable legal settlement in a specific community. But aside form this obvious difficulty, there seems to be little logic in attempting to facilitate the return of transients to places of previous residence until, and unless, there is an opportunity for them to resume gainful employment.

* * * Therefore, it seems highly probable that the dissolution of the transient population will proceed only as rapidly as business and industry can provide the employment essential to stability. To whatever extent this provision falls short, the transient problem will remain unsolved.

APPENDIX 19

THE DISPLACED COAL MINERS

SUMMARY OF EXTENDED STATEMENT

I. In the Appalachian coal region and the Illinois field together there are about a quarter of a million miners permanently displaced. They represent approximately 1,000,000 people. Their location and their age makes replacing in industry

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very difficult. This paper cites an illustration of the degeneration which takes place as long-time unemployment drags out—and also an illustration of the rehabilitation of an actual family by training them in new skills.

II. A citation of the Government's effort at rehousing and retraining, together with an experiment undertaken by the American Friends Service Committee in Western Pennsylvania in the same field. This shows that by facing the problem as an educational undertaking primarily, unemployed coal miners can be retrained and brought back to a self-supporting basis. This involves (1) a carefully worked out education program carried out by intelligent and dedicated persons; (2) plans for low-cost housing with a minimum of subsidy; (3) the relocation of small industries; (4) more planning on the part of Government when industries are in process of location, so that they may keep in mind the distressed area.

IV. Two specific forms of action are called for, based largely on the British experiment in the same type of work.

First. A permanent investment in housing should be furnished by Government. The retraining and handling of the human side of rehabilitation should be done by voluntary agencies. The best fruits will come by cooperation between voluntary and Government agencies.

Second. The experience of Great Britain indicates that Federal provision for information about relocation of industries may have a far-reaching effect upon reemployment and rehabilitation.

V. This presentation has centered around the coal industry because it is in this industry that the experience of the writer has been worked out. The problem of the displaced worker is greater in this industry than elsewhere, but it is present in almost all industries, as mechanization takes place. Therefore, the principles enunciated here would apply on a larger scale.

CLARENCE E. PICKETT.

PHILADELPHIA, PA., *March 31, 1938.*

STATEMENT BY CLARENCE E. PICKETT, EXECUTIVE SECRETARY OF THE AMERICAN FRIENDS' SERVICE COMMITTEE, CONCERNING RELIEF AND REHABILITATION PROJECTS UNDERTAKEN BY THAT COMMITTEE IN THE BITUMINOUS COAL AREAS FROM 1931 TO 1938

A quarter of a million men, trained as coal miners, will never use that skill again. They are not bachelors—almost to a man they are heads of families. They represent not less than a million Americans. They are scattered on hillsides, up the "hollers" and along the runs of the Appalachian ridge of western Pennsylvania, throughout West Virginia, Kentucky, and Tennessee, into Alabama. They are residents in the predominantly coal-mine towns of Central Illinois. These are the major problem areas.

The reasons for this catastrophe have often been repeated. Perhaps they might be briefly outlined here. Improvements in methods of coal combustion give a greater number of heat units for a pound of coal by 12 percent over what it was 15 years ago. Then there is a whole new family of competitors in the picture—electricity and gas and gasoline and oil. To some extent our present plight is also another result of the war. We extended both home consumption and foreign markets during the feverish period of activity preceding and during the war. Now our export market is greatly reduced, as well as the call for coal at home.

I suppose the most potent enemy of employment, however, at the present moment is the rapid process of mechanization of the coal-mining industry. You may picture a coal miner as a man with a pick and a shovel on his shoulder, crawling back into some secluded nook under the ground, dimly lighted by his own little torch, where all day long he picks away at the hidden vein of mineral, loads it on a donkey-driven car, to be drawn out to a hand-operated dump. The amount of coal produced in this fashion today is inconsequential. The more accurate picture would be to think of a man under 30, operating one small process in an assembly line set-up, thoroughly mechanized from the cutting of the coal at the face of the mine, through its loading, electric transportation, mechanical washing, and loading, until it reaches its destination. Almost every bit of that process is done by machinery. The coal miner is becoming a machinist.

There are three forms which unemployment in the coal-mining communities take. First, there is the community where the mine is worked out. Here, the men with more initiative are either taken by the companies owning other mines to another place where they have properties—there to exercise their skill; or they may move on their own initiative; or they may remain to see the mine closed and to sit in solitary deterioration almost indefinitely.

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The second problem is presented by the mechanization of a mine. I have in mind at the moment a large mine which recently produced by semimechanized means some three thousand tons of coal a day. The mine is now thoroughly mechanized and is producing 5,000 tons of coal, with one-third less employes than when it formerly produced 3,000 tons. This is not only a shift in the number of men employed, but it is a shift in the age of the men used. Companies do not retrain their older men to operate a mechanized mine. They take the boys of 18 and the younger men up to 30. At that point where family expenses and responsibilities are greatest, thousands of men are finding themselves displaced, and without any recourse so far as they can see, except falling upon permanent relief.

The third problem is presented by the gradual process of the depletion of the supply of coal. Within 3 or 4 years of the time when a mine is worked out, the handwriting is clearly seen on the wall. Men who know the amount of deposit of coal can tell that employment will go from 5, to 4, to 3, to 2 days, and then spasmodically flutter for a while, and eventually completely fail. At this moment all of this quarter of a million miners that I have mentioned fall somewhere in these three classes. What can be done?

Suppose we look at the gloomiest picture first. The Delbos family live at the end of a hollow in West Virginia. For 20 years Anton Delbos mined coal and lived in a little company house, supporting his large family. Then came decrease in the market for coal, the declining width of the seam where he was at work, and the final collapse of the company that owned this mine. But it had operated for 20 years and certainly it would open again. Days and weeks passed by, and Anton saw his very meager savings that he had laid by gradually exhausted. He scratched the side of the hill—all too steep for cultivation—and began growing a few scrawny vegetables. But that didn't help much. The children began to be droopy at school and to fail in their school work. John, the boy of 13, had to have glasses, but couldn't afford them. Finally a little relief came through the Red Cross, and the visitor from the Salvation Army gave some encouragement. The church in the larger town nearby started a little mission, and the good women of the city church sent out their second-hand clothes. The Delbos family gradually learned to eke out an existence from this kind of help. Then came the cataclysm of 1929, which reached its depth in 1931–32. There were so many calls for relief that the Delbos family, at the top of the run, were neglected worse than ever. They had by this time lost all sense of shame at begging and stealing. They had gradually given up trying to be decent and respectable. This had come about partly because the Delbos family did not stand alone in their tragedy. Their whole little mining patch of 82 families had fallen to the same level. Losing hope and interest, dejected and disappointed, Mr. Delbos took to the road and left his wife and children to shift for themselves. This was in 1931. It represents about a hundred thousand of the miners at that time. The deterioration has gone on constantly from that time to this.

But here is another picture. Grasstown is also a little mining patch with 53 families—colored and white. It finally closed down in 1931, and in 1932 the mine was allowed to flood, which is the sign that it will never be opened again. A voluntary relief agency, however (the American Friends Service Committee), came in 1931, just after the mine had closed down. They brought relief in the nick of time so as the prevent the worst degeneration setting in. Hardly had relief begun, when this agency began to study what might be done by way of rehabilitation. Gardens, of course, were the first recourse. This met with some success, but not too much, because of the poor quality of soil. But another lead was tried. An old store building, long unoccupied, was secured as a wood working shop. A fine old mountaineer craftsman, who had made chairs all of his life, was induced to come and teach anyone who wished to learn how to make chairs. What would be the result, no one knew. Could such men, damned by the usual expression "once a miner, always a miner," learn new skills—and if they could learn it, could they do more than make crude chairs for themselves? Was not the market already crowded with chairs made in Grand Rapids? Was it feasible to think that they might make chairs of distinction that people would go long distances to purchase? No one knew. But the venture was worth trying. Ten men responded to the call when it was announced that anyone who wished to learn to make chairs would be given an opportunity.

Similar experiments were tried in two other communities, and the three were conducted under common administration. Altogether there were 20 men who expressed a desire to learn to make chairs. May I describe the experience of George Evans? George had been a first-class coal miner, but dejection had set in as he gradually came to the conclusion that the mine would never open again. George had never used liquor much in his life, but now he began not only to drink

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but to bootleg. His hands all of the time itched for a chance to work at some new skill. When the mountaineer craftsman set up his little shop and began to make chairs, George at once became curious to know whether he could make a chair. It would be a long story from this point of original curiosity to the present, 5 years later. George is now the ablest craftsman and the teacher of younger men in a shop where hand-made furniture is made, the ancestry of which dates back to this chair-making expedition. Out of the original 20 who offered themselves to learn the new trade, 7 have become skilled craftsmen. The shop grew into a cooperative producing unit and is now employing 31 workers and doing a business of about $40,000 a year. George's wife and seven children have a Government homestead, a satisfactory home characterized by thrift, refinement, and integrity. George is typical of what may happen if men are caught at the point where employment begins to decline, but where degeneration of personal quality has not yet set in.

Many of the younger men will find their place in the mechanized mining process, but at least half of the men now looking to mining as their source of income, must either degenerate and be lost to society, or be retrained for some creative occupation. While it is probably true that the displacement of labor in coal mining is a greater problem than it is in any other industry, the report of the Natural Resources Committee on technological trends and national policy shows that by 1935 reduction of goods and services were 14 percent higher than in 1920, while employment was 18 percent less than in 1920. Couple this fact with the additional finding that although technological improvements and changes often bring new employment, there is always a lag which means that those who are thrown out are not the same persons who are taken back—and you have a problem of major proportions in our society. The machine puts a premium on quick reaction time, mechanical knowledge and adaptability, as well as ability to work under supervision. Older men without mechanical experience can learn hand trades exceptionally well, but have great difficulty in accustoming themselves to the highly mechanized mining process. Mobility of labor also is involved. Mining communities are usually away from large industrial centers where alternative employment is accessible. It is an extractive industry which profits by destroying property. This psychological factor adds to the difficulties of retraining.

However, we have not been accustomed to retreat in the face of difficulties. It is not a question of whether retraining can be done; relocation provided, and a living found for men of this kind. It is simply a question of whether we have the intelligence and dedication to provide proper opportunities and facilities. Our own committee has been impressed that the development of new hand skills should be accompanied by relocation of most miners, moving them to places where there is adequate opportunities for cultivation of the soil, at least for the production of foodstuffs for their own consumption and, in some cases, production for the market.

The efforts of the Government, first through the Subsistence Homesteads Division of the Department of the Interior, carried forward later by the Resettlement Administration, and now operating under the Farm Security Administration, represents the Federal Government's efforts in that direction. Through this agency new housing has been provided, opportunity for cultivation of the land made available, and at the present moment efforts at relocating small industries are meeting with modest success. We believe that the ideas behind this movement are sound. We realize that it has proved to be difficult to adjust the machinery of government to the need for this form of reconstruction and that the efforts thus far made have been only modestly effective. We do, however, believe that the Government has a function to perform in this process—a function which I shall indicate a little later.

Our committee, with these convictions and with this experience as a ground work, has undertaken the creation of a new community in Fayette County, Pa. A survey in this county, made in 1935, indicated that out of 152 mines in the county, 96 were worked out or closed; 44 were operating part time; and only 12 were doing normal business. Operation has picked up since that time, but in a recent survey made in February 1938, employment in the county has returned to the level of 1932. During the period of 1932 to 1936, for shorter or longer periods, two-thirds of the people in that county have at one time or another been on relief. In 1936, one-third of the population was on direct relief At this time, the Governor's commission on unemployment showed that there were 45,000 employed persons; a labor reserve of 15,000 employables but at the present time out of work; and 12,000 stranded people with no regular work, and typical relief cases. In addition, there were 12,000 employables who were caught as stranded—that is to say, totally and permanently unemployed. With an average of 1.5 employable persons per family, corresponding figures on the family basis would

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be, 30,000 families where a worker was employed; 10,000 families in the labor reserve; and 8,000 families stranded. This latter group represents the major long-time and most difficult problem.

Our committee has, therefore, undertaken an experiment in Fayette County. In an area where there are about 5,000 people—1,000 families, one-fourth of whom are unemployed permanently, we have bought 200 acres of land—150 of these acres are cultivatible—the rest is forest land and pasture. We are now in the process of building 50 homesteads—by which we mean that on an acre-and-a-half of land we are building a five-room house, a poultry house or a barn and tool shed. We approach this, however, primarily not as a housing development, or even basically as an economic adventure. We offer to applicants who pass a successful social and physical examination, the opportunity to learn one or more of the crafts incident to the house construction, and then during their lesiure time, working in groups, they build their own houses. Our committee lends them $2,000 for materials and the essential highly skilled labor; they agree to put in, without any compensation, 1,500 hours of work. These two contributions build the buildings and provide land. Instruction is given, without payment, to the settler. This is a form of subsidy. The settler then amortizes the $2,000 loan which he has secured at the rate of $10 a month over a period of 20 years. He then owns the property.

In addition to training him for house-construction skills, we are now beginning again the process of training for woodworking, weaving, and other skills which we intend that they shall use as the basis of additional economic security. We have retained about 50 acres of land, which can be leased to settlers who wish to have additional land to cultivate in case they want to produce garden vegetables for the market.

The social organization within the community is having a natural and wholesome growth. Already a small cooperative store is established, and various forms of community activities have been organized and set going by the men themselves, with some suggestions and very modest direction from our own staff.

The acquiring of new skills, the exercising of self-discipline necessary to construction of their own houses, the cooperation of the family together in these enterprises, the remarkable degree of growth in qualities of citizenship—by which I mean the sense of the individual's responsibility to the community in case the community is to succeed—has been more rapid and more thoroughgoing than we had any right to expect. It seems to us that the social achievements and the economic basis are sufficiently sound so that this may prove to be an experience of some significance on a much wider scale. If housing in proper locations for this kind of life can be provided on a basis that does not exceed $10 a month for 20 years for total repayment, and if in the process of building a house new skill can be acquired by displaced workers, there is a social and economic achievmeent of outstanding significance.

Now, I should like to discuss the relation between this kind of an adventure and Government. Up to this point our committee has operated entirely independent of any financial subsidy from Government. We, of course, have had the cooperation of the county agent and other government facilities available within the county; we are in easy reach of school facilities, and roads, water, and electric light are already there. Our conviction is, however, that this major problem of what, in England, are called "the special areas" requires the devotion and careful personal attention of people of a high degree of skill and dedication, and with a great deal of freedom to develop their program. Furthermore, the loyalty must be built around local and community life and activities, and not primarily to a centralized control. At the same time, it does seem to us that the Federal Government has a responsibility to be discharged in relation to the distressed areas. Whatever may be the facilities provided by the State, an industry such as coal, which has in the past produced great wealth for owners, has not necessarily in that process enriched the local communities or even the States in which the deposits are found. They are often not enriched, but even are impoverished by the fact of the existence of these deposits. Labor is brought in to exploit the resources, and then when unemployment comes, it falls as a burden upon the State. We believe, therefore, that the Federal Government should assume obligation for furnishing at least that portion of funds which represent a capital investment in these developments. But we believe also that local and voluntary organizations should be able to cooperate with Government in these experiments and developments. It is not a sound policy to develop Federal islands scattered throughout the country. They should become an integral part of, and a major item of interest for, men and women of community interest and leadership. Thus it may not be amiss to quote the British experience with the special areas

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so far as the central government's participation in the program goes. There is now set up a Commission appointed by the Government, with funds at its disposal, with authority to give grants in aid upon its own discretion to voluntary agencies which have shown ability to do effective jobs of reconstruction and rehabilitation. Very often, in the earlier stages, the program called for £2 from voluntary sources and £1 from Government sources. Now the ratio has been reversed, and the Government offers a donation of £2 for every £1 raised by voluntary sources to finance these rehabilitation experiments. This has proved to be one of the major assets in facing the problem of the distressed areas in Great Britain.

The second item is, a control over the movement of industrial plants exercised by the Federal Government in Great Britain. A royal commission on geographical distribution of industrial population reports that £51,000,000 of capital investment had been directed to the "special areas" by this commission. Quoting from their report: "Discussing the location of factories established by foreign employers or firms, there was usually a desire to establish the business in London or the south, and it required a great deal of persuasion to induce them to go to the depressed areas. The firms which had gone to the depressed areas had increased their business to a greater extent and had been more successful as a rule than those which had started in the south.

"Dealing with the location of industry, he pointed out that in the past the individual industrialist had decided for himself where to establish his undertaking, but the consequence of his decision did not end with himself. The decision to transfer an undertaking to a new district might involve unemployment, might affect local authorities, and might increase ratable value in one district and decrease it in another. It might also involve direct financial consequences to the State in the war of unemployment benefit and in other ways. As had been pointed out by the Board of Trade, the manufacturer might ordinarily be expected to know where he could carry on his business at a profit.

"Apart from the strictly economic question dealt with by that department there were considerations of a social nature closely affecting the welfare and contentment of labor to which attention had to be devoted. It seemed obvious that every practicable step should be taken to secure that in the establishment of industrial undertakings the fullest attention should be paid to all the aspects, economic and social, of the question in each case, and that industrialists should be induced to take the fullest advantage of the information available from all sources that would guide them to the decision that would be best in their own and the general interest. How far it might be necessary or practical to take steps to secure that, in the event of a conflict between private and national interests, due regard should be paid to the latter and whether such policy of inducements, deterrents, equalization of conditions, or control was desirable were matters for the commission."

In this paper I have used coal as the industry for illustration. I have done this because my own experience has been centered in that industry. However, we are only at the beginning of the problem of technological unemployment and displacement, and it is important that principles of basing the significance of this displacement to our civilization and intelligently turning these factors which may spell disaster to millions of our population into creative channels shall claim out attention promptly. It is my belief that not only may such efforts relieve us from the burden of relief and of degeneration, but that by a statesmanlike and flexible program of development, involving retraining, reeducation, the proper attention to development of community life in all its ramifications, we may make a large contribution toward the processes of building up American communities on a simple, dignified, self-sustaining basis, which might have as far-reaching consequences for the structure of our society as the efforts of the Rochdale unemployed textile workers had when they began what is now the great cooperative movement.

APPENDIX 20

STATEMENT BY BENJAMIN C. MARSH

Relief—even "adequate" relief—of potential producers who are idle, is at best a makeshift which seeks to prevent the unemployed from making trouble.

There is no possibility of attaining or maintaining an American standard of living until the employable unemployed are employed.

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The larger the proportion of total employables idle the lower the standard of living for the entire people for two reasons—the total volume of production to be distributed is smaller, and consumption taxes on producers limit the amount producers get in order to keep nonproducers alive.

Economic and fiscal policies since 1933 have not succeeded in maintaining the temporary, though marked, gain in employment since 1933.

The National Industrial Conference Board reports the number of nonagricultural unemployed:

March 1933	14, 984, 000
September 1937	6, 065, 000
Reduction March 1933 to September 1937	8, 919, 000
January 1938	10, 342, 000
Increase in unemployment September 1937 to January 1938	1, 423, 000

These figures demonstrate that reliance cannot be placed upon private industry to reemploy the unemployed, and to keep them employed.

It is not reasonable to expect private industry to do this—for while government may set maximum hours of work, and minimum wages, it cannot compel any employer to continue employing people unless there is a profit in sight—under the profit system.

It should be noted that some $18,000,000,000 have been expended by Government during the recovery period to try to keep people employed.

The futility of attempting to maintain employment and profits, with present fixed property charges on production, should be obvious to all as it apparently is to those who advocate the President's naval-expansion program.

The voting of $300,000,000 as a relief loan to State and local governments during President Hoover's term—was an admission that the Federal Government admits and accepts responsibility to see that people don't starve.

The reduction in employment from September 1937 to January 1938 (4 months) was about one-sixth of the total gain in employment during the entire recovery period from 1933 to 1937, and the number unemployed in January 1938 was over two-thirds of the total unemployed in March 1933. This was despite the largest expenditures by the Federal Government in peacetime.

To meet that responsibility by supporting three or four million employables and their dependents in idleness, will not be accepted for any length of time by the American people, under any administration.

Two or three alternative courses are open to the Government, or a combination of them.

1. To continue New Deal policies of subsidizing property owners as through the R. F. C., F. C. A., N R. A., and A. A. A. and its successor the new Farm Act—on the theory that the crumbs which fall from property owners' tables, will satisfy the rest of the people, which is precarious.

2. To write the property values upon which owners demand the right to earn a high or low rate of return, down to a minimum for rent, interest, and profits, and to let private initiative try its hand again, with moderate requirements as to wages and hours but without immoderate charges on exorbitant valuations of corporations, lands, and on debt structure.

3. To write down such property values, and then operate all natural resources, natural monopolies, basic industries, farms necessary to employ farmers' families who would otherwise be on relief, and large payments for public instruction.

To give any chance of success for any one of these alternatives the entire Federal, State, and local tax system must be revised and simplified by substituting for several billion dollars of regressive taxes on consumption, three direct taxes, heavy taxation of land values and rapidly progressive taxation of incomes personal and corporate, and of estates.

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CONCENTRATION OF CORPORATE ASSETS

The following data about assets of corporations reporting to the Bureau of Internal Revenue are significant:

	All corporations			Corporations with $50,000,000 and over in assets		
	Number	Total assets	Capital assets	Number (reported by income not assets classes)	Total assets	Capital assets
		Millions of dollars	*Millions of dollars*		*Millions of dollars*	*Millions of dollars*
1929	398,815	335,778	116,446	----------	149,240	----------
1932	392,021	280,083	108,553	618	142,796	58,614
1933	388,564	268,206	104,958	----------	153,168	57,820
1934	410,626	301,306	102,751	----------	----------	47,742

NOTE.—These figures are for all returns with balance sheets and "capital assets" include "land, buildings, equipment, less depreciation, and depletion," and while most of the large corporations are included in the 4 years, they are not all identical.

It is to be noted that during the years from 1929 to 1933 while selling prices of stocks were cut to a fraction of their 1929 maximum:

1. The total assets of 398,815 corporations reporting to the Bureau of Internal Revenue with balance sheets—largely identical—were written down from $335,777,000,000 to $268,205,000,000, a reduction of $67,572,000,000, that is about 20.1 percent, one-fifth.

2. The capital assets of corporations so reporting, were written down from $116,446,000,000 to $104,958,000,000, a reduction of $11,488,000,000, that is 9.9 percent, or less than one-tenth.

3. The capital assets of corporations with $50,000,000 and over total assets, were written down from 1932 to 1934 from $58,614,000,000 to $47,742,000,000, a reduction of 18.5 percent, or less than one-fifth, while during these same years the total assets of these corporations were written up from $149,240,000,000 to $153,168,000,000, an increase of $3,928,000,000, or almost 2.7 percent.

4. Although total assets of reporting corporations were written down by $67,572,000,000 from 1929 to 1933, they were increased in the year 1934 by almost one-half of this amount in one full year of New Deal policies, from $268,206,000,000 to $301,306,000,000, that is by $33,100,000,000. The total assets are now probably close to the peak of 1929, and capital assets are higher than in 1934.

It is interesting to note that in 1929, tax-exempt investments of corporations reporting were $8,195,241,000; in 1932, $11,916,864,000, and in 1934, $19,960,857,000, or nearly two and a half times as much as in 1929.

Secretary of State Cordell Hull, in a speech in 1934, said:

"A large section of our industry is maintaining an artificial price situation, is endeavoring to move forward under the heavy burden of inflated capitalization, excessive overhead charges, wasteful overcapacity and obsolete units and equipment. Never was improvement in industrial efficiency more needed than now. We cannot hold our place in the world if industry is to rely on doles, subsidies, and other artificial arrangements which bolster up and keep alive inefficiency at the expense of the progress and expansion of the vigorous and efficient units in our economy. We must come down from our artificial stilts to solid reality if we are to achieve substantial industrial prosperity and if we are to hold our place in the world market."

CONCENTRATION OF URBAN LAND VALUES

In 1934 the assessed value of land in the 30 largest cities of the Nation was $18,100,233,000; in New York City, $8,000,995,000; in Washington (1937), about $500,000,000.

In all these cities 5 to 10 percent of the families own the major part of the value of the land.

In Washington, the land value of the three blocks (opposite the U. S. Treasury) bounded by Pennsylvania Avenue, Fifteenth Street, New York Avenue, and Fourteenth Street NW., is almost 3 percent of the total assessed land value of some 5,000 blocks in the city.

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CONCENTRATION OF FARM LAND VALUES

Secretary of Agriculture Wallace, of Iowa, in a radio speech March 14, 1936, stated:

"Sometimes I think land speculation is a plague more terrible than drought or insect pests, and almost as bad as war itself. With it go high taxes, thoughts of moving to California, and delusions of grandeur. It has been 16 years since the last land disaster hit us, and only now are we beginning to recover. Doubtless farm land will be and should be somewhat higher in price than it is today. But if anything in the nature of a land boom comes during the next 3 or 4 years, the men on the land will be the ones ultimately to suffer. Unusually high land values never did help real farmers."

The value of farm lands, exclusive of buildings, was—

Year:	
1900	$13, 058, 008, 000
1910	28, 475, 674, 000
1920	54, 829, 563, 000
1925	37, 721, 018, 000
1930	34, 929, 845, 000

Now it is estimated to be about $39,000,000,000.

In 1920 the value of Iowa farm lands was $6,679,021,000; in 1925, $3,969,814,000; and in 1930, $3,186,980,000.

State and Federal Marketing Activities published by the Bureau of Agricultural Economics, United States Department of Agriculture, in the issue of May 28, 1936, states:

"A continued 3-year rise in farm real estate values has lifted the index of values to 82 as of March 1, 1936, compared with 79 a year ago, 76 in 1934, and 73 in 1933, which was the bottom of a long decline. The base period for the index, which is computed by the Bureau of Agricultural Economics, is 1912–14.

"The increase during the past year is attributed chiefly to increasing farm incomes, improving farm real estate credit conditions, and the maintenance of lower levels of farm real-estate taxes." The Farm Credit Administration, in a brochure, Financing Agriculture in 1935, states "the total amount of farm-mortgage loans held by the banks increased from $1,916,000,000 at the end of 1934 to $2,072,000,000 on December 31, 1935."

"The amount of farm land taken over and held by lending agencies has continued to increase, reaching a total of over 28 million acres in 1937 Financial institutions increased their holdings of farm land by 2 million acres in the period 1936 to 1937, as compared with an increase of 1½ million acres in the period 1935 to 1936.

"Farm land acquired by lending institutions shows an increase not only in acreage but also in value. The value of all lands held in 1937 amounted to 989 million dollars, as compared with 906 million in 1936 and with only 150 million in 1929.

"These figures cover farm land held by life-insurance companies, Federal land banks, joint-stock land banks, and three State agencies. They do not include commercial banks, which hold about 10 percent of the farm-mortgage indebtedness."

In 1910 there were 53,135 farms of 1,000 acres or over and in 1935, 88,662, while in 1936, 14 percent of the farms produced about one-half of the value of farm products, and 86 percent the other half.

The Agricultural Adjustment Administration and its successor, the 1938 Farm Act, have tended to increase and entrench speculation in farm lands, to the great detriment of both farm tenants, sharecroppers, agricultural labor, and consumers.

In 1935 land rent, according to figures published by the United States Department of Agriculture, was:

Corn lands	$349, 441, 320
Wheat lands	189, 060, 640
Oats lands	151, 711, 200
Cotton lands	125, 644, 400
Total	815, 857, 560

This is the land rent paid for only four staple farm products whose aggregate farm value was $2,854,997,000, only about one-third of the gross income of farmers in 1935, amounting to $8,508,000,000, including Agricultural Adjustment Administration payments.

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The acreage was: Corn, 82,806,000 acres; wheat, 51,342,000; oats, 39,924,000, and cotton, 27,314,000, a total acreage of 202,392,000.

The land rent for these four field crops was 28.5 percent, nearly three-tenths of the total farm value.

Land rent was 24.3 percent of the costs of production of corn, 25.2 percent for wheat, 30.2 percent for oats, and 22.9 percent for cotton.

These figures are, of course, only averages, but indicate the basic problem of agriculture.

If the ratio holds, land rent for farms amounts to about $2,000,000,000 a year. This is about 5 percent on the estimated value of farm lands.

The People's Lobby asked the Secretary of Agriculture what he proposed to do to protect consumers under the new farm act.

Mr. Donald A. Montgomery, Consumers' Counsel, Agricultural Adjustment Administration, under date of March 1, 1938, wrote:

"Your letter of February 17 to the Secretary has been referred to me for reply. The Farm Act proposes to make available every year normal quantities of foodstuffs. Normal quantities are the per capita quantities consumed in past years. Normal consumption in the past has not provided adequate diets to a large number of families because those families have not had incomes sufficient to support such a diet, although taste and training are also important factors affecting the kind of diet families select."

CONCENTRATION OF PROPERTY INCOME

The United States Department of Commerce reports the following property income received in 1935:

Dividends and interest	$7, 303, 000, 000
Entrepeneurial withdrawals	8, 701, 000, 000
Net rents and royalties	1, 526, 000, 000
Total	17, 530, 000, 000

The Commissioner of Internal Revenue gives the total propery income received in 1935:

4, 480, 799 persons with net incomes over $5,000	$4, 386, 771, 000
3, 992, 627 persons with net incomes under $5,000	2, 931, 593, 000
4, 473, 426 persons	7, 318, 364, 000

It will be observed that about 481,000 persons with incomes over $5,000 received in 1935 about one-quarter of the total property income paid out in 1935.

As many well-to-do spouses make separate returns it is probable that these 481,000 persons mean only about 400,000 families.

That is about 1⅓ percent of the families in America got in 1935, one-fourth of the total property income paid that year.

Incidentally these 481,000 persons received in addition to their $4,386,771,000 of property income the considerable sum of $2,618,901,000, as "salaries, wages, commissions, fees, etc.," making their total income $7,005,672,000, or about one-eighth of the total national income in 1935.

The chief items of property income of these 481,000 beneficiaries of the current economic system were—

Business profit	$673, 816, 000
Partnership profit	519, 571, 000
Net capital gain	389, 990, 000
Net rents and royalties	184, 000, 000
Interest on not wholly exempt Government bonds	43, 282, 000
Dividends on stock of domestic corporations	1, 781, 804, 000
Fiduciary	225, 796, 000
Interest other than tax exempt	439, 481, 000
Other income	119, 030, 000

Obviously the first step toward both reform and recovery, not yet taken, is to repeal those legislative enactments which validate the billions of dollars of fictitious capitalization of corporations, and speculative selling prices of urban and rural lands, and to adjust debt—especially long-term debt.

There cannot be reemployment nor recovery until there is reform of the system which made the collapse inevitable for entrenching causes, is not the method to prevent results.

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The immediate program is—

1. Tax revision to the only honest form of taxation—direct taxes. The Federal Government's system of subsidy makes it practical to compel such a tax system in every State in the Union and the District of Columbia, within a year.

The total yield from the triple tax could be increased by at least the following amounts, within a year:

Tax on land value	$2, 000, 000, 000
Personal income tax	2, 500, 000, 000
Corporation income tax	1, 000, 000, 000
Estate tax	250, 000, 000 to 400, 000, 000

This would permit the repeal of about $5,000,000,000 of taxes on buildings and other labor products, and increase consumption by that much—also stimulate employment.

2. Drastic reduction of tariffs.

3. Curtailing the extortions of patent beneficiaries.

4. Socializing banking and credit, but limiting credit to useful production and to necessary consumption, while denying it to speculation in land, stocks, and commodities.

After the debloating of capital structure of corporations, of speculative land values, and impossible debt which would result from this program, public ownership of natural resources, natural monopolies, and basic industries would be safe.

The consumers of the Nation cannot afford to pay for dead cats whether owned privately or by Government.

Owners of natural resources, natural monopolies, such as control of credit and communication, and of basic industries, always have been and continue to be, the government of every country—never more so in America than in 1938.

To meet the most tragic situation in the Nation, that of sharecroppers, tenant farmers, and agricultural labor, the Government should acquire suitable farm lands at a fair price, and operate them directly or through farmers' cooperatives, to enable the nearly 950,000 farm families now on subrelief, and the large additional number who should be getting relief, to produce under direction at least a large art of their subsistence, and under decent conditions.

Individual ownership for many of them is not practical, but the alternative should not be practically peonage.

Collective bargaining is not a substitute for that amount of collective ownership on a fair acquisition basis, which is essential to end the present widespread and deepening chaos.

APPENDIX 21

EXHIBIT 1

STRAIGHT-TIME ARRANGEMENT OF GEO. A. HORMEL & CO.

(1) Each employee regularly assigned to a straight-time department will receive the weekly rate of pay provided for him in the latest approval of the straight-time plan for his department. This rate of pay will be subject to any increases or decreases affecting the plant as a whole. Each employee will receive his regular pay check every week except when absent beyond regularly provided sick leave or vacation.

(2) Each employee on the straight-time basis will receive 1 week sick leave or vacation. Each one who has completed 5 years of continuous service with the company will receive an additional such week. Each female employee who has completed 15 years and each male employee who has completed 20 years, will receive still an additional week.

Sick leave will be taken only at times of bona fide sickness. Vacations will be taken at such times as will not interfere with the work of the department.

(3) A man absent shall have the right to choose whether he shall be docked or whether his absence will apply on the sick leave to which he is entitled. Unless otherwise specified in schedule C attached, 1 day's absence will count as one-sixth of a week; a half day will count as one-twelfth of a week, and missing gang time any 1 day will count as a full day, no matter how short gang time was that day.

(4) The straight-time arrangement with respect to any department may be canceled at any time that department fails to abide by all working agreements, or at any time the discontinuance of the straight-time arrangement in some other department directly affecting it requires the cancelation.

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If other hour limitations become established by law, this plan will be changed to conform to such law, or if the company considers the straight-time plan unworkable because of the passage of any such law, the whole straight-time arrangement, or any part of it, may be canceled as of the effective date of any such law.

Any time any department becomes dissatisfied with the straight-time arrangement and wishes to cancel it, such cancalation may be effected in the usual manner of handling grievances.

Otherwise straight-time arrangements may be discontinued only by 30 days' advance notice of desire to make such discontinuance at the end of the company's fiscal year.

(5) Whenever a straight-time plan is abandoned for any department, the employees in that department will be entitled to receive, on the job to which they may be assigned, the hourly rates (subject to any general increases or decreases since made) which they did receive when last working on an hourly basis. Employees going from straight time to an hourly basis on a job which they have not previously held on an hourly basis will receive the scale rate for that job.

(6) If there is any increase or decrease in the amount of work required to produce the budgeted volume, a corresponding adjustment will be made in the department volume budget or in the number of people in the department. The choice as to which adjustment shall be made will be left to a decision by a majority in the department in case the change is an increase.

(7) In case the required amount of work is reduced sufficiently to permit the removal of one (or more) employees, such employees will be transferred from the department on a seniority basis. When the manufacture of some item is discontinued, or when, because of a change in method of operation, certain job or jobs are discontinued, it is understood that it will be necessary to reduce the straight-time gang correspondingly. Such reductions will be made on the basis of seniority.

(8) Except as provided in paragraphs (6) or (7) there will be no reduction in the number of employees in any straight time department within a period of 1 year from the latest approval of the straight time arrangement for that department. Any employee who is laid off from a straight time department may find employment elsewhere on the basis of his regular seniority rights, or, on application, may be transferred, at his regular rate of pay, to the extra gang which will be maintained to handle extra work, temporary replacements, and other business requirements which cannot be handled by the regular straight time departments. During the period of any 1 fiscal year, this extra gang will not be reduced below the number who have been transferred to it from regular straight time employment thus maintaining employment with full pay for at least 1 year for the number of individuals originally assigned to the straight time schedule for any year.

Any employee laid off from the extra gang may find other employment on the basis of his seniority rights.

(9) For each department for which it is possible to es ablish some measure of the work to be done, the budgeted annual volume will be stated. (See schedule B attached).

In any year in which the department produces less than the budgeted annual volume, the members of the department, individually and collectively, become indebted to the company for producing that much work at the first opportunity.

At the end of any year in which the cumulated production of the department is in excess of the cumulated budgeted annual volume, bonuses will be paid the members of the department. These bonuses will be calculated on the basis of what the cost of the extra production would be by adding more employees to the department, and the specific method of calculating it with respect to the department will be found in schedule B attached.

At the end of any year in which the cumulated production of the department is in excess of the cumulated budgeted annual volume, and during which regular members of the department have been absent without pay and without being replaced, the cost of such replacements will be put in a "kitty" to be distributed among the members of the department in whatever manner the majority of the department may agree.

(10) For each department there will be maintained what will be known as a "kitty."

Schedule B attached will show the department work budget, if any. Unless otherwise provided in schedule B for those departments having work budgets, employees docked for absence, and employees absent on vacations granted on the basis of 5, 15, or 20 years' service will be replaced.

Replacements will be made in either men or money. That is to say, if the department does not require a replacement man, the money for the replacement will go to the department "kitty"

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The management will have the right to insist on replacements if the tonnage produced falls below the daily or weekly volume which the company's business requires, or if the average actual hours worked is or threatens to be in excess of 40 hours per week.

(11) The department committee will direct whether replacement money will be paid to individuals in the gang or whether it will remain in the department "kitty."

The money in the department "kitty" will be distributed among the members of the department at the end of each fiscal year, and in whatever manner the majority of the department may agree.

(12) Unless specified in schedule D attached, the scope of the work of the department will be as has been the custom in the past.

Division of work, equalizing of hours, and choice of assignment to jobs among employees in the department will be determined by the department committee, so long as the quality of the work does not suffer.

GEO. A. HORMEL & CO.

Date_____ OK'd by _____

We, the undersigned, representing the department, have read and understand this statement and the schedules attached hereto, and attest that the arrangement is understood and accepted by this department.

_____ _____
_____ _____
_____ _____

EXHIBIT 2

EXPLANATION OF STRAIGHT-TIME ARRANGEMENT OF GEO. A. HORMEL & CO.

The objectives of the straight time plan are to provide for employees—

(*a*) Continuous employment;

(*b*) A uniform and dependable weekly pay check;

(*c*) An opportunity to earn more leisure time without diminishing weekly or annual pay;

(*d*) An opportunity to earn more money whenever the company's volume of business permits.

The provisions of the straight-time plan are found in the following paragraphs, and, for each department, the straight-time agreement will be made up of the following paragraphs together with such schedules as are necessary to state special provisions which apply to that department.

The plant will be divided into departments. Each department shall consist of that group of employees who constitute the working group assigned to one production schedule.

The number of employees assigned to any department shall not exceed the number for whom the department-cost budget will provide 52 satisfactory pay checks, and shall not be less than the smallest number who are able to produce the seasonal peak volume in not to exceed 53 hours in any 1 week, and who are able to produce the annual volume at an average of not more than 40 hours per week.

Schedule A attached lists the jobs and the rates of pay for the department covered by this agreement.

In one column is shown the number of men provided for each job by the straight-time agreement. In the next column is shown the scale rate for the job. The next column specifies the job. The next column shows the name of the man originally assigned to each job.

Whenever the volume and cost budget for a department are such that the hours during the work peak would be too long or the weekly pay for the largest number of persons required would be too small, the number in the department will be balanced with the work by means of—

(*a*) Transferring extra employees to the department during the peak season; or

(*b*) Transferring extra employees from the department during the dull season; or

(*c*) Transferring work from the department during the peak season; or

(*d*) Transferring work to the department during the dull season; or

(*e*) Any combination of these.

For each department explanatory schedules will be prepared defining specific understandings applying to that department. These schedules will be:

(*a*) Names, jobs and rates.

(*b*) Work budget and bonus.

(*c*) Special conditions.

(*d*) Scope of work.

(*e*) Transferring help or work.

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EXHIBIT 3

AUSTIN, MINN., *Dec. 30, 1937.*

The Hormel straight-time arrangement in employment was devised by Mr. Jay C. Hormel, president of George A. Hormel & Co., as his answer to his own dissatisfaction with by-the-hour employment. He devised it as a better kind of employment, with the idea that improved employment conditions should be rewarded by better employee cooperation and an increased sense of responsibility and interest on the part of employees.

The plan was undertaken in the belief that operating efficiency through the avoidance of labor turn-over and seasonal readjustment of gangs, and through a better workmanship and avoidance of spoilage and waste, would so improve as to offset the additional expense involved at certain times, and the additional risk which is involved in the guarantee of continuous employment.

It so has turned out. Almost all the departments in the plant have now applied for, and have been granted, straight time.

When the Hormel Co. was started in 1891, Mr. George A. Hormel employed his few employees, including some of his brothers, by the month. There was nothing casual in their employment. It was taken as a long-time, long-range employment as a matter of course. This circumstance was part of the reason that those early employees felt themselves a part of the company, and part of the reason that their work was of a character that contributed in an important degree to the success of the young undertaking.

But as the business grew, somewhere along the line, nobody remembers just how, the by-the-month employment gave way to by-the-hour employment.

The packing-house business, then more than now, but still to a considerable degree, was and is a seasonal business. The hogs come in two main crops, spring and fall.

Then, because of poor refrigeration, most of the killing had to be done in the winter time. Even now, mostly because of the timing of the pig crop, the late fall and winter months are by far the busiest.

This letting of men go as soon as work slacked, even though it might be interpreted as a means of giving full-day-pay checks to those still kept in employment, never seemed quite right to Mr. Hormel. He regarded it as a kind of chisel, as he has said, a forcing of the employees to take the rap first for the management's failure to maintain work.

He developed the belief that industry should take upon itself the obligation of "employment assurance." Though "employment insurance" may be unworkable, industry, itself, he contended, can do much more than it is doing to assure its employees steady, long-time jobs. If such an effort is right, he argued, it must be that such a purpose could be worked out as a successful business policy.

As a test, he proposed, in 1931, to find out how much work one department had to do in a year and, at a rate of work of the then going average hours per individual per week, how many men would be required to do that work, assuming that the flow of work were steady. Then, he proposed to hire that number of men by the year, and let them work longer hours when the rush of business was on, and shorter hours when it was slack. Thus, instead of discharge of men at slack season and rehiring these men at rush season, he would have the same crew the year around.

And they would have the same job. And a weekly pay-check the same the year around, regardless of how the work came in, or slacked off. And could make plans. Get married. Build a house. Or, what have you?

He called the members of the smoke-house department to his office and surprised them with this offer of straight time. After conferences, they accepted it.

On October 10, 1931, it went into effect. The arrangement made at the time has been changed in some details at the annual renewals of the arrangement but it still is in effect. In 1933, it was extended to the large fresh-sausage departments, was accepted, and worked out successfully.

So encouraged, Mr. Hormel, on July 3, 1933, placed the entire plant on straight time, the pay being for each person 40 times the hourly rate plus $1. The labor labor rate at that time in the packing industry was 40 cent an hour. This made the straight time pay for labor $17.

Then, came the National Recovery Administration and the minimum wage rumors. The Government and National Recovery Administration mushroomed union organization effort. A new attitude against employer was developing over night. Certain suspicious persons in the Hormel plant advanced the idea that Mr. Hormel was trying to get the plant into a $17-a-week contract, knowing the coming minimum wage was to be higher. In July 1933 a mass meeting of em-

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ployees was called and a union organized. One of the first demands was that the plant be returned to wages by the hour. The request was granted. Thus, straight time as a full-time plant project, proceeding from the top down, lasted 2 weeks.

But in the early part of 1934, after the men themselves really had got to discussing straight time, sentiment began to develop for it very strongly. They came to believe that there was no nigger in the woodpile of straight time, that it really was an improvement in employment conditions.

The big and important hog-cut group asked for it. The even bigger hog-kill department followed suit. Both after long discussions as to conditions of the arrangement went on straight time.

Since then, rather slowly at first, rapidly later, all the departments have sought the management to install straight time. The management now granted it slowly, carefully studying straight time in relation to each department. The indication here is that any employer undertaking to adopt a straight-time plan should not put the plan into effect more rapidly than he is able to fully explain it to his employees. The experience of the Hormel Co. is that the plan should never be put into effect with any group of employees until they have understood it so well that they are seeking it.

In practice, a number of questions have arisen. An important one was that for several successive years, the hog-kill and hog-cut departments did not have enough work to do. For the manufacturing departments, material—green meat, trimmings, etc.—can be purchased from other packers. But live hogs cannot be economically purchased.

The drought of 1934 and 1935 cut the hog run from its normal 1,000,000 head a year to 800,000 head a year, and, through its effect, to below the normal figure, in 1936 and 1937. The hog-kill and hog-cut departments got their regular salary checks, despite the fact that many a morning in the summertime these last several years, they got through all there was to do before 11 o'clock. The normal heavy seasons failed to balance the many scarcity weeks. At the end of the first drought year, some 300 men owed the company a fairly large aggregate of work. The arrangement specified that such a contingency should be taken care of in following years. At the end of 1935, the work owed had increased. In 1936, although the hogs had begun to come back, there was no opportunity to repay all this owed work. Nor in 1937.

Whatever work was available or could be devised the men have done. They showed a disposition to make up what they could. In some other departments, affected in some degree similarly by the drought, this same attitude of doing whatever work came up in an effort to make up the underhours was characteristic. In some instances, the repayment was effected through arrangements not to replace men who quit their jobs.

Another question was raised by the fact that under straight time, with a certain amount of work to do, rather than a certain amount of time to put in, each department did its work faster. There was a natural tendency to put more work on a department for this reason. Here occurred some little justification for the charge by one of the early agitators that straight time was a speed-up. This was remedied when it was found that straight time did have this tendency.

A bonus clause was incorporated in the arrangements.

For instance, in 1935, 115 men and women in one department were given a year's budget of work. Business in that department picked up so that at the end of 40 weeks, this volume had been accomplished. More work was given them. They undertook the additional work for the balance of the year, and for that they earned a bonus.

There are two types of operation. In one, the additional labor necessary increases in direct proportion to the increased volume. In the other, there is a distinct saving of labor as volume increases.

Our present straight-time arrangement now provides a regular bonus clause, and in each instance, sets up the bonus which is proper for the character of the work of that department. That is to say, in some instances, increased volume earns a bonus in direct proportion to that increase; in some cases, a bonus in greater proportion than the increase; and in some, where economy naturally comes with volume, the bonus scales down in amount as quantity increases.

Other refinements have been worked out. If the allotted work is done, all hours of all absentees are replaced with "men or money." Replacements in money, usually preferred by the departments, are put into a kitty which is divided at the end of the year as the gang chooses.

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The company believes that the straight-time arrangement worked out on the budget-bonus plan is the most satisfactory to the men and to the company.

An hourly employee is unaccustomed to be rated as eligible for a paid vacation throughout industry at least for the first year or so. A salaried employee is so accustomed. The straight-time employee is in effect a salaried employee. He gets wages by the year. Thus, naturally enough, with straight time goes a week's paid vacation. After 5 years, the employee is eligible to 2 weeks' vacation. After 15 years, if a woman, to 3 weeks. If a man, after 20 years, to 3 weeks. The theory is that there is just so much money to spend for a certain amount of work to be done. If replacements are made for persons absent on vacation, the budget, of course, must be figured accordingly. In general, the preferred practice seems to be that those members present in any department do the work of those who are absent on vacation or sick leave, working the longer hours necessary to get this extra work done.

Now in conclusion for a final casting up of the merits and demerits of this undertaking in improvement employment technique. The majority of members among the Hormel management put them up something as follows:

The employees like it. They like the vacations, the steady pay, the assurance of jobs, the opportunity, as at Hormel's department by department to bargain collectively over the terms of the annual arrangements, which, of necessity, vary in details one from another.

Only objection from any employee angle to straight time has come from certain departments where it happens in the past there has been a heavy, continuous volume of work, and, for special jobs in these departments requiring a high degree of skill and receiving a high rate of pay. By-the-hour work here has resulted in some big pay checks. But the experience of the Hormel Co. is that one by one these departments have come to ask for straight time. Probably it is the wives who are at the bottom of this. They are natural conservatives, and like the steady year-round check.

From the practical employing side, there are some demerits, or arguments setting up demerits, to be put down. For one thing, the annual conferring over contracts has taken up a great deal of time, including that of Mr. Hormel. Management naturally begrudges so much time taken away from normal activities concerned with production and selling. On the other hand, these many conferences have developed an across-the-table familiarity with personnel, have given management an opportunity to sell itself and sound ideas, and to learn what the men were thinking about.

The necessity of having enough work to do is perhaps the big hazard and demerit. The droughts of 1934 and 1935 with their effects continuing into 1936 ran up a high labor cost for the hog-kill and hog-cut departments of the Hormel Co. The company held the sack here, no doubt.

On the other hand, the resourcefulness developed in finding work to do, particularly where it centered on new commercial products, not only resulted in keeping certain departments busy but in developing new profit sources.

A demerit lies with many of those having the practical job of supervision in hand in that the grievance committees representing the various departments have been zealous at all times to hold to the letter of the agreement in respect to work devolving upon them. This attitude is hard to take because the employer is accustomed to find the white-collar salaried employee, who has been on the salary basis all his life, uncomplaining when the emergency arises that demands something extra in work. He does not find and does not expect to find this kind of employee a clock-puncher in fact or in attitude.

But on this point it should be said that straight time, like any new thing, needs coming of age. Each side is learning to do under it. With the years, it is expected confidently by Mr. Hormel, that the conduct of straight time, already well rewarded with credit marks, will improve through mutual experience and adjustment.

The merit to the employees is plain. An unquestioned merit to the employer has been the having of skilled help at all times. No loss through faulty work by green hands in rush time. No vulnerability to the working of the rule, that when hands are laid off in slack time, the good man finds another more attractive job, the poor man comes back.

Some 3,000 men and women at the Hormel plant now are at work under this straight-time arrangement, more than 90 percent of the entire force. They have a pretty high degree of employment assurance, and, the reduction of turn-over figures by nine-tenths, the many new houses built by them each of the last several years in Austin, yea, the number of marriages by personnel members, are among the evidences of a stability straight time has given the community and the Hormel organization.

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Although the development of the straight-time plan in the Hormel plant has been the occasion of a bill of expense to the company, Mr. Hormel believes that it now has reached the stage where it can be accepted as a successful and sound business practice, and he feels that the expensive mistakes made by the company in developing the plan need not be repeated by any other employer who would take the trouble to inquire into, and who would be willing to learn from, the mistakes made in the pioneering effort on it.

APPENDIX 22

THE PRIESTLEY PRINTERS,
Philadelphia, March 24, 1938.

SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.:

Complying to the privilege granted to me March 8, 1938, to extend my remarks to further explain what I conceive to be the correct plan for the economic control of technological advancement, which plan has for its object the complete elimination of forced unemployment, I submit herewith the following table, being a copy of the 1929 United States Census of Manufacturers, showing why a progressive gross-rate tax, advancing but one-quarter of 1 percent on each additional fair amount of business in each line, would balance the Budget and effect the return of the unemployed to their legitimate jobs.

U. S. Fifteenth Census Report Manufacturers, 1929, volume 1

Establishments producing between—	Number establishments	Wage earners	Average output each establishment	Value of product	Value of product per man
	210,959	8,838,843	----------	$70,434,863,443	----------
$5,000 to $20,000	69,423	202,958	$11,112	771,417,436	*$3,085*
$20,000 to $50,000	46,618	315,912	32,116	1,497,191,175	*4,739*
$50,000 to $100,000	28,617	377,243	73,076	2,090,506,101	*5,544*
$100,000 to $250,000	28,704	778,886	159,144	4,568,093,828	*5,765*
$250,000 to $500,000	15,449	894,097	353,141	5,455,677,825	*6,102*
$500,000 to $1,000,000	10,395	1,121,547	701,766	7,294,860,945	*6,504*
$1,000,000 to $2,500,000	7,430	1,606,221	1,532,280	11,384,840,599	*7,089*
$2,500,000 to $5,000,000	2,479	1,099,553	3,460,418	8,578,377,542	*7,801*
$5,000,000 and over	1,854	2,442,326	15,530,688	28,793,897,992	*11,789*
$5,000,000 to $10,000,000	----------	----------	----------	----------	*8,000*
$10,000,000 to $25,000,000	----------	----------	----------	----------	*8,210*
$25,000,000 to $50,000,000	----------	----------	----------	----------	*8,680*
$50,000,000 to $100,000,000	----------	----------	----------	----------	*9,505*
$100,000,000 to $250,000,000	----------	----------	----------	----------	*10,510*
$250,000,000 to $500,000,000	----------	----------	----------	----------	*11,750*
$500,000,000 to $1,000,000,000	----------	----------	----------	----------	*13,320*

Fifteen men in establishments producing up to $1,000,000,000 will produce as much as 17 men in establishments producing up to $500,000,000.

Seventeen men in establishments producing up to $500,000,000 will produce as much as 19 men in establishments producing up to $250,000,000.

Nineteen men in establishments producing up to $250,000,000 will produce as much as 21 men in establishments producing up to $100,000,000.

Twenty-one men in establishments producing up to $100,000,000 will produce as much as 23 men in establishments producing up to $50,000,000.

Thirty-five men in establishments producing up to $50,000,000 will produce as much as 37 men in establishments producing up to $25,000,000.

Thirty-seven men in establishments producing up to $25,000,000 will produce as much as 38 men in establishments producing up to $10,000,000.

Nineteen men in establishments producing up to $10,000,000 will produce as much as 20 men in establishments producing up to $5,000,000.

Ten men in establishments producing up to $5,000,000 will produce as much as 11 men in establishments producing up to $2,500,000.

Eleven men in establishments producing up to $2,500,000 will produce as much as 12 men in establishments producing up to $1,000,000.

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Twelve men in establishments producing up to $1,000,000 will produce as much as 13 men in establishments producing up to $500,000.

Thirteen men in establishments producing up to $500,000 will produce as much as 14 men in establishments producing up to $250,000.

Fourteen men in establishments producing up to $250,000 will produce as much as 15 men in establishments producing up to $100,000.

Seven men in establishments producing up to $100,000 will produce as much as eight men in establishments producing up to $50,000.

Four men in establishments producing up to $50,000 will produce as much as six men in establishments producing up to $20,000.

One man in the largest establishments will produce more than four men in the average smallest shops.

The italic figures are deductions computed from the United States Census report, and it is interesting to note the consistent increase in man's production in proportion to the increased volume of business.

The following table, prepared from a list of 2,000 selected industries from the United States Census report for 1935, shows the total quantity of production divided by the number following each line, which made it possible to enumerate the fair amounts in each line. I have used the nearest thousand dollars over the true quotient in enumerating these "fair amounts." The four items selected are representative:

Code	Industry	Number of of establishments	Production	Fair amount
33c	Abrasives	94	$53,867,448	$574,000
41a	Agricultural implements	241	291,254,064	1,209,000
46d	Aircraft	79	45,347,030	574,000
38a	Aluminum products	170	104,067,370	613,000

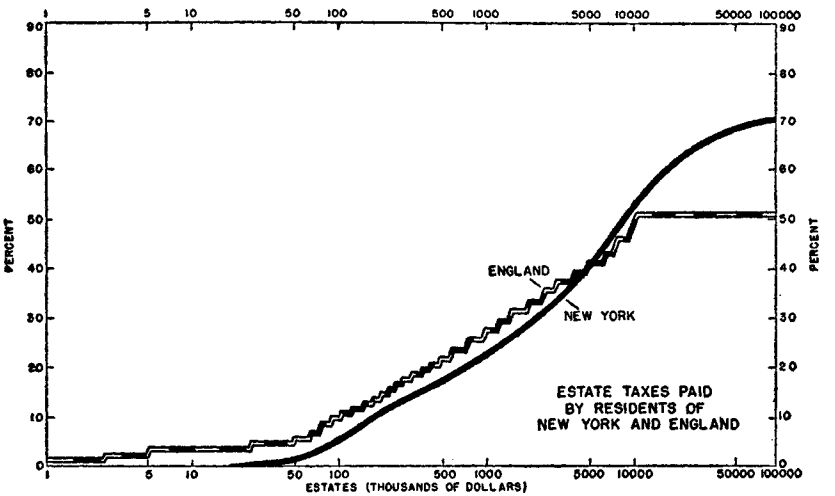
The tax on retail sales should be added, but I have not now the information necessary to determine the "fair amounts."

Respectfully submitted.

T. J. PRIESTLEY, Jr.

APPENDIX 23

(Submitted by Bernard M. Baruch)



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Estate taxes paid by residents of New York

Estate	Federal	State	Credit (deduct)	Total
$500	0	0	0	0
$2,500	0	0	0	0
$5,000	0	0	0	0
$10,000	0	0	0	0
$20,000	0	0	0	0
$30,000	0	$100	0	$100
$40,000	0	200	0	200
$50,000	$200	300	0	500
$60,000	600	400	0	1,000
$70,000	1,200	500	0	1,700
$80,000	2,000	600	0	2,600
$90,000	3,000	700	0	3,700
$100,000	4,200	800	0	5,000
$150,000	11,300	1,300	$400	12,200
$200,000	19,800	2,300	1,200	20,900
$250,000	28,600	3,800	2,400	30,000
$500,000	80,400	13,300	10,000	83,700
$750,000	141,200	26,300	20,400	147,100
$1,000,000	211,000	42,300	33,200	220,100
$1,500,000	369,800	81,300	64,400	386,700
$2,000,000	543,600	125,300	99,600	569,300
$2,500,000	732,400	174,300	138,800	767,900
$3,000,000	936,200	228,300	182,000	982,500
$4,000,000	1,388,800	251,300	280,400	1,459,700
$5,000,000	1,901,400	490,300	391,600	2,000,100
$6,000,000	2,460,200	639,300	510,800	2,588,700
$7,000,000	3,049,000	798,300	638,000	3,209,300
$8,000,000	3,658,200	967,300	773,200	3,852,300
$9,000,000	4,287,400	1,146,300	916,400	4,517,300
$10,000,000	4,936,600	1,335,300	1,067,600	5,204,300
$20,000,000	11,635,800	3,334,300	2,666,800	12,303,300
$50,000,000	32,335,000	9,334,300	7,466,800	34,202,500
$100,000,000	67,334,600	19,334,300	15,466,800	71,202,100

NOTE.—The New York rates will be reduced 20 percent on July 1, 1938, unless new enactment continues them.

Comparison of estate taxes paid by residents of New York and England

Estate	Amount of tax		Ratio of tax	
	New York	England	New York	England
			Percent	*Percent*
$500	0	0		
$2,500	0	$25		1
$5,000	0	100		2
$10,000	0	300		3
$20,000	0	600		3
$30,000	$100	1,200	0.33	4
$40,000	200	1,600	.50	4
$50,000	500	2,000	1.00	4
$60,000	1,000	3,000	1.67	5
$70,000	1,700	4,200	2.43	6
$80,000	2,600	6,400	3.25	8
$90,000	3,700	7,200	4.11	8
$100,000	5,000	9,000	5.00	9
$150,000	12,200	16,500	8.13	11
$200,000	20,900	26,000	10.45	13
$250,000	30,000	37,500	12.00	15
$500,000	83,700	100,000	16.74	20
$750,000	147,100	172,500	19.61	23
$1,000,000	220,100	250,000	22.01	25
$1,500,000	386,700	435,000	25.78	29
$2,000,000	569,300	620,000	28.46	31
$2,500,000	767,900	825,000	30.72	33
$3,000,000	982,500	1,050,000	32.75	35
$4,000,000	1,459,700	1,480,000	36.49	37
$5,000,000	2,000,100	1,950,000	40.00	39
$6,000,000	2,588,700	2,460,000	43.14	41
$7,000,000	3,209,300	3,010,000	45.85	43
$8,000,000	3,852,300	3,680,000	48.15	46
$9,000,000	4,517,300	4,140,000	50.19	46
$10,000,000	5,204,300	4,600,000	52.04	46
$20,000,000	12,303,300	10,200,000	61.52	51
$50,000,000	34,202,500	25,500,000	68.40	51
$100,000,000	71,202,100	51,000,000	71.20	51

Explanation.—The English taxes include the 1 percent legacy and succession duties payable by lineal descendants. English currency is translated to American at $5 to the pound.

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Amount of estate taxes paid in United States

[000 omitted]

	1935	1936	1937
Federal estate tax (fiscal years)	$140,441	$218,781	$281,636
Credit for taxes paid to States (estimated)	66,000	71,000	71,000
Federal and State estate taxes	206,441	289,781	352,636
Gift taxes, Federal	71,671	160,059	23,912
Total taxes against estates	278,112	449,840	376,548

NOTE.—These figures do not include State estates taxes in excess of the Federal credit, which are not readily procurable, nor State gift taxes, which are levied in only 6 States.

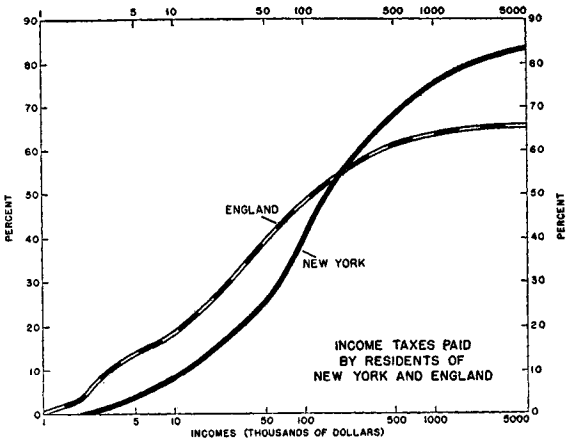
Amount of estate taxes payable in United States

[000 omitted]

	1933	1934	1935
Net estates, after exemptions	$798,246	$882,712	$1,027,774
Total estate taxes payable thereon, except where State taxes exceeded Federal credit	87,725	129,150	197,671
Ratio of tax—percent	10.99	14.63	19.23

NOTE.—The present Federal rates did not become effective until Aug. 30, 1935, so that they are not fully reflected by the 1935 ratio. The present ratio is probably about 24 percent.

Of the taxes payable from 1935 estates, the credit for taxes payable to States amounted to 22.22 percent. At the present tax rates (average of 24 percent), the credit would be about 17.8 percent.



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Comparison of income taxes paid by residents of New York and England

	Highest rate applicable		Ratio of tax paid	
	New York	England	New York	England
Net income:	*Percent*	*Percent*	*Percent*	*Percent*
$1,000				
$1,500		8.33		1.67
$2,000		25.00		3.12
$2,500		25.00		6.50
$3,000	7	25.00	0.77	8.75
$4,000	8	25.00	2.35	11.56
$5,000	8	25.00	3.40	13.25
$6,000	9	25.00	4.18	14.37
$7,000	13	25.00	5.10	15.17
$8,000	14	25.00	6.10	16.09
$9,000	15	25.00	6.99	17.08
$10,000	16	25.00	7.80	17.87
$12,000	18	30.50	9.26	19.98
$14,000	19	31.87	10.56	21.63
$16,000	20	36.00	11.71	23.17
$20,000	23	36.00	13.70	25.73
$25,000	29	41.50	16.16	28.89
$30,000	31	44.25	18.40	31.45
$40,000	33	47.00	21.82	35.34
$50,000	39	52.50	24.84	38.77
$60,000	47	65.25	27.80	41.52
$75,000	55	55.25	32.44	44.26
$100,000	67	58.00	40.02	47.70
$150,000	70	60.75	49.96	52.05
$200,000	72	63.50	55.45	54.91
$250,000	74	63.50	59.14	56.67
$500,000	80	66.25	68.74	61.46
$1,000,000	84	66.25	75.86	63.84
$2,000,000	85	66.25	80.43	65.05
$5,000,000	86	66.25	83.77	65.77
Over $5,000,000	87	66.25		

Income taxes paid by residents of New York

	Federal tax	State tax	Total tax	Ratio to net income
Net income:				*Percent*
$2,500	0	0	0	
$3,000	$8	$15	$23	0.77
$4,000	44	50	94	2.35
$5,000	80	90	170	3.40
$6,000	116	135	251	4.18
$7,000	172	185	357	5.10
$8,000	248	240	488	6.10
$9,000	329	300	629	6.99
$10,000	415	365	780	7.80
$12,000	602	510	1,112	9.26
$14,000	809	670	1,479	10.56
$16,000	1,044	830	1,874	11.71
$20,000	1,589	1,150	2,739	13.70
$25,000	2,489	1,550	4,039	16.61
$30,000	3,569	1,950	5,519	18.40
$40,000	5,979	2,750	8,729	21.82
$50,000	8,869	3,550	12,419	24.84
$60,000	12,329	4,350	16,679	27.80
$75,000	18,779	5,550	24,329	32.44
$100,000	32,469	7,550	40,019	40.02
$150,000	63,394	11,550	74,944	49.96
$200,000	95,344	15,550	110,894	55.45
$250,000	128,294	19,550	147,844	59.14
$500,000	304,144	39,550	343,694	68.74
$1,000,000	679,044	79,550	758,594	75.86
$2,000,000	1,449,019	159,550	1,608,569	80.43
$5,000,000	3,788,994	399,550	4,188,544	83.77

EXPLANATION.—The computation allows for exemption for married taxpayer and Federal credit for earned income.

The New York tax includes the emergency tax of 1 percent. It does not include the unincorporated business tax, which cannot be computed for particular brackets. Based on the 1936 returns, this tax adds, on the average, another 0.30 to 0.60 percent.

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British income tax and surtax

	Allowances	Highest rate applicable	Tax	Ratio of tax
		Percent		
£200	£220		0	
£300	240	8.33	£5.00	1.67
£400	260	25.00	12.50	3.12
£500	280	25.00	32.50	6.50
£600	300	25.00	52.50	8.75
£800	340	25.00	92.50	11.56
£1,000	380	25.00	132.50	13.25
£1,200	420	25.00	172.50	14.37
£1,400	460	25.00	212.50	15.17
£1,600	480	25.00	257.50	16.09
£1,800	480	25.00	307.50	17.08
£2,000	480	25.00	357.50	17.87
£2,400	480	30.50	479.50	19.98
£2,800	480	31.875	605.62	21.63
£3,200	480	36.00	741.37	23.17
£4,000	480	36.00	1,029.37	25.73
£5,000	480	41.50	1,444.37	28.89
£6,000	480	44.25	1,886.87	31.45
£8,000	480	47.00	2,826.87	35.34
£10,000	480	52.50	3,876.87	38.77
£12,000	480	55.25	4,981.87	41.52
£15,000	480	55.25	6,639.37	44.26
£20,000	480	58.00	9,539.37	47.70
£30,000	480	60.75	15,614.37	52.05
£40,000	480	63.50	21,964.37	54.91
£50,000	480	63.50	28,334.37	56.67
£100,000	480	66.25	61,459.37	61.46
£200,000	480	66.25	127,689.37	63.84
£400,000	480	66.25	260,189.37	65.05
£1,000,000	480	66.25	657,689.37	65.77
Over £1,000,000		66.25		

EXPLANATION.—The computation is for a married taxpayer (no children) with full allowance for earned income.

The computation does not include the national-defense contribution of 4 percent on individual business profits, which cannot be determined.

NOTE ON RELATION OF CORPORATE INCOME TAXES TO INDIVIDUAL INCOME TAXES

Comparison of individual income taxes in the United States and Great Britain is not accurate without considering corporate taxes.

In the United States dividends are subject to normal tax and surtax. In Great Britain the taxpayer takes credit for taxes paid by the corporation. To put individual taxes in the two countries on a comparable basis, therefore, corporate taxes should be added to individual taxes in this country.

With corporate taxes included, the highest tax rates applicable to several scales of income, as compared with Great Britain, are as follows (see the following calculation):

	Highest rate applicable	
	New York	England
Income of—	*Percent*	*Percent*
$300,000	79.2	66.25
$500,000	82.9	66.25
$1,000,000	86.5	66.25
Over $1,000,000	89.3	66.25

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Calculation of tax rates applicable to individual incomes when corporate taxes are considered

	Incomes of—			
	$150 to $300	$300 to $500	$500 to $1,000	Over $1,000
Gross income	$210, 518	$94, 350	$89, 183	$91, 670
Dividends	$124, 593	$62, 996	$63, 908	$75, 884
Ratio—percent	59. 2	66. 8	71. 7	82. 8
Rate of corporation taxes Federal and New York—percent	20. 4	20. 4	20. 4	20. 4
Amount of corporate income applicable to dividend before payment of tax	$156, 524	$79, 141	$80, 286	$95, 332
Amount of corporate tax	$31, 931	$16, 145	$16, 378	$19, 448
Gross income plus corporate tax	$242, 449	$110, 495	$105, 561	$111, 118
Ratio of corporate tax to gross income including tax—percent	13. 2	14. 6	15. 5	17. 5
Highest individual tax rate applicable—percent	76. 0	80. 0	84. 0	87. 0
Same, ratio to gross income, including corporate tax—percent	66. 0	68. 3	71. 0	71. 8
Total highest tax rate applicable to individual incomes—percent	79. 2	82. 9	86. 5	89. 3

Federal expenditures giving stimulation to business, by fiscal years

	1934	1935	1936	1937
Public works:				
Buildings	$78, 706, 000	$58, 026, 000	$67, 987, 000	$76, 249, 000
Highways	267, 882, 000	317, 357, 000	243, 896, 000	350, 612, 000
Rivers and harbors	150, 732, 000	203, 043, 000	223, 717, 000	234, 962, 000
Reclamation and other	20, 193, 000	53, 136, 000	55, 129, 000	83, 713, 000
Boulder Canyon	19, 445, 000	23, 821, 000	23, 913, 000	14, 946, 000
Army	38, 023, 000	61, 299, 000	9, 639, 000	19, 205, 000
Navy	22, 641, 000	115, 037, 000	137, 608, 000	59, 801, 000
Treasury Department	18, 928, 000	5, 616, 000	35, 847, 000	37, 200, 000
Department of Agriculture	13, 003, 000	15, 723, 000	54, 900, 000	62, 136, 000
Tennessee Valley	11, 037, 000	36, 149, 000	48, 831, 000	41, 995, 000
Administration, Public Works	6, 539, 000	14, 561, 000	25, 255, 000	27, 431, 000
Other	10, 765, 000	29, 242, 000	35, 417, 000	46, 050, 000
Total	657, 894, 000	933, 010, 000	962, 139, 000	1, 054, 300, 000
Agricultural aid:				
Payments	289, 055, 000	711, 819, 000	532, 524, 000	527, 061, 000
Farm credits	582, 607, 000	139, 657, 000	188, 110, 000	[1] 39, 611, 000
Purchase of commodities	40, 054, 000	76, 571, 000	8, 164, 000	4, 011, 000
Total	911, 716, 000	928, 047, 000	728, 798, 000	491, 461, 000
Other aids:				
Resettlement and subsistence homesteads	2, 372, 000	5, 424, 000	138, 016, 000	209, 696, 000
Loans and grants, public works	78, 596, 000	[1] 137, 707, 000	[1] 172, 116, 000	[1] 224, 480, 000
Reconstruction Finance Corporation	584, 623, 000	[1] 141, 927, 000	[1] 238, 722, 000	[1] 333, 864, 000
Other loans to railroads	70, 739, 000	66, 231, 000	[1] 127, 882, 000	[1] 3, 119, 000
Home owners	192, 230, 000	91, 651, 000	51, 890, 000	37, 426, 000
Emergency housing	369, 000	6, 480, 000	24, 906, 000	50, 734, 000
Federal Deposit Insurance	149, 502, 000	498, 000		
Total	1, 078, 431, 000	166, 064, 000	20, 324, 000	185, 353, 000
Adjusted service pay	50, 000, 000	50, 000, 000	1, 773, 493, 000	556, 665, 000
Relief:				
Direct	667, 299, 000	1, 744, 423, 000	487, 428, 000	8, 390, 000
Work relief	805, 123, 000	11, 327, 000	1, 264, 337, 000	1, 896, 744, 000
Agricultural		80, 561, 000	2, 882, 000	476, 000
Civilian Conservation Corps	331, 941, 000	435, 509, 000	486, 281, 000	385, 808, 000
Total	1, 804, 363, 000	2, 271, 820, 000	2, 240, 928, 000	2, 291, 418, 000
Summary:				
Public works	657, 894, 000	933, 010, 000	962, 139, 000	1, 054, 300, 000
Agricultural aid	911, 716, 000	928, 047, 000	728, 798, 000	491, 641, 000
Other aids	1, 078, 431, 000	166, 064, 000	20, 324, 000	185, 353, 000
Adjusted service pay	50, 000, 000	50, 000, 000	1, 773, 493, 000	556, 665, 000
Relief	1, 804, 363, 000	2, 271, 820, 000	2, 240. 928, 000	2, 921, 418, 000
Total	4, 502, 404, 000	4, 348, 941, 000	5, 725, 682, 000	4, 579, 197, 000

[1] Credit.

NOTE.—Total for 4 years, $19,156,224.

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APPENDIX 24

(Submitted by Paul H. Douglas)

The immediate sources of these data are the monthly Bulletins of the Federal Reserve Board. Those on employment and total pay rolls are drawn from the monthly collections of data made by the Bureau of Labor Statistics covering thousands of employers in no less than 89 separate manufacturing industries and including normally about 4 million workers. These have been periodically corrected in terms of the biennial census of manufactures. The indexes for the months in the years between these censuses were interpolated by the Bureau and the Board on the assumption that any differences in rates of change between the Bureau's series and the census would be distributed in even ratios over the intervening months.

The indexes of production are computed by the Federal Reserve Board from production data gathered by various Government agencies and industrial organizations.

The indexes for each group of products is weighted by the relative value added to those commodities by manufacturing in 1923 as shown by the census for that year. The production indexes given are not adjusted for seasonal fluctuations.

1. *The labor cost per unit of output.*—This is obtained by dividing the index of total pay rolls by the index of production. This measures the relative amount paid out in wages for each unit of physical product.

2. *The index of wholesale prices.*—Computed from (*a*) the index of wholesale prices for semimanufactured products as computed by the Bureau of Labor Statistics. (*b*) The index of wholesale prices for finished goods as computed by the Bureau of Labor Statistics. The former was given a weight of 12 and the latter of 88 according to the relative gross sales values of the commodities in 1926. (*See* Bulletin 493 of the Bureau of Labor Statistics.)

3. *Index of relative value added in manufacturing per unit of output.*—The value added in manufacturing is given for odd-numbered years by the censuses of manufacturing and consists of (*a*) gross sales value of product minus (*b*) the cost or raw material, fuel, and purchased energy, etc. This has been interpolated by months: (*a*) According to changes in the gross sales value of product, i. e., production times wholesale prices, (*b*) according to changes in the percentage which the value added by manufacturing forms of gross sale value. The values from 1936 on are extrapolated on the assumption that those latter percentages for 1935 still apply.

The value added per unit of output is obtained by dividing (*a*) the index of total value added by (*b*) the index of production.

A comparison of (1) labor cost per unit with (2) value added per unit and wholesale prices per unit will give us a measure of changes in what the employers pay out compared with what they receive.

On the whole it is better to compare labor cost per unit of output with value added per unit than with wholesale prices per unit. For it is from value added that wages must be paid.

(1) The index of physical product per worker is obtained by dividing the index of production per worker by the index of employment. (*See* chart and table 1.)

(2) The index of value added per worker is obtained by dividing the index of total value added by the index of employment.

(1) The index of the cost of building materials is the wholesale price index for this group compiled by the Bureau of Labor Statistics.

(2) The index of hourly union wage rates is that compiled by the Bureau of Labor Statistics from 39 and now from 70 cities with each craft weighted according to its local and national membership.

(3) The composite index of building costs is composed of the two preceding indexes with materials given a weight of 60 and labor of 40.

(4) This may be compared with the all-commodity price index computed by the Bureau of Labor Statistics.

(1) Indexes of labor costs per unit of output are obtained by dividing (*a*) the indexes of total pay rolls for the group by (*b*) the corresponding indexes of production for the group.

(2) Indexes of wholesale prices are those given for each group by the Bureau of Labor Statistics. That for tobacco has however been computed from the indexes of four products, namely, cigarettes, which were given a weight of 55; cigars with a weight of 29; smoking tobacco with a weight of 8; plug tobacco with a weight of 5; and snuff with a weight of 3.

(3) Indexes of value added per unit of output are obtained by dividing (*a*) total values added by manufacturing (gross sales value minus cost of raw materials, fuel and purchased energy, etc.) by (*b*) the corresponding index of production.

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CHART 1

ALL MANUFACTURING INDUSTRIES

MONTHLY INDEXES OF PRODUCTION, EMPLOYMENT AND PAYROLLS

WITHOUT SEASONAL ADJUSTMENT

(AVERAGE 1923-25 = 100)

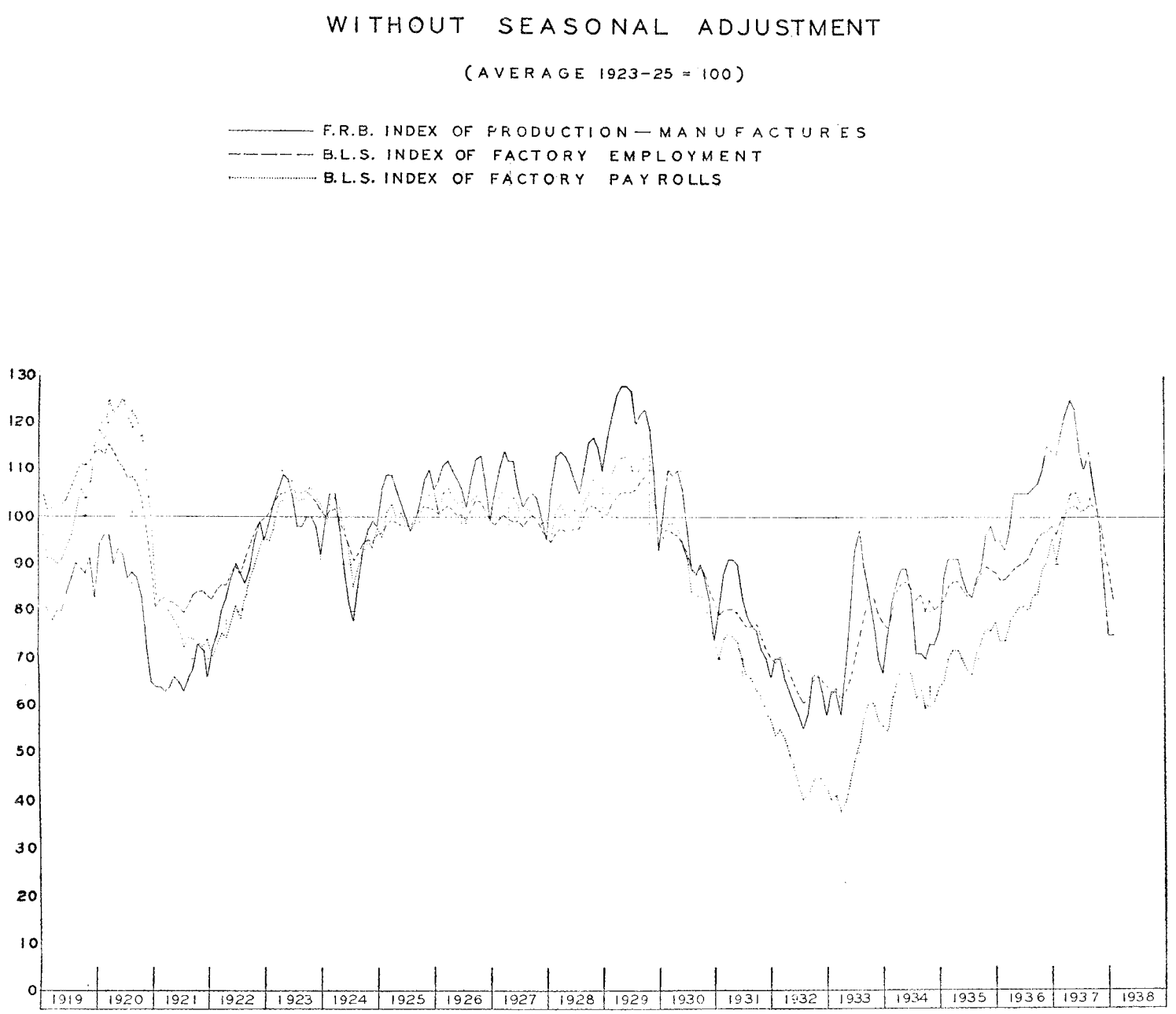


Chart 1. Monthly indexes of employment, production, and pay rolls for all manufacturing by months from 1919 to January 1938 (1923-25=100)

40637—38 (Face p. 1644) No. 1

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CHART 2

ALL MANUFACTURING INDUSTRIES

RELATIVE WHOLESALE PRICES, VALUE ADDED BY MANUFACTURE AND LABOR COST PER UNIT OF OUTPUT

(AVERAGE 1923-25=100)

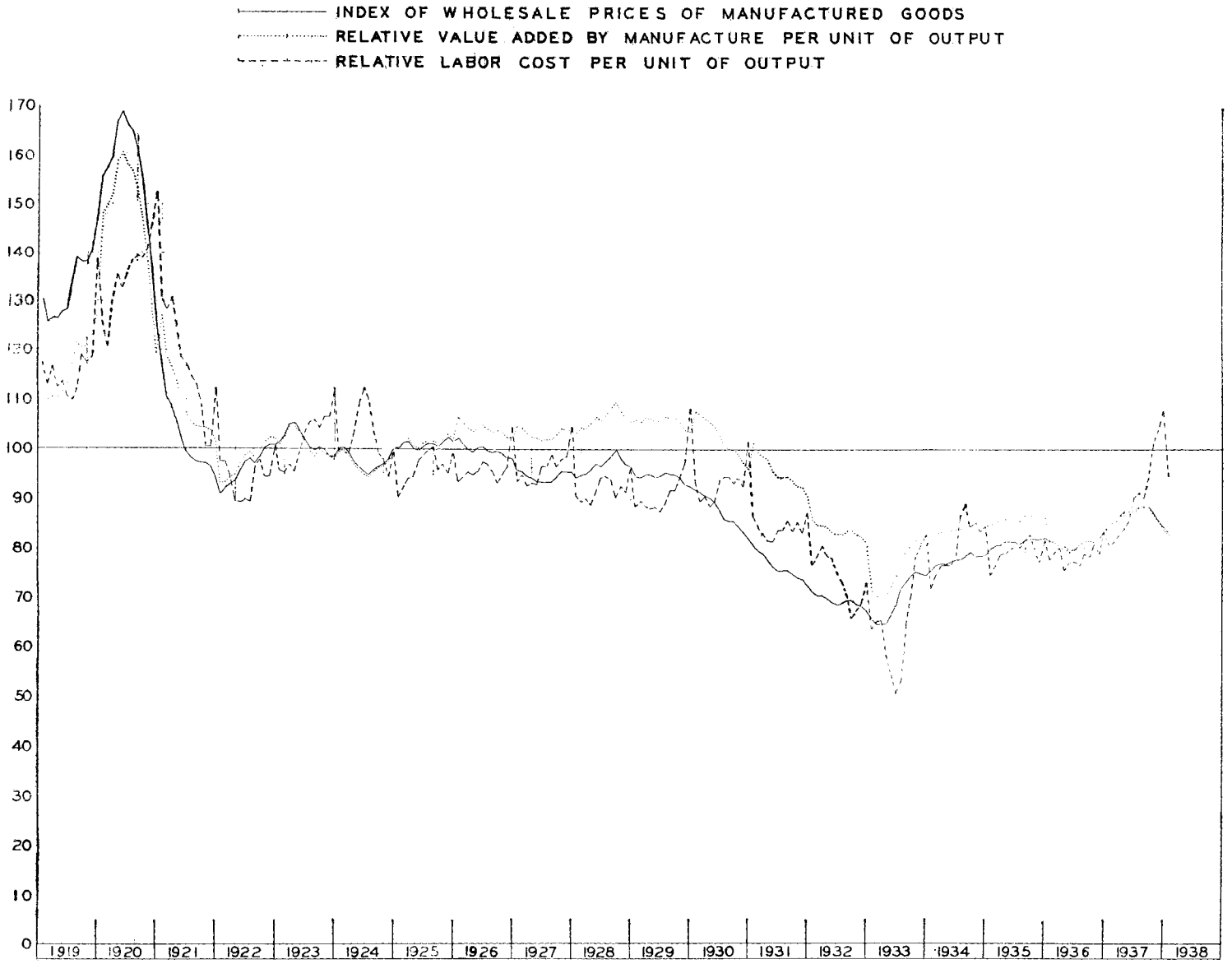


Chart 2. All manufacturing: Labor costs per unit of output, wholesale prices and value added per unit of output, by months, 1919—January 1938 (1923-25=100)

40637—38 (Face p. 1644) No. 2

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CHART 3

ALL MANUFACTURING INDUSTRIES

RELATIVE OUTPUT AND VALUE ADDED BY MANUFACTURE PER WORKER

(AVERAGE 1923-25 = 100)

———— RELATIVE OUTPUT PER WORKER
– – – – – RELATIVE VALUE ADDED BY MANUFACTURE PER WORKER

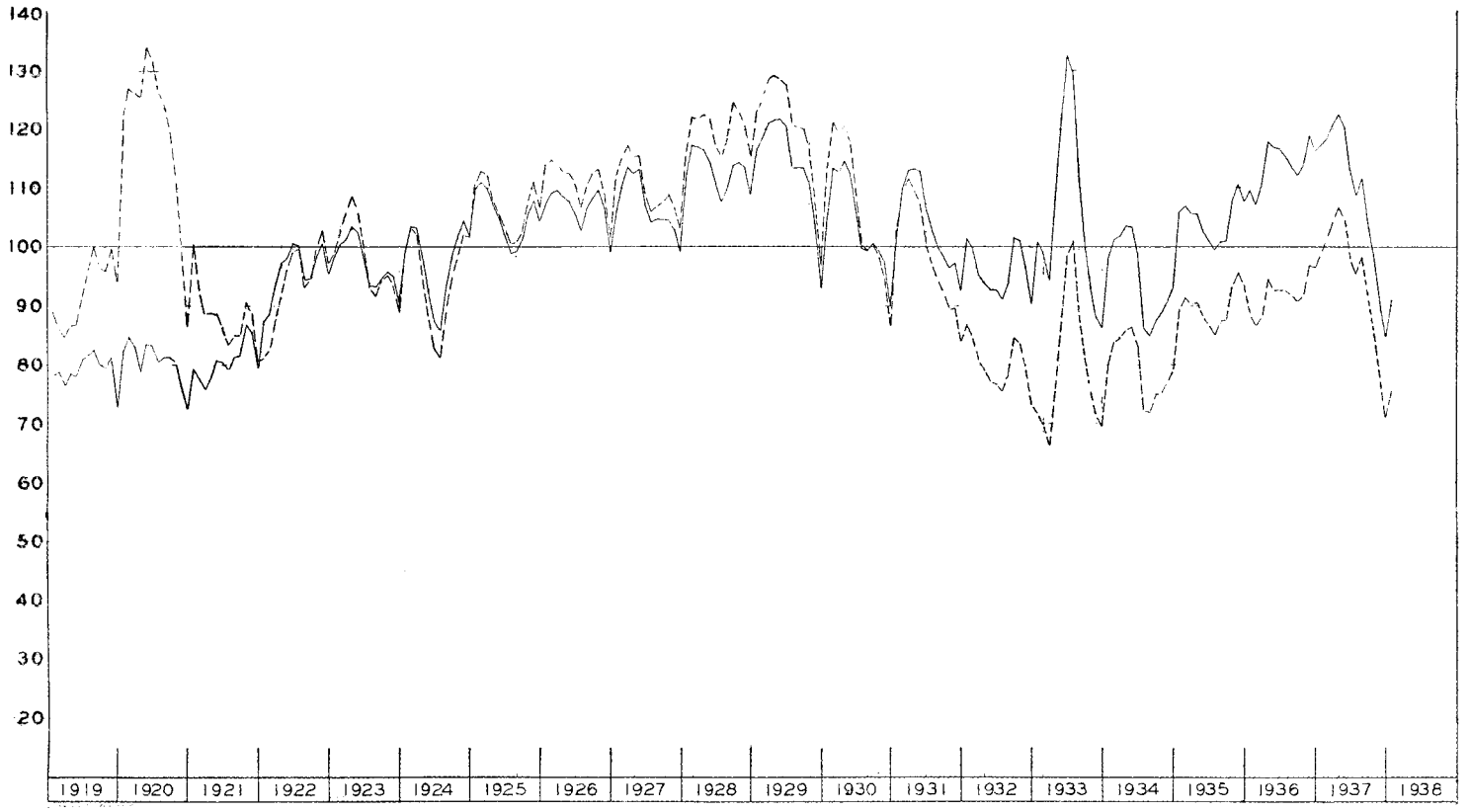


Chart 3. Relative physical product per worker and relative value added per worker by months, 1919 to January 1938, all manufacturing (1923-25=100).

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CHART 4

BUILDING

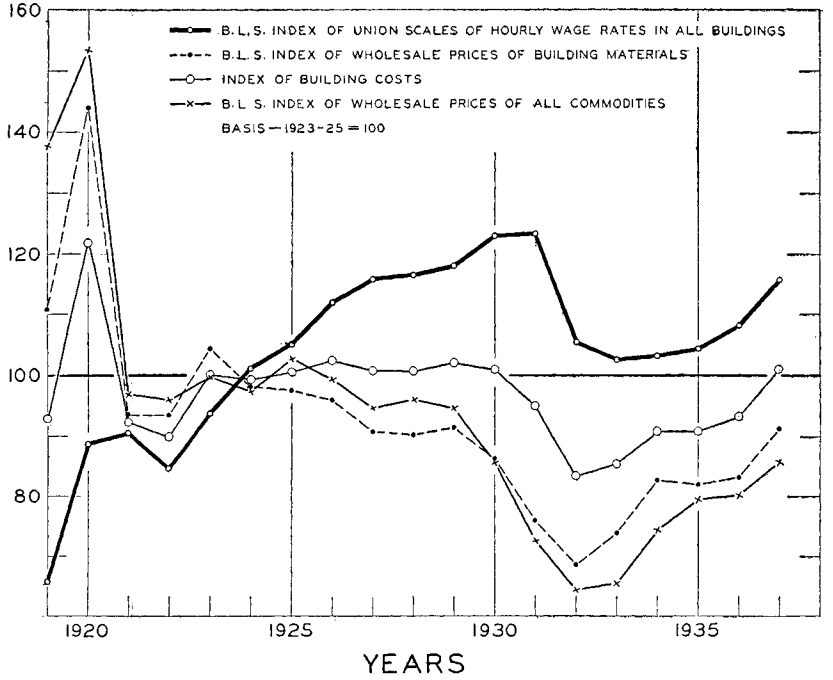
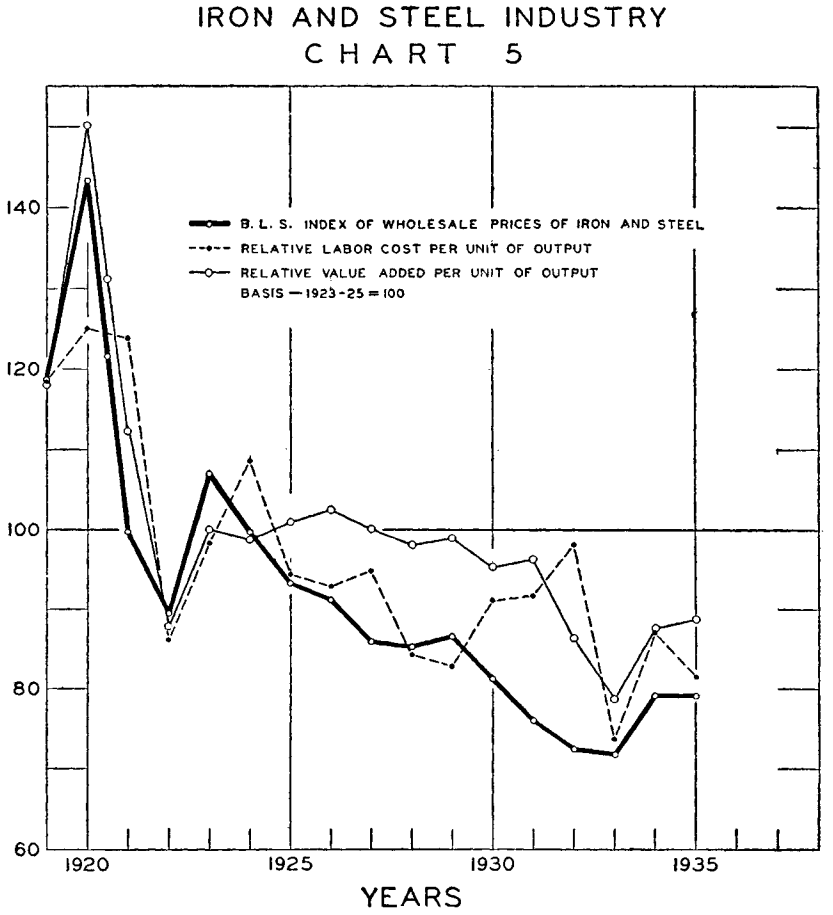


Chart 4. Costs of construction by years 1919–37.

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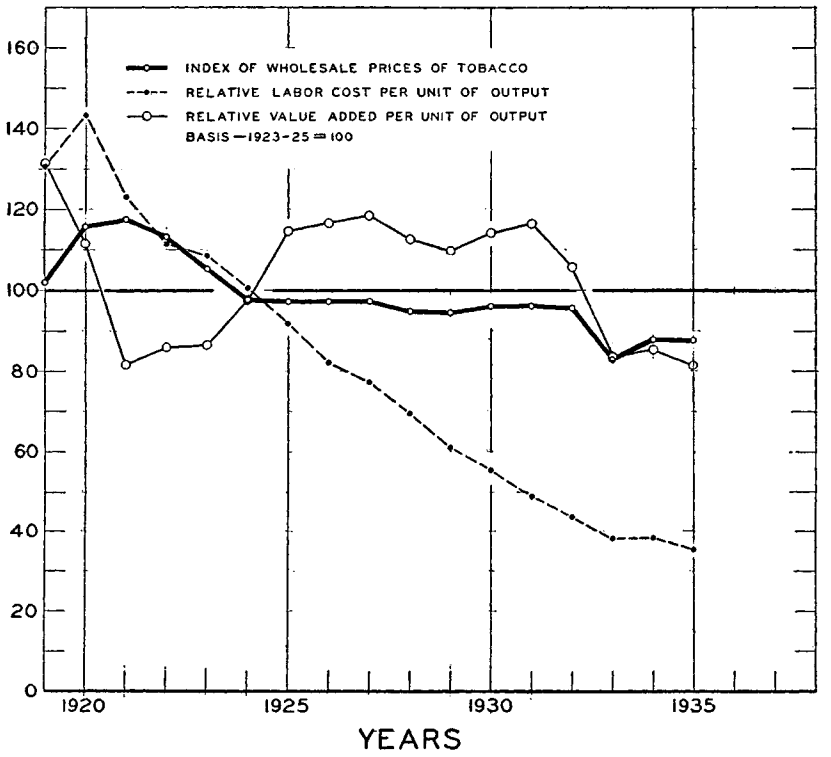


Charts 5, 6, 7, and 8. Labor costs per unit of output, wholesale prices, and value added per unit of output by years 1919–35, for four groups of industries namely: Steel, chart 5; tobacco, chart 6; textiles, chart 7; motor vehicles, chart 8.

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CHART 6

TOBACCO INDUSTRY

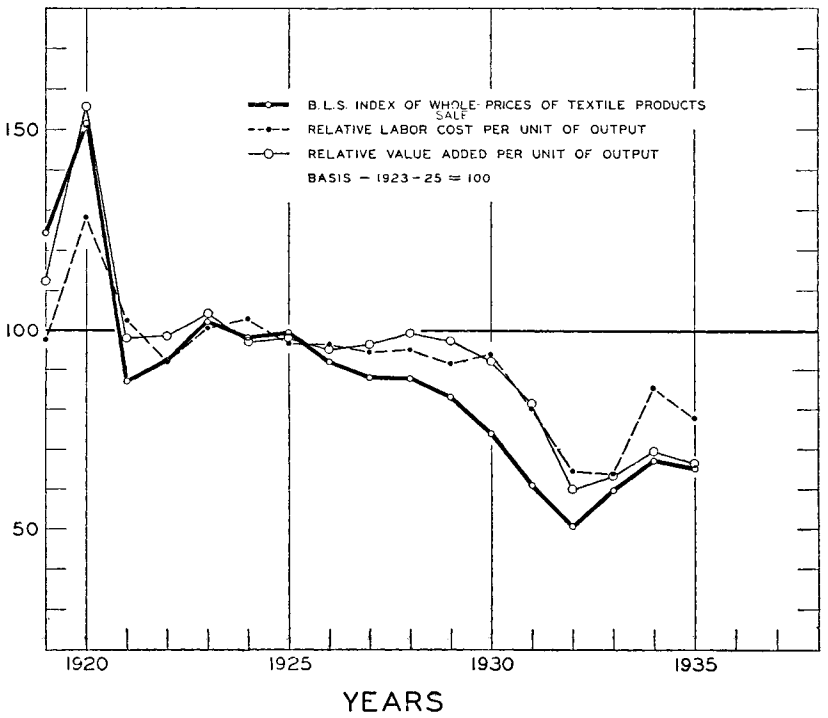


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CHART 7

TEXTILE INDUSTRY

RELATIVE WHOLESALE PRICE, LABOR COST AND VALUE ADDED BY MANUFACTURE PER UNIT OF OUTPUT

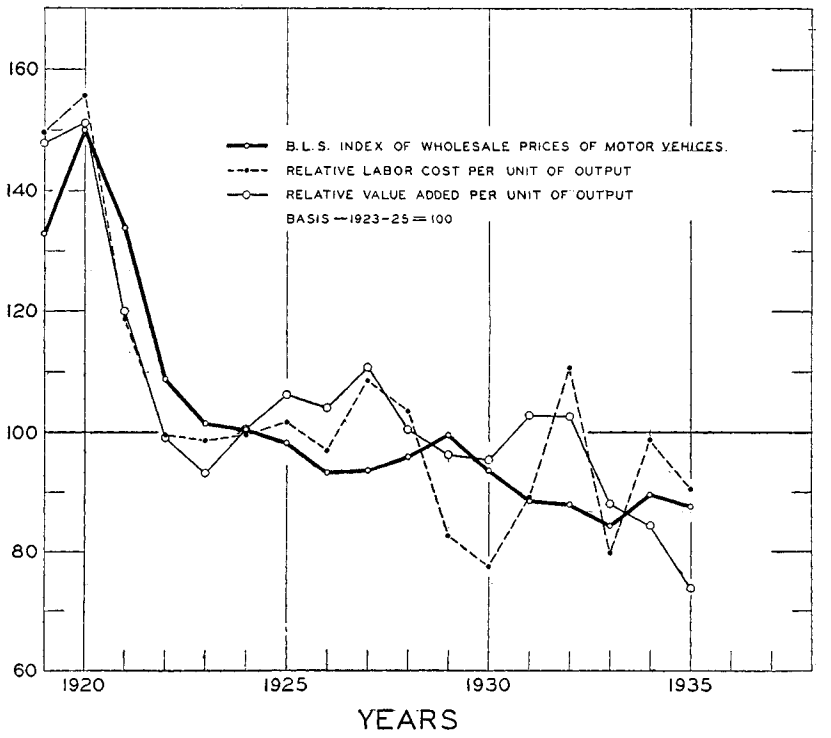


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CHART 8

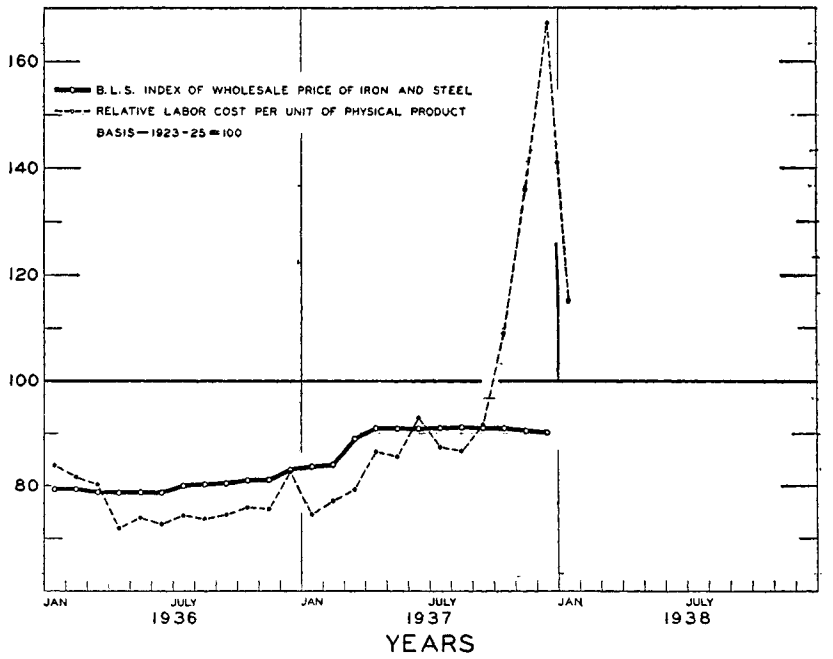
MOTOR VEHICLE INDUSTRY

RELATIVE WHOLESALE PRICES, LABOR COST AND VALUE ADDED BY MANUFACTURE PER UNIT OF OUTPUT



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CHART 9
IRON AND STEEL INDUSTRY
RELATIVE WHOLESALE PRICES AND
RELATIVE LABOR COST PER UNIT

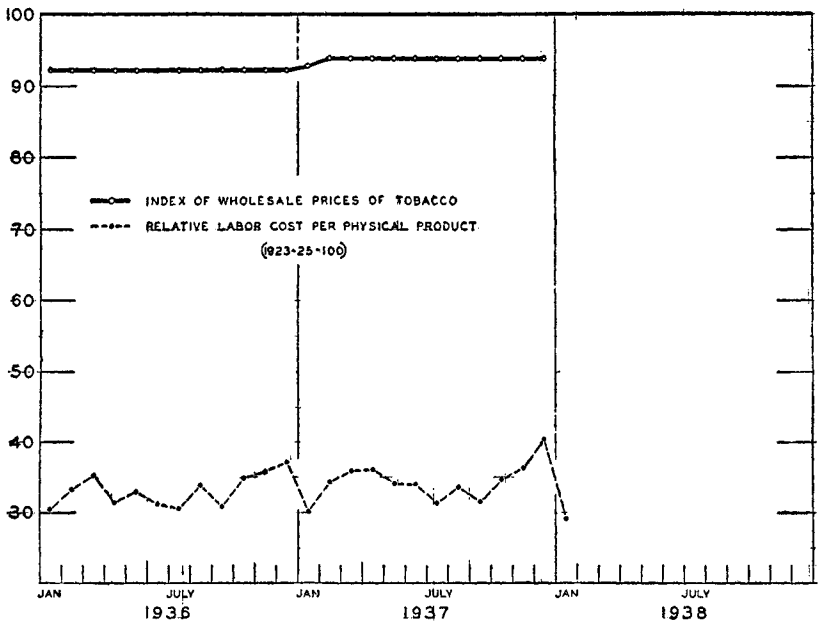


Charts 9, 10, 11, and 12. Labor costs per unit of output and wholesale prices by month, January 1936 to January 1938.

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CHART 10

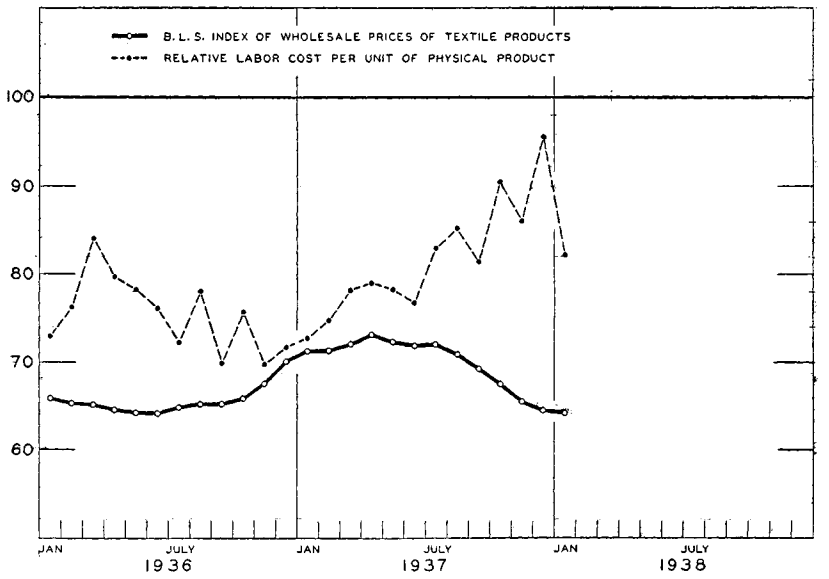
TOBACCO INDUSTRY



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CHART II

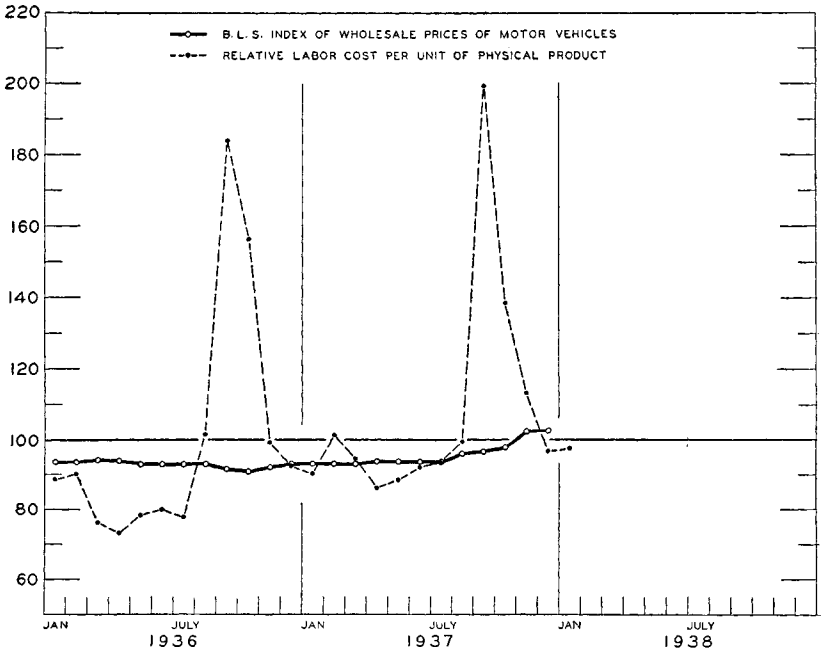
TEXTILE INDUSTRY



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CHART 12

MOTOR VEHICLES



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In the case of tobacco, the amounts paid in internal revenue taxes are also deducted from the gross sales values and hence are not included in the values added by manufacturing.

(1) Labor costs per unit of output were obtained by the methods previously stated, i. e., total pay rolls÷physical production.

(2) Wholesale prices are those computed for all groups save tobacco, by the Bureau of Labor Statistics. The tobacco index for these 2 years is computed from the prices of cigarettes and cigars, with plug tobacco, smoking tobacco, and snuff eliminated. In accordance with the relative values added in manufacturing in 1931, cigarettes are given a weight of 65 and cigars of 35.

Indexes of value added per unit of product are not given because of the present lack of census figures for 1937 and the dangers of extra-polation in the case of specific groups of industry.

APPENDIX 25

EXHIBIT 1

UNDERLYING CAUSES OF THE RECESSION

(Report submitted with the approval of the Business Advisory Council by Ralph E. Flanders)

The immediate causes of the recession have been quite thoroughly discussed. They include such factors as advance purchasing due to price rises and threatened labor trouble. This advance buying was followed by a cessation of buying when the price rise levelled off and the strike menace was deflected. Purchasers then drew from their expanded inventories instead of continuing their orders for materials and supplies, so that production and employment dropped off, particularly in durable goods.

Meanwhile railroad purchases were stopped by diversion of income to wage increases, the continued friction between Government and the utilities held back normal expansion in that area, and high material and labor costs prevented the hoped-for home-building boom from getting under way.

While these were all effective causes of recession as seen in retrospect, they were underlain by a serious fundamental maladjustment which has not had sufficient attention. The root malady of our condition is the hoarding in idle bank balances of the greatest volume of bank deposits the world has ever seen. People are unwilling to spend and afraid to invest. Until this condition changes any such group of unfavorable factors as that outlined above will have effects far more serious than would occur under more normal conditions, and recovery from those effects will be more slow and more difficult.

Evidence of this is to be found in the regularly reported data of the Federal Reserve Banking System, and is most clearly seen in chart I. As shown by the upper line in that chart, bank deposits reached an all-time high last January, and have remained at or near this point ever since. The source of these deposits—so much greater than in the boom years of 1928 and 1929—is of course the enormous governmental expenditures of the recovery period. But the rate of turnover of these enormous deposits, as shown by the lower line, is slowly trending downward below the conditions of the depths of the depression. The Government can generate new funds indefinitely, but it cannot seem to get these funds into normal circulation.

It is necessary to analyze these data a little further before accepting them at their face value, and this is done in charts II, III and IV. The rate of turn-over of deposits is found when bank debits (or the total amount drawn from deposits) is divided by net demand deposits.

Bank debits, which are a measure of the rate of spending, are shown in chart II in three curves—one for New York, one for 140 cities outside of New York, and one for the 141 cities combined. It will be seen that New York fluctuates much more widely than the rest of the country. This is due to the concentration in that city of the major part of the purely financial transactions of the Nation. Some of these transactions are necessary and healthful, others are derived from feverish and unhealthy speculation. The great rise culminating in 1929 was of the unsound sort. This situation is now under the control of Federal Reserve and Security Exchange Commission regulations, and the more intelligent practice of the financial group itself, so that New York since the depression has followed closely the volume of bank debits for the rest of the country. In other words, its activities are more directly related to those of productive business.

The size of the deposits against which the checks in chart II were drawn is shown in chart III, again divided between New York and cities outside, and shown also as a total. New York deposits did not drop during the depression

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while those of outside banks did. This was due to withdrawal of deposits from the rest of the country to New York for the presumed greater safety of the greater banking institutions. New York deposits have risen since 1933. Outside cities showed a severe drop, and then a rise. The combined curve for "all member banks" is the same as the upper curve in chart I.

The three corresponding curves for the resulting rate of turn-over are shown in chart IV. As explained, this rate is found when bank debits are divided by volume of deposits. New York City with its high debits and low deposits has a high velocity compared with the rest of the country, and doubtless always will have so long as it is the financial center of the Nation. The center curve in this chart from late 1928 on is the same as the lower velocity curve in chart I.

This analysis gives us a better perspective of chart I. It leads us to question whether we should expect or desire in 1938 a velocity of circulation as high as that in 1929, so much of which was due to unhealthy speculative transactions. Study of the charts would seem to indicate a velocity of 50 or 60 as more nearly normal for prosperous conditions of business and employment than the present 25. If we could persuade depositors to spend and make new investments at this rate, the end of both unemployment and further governmental borrowing would be in sight.

It is difficult to conceive of any end other than disaster to a prosperity in which declining velocity of circulation requires mounting deposits based on unceasing governmental borrowing for its support. It therefore becomes a matter of first importance to find the causes of the stagnation in bank deposits. It would be most useful if the conditions could be studied directly by analyzing the various types of deposits to find where the stagnation is centered—whether in large checking accounts, small checking accounts, cash reserves of large or small companies, individual time deposits, accounts of savings banks and insurance companies, or elsewhere. So far as we are aware this has not been done, nor perhaps would it be easy to do it.

In default of such a direct and thorough analysis it is possible to get useful information indirectly, and one of the possible lines of inquiry is here set forth.

Presumably the idle funds are not in hands of low-wage consumers. We may suspect in fact that funds do not come to rest until they appear as profits at some stage of the business process. The first question that arises is, then, are business firms paying out their profits or holding them in idle reserves? Some light on this question is furnished by chart V, in which Standard Statistics, Inc., has plotted the cash reserves of the 213 industrial corporations whose available statistics go back to 1922. These reserves mounted to a peak in 1929 and have since and until the present moment trended downward. It is to be noted that in 1936 this downward trend was interrupted by a slight increase. It will be remembered that 1936 was the first year of the undistributed-profits tax. It has been urged before your committee that this tax should be retained to encourage an increase in the velocity of circulation. So far as distribution of corporate cash acts favorably on velocity, the only effect of the tax is seen to be a negative and undesirable one.

Chart VI shows for the same 213 industrial corporations the amount of dividends payed out of profits after deduction of bond and bank interest, preferred-stock dividends, and other prior obligations. From this chart it is clear that a larger proportion of earnings was distributed to stockholders during the recent recovery than in the recovery and boom following the depression of 1921 and ending in 1929. Of these 213 corporations there are 68 whose records go back to 1914. Chart VII gives their history. The story is the same. There is no recovery period since 1914 in which earnings have been more generously distributed than since 1932. The evil of idle money seems to lie elsewhere than at the door of the large industrial corporations.

Our next step then is to trace these earnings as they flow into the hands of the stockholders. Who receives dividends? Is it the very rich, or the well-to-do, or the poor? Berle and Means, on page 60 of their book The Modern Corporation and Private Property give data to indicate that corporate incomes were distributed in 1929 to stockholders in about the following proportions:

TABLE 1

	Percent
To those with annual incomes less than $5,000	26
Between $5,000 and $25,000	25
Between $25,000 and $100,000	24
Above $100,000	25
Total	100

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This table shows that more than a quarter of the total dividends paid in 1929 went to those with less than $5,000 a year income, presumably in large part through savings banks and insurance companies; more than a half of total dividends went to those with less than $25,000 a year; and only a quarter of the total went to those whose income was $100,000 or over. We have no means of knowing whether these percentages still hold, but probably no radical change has taken place.

Brookings Institution on page 54 of the book, America's Capacity to Consume, gives 1929 data as to the size of various income classes which are condensed in the table below.

TABLE 2.—*Income classes and number of families*

Income class	*Number of families*
$3,000 to $10,000	5, 297, 000
$10,000 to $25,000	471, 000
$25,000 to $100,000	136, 000
Over $100,000	24, 000

Here again we have no data as to the size of these income classes in 1937. The lower ranges are probably larger and the higher ranges smaller. In any case the deduction to be drawn is that most of the profits of industry go into the hands of many hundreds of thousands of people; and so far as the above evidence bears on the question, the "lack of confidence" or "fear to invest" or "tendency to hoard" or whatever we may call the evil of idle bank deposits is not due to the conspiracy of a few, or to the policies of the great corporations, but is the cumulative and effective judgment of several hundreds of thousands of dividend receivers, and of the savings institutions and insurance companies which hold their funds in trust.

The lesson to be learned is this: We must decide whether we are to operate under the profit system, or under state socialism (as in Russia, Germany, and Italy) or under some other system as yet undescribed and unnamed. If we are to retain the profit system we must operate under its laws. Hundreds of thousands of investors must have a reasonable expectation of profit and income so that they will spend and invest instead of hoarding; and there must be not only expectation of profit but realized profit on a large scale, if we are to have sufficient taxes to finance the new social advances of these recent years. Without profits to tax the whole fabric falls in ruin.

We would again emphasize a point brought out in our first report—that the reinvestment of profits on a large scale is essential to the attainment of our social aims. A higher standard of living for more people means a greater production and distribution of goods and services. Old equipment is wearing out or becoming obsolete and is not being replaced. More equipment and facilities than in the past are required for our higher standards. Added to this is the adoption of shorter working hours which will inevitably result in lower production and living standards unless improved machinery and processes are financed and installed. There is great need for the existing savings and profits, but they are useless unless reinvested. They are not now being reinvested.

We believe that the Government can produce an atmosphere in which business enterprise will revive, spending and investing expand, employment improve, profits increase, the return from taxation exceed wise governmental expenditure, governmental borrowing cease and indebtedness diminish.

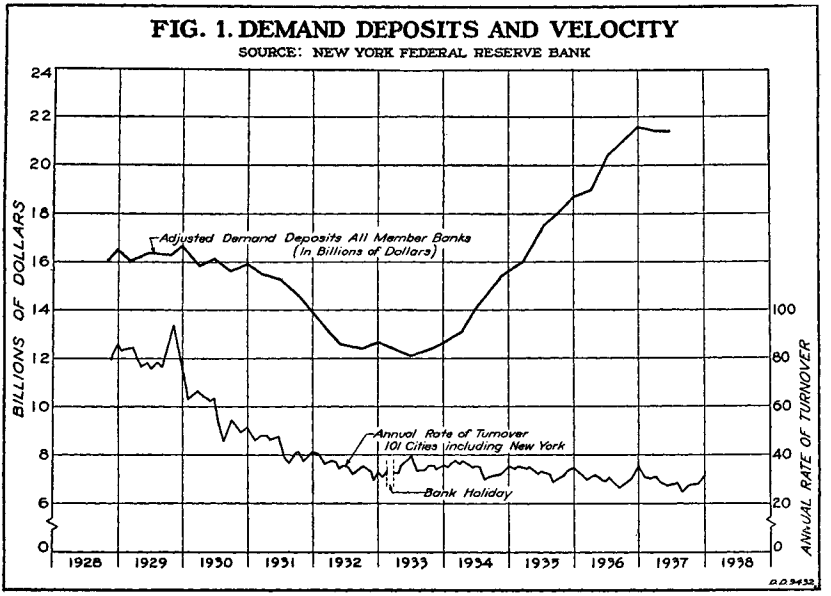
With these conditions as an essential background we believe that policies of alternating governmental expenditure and retrenchment can be applied which will redress the balance as against the variations of private business, and thus maintain employment more steadily than ever before, and do this on a rising standard of living.

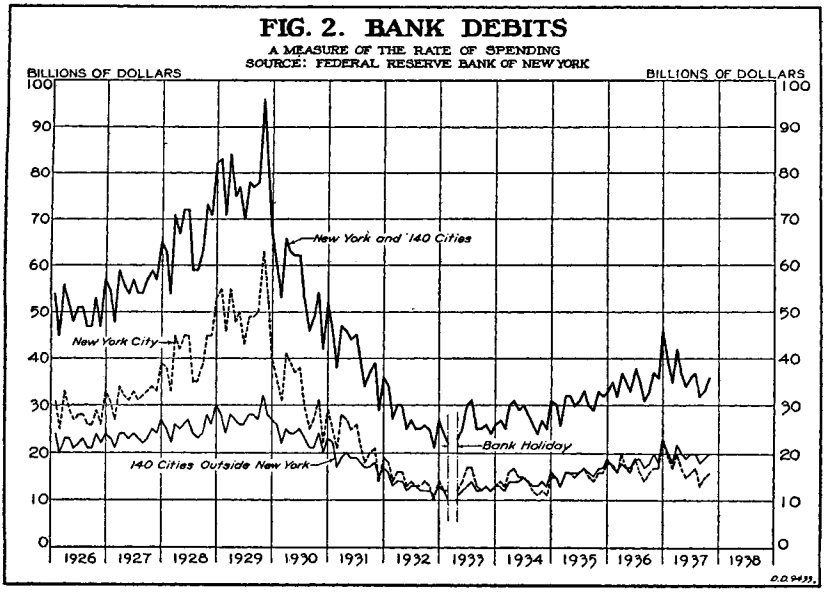
If this result is to be obtained, Government and business must understand each other and work together for the common good.

There is no other way.

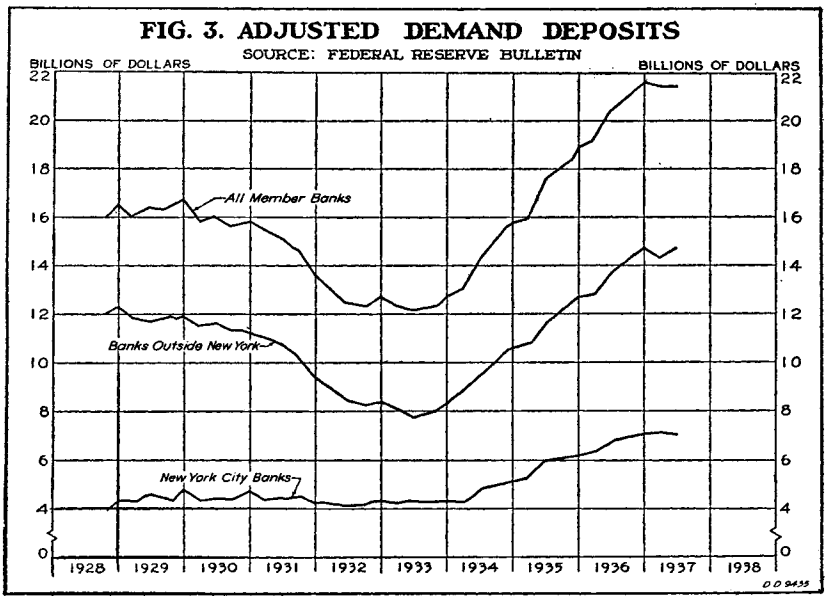
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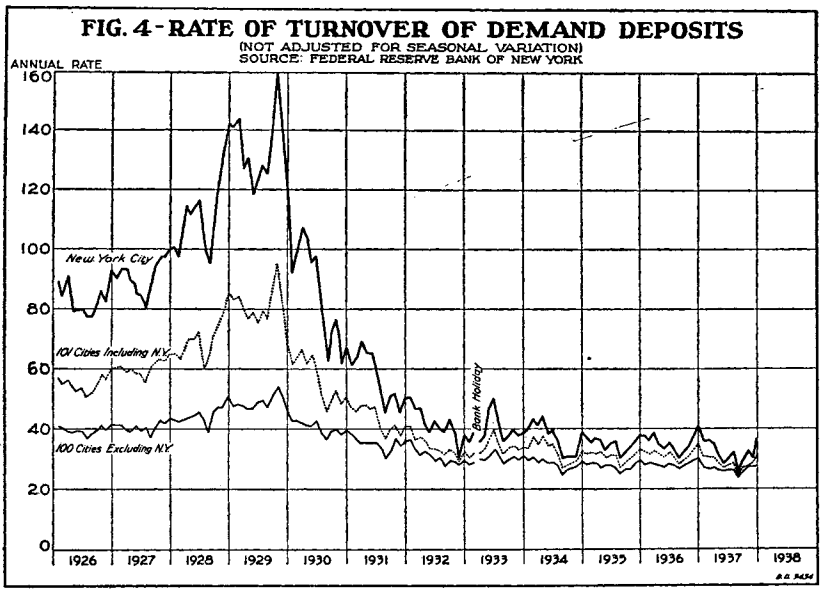
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FIG. 5

213
INDUSTRIAL
CORPORATIONS

CASH AND
EQUIVALENT
AS OF JANUARY FIRST

UNIT
BILLION DOLLARS

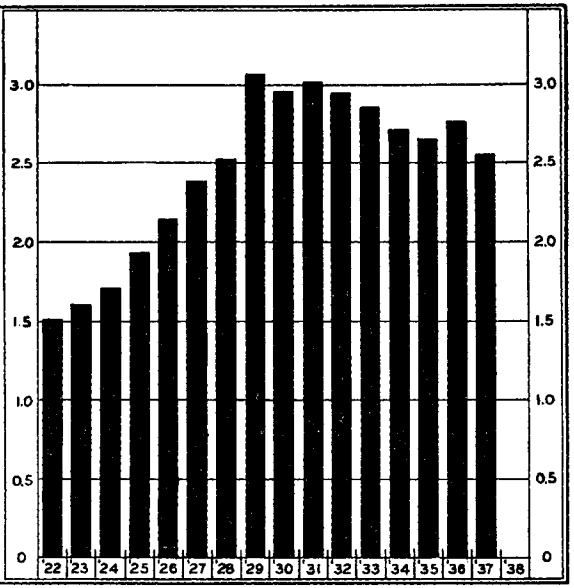
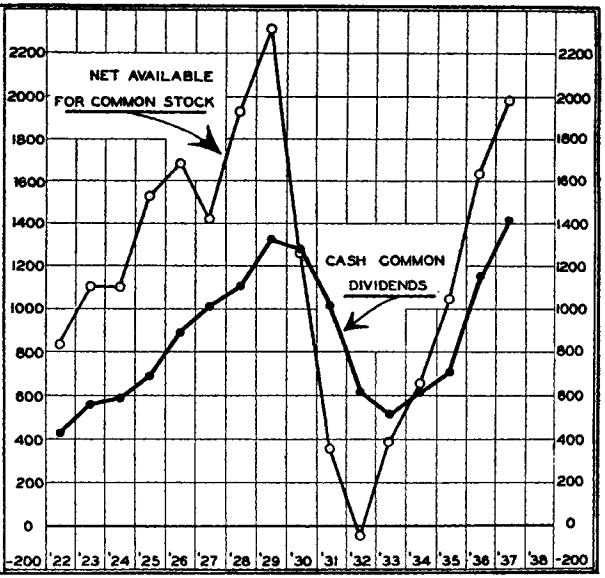


FIG. 6

213
INDUSTRIAL
CORPORATIONS

UNIT
MILLION DOLLARS



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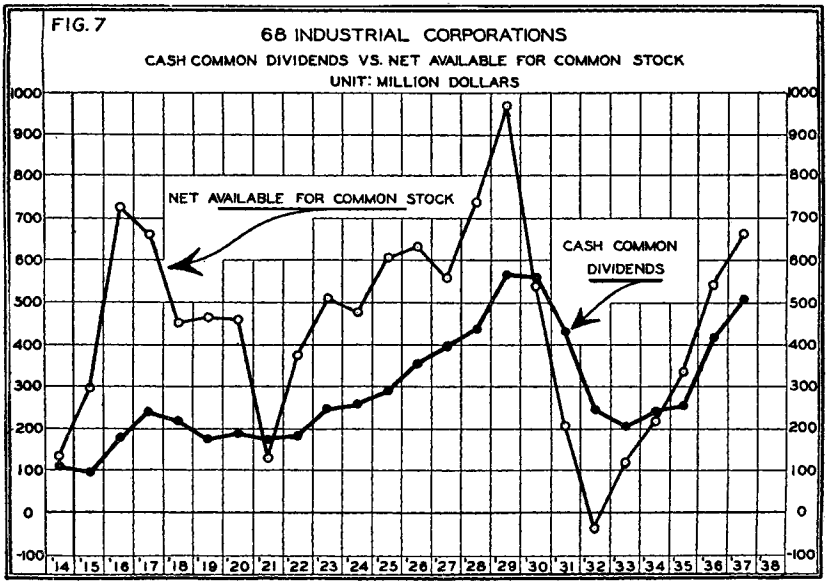


EXHIBIT 2

AMPLIFICATION OF REFERENCE TO GOVERNMENTAL POLICY TOWARD THE UTILITIES
(SEE [174])

It has seemed that a just statement of such a relationship between the Government and utilities as would be fair to the utilities and thoroughly in the public interest is to be found in a statement by Dr. Morgan which appears on page 1 of the New York Times for January 17, 1937.

In words taken from Dr. Morgan's statement "to promote fair and consistent conditions in Federal power projects * * * there probably should be developed through congressional action a national power policy * * * which will enable the people of the United States to predict future action and to plan accordingly."

I am included among the many who believe that the Government's unwillingness or inability to arrive at a fair, consistent utility policy is one of the major handicaps to a sustained recovery.

RALPH E. FLANDERS, *Springfield, Vt.*

MARCH 4, 1938.

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APPENDIX 26

(Submitted by George F. Houston)

EXHIBIT 1

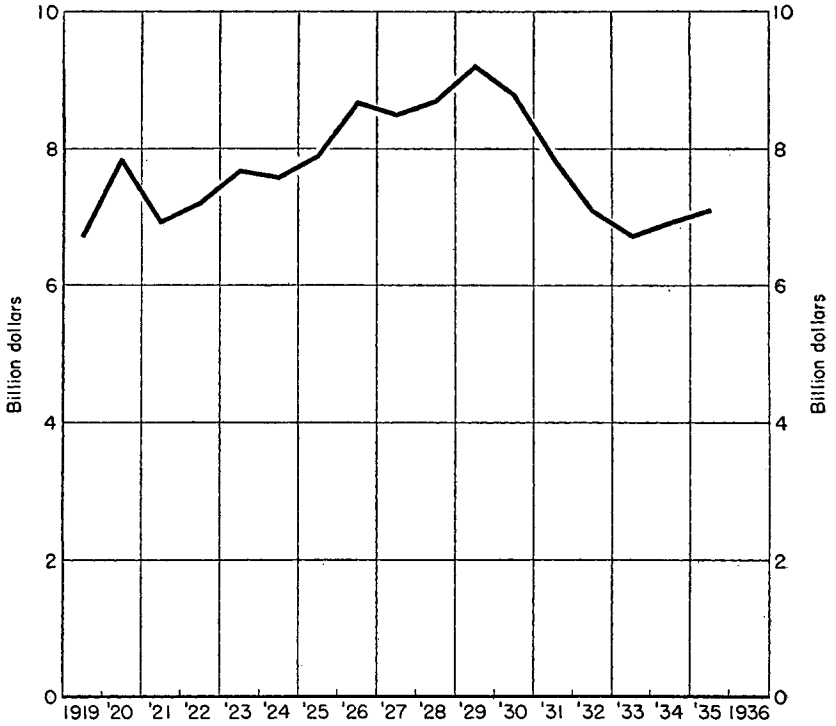


EXHIBIT 1 - BUSINESS CAPITAL CONSUMED
1919-1935

Note: For discussion of methods of estimations made and for details regarding original data sources, see foot notes to the attached tabulation sheet.

Source: National Bureau of Economic Research.

AF-2735, W.P.A.

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Business capital consumed, 1919–35, by type [1]

[In millions of dollars]

Year	Depreciation and depletion	Repairs, renewals, and maintenance [2]	Development expense (mining)	Provisions for fire and marine losses	Total
1919	3,829	2,289	334	209	6,661
1920	4,189	2,983	498	218	7,888
1921	4,080	2,338	253	217	6,888
1922	4,416	2,297	284	212	7,209
1923	4,619	2,592	328	310	7,749
1924	4,749	2,372	292	207	7,620
1925	4,977	2,392	319	212	7,990
1926	5,624	2,485	366	224	8,699
1927	5,544	2,423	297	235	8,499
1928	5,875	2,341	267	230	8,713
1929	6,267	2,413	321	223	9,224
1930	6,251	2,082	233	206	8,772
1931	5,990	1,656	109	191	7,946
1932	5,597	1,210	107	168	7,083
1933	5,319	1,156	96	158	6,729
1934	5,295	1,281	138	156	6,870
1935	5,397	1,364	184	160	7,105
Average					7,739

[1] Industries from which the various measures of business capital consumption are taken, include: Agricultural and related industries, mining and manufacturing, public utilities and transportation, finance and real estate (nonresidential) and other industries (trade, construction, service, and miscellaneous).

[2] Public utilities only.

The above data were supplied by the National Bureau of Economic Research whose basic sources and estimation methods are as follows:

The data on business depreciation and depletion are based on corporate figures published in Statistics of Income. For farming, estimates of the Department of Agriculture were used, with several minor modifications. Noncorporate figures were estimated by stepping up the corporate figures by ratios obtained from the Censuses of Manufactures, Mines, Distribution, and Construction.

The figures on repairs, renewals, and maintenance by public utilities were collected from the Census of Electrical Industries, and estimates of the Federal Employment Stabilization Board, interpolated by data published in several industrial journals and corporate reports.

The development expenses in mining industries are derived from data in the Census of Mines and Quarries, Report on Crude Petroleum and Its Liquid Refined Products (U. S. Tariff Commission), and Preliminary Report on a Survey of Crude Petroleum (Department of the Interior); with interpolations based on Mineral Resources (Bureau of Mines).

Total fire and marine losses are estimated by the National Board of Fire Underwriters. To these was applied a percentage based on the ratio of value of business capital goods to the total national wealth subject to fire hazards (Federal Trade Commission estimates of national wealth, 1922).

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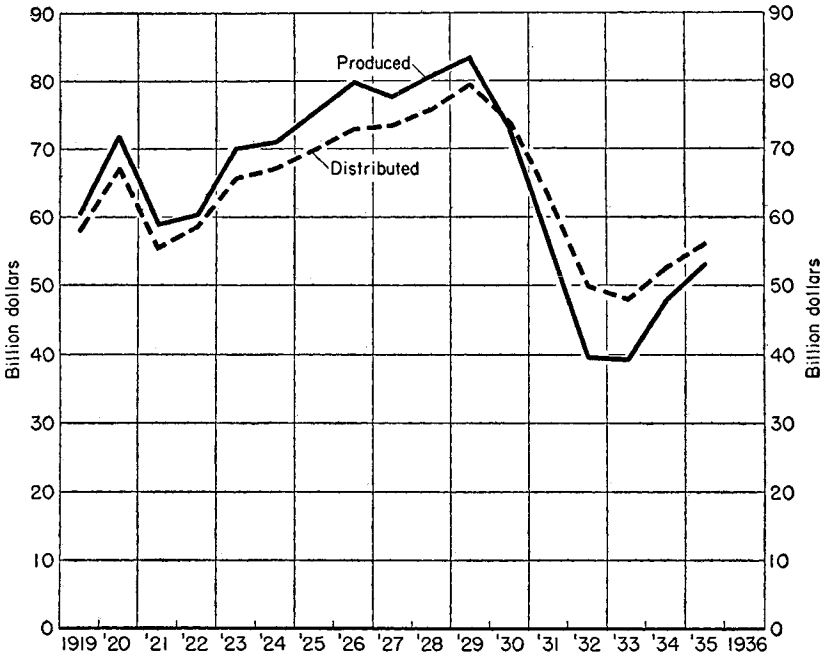


EXHIBIT 2-TOTAL NATIONAL INCOME PRODUCED AND DISTRIBUTED 1919-1935

Source: National Bureau of Economic Research, Bulletin No. 66 (September 27, 1937).

Total national income produced and distributed and business savings or losses, 1919–35

[In millions of dollars] [1]

Year	National income produced	National income distributed	Business savings (+) or losses (−)	Year	National income produced	National income distributed	Business savings (+) or losses (−)
1919	60, 161	57, 499	+2, 662	1928	80, 559	75, 823	+4, 736
1920	72, 689	67, 056	+5, 633	1929	83, 631	79, 808	+3, 823
1921	58, 521	55, 177	+3, 344	1930	73, 111	73, 620	−509
1922	59, 857	58, 041	+1, 816	1931	56, 089	62, 565	−6, 476
1923	69, 895	65, 854	+4, 041	1932	39, 555	49, 785	−10, 230
1924	70, 557	66, 763	+3, 794	1933	39, 247	47, 880	−8, 633
1925	75, 026	69, 921	+5, 105	1934	47, 960	52, 385	−4, 425
1926	79, 658	72, 823	+6, 835	1935	53, 118	56, 287	−3, 169
1927	77, 608	73, 381	+4, 227				

[1] Current prices; absolute figures.

Source: National Bureau of Economic Research, Bulletin No. 66 (Sept. 27, 1937).

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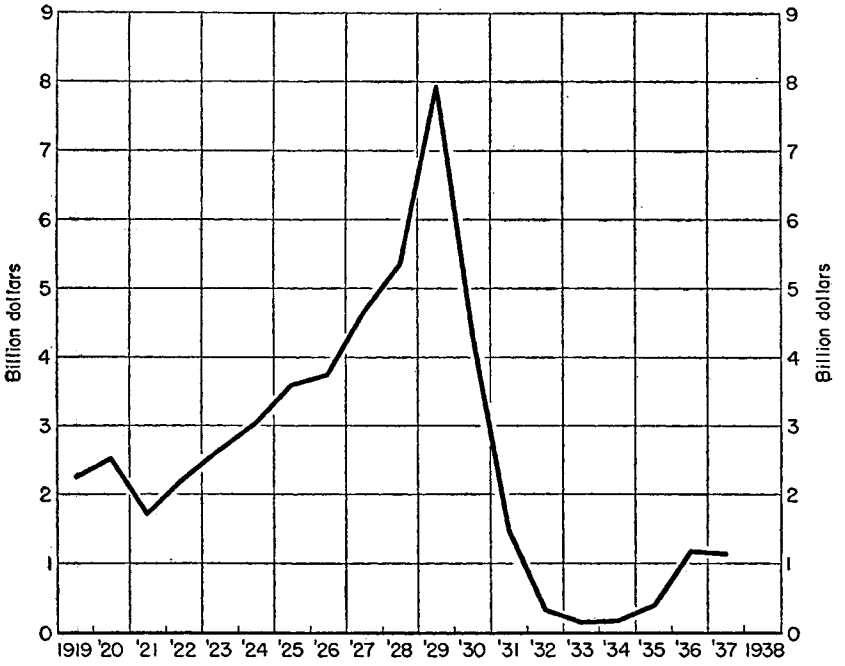


EXHIBIT 3-NEW CAPITAL ISSUES IN THE UNITED STATES DOMESTIC CORPORATE ISSUES ONLY*

*Exclusive of U. S. Government obligations and refundings.

Source: *Commercial and Financial Chronicle.*

New capital issues in the United States exclusive of United States Government obligations—refundings excluded

[In millions of dollars]

Year	Grand total	Total corporate	Domestic corporate	Foreign corporate	Total noncorporate	Foreign government	Farm loan issues	Municipal, States, cities, etc.	United States possessions
1919	3,588.4	2,303.3	2,246.4	56.9	1,285.1	285.2	[1] 310.0	678.2	11.7
1920	3,634.8	2,710.0	2,563.4	146.6	924.8	236.8	----------	671.8	16.3
1921	3,576.7	1,823.0	1,700.7	122.3	1,753.7	405.3	121.9	1,199.4	27.1
1922	4,304.4	2,335.7	2,211.5	124.2	1,968.7	510.3	344.4	1,070.9	43.0
1923	4,304.4	2,702.5	2,635.4	67.1	1,601.9	213.1	337.5	1,043.1	8.2
1924	5,593.2	3,322.3	3,027.1	295.2	2,270.9	703.3	179.1	1,379.6	8.8
1925	6,220.2	4,100.7	3,604.5	496.2	2,119.5	590.0	168.7	1,352.1	8.7
1926	6,344.1	4,357.0	3,754.0	603.0	1,987.1	542.1	91.1	1,343.5	10.4
1927	7,791.1	5,391.0	4,656.8	734.2	2,400.1	826.9	86.8	1,475.0	11.4
1928	8,144.4	6,079.6	5,346.1	733.5	2,034.8	585.7	63.9	1,379.1	6.1
1929	10,182.8	8,639.4	8,022.0	637.4	1,543.4	120.5	----------	1,417.8	5.1
1930	7,023.4	4,944.4	4,484.7	459.7	2,079.0	547.9	86.5	1,434.3	10.3
1931	3,115.5	1,763.5	1,550.7	212.8	1,352.0	40.9	74.6	1,234.8	1.7
1932	1,192.3	325.4	325.4	----------	866.9	26.0	77.1	762.5	1.3
1933	709.5	160.7	160.6	.1	548.7	----------	63.9	483.3	1.5
1934	1,419.5	178.3	178.3	----------	1,241.2	----------	405.1	836.1	----------
1935	1,476.0	403.6	403.6	----------	1,072.4	----------	150.0	918.9	3.5
1936	1,986.4	1,216.9	1,193.9	23.0	769.5	----------	21.9	745.9	1.6
1937	2,049.8	1,158.5	1,158.5	----------	891.2	3.3	157.0	727.2	3.8

[1] "Farm loans" column includes $200,000,000 War Finance Corporation issue in 1919 (first half).

Source: Commercial and Financial Chronicle.

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