

COMMENTS ON SPECIFIC PROJECTS

This memorandum will be confined to a discussion of certain aspects of the particular projects which might tentatively be incorporated in the public works program.

Direct Federal

Direct governmental expenditures on public works are capable of being carried out with a minimum of delay and upon a scale which will give a large impetus to the capital goods industries and indirectly increase incomes throughout the whole economy. The funds should be used for projects which are useful and socially desirable, but which are non-competitive with private business. It is understood that various governmental agencies have made surveys of possible projects and have detailed figures upon the amounts that can be efficiently spent in the near future.

The total volume of spending in direct Federal projects might be tentatively set at one and one-half billions for the next year, in addition to the present appropriations.

(a) Highways. In this field there are well equipped agencies, both State and Federal, that have numerous projects in the offing which could be quickly started if funds were available. As a matter of fact, the most successful part of the public works program to date in putting out money rapidly has been the work of the highway division.

(b) Elimination of grade crossings. This is a highly desirable type of public expenditure both to stimulate business and to increase public safety. While railroads would benefit from such a program, the public interest is so large that the government should properly pay the total costs. The railroads could not make expenditures at

present without rate increases, which would nullify the benefits of the spending. Complete plans, cost estimates, etc., have already been made so the work could proceed rapidly under supervision of engineering departments of the railroads with the direction and approval of the Bureau of Public Roads. If high speed trains are to be used more in the future grade crossing elimination will assume greater importance.

(c) Flood and erosion control. The possibilities should be thoroughly explored although there may be difficulties in actually getting projects started in the immediate future.

(d) Emergency Conservation Corps. This highly beneficial work might well be extended to employ larger numbers of men.

These are merely suggestions and in no sense are an exhaustive list of all possible projects. Other proposals should be currently submitted by the P.W.A. for consideration, accompanied by appropriate details on engineering feasibility. In other words, the program should be kept as flexible as possible so that it can be expanded or contracted as need arises.

State and Municipal.

Up to the present the public works allocations to State and municipalities have been drawn down very slowly and this has been one of the most disappointing features of the public works program. However, the public works administration has been faced with many organization and legislative difficulties. Some of these have been ironed out and if the program were now set up on a more liberal basis there would be prospects of more effective results. An additional two billion should be appro-

priated to the P.W.A. for loans and grants. Also, the R.F.C. should be required to set aside another 500 million dollars for the purpose of purchasing bonds received by the P.W.A.

(a) Loans and grants to States and municipalities. Larger grants are vital to provide a greater incentive for municipal and State borrowing. This grant should be a minimum of 40% in all cases, with discretion in the hands of the Administrator to increase the percentage of grant to loan for communities which are in need of public construction but do not have the legal power to borrow. Provided, however, that the limitation on borrowing was in the law at the time the bill was passed and not subsequently.

The bonds for the remainder should be taken by the Public Works Administration on a 4% basis so that if the municipality's credit is good they would first seek private capital markets to float their securities. Also, the Public Works Administration could sell the bonds which they so acquired later, provided we experience a period of falling interest rates and business recovery improves the credit position of certain communities which have borrowed from the P.W.A.

Loans also might be granted upon the assignment of delinquent taxes in a percentage to be determined by the Administrator.

In order to facilitate rapid spending certain mandatory features should be included in the loans and grants made by the Public Works Administration. Applications for approval should be handled within as short a time as is reasonable. A condition of allocation should be the requirement that contracts will be let upon a basis which calls for completion by the end of 1936, with heavy penalties on the contractor for non-ful-

fillment. However, exceptions might be allowed by the Administrator if there appears to be insufficient projects that can be completed on that basis or where efficient construction is impossible. In such cases a relatively high minimum monthly expenditure should be required.

Certain labor and wage restrictions in the present law should be removed. Permission should be given to pay wages at 10 to 20% less than the standard rates for similar types in the localities in question. In order to prevent contractors driving down wage scales to abnormally low levels, there might be some discretion all wed the Administrator in dealing with wage and hour standards in regions where there is no well organized labor market at present.

In order to avoid excessive price increases on business materials and supplies it would be well to remove the present production restrictions and price controls which have been built up under the N.R.A. If this were done, competition might be expected to keep prices from rising to abnormal levels, in as much as we have excess capacity in many of the building supply industries.

(b) Schools. More thought might be given to the problem of increasing school facilities in certain regions. There is no reason why the advantages of education should not be given on a nation-wide basis and the Federal Government grant sizable amounts to school districts in order to provide better educational facilities to its citizens.

(c) Low cost housing. This is a field in which there are great difficulties in making much progress in a short length of time and I do not think it offers very good prospects as a recovery measure. The Federal Government perhaps could give a bonus for the cost of demoli-

tion of slum areas provided projects are started by municipalities or private corporations and individuals which meet the approval of the Administrator. In addition, any such projects would be eligible to receive the 20% subsidy which will be discussed below under private construction.

Private Construction.

(a) Residential. If a subsidy of 20% of the cost were given on residential modernization and new construction it is likely that a considerable amount of private residential building would be forthcoming. This subsidy should be handled through the Federal Housing Administration which has a nation-wide organization which could successfully determine bonus payments thus avoiding duplication of Federal agencies. Rural modernization and construction might be handled through advances made by the Farm Credit Administration, and also this agency could determine and distribute the subsidy.

The subsidy would be allowed only on building which is started after passage of the legislation and completed by the end of 1936. One billion dollars might be appropriated for this purpose which if fully taken up would mean a total of five billions spent for modernization and construction.

To make the campaign more effective it would be desirable to attempt to get an agreement with the building trades to take a 10% cut in wages for the period of the subsidy on all construction of all types of housing facilities. This concession on the part of labor would be in consideration for the fuller employment that will arise through an increase in building activity. If it is deemed unwise to attempt to get an agreement calling for reduction at least the government should receive a guarantee from union leaders that there will be no increase in wages during this period.

Attached is a schedule of comparative wages of skilled building operatives in foreign countries in relation to those in the United States. This brings out strikingly the pressing need for a revision downward of union rates for building workers in this country.

(b) Rural electrification. In this program a maximum cost per customer for installation should be established with the government supplying the rest of the cost with a subsidy of not to exceed 40% of the total cost. This would be an equitable method of dealing with individual rural consumers. Arrangements should be made whereby the cost of installation which is borne by the consumer may be paid off at low interest over a period of 20 years.

Expenditure contemplated.

The program as outlined above calls for a total Federal outlay of 4 billion dollars. The 500 millions of R.F.C. funds would be self-liquidating as the bonds received are paid off or sold. It is difficult to determine in advance how much of the 2 billions of P.W.A. funds would be in the form of loans. A conservative estimate might be 500 millions. Thus, 3 billions would not be self-liquidating in any sense. However, the subsidy idea should bring out a private capital expenditure of at least 4 or 5 billions more, thus bringing the total expenditures on construction to somewhere approaching the normal construction figures. Attached is a schedule showing construction expenditures of all classes by the year since 1925.

11/11/34

HOURLY WAGES IN BUILDING TRADES

	<u>England</u>	<u>France</u>	<u>Germany</u>
Carpenters	40.13¢	38.2¢	45¢
Bricklayers	40.13	38.2	45
Painters	38.	36.5	40
Steamfitters	40.13	37	46
Steamfitters Helpers	29.5	35	39
Plumbers	40.13	37	46
Plumbers Helpers	29.5	35	39
Building Helpers	29.5	31	36

The above wages are only slightly higher than the hourly wages of skilled factory workers in the respective countries.

In vivid contrast, the differentials are much greater in the United States. Comparable wages in the above trades are from \$1.20 to \$1.65 per hour, while skilled industrial workers receive 65¢ to 90¢ per hour.

Source of Data: Memorandum to H.O.L.C. by C. M. Woolley, London, July 17, 1934.

ESTIMATED CONSTRUCTION
(In millions of dollars)

	1925	1926	1927	1928	1929	1930	1931	1932	**1933
Residential	3050	2965	2856	3095	2127	1222	900	511	222
Commercial	968	1022	1036	982	1081	684	345	136	89
Factories	363	523	417	565	606	285	129	48	100
Theatres, Clubs, Lodges, Religious & Memorial	386	385	393	311	224	188	129	47	54
Farm Construction	470	470	473	463	463	367	258	192	155
TOTAL PRIVATE	5237	5365	5175	5416	4451	2746	1761	734	580
Railroads	1223	1371	1339	1280	1370	1230	787	478	400
Elec. Power Co.	884	823	844	813	906	968	654	322	225
Telephone Co.	502	554	545	613	795	817	604	454	363
Electric R.R.Co.	242	207	205	194	194	189	155	98	100
Sub-Totals	2851	2935	2933	2900	3265	3204	2200	1332	1088
Pipe Line Co.						515	469	165	90
Gas Co.			Data			226	167	96	46
Telegraph Co.			not			73	37	21	16
Waterworks Co.			Available			44	25	15	6
TOTAL R. R. & PUB. U.						4062	2893	1629	1248
Cities	1263	1502	1482	1422	1339	1495	1302	797	400
Counties	778	676	885	829	556	709	329	137	100
States (Excl.Fed.Aid)	411	404	438	502	576	706	786	551	300
Federal (Incl.Federal Aid, Excluding D.C.)	245	230	240	270	305	390	510	580	500
TOTAL PUBLIC	2717	2612	3045	3023	2776	3300	2927	2065	1300
Sub-Totals	10,805	10,912	11,153	11,339	10,492	9,250	6,888	4,131	2,988
GRAND TOTAL						10,108	7,586	4,428	3,128

Based on reports to the F. W. Dodge Corporation, to the Department of Agriculture, the Bureau of the Census and the Federal Employment Stabilization Board.

Compiled by the Federal Employment Stabilization Board.
March 30, 1933.

** Added March 1934