

April 27, 1938.

OUTLINE OF NEXT STEPS IN THE RECOVERY PROGRAMThe Outlook for the Next Six Months

1. No sign of an early upturn. When production was last at current levels (in 1931 and 1934) industrial maintenance and new plant and equipment expenditures were nearly \$3 billion less than in 1937. No reason to expect upturn in railroad and utility expenditures.

Mildly favorable factors.

- (a) Residential housing increasing but small and below last year. Contracts awarded in the first half of April 38 per cent below '37 corresponding period; building permits outside N. Y. in March 28 per cent below last year.
- (b) Moderate increase in deficit but not substantial. W.P.A., C.C.C., roads, P.W.A., U.S.H.A., revenues.

Unfavorable.

- (a) Inventories \$5 billion higher at year end than in 1935.
- (b) Dwindling backlogs of unfilled orders and uncompleted projects.
- (c) Consumer credit liquidation
- (d) Agricultural and foreign prospects
- (e) Stock prices high in relation to probable earnings.

Necessary to speed up expenditures in next six months to prevent further deterioration.

1. R. F. C. Loans for R. R. equipment-- no legislation required.

- (a) Up to January 1, 1939, equipment delivered before June or September 1939.
- (b) 100 per cent of cost
- (c) Long maturities as safe
- (d) 2 per cent
- (e) Interest beginning one year after date of loan.

2. Further Stimulation of Residential Construction.

W. P. A. common labor contribution to private builders -- requires legislation.

- (a) 10 per cent of appraised value of new construction
- (b) On housing units appraised at \$5,000 or less
- (c) Limited to contracts let this calendar year and started after May 1st

Socially beneficial, powerful stimulant, no cost to Government.

3. R. F. C. Loans for New Utility Expenditures - No legislation required

- 1. Favorable terms
- 2. Limited period
- 3. Assist in lowering rates for private financing and refunding.
- 4. No loan to municipal power plants

4. Speeding Up of Ordinary Government Spending after New Fiscal Year Starts

- (1) Supplies
- (2) Public buildings
- (3) Armaments

Desirable because of critical business situation in summer and because other parts of program will be well launched in second half of fiscal year.