

Additional Amount Estimated that can be spent in calendar year 1940 if this program is adopted
(Millions of dollars)

A. Projects which are in major part or in whole self-liquidating:

1. Increase in the borrowing powers of the United States Housing Authority by \$800 million

200

2. Reduction of F.H.A. maximum interest in accord with the decline in long-term borrowing rates on high grade securities. The Federal Mortgage Association (under R.F.C.) buying rate for F.H.A. mortgages should be reduced correspondingly in order to make effective the reduction in the F.H.A. rates

3. Expansion of the self-liquidating portion of the Farm Tenancy Program to reach up to an additional 500,000 families of very low income who have not yet received any assistance from the Farm Tenancy Program. Present program calls for \$165 million expenditure, of which \$110 million is self-liquidating. This proposal would reduce the appropriation for the self-liquidating portion of the program to \$100 million and grant power to borrow up to an additional \$500 million in the fiscal year 1940 for self-liquidating projects developed during that year

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4. Expansion of rural electrification program to reach a maximum of one and a quarter million rural families not now receiving electric service nor likely to receive such service in the near future. Present program calls for expenditure of \$40 million for the next fiscal year. This proposal provides for a \$50 million appropriation and borrowing capacity up to ten times that amount for a ten year self-liquidating project

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5. Federal toll authority. Self-liquidating toll roads, canals, bridge projects. Program submitted by Bureau of Public Roads calls for a \$3 billion program for the next four years. Possibly \$1 billion would be completely self-liquidating, of which \$300 million might be expended in the calendar year 1940. The proposal is to give this authority borrowing capacity up to

\$1 billion for the four year program

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6. Extension of short-term and long-term loans for the purpose of promoting foreign trade. An expenditure of \$500 million over the next couple of years for such purposes is feasible, of which \$300 million could be used in 1940.

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7. To stimulate construction of non-Federal public works of purely self-financing type the President could direct the RFC to make the loans at a sufficiently low rate of interest to stimulate borrowing for this purpose. The rate of interest envisaged as necessary to get results is a lower rate than the RFC customarily charges. No additional legislation will be necessary as the RFC already possesses this power.

8. Railroad equipment construction. The main sector of private enterprise in which expenditures have lagged and where the most serious bottlenecks will arise in the event of further marked recovery is railroad equipment.

Substantial expenditures can be secured in this field either

(a) By securing specific authorization for the RFC to make equipment loans at low rates of interest to the full cost of equipment for longer than customary maturities and to have the funds available for such purposes increased. Such loans should be available only for orders placed within a year and interest could well be waived for a two year period.

(b) By establishing a self-financing railroad equipment authority to purchase and lease equipment to the railroads. In this way we could make absolutely certain that necessary equipment in sizeable volume would be constructed in the next twelve months.

Neither of these methods would involve any charge on the budget, if the RFC is authorized to subscribe to the capital of the equipment corporation.

B. Projects which are not self-liquidating:

9. Rapid expansion of the Food Stamp Plan for distributing surplus commodities to all communities and extension to cover more commodities, including cotton textiles, clothing and dairy projects.

The present appropriation asked for (\$113 million added to \$90 million otherwise available) will leave \$100 million available for the Food Stamp Plan for the fiscal year 1940. This program asks for \$200 million more. The \$300 million which would then be available for the Food Stamp Plan would take care of the bulk of the eligible persons now receiving some form of public assistance.

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10. Expansion on a nation-wide basis of the self-help cooperatives, now successfully operated in Washington, D.C., Richmond and many Western States. (Appropriation of \$200 million covers expenditures for fiscal years 1940 and 1941).

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Total

1,650

The above program calls for an expenditure and investment during the calendar year of 1940 of approximately \$1.6 billion.

These sums are not all employment-creating expenditures. Of the \$1.6 billion additional expenditures called for under this program in 1940, probably about \$1 billion would create direct and indirect employment in the first instance. It is estimated that by the end of the calendar year 1940 at least one million more men would be employed as a result of this program.

If, in addition to the above program, something effective is done for non-Federal public works and for railroad equipment the increase in employment would be substantially higher.

1. Non-Federal Public Works

In order (a) to prevent a drastic decline in public works expenditure in the Summer of 1940, (b) to provide for a continuing public works program, and (c) to avoid the further heavy charge on the budget that would be entailed by continuation of present methods of financing, it is recommended that the Federal Government make an annual grant of 50 percent of the servicing charges of State and municipal borrowings for public works. In this way a billion dollar program could be financed at an annual charge on the budget of \$27 million. Precedents exist in the U. S. Housing Authority and in British and Swedish Government practice. The justification for this method of subsidizing is that the public works are paid for while they are being used.

2. Old Age Security

An adequate national old age pension program could be financed out of existing appropriations. In this way an additional \$500 million could be contributed to consumption without entailing any additional charge on the budget. (See separate memorandum.)

The combined public works and old age security proposals would add some \$1 billion to the Government's contribution to buying power at an additional cost to the budget of only \$27 million.

With the addition of these proposals the total program would result in additional expenditures of from \$2½ to \$3 billion, which would almost certainly assure a very marked degree of recovery in 1940.