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MEMORANDUM

January 6, 1938

TO: Marriner S. Eccles, Chairman
Board of Governors
Federal Reserve

FROM: Dean R. Brimhall

The other day I promised to give you a list of the limitations under which the W.P.A. operates, particularly those limitations which arise out of the requirement that we do not interfere in any way with private enterprise. As a matter of fact, some of these limitations arise out of an attempt to assist private enterprise.

1. W.P.A. workers have to be selected from those that private industry either does not want because of their qualifications or does not want because it has no work at all for them.

Private enterprise can select its workers in accord with technological changes and seasonal requirements. W.P.A. takes what is left.

2. W.P.A. projects must give up their workers immediately if needed by private enterprise. Any key man on a project, the loss of whom might stop the project, can be demanded by private enterprise and must be immediately terminated without reference to the needs of the other workers or to the project. As soon as the private employer is through with such a worker W.P.A. is compelled to take him back whether it has a job fitted to his qualifications or not.

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In other words, W.P.A. is a labor pool which assists private enterprise by taking the shock of seasonal unemployment and technological changes. It thereby smooths out the operation of the private employer so far as labor supply is concerned.

3. W.P.A. is careful not to conflict with private enterprise in the wages paid. It may surprise you to know that we have many thousands of workers employed at 15¢ per hour. We have carpenter and similar tradesmen working for 40¢ per hour. It is also careful not to allow monthly earnings to equal the normal monthly earnings of a worker steadily employed in private enterprise. This practice acts as

which way

a stimulant to workers whose experience with the nature of the variable employment in private enterprise causes them to distrust it.

4. Private enterprise selects workers on the basis of actual need for a particular skill or in accord with the physical strength of the worker. W.P.A. cannot select workers except on the basis of need. It is therefore compelled to fit the worker to the job.
5. Intimately associated with Limitation Number 4 is that one which arises out of the kind of work W.P.A. can provide. W.P.A. is compelled to avoid enterprises normally conducted by private employers. This limits the type of projects which it can conduct to those which have been given up by private enterprise. Most of these are activities which are already socialized.

W.P.A. cannot employ shoe makers to make shoes or steel workers to make steel, or airplane workers to manufacture airplanes, or bankers to run banks.

6. W.P.A. in cooperation with the Department of Labor, furnishes elaborate employment mechanisms for immediate transfer of its workers to and from industry, not according to the needs of W.P.A. but according to the needs of private enterprise.

These, I think, are the primary limitations under which we work. I am sure you will see that W.P.A. operates not only to help the unemployed but actually is in the service of private enterprise. Instead of being an interference, it is one of the greatest aids to private enterprise, excepting possibly in one thing. If a sufficient labor pool is allowed to develop, wages can be beaten down below any possible desirable living standards. Yet these benefits to private enterprise are taken as a matter of course and as if they were inherent rights.

It is my contention that private enterprise is going to lose this preferred position that it now occupies with reference to labor surplus unless it can at least temporarily and periodically absorb

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that surplus. It will lose this preference because society will not be content to have millions of workers trained in certain skills doing unskilled work while waiting for the private employers to make use of it.

Of course I do not mention here the purchasing power supplied to WPA workers, - the use of which smooths out industrial variations.

Dean