

My dear Mr. President:

The Secretary of the Treasury at the meeting of the Fiscal and Monetary Advisory Board on November 21, 1938, presented material to the Board which related to the program of W.P.A. expenditures scheduled for the next three months.

He pointed out that in the Spring of 1938 when you recommended to Congress comprehensive recovery legislation of which the appropriation for work relief formed an important part, the possibility was envisaged by Congress that a situation might arise which would call for expenditures beyond those anticipated at that time.

Although there has been a marked increase in industrial production, and, we believe, a sound foundation for the continuance of recovery has been established, nevertheless the level of unemployment remains higher than was anticipated. It was naturally very difficult to predetermine accurately when expenditures on the heavier type of projects represented by the public works and public housing programs would become fully effective. We find that from July 1st to November 18, 1938, the total withdrawal from the Treasury by the U. S. Housing Authority was less than \$4 million and by the Public Works Administration, exclusive of Federal projects, only about \$80 million, of which \$34 million was withdrawn under the 1938 Relief Act. Whereas, the total withdrawal by the Works Progress Administration amounted to approximately \$882 million.

In addition to the foregoing, the New England hurricane dislocated industrial production over a wide area and also imposed additional burdens on the Works Progress Administration. Private re-employment has been and is being further retarded by the depressing effects on American trade and industry of the extremely critical international political situation. Finally, there has been an unanticipated lag in private employment despite the sharp increase in industrial production. A combination of these circumstances has thrown most of the recovery burden on the W.P.A. portion of the recovery program during the last five months.

It would now be necessary to cut the W.P.A. rolls by almost one million workers if we are to remain within the apportionments of funds by months hitherto made pursuant to the Emergency Relief Appropriation Act of 1938.

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It is our opinion that, from the standpoint of a proper timing of government expenditures with the requirements of the general economic situation, it would be exceedingly unwise to cut work relief expenditures drastically at this time. Therefore the Fiscal and Monetary Advisory Board respectfully recommends that you both release all present reserves and also modify the apportionments by months hitherto made by reducing the period of apportionment from eight to seven months.

Respectfully submitted,

The Fiscal and Monetary Advisory Board

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Chairman

P.S. Appended are two charts showing the lag in private employment despite sharp increase in industrial production.

Chart 1 - Industrial Production and Total Non-Agricultural Employment.

Chart 2 - Total Labor Supply - Not Classified by Regular Employment, Emergency Employment and Unemployment.