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NATIONAL UNEMPLOYMENT LEAGUE

(INCORPORATED 1922)

Object: To secure employment for all workers in times of business depression through the establishment of public works by Federal, State and Municipal Governments.



13 EAST 37TH STREET
NEW YORK

MURRAY HILL 3-3699

January 27, 1939

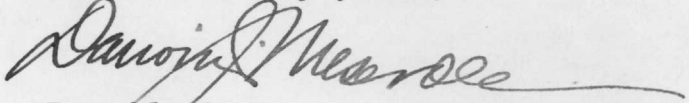
Hon. Lawrence Clayton, Assistant to the Chairman
Board of Governors
Federal Reserve System
Washington, D.C.

Dear Mr. Clayton:

Thank you for the courtesy of your letter of January 26.
The Times did publish my letter, copy of which I enclose.

You refer to the last paragraph of my letter to Mr. Eccles.
In this connection the enclosed pamphlet entitled, "Unemployment and The Stabilization of Business", issued by our League in 1924, may be of interest. It is our appeal to the business man, but was unheeded as we had "entered the New Era" and there "would be no more business depressions".

Very sincerely yours,


President

DJM:HC

Economists of America on Public Works

A confidential Washington News Service recently sent out the following statement:

"One of the most conservative advisers of the Government has stated very emphatically that the country is in for five years of depressed conditions unless the Government spends from 8 to 10 billions on public works, and does so promptly."

One hundred and fifteen economists from our largest universities and colleges signed a statement in January, 1931, of which the following is the closing paragraph:

"Public works, projected on a scale to check the present business depression, would, of course, require hundreds of millions of dollars, or possibly a billion, to be effective, but the cost cannot be compared to the loss sustained by all classes of the Nation if such expenditures are not made. Taxation for such projects, equitably distributed, would not be seriously felt by any group. It is difficult to understand the timidity, in this crisis, of business men and legislators. The need of the hour is courage to act along lines of long-established economic principles. The time has come to test them on some adequate scale."

Professor Wallace Brett Donham, Dean of the Graduate School of Business Administration, Harvard University, says in his book "Business Adrift", published in April, 1931:

"Whenever an unemployment emergency exists for any reason the government should steadily offer to the unemployed work on such (public works) projects...As projects were undertaken by the government the need for buying materials would stimulate industry and particularly raw materials. The effect would be to stabilize industry and employment..."

"The charges imposed on capital, industry and the government budget by such a general plan would in my judgment be far less than will inevitably result from prolonged bad business and consequent burdens unless something is done to cure the present situation."

Dr. Leo Wolman, Professor-elect of Economics, Columbia University, and author of "Planning and Control of Public Works", published by National Bureau of Economic Research (1930), in an article in New York Evening Post, April 11, 1931, says:

"In view of these plain and accepted facts, it is a fair question whether the time is not ripe for the adoption of a bold and constructive program of business recovery. Such a program, formulated many times in the course of the depression, but indubitably most appropriate and effective at this juncture, involves the flotation of a Federal bond issue in the amount of three billion dollars to be expended as quickly as possible in various forms of public construction...Conservatively estimated, the expenditure of three billions should result in the direct employment of some 750,000 workers and the indirect employment of substantial numbers in the preparation of materials and machinery, not to speak of the encouraging influence that such a measure will have on the state of mind of the leaders of business and industry."

Prof. Donham is the high priest of business

Activities of the National Unemployment League
420 Madison Avenue, New York City

December, 1922: League organized. Its chief object - to secure employment for able-bodied workers in times of business depression and unemployment by the extensive expansion of public works by Municipal, State and Federal Governments. Officers and Board of Directors practically unchanged since organization.

February, 1923: Bill sponsored by League ("Frelinghuysen-Zihlmann Bill") introduced in both Houses of Congress. Purpose of Bill - advance planning of public works so that when a business depression and acute unemployment period occurred there would be blue prints of work of a necessary and useful nature, in the hands of the proper Departments of the Federal Government, in readiness for any bond issue or appropriation Congress might authorize.

This Bill was re-introduced in later Sessions of Congress, in both Houses, but no action was taken.

March, 1930: League's Appeal to the President and Congress for appropriate legislation for the inauguration of a system of public works to meet the requirements of the acute and menacing situation in our country was unanimously adopted by the League's Board of Directors on March 7th.

This Appeal was subsequently endorsed by several hundred leaders of business, economic, religious and social welfare groups.

April, 1930: April 27th was designated "Unemployment Sunday". Religious, social welfare and other groups throughout the country were urged to endorse the National Unemployment League's Appeal.

June, 1930: On June 4th all signed Appeals and Resolutions were personally handed to the President by the League's delegation. The President gave a full hearing but was unwilling to recommend to Congress action along the lines suggested.

February, 1931: Following months of intensive work, a Bill (H. R. 17279) sponsored by the League, providing for a \$3,000,000,000 Federal bond issue, was introduced in the House of Representatives by Hon. George Huddleston, of Alabama. The amount specified, three billion dollars, was the sum designated in the so-called "Hoover Plan" presented to the Conference of Governors in New Orleans in November, 1928, by Governor Brewster of Maine, in the name of President-elect Hoover and at his request.

March, 1931: By the action of the social welfare agencies and the Prosser Committee in appealing to the City of New York's Board of Estimate (see p. 3, leaflet attached) social responsibility was placed upon Government, where the taxing power resides. Communication from the League's Board of Directors to the Board of Estimate herewith.

Next objective: To secure a Special Session of Congress for the purpose of enacting into law our Bill, or a similar measure, for the relief of present intolerable conditions.

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13 EAST 37TH STREET
NEW YORK
MURRAY HILL 3-3699

January 18, 1939

Hon. Marriner S. Eccles
Federal Reserve Board
Washington, D. C.

Dear Mr. Eccles:

I read carefully Senator Byrd's statement in Monday's press, in reply to your letter of last month, and the enclosed copy of letter to the New York Times is my reaction, which, however, may not be "fit to print", although the Times usually does print my letters on unemployment.

I was glad to read that it is your intention to continue the controversy in the press and on the radio. No greater public service could be rendered during the next few months, and until the relief appropriation for the fiscal year 1940 has been made by the Congress.

I am also enclosing some data, which may be of interest showing, as it does, that there is a demand, from many directions, for Federal expenditure "to the extent of the need of the surplus unemployed workers of the Nation."

Thanking you for your open advocacy of this principle of the responsibility of government for the relief of the unemployed as well as for the stabilization of business - for they constitute in reality a single problem - I am

Very sincerely yours,

President

January 16, 1939

Editor of The New York Times:

Senator Byrd, in his reply to Mr. Eccles' letter, states his belief that if the Federal Government had adopted a policy of retrenchment and balancing the budget, from 1933 on, business recovery would have been assured, as private industry would have expanded and the unemployed been given work.

Senator Byrd then states that when "our fiscal actions were sound", from March, 1933 to July, 1933, "the greatest increase of business activity occurred in any same period in the history of the Nation. Many men were put back to work. The Federal Reserve Board Index of industrial production stood at 60 in March, 1933; 100 in July, 1933."

What then prevented private industry from continuing production and sustaining the recovery? The financial and business interests, and the investors, had ample means to continue production and reabsorb the unemployed. The investors of the Nation had received in dividends and interest in the first three years of the depression - 1930, '31 and '32 - \$5,000,000,000 more than in the peak years of 1927, '28 and '29; yet, in that same 3-year period, the industries of the country, from which this increased income was distributed from the surpluses of these great corporations, had cut from their payrolls 12,000,000 workers to be supported by public or private charity, or relief. The Federal Government only began its public works relief program, and its direct relief allowances, to keep millions of its citizens from starvation, when it was evident that private industry was not sustaining production. Had not the Administration and the Congress, in the exercise of power under the public welfare clause of the Federal Constitution, assumed this elemental obligation of government, the result would not only have been an economic chaos far worse than that of March, 1933, but also social disorder which would have threatened our internal peace.

The social and economic problems confronting us are not easy of solution. But surely the way out is not in decreasing public expenditures while there are still over 10,000,000 unemployed, and cutting taxes in the hope that private industry will at once respond and employ the unemployed.

The failure of business to assume its responsibility to produce has already cost, in the present 9-year "business depression", over \$200,000,000,000; or, if computed on our potential power to produce, over \$400,000,000,000.

In the light of this stupendous waste, the increase in the Federal debt of \$24,000,000,000 sinks into insignificance in comparison.

Very truly yours,

Darwin J. Meserole
President

January 16, 1939

Editor of The New York Times:

Senator Byrd, in his reply to Mr. Eccles' letter, states his belief that if the Federal Government had adopted a policy of retrenchment and balancing the budget, from 1933 on, business recovery would have been assured, as private industry would have expanded and the unemployed been given work.

January 26, 1939

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Mr. Darwin J. Meserole, President
National Unemployment League

13 East 37th Street
New York City

Dear Mr. Meserole:

Mr. Eccles has asked me to acknowledge - and thank you for your letter of January 18 with which you enclosed a copy of your letter of January 16 to the Editor of the New York Times. You are to be complimented for the thought contained in the last paragraph of your letter namely, that solving the problem of the unemployed will of itself bring about the stabilization of business. Business men as a class overlook the fact that the government's WPA program is in reality a free warehousing service for the labor supply which business uses only when times are good and discards immediately when activity slows up. If a wholesaler had an over-supply of trucks and when business fell off found that these surplus trucks could be warehoused and kept in reasonably good condition by the government, I imagine he would be grateful for the arrangement. When people deal with human material, however, their mental processes

change. But surely the way out is not a change. Yours very truly,
Lawrence Clayton
Assistant to the Chairman

The failure of business to assume its responsibility to produce has already cost in the present 9-year "business depression" over \$2,000,000,000. If computed on our potential power to produce...

In the light of this stupendous waste, the increase in the Federal debt of \$24,000,000,000 sinks into insignificance in comparison.

LC/fgr

Very truly yours,
Darwin J. Meserole
President

A SUGGESTED SOCIAL EXHIBIT

COMPARATIVE COST OF UNITED STATES WARS AND
BUSINESS DEPRESSIONS

Cost of all wars of the United States - Revolutionary War, War
of 1812, War with Mexico, Civil War, War with Spain and World
War (World War cost \$41,765,000,000): \$45,189,000,000

Cost of one 9-year Business Depression

(computed on basis of income produced in

1929 - \$80,000,000,000): ----- 230,000,000,000 *

Cost computed on potential power to

produce: ----- 414,000,000,000 **

* Actual cost - \$41,000,000,000 in
one year, 1932.

** Estimated cost (Harold Loebe's Report
of National Survey of Potential Product
Capacity - 1935, N.Y. City Housing Authority)