

Form F. R. 511

TO

Mr. Wood

FROM

REMARKS:

*To note - Shows
we acknowledge
this?*



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DEWEY ANDERSON, EXECUTIVE SECRETARY

United States Senate

Special Committee to Study Problems of
American Small Business

October 11, 1945

Marriner S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D.C.

Dear Mr. Eccles:

I appreciate very greatly your letter of September 24th reflecting a most painstaking and thorough review of the proposed Construction Stabilization Act.

A third revision of the bill was introduced by me on October 2nd. I am enclosing a copy of the bill, as introduced, a copy of some "Explanatory Notes" and also a copy of the address I made on the occasion of the introduction of the bill.

I should like to refer to one or two of the very helpful suggestions which you have made:

The explanatory notes sent you herewith and my introductory address contain statements which constitute a partial answer to your comments on Section 4-c of the Act.

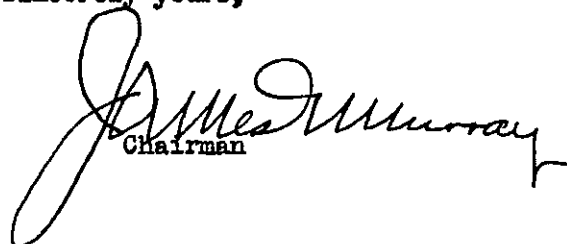
You feel that Section 5-a establishes a committee which is perhaps out of balance in its representation. This matter of committee membership was very carefully considered and was found to be very generally acceptable to the interests involved. All of the reactions we were able to secure from labor indicated that labor was satisfied. Representation of the public is always a difficult nut to crack.

You commented that the functions of the Construction Advisory Committee are rather vague. In drafting the bill we all felt that this advisory committee should have maximum freedom of action and unlimited opportunity to apply initiative. That is why no specific rules or functions were prescribed.

October 11, 1945

The Committee expects to resume the hearings on construction beginning probably the end of this month. As soon as the calendar is established, I will advise you, reminding you of the gratifying promise you made to testify in connection with the flow of credit as a possible stabilizing influence in construction.

Sincerely yours,


Chairman

Enclosures (3)

79TH CONGRESS
1ST SESSION.

S. 1449

IN THE SENATE OF THE UNITED STATES

OCTOBER 2, 1945

Mr. MURRAY introduced the following bill; which was read twice and referred to the Committee on Education and Labor

A BILL

To aid in the stabilization of construction by advance planning of public works; and to reduce, by timing of public construction and by other means, the violence of seasonal and long-term fluctuations in the total volume of new construction, maintenance, and repair work in the United States.

Whereas the maintenance of continuing high levels of employment in construction is essential; and

Whereas it is the responsibility of the Federal Government, by means of public works and conservation, to moderate both the long-range and seasonal fluctuations in the volume of construction, and to achieve a steady expansion consistent with the growth and needs of the country; and

Whereas this responsibility is shared by industry, labor, agriculture, and State and local governments: Therefore

1 struction through acceleration or deceleration of the rate of
2 public construction in the United States or in any region
3 thereof or in any State or political subdivision thereof; and
4 to perform the other functions assigned to it by this Act.

5 (b) The Board, as a basis for its recommendations to
6 the President and the Congress, shall take into consideration
7 the volume of construction under way in the United States,
8 or any region thereof or in any State or political subdivision
9 thereof, and the volume of construction ready to start in
10 comparison with past records of construction activity. The
11 Board shall also take into consideration employment provided
12 by construction in the past and by construction under way,
13 and employment which will result from construction planned
14 and ready to start. The actual level of construction activity
15 as well as the relative share of the national income and of
16 total employment provided by construction shall be used
17 as a basic measure of the adequacy of current and pros-
18 pective dollar volume and employment in construction.

19 (c) The several departments and agencies in the execu-
20 tive branch of the Government shall supply the Board with
21 information necessary for the adequate performance of its
22 duties, including but not limited to reports on the progress
23 of technical research in materials and methods of construc-
24 tion, on availability of labor and material, production and
25 consumption of material, price trends, construction costs,

1 State and regional employment data, and any other facts
2 which it may consider pertinent. Such information shall be
3 made available to the public; and the Board shall encourage
4 executive agencies to disseminate widely factual and inter-
5 pretative data in order to facilitate improved and less costly
6 construction and to aid public and private construction
7 organizations and individuals to coordinate and stabilize local
8 activity.

9 PUBLIC WORKS STABILIZATION COMMITTEE AND CON-
10 STRUCTION INDUSTRY ADVISORY COMMITTEE

11 SEC. 5. (a) There shall be appointed by the President
12 two committees to be known as—

13 (1) the Public Works Stabilization Committee, to
14 be composed of ten members as follows: The Federal
15 Works Administrator, who shall act as chairman of this
16 committee and who shall have the right to attend all
17 meetings of the Board, without acting other than as an
18 adviser; the Chief of Engineers of the United States
19 Army; the Commissioner of Reclamation; the Director
20 of the Bureau of the Budget; two members representing
21 the States; two members representing municipalities;
22 and two members representing other political sub-
23 divisions; and

24 (2) the Construction Industry Advisory Committee,
25 to be composed of sixteen members, no two of whom

1 are normally engaged in the same type of business, as
2 follows: two members representing specialized construc-
3 tion subcontractors, two members representing builders
4 and general contractors, two members representing labor,
5 two members representing distributors of building mate-
6 rials and equipment, two members representing manu-
7 facturers of building materials and equipment, two mem-
8 bers representing architects and engineers, one mem-
9 ber representing public-utility companies, one member
10 representing financial institutions, and two members
11 selected at large to represent small business and the
12 general public. The members shall select a chairman
13 from among their number who shall have the right to
14 attend all meetings of the Board without, however,
15 acting other than as an adviser. The members shall
16 also select from among their number a member who
17 shall have the right to attend all meetings of the Public
18 Works Stabilization Committee without, however, acting
19 other than as an adviser.

20 (b) The Committees established under subsection (a)
21 shall meet quarterly, at least two weeks prior to the Board's
22 submission of its regular quarterly report to the President
23 and the Congress, or more often as requested by the Board.
24 The Public Works Stabilization Committee shall advise the
25 President with respect to methods and procedures for the

1 stabilization of Federal public works and shall promote simul-
2 taneous and cooperative action by the States and local govern-
3 ments, toward achievement of maximum coordination and
4 stabilization of public works construction. The Public
5 Works Stabilization Committee shall seek, through the Con-
6 struction Industry Advisory Committee and by other appro-
7 priate means, to secure the cooperation of private industry
8 in adjusting and harmonizing Federal, State, and local
9 government public works programs and private construction.
10 The committees shall make such reports as may be requested
11 by the Board, and shall also have the right to prepare and
12 make special reports as they deem necessary.

13 (c) Members of the Public Works Stabilization Com-
14 mittee and the Construction Industry Advisory Committee
15 shall not receive any compensation for their services as
16 such members, but shall be reimbursed for necessary travel,
17 subsistence, and other expenses incurred by them in con-
18 nection with their duties as such members.

19 **TIMING OF PUBLIC CONSTRUCTION**

20 **SEC. 6.** (a) The President shall transmit to the Con-
21 gress specific programs for increasing or decreasing Federal
22 expenditures for construction, either direct or through loans
23 or grants-in-aid or otherwise, whenever the President finds
24 that all expenditures for construction (both publicly and pri-
25 vately financed) estimated to be put in place within the

1 coming six-month period will be (1) less than required to
2 maintain reasonable employment in construction or (2)
3 more than required to maintain a high level of employment
4 in construction. Such programs shall contain recommenda-
5 tions as to when and by how much the volume of construc-
6 tion should be increased or decreased, and whether such
7 increases or decreases shall be effected in specific localities
8 or areas or in the country as a whole.

9 (b) For the purpose of aiding in the prevention of unem-
10 ployment resulting from an inadequate volume of construc-
11 tion, the President may direct the construction agencies to
12 accelerate, to such extent as is deemed practicable, the
13 prosecution of any or all previously authorized construction
14 within their control.

15 (c) For the purpose of aiding in the prevention of
16 excessive public construction and of permitting the Govern-
17 ment to defer such construction at times when private indus-
18 try can furnish suitable remunerative employment in con-
19 struction and to prevent the Government from competing
20 unnecessarily for both labor and materials during such pe-
21 riods, the President may direct the construction agencies, to
22 such extent as is deemed advisable, to withhold from starting
23 such authorized but postponable public construction projects
24 for which contracts have not already been awarded.

25 (d) In any case in which any construction agency,

1 after the date of enactment of this Act, enters into any agree-
2 ment with respect to or approves any non-Federal program
3 or project for construction activities (1) 50 per centum or
4 more of the cost of which is to be paid from Federal funds,
5 or (2) the carrying charges upon the capital cost of which
6 are to be in whole or in part covered by annual contributions
7 by the Federal Government, such construction agency shall
8 reserve the right to accelerate or postpone such construction
9 activities to the extent determined by the Public Works Sta-
10 bilization Committee, with the approval of the President,
11 to be necessary for the purposes of this Act, but this sub-
12 section shall not be construed to require or authorize any
13 construction agency to reserve the right to postpone any
14 such construction activities after construction contracts have
15 been awarded therefor.

16 ADVANCE PLANNING OF CONSTRUCTION

17 SEC. 7. (a) It is hereby declared to be the policy of
18 Congress to arrange for the construction of public works
19 so far as practicable in such manner as will assist in the
20 stabilization of construction and, consequently, of employ-
21 ment in construction through the proper timing of public
22 works construction, and that to further this object there shall
23 be advance planning, including preparation of detailed con-
24 struction plans, of public works by the construction agencies
25 and the stimulation of similar advance planning by non-

1 Federal construction agencies, giving due consideration at
2 all times to the public necessity for and the economic justifi-
3 cation of work so planned.

4 (b) Each head of a department or independent establish-
5 ment having jurisdiction over one or more construction
6 agencies shall direct each such construction agency to pre-
7 pare a six-year advance program of useful construction
8 projects, with estimates showing projects allotted to each
9 year. Such estimates shall show separately the estimated
10 cost of land, the estimated cost of new construction, the
11 estimated annual cost of operation and of repairs and al-
12 terations, the relative urgency and public necessity for
13 each project, and the status of detailed plan preparation,
14 site acquisition, and authorization and appropriation.

15 (c) Each construction agency shall also prepare a pro-
16 gram for prompt commencement and carrying out of an
17 expanded construction program at any time. This program
18 shall include organization plans. It shall also include the
19 plans for the acquisition of sites and the preparation of
20 advance detailed construction plans for not less than one
21 year in advance, except where in the judgment of the Public
22 Works Stabilization Committee this would not be practicable.

23 (d) Each construction agency shall keep its six-year
24 program up to date by an annual revision of the program

1 and estimates for the unexpired years and by annually
2 extending the program and estimates for an additional year.

3 (e) Such programs and estimates for the six-year period
4 shall be submitted to the Public Works Stabilization Com-
5 mittee and the members thereof representing the Federal
6 Government shall review such programs and estimates,
7 reporting to the President annually, and from time to time,
8 consolidated programs and estimates.

9 (f) The Federal Works Administrator shall, for the
10 purposes of the Public Works Stabilization Committee, col-
11 lect information concerning advance construction programs,
12 plans, and estimates from States, municipalities, and other
13 public agencies which may indicate the probable volume of
14 public works construction within the United States or which
15 may aid the construction agencies in formulating their
16 advance plans.

17 FUND FOR ADVANCE PLANNING BY NON-FEDERAL CON-
18 STRUCTION AGENCIES

19 SEC. 8. (a) Section 501 (c) of the War Mobilization
20 and Reconversion Act of 1944 is amended to read as
21 follows:

22 “(c) In order to build up and maintain a non-Federal
23 reserve of planned public works construction projects amount-
24 ing to approximately \$5,000,000,000 at all times, there is

1 hereby established a fund to be known as the advance
2 planning fund, from which loans or advances under this
3 section shall be made. There are hereby authorized to be
4 appropriated to the fund such sums as may be necessary
5 to provide a fund of \$150,000,000, including all outstand-
6 ing loans or advances made under this section. Loans
7 or advances made under this section to any public agency
8 shall be repaid by such agency if and when the construc-
9 tion of the public works planned with such loans or advances
10 is undertaken. Any sums so repaid shall be deposited and
11 covered into the Treasury to the credit of the Fund and
12 shall be allotted by the Federal Works Administrator, from
13 time to time, among the several States in accordance with
14 the provisions of subsection (b), and shall be available for
15 making further loans or advances under this section.”

16 (b) Section 501 (d) of such Act is amended by
17 adding at the end thereof the following new sentence: “The
18 Federal Works Administrator shall report annually, and
19 at such other times as he deems advisable, to the President
20 and to the Congress with respect to the status of advance
21 planning financed by loans or advances under this section.”

22 (c) Section 603 of such Act is amended to read as
23 follows:

24 “SEC. 603. The provisions of this Act, except title V,
25 shall terminate on June 30, 1947.”

79TH CONGRESS
1ST SESSION

S. 1449

A BILL

To aid in the stabilization of construction by advance planning of public works; and to reduce, by timing of public construction and by other means, the violence of seasonal and long-term fluctuations in the total volume of new construction, maintenance, and repair work in the United States.

By Mr. MURRAY

OCTOBER 2, 1945

Read twice and referred to the Committee on
Education and Labor

EXPLANATORY NOTES ON S. 1449
"CONSTRUCTION STABILIZATION ACT OF 1945"

Prepared by:

Senator James E. Murray, Chairman
The Senate Small Business Committee

October 2, 1945

EXPLANATORY NOTES ON THE CONSTRUCTION STABILIZATION ACT OF 1945

Clarification of Purpose

It is not the purpose of this bill to stabilize the total economy or even construction activity as a whole. It is hoped that if this bill becomes law, violent fluctuations in the volume of governmental construction, and of Federal construction particularly, will be reduced. It is hoped also that the bill will provide aids to the construction industry, and to all who place orders with the construction industry, by providing better information which will lead to improved timing of the letting of contracts for private as well as for public construction.

Policy Board Functions Limited

The Construction Policy Board is conceived of as a policy formulating board only and not as an action board. It is not intended that the Board will make decisions affecting any particular project as such but will merely advise the President on over-all policy which, if accepted, should be implemented by other executive agencies.

The Board is not an administrative agency, collecting source information or doing research and publication. It is intended that the Board shall use the existing facilities of the regularly established agencies. When information on construction is required, it will be secured from such agencies as the Department of Commerce, the Federal Works Agency and the Bureau of Labor Statistics. When analysis of such information is needed, that analysis should largely be performed and made available to the Board by existing agencies. When decisions of the Board are reached, they should be announced through the executive office of the President and wide circulation should be given to them through the established media of the regular government agencies.

The proposed bill deliberately makes no provision for an office of a director under the Board and does not set up any permanent offices or divisions under the Board although it does permit employment of such staff as may be necessary from time to time for carrying out the duties assigned the Board by this legislation. Such small staff as may be needed should be housed in one of the existing agencies.

Principal Objectives of Policy

Under the duties of the Board as stated in the Act, the legislation provides basically that the Board shall advise the President and the Congress when it will be desirable to increase or to decrease the volume of construction activity. To accomplish this will involve primarily the increasing or decreasing the rate at which contracts are awarded. It does not mean that contractors who already have secured contracts will be forced to either slow down or speed up their operations.

If the need for increasing the volume of public construction becomes urgent, the Board might recommend that federal construction agencies be authorized to negotiate changes in existing contracts in order to speed up the rate of their execution. On the other hand, should the Board find that it would be desirable to reduce the volume of public works activity underway because of increased private construction activity, it might recommend that contractors willing to postpone completion dates be permitted to negotiate postponement in such dates without incurring the imposition of penalties.

Avoidance of "Make Work" Essential

The drafters of this bill recognize that the main purpose of all construction activity is to provide the nation and its people with useful and needed facilities. Construction should not be considered a "make work" activity providing emergency outlets for public expenditures

when business is depressed. Whenever it becomes necessary to speed up construction activity, the projects to be built should be useful projects completed slightly in advance of the time it had been anticipated that they would actually be required. There is no intention to provide for the construction of useless, impractical or unneeded public works. Whenever it might become necessary to recommend that the rate of construction be slowed down, the letting of contracts for, or the starting of work on projects would be first delayed on those projects which are least urgently needed. This, in part, could occur naturally because competition for labor and materials would increase costs and make the projects more expensive to do than originally planned. (Marginal projects could be postponed with little danger to the economy whereas, if built, they would strain public pocketbooks and create competition with private activity).

Checks and Balances

If the Board recommends acceleration of construction, the President must request congress to appropriate the funds needed for starting new work at the rate recommended by the President, which may or may not be that originally recommended by the Board. Moreover, the program for accelerating public works construction as recommended by the Public Works Stabilization Committee, is also subject to modification by the President and Congress. Similarly, recommendations to decelerate public construction will involve Presidential and Congressional concurrence, with the President able only to order postponement of contract letting for such work which Congress has authorized and appropriated money without setting specific dates by

which the work has to be started or contracts awarded. In reality, Congress has the final say. This Act removes no authority from Congress but it does provide an efficient mechanism for observing conditions and proposing and adopting remedial measures before the situation is irretrievably out of hand.

The "Action" Committee

The Act creates two committees to help the Board. The first committee, named the Public Works Stabilization Committee, will have three primary functions:

1. implementation of the decisions of the President with respect to either acceleration or deceleration of public works;
2. acting as an advisory group representing the view of Federal, State and local governments, and
3. interpreting and communicating recommendations of the Board to the Federal, State and local government agencies involved.

The Public Works Stabilization Committee will also act as the agent of the President in determining feasible integration of Federal and non-Federal public works programs to carry out decisions to accelerate or decelerate public construction. Once a decision is made that the volume of public works should be increased, for instance, it would be the function of this committee to ascertain whether and to what extent State and local governments will be able to contribute to the proposed increase. Discussions with representatives of State and local governments will, therefore, be necessary before the Federal construction agencies will know how fast their construction program should be speeded up. Before the Board makes

any recommendations to the President, it should seek the advice of this committee.

Industry Advisory Committee

The second committee which the Act creates, known as the Construction Industry Advisory Committee, will have a dual function. In the first place, it will advise the Board and the Public Works Stabilization Committee as to the difficulties which the construction industry may face from time to time, and as to whether or not proposed changes in the rate of public works activity can be successfully carried out. In the second place, this committee will interpret to the entire construction industry the operations of the Board and of the Public Works Stabilization Committee.

It is believed that these two committees can do much to keep the governments and the industry informed fully of each other's progress. Both committees have the right to dissent from the decisions of the Board and to make public their reasons for disagreement.

Blueprint for Preparedness

Approximately 50 percent of all public construction has been financed in whole or in part by Federal funds, but as much as 75 percent is initiated by State and local governments. In order to know the volume of State and local construction which can be expected, it is necessary to encourage and facilitate advance planning by State and local governments. If it becomes necessary to take steps to speed up construction, plans must be made ready. This Act, therefore, provides that interest-free loans be made available for the planning expense, these loans be repaid after construction is actually undertaken.