

ADDITIONAL PROPOSALS RECOMMENDED BY _____

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.