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STRONG PAPERS

SUBJECT

CORRES. WITH G. E. HUNT

1921 - 1923

SECTY. OF PRESIDENT'S CONFERENCE

ON UNEMPLOYMENT

COMMERCE DEPARTMENT

DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

WASHINGTON

*main 5060.*

September 17, 1921.

Dear Mr. Strong:

Allow me to send you a word of congratulation on your membership in the President's Conference on Unemployment. The Conference will open in Washington on September twenty-sixth, at ten o'clock in the rooms of the Department of Commerce.

Please send us such suggestions or requests for further information as you may wish.

Yours very sincerely,



Edward Eyre Hunt,  
Secretary, Conference on Unemployment.

Mr. Benjamin Strong,  
Gov. Federal Reserve Bank,  
New York, N. Y.

EEH\*MB

DEPARTMENT OF COMMERCE  
OFFICE OF THE SECRETARY  
WASHINGTON

September 22, 1921.

ACKNOWLEDGED  
SEP 23 1921  
B.S.

Mr. Benjamin Strong,  
No. 15 Nassau Street,  
New York City, N. Y.

My dear Mr. Strong:

The Advisory Committee of Economists and others have been preparing material for submission to the Conference on Unemployment. We hope to have this material mimeographed and ready to mail on Friday. In the hope that you may wish to read this matter before the Conference opens, I shall mail a copy to the same address as that to which this letter goes today.

The Economic Advisory Committee, as you no doubt know, has been appointed in advance of the opening of the Conference by enlarging the Economic Advisory Committee of the Department of Commerce.

Very truly yours,



Edward Eyre Hunt,  
Secretary, Conference on Unemployment.

EEH-RR

DEPARTMENT OF COMMERCE  
OFFICE OF THE SECRETARY  
WASHINGTON

September 22, 1921.

ACKNOWLEDGED  
SEP 23 1921  
B. S.

Dear Mr. Strong:

I am sending you by this mail a  
brief transcript of information prepared  
by the Advisory Committee to the Conference  
on Unemployment.

Yours very sincerely,



Edward Eyre Hunt,  
Secretary, Conference on Unemployment.

Mr. Benjamin Strong,  
Governor, Federal Reserve Bank of New York,  
New York City.

EEH-RR



September 23, 1921.

My dear Mr. Hunt:

I have for acknowledgment your letter of September 22, enclosing brief transcript of information prepared by the Advisory Committee to the Conference on Unemployment which you were good enough to send me for perusal prior to the Conference meeting.

Thanking you,

Yours very truly,

Edward E. Hunt, Esq.,  
Secretary, Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

GB:MM

DEPARTMENT OF COMMERCE  
OFFICE OF THE SECRETARY  
WASHINGTON

7751  
ACKNOWLEDGED

OCT 3 - 1921

B. S.

October 1, 1921.

GENERAL FILES

OCT 3 1921

FEDERAL RESERVE BANK  
OF NEW YORK

Mr. Benjamin Strong,  
Governor, Federal Reserve Bank,  
New York City, N. Y.

Dear Sir:

At a meeting of the Committee on Organization and Programs of the President's Conference on Unemployment, it was decided to add a Committee on Foreign Trade to the present Committees of the Conference.

The membership of this Committee is:

Mr. Joseph H. DeFrees, Chairman.  
Mr. Benjamin Strong.  
Mr. Julius H. Barnes.  
Mr. William H. Butler.  
Mr. Charles Pietz.  
Mr. G. W. McFadden.  
Mr. John H. Fahey.

The Conference assembles in the rooms of the Department of Commerce at 10:00 o'clock on Monday, October 10th, 1921.

Yours very sincerely,



Edward Byre Hunt,  
Secretary, Conference on Unemployment.

EEH-RAR

ACKNOWLEDGED

DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

WASHINGTON

SEP 3 1931

October 1, 1931

RECEIVED  
FEDERAL RESERVE BANK  
ST. LOUIS, MO.

Mr. Benjamin Brown  
Governor, Federal Reserve Bank  
St. Louis, Mo.

Dear Sir:

At a meeting of the Committee on the  
Federal Reserve System of the  
Board of Governors of the Federal Reserve System  
held on September 21, 1931, it was  
determined that certain items  
should be included in the  
minutes of the Conference.



RECEIVED  
BOARD OF GOVERNORS  
SEP 3 1931

- Mr. Joseph E. Bland
- Mr. Benjamin Brown
- Mr. Julius E. Harbo
- Mr. William H. Miller
- Mr. Charles H. ...
- Mr. E. ...
- Mr. John H. ...

The Conference recommended in the course of  
the Department of Commerce ...  
Monday, October 10th, 1931.

Yours very sincerely,

Handwritten signature: *John H. ...*

Secretary, Conference on ...

10-1-31

77

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

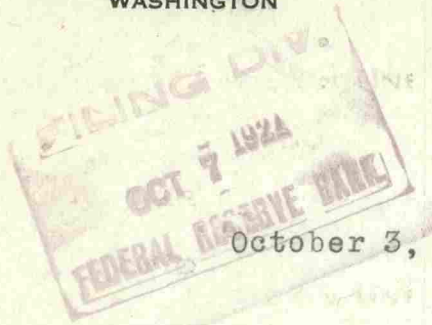
DEPARTMENT OF COMMERCE

WASHINGTON

ACKNOWLEDGED

OCT 5 1921

R. S.



October 3, 1921.

Mr. Benjamin Strong, Governor,  
Federal Reserve Bank,  
15 Nassau Street,  
New York City, N. Y.

Dear Sir:

Enclosed herewith is complete report  
of the Economic Advisory Committee which is  
forwarded to you for your information and  
guidance in connection with the Conference on  
Unemployment.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. E. Hunt".

Edward Eyre Hunt,  
Secretary, Conference on Unemployment.

EEH:MB



(not released for publication)

ADVANCE SUMMARY  
of  
REPORT OF ECONOMIC ADVISORY COMMITTEE  
to the  
PRESIDENT'S UNEMPLOYMENT CONFERENCE

---O---

ECONOMIC ADVISORY COMMITTEE

William S. Rossiter, Chairman,  
formerly Chief of the United  
States Census; President of  
the Rumford Press, Concord,  
N. H.

John B. Andrews, Executive  
Secretary, American Association  
for Labor Legislation, New York.

George E. Barnett, Professor  
of Statistics, Johns Hopkins  
University, Baltimore.

E. S. Bradford, Statistician,  
New Rochelle, N.Y.

Bailey B. Burritt, Executive  
Secretary Association for Im-  
proving the Condition of the  
Poor, New York.

Henry S. Dennison, Manufacturer,  
Framingham, Mass.

Davis R. Dewey, Professor of  
Economics and Statistics,  
Massachusetts Institute of  
Technology, Cambridge, Mass.

Carroll W. Doten, Professor of  
Economics, Massachusetts  
Institute of Technology.

Edwin F. Gay, President New  
York Evening Post, New York;  
former Dean Graduate School  
of Business Administration,  
Harvard University.

Clyde L. King, Assistant Professor of Political  
Science, University of Pennsylvania, Philadelphia.

Sam. A. Lewisohn, Banker,  
New York.

Otto T. Mallery, Member Penn-  
sylvania State Industrial Board,  
Philadelphia.

Samuel McCune Lindsay, Professor  
of Social Legislation, Columbia  
University, New York.

Wesley C. Mitchell, Professor of  
Economics, New School for Social  
Research, New York.

Henry R. Seager, Professor of  
Economics, Columbia University.

Edward R. A. Seligman, Professor  
of Economics, Columbia University.

Sanford E. Thompson, Industrial  
Engineer, Boston.

Walter F. Willcox, Professor of  
Economics and Statistics, Cornell  
University, Ithaca, N.Y.

Leo Wolman, New School for Social  
Research, New York.

Allyn A. Young, Harvard University,  
Cambridge, Mass., Chief of the  
Division of Economics and Statis-  
tics, American Commission to  
Negotiate Peace, 1918-1919.

*Drafts of  
reports not  
submitted  
in Report of the  
Presidents  
Conference on  
Unemployment  
Sept 26 - Oct 13  
1921*

September 22, 1921.

October 10, 1921.

COMMITTEES OF THE PRESIDENTS' CONFERENCE ON UNEMPLOYMENT.

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John B. Andrews, Executive Secretary.	Otto T. Mallery.
George E. Barnett.	Samuel McCune Lindsay.
E. S. Bradford.	Wesley C. Mitchell.
Bailey B. Burritt.	Henry R. Seager.
Henry S. Dennison.	Edwin R. A. Seligman.
Davis R. Dewey.	Sanford E. Thompson.
Carroll W. Doten.	Walter F. Willcox.
Edwin F. Gay.	Leo Wolman.
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Miss Ida M. Tarbell.	C. H. Markham.
Charles M. Schwab.	Thomas V. O'Connor.
Mayor James Couzens.	

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Charles P. Neill.	
Bascom Little.	
Ida M. Tarbell.	
Mary Van Kleeck.	

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Gordon Lee, Executive Secretary.	Jackson Johnson.
William M. Butler.	W. C. Proctor.
Mrs. Sara A. Conboy.	Charles M. Schwab.
John E. Edgerton.	J. A. Penton.
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W. K. Field.	
John L. Lewis.	
J. Moore (alternate).	
E. M. Poston.	
Miss Mary Van Kleeck.	



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John B. Andrews, Executive Secretary.

13. PUBLICATIONS (Room 815).

Miss Mary Van Kleeck, Chairman.	William M. Leiserson.
Samuel McCune Lindsay.	Miss Ida M. Tarbell.

14. FOREIGN TRADE (Room 612).

Joseph H. DeFrees, Chairman.	William M. Butler.
Paul A. Palmerton, Executive Secretary.	John H. Fahey.
Julius H. Barnes.	Benjamin Strong.
	George McFadden.

15. AGRICULTURE (Room 618).

Raymond A. Pearson, Chairman.  
W. L. Burdick.  
John H. Kirby.



## GENERAL INTRODUCTION.

This report of the Advisory Committee gives in three main parts

- I. A statistical investigation of the present State of Employment.
- II. Suggestions for Immediate Relief.
- III. Suggestions for Permanent Progress.

Each part is summarized in its first pages so that reference to its full findings may be more readily made.

### PART I. STATISTICAL SURVEY.

What is the size of the unemployment problem? There is no body of complete and reliable statistical data anywhere available to answer the question with entire satisfaction. In the absence of such accurate data, the best information that could be obtained has been gathered and an estimate has been based upon this information. The Committee has had the cooperation and advice of a number of the leading statisticians of the country and believes that the estimate it has made closely approximates the facts.

The Committee finds that in the early part of September there were 3,500,000 persons out of work in the United States, exclusive of laborers on farms. It is convinced that the greater part of this number are idle because of the present industrial depression, though it is well aware that seasonal variations and other factors making for irregularity of employment are accountable for a limited amount of unemployment now as at all times.

It is significant that these figures indicate a more serious situation for the coming winter than existed in 1907-08 or in 1914-15. The problem is of grave though not necessarily of unmanageable proportions.

During times of normal business activity there is a residue of employable persons out of work. Through savings, family assistance, and local institutional relief, the community carries this residual group of unemployed; but even a moderate addition to this number out of work creates a burden too great for the community's

ordinary resources. The much greater addition to the load in a period of severe business depression like the present must be measured not merely quantitatively. The problem differs not only in degree but in kind. It becomes, at each recurrent downward curve of the business cycle, a national problem demanding not only local relief measures, not only State and Federal consideration, but concerted voluntary action of a preventive character on the part of employers.

## PART II. EMERGENCY RELIEF MEASURES.

Part II deals with immediate measures for the revival of industry and the relief of unemployment. The situation is serious in many communities, less so in others. As winter approaches every community ought to be prepared and whatever agencies - public or private - that are willing to cooperate in the relief of unemployment, should unite in a common program. The experience of the past has been studied with the help of local organizations, so that specimens of unified community programs which have proved successful, can be locally adjusted to suit the needs of every individual community. The mistakes of the past, and mistakes that are almost inherent in emergency measures when the crisis is not planned for, can be avoided and effectual remedies can be emphasized from the start without experimentation with the ineffectual. The suggestions of Part II consist of plans for advancing and increasing public works, of stimulating wise programs by public and private charitable and civic agencies, of strengthening family welfare agencies, of creating and directing special community and municipal activities. Most important of all is the consideration of what private employers are doing to spread employment, to undertake repairs and improvements, to manufacture wherever possible for replenishing stocks. Even the Federal Government can help in emergency measures not only through public works but in its fiscal policies in their effect upon the stimulation and revival of industry. This part of the report furnishes the basis for an educational campaign which the Conference may inaugurate on a national scale



to start local activities founded on sound principles and grounded in the wisdom rather than the folly of past dealing with industrial depression and business revival.

### PART III. PERMANENT PREVENTIVE MEASURES.

Part III pays particular attention to seasonal and cyclical unemployment. The whole problem includes also the unemployment due to shifting from job to job and to the so-called "unemployable." The former is being given more and more attention by Personnel and Employment Divisions through their efforts to reduce labor turnover and will likewise be favorably affected by all sound measures to reduce seasonal irregularity. The latter is a social problem more closely allied to the study of social defectives than to commercial and industrial studies.

To make progress towards more regular employment we can count heavily upon the business managers and financiers of the country in the far sighted interest of their own concerns, to overcome many of the forces now making for unstable conditions. They will increasingly think and plan in terms of the business cycle. But they must be much better and more promptly informed than they now are as to the essential facts of production, stocks, and other industrial and commercial factors as a basis for sound judgment and good business planning. Their efforts should be given encouragement and their successful practices effective currency through permanent bureaus of the Federal Government. At the same time public work of many sorts must be organized well in advance and executed so as to complement rather than compete with private undertakings.

Permanent or fundamental measures, no less than those of emergency relief, must be inaugurated in time of depression. More time is needed for their effective organization, and, furthermore - and this appears to be decisive - human nature is such that if organization for permanent progress is not begun at the time of most critical unemployment, it will be deferred, and again deferred, and never be begun.

## Part III (Permanent Preventive Measures)

- 16 -

The following pages contain the outlines of principles already established by practical experience for meeting the problem both of seasonal and cyclical fluctuations of unemployment. Most of this preventive work--if undertaken promptly with the same determination and good planning that have characterized the efforts of American business men in other directions--can best be inaugurated through the voluntary efforts of the employers of labor. In addition it is recommended that careful consideration be given to the possibilities of unemployment and "depression insurance". The various measures which constitute the following brief constructive program are respectfully submitted in the belief that they would stimulate new interest in making employment more regular and save the country from some of the extreme consequences of irregular production.

### I. Essential Information

1. Statistics of Inventories
2. Statistics of goods on order
3. Statistics of production and production capacity
4. Construction statistics
5. Weekly earnings and hours by trades and establishments
6. Employment statistics
7. Statistics of cost fundamentals
8. Statistics of prices
9. Factors affecting probable demand for or consumption of specific articles
10. Other significant cycle figures.

### II. Long Range Planning of Public Works

1. To be adjusted to Fluctuations in Industry.
2. Potential Volume
3. Methods Recommended
4. Machinery Recommended



III. Schedule for Mitigation of Seasonal Irregularities of Employment

1. Irregularities in Demand
2. Irregularities in Production

IV. Steps for Permanent Betterment of Cyclical Unemployment

1. At the Crest:

- (1) Timely Statistics
- (2) Restrictions on Credit Expansion
- (3) Counterbalancing Devices
- (4) Reduction of Aggravating Factors

2. At the Trough:

- (1) Timely Statistics
- (2) Expansion of Credit Resources
- (3) Counterbalancing Devices
- (4) Reduction of Aggravating Factors

3. The Whole Cycle:

- (1) Citizen-Consumer Education
- (2) Development of Foreign Trade
- (3) Adjustment of Immigration
- (4) Administration of Taxes

V. Unemployment and "Depression Insurance".

I. Essential Information

We are of the opinion that one of the chief causes of industrial depressions is to be found in the lack of information available to business men as to certain essential facts connected with their general lines of business. The far-sighted business man who desires to forecast the future and to guide his action accordingly is often compelled to rely upon pure guesses or arbitrary estimates.

Were he to be provided with the actual facts he would often act very differently from what he now does. Stabilization of business and the avoidance of recurring industrial depressions and crises are in no small measure dependent upon a more complete knowledge of the factors affecting the business situation. (Refer to the ten points under this head--"I. Essential Information"--in preceding outline).

We also believe that this information should not only be collected but disseminated in such a way as to become available to the ordinary business man. Special study should be given this problem of circulation. With this end in view it is suggested that additional facilities for the coordination and publication of all this information be provided, as for example, in the Bureau of the Census or in some similar Bureau of Statistics to be created for the purpose.

## II. Long Range Planning of Public Works.

1. Public Works--Municipal, State and Federal, should be contracted in years of industrial activity and expanded in years of depression to accomplish the following purposes:

- (1) To revive private industry and to check industrial depression and unemployment;
- (2) To prevent the demand of public works for materials and labor from conflicting with the needs of private industry;
- (3) In general to stabilize industry and employment.

2. Methods Recommended for Expanding and Contracting Public Works in Accordance with the Condition of Private Industry and Employment:

Defer at least 10% of the average annual public works expenditures of federal, state and municipal agencies. Execute the deferred accumulations in the year of depression which occurs once in about 10 years.

This does not mean, however, that any specific piece of public works will be deferred more than two years, in most cases, only one year (See full report). In order that plans may be quickly available when needed, do not defer appropriation for planning and engineering of any work authorized.

Consider the effect of a federal bond issue as a loan in aid of municipal public works in years of depression, such loans to be made only

- (1) Upon proof of national unemployment and industrial depression, as shown by industrial and unemployment statistics;
- (2) Upon proof of the soundness and utility of specific public works proposed;
- (3) Loan to be made to municipalities at a rate of interest not less than that paid by the Federal Government; (Note British policy);
- (4) Advance preparation of engineering plans, which must be thought out and periodically revised in order to be ready for execution when the period of depression arrives (see practice of Indian Government), otherwise, great waste will result;
- (5) Work to be executed upon a "commercial" basis and not a "relief" basis (see Appendix 2 of full report).

### 3. Machinery Recommended:

#### FEDERAL

- (1) Fortify the United States Employment Service to enable it to obtain regular Unemployment Index figures so that knowledge may be had when public work should be stimulated or retarded, based upon reliable and complete employment statistics;



(2) Formulation by the Director of the Budget of a change in method in making appropriations by Congress for roads, rivers and harbors, public buildings, and other public works, so that the percentage of the total authorized appropriation to be expended in any one year may be determined by executive order, based upon the condition of private industry and employment. In years of normal industry, a minimum program; in a year of depression, a maximum program of public works resulting from previous accumulations, being thus effected.

(3) Application of the same policy to the public works of states, municipalities, counties, etc., the aggregate of which is about 6 times the volume of federal public works. This can be best secured through suggestions from a central federal agency.

(4) Incorporate this central federal agency as a part of whatever Department may in future be charged with the duty of executing public works (Department of Public Works, or Interior Department). Pending such legislation the central federal agency should be immediately formed and temporarily located wherever the President may suggest.

(5) Functions of Central Federal Agency.

A. - To advise the President when federal public works should be expanded or contracted, based upon its studies from statistics collected by other governmental agencies (Bureau of Labor, Statistics, Bureau of Mines, U. S. Employment Service, Department of Commerce, etc.);

B. - To advise the President when the expansion or contraction of local public works would serve a national policy of reviving private industry and checking unemployment, or of preventing interference with private industry during periods of normal business;



c. To suggest methods of synchronizing local with federal public works for the same purposes. p112

STATE AND CITY MACHINERY.

4. State and City Agencies are recommended in order to apply the same principles of expansion and contraction to their public works. (For examples see Emergency Public Works Commission of Pennsylvania; and California Board of Control plan, created 1921, in appendix)

5. Comparison of Potential Volume of Public Works with Wage Loss in Private Industry during Year of Depression:

Estimates of Otto T. Mallery of the Industrial Board of Pennsylvania measure the lifting power of public works as one-third the dead weight of such a depression as the present. An estimated possible \$1,650 millions of additional public works wages in a year of depression is contrasted with an estimated \$5,000 millions decrease in wages in private industry in a year of depression. (See Charts in Conference Room and appendices) p101

6. The best time, and possibly the only time for successfully inaugurating these measures is at once, during the period of depression.

III. NOTES ON SEASONAL EMPLOYMENT.

Seasonal unemployment varies so greatly as among different productive activities that no general program of mitigation should pretend to be more than suggestive. p162

Under the best arrangements we can imagine at the present time there will be a residuum of seasonal unemployment due to agricultural needs but it may easily prove that this residuum is not serious enough to call for special relief measures.

Progress in these three subjects is so difficult but so profitable that special committees ought to be formed for the purpose of assisting it, and the assays proposed by the Federated Engineering Societies should be forwarded.

Some of the suggestions that have recently been made hint at a few of the possibilities.

In building trades

1. Allowance for small margin of profit for both capital and labor during winter months.
2. Development of methods of conducting work in cold weather.
3. Planning of work to provide indoor operations in cold and stormy weather.
4. The development of a nucleus of permanent employees by each employer.
5. Organization of local clearing houses for coordination of building activities.

In coal mining

1. Storage of coal at the mine
2. Storage of coal by the consumer
3. Varying selling price in different seasons to encourage off season purchases.
4. Improved scheduling of coal cars
5. Improved methods of production in mines

Specific examples of sub-heads 1, 2 and 3 should be given to make the advertising effective. Figures can be obtained without much difficulty with the assistance of several National Associations which have given some attention to these subjects. In particular statistics of the wage levels in different industries which vary in their seasonal nature might be very illuminating.

IV. NOTES ON CYCLICAL UNEMPLOYMENT

Consumption may be capable of infinite increase, but not at an infinite rate. Expansion cannot exactly find and match that rate. When it largely exceeds it a variety of strains are set up which at some point, A, (see chart "A Typical Cycle") begin to overmatch the strength of the structure and eventually bring on prostration. On the up wave we are,--taking the country as a whole and especially the ultimate consumer,--stocking up. On the down wave we are drawing from stock. It is at the speculative froth on the wave of prosperity that we want to aim our

strongest efforts.

p 163



The normal sequence is subject to accidents such as war, natural calamity, (crop, failure, earthquake) and revolution in political control, in technical advance, or in consumers' demand, and in one part or another of the business structure such accidents are continuous. They can not be specifically guarded against but are best met by building up the resistance of the whole structure by the avoidance of the strains of over extension and prostration.

For individual enterprises as for public undertakings safety lies in plan-ning. If most of them were planned well ahead we could expect a healthy swing to the cycle, broken only by occasional calamity.

Immediate causes of fluctuations in the purchases of the consumer and of the merchant-manufacturer may be indicated as in the charts C and D. ("Consumer; dealer; consumer and dealer"). Each of the forces which induce purchase or abstention is of course a complex of several socio-economic influences.

It is just where the screws must be put upon inflation that citizen-education on cycles will do its best service. Congress will be tempted to inflationist measures. Bankers will need even more real courage at that point than during the discouragements of depression. We must cease the meaningless use of the word "Pessimist" and certainly cease to be afraid of being called one.

The present surplus of gold, whose corrective international flow is checked for some years to come, offers a peculiar temptation to a false boom which would set us back in international trade and bring on a quick and deadly depression.

One seldom recognized, but important, aggravation to the over-stocks during a slump lies in the "goods on order,"--the impending inventory. Bankers can help this situation by demanding an account of impending inventory as they would of contingent liabilities, thus bringing the need of such records before the business man.

The directing heads of corporations should scrutinize each of the projects put before them by their engineering staffs. They will find 10% (and a larger percentage as the turn approaches) which can be completed as to investigation and planning, but postponed as to execution, with profit to the company and community



To effect a distribution of labor more in accord with the need for it and to gain first hand information as to employment conditions a Federal coordination of State Labor Exchanges is essential. It must be recognized as a job for men of first grade ability.

Excess of varieties results in slow-turnover goods and high inventories which during a slump are a peculiar aggravation, all the way along the line from raw materials to retailers' stocks.

Planning and Budgetting both force specific attention upon the future. As their use becomes habitual, unbridled guessing gives way to more careful estimates - to guesses guided by all available facts.

It must not be forgotten that the discouragement during depressions has to be counteracted; without intelligent direction which looks well beyond the feelings of the moment, withheld work will be withheld through depression and show up just after it's needed.

Both harm and good can be done by drives at high rates and prices. The more we come to know of cycle forces and facts the more net good can be gained from such drives. Certainly recovery has been often delayed by attempts to defer liquidation too long.

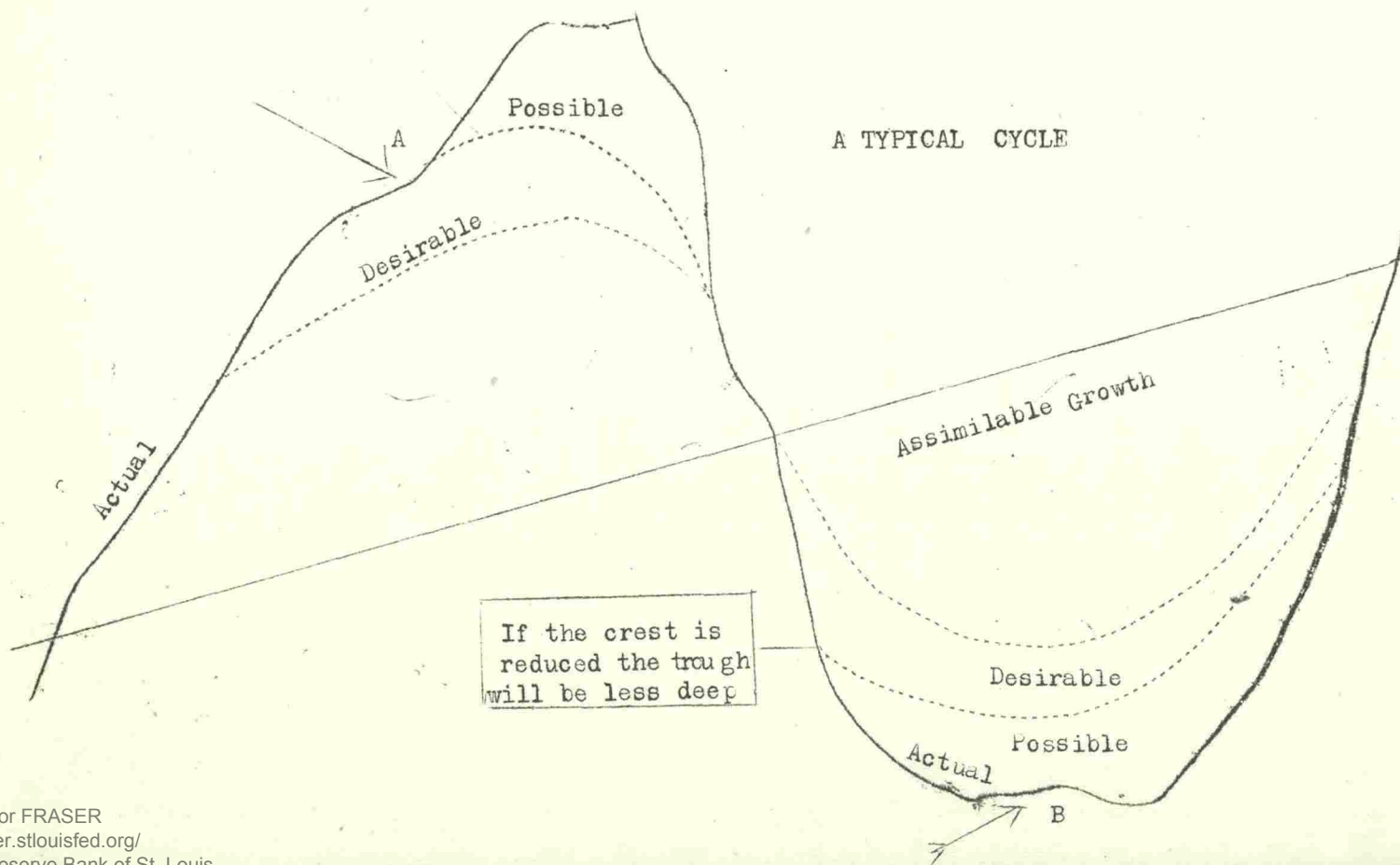
The understanding of the people must be the force and will be the only guarantee behind any such wide-flung efforts as are here scheduled. Without it results will be sporadic.

In flush times "Save your Overtime" should be a slogan.

A well distributed export trade has usually been a stabilizer. A world war has just now placed every country in about the same conomic hole; but in the future it is likely that again some countries will be gaining while others are in the trough.

Our present immigration law suits present conditions excellently, but in times of more normal activity it may not. Congress should set standards to be increased

MEASURES FOR PERMANENT BETTERMENT  
OF CYCLICAL UNEMPLOYMENT.



It is probably undesirable to flatten out the line of business activity to the straight line of growth. It is certainly impossible to do so.

Some unemployment might result from the curve labelled "desirable" but the evils arising from such unemployment might be negligible. It is not the wave itself but the crest of the wave which breaks and does the damage. We should therefore focus our attention on the crest and on such part of it as we shall have a reasonable expectation of affecting.

The crest is due to the common belief in the continuance of a RATE of expansion of the country which is too great to be maintained and assimilated. This belief induces

- A. Over-estimates of requirements and of future prices leading to
  - 1. Over-extension of plant
  - 2. Over-purchase of materials and merchandise
  - 3. Increasing amount of inefficiency in
    - (a) Labor force
    - (b) Management methods
  - 4. Over straining of credit resource

These points apply to commerce, industry, transportation and public works.

B. Credit expansion.

V. UNEMPLOYMENT AND "DEPRESSION INSURANCE"

"Despite the best efforts of industrial managers and public authorities to reduce the amount of involuntary unemployment, it must be expected that many wage-earners will from time to time and through no fault of their own be thrown out of work. Thousands of these self-respecting unemployed--with savings exhausted and with the peculiar discouragement which comes from seeking work without being able to find it--are likely to so suffer in morale and efficiency as to add permanently to the already large burden of public and private charity. With the coming of each period of industrial depression there is a growing demand for some just system of dealing with this question on a dignified basis".

The Advisory Committee then cites interesting examples of unemployment funds established by American trade unions and employers and suggests the desirability of unemployment compensation and "depression insurance" to stimulate still wider the mitigation of unemployment.

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## PART II. EMERGENCY RELIEF MEASURES.

### OUTLINE.

#### Introduction

#### I. Program for Private, Civic and Family Welfare Agencies:

1. Abstract of suggestions.
2. Community programs.

#### II. Governmental Agencies - Public Works:

1. Cautions
2. Favorable factors
3. Volume of public works in 1921
4. Methods of expanding public works
5. Rotating employment
6. European experience
7. Supporting data:
  - (1) Winter public works in Canada;
  - (2) Examples of "Commercial" basis and "Relief" basis;
  - (3) Private gifts to local public works funds;
  - (4) Example of rotating employment;
  - (5) Municipal bond sales, 1921;
  - (6) Original charts (See Part III):
    - Chart 1 - Powerlessness of Public Works Construction as Ordinarily Conducted to Assist Industry in Time of Depression.
    - Chart 2 - Direct Effect of a Public Works Reserve in Checking Unemployment and Reviving Industry.
    - Chart 3 - Aggregate Stimulus to Private Industry Caused by Pressure of Concentration of Public Works in Depression Year.
    - Chart 4 - Manifold Power of Concentrated Public Works to Sustain and Revive Industry.
    - Chart 5 - Comparison of Federal with State and Municipal Expenditures for Public Works Construction.

#### III. Emergency Measures Adopted by Employers:

Part Time Work; Rotation of Jobs; Manufacturing for Stock; Repairs and Construction; Unemployment Insurance; Miscellaneous Measures.

#### IV. Suggestions Relating to Railroad Employment and Fiscal Policies of the Federal Government:

INTRODUCTION.

The Committee has investigated the experience of governmental agencies (Public Works), public and private charitable and civic agencies, including special organized activities of municipalities, and the efforts of private employers in dealing with emergency relief of unemployment. We have attempted to summarize and collate a great variety of experiments, some of them applicable only locally or in particular industries, for the consideration of the Conference as the basis for a program of advice and information which the Conference might adopt and to which it could give wide publicity as part of an educational campaign that would stimulate wise local effort and help local organizations and employers to avoid the mistakes of the past in the emergency relief of unemployment.

I. Program for private, civic, and family welfare agencies.

The following suggestions represent briefly the most notable considerations which past experience shows must be reckoned with, - some things to avoid and others to be emphasized in local contacts with the unemployment relief problem.



1. ABSTRACT OF SUGGESTIONS.

1. Unite existing private and public organizations to formulate and put through a constructive program for your community.
2. Procure all obtainable facts relative to unemployment in your community and make these available to all agencies and to the public.
3. See that there is a suitable employment exchange in your community.
4. Assist private and public employers and labor organizations to deal with the problem rather than to have any single civic or family welfare agency or combination of agencies assume the full responsibility.
5. Bring to the attention of public authorities specific recommendations for increasing volume of public work.
6. Urge both private and public employers to distribute labor by rotation in shifts of three days or more at a time.
7. Persuade each industry to absorb definite quotas of unemployed.
8. Urge not only private and public employers but individual householders and property owners to make improvements, extraordinary or ordinary repairs and general sprucing up of properties.
9. Experience indicates that cash or other relief without work to able-bodied unemployed men is of doubtful value until after every effort has been made to provide work.
10. Ordinary problems of relief of poverty are increased in times of distress. Strengthen organizations dealing with these.
11. Increase resources of local family welfare agencies to enable them to cope with unemployment which your community can not meet through its industries or through its public employment.
12. Formulate standards and rules for temporary employment for those out of work dealing with rotation of shifts; wages to be paid - preference to be given to resident family men, etc.
13. Urge relatives and friends to make extraordinary sacrifices to assist their own relatives and acquaintances who are out of work.
14. See that decent sanitary accommodations for homeless men are made in order to differentiate the problems of resident and floating unemployed.
15. Past experience shows that great caution should be exercised in establishing bread lines; soup kitchens; food or lodging without provision for work; bundle days and other such measures.
16. Discourage migration of unemployed to and from your community.
17. Make your emergency and community agencies result in some permanent community organization to prevent industrial crisis and to deal with them with foresight when unpreventable.



## 2. COMMUNITY PROGRAMS

The major effort in mitigating the troubles arising from unemployment must necessarily rest on local communities.

It is very important that each municipality or other community which is confronted with unemployment should have an effective community-wide program.

One of the best and most recent example of possibilities along this line is the report of the Milwaukee Commission of Fifteen.

The final recommendations in the Milwaukee report may be summarized as follows:

1. That efforts be made to provide work first for Milwaukee family men and women and then for other Milwaukee citizens. Let it be given the broadest publicity possible that outsiders cannot expect work here until all local men are cared for.
2. That the State Employment Bureau should be used for registration of unemployed, and that all employers be urged to register jobs with the bureau.
3. That all public works that can possibly be undertaken be started as soon as possible.
4. That the county board and City Council be urged to get together immediately on the civic center plans.
5. That the zoning and city planning ordinances should be promptly defined, but that no advantage be taken of the present emergency to weaken these undertakings.
6. That the Garden Homes Co. project be given active and unqualified support.
7. That a special session of the Legislature be called to provide for the 1923 road program.
8. That now is the time to begin private building as we consider prices will be no lower in the spring.
9. That manufacturers take advantage of the present conditions to put their plants in a high state of efficiency.
10. That owners of houses and other buildings be urged to start at once all repairs, improvements, etc.
11. That the City Council grant water and fire protection to buildings outside the city.
12. That the Association of Commerce do all it can to induce the railroads to carry on the track elevation and depression work at this time and to push same to completion.
13. That the public should not retrench on ordinary expenditures.

II. GOVERNMENTAL AGENCIES--PUBLIC WORKS. p 98

The present industrial situation can immediately be improved by the use of such of the following measures as the Conference may approve and promote. Your committee is convinced that the expansion of public works during the winter of 1921-22 constitutes one of the most important measures to revive private industry and to check unemployment. We therefore recommend to the Conference that methods be formulated and measures pressed for the advancement and augmentation of public works for the following reasons:

1. The best remedy for unemployment is employment;
2. - Direct employment is given by public works;
3. - Indirect employment is given in the manufacture of the materials needed;
4. - The wages paid to those directly and indirectly employed create a demand for other commodities which require the employment of new groups to produce. (See charts attached) Thus public works assist in reviving industry in general;
5. - Public works will serve as a partial substitute for private relief and charity.

CAUTIONS.

- 1.-- Public works can not be expanded in large volume on short notice because of the time required for preparing plans, authorizing loans, selling bonds, etc. Where city charters or other obstacles prevent, a local campaign for private gifts to a public works fund should be considered. (See appendix).
2. - Public works must be on a "commercial" basis, not a "relief" basis, otherwise, wast will result. On a "commercial" basis men fit for the work are engaged at usual rates and wages and unfit workers are discharged. On the "relief" basis the workers are chosen primarily because they are in need and retained whether fit or not.
3. - Only necessary public works should be undertaken which would ordinarily be executed at some future time.

FAVORABLE FACTORS.

1. - Many communities are alert to the uses of public works as a check to unemployment and their plans are in process: Philadelphia, Milwaukee, Massachusetts, California.
2. - Present favorable market for municipal bonds.
3. - Experience of Canadian cities shows many types of public works, successfully executed in winter. (Summary available).

VOLUME OF PUBLIC WORKS IN 1921.

Municipal bond sales for the first eight months of 1921 totaled \$688,000,000 as against an average for the entire twelve months of the two previous years, of \$700,000,000.



METHODS OF EXPANDING PUBLIC WORKS RECOMMENDED.

1. It is recommended that the Department of Commerce prepare to inform local public works officials which types of public works have been successfully executed in winter in Canada, and give reasons for planning additional necessary public works this winter.
2. Advise cities to adopt specific program, including semi-public works. (see Program of Milwaukee.)
3. Expedite all federal public works by executive order to the full extent of appropriations available.
4. Expend \$200,000,000 federal road appropriation immediately through the agency of the Chief of Engineers, U. S. Army.
5. Consider passing federal public buildings appropriation this winter instead of next year.
6. "Revive Industry" campaign through private gifts for local public works, "Improve the Home Town and Give Work to the Workers."
7. If these measures prove insufficient, a federal bond issue to be loaned to the States for local public works under adequate restrictions. See Appendix.

ROTATING EMPLOYMENT.

1. In public work arrange that men are employed in shifts of three days or longer, each, in order that the work may be distributed among a larger number of persons; example, the City of Altoona, Pa.
2. Rotate employment in Federal Navy Yards, reclamation, rivers and harbors, roads, etc., for the same reason.

EUROPEAN EXPERIENCES.

The International Labor Office, League of Nations, has lodged a 400 page report with the committee showing war and present experience of many nations in checking unemployment through public works and by other means (Summary available).



7. SUPPORTING DATA.

(1) WINTER PUBLIC WORKS IN CANADA.

Canadian experience in mitigating seasonal unemployment by winter public works construction and concentrating supply orders in slack seasons, as contained in a report made for the Canadian Employment Service by W. C. Clark, in 1919.

SUMMARY

Winter Public Works Construction:

Eight out of 36 Canadian cities reported a definite policy to lay sewers and water mains during winter months; 13 others had done so at one time or another to relieve unemployment; others to complete contracts. Few reported no experience.

Kinds of Work Reported Adapted to Winter Construction:

Sewer work in rock, tunnelling, deep excavating, heavy cuts and fills in grading work, concrete construction in large bulk such as heavy bridge abutments, construction work in swamp and muskeg sections.

The Degree of Success

depends upon the preparations made in the fall for continuing work in severe weather; also on character of supervision.

Comparative Cost:

Tunnelling	no difference
Rock work	less than 25% excess
Ordinary sewer construction	25 to 100% excess

General Conclusion:

Winter construction apparently costs approximately 25% more than construction in milder weather.

(These figures apply to Canadian cities which on the average experience more severe winters than American cities)

Offset:

The additional cost is offset, however, by certain financial advantages. Contractors are able to spread their fixed annual overhead over 12 months operations instead of 9; to keep their construction gangs together, thus avoiding loss of time and money; also labor is more plentiful and cheaper in winter time; also men work faster in cold weather, although 45 minutes a day is lost in getting to work. Hence, contractors make lower bids for winter construction.

Some municipalities find it advantageous to keep some construction gangs going so as to have a force available for switching to snow shoveling and to take care of breaks in mains and the like. Furthermore, operation of stone quarries and stone breakers or stone crushers during the winter months and the distribution of the materials along highways to be constructed not only offers the advantages of sleigh transportation and keeps teams busy when they would otherwise be idle, but enables construction work to commence earlier in the spring.

Fabrication of many kinds of materials used in public structures can be concentrated in winter months--fabrication of materials for bridges, of water pipes and the like. These can be transported to the places where needed.

Concentrating Governmental Orders for Supplies:

It is suggested that instead of distributing the purchase of fire hose, uniforms and many kinds of supplies uniformly over the year, the seasonal fluctuations in private industry might be "ironed out" in part by concentrating purchases more into the slack seasons. In 1913, \$1,800,000 of Canadian government printing and \$1,036,000 of Dominion and municipal purchases of textiles were so concentrated. It is recommended that this practice be extended as a regular policy. (See Proceedings of International Association of Public Employment Services, Ottawa, Canada, 1921).

(2) Examples of "Commercial" Basis and "Relief" Basis:

In the same city public work has been tried by both methods, with the following results:

"Commercial" Basis: The instructions were that the men to be engaged were to be fit for the work and that the official was to have the usual power of discharging any men whose conduct or work was not satisfactory. The engagement of the men was on the same terms as if the work were being carried out by contract. The standard rate of wages was paid. The result has been satisfactory. The work has been well done and at a reasonable cost.

"Relief" Basis: Public work was found for the unemployed, first in laying a sewer, and second, in leveling a playground, etc. The arrangement was made that the Unemployment Committee should pay the wages of the men employed and that the city should pay the committee for the work according to its value as measured by the City Engineer. The result showed that the labor cost the committee 75% more than its value. It was found that the good workman deteriorated while employed alongside of the others and instead of his raising the standard of the unemployed to his own level, the reverse was the case.



The vital distinction between these two instances is that in the case of "relief" works men were taken on primarily because they were in need and this idea governed their engagement, their dismissal and the whole condition of the work. On the "commercial" basis it may have been true that the men employed were equally in need, but they were engaged and dismissed as workmen, not as men in need.- (From English Poor Law Report, 1909.)

(3). PRIVATE GIFTS FOR LOCAL PUBLIC WORKS FUND.

Where City charters or other obstacles prevent public works expansion, the following suggestions have been made.

SLOGAN.

"Improve the home town and give work to the workers."

"Revive private industry through useful public works."

"Let wages paid in public works increase the demand for employment by private industry."

DISTRICTING AND METHODS.

Use Federal Reserve and Liberty Loan local machinery. Central Community Committee to appoint local "Revive Industry Committee" to raise funds for expenditure upon local public works. Sum received to be added to community chests. Public works expenditures to be supervised by a committee satisfactory to the committee which raised the fund, for example by a representative committee of employers, workers, local officials, and social workers. Contracts to be made in accordance with rules governing local governmental unit. Rotate employment in three days shifts giving preference to family men and residents. Employ at regular hours and wages.

Use "four minute" men, movies and community singing and other war-time methods in raising funds.



(4). EXAMPLE OF ROTATING EMPLOYMENT.

(The City of Altoona, Pa.)

The State Employment Bureau of Pennsylvania suggested to the contractors who were engaged in municipal and county work in and near Altoona, Pa., that they should give part-time employment to unskilled and semi-skilled labor in order that the employment might be distributed among more persons. A number of contractors agreed. Where a contractor required 100 men 200 men found employment during a pay-period of two weeks. This was satisfactory and the contractors readily agreed to accept the additional burden of clerical work. Several large contractors engaged in private work cooperated by using the same method. Some of the contractors gave men work for three days and then changed their shift, employing about the same number of men for three additional days during the week. Most of the contractors made the change at the expiration of a pay-period. Where 500 men had been employed on several different contracts, employment was found for 1,000 men.

(5) MUNICIPAL BOND SALES 1921

"Commercial and Financial Chronicle."

January.....	\$ 88,487,896
February.....	61,142,418
March.....	81,817,844
April.....	86,710,212
May.....	56,806,219
June.....	110,269,646
July.....	96,931,371
August.....	106,291,852
TOTAL.....	<hr/> \$688,457,458

NOTE:-Municipalities to the number of 333 sold bonds in August, 1921.

### III. EMERGENCY MEASURES ADOPTED BY EMPLOYERS

(For fuller statement with supporting data, see end  
of Report.)

The sensible management should, if for no other reason, purely from motives of self-interest feel the necessity in normal times of maintaining a stable and continuous working force and in abnormal times of preventing the demoralization necessarily resulting from unemployment. The cost and demoralization due to shutting down in times of depression is often more expensive and demoralizing than can be foreseen. But, after all, the relation of management to its organization is not wholly contractual and where curtailment of production is necessary, management should, if from no other considerations, from a sense of the human responsibilities of leadership, and pride of accomplishment, do what it can even at some sacrifice to mitigate distress among its working force. In a way a managing employer regards himself and is regarded as the head of a family. He has asked for loyalty from the workers of his organization and should in turn help at a time when they are helpless.

That there are a considerable number that realize these responsibilities of leadership is indicated by a hasty survey just made of emergency measures taken by various employers to meet the present situation.

The information was secured from replies to questionnaires sent to various selected firms and associations. The details of these replies are contained in the full report and 250 original letters are on file.

There are three main varieties of such emergency measures which have been adopted. These are:

First. Part-time work, through reduced time or rotation of jobs;

Second. Manufacturing for stock; and

Third. Seizing the opportunity to do as much plant construction, repairs and cleaning up as is possible, with the consequent transfer of many employees to other than their regular work.



The expedient that has been by far the most commonly adopted is the first, namely that of part time and rotation of jobs. This is a method of distributing the burden of unemployment and not of preventing it. Seventy five firms in all used one or both of these methods.

#### REDUCED NUMBER OF HOURS PER DAY.

At least sixty five firms of those replying have reduced the hours worked per day. Firms with long shifts are in a particularly advantageous position to alleviate the situation.

#### REDUCED NUMBER OF DAYS PER WEEK.

About thirty employers have reduced the number of days per week, among whom two-thirds found the four or five day week preferable while the rest had to content themselves with only two or three days work a week.

#### ROTATION OF JOBS.

This need not have been accompanied by any reduction of factory hours, but in some cases this was also done to spread work as far as possible.

Approximately fifty firms which are carrying on the rotation of jobs in order to relieve unemployment are mentioned in the correspondence in possession of this Committee. In addition reference is made to many more who are doing this, in the general reports sent in by representatives written to in various cities.

There is a wide variety of method in operating this type of distribution of available work. In half a dozen cases noted, the work is spread to only a small number of workers more than is required. About twenty firms divide all or most of their employees into groups or shifts alternating weekly, and about the same number of firms use split week shifts of two or three days each. In one case a shift of employees worked only one day a week.



While general success in the main purpose of keeping employees in jobs has been secured in most cases, there are others where the work was not sufficiently standardized to allow operation on this basis. While employers should generally be vigorously urged to adopt this expedient even at some sacrifice, it should be kept in mind that the extent to which part time and rotation measures are suitable and advisable depends on the particular circumstances of the individual plant. For example, in some plants where men can go back on farms no such method is necessary and it might be bad from every standpoint to encourage men to stay in the vicinity. As indicated in some of the above replies, in some businesses continuity of tenure of any particular job is most important and therefore part time seriously affects efficiency. In others the handling of the same job by a number of men does not bring about inefficiency and part time is particularly applicable. In some cases it is almost certain that the entire organization will be needed again and therefore management can well afford to hold it together. Though mainly an expedient part time is an important method of mitigating a critical situation such as the present one and if not likely to demoralize should be adopted.

#### MANUFACTURING FOR STOCK.

The second method adopted is that of manufacturing for stock. Over thirty firms report that they have manufactured for stock as far as they could. The expression "as far as safety would permit" is frequently used in the replies received, indicating that employers felt that there were perils in carrying this policy too far in a period of uncertain business conditions. Generally speaking, the older firms, with an established market and a standardized product were best able to manufacture for stock. That firms did a great deal to keep their factories going in this way is shown by the fact that in half of the cases manufacturing was continued until the warehouse space available was filled.

Where conditions permit the most effective method of using this expedient so as to obviate as far as possible the question of financing raw material is to concentrate on articles that entail a high labor content and a small material content.

#### REPAIRS AND CONSTRUCTION.

The third method, that of transferring a part of the force from their regular work to necessary construction work and to cleaning up, etc., has been adopted by a number of firms. Twenty employers mentioned specifically their efforts to keep their employees engaged by this method. The character of repairs and construction work reported are repairs upon operating equipment, cleaning presses, improvements, alterations, painting, cleaning of windows, installing new equipment, building part of a plant, "every possible repair", etc.

This policy involves transferring employees to work to which they are not accustomed. Aside from assigning employees to repair and construction work, employers have tried to give workers that are not needed in one department employment in other departments which would normally take on outside employees, despite the fact that the employees thus transferred were not experienced in the work of the department to which they were transferred.

Those firms which have in the past given their employees a broad training so that many of them could handle a number of different types of jobs in the plant were in the best position to make such transfer when depression forced a layoff or reduction.

#### UNEMPLOYMENT INSURANCE AND RELIEF.

At least three companies have already adopted unemployment insurance plans. In addition to these, there is reported one joint agreement between a group of employers and a union which calls for a guaranty in case of unemployment.

The Deering Milliken Company of Wappinger Falls, N. Y., and The Dennison Mfg. Company conduct the two outstanding insurance funds.



This is entirely aside from the question of compulsory unemployment insurance which is still a mooted question. It has been suggested that if employers should generally undertake voluntary plans of unemployment insurance, it might obviate the necessity of any Governmental action.

IV. SUGGESTIONS RELATING TO RAILROAD EMPLOYMENT AND FISCAL POLICIES OF THE FEDERAL GOVERNMENT.

In providing for the payment of any sums due to railroads by the Federal Government or in any advances or loans to the railroads that may be made by the Federal Government, a condition should be attached that would make such funds immediately available in greater part only for new construction, repairs and outlays that would increase the demand of the railroads for labor and materials and thus augment general employment and revive industry.

The postponement of the payment of the interest on the foreign debt due the United States by European countries until such time as the purchase of foreign exchange by such countries would not add to the fluctuations in prices which have such disastrous effects on the present industrial crisis and prevent the revival of foreign trade and commerce would be, in the judgment of this Committee, helpful in diminishing present unemployment.



PART III. PERMANENT PREVENTIVE MEASURES.

OUTLINE

Introduction

I. Essential Information:

1. Statistics of Inventories
2. Statistics of goods on order
3. Statistics of production and production capacity
4. Construction statistics
5. Weekly earnings and hours by trades and establishments
6. Employment statistics
7. Statistics of cost fundamentals
8. Statistics of prices
9. Factors affecting probable demand for or consumption of specific articles
10. Other significant cycle figures.

II. Long Range Planning of Public Works:

1. Purposes
2. Methods for Expanding and Contracting
3. Machinery Recommended:

- (1) Federal
- (2) State and City

4. Potential Volume of Public Works Compared with Wage Loss in Private Industry in Year of Depression
5. Necessity for Beginning Now
6. Original Charts:

Chart 1 - Powerlessness of Public Works Construction as Ordinarily Conducted to Assist Industry in Time of Depression.

Chart 2 - Direct Effect of a Public Works Reserve in Checking Unemployment and Reviving Industry.

Chart 3 - Aggregate Stimulus to Private Industry Caused by Pressure of Concentration of Public Works in Depression Year.

Chart 4 - Manifold Power of concentrated Public Works to Sustain and Revive Industry.

Chart 5 - Comparison of Federal with State and Municipal Expenditures for Public Works Construction.

7. Supporting Data.

- (1) Emergency Public Works Commission of Pennsylvania, and California Legislation of 1921.
- (2) European Experience.
- (3) On Deferring Specific Public Works.
- (4) Statistics of Municipal Bond Sales and Outlays, 1904-1920 (available in separate typewritten form on request).

III. Seasons as Causes of Unemployment;  
Schedule for Mitigation of Seasonal Irregularities of Employment:

1. Irregularities in Demand
2. Irregularities in Production
3. Notes on III. (Seasonal Unemployment).

IV. Business Cycles as Causes of Unemployment;  
Steps for Permanent Betterment of Cyclical Unemployment:

1. Preventive Influences at the Crest: (Point A)
  - (1) Timely Statistics
  - (2) Restrictions on Credit Expansion
  - (3) Counterbalancing Devices
  - (4) Reduction of Aggravating Factors
2. Corrective Influences at the Trough: (Point B)
  - (1) Timely Statistics
  - (2) Expansion of Credit Resources
  - (3) Counterbalancing Devices
  - (4) Reduction of Aggravating Factors
3. Influences Upon Whole Cycle:
  - (1) Citizen-Consumer Education
  - (2) Development of Foreign Trade
  - (3) Adjustment of Immigration
  - (4) Administration of Taxes
4. Notes on IV. (Cyclical Unemployment).

V. Unemployment and "Depression Insurance":

Brief Bibliography.

List of Concerns having Plans to Reduce Seasonal Unemployment.  
Detail Illustrations of Successful Experiments.



INTRODUCTION

One of the tragedies of unemployment is the almost total lack of public interest in the problem except during industrial crises when attention is usually concentrated upon measures for emergency relief. Constructive public action for the prevention of unemployment - in so far as this greatest industrial evil is preventable - must therefore be initiated with statesmanlike vision and courage during the periods of depression.

The various forms of unemployment - irregular work within employment, and the results of seasonal fluctuations as well as of the more spectacular recurrent depressions of the business cycle - demand necessarily various methods of approach. If unemployment is to be attacked with vigor and with a prospect of lasting success steps must be taken now to deal with the problem even well in advance of the next upward trend of business. When the next downward phase of the business cycle comes it will be too late for the application of the most effective means of assistance. For intelligent and far-sighted action we believe certain kinds of statistical information are essential and the gathering of such data should be promptly undertaken. We also believe an effort should now be made to set up a machinery for the long range planning of public works to mesh in with the fluctuations of private demands for labor.

Probably most promising of all is the opportunity now offered to bring home to the public mind the significance of the business cycle and to enlist the individual enterprise of business managers - singly and through trade associations - in the work of regularizing employment within their own establishments.



The following pages contain the outlines of principles already established by practical experience for meeting the problem both of seasonal and cyclical fluctuations of unemployment. Most of this preventive work--if undertaken promptly with the same determination and good planning that have characterized the efforts of American business men in other directions--can best be inaugurated through the voluntary efforts of the employers of labor. In addition it is recommended that careful consideration be given to the possibilities of unemployment and "depression insurance." The various measures which constitute the following brief constructive program are respectfully submitted in the belief that they would stimulate new interest in making employment more regular and save the country from some of the extreme consequences of irregular production.

#### I. ESSENTIAL INFORMATION.

We are of the opinion that one of the chief causes of industrial depressions is to be found in the lack of information available to business men as to certain essential facts connected with their general lines of business. The far-sighted business man who desires to forecast the future and to guide his action accordingly is often compelled to rely upon pure guesses or arbitrary estimates. Were he to be provided with the actual facts he would often act very differently from what he now does. Stabilization of business and the avoidance of recurring industrial depressions and crises are in no small measure dependent upon a more complete knowledge of the factors affecting the business situation.

We also believe that this information should not only be collected but disseminated in such a way as to become available to the ordinary business man. Special study should be given this problem of circulation. With this end in view it is suggested that additional facilities for the coordination and publication of all this information be provided, as for example, in the Bureau of the Census or in some similar Bureau of Statistics to be created for the purpose.

1. A knowledge of existing inventories or stocks on hand in every particular line of business would be of the greatest assistance to producers in deciding when the time had come to take in sail. These statistics ought to include not alone merchandise, but also equipment. In a more or less adequate way they are now being collected by a few trade associations. It should be the endeavor of all trade associations to present full and accurate statistics for the trade as a whole, published at frequent intervals.

2. It is only in times of stringency that information of goods on order is ordinarily demanded from the business men by the banks. It is desirable that these statistics should be furnished regularly as a matter of information when applying for credit, and such statistics classified by trades ought to be included in the financial statistics regularly issued by the banks of the country (See Chart A2).

3. Statistics of production are now collected in part by the Census and in a very few cases at more frequent intervals by other departments of the government. In some cases they are also published by trade associations. Few of such statistics are either sufficiently authoritative or sufficiently frequent to be of much use. If both accuracy and timeliness were achieved these figures would be of the greatest possible value.



4. Construction statistics may be sub-divided into at least five categories: Railway construction, mining construction, industrial construction, construction of dwellings, and public works. With the partial exception of the first category they are now almost non-existent or at all events lamentably deficient. Yet an accurate knowledge of such facts is of the greatest value for purposes of forecasting the future.

5. An attempt is made to collect some weekly hours and earnings by the Federal Department of Labor and by some of the state bureaus of labor statistics. Most of these figures, however, are published so infrequently as to be of relatively little use. These figures give a valuable indication of the buying power of ultimate consumers.

6. By employment we mean not alone under-employment but also over-employment. In other words, the figures ought to give a picture of the situation in boom times, when the crest of the wave is near the breaking point. In this respect the published figures leave much to be desired.

7. By this is meant the statistics of the fundamental or essential elements in the cost of producing basic materials. The figures would have to be based upon broad studies of extraction and production processes.

8. We have in price statistics an almost limitless field of investigation. Figures ought to include wholesale as well as retail prices and present prices ought to be presented not only in themselves but in comparison with past prices. For only in this way can any conclusions as to relative trends of prices be secured.



9. The special factors will be perhaps the most difficult to secure and present with accuracy because of the elusive character of the factors themselves. Among the points to be considered would be such as the export demand, recent changes in demand, the inter-relations of demand and the broad field of consumers' inventories. The entire subject of demand is, of course, more important and more difficult than that of supply but no attempt ought to be spared to secure and publish as accurate figures as possible.

10. By this is meant the collection of a large number of series of facts bearing upon business cycles such as have been made familiar by the different charts, like the Babson charts, the Brookmire charts, the Harvard charts, and the like. Among the classes of facts to be emphasized are the following: Prices of securities, bank deposits, bank reserves, idle freight cars, monthly exports and imports of merchandise and of gold, the index of wholesale prices and of retail prices, and various other facts of importance. There is scarcely any class of important business facts which cannot lend itself to interpretation as throwing light upon the advance and recession of business prosperity.

## II. Long Range Planning of Public Works.

1. Purposes--Public Works--Municipal, State and Federal, should be contracted in years of industrial activity and expanded in years of depression to accomplish the following purposes:

- (1) To revive private industry and to check industrial depression and unemployment;

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Reclamation--5.

COMMENT OF AGRICULTURAL SUBCOMMITTEE UPON THE REPORT.

The accompanying report submitted by the Committee on Emergency Public Works on Reclamation was received by the Committee on Agriculture this morning and is returned herewith without recommendation and with this comment.

This matter did not originate in the Committee on Agriculture and bears no specific approval by that Committee.

It is universally recognized that many mistakes have been made in Government reclamation of land and many settlers on such land have suffered heavy losses.

The future policy of this Federal Government in this matter should be determined after a careful study of all related questions has been made by a body of engineering and agricultural experts. The Committee on Agriculture would be opposed to the beginning of your reclamation projects at this time.

With the understanding that the projects included in this report are legally authorized for completion and are already under way the Committee sees no serious objection to speeding up the work, provided this contemplates only a loan and no direct appropriation of public funds.

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EMERGENCY MEASURES ADOPTED BY EMPLOYERS  
TO MITIGATE UNEMPLOYMENT  
DUE TO THE PRESENT SITUATION.

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As the direction of the affairs of the business world lies mainly in the hands of employing management and of financiers, it is obvious that the responsibility for taking the initiative in adopting measures to minimize unemployment is primarily theirs. This does not mean that unemployment is the "fault" of these groups or that they are responsible for bringing about the conditions antecedent to unemployment. But what is suggested is that these groups are the only ones that can be of any large influence in mitigating these conditions. In this connection, seasonal and normal unemployment occurring in ordinary times must be sharply distinguished from unemployment caused by cyclical depressions. The power to adopt measures for reducing ordinary year-in and year-out unemployment, whether due to seasonal conditions or the casual labor problem, lies mainly in the hands of employing management and the Government, the latter having the responsibility of introducing an adequate employment service. On the other hand, any attempt to diminish the force of cyclical depressions must come primarily from both the financial and employing groups. Labor is a negligible force in affecting this phenomenon of cyclical depression. It becomes somewhat demoralized, it is true, by the high wages due to the inflation period, but it is not responsible for the conditions which produce the inflation. Of course, when depression takes place and continues as at present it is important that labor co-operate in the readjustment of wages to the cost of living in those industries which are out of line, and thus contribute to the business revival and a cessation of unemployment. When we come to the consideration of the emergency measures necessary to mitigate the actual unemployment re-



sulting from the present depression, managing employers are in a position where they can exert the largest influence of any group.

The sensible management should if for no other reason than purely from motives of self-interest feel the necessity in normal times of maintaining a stable and continuous working force and in abnormal times of preventing the demoralization necessarily resulting from unemployment. The cost and demoralization due to shutting down in times of depression is often more expensive and serious than can be foreseen. But after all, the relation of management to its organization is not wholly contractual and where curtailment of production is necessary, management should, if from no other considerations, from a sense of the human responsibilities of leadership, and pride of accomplishment, do what it can even at some sacrifice to mitigate distress among its working force. In a way a managing employer regards himself and is regarded as the head of a family. He has asked for loyalty from the workers of his organization and should in turn help at a time when they are helpless.

That there are a considerable number that realize these responsibilities of leadership is indicated by a hasty survey just made of emergency measures taken by various employers to meet the present situation. This spirit is strikingly voiced in the following letter from the Columbia Conserve Company, of Indianapolis whose president writes:

"For about a year we have taken the position in our own business that unemployment is the first lien on our business, and beginning late last fall and continuing up to the present time we have carried our regular force through the entire period. During that time we found a good deal of work for the men on our farm which is situated about eight miles from the factory. We also reduced the number of working hours per week but did not reduce the weekly income. We also gave the entire force three weeks vacation with full pay. In addition we found a great many odd jobs about the plant and altogether we were enabled to keep our small force employed during the hours they worked. Most of the time we

were working forty-four hours per week. We gave no special consideration to any individuals because of the fact that we took care of all of them.

"We feel that an industry should consider as its second duty the protection of its employees from unemployment. Its first duty of course is to protect the business by which we mean that no steps should be taken which may jeopardize the business itself; but up to that point we think that the employees should be retained."

The information set forth below was secured from replies to questionnaires which were sent out by this sub-committee to various selected firms, employment managers associations, and other associations, and bureaus interested in the problem. Approximately one hundred letters were received in reply and are filed with this report. In addition one hundred and fifty replies to a questionnaire sent out by the Merchants' Association of New York City last May have also been used.

There are three main varieties of such emergency measures which have been adopted. These are:

First,- part-time work, through reduced time or rotation of jobs;

Second,- manufacturing for stock; and

Third,- seizing the opportunity to do as much plant construction, repairs and cleaning as is possible, with the consequent transfer of many employees to other than their regular work.

The expedient that has been by far the most commonly adopted is the first, namely that of part time and rotation of jobs. This is a method of distributing the burden of unemployment and not of preventing it. Seventy-five firms used one or both of these methods.



## PART-TIME WORK

The General Electric Company says "We have adopted the practice of part time work and rotation of employment".

Two principal methods for reducing the time worked were used, aside from the rotation of jobs, which is treated separately. The first and most prevalent method was that of reducing the time worked per day, while retaining the full number of days per week, or five days per week. The second method, also frequently adopted, was to work full days but to work fewer days per week. In this connection it might be mentioned that many firms gave up Saturday work, especially where the custom was to have a half-holiday on this day.

## Reduced number of hours per day:

At least 65 firms of those replying have reduced the hours worked per day. A typical example of how general the plan was in an industrial town such as Bridgeport will be evident from the following extract from a letter by the secretary of the local chapter of the Industrial Relations Association of America, who states:

"5 plants now operating 40 hours per week, five 36 hours, three 37 hours, three 24 hours, one 37½ hours, one 35 hours, one 27-45 hours, one 26 hours, one 24-48 hours, one 24-40 hours per week".

Another correspondent from Niagara Falls writes:

"A metal products plant during the past four months has added 250 to 300 men to its payroll by reducing shifts from 8 to 6 hours and adding another shift."

The International Harvester Company writes that it adopted "four eight hour days instead of the former 50-hour week of 9 hour days and 5 hours on Saturday. Lately, however, it has been necessary to close some plants completely resulting in the laying off of many employees."

That firms with long shifts can alleviate the situation considerably can be seen from the following example of a firm which formerly had two twelve-hour shifts:



"A food products plant operating 24 hours per day formerly, with ten- and twelve-hour shifts, now is on three shifts of eight hours each."

(Letter from Secretary of Buffalo I.R.A.A.)

#### Reduced number of days per week:

About thirty employers have reduced the number of days per week, among whom two-thirds found the four or five day week preferable while the rest had to content themselves with only two or three days work a week. Thus it is stated:

"Link Belt Plants are working three days a week 35% of their force rather than work one full week with 12½% of their force."

(Letter from Secretary of Indianapolis branch of the Industrial Relations Association)

A New York clothing firm reported in May that extra pay of one day was given to the employee if he had worked only three days a week.

About a dozen firms experimented with various combinations of part-time methods, so that different departments worked different hours or varying numbers of days per week, including also rotation of jobs, as described later.

The cutting of time had its drawbacks, and it took a little while in some cases before the best procedure was worked out. The following letter from a large lamp company indicates how this firm made its part-time arrangements:

"Would advise that in January of this year we found it necessary to revert to a four day week. Before doing so, however, we classified our help into three grades, "A", "B", and "C", the "A" grade being our best operatives, "B" next, and "C" last.

"When we curtailed our working time for four days in January, we also reduced our working force by the elimination of most of our "C" operatives. During the month of February we scheduled our working time to 13 full days for the month and again reduced our working force this time doing away with some of our grade "B" operatives.

"It is evident from the number of people we were losing on the four day schedule that we would have to increase our working time in March, which we accomplished by working a five day week. It has been our experience, covering the months mentioned, that it was better to work five days a week with a curtailed force than to work four days with a complete force, in that we lost considerable of our good operatives on a short-timed basis."

The drawback of part-time work in piece rate industries is indicated by the following extract from a letter describing its operation:

"Part-time work for the piece-worker is apt to result in little reduction in the amount of goods produced but a sharp lowering in quality, since a man in order to keep his earnings up, speeds up his effort to a point where the quality of his work is impaired and wastage is increased."

Letter from Secretary Rochester I. R. A. A.

The following paragraph takes up the other method of reducing time worked, viz: Rotation of jobs. This need not have been accompanied by any reduction of factory hours, but in some cases this was also done to spread work as far as possible.

#### ROTATION OF JOBS:

Approximately fifty firms which are carrying on the rotation of jobs in order to relieve unemployment are mentioned in the correspondence in possession of this Committee. In addition reference is made to many more who are doing this, in the general reports sent in by representatives written to in various cities.

There is a wide variety of method in operating this type of distribution of available work. In half a dozen cases noted, the work is spread to only a small number of workers more than is required, viz; the worker in a certain paper box factory loses "one week in six or seven", and in another company one week out of every four (Standard Oil Co. of N.J.) About twenty firms divide all or most of their em-



employees into groups or shifts alternating weekly, and about the same number of firms use split week shifts of two or three days each. In one case a shift of employees worked only one day a week.

While general success in the main purpose of keeping employees on jobs has been secured in most cases, there are others where the work was not sufficiently standardized to allow operation on this basis. An electrochemical plant is such an instance. Unless the production is routine and the work does not require the same employee to complete the job, rotation is impractical. A correspondent from Bridgeport writes:

"In many instances it has been found impractical to use two shifts of men on the same work. In such cases the men working the first three days of the week work on special and current orders, while the men working the last three days are kept going on stock ahead. Sometimes orders for immediate delivery have necessitated having this schedule somewhat changed.....Not many of the manufacturers have seen fit thus far to operate in this fashion."

Rotation of work was also found disadvantageous for other reasons, for employees sought other employment while off and when they did not report for work with their shift, the personnel was somewhat disorganized and time was lost. The experience of the Norton Company with both the reduction of hours and rotation of work is interesting in this connection:

"When it became apparent that the amount of output must be curtailed, weekly operating hours were first decreased from 50 to 45; then to 40 and finally to 24. By this practice, employees were retained until it became necessary to gradually reduce the operating force as the production requirements declined.

"After careful trial, the 24-hour week proved inefficient from a manufacturing point of view and an advance to a 40-hour week together with a rotation of employees was made effective. In this plan, the operating force was divided so that groups would be idle, in turn, for one week in three. On account of the size and nature of the work of some departments, this method was impractical and employees reported daily to perform any work available, whether or not a full day was required.

"The aim in reducing the plant force was to release, in order, those most able to cope with the problem of unemployment. In carrying out this plan, the selection of persons to be discharged was preceded by an investigation in every case as to their relative domestic conditions. Women and single men were first released, then married men on a basis of the number of dependents.

"In order to provide additional employment, emergency work including general repairs and painting has been carried on to a larger extent than is ordinarily practiced."

"Rates of pay were adjusted at times when the change in hours was most favorable to the employee.

"As a general policy, stock has not been accumulated in order to provide employment. For a number of months, however, manufacture for stock of one type of product was carried on."

While employers should generally be vigorously urged to adopt this expedient even at some sacrifice, it should be kept in mind that the extent to which part time and rotation measures are suitable and advisable depends on the particular circumstances of the individual plant. For example, in some plants where men can go back on farms no such method is necessary and it might be bad from every standpoint to encourage men to stay in the vicinity. As indicated in some of the above replies, in some businesses continuity of tenure of any particular job is most important and therefore part time seriously affects efficiency. In others the handling of the same job by a number of men does not bring about inefficiency and part time is particularly applicable. In some cases it is almost certain that the entire organization will be needed again and therefore management can well afford to hold it together. Though mainly an expedient part time is an important method of mitigating a critical situation such as the present one and if not likely to demoralize should be adopted. One correspondent, Mr. W. H. Winans of the Union Carbide and Carbon Corporation writes:



"Many companies had an abnormally large number of employees during the peak period of production previous to last Fall, and it is quite improbable that production requirements will call for such an inflation of working force in the near future. This is particularly true on account of the relatively low individual efficiency, in most instances, of those previously employed. Accordingly, we feel that a re-distribution of the general labor supply of the country is absolutely essential. For example, it is felt that many women who were employed in manufacturing plants during the last two or three years will not be required for similar work, and their services should be made available for domestic employment and similar lines where there now exists a definite shortage of help of that character.

"Also the number of men who were employed in munition plants, shipyards, metal working plants, etc., far exceeded the number which will be required under normal conditions. Many of these workers should return to agricultural employment and related lines in the rural districts. Considerable questions therefore, arises in our minds as to the wisdom of carrying indefinitely an abnormally large number of industrial workers in the cities and manufacturing districts on either a false hope of return of former conditions or on short time employment. It has seemed to us that attention might very well be given to the possibility of speeding up this redistribution of the nation's labor resources which must sooner or later be accomplished."

#### MANUFACTURING FOR STOCK:

The second method adopted is that of manufacturing for stock. Over thirty firms report that they have manufactured for stock as far as they could. The expression "as far as safety would permit", is frequently used in the replies received, indicating that employers felt that there were perils in carrying this policy too far in a period of uncertain business conditions. Generally speaking, the older firms, with an established market and a standardized product were best able to manufacture for stock. That firms did a great deal to keep their factories going in this way is shown by the fact that in half of the cases manufacturing was continued until the warehouse space available was filled. Half a dozen instances are noted in which the employer expressed doubts as to the wisdom of the policy as a loss had resulted from it. In this connection it is suggested by one correspondent that



manufacturing for stock may endanger the continuance of part-time work later since it may ultimately force a factory to shut down completely because of oversupply.

The following extracts from letters received give a good general impression of the situation:

"The American Hoist and Derrick Company, a firm manufacturing hoisting machinery of all kinds....report that they manufactured for stock during the entire winter and that during this time they were fully aware of the fact that there would be no market for their product during this spring or summer. During the winter they kept their entire staff of workers employed, but when in the spring it became impossible to keep the organization intact, it was cut down to twice the number of men that the actual number of orders in hand warranted, and these men were employed half time."

(Industrial Secretary of the St. Paul Assn.)

"We maintain a stock department of our own for which we manufacture heavily in times when orders are low. For example: we are now running on the first of our Spring season. We have not as yet sent out our salesmen, neither asked for nor received any of our customers' Spring orders, but are running at full capacity on shoes for our stock department, which bridges over this little gap that always occurs at the beginning and end of every season."

(Morse and Burt Co., N. Y. C.)

"We also keep our employees at work during such exceptional dull periods by manufacturing some by-product which we use in large quantities and which we receive from outside sources. Materials for the construction of these by-products are always kept on hand, and employees can be transferred to such work on short notice."

(A large firm of corset manufacturers)

"We are working on stock of merchandise which we hope to be able to dispose of later on in the year in order to employ as many of our people as possible."

(A Tobacco pipe company)

"There has been an unusual amount of manufacturing for stock, or in other words, storing material."

(Secretary of Lansing, Mich., branch of the Industrial Relations Assn.)

"We have no system for the protection of our employees against unemployment but it has always been customary with us when there is a dearth of orders, to put in hand as much work in the way of machinery for stock as we can afford to carry and also see our way clear to dispose of eventually, thus keeping on the payroll a large percentage of the normal working force."

(A large machinery and saw factory)



"When orders fall off, our firm, in its effort to maintain employment, resorts to the expedient of manufacturing stock, even if it has to be sold at cost or at a price that does not even cover the overhead expense. So far as I know, ours is the only firm in Rochester that follows this policy, although we are manufacturing the finest ready-made clothing in the country."

Hickey-Freeman Co.- Clothing.

"In order to keep the employment as near normal as possible in our plants, we have made up future orders immediately when received, regardless of delivery dates, and we have also increased our inventory of shoes in stock quite materially with this same object in view.

(Charles A. Eaton Company, Brockton, Mass.)

"Doing business at a small profit, and selling some items at a loss....resulting in keeping our institution going full blast at present."

(A silk ribbon company)

"In case of certain orders for the Navy Department we are manufacturing equipment which will not be required until next summer. This will give work to large number of skilled employees who would otherwise be idle."

(General Electric Co.)

"We ran our mill practically all though the past year with the exception of about 30 days. Manufacturing for stock has caused us considerable loss."

(A knitting company)

Two firms which are manufacturing for stock mentioned their special efforts to increase the volume of sales. The President of the General Electric Company writes:

"We are also extending to our customers longer credit than usual with the same object in view (to give work to large number of skilled employees who would otherwise be idle.) We have been active in extending our business in foreign countries, especially when such business will give additional employment for our workmen in this country."

A knitting firms writes:

"No reduction has been accomplished by the added energy on the part of our sales force who have gone out with larger and better lines of samples than heretofore, and are making longer trips over their territory."

Where conditions permit the most effective method of using this expedient so as to obviate as far as possible the question of financing raw material is to concentrate on articles that entail a high labor content and a small material content.

That there are limits to the possibilities of manufacturing for stock are indicated in the following quotations. The Secretary of the Employment Managers Association of Moline writes:

"The implement plants in Moline, East Moline and Rock Island, Illinois, manufactured for stock until all warehouses were filled, and it was absolutely necessary to stop operation of their factories;"

The President of the Bethlehem Steel Company writes:

"Manufacturing for stock has been carried on as far as consistent with safety."

The International Harvester reports:

"The trade in agricultural implements has been exceedingly slow and the Company finds itself with an unusually large inventory of manufactured goods on hand and facing a situation which would not justify the further manufacture of goods for an unknown market."

In a circular which accompanied their letter they say:

"Operations have already been continued in spite of heavy cancellations of orders and at serious risk of over-production so that the maximum employment might be afforded during the winter months."

The Secretary of the Bridgeport Council of the Industrial Relations Association of America writes:

"During the last 9 months much has been done to relieve unemployment by the manufacturing of stock ahead of current orders. This is just why the improvement of industrial conditions will be slow and gradual. As orders are received more frequently and for larger quantities, production will necessarily not increase as fast, owing to the great amount of completed stock on hand, which the manufacturer must unload in order to turn his money over."

On the other hand, financial authorities whom this committee has consulted have expressed the opinion that manufacturing for stock, as far as the financial condition of each company and underlying costs of the article manufactured will permit, is a sound expedient and on the whole tends to exercise a healthy influence on the situation.



## REPAIR AND CONSTRUCTION

The third method, that of transferring a part of the force from their regular work to necessary construction work and to cleaning up, etc., has been adopted by a number of firms. Twenty employers mentioned specifically their efforts to keep their employees engaged by this method. The character of repairs and construction work reported are: repairs upon operating equipment, cleaning presses, improvements, alterations, painting, cleaning of windows, installing new equipment, building part of a plant, "every possible repair", etc.

In mechanical firms with skilled workers, much of the repair work required can be done by the firm's own employees, but the helpfulness of this method is rather limited in firms of different character, such as those in the needle trades. It is therefore interesting to have one manufacturer of dress trimmings state:

"Through making repairs, painting, cleaning of windows, etc.... we managed to keep all of our employees during the slack period."

Some firms have adopted this policy as a practice, and therefore have been able to withhold certain types of activities for the opportune moment. The E. E. White Coal Company, of Glen White, Va., states:

"All we do is try to take care of our men by doing needful improvement during times of depression. This saves labor turnover, prevents distress, and we get our improvement work done at a time when our officials are not giving all their attention to production."

The motive in at least one case was also to provide work for outsiders who might be unemployed at that time.

Further quotations follow:

"In order to provide additional employment, emergency work including general repairs and painting has been carried on to a larger extent than is ordinarily practiced."  
(Norton Company, Worcester, Mass,  
mfrs. of grinding wheels and machines)

"We have done a great deal of repair work on our buildings, which has enabled us to use some of our men as carpenters and painters. We have done some new construction work.. We have also transferred men temporarily from one plant to another wherever there was work to be done, in order to carry the men along. As our men are specially skilled along our line of work we make every effort to hold them at work even though we do not have orders enough to keep us up to full production.

"The above remarks apply to the skilled and semi-skilled workmen and not to the day laborers, of whom we employ but very few, largely on receiving and yard work. These men were let off as they were transient workers and we did not feel justified in carrying them when we did not have work for old employees. The older men often did the work of day laborers in order to keep going."

(A terra cotta company)

"We schedule as much work as possible to be done during slack periods or the annual shut-down of about two months at end of year, between crops. Construction work, major and minor repairs, changes, improvements in refinery are given as employment for those otherwise laid off, and much work in the community, such as cleaning streets, repairing fences, improving company's gardens and other property, at remuneration commensurate with class of work performed. In this way continuous employment is given practically all of our regular force.

(California and Hawaii Sugar Refining Company)

"We have not undertaken any new construction but are making long-needed repairs in our operating equipment that we were not in a position to pay attention to in the past two or three years.

(A lithograph company).

"One local plant employing approximately 1000 men makes an annual practice of scheduling repair work for the slack winter months. This custom is being followed this year.

"Another plant employing 300 men will retain many for repair work. The payroll will, however, be reduced."

(Secretary of the San Francisco Industrial Relations Association)

"In time of depression, we make every possible repair and try as far as possible to give employment by the rehabilitation of the plant."

(A silk mill)

This policy involves transferring employees to work to which they are not accustomed. Aside from assigning employees to repair and construction work, employers have tried to give workers that are not needed in one department employment in other departments which would nor-



mally take on outside employees, despite the fact that the employees transferred were not experienced in the work of the department to which they were transferred.

The U. S. Rubber Company has endeavored to overcome some of the difficulties of thus transferring employees from their usual jobs to work with which they were not familiar by using their educational staff to train them for this purpose. Those firms which have in the past given their employees a broad training so that many of them could handle a number of different types of jobs in the plant were in the best position to make such transfer when depression forced a layoff or reduction.

A large motor car company of Detroit writes that they found it profitable to retain second hand cars and recondition them in order to provide employment for the mechanical shops.

#### RAW MATERIALS VS. MANUFACTURING:

In connection with measures to mitigate the situation generally it should be kept in mind that manufacturing institutions differ from plants producing raw materials. The reply of the American Metals Company is suggestive in this connection:

"Our operations are of a character which normally fluctuate, due to changing circumstances. For more than a year we have been on a minimum basis at most of our plants. However, where we can do so we are maintaining full operations and are attempting to retain our basic working organization. With us there is no such thing as a normal working force because our plants are necessarily flexible, due to currently changing conditions. All the energies of the organization are devoted to maintaining operations wherever possible, through the development of market over the world for our product, which consists of metals, as you know.

"These observations are necessarily general and will be of little use to you because your inquiry must be directed to manufacturing institutions very largely. We are engaged in the production of raw materials, and do no manufacturing."

A special study of plants producing raw materials may be advisable.

The realization of the responsibility of leadership may well take another form than that of merely meeting the situation when the depression is in full swing. It can take the form of preparation in normal and supernormal years in advance of the depression. One form of such preparation is that of employment insurance.

#### UNEMPLOYMENT INSURANCE AND RELIEF

There are only three companies that are reported to have adopted unemployment insurance plans, of which one plan is very limited in scope. In addition to these three firms, there is reported one joint agreement between a group of employers and a union which calls for an unemployment guaranty.

The Deering, Milliken & Company of New York and the Dennison Manufacturing Company of Framingham, Mass., conduct the two outstanding insurance funds. Behind the plan of the Dennison Company is the determined effort to level the production and employment curve of the business so as to prevent seasonal unemployment, thereby making unnecessary the use of the fund except in time of severe depression.

The following extracts from the statement issued by the Personnel Division of the Company outline some of the main features of the unemployment fund.

"The impossibility of determining now the proper fixed charge or ratio of charge to be made against unemployment and the advisability of budgetting charges capable of so elastic an application have lead to the creation of an Unemployment Fund, set aside by the Directors out of the profits, and accumulated over a period of approximately five years.....

"After the Directors had established a Fund, the matter of working out provisions for its administration was placed in the hands of a special joint committee, of which two of the members are chosen by representatives of the employees themselves from the General Works Committee of employees, and two from the Management.



"This committee in drafting the rules governing the use of the Fund gave to the term "unemployment" a broad interpretation, not regarding total or even partial idleness as necessary in order to establish unemployment within the intent of the Fund, but regarding any loss involved by the inability of a willing worker to continue employment at his normal and qualified duties, while being retained on the books of the Company, as creating a field of unemployment.....

"Accordingly, whenever there is actual unemployment, the Fund is set in operation for the relief of distress in the following manner.

"Employees who are temporarily laid off receive 90 per cent of their regular wages if they have dependents and 60 per cent if they have no dependents. Both classes of employees, when they secure temporary work outside, are entitled to 10 per cent of their outside earnings plus 90 per cent of their earnings with the Dennison Company, the unemployment fund being used to make up the difference between this amount and what they receive outside. Employees who are transferred inside to other work are paid their full wages if they are time workers and 90 per cent of their six weeks' average if piece workers. Whatever they are worth on their new job is charged to operating expenses and the rest is made up out of the unemployment fund. At any time after six day's payments have been made the Unemployment Fund Committee may stop payments to any who in its opinion are not making proper efforts to secure outside work.....

"Thus, by its efforts to prevent seasonal unemployment-that phase of unemployment which is largely controllable by the employer- and by budgetting unemployment relief and working with its employees in testing out relief methods, this company is endeavoring to develop a scientific method of solving the greatest evil of present working conditions."

The plan of "the Deering, Milliken & Company, is described by Mr. H. A. Hatch, the Treasurer of the Company, in a recent issue of the American Labor Legislation Review. The following quotations have been extracted from this article:

"Since the unemployment funds of these companies are an integral part of their whole plan of industrial management, I outline our complete program as the best setting for our experience with unemployment insurance.

"Our partnership plan - as we call it - is in operation in five plants, three in the South and two in New York State. For simplicity, I will describe its operation in the two New York plants - the Rockland Finishing Company, Inc., at West Havestraw, and the Dutchess Bleachery, Inc., at Wappingers Falls.



After outlining the "partnership plan" under which this company is operating, Mr. Hatch states:

"Operatives are paid current wages. Capital employed is credited at the legal rate of interest. Two sinking funds are set up, designed to make the wages both of capital and of labor constant. The balance remaining, after these sinking funds are cared for, is divided fifty-fifty between capital and labor.

"The sinking fund for capital consists of 15 per cent of the earnings over and above capital's wage of 6 per cent. This fund is designed to make up the deficit below 6 per cent in the earnings of lean years.

"It is the second sinking fund which we call the Unemployment Guarantee Fund. This unemployment insurance fund for the employees also consists of 15 per cent of the net earnings remaining after the payment of wages as above mentioned to both capital and labor. From it labor - that is, all those on a weekly or hourly basis of wage, receives half pay during periods of unemployment. The regulations under which this fund is administered are entirely in the hands of the Board of Operatives, thus insuring thoroughly representative control by those directly concerned.....

"All matters which affect the workers intimately and the owners only indirectly are placed under the direction of the Board of Operatives. This board is elected annually by secret ballot of all employees....."

"During the past year there has been distributed from the unemployment insurance fund at the Rockland Finishing Company, Inc., \$59,512.89 or 5 per cent of the total annual payroll. At the Dutchess Bleachery Inc. plant, the sinking fund against unemployment has this year made payments of \$16,062.32 or 3 per cent of the total annual payroll.

"Between 400 and 500 operatives have shared this distribution at Dutchess, receiving an average of about \$35 each. At Rockland, about 750 operatives have participated, receiving an average of, approximately, \$80. each.

"Let me suggest here that both these companies sell service not merchandise, and so are unable to control the question of regularization- of operating or not operating."

The Crocker-McElwain Company has a plan which contains the germs of insurance. It applies only to employees who have been five years in the company's employ. The benefits which are granted are limited to four weeks and are conditioned on a promise on the part of the employee to help maintain the Open Shop.



Unemployment is provided against in a recent agreement of the Cleveland Garment Manufacturers' Association with the International Ladies Garment Workers Union, by a clause which binds every employer who is a party to the agreement to pay 7-1/2% of his payroll to a fund which is to be used to pay unemployment benefits to the workers if the amount of unemployment should exceed six weeks of the twenty-six weeks during which the agreement will be in force. If, however, at the end of this period twenty weeks of employment had been provided, no payments will have to be made and the fund will be returned to the employers.

A relief loan fund that is of a different character was conducted by the Knox Hat Company. This was created originally by a fixed contribution of 2%, and later of 1%, of every employee's salary, including that of the President, and was used as a loan fund to be available without interest or security for any employee laid off who was in distress. The increase in employment due to increased business made it unnecessary to continue to levy the contributions. Recently 50% of this fund was re-distributed to the employees from whose salary it had been deducted, and ultimately, when all the money borrowed will have been paid back, the full amount will be returned to the employees unless a deduction is made for uncollected debts.

This is entirely aside from the question of Governmental compulsory unemployment insurance which is still a much-mooted question. It has been suggested that if employers should generally undertake plans of unemployment insurance, it might obviate the necessity of any Governmental action.

## MISCELLANEOUS MEASURES FOR REDUCING THE HARDSHIPS OF THE LAYOFF:

About a dozen firms mention their efforts to discriminate between the men with dependents and the needy generally, as contrasted with those better able to stand a lay-off. Married men, and in some case married women, are given preference, but this policy is usually closely associated with a review of the worker's record and length of service, since employers are also using this time to assure themselves that their workers are the most efficient available.

In a half-dozen cases, the firm has tried to assist the worker in securing another job elsewhere. The McElwain Shoe Co. reports:

"One woman employment manager in our Employment and Personnel Department devoted nearly 100% of her time to finding whole-time or part-time work in other industries and from private individuals."

The president of the Walworth Manufacturing Company reports:

"We are to a considerable extent locating jobs so as to bring about the least possible suffering."

The comprehensive plans of the International Harvester Company to reduce the suffering of the employees laid off is brought out in the following quotation from their letter of September 14th:

"Advance Notice of Shut Down:

"In an effort to lessen the hardships of the situation we have endeavored to give advance notice, and in many cases have notified employes individually six weeks in advance of the probable necessity of practically closing the plant, and advising them of our willingness to have them seek employment elsewhere and our desire to cooperate with them in this respect. These notices fully explained the cause of the shut down and were issued with the approval of the various Works Councils.

"Aid in Securing Employment Elsewhere:

"At all plants employment managers have been retained on full time service, their principal duties being to supervise rotation of part time work and investigation of eligibility, and to cooperate with former employes in securing work in other industries, or on farms, or wherever it might be obtained. It is difficult to state specifically the results of



these activities, but we do know that many hundreds of former employes have been placed in satisfactory employment through these efforts.

"Each employe laid off has been given a service certificate which would serve as a recommendation for him to prospective employers. In addition, at some of the plants the men were given printed postcards which they forwarded to the employment manager on applying for work elsewhere and desiring recommendation. Promptly on receipt of these requests letters giving the employes' service records are signed by the local plant superintendents and mailed to the prospective employers.....

"Relief Measures:

"(a) Pension Retirements. Since November 1, the retirement of old employes has been accelerated; 182 employes have been so retired from November 1, 1920, to date.

"(b) Loans to Employes. A fund has been established to provide for relief of needy employes, and provisions are being made to extend this work. We are endeavoring to furnish this assistance to employes in the form of loans, with or without collateral as circumstances may indicate. While it is expected that many of the so-called "loans" will never be repaid, we have carefully avoided designation of this service as "donation" or "charity".

"(c) Loans to Employe Stockholders. Through the operation of our Extra Compensation and Stock Ownership Plan a large sum of money was distributed to participating employes on or about May 1, 1921. Part of this distribution was in stock of the Company, and all employes were notified of the Company's willingness to lend them money on this stock.

"(d) Home Gardening. A well planned and carefully supervised campaign for the encouragement of home gardening was conducted under the auspices of the Works Councils, which resulted in many hundreds of our employes raising produce of definite value to them in view of decreased earnings."

Some firms which have been prosperous in the past and which expect to resume their normal operations when the depression is over have continued to hold a large part of their force even though not needed. One firm writes:

".....at present time are retaining about 25% more than we actually need."

(A bronze company)

The survey which has been made indicates that one of the chief features of the present depression is the uneven character of the unemployed. Though unemployment is severe in many important industries, others are running at full speed, for example, the Gillette Safety Razor Company reports:

"We are trying to work a full force. We are having a little difficulty in getting the required number of female operatives, but as rapidly as they are obtained, they are being put to work so that inside of two or three weeks, we should be operating at 100% capacity. In fact, in the handle manufacturing department, we are running a night shift."

The Endicott Johnson Company reports:

"Perhaps for sixty days the first of the year we ran on about 75% capacity. The balance of the so-called period of depression we have been running full time and for several months past we have been working overtime. Hence, we are not in a position to be of any service to you regarding our methods for part time work, rotation at employment, and other questions you have asked in your telegram."

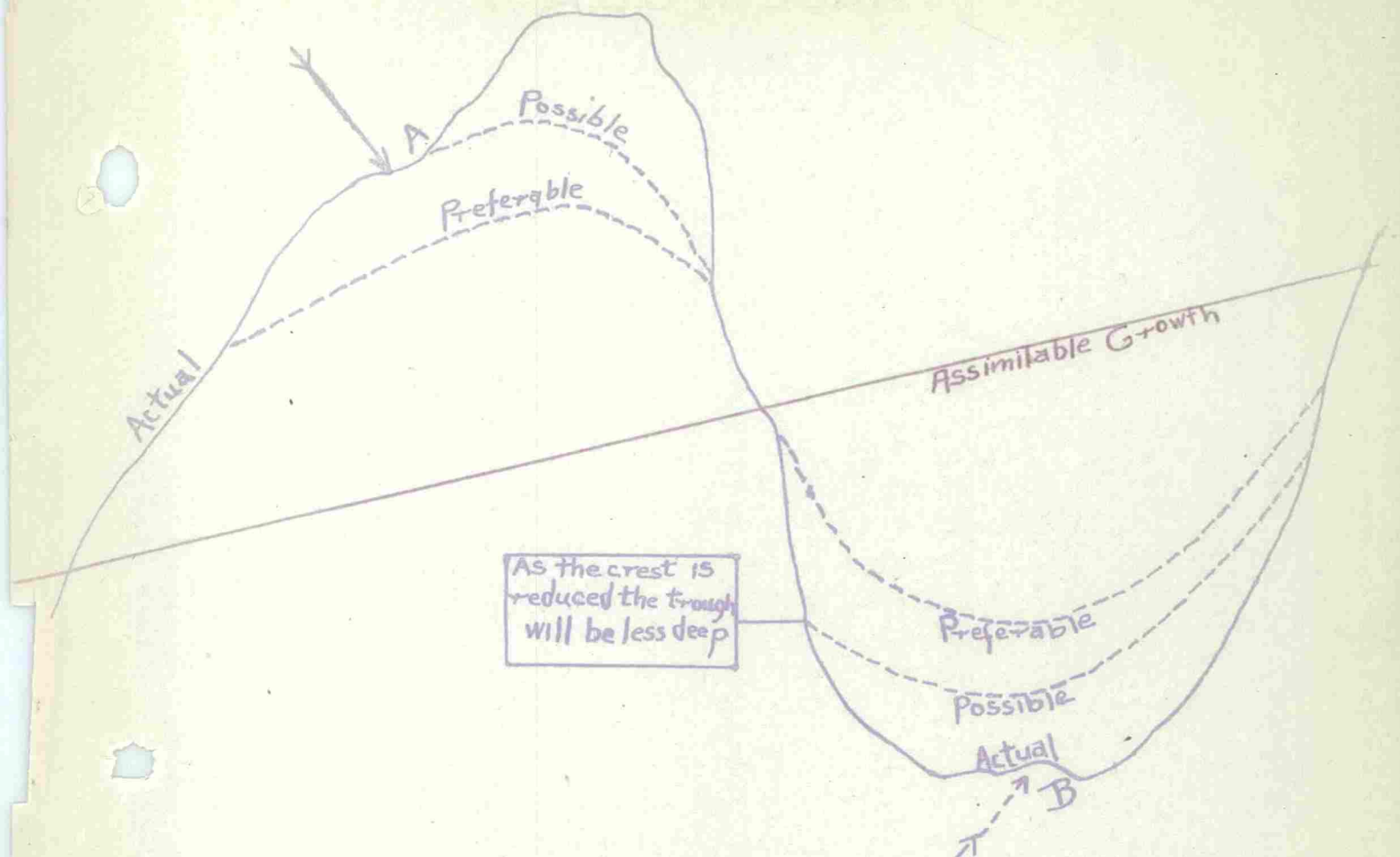
It is reported that activities in the building industry in New York is only limited by the amount of skilled labor available.

The reports from Lawrence, Mass. indicate that there is no unusual unemployment there. Total textile workers 40,750 and those reported unemployed are 600.

This fact must be taken into consideration and also the disparity between conditions and remedial measures possible in various industries in which unemployment exists. It is therefore suggested that it be determined as far as is possible in the limited time available from a study of the information furnished by the Bureau of Labor Statistics and elsewhere in just what industries unemployment does exist, the extent thereof in each instance and what type of remedial measure is suitable in each case to the particular situation.



## A TYPICAL CYCLE



It is probably undesirable to flatten out the line of business activity to the straight line of growth. It is certainly impossible to do so.

Some unemployment might result from the curve labelled "preferable" but the evils arising from such unemployment might be negligible. It is not the wave itself but the crest of the wave which breaks and does the damage. We should therefore focus our attention on the crest and on such part of it as we shall have a reasonable expectation of affecting.

The crest is due to the common belief in the continuance of a RATE of expansion of the country which is too great to be maintained and assimilated. This belief induces.

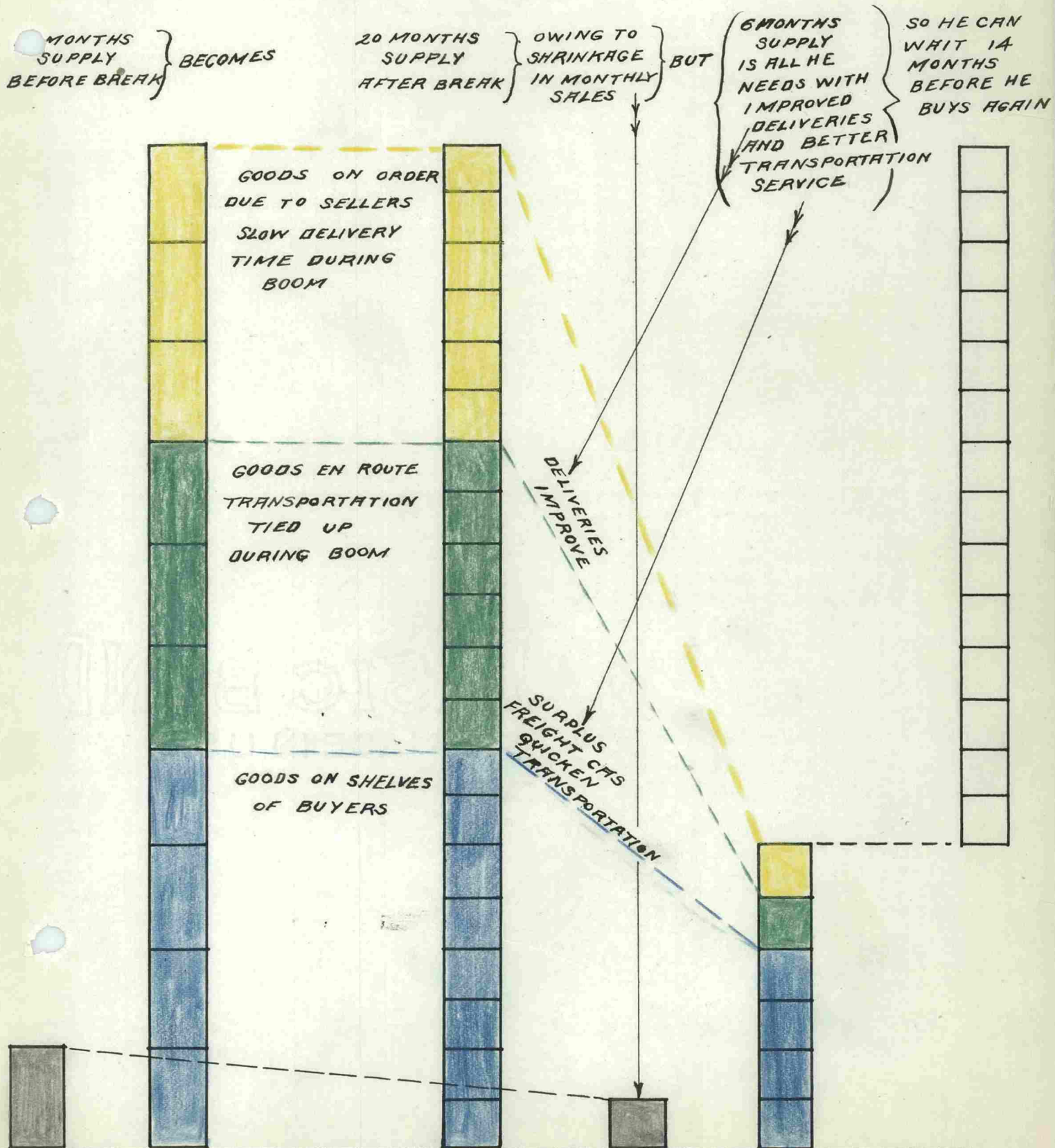
- A. Over-estimates of requirements and of future prices, leading to:
  1. Over-extension of plant
  2. Over-purchase of materials and merchandise
  3. Increasing amount of inefficiency in
    - a. Labor force
    - b. Management methods
  4. Over straining of credit resources.

These points apply to commerce, industry, transportation and public works.

- B. Credit expansion.

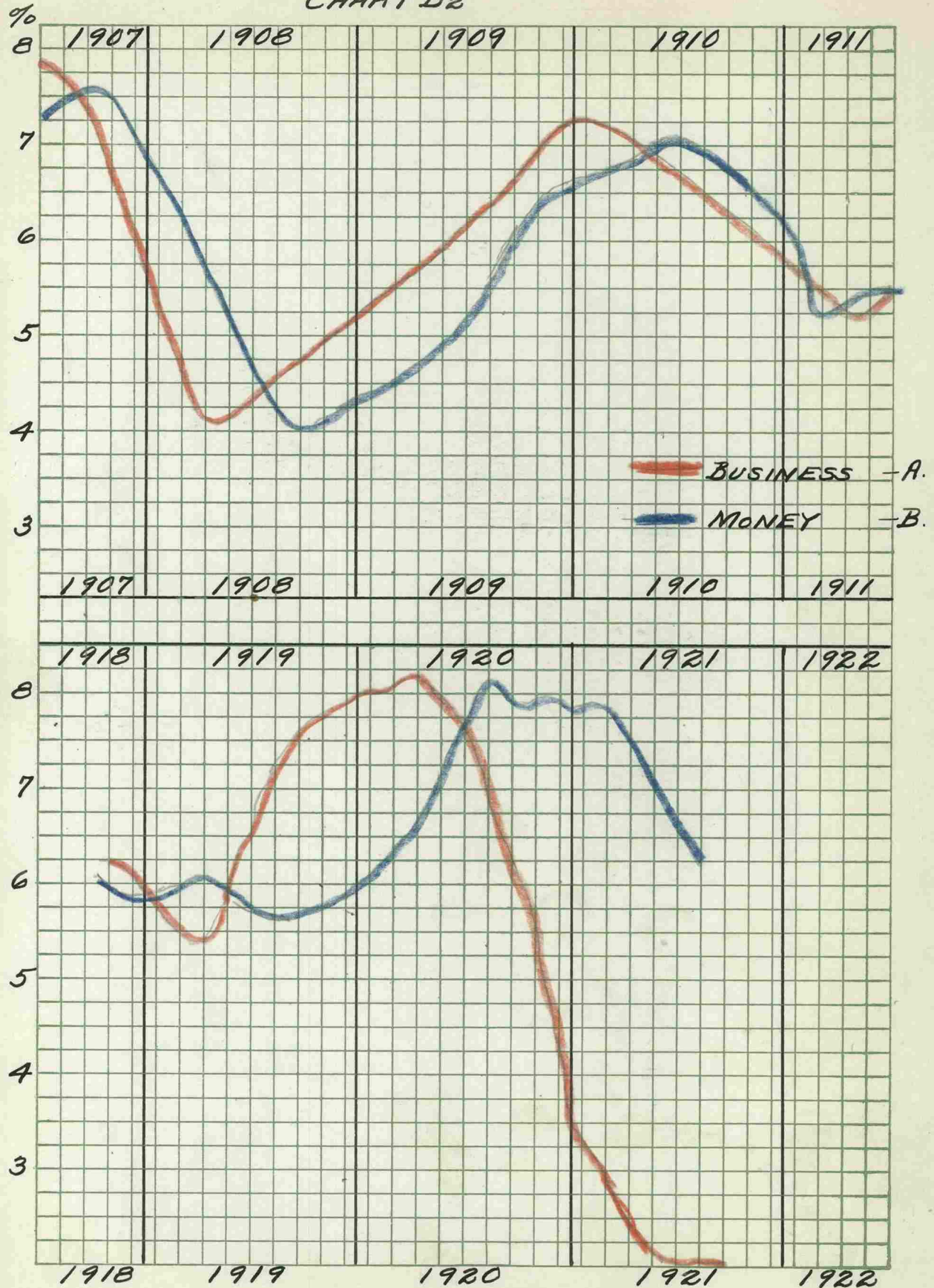
# WHY THE MERCHANT STOPS BUYING

CHART #2





# INTEREST RATES IN RELATION TO THE CYCLE CHART B<sub>2</sub>

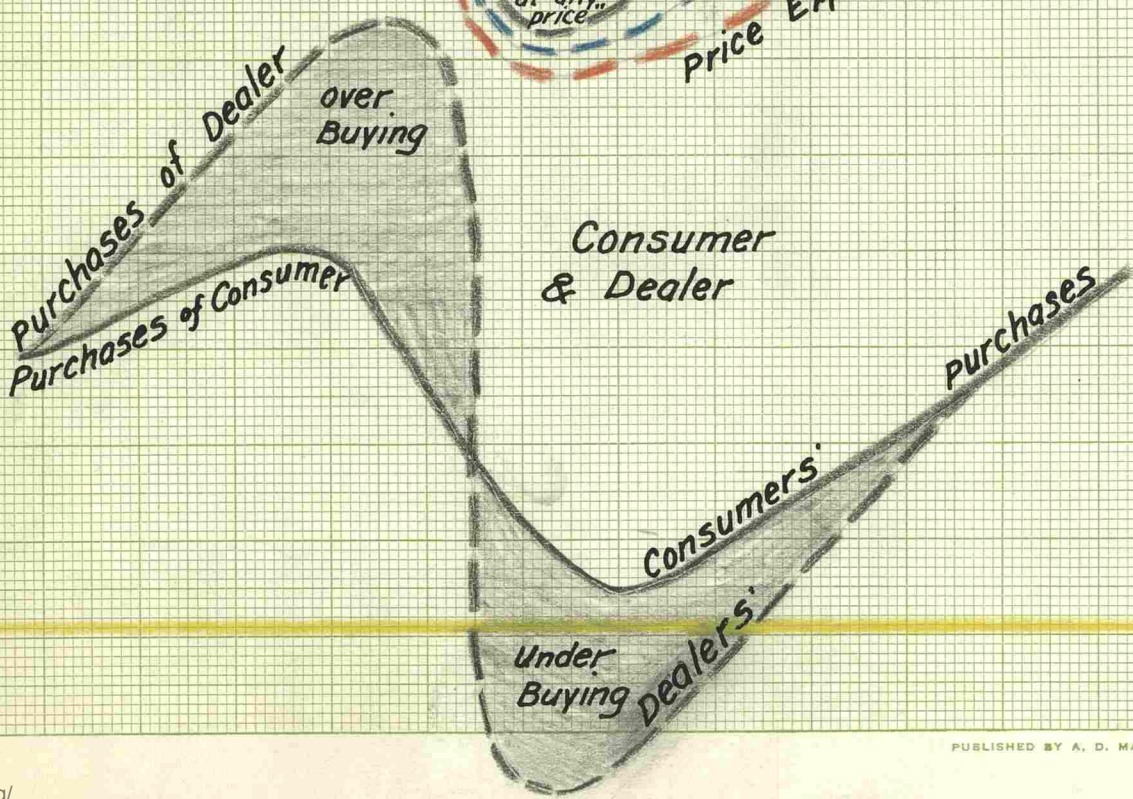
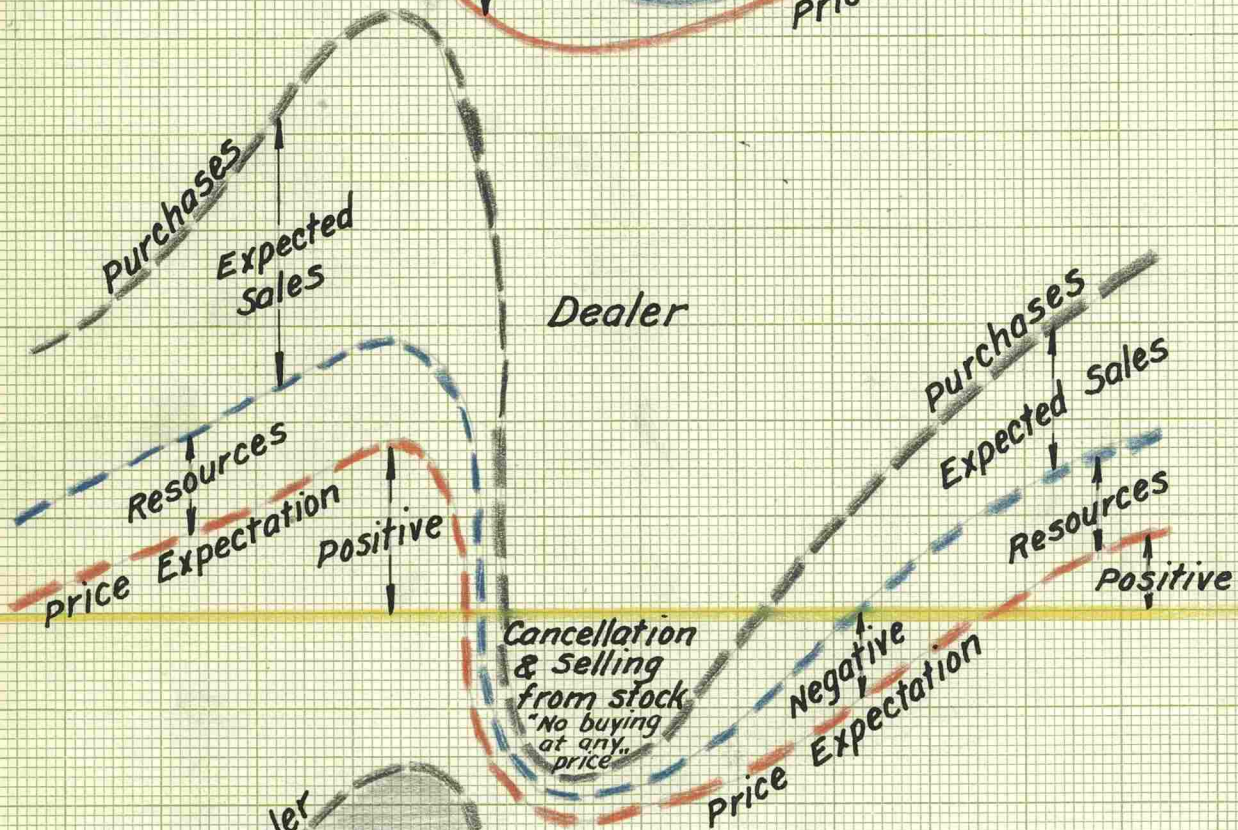
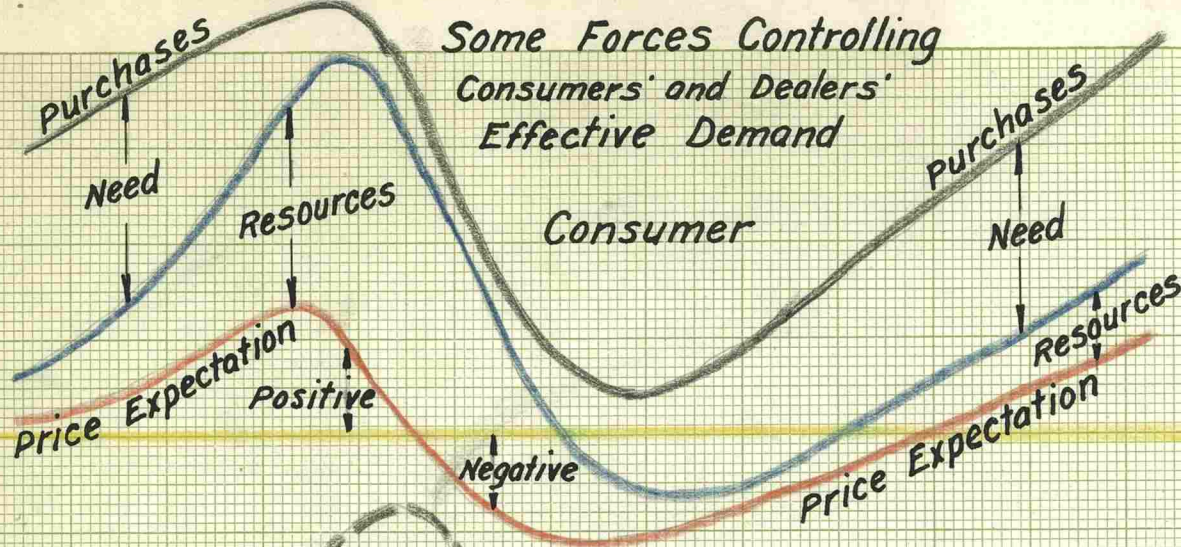


**A** - AVERAGE OF INDICES OF CLEARINGS OUTSIDE N.Y.C. & BRADSTREETS' PRICES.  
**B** - AVERAGE OF INDICES OF 60-90 DAYS & 4-6 MONTHS COMMERCIAL PAPER RATES.

EXHIBITION  
 1911  
 DIVISION  
 ST. LOUIS



Some Forces Controlling Consumers' and Dealers' Effective Demand





SERVICE	SYMBOL
Day	Blue
Night	Nite
Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

# WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT      GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Telegrams are business stimulators. If you want to liven things up—Don't write—Telegraph!

RECEIVED AT 40 BROAD STREET, NEW YORK, Phone Receptor 9289  
 95W CCE 23 GVT 3 EX

DC WASHINGTON DC 320P OCT 6 1921

BEN-J STRONG

804

15 NASSAU ST  
 FEDERAL RESERVE BANK OF NY NEWYORK

THERE WILL BE NO GENERAL MEETING OF UNEMPLOYMENT CONFERENCE  
 UNTIL TUESDAY AFTERNOON OCTOBER ELEVENTH BUT COMMITTEES WILL  
 MEET MONDAY FORENOON

EDWARD EYRE HUNT SECTY OF CONFERENCE

GENERAL FILES 332P  
 OCT 10 1921  
 FEDERAL RESERVE BANK OF NEW YORK

October 5, 1921.

Dear Sir:

I acknowledge receipt of your letter of October 3, and thank you for the complete report of the Economic Advisory Committee, which you were good enough to send to me for my information and guidance in connection with the Conference on Unemployment.

Yours very truly,

E. E. Hunt, Esq.,  
Secretary, Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

GB:MM



THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

ACKNOWLEDGED

OCT 20 1921

B. S.

October 14, 1921.

Hon. Benjamin Strong,  
Governor, Federal Reserve Bank,  
15 Nassau Street,  
New York, N. Y.

Dear Mr. Strong:

By this mail I am sending you copies of:

Unemployment Statistics,  
Business Cycles,  
Agriculture,  
Public Works on Reclamation,  
Public Works.

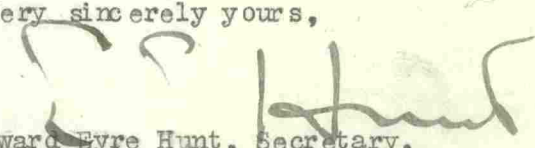
LOOSE IN FILE

The Conference on Unemployment has been an unqualified success, and the spirit in which it closed you will find described in the address of certain manufacturers, read by Mr. Trigg, Mr. Gompers' speech pledging the support of organized labor, and Mr. Hoover's closing remarks, all of which I am sending you.

Copies of Resolutions submitted by committees, or individual members of committees, and not approved by the Conference will be sent you later.

Please advise me if we may serve you in any other way. Let me add a personal word of appreciation for the fine service you have rendered, and believe me,

Very sincerely yours,

  
Edward Eyre Hunt, Secretary,  
Conference on Unemployment.

EEH:P

7  
775  
THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

ACKNOWLEDGED

WASHINGTON

OCT 20 1921

October 18, 1921.

Mr. Benjamin Strong,  
#15 Nassau Street,  
New York City, N.Y.

GENERAL FILES

OCT 29 1921

Dear Mr. Strong:

FEDERAL RESERVE BANK  
OF NEW YORK

The Committee to select members of the Standing Committee on Unemployment has selected the following to serve for the present:

Mr. Julius H. Barnes,  
Mr. William M. Butler,  
Mr. Edgar E. Clark,  
Mr. Joseph H. Defrees,  
Mr. Mortimer Fleischacker,  
Mr. C. H. Markham,  
Mr. Andrew J. Peters,  
Mr. A. M. Poston,  
Mr. Ernest T. Trigg,  
Miss Ida M. Tarbell,  
Miss Mary Van Kleeck,  
Mr. Matthew Woll,  
Col. Arthur Woods,  
Mr. Clarence Mott Woolley.

Yours very sincerely,



Edward Eyre Hunt, Secretary,  
Conference on Unemployment.

EEH-b



October 20, 1921.

Dear Mr. Hunt:

LOOSE IN FILE

This will acknowledge receipt of the reports mentioned in your letter of October 14, for which accept thanks.

Yours very truly,

E. E. Hunt, Esq.,  
Secretary, Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

GB:MM

October 20, 1921.

Dear Mr. Hunt:

I thank you for your letter of October 18, giving  
the names of the members of the Standing Committee on Un-  
employment which were selected by the Committee.

Yours very truly,

E. E. Hunt, Esq.,  
Secretary, Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

GB:MM



775

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT  
DEPARTMENT OF COMMERCE

WASHINGTON

GENERAL FILES  
October 27, 1921.  
OCT 29 1921  
FEDERAL RESERVE BANK  
OF NEW YORK

TO MEMBERS OF THE CONFERENCE ON UNEMPLOYMENT:

I think you will want to know the following:

The threatened railroad strike has obliged Mr. Hoover to postpone calling together the Standing Committee of the Conference on Unemployment.

As soon as possible this Committee will be asked to meet in Washington to consider following up the Conference recommendations.

Yours, very sincerely,

EDWARD EYRE HUNT,

Secretary, Conference  
on Unemployment.

EEH-RAR

*File*

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

November 23, 1921.

ACKNOWLEDGED

DEC 10 - 1921

R. S.

Hon. Benjamin Strong,  
Governor, Federal Reserve Bank,  
15 Nassau Street,  
New York, N. Y.

My dear Mr. Strong:

*LOOSE IN FILE*

Senator Kenyon, of Iowa, Chairman of the Senate Committee on Education and Labor, has introduced the enclosed bill, which carries out in part the recommendations of the President's Conference on Unemployment.

*If you approve the bill*

May I suggest that you write to the members of this committee, to reach them before the hearing on December 12th, and also that you write to your own Senators about December 15th, at which time the bill will probably be reported.

*Letter to 12/10/21  
James P. Madson with  
William M. Callahan*

Members of the Senate Committee on Education and Labor are:

*Called Madson*

*Letters to  
12/10/21*

- |                     |                       |                    |
|---------------------|-----------------------|--------------------|
| William S. Kenyon,  | Francis E. Warren,    | Kenneth McKellar,  |
| William E. Borah,   | Frank K. Kellogg,     | Josiah O. Wolcott, |
| Thomas Sterling,    | Samuel M. Shortridge, | David I. Walsh,    |
| Lawrence C. Phipps, | Andrius A. Jones.     |                    |

Passage of this bill will commit the Federal Government to expansion of its public works during periods of unemployment and advance preparations therefor, without which expansion is impossible to any adequate degree. The adoption of a similar policy by cities and states is even more important as their public works average five times the amount of federal public works.

Any assistance on your part in popularizing these recommendations of the Conference and in calling attention to the Kenyon Bill will be appreciated.

Very truly yours,

NOV 30 1921  
U.S. DEPARTMENT OF COMMERCE  
WASHINGTON, D.C.

EDWARD EYRE HUNT,  
Secretary, Conference  
on Unemployment.



THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

November 25, 1931

ACKNOWLEDGED

DEC 1 1931

R R

Hon. Benjamin Strong,  
Governor, Federal Reserve Bank,  
33 Nassau Street,  
New York, N. Y.

My Dear Mr. Strong:

Senator Keyser, of Iowa, Chairman of the Senate Committee on Education and Labor, has introduced the enclosed bill, which carries out in part the recommendations of the President's Conference on Unemployment.

*From conference the bill*

I suggest that you write to the members of this committee, to reach them before the hearing on December 15th, and also that you write to your own Senators about December 15th, at which time the bill will probably be reported.

Members of the Senate Committee on Education and

Labor are:

- |                   |                      |                   |
|-------------------|----------------------|-------------------|
| William C. Hayden | Francis B. Warren    | Ramolph McKelvie  |
| William E. Borah  | Frank N. Kelley      | Joseph G. Wolcott |
| Thomas Sterling   | Samuel M. Shortridge | David A. Reiss    |
| Lawrence G. Hays  | Andrew A. Jones      |                   |

Passage of this bill will enable the Federal Government to expansion of its public works during periods of unemployment and advance operations in other fields which expansion is imperative to any measure of recovery. The adoption of a similar policy by other States is even more important as their public works average five times the amount of Federal public works.

Any assistance on your part in reporting these recommendations of the President and in calling attention to the Enyon Bill will be appreciated.

NOV 25 1931



RECEIVED  
GOVERNOR'S SECY.

*Handwritten scribbles and numbers, possibly '33'.*

THOMAS STERLING  
Secretary, Conference  
on Unemployment

December 10, 1921.

My dear Mr. Hunt:

LOOSE IN FILE.

Mr. Strong has asked me to reply to your letter of November 23, with respect to Senate Bill No. 2749, regarding appropriations for future periods of depression.

As requested, Mr. Strong has sent a personal letter each member of to the Senate Committee on Education and Labor, as well as to Honorable James W. Wadsworth, Jr., and Honorable William M. Calder, Senators from the State of New York, as per copy enclosed herewith.

Mr. Strong would have answered your letter personally but he is confined to his home owing to a slight indisposition.

Yours very truly,



Secretary to Mr. Strong.

Edward Eyre Hunt, Esq.,  
Secretary, Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

Enc.

GB.MM



THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

READ AND NOTED,  
B. S.

*File*

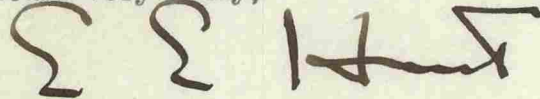
December 14, 1921.

Mr. George Beyer,  
Federal Reserve Bank,  
New York City, N. Y.

My dear Mr. Beyer:

I trust that Mr. Strong is better. Please  
thank him for his letter of December 11th addressed  
to the members of the Senate Committee on Education  
and Labor.

Yours very truly,



Edward Eyre Hunt,  
Secretary, Conference  
on Unemployment.

EEH:AH

NO DISSEMINATION  
EXCEPT BY AUTHORITY  
OF THE BOARD

2-11-33

DEC 16 1921



FEDERAL RESERVE  
GOVERNORS SECRET

TO THE BOARD OF GOVERNORS  
AND TO THE FEDERAL RESERVE BANKS  
FOR INFORMATION AND RECORD  
DATE: 11/11/21

RECEIVED 11/11/21

WASHINGTON

DEPARTMENT OF COMMERCE

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT



THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

December 21, 1921.

Dear Sir:

On page 86 of the Report of the President's Conference on Unemployment, which was recently sent you, lines 8, 9, and 10 read as follows:

Mr. Harrison stated his personal conclusion is unfavorable to the immediate extension of public employment service, and that certain types of private agencies ...

Will you have the kindness to change your copy of the report to read:

Mr. Harrison stated his personal conclusion is favorable to the immediate extension of public employment service, but that certain types of private agencies ...

Very truly yours,

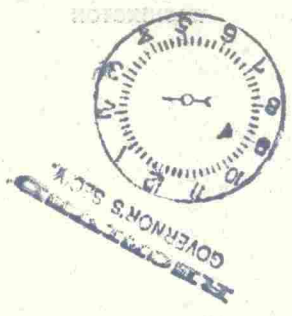
E. E. HUNT,

Secretary, Conference on Unemployment.

THE PRESIDENT'S COMMISSION ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE  
DEC 27 1951

December 21, 1951.



Dear Sir:

On page 86 of the report of the Commission on Unemployment, you will find a list of certain types of private enterprises which are being studied. The list is as follows:

- Mr. Harrison stated that the list was compiled from a survey of private enterprises which are being studied by the Commission. The list is as follows:
- that certain types of private enterprises...

Will you have the list of these enterprises...

to read:

- Mr. Harrison stated that the list was compiled from a survey of private enterprises which are being studied by the Commission. The list is as follows:
- that certain types of private enterprises...

Very truly yours,

W. H. HARRISON, Secretary, Commission on Unemployment.



THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

ATTENDED TO

DEC 30 1921

S. A. M.

FILING DIV  
DEC 30 1921  
FEDERAL RESERVE BANK

*Mr. Hudson  
Circulars*

December 29, 1921.

Mr. Shepard Morgan,  
Assistant Federal Reserve Agent,  
Federal Reserve Bank of New York,  
New York, N. Y.

My dear Mr. Morgan:

Thank you for your kind  
letter of December 28th and for the enclosure.

Very truly yours,



EDWARD EYRE HUNT,  
Secretary, President's Conference on Unemployment.

EEH:GB

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

ACKNOWLEDGED

FEB 6 - 1922

R S

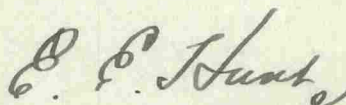
February 4, 1922.

TO ALL MEMBERS OF THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT.

The Kenyon bill on long-range planning of public works (Senate bill No. 2749) will come to a vote next week (February 6 to 11).

This bill, as I wrote you on November 23, is a result of the Conference on Unemployment, and carries out its recommendation providing that the expansion and contraction of Federal public works be arranged to accord with periods of fall and rise in private industry and employment.

The bill was reported favorably by the committee. Sufficient public interest should assure its passage. Perhaps you and your friends will care, by letter or telegram, to call this highly important piece of legislation to the attention of the Senators.



Edward Eyre Hunt,  
Secretary, President's Conference on Unemployment.

EEH-M



February 6, 1922.

My dear Mr. Hunt:

Replying to your notice of February 4, to the members of the President's Conference on Unemployment, I take pleasure in advising that I have already written to the members of the Senate Committee on Education and Labor, with respect to Senate Bill No. 2749, regarding appropriations for future periods of depression, under date of December 14, 1921, and to which letter I have received very favorable responses.

Yours very truly,

EDWARD STRONG

Edward Eyre Hunt, Esq.,  
Secretary, President's Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

GB.MM

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

Feb. 7, 1922

ACKNOWLEDGED  
FEB 8 - 1922  
B. S.

Benjamin Strong, Esq.,  
Federal Reserve Bank,  
New York, N.Y.

My dear Mr. Strong:

I am afraid my letter of February 4 was not clear. The Senate Committee on Education and Labor has already reported Senate Bill No. 2749, and it is the Senators not on the Committee who have so far had no opportunity to know what support there is of the bill.

Possibly you would wish to write to New York Senators or others in general what you wrote previously to the members of the Committee.

Yours very truly,

*Edward Lyne Hand*

OTM/A.



February 9, 1922.

Edward E. Hunt, Esq.,  
Secretary, Conference on Employment Department of Commerce,  
Washington, D. C.

Dear Sir:

Owing to Mr. Strong's absence from the office this morning I have for acknowledgment your letter of February 7, with respect to the Senate Bill #2749, and asking that Mr. Strong write to our New York Senators or others in general, that might be interested in the bill.

If you will kindly refer to my letter of December 10 you will note that it mentions that Mr. Strong had sent a personal letter to the Honorable James W. Wadsworth, Jr. and the Honorable William M. Calder, Senators from the State of New York, a copy of which letter was sent you for your information.

Very truly yours,

G. Beyer,  
Secretary.

GB/EC

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

9 February, 1922.

ACKNOWLEDGED  
FEB 23 1922  
B. S.

Mr. Benjamin Strong, Governor  
Federal Reserve Bank  
15 Nassau Street  
New York, New York

My dear Governor Strong:

In connection with Section 11 of the Kenyon Bill for long-range planning of public works the question is being asked by some Senators whether governmental reports concerning the approach of a period of business strain and over-extension will not alarm people and bring on such a period. //

Would it be possible for you to write a letter in answer to this objection? I shall not quote you without your permission but would like to have your opinion.

The contemplated reports are to be monthly and largely in the form of charts, to be published as a supplement to the "Current Survey of Business" of the Bureau of the Census. I feel that monthly reports by their frequency put the business world on notice of the approach of trouble and enable it to prepare more adequately. The Federal Reserve Banks have already rendered a great service along such lines.

Very truly yours,



Edward Eyre Hunt,  
Secretary, President's Conference  
on Unemployment.

EEH:W.



RECEIVED  
GOVERNOR'S SECY.  
FEB 10 1922

Handwritten signature or initials, possibly "Kemp" or similar, written in dark ink.

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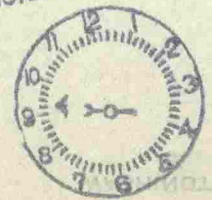
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RECEIVED  
GOVERNOR'S SECY.



DEPARTMENT OF COMMERCE  
FEB 10 1922

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FEB 22 1922  
FEDERAL RESERVE BANK

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

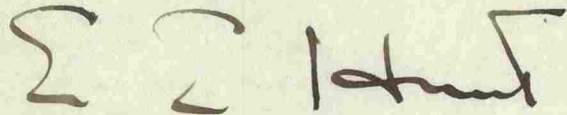
February 13, 1922

Mr. George Beyer  
Secretary to Mr. Benjamin Strong  
15 Nassau Street  
New York City

My dear Mr. Beyer:

Many thanks for your letter of February  
9th calling attention to your letter of December 10th,  
which had been overlooked.

Very sincerely yours,



EE:V



February 23, 1922

Edward Eyre Hunt, Esq.,  
Secretary, President's Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

My dear Mr. Hunt:

I have been delayed through absence in my answer to your note regarding Section 11 of the Kenyon Bill for long-range planning of public works; and the question "whether governmental reports concerning the approach of a period of business strain and over-extension will not alarm people and bring on such a period."

Possibly after the action of the Senate it is now too late for a letter to be of any especial service, but I am, nevertheless, sending it as an indication of my interest in the subject.

In a smallish country, where the momentum of trade is not very great and the effect of demand and supply is very quickly felt, such information is scarcely so needful. But in a country so vast as the United States, with production on such a tremendous scale and the parts so widely distributed, such information is vital. Business thrives best under conditions of certainty, where people can forecast the immediate future with a reasonable degree of success; and anything which contributes to this will contribute to stability of trade and employment.

I cannot see how any kind of governmental report could cause alarm and bring on a period of strain unless fundamental conditions for such a strain existed. And the more quickly these conditions were apprehended the less likely the period of strain.

It is an old saying that to be forewarned is to be forearmed. I do not know that the proposals of the Kenyon Bill could completely guard us against periods of depression, but it certainly seems to me that the work proposed might do much to mitigate their severity.

It is conceivable that the strongest leverage over periods of undue expansion and booms may be found to lie in a proper regulation of the supply of bank credit; and I am myself hopeful of investigation along this line. Meanwhile, I cannot see how the very moderate proposals of the Kenyon Bill could do other than a certain degree of good.

With best regards, believe me,

Very sincerely yours,



Benjamin Strong,  
Governor.

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

February 28, 1922.

FEDERAL RESERVE BANK  
MAR 4 1922  
FEDERAL RESERVE BANK  
OF NEW YORK

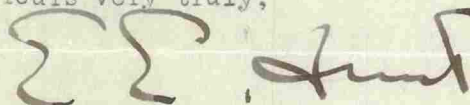
Benjamin Strong, Governor,  
Federal Reserve Bank,  
New York, N. Y.

My dear Governor Strong:

Thank you heartily for your  
letter of February 23rd regarding the use of  
governmental reports concerning the approach of  
a period of business strain and over-extension.

I hope the recommendations of the  
Kenyon bill have received only temporary set-  
back, and that we shall be able to get this matter  
under way again.

Yours very truly,



Edward Eyre Hunt,  
Secretary, President's  
Conference on Unemployment.

EEH:AH



CONFERENCE ON UNEMPLOYMENT  
WASHINGTON, D.C.  
MAY 15, 1922

*Handwritten scribbles*

MEMORANDUM FOR THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT  
SUBJECT: [Illegible]



MAY 11 1922  
[Illegible text]

[Illegible text]

WASHINGTON

DEPARTMENT OF COMMERCE

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

ACKNOWLEDGED

MAR 6 1922

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March 1, 1922.

Benjamin Strong, Governor,  
Federal Reserve Bank, New York,  
15 Nassau Street,  
New York, N. Y.

My dear Mr. Strong:

At the direction of the President and Secretary Hoover, I am sending you a certificate of appointment as a member of the Conference on Unemployment in cordial appreciation of your services.

You will note that this certificate is dated the 4th day of January 1922, inasmuch as documents bearing the President's signature must be dated when he signs them.

With high regard, believe me,

Yours very truly,



Edward Eyre Hunt,  
Secretary, President's  
Conference on Unemployment.

EEH:AH.



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MAR 4



COMMERCIAL BANK OF AMERICA

Faint, mostly illegible text and markings scattered across the page, including what appears to be a signature or set of initials.

WASHINGTON

WASHINGTON

DEPARTMENT OF COMMERCE

THE FEDERAL RESERVE BOARD OF GOVERNMENT

March 6, 1922.

My dear Mr. Hunt:

I have your letter of March first, and thank you sincerely for the certificate of appointment as a member of the Conference on Unemployment, which was received this morning. It was a pleasure for me to have served on this committee.

Yours very truly,

Edward Eyre Hunt, Esq.,  
Secretary, President's  
Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

GB.MM



THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

April 3, 1923.

Mr. Benjamin Strong,  
15 Nassau Street,  
New York City, N. Y.

Dear Mr. Strong:

The President's Conference on Unemployment suggested that an analytical study be prepared of the causes of the business cycle and an attempt be made to collect facts as to methods for offsetting the bad results of the periods of expansion and depression which have been characteristic of our industries.

The most important economic investigation into these subjects ever undertaken in this country has just been completed by a Committee of the Unemployment Conference consisting of:

Owen D. Young, Chairman, Clarence M. Woolley, Joseph H. Defrees,  
Mary Van Kleeck, and Matthew Woll.

The report with an introduction by Herbert Hoover contains the recommendations of the Committee, together with the results of a six months fact finding investigation made for the Committee by the National Bureau of Economic Research. Professor Wesley C. Mitchell was in charge of this investigation.

The greater part of the funds were contributed by the Carnegie Corporation of New York; and the Russell Sage Foundation, the American Association for Labor Legislation, the Bureau of Railway Economics, the Federated American Engineering Societies, the American Federation of Labor, the Chamber of Commerce of the United States, the American Statistical Association, the American Economic Association, the Federal Departments of Agriculture, Commerce, and Labor have contributed their services.

The complete report, including the recommendations of the Committee and the investigation of the National Bureau of Economic Research, has been published in book form by the McGraw-Hill Book Company, 370 Seventh Avenue, New York. The recommendations of the Committee are also published separately in pamphlet form by the Department of Commerce.

This report is one of the most important results of the Unemployment Conference and I call it to your attention believing that you will do what you can to promote interest in its findings and action based on them.

Yours faithfully,

  
Secretary.

EEH:S:J





April 9, 1923.

Dear Sir:

In Mr. Strong's absence I have your letter of April 3, together with the report entitled "Business Cycles and Unemployment", for which please accept thanks. As Mr. Strong will be away from the bank for sometime to come, I shall forward your letter and the report to him as I know he will be interested in reading the same.

Yours very truly,

Secretary to  
Mr. Benj. Strong.

Mr. E. E. Hunt,  
Secretary, President's Conference on Unemployment,  
Department of Commerce,  
Washington, D. C.

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

December 3, 1923.

Mr. Benjamin Strong, Goy.,  
Federal Reserve Bank of N. Y.,  
15 Nassau Street,  
New York City.

Dear Mr. Strong:

For your information I am send-  
*Loose in file*  
ing you a brief statement of certain activ-  
ities, some of them concerned with the con-  
tinuing work of the President's Conference  
on Unemployment of which you were a member.

Very truly yours,

*E. E. Hunt*

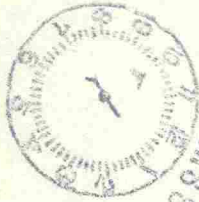
Secretary.

EEH/S

FILES DIV.  
JAN 11 1924  
FEDERAL RESERVE BANK  
OF NEW YORK  
ACKNOWLEDGED  
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DEC 8 1923



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GOVERNMENT'S SERV

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DEC 11 1923

ACKNOWLEDGED

WASHINGTON

DEPARTMENT OF COMMERCE

THE EMERGENCY CONFERENCE ON UNEMPLOYMENT

Conference  
Unemployment

December 7, 1923.

Mr. E. E. Hunt,  
Department of Commerce,  
Washington, D. C.

Dear Sir:

*Loose in file*

I have for acknowledgment the receipt of your letter of December 3, enclosing copy of your recent address on Stabilizing Employment, which you were good enough to send to Mr. Strong for his perusal, and for which kindly accept thanks.

Yours very truly,

Secretary to  
Mr. Benj. Strong.



Strong Files  
Unemployment Conference

Referred to in letter of

Mr Hunt 12/3/23

STABILIZING EMPLOYMENT—  
THE NATIONAL POINT  
OF VIEW

BY EDWARD EYRE HUNT

*Secretary, the President's Conference on Unemployment*

AN ADDRESS GIVEN AT THE SILVER BAY CONFERENCE OF THE  
YOUNG MEN'S CHRISTIAN ASSOCIATION, AUGUST 31, 1923

## STABILIZING EMPLOYMENT—THE NATIONAL POINT OF VIEW

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The task of the Department of Commerce under its present leadership is the task of popularizing with American business a series of great ideas. Some of these ideas have been crystallized in economic and engineering reports; still others have been set out in a booklet by Mr. Herbert Hoover called "American Individualism." All of them arise from a profound belief that the economic system under which we live is essentially sound, that it is dynamic, and that it can be modified by voluntary action on the part of those who enjoy its benefits so as to meet the pressing social needs of the immediate future.

### I. THE WILSON INDUSTRIAL CONFERENCE.

Two of the reports to which I refer were developed before Mr. Hoover became Secretary of Commerce. The first was the report in 1919 of President Wilson's Second Industrial Conference which set forth a national plan for the settlement of labor disputes. This plan was never carried out. It was never adequately discussed. It was presented at a time when the business boom which followed the war was just developing, when the striking steel workers had just been defeated and when the country was in no mood to think out the far-reaching problems with which the report dealt. But I venture to say that no more statesmanlike proposal has been brought forward in this field than that of the report signed by W. B. Wilson as chairman and by Herbert Hoover as vice chairman, and I believe we shall eventually turn to a national plan of this general sort for dealing with great industrial conflicts.

The Wilson Conference believed that sound relationship between employee and employer can be promoted by the organi-



zation of that relationship, and that this should begin within the plant itself. If the joint organization of management and employers in the plant or industry fail to reach a collective agreement, then the Conference proposed a system of settlement under Government encouragement and with a minimum of regulation.

The system of settlement provided for a National Industrial Board, local Regional Conferences, and Boards of Inquiry.

The parties to the dispute might voluntarily submit their differences for settlement to a board known as a Regional Adjustment Conference. This board was to consist of four representatives selected by the parties, and four others in their industry chosen by them and familiar with their problems. The board was to be presided over by a trained Government official, the regional chairman, acting as a conciliator. If a unanimous agreement were reached, it resulted in a collective bargain having the same effect as if reached by joint organization in the shop.

If the Regional Conference failed to agree unanimously, the matter, with certain restrictions, was to go under the agreement of submission to the National Industrial Board, unless the parties preferred the decision of an umpire selected by them.

The voluntary submission to a Regional Adjustment Conference carried with it an agreement by both parties that there should be no interference with production pending the processes of adjustment.

If the parties, or either of them, refused voluntarily to submit the dispute to the processes of the plan of adjustment, a Regional Board of Inquiry was to be formed by the regional chairman of two employers and two employees from the industry, and not parties to the dispute. This Board was to have the right, under proper safeguards, to subpoena witnesses and records, and the duty to publish its findings as a guide to public opinion. Either of the parties at conflict might join the Board of Inquiry on giving an undertaking that, so far as its

side was concerned, it would agree to submit its contention to a Regional Adjustment Conference, and, if both join, a Regional Adjustment Conference was thus automatically created.

A National Industrial Board in Washington was to have general oversight of the working of the plan.

The plan was applicable also to public utilities, but in such cases the Government agency having power to regulate the service was to have two representatives in the Adjustment Conference. Provision was made for prompt report of its findings to the rate-regulating body.

The plan involved no penalties other than those imposed by public opinion. It did not impose compulsory arbitration. It did not deny the right to strike. It did not submit to arbitration the policy of the "closed" or "open" shop.

The plan was national in scope and operation, yet was decentralized. It was different from anything in operation elsewhere. It was based upon American experience and was designed to meet American conditions. It employed no legal authority except the right of inquiry. Its basic idea was stimulation to settlement of differences by the parties in conflict, and the enlistment of public opinion toward enforcing that method of settlement.

As I have said, nothing seems to have come of this excellent report.

## II. THE ENGINEERS' REPORT ON ELIMINATION OF WASTE IN INDUSTRY.

The second great effort to deal with the basic factors of our industrial relations was the report on Elimination of Waste in Industry, due to Mr. Hoover's inspiration as president of the Federated American Engineering Societies, and prepared by a committee of which Mr. J. Parke Channing, of this conference, was chairman.

The Committee consisted of 17 experts. Under their direction some 50 engineers made a rapid analysis of waste in six typical branches of industry and published their unanimous report in October, 1921, under the title Waste in Industry.



A summary of this report was given to the press on June 3, 1921, and attracted wide attention. More than 14 million readers were reached through the first newspaper accounts of the investigation, and in book form the report was in its second printing only a few weeks after publication.

The basic assumptions of the report on waste were these:

1. That the most serious waste in industry is the waste of the time and energies of men;
2. That while some of this waste is due to economic conditions over which men have not yet asserted their control, the greater part is due to defective management. "The wastes from unemployment during depressions, from speculation and overproduction in booms, from labor turnover, from labor conflicts, from seasonal operation, from lack of standardization, all represent a huge deduction from the goods and services that we might all enjoy," as Mr. Hoover says in a foreword, "if we could do a better job of it."

The report places the responsibility for doing "a better job of it" squarely upon industrial management. "Over 50 per cent of the responsibility for these wastes," it states, "can be placed at the door of management and less than 25 per cent at the door of labor, while the amounts chargeable to outside contacts (the public, trade relationships, and other factors) is least of all."

Waste in industry is attributable:

(1) To low production caused by faulty management of materials, plant, equipment and men. Let me give one example. The loss from idleness in the shoe manufacturing industry, occasioned by waiting for work and material, amounts to some 35 per cent of the time. The shoe industry has a capacity of 1,750,000 pairs per day, and produces little more than half that number.

(2) To interrupted production, caused by idle men, idle materials, idle plants, and idle equipment.

(3) To restricted production intentionally caused by owners, management, or labor.

(4) To lost production caused by ill health, physical defects, and industrial accidents.

Forty-two million persons gainfully employed lose a total of 350 million days annually from illness and accidents.

Half a million persons, able to do good work, die annually. Half of this loss is preventable. 25 million workers have defective vision; 25 million have defective teeth; over a million have tuberculosis; over 6 million have organic diseases; 5 to 6 million have heart trouble.

The annual economic loss from preventable diseases and substandard physical conditions is at least 3 billion dollars.

Some of the recommendations deal with improvement of organization and executive control, some with production control including balancing productive capacity with demand, elimination of cancellations, inspection policies, maintenance, uniform cost accounting, standardization of products, materials and equipment, and improved personnel management.

A result has been the establishment in the Department of Commerce of the Division of Simplified Business Practice, and through its means the manufacturers, distributors, and users of various products voluntarily eliminate wasteful multiplicity of varieties and sizes. One group, those concerned with paving brick, in a single session eliminated 55 sizes, reducing the number of varieties from 66 to 11; at a later conference they reduced the 11 to 7, and at a still later conference they eliminated one additional type, reducing the recognized types and sizes to 6.

### III. PRESIDENT HARDING'S CONFERENCE ON UNEMPLOYMENT.

The President's Conference on Unemployment called in September, 1921, and placed under the chairmanship of the Secretary of Commerce, was due to the inspiration of Mr. Hoover. This first national conference called to deal with the wasteful results of one of the periodic failures of our economic system, representative of widely divergent thoughts and interests, adopted unanimously recommendations for a program to meet



this emergency created by the unemployment of  $4\frac{1}{2}$  million workers, agreed unanimously on a permanent program and set up an organization to develop the work. Its membership included an advisory committee of economists, social scientists, engineers, and statisticians; there were representatives of the American Federation of Labor, the Railway Brotherhoods, United Mine Workers of America, and other labor organizations, the United States Chamber of Commerce, the National Manufacturers' Association, Government officials, and bankers.

Its resolutions were in every case the unanimous view of its members.

The measures covered a wide range of economic factors and the results were striking. As a consequence of the Conference from  $1\frac{1}{2}$  to 2 million persons, it is believed, were set at work who otherwise would have been idle. "Clean-up" campaigns in various industries were inaugurated. The enlargement or renovation of plants and improvement in equipment were started as a direct contribution to meet the emergency. There was a marked revival in the construction industries, and an improvement in general business quickly became apparent.

Cities in the United States of 20,000 inhabitants or more where there was an unemployment problem organized to relieve it. A central clearing house to coordinate these efforts was set up in Washington by the Conference, under Col. Arthur Woods, who was one of its members and was former Police Commissioner of New York City.

Municipal bond sales for public works broke all records.

Three major problems faced the continuing committee of the President's Conference on Unemployment: the problem of recurring booms and depressions, called the business cycle, and the problem of seasonal instability of employment especially in such vast industries as bituminous coal mining and the construction industries.

What these booms and depressions mean in terms of wasted capital, wasted equipment, and wasted labor is almost beyond the power of mathematics to compute. In the short space

of 20 years we have had four important depressions and several minor ones. Things were dull in 1903, there was a depression in 1904, improvement in 1905, boom in 1906-7, depression in 1908, activity in 1909-10, a minor depression in 1911, gain again in 1912-13, depression in 1913-14, improvement in 1915, uncertainty in early 1916, then the war boom, and finally the depression of 1921. They appear to have come a little thicker and a little faster in these last 20 years than in the 20 that preceded.

If the enormous wastes from future periods of depression were to be avoided, a close analytical study of the possibilities of controlling the business cycle was necessary, and for this purpose Secretary Hoover appointed a committee headed by Mr. Owen D. Young, Chairman of the Board of the General Electric Co. The Carnegie Corporation made an important financial contribution to the work, and the study began in February, 1922.

During the whole of 1922, this committee was at work. The task of making a survey of the available facts was entrusted to the National Bureau of Economic Research, Inc., of New York, of which Dr. Wesley C. Mitchell, the authority on business cycles, is director. Based upon the facts which this survey revealed, the committee prepared its report and made specific recommendations as to the part which the Government should play and as to the share of industry in stabilizing the business life of the nation.

#### IV. BUSINESS CYCLES AND UNEMPLOYMENT.

This was the first national effort to study the problem of unemployment in its relation to business booms and depressions. It was also the first attempt to discuss systematically ways and means of controlling the extremes of the business cycle. By closely studying the fluctuations in their own business, certain firms have been able to foresee general periods of depression and to avoid their most disastrous effects; the Committee believed that if there could be a general anticipation of the business cycle by American business men, not only



would the danger of protracted periods of unemployment be lessened but the entire business structure would be materially strengthened.

The conclusion of the Committee, as stated in a foreword by Secretary Hoover, is:

"Broadly, the business cycle is a constant recurrence of irregularly separated booms and slumps. As the slumps are in the main due to wastes, extravagance, speculation, inflation, overexpansion, and inefficiency in production developed during the booms, the strategic point of attack, therefore, is the reduction of these evils, mainly through provision for such current economic information as will show the signs of danger and its more general understanding and use by producers, distributors, and banks, inducing more constructive and safer policies. Furthermore, the Committee has developed constructive suggestions as to the deferment of public work and construction work of large public service corporations to periods of depression and unemployment, which while in the nature of relief from evils already created, would tend both by their subtraction from production at the peak of the boom and addition of production in the valley of depression toward more even progress of business itself."

Conditions within business itself, rather than remote, outside consideration, are the primary cause of the business cycle and past cycles have shown certain common tendencies. During the up-grade, or period of business revival, we see a rise in the volume of manufacturing, in stock exchange prices, in commodity prices, and in demand for credit by business men and speculators. Then follow stiffening money rates, and the gradual straining of credit, with possible curtailment to speculators. The change is heralded by falling stock exchange prices, while business wavers or continues to rise unevenly, and transportation facilities are overburdened and deliveries delayed and the apparent shortage of goods is intensified by speculative buying and duplication of orders. Credit expansion nears its limit; public confidence is shaken; orders are canceled ruthlessly; there is quick liquidation of inventories

with sharp and irregular fall of prices; and workers are laid off. The cycle ending in the depression of 1921 was unusual in the extent of the preceding expansion and in the severity of the depression. During the deepest part of the slump, as I have said, more than 4 million American wage earners were out of work.

The proposals for the possible prevention of another such period of widespread unemployment in America were placed before the bar of public opinion for concerted public action by the President's Committee. They concern the control of extreme fluctuations of the business cycle, as related both to the direct prevention of expansion or inflation and to the prevention of unemployment.

Three of the ten recommendations of the Committee are concerned with the need for knowledge as a guide to business policies. An increase in the facilities of the Department of Commerce is also recommended and a greater degree of cooperation with that Department in coordinating and extending business information. The Committee also emphasizes the need for expansion and standardization of statistics by the Department of Labor. It urges periodic and prompt publication of the facts about the following key industries: raw wool and woolen textiles, raw cotton and cotton textiles, hides and leather and shoes, iron and steel and leading fabricated products of each, zinc, lead and copper and leading products of each, and bituminous coal.

A section of great practical value discusses the use of construction work as a balance wheel for business. If all branches of our public works and the construction work of our public utilities—the railways, telephones, and others—could systematically put aside financial reserves to be provided in times of prosperity for the deliberate purpose of improvement and expansion in times of depression, we should not only decrease the depth of depressions but we should at the same time diminish the height of booms. A further advantage of the proposal is that our plant and equipment would be built in times of lower costs than is now the case when the con-

tractor competes with consumable goods in overbidding for both material and labor.

This utilization of Government projects as an employment reserve, so far as possible, by which demand for labor and materials may be stimulated during depression, is now a part of the Government's policy. Last spring in response to President Harding's request for an opinion regarding the advisability of building or postponement of proposed public construction work, Secretary Hoover recommended that such construction then under way should be slowed down and the initiations of new projects delayed, in order that they may be pushed forward at some later period when there is less activity in private construction and greater need for providing employment to the nation's workers. But the report on Business Cycles and Unemployment also has had a profound effect on the policy of the construction industries as was seen when the Construction Council which includes representatives of the American Federation of Labor, bankers, railroad men, architects, engineers, contractors, material manufacturers and dealers, bond and insurance representatives, and municipal officials, declared their determination themselves to limit construction in order to avoid a later depression.

At the same time that the investigation of business cycles was undertaken, the Conference planned to name a committee to study the possibilities of stabilization in bituminous coal mining operations, and the Cabot Fund of Boston made a grant for this purpose.

#### V. COAL.

But before the investigation could begin, the threat of a strike on April 1, 1922, made it obvious that the plan must either be dropped or else greatly curtailed. To have then named a joint committee of operators and miners to sponsor the studies would have been misunderstood, and to have made a scientific investigation under the auspices of such a committee in a period of vast conflict such as promptly developed would have been out of the question. However, under the di-



rection of the Secretary of the Conference, an investigation of the important records already available was inaugurated, and when the United States Coal Commission was named by the President in October, 1922, the Conference on Unemployment turned over to it data of value covering wages, earnings, records of production, days worked, men employed and mine capacity, variations in production by regions, variations in consumption, strikes and suspensions, coal storage, investment in lands and mines, and methods of marketing coal.

The naming of the United States Coal Commission was recognition by the Government of one of the pressing examples of an unstable industry employing  $\frac{3}{4}$  of a million men—a problem which may now seem further from solution than ever. But it is my belief that the work of the United States Coal Commission has advanced not simply our information in regard to a very difficult industrial situation, but has strengthened our knowledge of how to deal with it.

It is impossible to evaluate the work until the final reports have been made.

#### VI. CONSTRUCTION.

The third great undertaking of the Conference under the direction of Secretary Hoover is an investigation of the wastes caused by instability in the construction industries. This study is now in progress.

Previous surveys have indicated that most construction activity is concentrated in 7 to 10 months of the year, which means that building trades workers, in an industry which employs 2,000,000 men, can not find work in their trade during several months, and that contractors' organizations and equipment men, architects, engineers, building material producers, and others connected with construction, must usually remain idle for similar periods. This idle time represents waste and direct losses to the construction industries and large numbers of workers, as well as the public.

The committee expects to report to Secretary Hoover next winter with a comprehensive program to do away with dull

seasons in construction, and it is hoped to have the plan in operation before the beginning of the usual spring building program next year.

The committee will study seasonal construction by regions and kinds of structural work, showing the dates of beginning and end of the normal building season for types of work, such as road building, dwellings, apartment and business houses.

The survey will also cover seasonal production in building materials, to determine how far this is due to seasonal building operations and trade customs and how far to climatic conditions. For instance, in spite of the fact that climatic conditions in many sections of the South are as favorable to building operations in winter as in summer, the chief building activity in Southern cities, due to long habit and the custom of auxiliary industries, closely follows the same seasonal ups and downs as in the North.

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Let me conclude:

These ideas are native; they are characteristically American;

They have proved themselves "good business";

They are individualistic;

They are an inspiring challenge to the American business man to lead;

And they are being received with an enthusiasm which promises great things for the future.

## PUBLICATIONS REFERRED TO IN FOREGOING ADDRESS

- American Individualism, a timely message to the American people; by Herbert Hoover. Doubleday, Page & Co., New York, 1922.
- Report of Industrial Conference called by the President. Privately printed, March 6, 1920.
- Waste in Industry, by the Committee on Elimination of Waste in Industry of The Federated American Engineering Societies. McGraw-Hill Book Co., New York, 1921.
- Report of the President's Conference on Unemployment. Government Printing Office, Washington, D. C., 1921.
- Business Cycles and Unemployment, report and recommendations of a committee of the President's Conference on Unemployment, including an investigation made under the auspices of the National Bureau of Economic Research, Inc., with a foreword by Herbert Hoover. McGraw-Hill Book Co., New York, 1923.
- Business Cycles and Unemployment, recommendations of a committee of the President's Conference on Unemployment. Government Printing Office, Washington, D. C., 1923.



