

OCT 8 1945

My dear Mr. Manasco:

You and other members of the Committee on Expenditures in the Executive Departments asked me, after my testimony on September 25, to supply you with an estimate of the probable size of unemployment in the calendar year 1946. I pointed out that there are special difficulties in preparing such estimates at this time, and that any estimates given for this period of transition are subject to possible error. Nevertheless, I am sending you a staff memorandum which I hope will serve your purposes. The estimates have been made in consultation with various statistical agencies of the Federal Government.

Sincerely yours,

(Signed) HAROLD D. SWIFT

Director

Honorable Carter Manasco, Chairman  
Committee on Expenditures in the  
Executive Departments  
House of Representatives  
Washington, D. C.

Enclosure

October 2, 1945

### ESTIMATE OF UNEMPLOYMENT IN 1946

"Projections" of unemployment are made on a hypothetical basis, namely, the assumption that present legislation and present policies will be continued. No attempt is made to forecast future action of Congress. On the contrary, these estimates are designed to serve as a basis for formulating recommendations for future action and do not pre-suppose any new legislation or new policies. The estimates are based, furthermore, on an analysis of supply and demand factors and do not take into consideration the effects of possible labor-management conflicts. These are therefore hypothetical projections, not actual forecasts.

Labor force estimates as of the week preceding VJ Day were as follows:

	(In millions)
Total labor force.....	66.5
Armed forces.....	12.2
Civilian labor force.....	54.3
Civilian employment.....	53.5
Unemployment.....	.8

By the first week in September, unemployment had risen to 1.7 million.

In order to estimate the probable development of unemployment during the next six months, it is necessary first to estimate the probable development of civilian employment. The controlling factors in the development of civilian employment are:

- (a) The cut in war production
- (b) The speed of reconversion

War production (munitions and war construction) was running at an annual rate of about \$60 billion in the months before VE Day. War

production declined gradually after VE Day to a rate of \$48 billion in July, and VJ cutbacks brought the rate down to about \$19 billion in September 1945. It is expected to fall below an annual rate of \$10 billion by the end of the calendar year 1945.

At the same time, reconversion will be getting under way. It is estimated, however, that during the next year reconversion will not fully absorb the workers discharged from war production. Early in the next calendar year, in the transition between a full war program and full reconversion, civilian employment may fall several millions below the figure just prior to VJ Day. With reconversion coming into full swing, civilian employment by the end of the calendar year 1946 may approximate the pre-VJ Day level.

The development of unemployment is determined not only by the level of civilian employment, but also by a number of other factors affecting the total number of people seeking employment. These factors are of peculiar importance during the period of transition. Largely because of these factors, an estimate of future unemployment is especially hazardous at this time. Most important in this respect is the rate of demobilization of the armed forces. All armed forces, which exceeded 12 million at the time of VJ, are expected to be reduced to about 3½ million by the middle of calendar year 1946. These estimates are, of course, subject to possible changes.

During the same period there will also be a considerable further reduction in the labor force. Many workers, particularly older workers and married women, accepted employment during the war. Some of them will

wish to stay in employment; most of them, however, may retire from the active labor force. Also, many discharged servicemen and women will not seek employment, but will make use of the educational facilities offered to them. Partially offsetting these retirements from the labor force will be the normal additions resulting from population growth. By the end of 1946, it is expected that net retirements may total 3½ million.

Taking into account all of these factors--and allowing also for the seasonal swing in the labor force as children re-enter school, etc.,--we obtain an estimated peak of unemployment of 8 million which may occur early in the calendar year 1946. That is an increase of about 6 million over the level of unemployment in early September. It is further estimated that the progress of reconversion may reduce unemployment considerably during the calendar year 1946, although substantial unemployment would continue to exist.

It should be emphasized again that these estimates are based on present legislation and policy plans. They are not actual forecasts.