DIARY

Book 196: Parts I, II, and III

(See also Books 182 and 183)

Program to Increase National Income in 1940

June 6 - June 14, 1939
Program to Increase National Income in 1940 - Part I

New legislation or additional appropriations by Congress required in every project whether in part or in whole self-liquidating or not

Housing Program (United States) - extension of

New Federal corporation or authority (to be tied in with Bureau of Public Roads: outline of proposal, explanation of necessary legislation, summary of expenditures, statement of percentage of self-liquidation, map showing location of tentative projects, tentative program of individual projects.

Farm Security Administration: budget for current fiscal year ($202 million).

Latin America: loans for industrial development;

China: $100 million loan to; Russia: extension of credit and settlement of outstanding debts.

Rural Electrification Administration program.

Food and Surplus Cotton Goods Plan.

Self-Help activities - expansion of.
Program to Increase National Income in 1940 - Part II

<table>
<thead>
<tr>
<th>Event / Plan</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Program (United States) - extension of</td>
<td>1</td>
</tr>
<tr>
<td>Blank</td>
<td>2</td>
</tr>
<tr>
<td>Temporary Dwelling Authority: creation of</td>
<td>3</td>
</tr>
<tr>
<td>Farm Security Administration: proposed supplemental</td>
<td>4</td>
</tr>
<tr>
<td>budget for fiscal 1940</td>
<td></td>
</tr>
<tr>
<td>Soil Conservation loans</td>
<td>5</td>
</tr>
<tr>
<td>Rural Electrification Administration: self-liquidating</td>
<td>6</td>
</tr>
<tr>
<td>loans</td>
<td></td>
</tr>
<tr>
<td>Rural Telephone Administration: suggested loans by</td>
<td>7</td>
</tr>
<tr>
<td>Public Works: funds available on 7/1/39 and</td>
<td>8</td>
</tr>
<tr>
<td>estimated expenditures for fiscal year 1940</td>
<td></td>
</tr>
<tr>
<td>Blank</td>
<td>9</td>
</tr>
<tr>
<td>Blank</td>
<td>10</td>
</tr>
<tr>
<td>New Federal corporation or authority (to be tied in with</td>
<td>11</td>
</tr>
<tr>
<td>Bureau of Public Roads: outline of proposal, explanation</td>
<td></td>
</tr>
<tr>
<td>of necessary legislation, summary table of expenditures,</td>
<td></td>
</tr>
<tr>
<td>statement of percentage of self-liquidation, map showing</td>
<td></td>
</tr>
<tr>
<td>location of tentative projects, tentative program of</td>
<td></td>
</tr>
<tr>
<td>individual projects</td>
<td></td>
</tr>
<tr>
<td>Latin America: loans for industrial development;</td>
<td></td>
</tr>
<tr>
<td>China: $100 million loan to; Russia: extension of credit</td>
<td>12</td>
</tr>
<tr>
<td>and settlement of outstanding debts</td>
<td></td>
</tr>
<tr>
<td>Vacation health camps and hostels</td>
<td>13</td>
</tr>
<tr>
<td>Blank</td>
<td>14</td>
</tr>
<tr>
<td>Railroad Equipment Authority (United States)</td>
<td></td>
</tr>
<tr>
<td>Blank</td>
<td>15</td>
</tr>
<tr>
<td>Food and Surplus Cotton Goods Stamp Plan</td>
<td>16</td>
</tr>
<tr>
<td>Self-Help activities - expansion of</td>
<td>17</td>
</tr>
</tbody>
</table>
Program to Increase National Income in 1940 - Part III

| Table showing expenditures from appropriations or funds available to farmers (taken to White House - 6/14/39) | Book
| Bell memorandum: "Funds available on 7/1/39 for public works and estimates expenditures for fiscal year 1940" | Page
| A. Projects which are in major part or in whole self-liquidating (showing FDR’s comment) | Frontispiece
| Housing Program (United States) - extension of | 1
| Blank | 2
| Farm Security Administration: budget, et cetera | 3
| Rural Electrification Administration program | 4
| Road program | 5
| Latin America: loans for industrial development; China: $100 million loan to; Russia: extension of credit and settlement of outstanding debts | 6
| Public Works (non-Federal): outline of proposed | 7
| Railroads: equipment, proposal to establish a Federal Equipment Authority | 8
| Food and Surplus Cotton Goods Stamp Plan | 9
| Self-Help activities - expansion of | 10
Book 196: Part I
(New legislation or additional appropriations by Congress required in every project)

<table>
<thead>
<tr>
<th>Additional Appropriations</th>
<th>To be spent in calendar year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Millions of dollars)</td>
</tr>
</tbody>
</table>

A. Projects which are in part or in whole self-liquidating:

1. Extension of the United States Housing Program 800 200

2. Self-liquidating toll road, tunnel, and bridge projects 1,000 300

3. Expansion of farm tenancy program (for the fiscal year 1940) from $200 million to $350 million, including $30 million increase in rehabilitation loans and about $75 million in farm tenant purchases 150 100

4. Extension of short-term and long-term loans for the purpose of promoting foreign trade 500 300

5. Expansion of R.E.A. program from $40 million to $110 million, the entire $110 million to be raised through financing outside the budget. These expenditures supplement activities of the private utilities and can be made so as not to interfere with the operations of privately owned public utilities 70 70

B. Projects which are not self-liquidating:

6. Rapid expansion of the Food Stamp Plan for distributing surplus commodities to all communities and extension to cover more commodities, including cotton textiles, clothing and dairy projects 150 150
The present appropriation asked for (113 million added to $90 million otherwise available) will leave $100 million available for the Food Stamp Plan for the fiscal year 1940. This program asks for $150 million more. The $250 million which would then be available for the Food Stamp Plan would take care of the bulk of the eligible persons now receiving some form of public assistance.

7. Expansion on a nation-wide basis of the self-help cooperatives, now successfully operated in Washington, D. C., Richmond and many Western States. (Appropriation covers expenditures for fiscal years 1940 and 1941)

<table>
<thead>
<tr>
<th></th>
<th>200</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,870</td>
<td>1,220</td>
</tr>
</tbody>
</table>

About 2.4 billion of the 2.8 billion is self-liquidating, wholly or partly.

Of the 2.8 billion, about 1.2 billion can be expended during 1940.

Of the 1.2 billion additional expenditures called for in this program 600 to 800 million dollars would be expended directly or indirectly on new employment. In other words, it would absorb from 1/2 to 3/4 million unemployed.
Extension of U. S. Housing Program

Of the $800 million provided by the United States Housing Act in 1937 to be available for loans for slum clearance and low-rent housing $435 million has already been loaned and $225 million has been earmarked, making a total of $660 million. At the present time the U.S.H.A. is authorized to make grants-in-aid of $25 million a year to assist local housing projects. Substantially all U.S.H.A. funds have already been committed. Over 22,000 units have already been gotten under way and $55 million has actually been spent. The peak of the program will be reached in February 1940. At the present time 5,000 units are being started each month.

The small amount of funds actually expended under the U.S.H.A. program up to the present is chiefly attributable to the difficulties in land acquisition. The loan is made before the actual acquisition of land. The buying up of numerous small plots involves protracted delay.

Judging from the past experience of the U.S.H.A., the amount of this additional appropriation that may be expected to be spent in 1940 is probably only a small fraction of the appropriation. It apparently takes a long time before new contracts are negotiated and actually put into operation.
Outline of Proposal

1. Obtain legislation for a new federal corporation or authority,
tied in with the Bureau of Public Roads, with the powers:
   a. To finance state and local authorities in land acquisition
      and construction of traffic facilities, including super-
      highways, bridges, tunnels, and municipal express highways
      and boulevards through congested or slum areas;
   b. To acquire, or to finance the acquisition of, land for the
      rights of way of above projects, and adjacent land whose
      value will be increased as the result of such project, and
      to finance the development of such adjacent land;
   c. Program to be undertaken when its costs may reasonably be
      covered from (1) tolls, (2) rentals, (3) profits on resale,
      (4) concessions, (5) current highway income from gas taxes,
      etc.
   d. To issue debentures and bonds for sale to the public (directly
      or through R.F.C.), with federal guarantee of principal and
      interest;
   e. The authority to operate on a revolving fund basis.

2. Start at once the acquisition of land and the construction, where
   feasible, of the attached list of projects, resulting in expendi-
   tures as follows: (fiscal years)

   (Millions of dollars)
   
<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>For land</td>
<td>207</td>
<td>161</td>
<td>88</td>
<td>36</td>
</tr>
<tr>
<td>For construction</td>
<td>618</td>
<td>961</td>
<td>609</td>
<td>173</td>
</tr>
<tr>
<td>Total</td>
<td>825</td>
<td>1,122</td>
<td>697</td>
<td>209</td>
</tr>
</tbody>
</table>

   More projects could be developed subsequently, maintaining the
   volume of construction for a number of years additional, if that was
   found desirable.

3. The projects included in the above program are believed to be self-
   liquidating as a whole, the excess income from some projects covering
   the partial deficits from others. The estimated income is made up in
   part of tolls, and in part of rents and profits on excess land.
4. Not more than 25 per cent of this program duplicates construction that would otherwise be undertaken under regular road funds, and therefore at least 75 per cent of it is a net addition to probable current expenditures.

5. In London, construction of boulevards through congested areas has been found practical on a self-liquidating basis, the rentals from the property adjoining two new thoroughfares from Holborn to the Strand—Kingsway and Aldwyck—being sufficient to completely repay all costs. The project was initiated in 1899 and three quarters of the cost has already been paid back. There are great possibilities for similar projects in American cities, particularly in connection with slum clearance programs, parks, etc.
4. Not more than 25 per cent of this program duplicates construction that would otherwise be undertaken under regular road funds, and therefore at least 75 per cent of it is a net addition to probable current expenditures.

5. In London, construction of boulevards through congested areas has been found practical on a self-liquidating basis, the rentals from the property adjoining two new thoroughfares from Holborn to the Strand--Kingsway and Aldwyck--being sufficient to completely repay all costs. The project was initiated in 1899 and three quarters of the cost has already been paid back. There are great possibilities for similar projects in American cities, particularly in connection with slum clearance programs, parks, etc.
<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I General Statement</td>
<td>1</td>
</tr>
<tr>
<td>II Suggested General Principals to be Included in Legislation</td>
<td>11</td>
</tr>
<tr>
<td>III Summary Table of Expenditures By Purpose and Fiscal Years</td>
<td>14</td>
</tr>
<tr>
<td>IV Statement of Percentage of Self-Liquidation</td>
<td>15</td>
</tr>
<tr>
<td>V Map Showing Location of Tentative Projects</td>
<td>16</td>
</tr>
<tr>
<td>VI Tentative Program of Individual Projects</td>
<td>17</td>
</tr>
</tbody>
</table>
Three general methods are available for the total or partial self-liquidation of the cost of traffic facilities. These are:

1. Tolls collected from the traffic,
2. The acquisition of bordering land and subsequent sale or lease at a profit (method of excess taking),
3. Operation at a profit of certain traffic services such as gasoline filling stations, lunch rooms and rest hotels or the lease of concessions to supply such services.

The possibilities of successful use of each of these methods and the limitations of each are indicated as follows:

Tolls. - Liquidation of the cost of traffic facilities through toll collection depends upon the attraction of toll-paying traffic in sufficient volume to recover the cost of the facility at a rate of toll payable by the traffic. As toll highways must generally compete with more or less adequate free highways serving the same traffic sources, their patronage depends upon the offering of substantially more attractive facilities. Such superior attraction at the present stage of free highway development, must
include complete elimination of cross traffic at grade, a maximum of separation of the lines of moving traffic on the toll facility itself, complete or virtually complete elimination of obstruction and danger of collision with vehicles entering the toll highway, involving the necessity of limited access and entrances at relatively long intervals. As the large majority of existing highway usage consists of trips of shorter length than the essential interval between entrances to a toll facility, the proportion of traffic now moving over free highways paralleling the line of any proposed toll facility which could use the toll facility, if offered, is necessarily a relatively small part. Of such part a considerable proportion must be counted unavailable because of inability or unwillingness to pay any toll. This is inevitable in view of the fact that the large percentage of highway users are persons whose incomes lie in the groups below $2500 per year. Combination of the above factors, namely the necessity of offering super-facilities involving high costs, the elimination of short distance traffic, and the elimination of an additional group of users who are unwilling or unable to pay, results in the requirement of a relatively high rate of toll, payable by only a small proportion of the existing free highway movement.

In general there is a greater prospect of the use of toll facilities by trucks than by passenger cars. At best it is believed that no more than 1/3 of the total movement which would use a free super-highway with limited access can be counted upon as available for the payment of tolls on a competing toll facility. This would generally be from 10 to 15 percent of the existing total movement on the present main highways between similar destination points.
In general the prospects of self-liquidation by tolls are more favorable for tunnels and bridges than for highways. In the case of these latter facilities, the competition of free facilities may generally be excluded and the toll cost offset by savings of time, distance, and vehicle operating cost; 100% self-liquidation is possible where the facility is wisely located.

Excess Taking. - The acquisition of an excess of land bordering upon a traffic facility in rural territory with the expectation of subsequent disposal at a profit is generally inconsistent with operation of the traffic facility as either a toll facility or a freeway of limited access. Increase in the value of the land may generally be expected only where free access to the traffic facility is provided. Where access is denied the effect of the facility upon the value of bordering land may be actually detrimental. There may be, however, a considerable possibility of profit in the acquisition of land at or in the near vicinity of the entrances to either a toll facility or a freeway of limited access. Acquisition of considerable tracts of land at such points would permit the development of what may be described as highway towns and such tracts offer attractive opportunity of development as the sites of low-cost housing, rural resettlement and a decentralised, semi-rural industry. Government acquisition of the land will permit absolute control of the development and a substantial profit may be possible over a period of years which will offset the cost of the traffic facility.
It is in cities that the method of excess taking offers perhaps the most attractive possibilities. The experience in London with the financing of the Kingsway and Northumberland Avenue improvements is indicative of what may be expected.

The Kingsway improvement was sanctioned in 1899. It resulted in the creation between Holborn and the Strand of two great thoroughfares - Kingsway and Aldwyck - out of a mass of mean streets and slums which formerly stood on the site. The scheme provided for the construction of new thoroughfares 100 feet wide, having a total length of approximately three-quarters of a mile. More than 500 properties, covering an area of approximately 28 acres, were acquired for the improvement and demolished. The area of the land dedicated to public streets was about 12-1/4 acres, leaving about 15-3/4 acres of surplus lands available for recoupment purposes. From these lands the London County Council receives about £145,000 annually in ground rents and the buildings erected on the lands have cost approximately £5,000,000. A sum of £966 a year is received by the Council in respect of betterment charges.
A total of £735,507 has been received from the sale of sites and other sites valued at £225,191 were transferred in settlement of claims on a reinstatement basis. The total debt charges incurred for the improvement to March 31, 1936 (£5,209,563), plus the net debt outstanding at that date (£3,208,607), amounted to £8,418,170. Against this the aggregate rents received, plus the value of the leased sites, amounted to £6,009,931. The difference (£2,408,239) may therefore be said to represent the net cost to the taxpayer up to March 31, 1936. The annual net charges to be carried by taxes (that is, the total debt charges less the rents and improvement charges), which in 1935-36 amounted to £60,752, will be reduced as loan charges diminish. In the year 1955-56 it is anticipated that there will be a small surplus of £2,000. This and ensuing surpluses will be a credit to the tax account year by year. A large part of the debt will become extinguished in 1961-62, so that the total debt charges in that year will decrease by about £1114,177. In 1965-66 the surplus for the year is estimated at £113,725, increasing later to £146,000, the debt being finally paid off in 1967-88. The properties will thereafter be an unencumbered asset, so far as existing debt is concerned.

It is understood that a somewhat similar experience has followed the construction of Northumberland Avenue from Trafalgar Square to the Embankment, in connection with which there was a similar use of the method of excess taking for the financing of this new direct artery. This English experience is of particular interest in view of the urgent need that exists at present in many of the older and larger
cities of the United States, to do three things: (1) Open up the
block plan of the old business section so as to provide wider streets
for the accommodation of present and expected heavy traffic flows and
also to provide really adequate facilities for the disposal or parking
of the vehicles of workers during the working day: (2) the cutting
through to such business sections of express arteries joining them
with the principal rural highways and residential and suburban sections
(more than half of all traffic on the main highways approaching most
cities is destined to or bound from the business section); (3) the
reclamation of the belt of decaying property that generally fringes
the old business section, resulting from the outward movement of
residents who now find it unnecessary to live close to the places of
business, (in this fringe there lies the possibility of providing
the additional space necessary for opening up of the business section
block plan and also the development of both low-cost and high-cost
downtown apartment housing).

The three types of development here mentioned are not simply
desirable. They are, as we look to the immediate future, imperative.
They can be properly carried out only if they are carried out under a
single unified plan which provides for all three. The attempt to deal
with them separately will inevitably engender a conflict of purpose
and economic loss. If they are dealt with together the large public
cost may be in considerable measure recovered by the certain increase
in the value of the land and property affected; and this seems to offer
the only prospect of public recovery of such costs.
Examples of the effectiveness of express highways joining the business section with the outer suburbs and rural main highways are supplied by the Westchester County Parkways in combination with the improvements of other main arteries, such as the Westside improvements in New York City, and by the recently constructed St. Louis express highway. This latter project has a total length of approximately 41.5 miles, of which 34.7 miles are without, and 6.8 miles within, the city limits. Two important units in the 41.5 mile route lie on developed thoroughfares involving no current improvements. The most interesting section is that which has been built as a depressed freeway within the city, passing under all of the cross streets. While the conception and plan of this section is perhaps not as bold as it might well have been, the excellent express service it furnishes is abundantly indicative of the value of such improvements. The actual cost of acquiring property for the improvement was approximately $825,000, in spite of the fact that a considerable portion of the route lies through a public park. The cost of the construction work was approximately $1,600,000. In this case the method of excess taking was not employed.

Provision of, or Lease of Concessions to Provide, Traffic Services. — On traffic facilities operated either as toll facilities or as freeways of limited access, the control of access and abutting land makes possible a public monopoly of the services of motor fuel sale and catering to the subsistence and lodging necessities of travelers. These services may be publicly operated or may be operated through concession to private operators, in either case
at a substantial profit. An interesting example of the possibility in this direction is found in the plan of the German Government to operate rest hotels at convenient intervals along the elaborate system of Reichsautobahnen.

**Federal Aid in Acquisition of Rights of Way for Free Highways**

The proposed Federal authority would make possible financing of the construction of traffic facilities in any of the above described ways. The authority proposed is intentionally made broad enough also to permit another form of aid to the development of the free highway facilities that are becoming urgently necessary, specially in and near the metropolitan areas. The increase of traffic in such areas is fast making it necessary to enlarge the existing two-lane highways built during the last 20 years to provide four or more lanes. Such multiple-lane highways must, in the interest of safety, have dividing spaces to separate the traffic flowing in opposite directions. Because of the large volume of their traffic, it is highly important that free movement be assured by a control of access and the use of abutting property. All of this will entail the public acquisition of a large amount of right of way in areas where land costs are necessarily high. Each year now the needed mileage increases but its provision by the States is hampered by the difficulty, or in some cases the virtual impossibility, of acquiring the necessary land. In this way a large volume of expensive but absolutely necessary
improvement is being dangerously deferred, and will accumulate a formidable burden of expenditure within a few years. It is highly desirable that this inevitable expenditure be spread over as long a period as possible and, to that end, it is desirable that means be found to aid the States in acquiring the essential rights of way. The means suggested is the purchase of such rights of way by the proposed Federal agency and rental to the several State highway departments, over a long period, on terms which will recover to the United States the amount invested, either without interest or with nominal interest. By this means it is believed that the difficulties (and in some cases constitutional inhibitions) with which the States are confronted in the effort to negotiate loans, may be overcome. It is believed that practically all State highway departments now possess sufficient authority to permit them to pay a rental for right of way supplied, and although in some cases it will not be possible for the present State authorities to commit their successors, it is believed that obligations thus incurred will be as fully honored as any contractual obligations between the Federal Government and the States. It is repeated that the purpose of this method is the provision of right of way necessary to facilitate the construction of vitally needed free highway facilities.

Tentative List of Self-liquidating Projects

There is attached a tentative list of projects involving the provision of traffic facilities which can be set in motion promptly and which will be either in whole or in considerable part self-liquidating.
On certain of these projects there is the probability of operation at a profit. Others will doubtless fail to produce a revenue sufficient to liquidate the investment in them. Taken together there is the possibility that the losses on certain projects will be compensated by profits on others.

The proposal contemplates a pooling of all revenues and liabilities of the suggested Federal Authority and such a selection of projects as to maintain a reasonable balance between revenues and liabilities in the operations as a whole over a period of years.

There is also attached a general outline of the basic features that should be included in legislation designed to create the Federal Authority and to effectuate the purposes herein proposed.
Legislation to set up a Federal Authority for acquiring lands for traffic facilities and for developing excess lands so acquired should embody the following:

1. The Authority should be set up under the Secretary of Agriculture with the Chief, Bureau of Public Roads, as Administrator, the Bureau of Public Roads organization to be expanded and utilized.

2. The Authority should have corporate status, should have a capitalization of $50,000,000, to be subscribed by the Secretary of the Treasury, and should be empowered to issue obligations in the form of notes, bonds, or other debentures of not to exceed $1,000,000,000 in any one year, the total of such obligations outstanding at any one time not to exceed $5,000,000,000. Such obligations should be guaranteed upon their face by the United States and should the Authority be without money to pay the same, principal and interest, when due and on demand such payment should be made by the Secretary of the Treasury who should succeed to all the rights of the holder.

3. The Authority, subject to the Civil Service laws and the Classification Act, as amended, should have power to select, employ, and fix the compensation of such officers, employees, or agents as it may deem necessary for the performance of its duties, and to expend any moneys in its possession in meeting the necessary expenses of its operation.
4. The Authority should be given power to acquire lands, or rights or interests in lands, by purchase, gift, condemnation, or otherwise, and to arrange for the utilization of lands or interests in lands so acquired by sale or lease to the States and their political or other subdivisions or to private persons, firms, or corporations, and to make loans to such private persons, firms, or corporations for the development of traffic facilities or other authorized facilities on such lands.

5. The Authority should be empowered where condemnation is necessary in acquiring any lands or interests in lands to proceed under such Federal or State laws as will most expeditiously place it in possession of such lands or interest in lands for the purpose intended.

6. The Authority should have the power to recapture any lands sold or leased, including any developments thereon, on failure of the purchaser or lessee to carry out the purchase or lease agreement, and to complete such developments and to retain and operate the same pending arrangements for other utilization and operation thereof.

7. It may occur that a whole tract of land adjacent to the right of way necessary for the traffic facility can be purchased at no greater or less cost than to acquire only part of it and to
pay resulting damages to the owner of the remainder. No limit, therefore, which will interfere with acquiring the whole of tracts of land under such circumstances should be prescribed as to width of acquisition.

8. The Authority should have the power to formulate and keep current a program of projects for the location and construction of highways, bridges, tunnels, viaducts, grade crossings, and other structures designed to facilitate traffic flow or reduce traffic hazards, including the development of areas adjacent to such facilities to provide for suitable roadside development, emergency landing fields and flight strips for airplanes, locations for development of industries, low-rent and low-cost housing projects, and other business enterprises.

9. The proceeds of the sale or leasing of any properties by the Authority shall be utilized by the Authority in amortizing its outstanding obligations and in meeting its administrative expenses, the purpose being that the Authority so far as feasible and practicable shall be self-liquidating over a long period of time.
### Statement of Estimated Possible Expenditures (by Fiscal Years)

<table>
<thead>
<tr>
<th>Year</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,852.70</td>
<td>824.85</td>
<td>1,122.15</td>
<td>697.10</td>
</tr>
<tr>
<td>Grand Total</td>
<td>1,202.25</td>
<td>324.90</td>
<td>1,148.00</td>
<td>575.25</td>
</tr>
<tr>
<td>Direct right of way</td>
<td>211.70</td>
<td>69.20</td>
<td>37.90</td>
<td>37.50</td>
</tr>
<tr>
<td>Construction on right of way</td>
<td>211.70</td>
<td>69.20</td>
<td>37.90</td>
<td>37.50</td>
</tr>
<tr>
<td>Excess construction on excess land</td>
<td>211.70</td>
<td>69.20</td>
<td>37.90</td>
<td>37.50</td>
</tr>
<tr>
<td>Total Excess Land Construction on excess land</td>
<td>211.70</td>
<td>69.20</td>
<td>37.90</td>
<td>37.50</td>
</tr>
<tr>
<td>Total</td>
<td>1,398.45</td>
<td>410.95</td>
<td>546.80</td>
<td>338.70</td>
</tr>
</tbody>
</table>

*Note: All values are in Millions of Dollars.*
STATEMENT OF ESTIMATED PERCENTAGE
OF SELF-LIQUIDATION OF TENTATIVE PROGRAM OF PROJECTS

Based on an average appreciation of 20% of excess land and construction thereon
the program of $2,852.7 million is estimated to be self-liquidating over a period of 50 years.

Based on an average appreciation of 106% of excess land only the program is estimated to be self-liquidating over a period of 50 years.

Based on Direct Construction of Traffic facilities the program is estimated to be 76% self-liquidating.
(1) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Richmond, Virginia, to Boston, passing west of Washington, Baltimore, Philadelphia, Trenton and New York with approaches to cities, estimated length 525 miles; estimated cost, including 300 feet of right of way for construction only, 300 million dollars.

As a toll facility estimated to be 80 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 140 million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 560 million dollars. Appreciation of land value necessary to make project self-liquidating 42 percent. Appreciation of land and construction value necessary to make project self-liquidating 9.5 percent.
(2) Bridges over Little Egg Inlet and Brigantine Inlet to connect U. S. Route 9 near Tuckerton and Atlantic City and avoid a circuitous route between Tuckerton and Atlantic City; estimated length of project 5 miles, estimated cost including 300-foot right of way for construction only 10 million dollars.

As a toll facility estimated to be 30 percent self-liquidating on the above cost.

Addition land adjacent to the right of way estimated to cost 200 thousand dollars. Appreciation of land and construction value necessary to make project self-liquidating 71 percent.
(3) A tunnel under the Delaware River in the vicinity of Chester, Pennsylvania, with approaches, is estimated to cost 15 million dollars.

As a toll facility estimated to be 50 percent self-liquidating on the above cost.

Additional land adjacent to the tunnel acquired through excess condemnation. Estimated to cost one million dollars. Estimated construction which may be generated on such land 4 million dollars.

Appreciation of land value to make project self-liquidating 750 percent. Appreciation of land and construction value to make project self-liquidating 47 percent.
(4) Delaware River bridge or tunnel at Wilmington. Both a bridge and a tunnel have been considered at this point and a commission appointed by the Governor of Delaware is now investigating the feasibility of both. The bridge previously proposed was estimated to cost between 7 and 8 million dollars. It has been strongly opposed by both the War and Navy Departments. The proposed tunnel with approaches is estimated to cost 16 million dollars. The War Department has stipulated that it must be sunk to -50 elevation. The location heretofore considered for both tunnel and bridge is about 2 miles south of Wilmington where the crossing is a little less than a mile wide.

As a toll facility estimated to be 70 percent self-liquidating on the above cost.

Appreciation of construction value necessary to make project self-liquidating 30 percent.
(5) Bridge over Baltimore Harbor. Plans are developed for a bridge connecting the Fairfield section of Baltimore on the south side of the harbor with the Canton section on the north side of the harbor by means of a bridge the through truss spans of which total 6,790 feet. The bridge, with approaches, is estimated to cost 11 million dollars. This bridge will provide for a possible connection between the Governor Nice highway, east of Baltimore toward Philadelphia, and the Baltimore-Washington road south of Baltimore by-passing Baltimore on the east.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

Additional land acquired through excess condemnation. Estimated to cost three and one-half million dollars for 1,000 feet average on each side of right of way exclusive of the bridge and from the connection with the Governor Nice highway to the connection with the Baltimore-Washington road. Estimated construction which may be generated on such land 14 million dollars.
(6) A bridge across Chesapeake Bay between Sandy Point near Annapolis and Kent Island, with approaches, is estimated to cost 15 million dollars.

As a toll facility estimated to be 70 percent self-liquidating on the above cost.

No additional land adjacent to the right of way is to be acquired through excess condemnation. Appreciation of right of way and construction value necessary to make project self-liquidating 30 percent.
(7) Bridge over Mackinac Strait. Surveys are now being made for a bridge to run from a point north of Mackinaw City on Route 51 to the southernmost point of the northern peninsula of Michigan east of St. Ignace. The length will be a little over 4 miles and the cost is estimated to be 30 million dollars.

As a toll facility estimated to be 25 percent self-liquidating on the above cost.

Appreciation of construction value necessary to make project self-liquidating 75 percent.
(8) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from a connection with Angola, Indiana, on the Chicago-Buffalo road to Detroit; estimated length 114 miles, estimated cost including 300-foot right of way for construction only 40 million dollars.

As a toll facility estimated to be 60 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 13 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 52 million dollars. Appreciation of land value necessary to make project self-liquidating 123 percent. Appreciation of land and construction value necessary to make project self-liquidating 30 percent.
(9) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from the Illinois-Indiana line in the vicinity of Gary, Indiana, eastwardly, and to the south of Toledo, Cleveland, and Erie to Buffalo, New York, with approaches to cities; estimated length 490 miles, estimated cost including 300-foot right of way for construction only $175,000.

As a toll facility estimated to be 65 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 52 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 208 million dollars. Appreciation of land value to make project self-liquidating 118 percent. Appreciation of land and construction value necessary to make project self-liquidating 27 percent.
(10) A depressed highway along Congress Street in Chicago from the Loop to the western city limits. The estimated cost of land used for the construction is $20 million dollars and the estimated cost of construction $5 million dollars - the total cost of construction being $25 million dollars including right of way.

This project is not considered as a toll facility.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $10 million dollars. Estimated construction which may be generated on such land $40 million dollars. Appreciation of land value necessary to make project self-liquidating 250 percent. Appreciation of land and construction value necessary to make project self-liquidating 71 percent.
(11) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from the Illinois-Wisconsin State line to the Indiana State line in the vicinity of Gary, Indiana, being an outer through belt line with necessary approach connections to Chicago, estimated length 96 miles; estimated cost, including 300-foot right of way for construction only, $45 million dollars.

As a toll facility estimated to be 50 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 15 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land $60 million dollars. Appreciation of land value necessary to make project self-liquidating 153 percent. Appreciation of land and construction value necessary to make project self-liquidating 38 percent.
(12) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated for the major portion of the distance between the Wisconsin-Illinois line and Milwaukee, Fond du Lac, Oshkosh, and Green Bay, with approaches to cities, estimated length about 175 miles; estimated cost including 300-foot right of way for construction only 40 million dollars.

As a toll facility estimated to be 75 percent self-liquidating on the above cost. Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 12 million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 48 million dollars. Appreciation of land value necessary to make project self-liquidating 83 percent. Appreciation of land and construction value necessary to make project self-liquidating 20 percent.
(13) An interstate bridge between Wisconsin and Minnesota on U. S. Route 12 across the St. Croix River at Hudson, Wisconsin. Estimated cost $1,500,000.

As a toll facility estimated to be 100 percent self-liquidating on the above cost if the existing inadequate toll bridge is abandoned.
(14) A high-level bridge between Duluth, Minnesota, and Superior, Wisconsin, at the head of Lake Superior. The estimated cost of this project, with approaches, is 4 million dollars.

As a toll facility estimated to be 75 percent self-liquidating on the above cost.

Additional land adjacent to the approaches acquired through excess condemnation. Estimated to cost $200,000. Estimated construction which may be generated on such land $800,000. Appreciation of land value necessary to make project self-liquidating 500 percent. Appreciation of land and construction value necessary to make project self-liquidating 24 percent.
(15) A belt-line highway around St. Paul and Minneapolis, Minnesota, including one bridge across the Mississippi River near St. Paul, with all grade crossings eliminated, estimated length 51 miles; estimated cost including 300-foot right of way for construction only 15 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 5 million dollars for 1,000 feet average on each side of the right of way for one-third the length of highway. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 195 percent. Appreciation of land and construction value necessary to make project self-liquidating 49 percent.
(16) A bridge across the Mississippi River at Dubuque, Iowa, estimated to cost 3 million dollars. It may be necessary to acquire and abandon the present inadequate bridges.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

Additional land adjacent to the approaches to this structure acquired through excess condemnation. Estimated to cost $200,000. Estimated cost of construction which may be generated on such land $800,000.
(17) A bridge across the Mississippi River at Clinton, Iowa, estimated to cost 3 million dollars.

As a toll facility estimated to be 100 percent self-liquidating on the above cost if the present inadequate and poorly located bridges are abandoned.

Additional land adjacent to the approaches to this structure acquired through excess condemnation. Estimated to cost $200,000. Estimated construction which may generated on such land $800,000.
(18) A through highway consisting of two lanes with land acquisition for four lanes, between Savannah and Brunswick, Georgia, with all grade crossings eliminated, estimated length 70 miles; estimated cost including 300-foot right of way for construction only 15 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $2,300,000 for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land $9,200,000. Appreciation of land value necessary to make project self-liquidating 490 percent. Appreciation of land and construction value necessary to make project self-liquidating 85 percent.
(19) A through highway, two lane, with land
acquisition for four lanes, with all grade crossings elimi-
nated, from Jacksonville to Miami, length 325 miles, with
approaches at cities; estimated cost including 300-foot
right of way for construction only 30 million dollars.

As a toll facility estimated to be 80 percent self-
liquidating on the above cost.

Additional land adjacent to the right of way acquired
through excess condemnation. Estimated to cost 10 million
dollars for 1,000 feet average on each side of right of way
for one-third the length of highway. Estimated construction
which may be generated on such land 40 million dollars.
Appreciation of land value necessary to make project self-
liquidating 60 percent. Appreciation of land and construction
value necessary to make project self-liquidating 15 percent.
(20) A causeway from Gulfport, Mississippi, to Ship Island. This is a recreational project serving the Mississippi coast for the States of Mississippi, Alabama, and Louisiana. It would be about 12 miles long and is estimated to cost $2 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $500,000. Estimated cost of construction which may be generated on such land $2 million dollars. Appreciation of land value necessary to make project self-liquidating 260 percent. Appreciation of land and construction value necessary to make project self-liquidating 52 percent.
(21) A bridge across the Mississippi River at Memphis, Tennessee, with approaches, is estimated to cost 6 million dollars.

As a toll facility estimated to be 100 percent self-liquidating, if the present inadequate free combination railroad and highway bridge is abandoned for highway traffic.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost $1,500,000. Estimated construction which may be generated on such land 6 million dollars.
(22) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Houston to Galveston, Texas, estimated length 51 miles; estimated cost including 300-foot right of way for construction only $8 million dollars.

As a toll facility estimated to be 60 percent self-liquidating on the above cost.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost one million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 4 million dollars. Appreciation of land value necessary to make project self-liquidating 320 percent. Appreciation of land and construction value necessary to make project self-liquidating 35.6 percent.
The improvement of Central Boulevard in Dallas, Texas; estimated cost, including necessary right of way, 8 million dollars.

While there is a possibility of operating this improvement as a toll facility, this project at this time is considered as a non-toll facility.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 5 million dollars. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 160 percent. Appreciation of land and construction value necessary to make project self-liquidating 61.5 percent.
(24) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Dallas to Fort Worth, Texas, with necessary connections to the cities, estimated length 33 miles; estimated cost, including 300-foot right of way for construction only, $13,600,000.

As a toll facility estimated to be 75 percent self-liquidating on the above cost.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost 2 million dollars. Estimated construction which may be generated on such land 8 million dollars. Appreciation of land value necessary to make project self-liquidating 170 percent. Appreciation of land and construction value necessary to make project self-liquidating 21.8 percent.
(26) Front Street arterial development in Portland, Oregon; estimated cost, including right of way for construction, $12,400,000.

This is not considered as a self-liquidating toll facility. There is a possibility of this project being handled by loan and grant. The demand for improvement has been insistent but negotiation will probably be difficult.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost 5 million dollars. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 248 percent. Appreciation of land and construction value necessary to make project self-liquidating 71.4 percent.
(26) A bridge over the Columbia River near The Dalles in Oregon; estimated cost $1,500,000 including cost of right of way necessary for construction.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

It is probable that cooperation might possibly be arranged with the Washington Toll Bridge Authority in connection with construction of this facility.
(27) and (28) Two bridges near Wenatchee in Washington—one over the Columbia River and the Great Northern Railroad, and the other over the Columbia River alone; estimated cost, including necessary right of way for construction only, $4,250,000.

As toll facilities these two projects are estimated to be 100 percent self-liquidating on the above cost. It is possible that cooperation with the Washington Toll Bridge Authority might be arranged for the construction of these two projects.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated cost $250,000. Estimated construction which may be generated on such land one million dollars.
(29) A tunnel in the Snoqualmie Pass east of Seattle in Washington, estimated length 2.6 miles, tunnel to be a two lane facility with two sidewalks and the necessary ventilating equipment installed; estimated cost 4 million dollars.

The liquidation of this project through tolls alone is doubtful. If the State would abandon surface route it is estimated that this project would be 100 percent self-liquidating on the above cost.
(30) Acquisition of right of way to be leased to State highway departments for construction by them with State and Federal-aid funds; estimated expenditure 30 million dollars a year. This would generate construction of approximately 120 million dollars a year.
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For rehabilitation loans</td>
<td>$120,000,000.00</td>
</tr>
<tr>
<td>2. For subsistence grants to needy farm families</td>
<td>25,000,000.00</td>
</tr>
<tr>
<td>3. For tenant purchase loans</td>
<td>23,750,000.00</td>
</tr>
<tr>
<td>4. For construction of labor camps for migratory workers and their families</td>
<td>5,000,000.00</td>
</tr>
<tr>
<td>5. For guidance, supervision, and administrative expense in connection with grant and rehabilitation loan programs</td>
<td>25,000,000.00</td>
</tr>
<tr>
<td>6. For administrative expenses in connection with the tenant purchase loan program</td>
<td>1,250,000.00</td>
</tr>
<tr>
<td>7. For management and liquidation of old resettlement projects</td>
<td>2,000,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$202,000,000.00</strong></td>
</tr>
</tbody>
</table>
BUDGET OF THE FARM SECURITY ADMINISTRATION AS IT WOULD HAVE BEEN PRESENTED UNDER THE TRIPLE BUDGET SYSTEM

GRAND TOTAL $202,000,000.00

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Operating Budget for Non-Recoverable Expenditures</th>
<th>Investment Budget for Recoverable Assets</th>
<th>Investment Budget for Non-Recoverable Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For rehabilitation loans</td>
<td>$54,000,000.00</td>
<td>$66,000,000.00</td>
<td></td>
</tr>
<tr>
<td>2. For subsistence grants to needy farm families</td>
<td>$25,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. For tenant purchase loans</td>
<td>$2,375,000.00</td>
<td>$21,375,000.00</td>
<td></td>
</tr>
<tr>
<td>4. For construction of labor camps for migratory workers and their families</td>
<td>$500,000.00</td>
<td>$4,500,000.00</td>
<td></td>
</tr>
<tr>
<td>5. For guidance, supervision, and administrative expense in connection with grant and rehabilitation loan programs</td>
<td>$25,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. For administrative expenses in connection with the tenant purchase loan program</td>
<td>$1,250,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. For management and liquidation of old resettlement projects</td>
<td>$2,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$110,125,000.00</strong></td>
<td><strong>$87,375,000.00</strong></td>
<td><strong>$4,500,000.00</strong></td>
</tr>
</tbody>
</table>
NOTES ON BUDGET NO. 2

1. It is estimated here that only 55 percent of rehabilitation loans are recoverable assets. Of the total amount lent thus far, 65 percent of the maturities has been collected in spite of the droughts of 1934 and 1936. The estimate, therefore, is very conservative. Perhaps it would be safe to increase it by 5 percent.

2. Ninety percent of tenant purchase loans are considered as recoverable assets. Because of 40 year terms at 3 percent interest rate, and because this means it will cost most borrowers less money to buy a farm than to rent one, because first mortgage security is taken on the entire property, and because of the guidance in farm management practices given borrowers by rehabilitation personnel, this estimate is also a conservative one.

3. Labor camps are amortized over a ten year period in this estimate. Their physical life, however, will exceed fifty years.

4. All rehabilitation loan and grant money is spent in local communities which creates an indeterminate amount of activity.
<table>
<thead>
<tr>
<th></th>
<th>Annual Operating Budget for Non-Recoverable Expenditures</th>
<th>Investment Budget for Recoverable Assets</th>
<th>Investment Budget for Non-Recoverable Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>For rehabilitation loans</td>
<td>$82,500,000.00</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>For subsistence grants to needy farm families</td>
<td>25,000,000.00</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>For tenant purchase loans</td>
<td>85,500,000.00</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>For construction of labor camps for migratory workers and their families</td>
<td>1,000,000.00</td>
<td>$9,000,000.00</td>
</tr>
<tr>
<td>5.</td>
<td>For guidance, supervision, and administrative expense in connection with grant and rehabilitation loan programs</td>
<td>30,000,000.00</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>For administrative expenses in connection with the tenant purchase loan program</td>
<td>5,000,000.00</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>For management and liquidation of old resettlement projects</td>
<td>2,000,000.00</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>For purchase of good agricultural land and construction thereon; chiefly southern plantations</td>
<td>22,500,000.00</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>For administrative expense in connection with land acquisition and construction program under No. 8 above</td>
<td>5,000,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>$190,500,000.00</td>
<td>$9,000,000.00</td>
</tr>
</tbody>
</table>
NOTES ON BUDGET NO. 2

1. Tenant purchase loans greatly in excess of $100,000,000.00 could be made on a sound basis without increasing land values. It is administratively undesirable to expand this program too rapidly with untrained personnel, however. It should be pointed out, nevertheless, that field reports indicate that these loans can be made wisely to 2 percent of our tenant farmers each year for some years to come. This would mean sixty thousand loans a year and an annual investment of $300,000,000.00. An efficient program of that magnitude could be under way by 1940 if such a policy were decided upon now. Twenty percent of this loan money goes into repairs of old buildings and construction of new ones, which means additional jobs.

2. The program for buying good farm land and rehousing the present sharecroppers who are now living in shacks could be expanded enormously in the years ahead. It is difficult to move rapidly the first year, however. This is due chiefly to the time it takes to acquire title to land. In two or three years great construction activity could take place on lands already bought.

The estimate that such investments would be 90 percent recoverable presupposes two things: first, that there would be 40 year terms at 3 percent interest rates, and second, that W.P.A. would put in the roads, utilities, and community service buildings. Within
those limitations the estimate is more conservative than that made for individual tenant purchase loans. This project type of activity creates over twice as many jobs as the construction activities under the tenant purchase program. Congressional authority to buy and improve good farm land would have to be obtained by amendment to the Bankhead-Jones Farm Tenant Act before work of this sort could be undertaken.

2. A ten million dollar appropriation for labor camps will provide minimum "housing" and sanitary facilities for about 20,000 migratory workers and their families.
Leans to Latin America for the Industrial Development of Latin America

1. Latin America presents a remarkable opportunity for economic development. Only capital and technical skill are needed to develop the area so that it could provide for a much larger population, for a higher standard of living and a greatly expanded foreign trade.

Latin America has the full natural resources of a continent still undeveloped. The industrial revolution has but barely begun in large areas in Latin America. It has a variety of climate, soil, harbors, minerals, valuable forest products and great agricultural possibilities.

2. If Latin America could obtain sufficient capital under favorable terms and conditions and if that capital could be devoted exclusively to productive development of the various countries, Latin America could within a generation become a prosperous and friendly neighbor and a great market for American products. It is quite within the realms of possibility that if properly developed our economic relations with Latin America could become within a generation as important as our economic relations with the rest of the world combined.

3. We have now a surplus of both the capital and technical skill that Latin America so badly needs. To raise Latin America from its present status to that of a progressive, prosperous neighbor calls for a bold program conceived and executed in a spirit appropriate to the possibilities and involving economic aid in amounts commensurate with the task and provided under conditions consonant with our Good Neighbor policy. Each of the countries to the south of us have, of course, their special problems and economic assistance to each of them will vary in
form, amount, terms and conditions. Yet all of the Latin American
countries have in common the one handicap which we can remove to our
mutual advantage, i.e., shortage of capital and technical skill.
4. Most instances of our recent assistance to Latin American countries
are not the kind contemplated in this memorandum. Small loans used
indirectly to provide government funds for the purpose of helping
defaulted Latin American countries service their debts to foreign
investors or to influence local political alignments are ineffective
for the objectives herein envisaged. Nor are loans to facilitate
exports to these countries on the scale undertaken, however desirable
on their own account sufficient. They touch only one small part of
the problem and on a scale absurdly small in proportion to the broad
task that could be performed.

Economic developments to Latin America could be an important part
of a domestic recovery program. It presents to us an even more im-
portant part of our international political program of peace, security
and encouragement of democracy. This is no time for a timorous or tra-
ditional approach to the task. Now is the time to harmonize our economic
program with our new political program of a Good Neighbor policy. Here
is the opportunity for the exercise of great economic statesmanship at
a point in history which may well prove decisive.
5. What can we do about it now?
(a) The program should be placed under the supervision of a
Cabinet member who approaches the problem from a broad gauged
point of view, who would not be bound by the traditions of his
organization or hamstrung by deep-rooted hierarchy.
(b) Create by legislation a government bank whose sole function should be to assist in promoting the long-run economic development of Latin America.

The bank should have a capital of $300 million in common stock, purchased entirely by the government, with the power to issue $700 million in bonds guaranteed by the government as to interest and principal. The bank would have the power to issue an additional billion dollars in guaranteed bonds as the need arose. The purchase of common stock to $300 million might come out of the gold profit now in the Stabilization Fund or out of the $1.5 billion unissued silver certificates. Thus it would not involve an increase in the deficit.

6. The bank could make three types of loans.

(a) The most important type would be in the form of long-term loans for productive purposes. The loans in general should be devoted to domestic rehabilitation programs, including public works, creation of new industries and the modernization and expansion of existing industries. The program selecting the types of industries to be encouraged could be worked out by a joint planning board. The loans should be made under the following terms and conditions:

(1) Loans to be offered at low rates of interest, not more than 1 percent in excess of the cost of borrowing by the bank.

(2) The proceeds of the loan must be used exclusively for the purpose of developing public works and industrial enter-
prises of a kind which will add to the productivity of the borrowing country in the not too distant future. The investments should be such as would eventually provide foreign exchange to repay the loans and which would be of a kind to increase trade with the United States.

(3) The borrowing country should be required to provide in local currency a proportion of the amount invested by the bank.

(4) Control and equity ownership of the projects must remain in the hands of the borrowing government or its nationals, although the United States might retain the power of active technical participation to insure efficient expenditure of the funds.

At least 75 percent of the dollar loans made available must be expended in the United States and all imported goods or foreign services utilized in the construction of the project must be purchased in the United States.

(b) Extension of gold or silver loans for purposes of monetary stability. These loans need not be large in amount and should be for a short term and renewable. The loan should be so safeguarded as to prevent its use for purposes not contributing to the economic development of the borrowing country.

(c) The establishment of revolving credits for the financing of American exports to Latin America.

Loans made under the conditions indicated above will not only make substantial contributions to recovery now but will pave the path for greater business during the coming decades. It will serve to insure for the United States in the years to come a greater share of a greater volume of foreign trade.
There will likewise be much smaller losses in the loans than has been true in the past. One of the important reasons why loans to Latin American countries have had such a bad record of default is that the effective rates of interest have been exhorbitantly high, and the bulk of the funds borrowed have not been employed for productive purposes or when so employed have been inefficiently used. The long run productivity of South American industries was not developed to provide the resources to meet the service charges. Economic enterprise in Latin America as developed by private foreign capital in the past has been directed toward exploiting those countries without adequate attention to their fundamental capacity and long-run interests. A low rate of interest accompanied by safeguards that the fund will be efficiently and wisely used will provide a far greater degree of security that the loans will be gladly and voluntarily repaid.

Furthermore, loans could be made under conditions which would improve our trade relations and protect them against further incursions by countries pursuing practices inimical to our trade. The proposed loan should be supplemented by measures designed to increase the ability of Latin American countries to meet their obligations that would be involved in the adoption of the above proposals. These measures could include stimulation of American tourist travel to Latin America, through grants of special rates on American vessels and by promotion of improved travel routes and by careful surveys of Latin American products with a view of promoting increased consumption in the United States of Latin American products, etc.
The above program is not dollar diplomacy; it is essentially different from so-called dollar diplomacy in that the latter meant the exploitation of a weak country by private American commercial and industrial interests with the aid of the American Government. This program would have as its base the development of industrial enterprises in Latin America that would be under the control and ownership of the borrowing country or their nationals and that there is no part of the program which envisages any action by the United States Government or threat of such action, subtle or overt, which would interfere with the inherent sovereignty and rights of those countries. The program is completely in the spirit of democracy for the objective of the mutual advantage of the United States and Latin America.
A $100 million loan to China

The time is ripe to propose to Congress the extension of a $100 million ten-year credit to be used by China for the purchase of whatever American products she wishes.

On economic and political grounds a loan of $100 million to China at this time is opportune. As a political move it would be decisive in the Far Eastern situation and hasten the defeat of Japan, and might well bring hostilities to an immediate close.

A loan of $100 million at this time would give to the United States a favored position in the development and reconstruction in China which will inevitably take place within the next few years. China has 400,000,000 people and the present hostilities are rapidly removing the fetters which have prevented the industrial revolution from making progress throughout China, particularly in the West. The loan is not a bad risk, particularly if made at low rates of interest, and the close tie between the United States and the revitalised Central Government of China and the awakened people of China is infinitely more valuable than the risk involved in the loan.

China could easily spend $100 million in the United States in a year. The experience of the $25 million loan indicates that such expenditures can be distributed throughout the country in such a way as to make the loan very popular. The $25 million loan previously made was very popular. The conditions now are more conducive to a favorable reaction than they were at that time. The proper program of education as to the economic effects, both short term and long term, of such a loan and of its political significance, would go far toward insuring the success of the loan in Congress.

We need the additional business now; China needs the goods and the economic assistance more than ever. The loan would be a great contribution to the defense of democracy and to the President's foreign policy. It would, in a real economic sense, cost us nothing even though we never were repaid a cent of the loan.
Extension of Credit to Russia and Settlement of Outstanding Debts

An extension of $250 million credit to Russia could accomplish three main things:

(1) Make substantial contributions to the solution of our surplus cotton problem.

(2) Be an important factor in helping recovery in the United States.

(3) Settle the outstanding debts between Russia and the United States, and clear the decks for future economic collaboration between the two most powerful countries in the world which, irrespective of their political differences, constitutes for the United States an important factor for economic improvement.

The proposal in outline is as follows:

(a) Negotiate for a settlement of the intergovernmental and private debts. A settlement can probably be reached at this time which would involve payments amounting to $15 to $20 million a year by Russia.

(b) The extension of a $250 million credit to Russia to be used exclusively for the following purposes and under the following conditions:

(1) $150 million to be expended within the next two years on products made chiefly of cotton, which are processed in the United States. This should absorb from one to two million bales of our surplus stocks.

(2) $50 million to be expended in the United States on machinery.

(3) $25 million to be expended on goods consisting chiefly of leather.

(4) $25 million to be expended on miscellaneous manufactured items.

(5) All imports to be shipped only on United States or Russian boats.
(6) Russia to agree not to reexport any of the material she purchases in the United States and not to export any raw cotton or textiles in excess of the value of exports of the three preceding years.

Terms of the loan: Ten year loan, amortized monthly at the rate of 10 percent a year and interest payments payable quarterly at 5 percent a year, and the difference between the cost to the government of borrowing and the 5 percent to be applied towards the settlement of their public and private debt to the United States.

The loan can be financed by special government guaranteed serial notes and hence not appear in the budget. Or it could be financed out of silver seigniorage at no cost. If it were financed out of silver seigniorage, it would help get the support of the silver interests who are eager to have the government make some use of the silver seigniorage.

(Its may be worth considering that both the Russian loan and the Chinese loan, as well as the Latin American loans, may be all financed by special government guaranteed serial notes and hence not appear in the budget, or out of silver seigniorage at no cost.)

The effects of such a loan on (a) the current business situation and (b) the international political situation, would be startling.

(a) The cotton textile industry in the United States would have the biggest boom that it has experienced in many years. (The New England and Southeastern States would benefit very substantially and their representatives in Congress would be keenly aware of such benefits.)

(b) We would sell one to two million bales of cotton, which, I believe, is more cotton than the export subsidy scheme will dispose of. Moreover, the sale to Russia will not depress the price of the other cotton we sell, nor will it supply cotton at low prices to the aggressor nations, nor will it injure Brazil as will other plans for increasing cotton exports. Russia is probably the only market
in the world where we can sell cotton goods without interfering with world markets. Russia has an adequate supply of raw cotton but has inadequate means for processing that cotton.

Likewise, machine goods and leather industries would benefit which would give some added legislative support from the cattle states and industrial states.

From the point of view of Russia, the loan would probably be eagerly welcomed for the following reasons:

(1) Russia would be so anxious to improve her relations with the United States, for political as well as economic reasons, that she probably would consider this plan a small cost for such a purpose.

(2) Russia is badly in need of finished commodities, particularly of the character indicated above.

(3) Russia has ample supplies of raw cotton, but reports indicate that there is a shortage of processing equipment and a shortage of finished goods.

(4) Russia is probably eager to build up stocks of finished goods in preparation for international emergencies.

(5) Russia has adequate supplies of gold to easily take care of the current payments the loan would require. Russia is probably a good risk since she has met all of the obligations contracted for under the new regime.
THE REA PROGRAM

HOW IT WOULD BE AFFECTED BY ITS NORMAL
FISCAL 1940 APPROPRIATION OR BY A SUB-
STANTIALLY LARGER APPROPRIATION.

I - Under normal conditions with its normal appropriation of $40,000,000
REA would expect to lend:

$36,000,000  for construction of 36,000 miles of rural line
$ 1,000,000  for generating plant and equipment
$ 2,500,000  for farm wiring
$  500,000   for plumbing

$40,000,000  TOTAL

II - In the event that:

1) Additional funds were available for lending;

2) Additional funds were available for advising the farmer
   how to make adequate and profitable use of electricity,
   and for other additional administrative expenses;

3) Electric appliance financing were to be done by REA on a
   reasonably secure basis with maturities up to five years;

Then:

REA would expect to lend approximately $110,000,000 for the
following purposes:

$72,000,000  for construction of 72,000 miles of rural line
$ 2,000,000  for generating plant and equipment
$ 5,000,000  for farm wiring
$4,500,000   for plumbing and water systems
$24,000,000  for electric appliances for farm and home use
$ 2,500,000  for cold storage locker plants

$110,000,000  TOTAL
FOOD STAMP PLAN

The Food Stamp Plan makes it possible for persons getting public assistance to increase their food purchases by 50 percent; their increased purchases are made entirely from among farm products determined to be "in surplus". This is the way it works:

1. Studies indicate that persons getting public assistance spend an average of about $1.00 a week per person for food.

2. On a voluntary basis, each person may buy a minimum of $1.00's worth of orange stamps a week for each member of the family. These are good for any food at any grocery store.

3. Persons buying orange stamps receive half again as many blue stamps free. These also are good at any grocery store but only for foods found to be "in surplus" by the Secretary of Agriculture. (Chiefly dairy products, fruits and vegetables; meats could easily be handled by this method, however.)

4. Grocers paste the stamps on $5.00 cards and redeem them largely at their banks. The government pays the banks from the same funds now used to purchase surplus commodities directly in carlots for shipment to the various states which in turn make distribution to families through food depots.

If participation throughout the country were the same as in Rochester, New York, some fifteen million eligible people would take advantage of this program. It would add 2½ worth of food to each meal for each person who is now spending 5¢ a meal.
That would cost about 360 million dollars a year. Because of administrative problems connected with a new program, it appears to be wiser to spend only 250 million dollars on such a program for the coming fiscal year.

If the Congress passes the 113 million dollar appropriation for the purposes of Section 32 now before the Conference Committee, in addition to the 90 million dollars otherwise available, about 100 million dollars of the 203 million dollar total would be available for distributing surplus foods to the needy. (The remaining 103 million dollars is needed to carry out such work as the cotton export subsidy program, the wheat export subsidy program, the peanut diversion program, et cetera.) An additional 150 million dollars, therefore, would be needed to extend the Food Stamp program to 15,000,000 eligible people during the coming fiscal year.

The Food Stamp Plan has received wide praise from the right as well as from the left. Both groups, however, have indicated we might consider its extension to low-income people not getting public assistance. Were such families making less than $750 a year made eligible to participate, studies of consumer incomes made by the National Resources Committee indicate that another 15,000,000 people would thereby become eligible — and the cost of the program would be about doubled. The "right-to-eat" at least 7½ pounds of food a week would apparently meet with the support of farmers, and low-income housewives, as well as that of retailers. It would, of course, make a great contribution to the public health, particularly insofar as children are concerned.
STAMP PLAN FOR SURPLUS COTTON GOODS

In his Little Rock speech of May 26, Secretary Wallace indicated that we might extend the Food Stamp Plan principle to certain kinds of cotton goods. He said:

"The consumption of cotton goods in our own country is far lower than it ought to be because the families who need these goods most can't afford to buy them. A study covering 300,000 families was recently made of this subject and preliminary figures are now available.

"They indicate that families with incomes of $5,000 and over spend nearly eight times as much money for cotton goods as non-relief families with incomes of less than $500 are able to spend.

"If the 20 million families getting less than $2,000 a year spent as much for cotton goods as those getting between $2,000 and $3,000 a year, the cotton farmer would have a home outlet for an additional two million bales of cotton. Such a situation would add over half a billion dollars a year to the income of the cotton South, of which part would go to the cotton farmer and part would go to employ people in our cotton mills, on our railroads, and in our wholesale and retail dry goods stores throughout the country.

"People having the lowest incomes buy the heavier kind of cotton goods first. This is because they need mattresses, comforters, blankets, sheets, towels, overalls, piece goods from which they can make clothes for all their children. If they bought such items as these, approximately 20 cents out of every dollar spent would go directly to the cotton farmer; roughly 30 cents out of every dollar would cover the cost of manufacturing, most of which would go to employ labor in our cotton mills; and about
30 cents out of every dollar would cover the cost of transportation and merchandising in our wholesale and retail dry goods stores.

"This is not a complete solution for the cotton problem, of course, but I feel as strongly as I did at Fort Worth last fall that the nation ought to find ways and means of turning its abundance of raw cotton into a greater abundance of cotton goods for our own people."

Preliminary tables supporting these statements are attached. 100 million dollars for the coming fiscal year would be enough to take care of the cotton goods requirements of the families now getting public assistance. It would move 400,000 bales of cotton through the normal channels of trade and, in addition to the groups now supporting the Food Stamp Plan, such a program undoubtedly would receive the approval of labor groups as well as of textile manufacturers. Were an additional 100 million dollars added, a great deal could be done for low-income groups not receiving public aid, although they could not be brought up to the maximum level indicated by the Secretary in his Little Rock speech. This, of course, would not be desirable the first year.

About 90% of the press has supported the Stamp Plan on an experimental basis. The country apparently is in a psychological mood to utilize the surpluses we have learned how to produce.
EXPANSION OF SELF-HELP ACTIVITIES

The self-help program is a program for organization of workshops in which unemployed people can use their idle time to make goods or provide services which they need for their own immediate use.

There are over five million people in the United States seeking work but employed neither in private industry nor in Governmental work programs.

Types of self-help are available for workers in virtually all parts of the United States. They range from processing of farm products in cities and towns near farm areas, to bakeries, canneries, sewing rooms, laundries, dry cleaning, wood cutting, and furniture repair in urban centers like Washington, D. C. Self-help programs can be adapted to elderly workers on old-age pensions, to unemployed workers on relief, to unskilled urban workers not on relief, to migrants from rural areas, and to highly skilled workers in their dull season. There is a place for some type of self-help on each step of the "workers' staircase".

It is assumed that nearly a million non-farm workers could be organized into self-help exchanges within two years. Assuming an average of 750,000 for the second year of operations, about 350,000 to 400,000 could probably be organized by the end of the first year.

Funds would be used for quarters, equipment, raw materials, motor trucks, light, gas, electricity, and personnel. A high-grade staff is needed for organization, management, and development of crafts and skill. The self-help program should not be a vocational training program, but emphasis on very high quality of management and craftsmanship are all-essential.

Insofar as possible, State, local and private agencies would be encouraged to contribute raw materials, rental of quarters and possibly equipment.

Most exchanges will probably provide part-time work as a supplement to, rather than a substitute for, private industry. Here the per capita cost should be about $200 per worker. The cost would be higher where the local situation made it desirable to provide full-time work, as in stranded communities, or where a new and economically sound product might be developed out of local resources.

Such workshops for the unemployed would provide the frame-
work for quick expansion of productive activity in periods of rising unemployment.

Assuming a $200 average the cost of the program the second year would be about $150,000,000. An amount equal to about half this, $50,000,000 could be spent in the first year. Every dollar of this money is spent with private industry.

The expenditure for staff and initial purchases of equipment would be relatively high in the beginning. The benefits are the return to private industry of workers who "graduate" from self-help, and productive activity and increasing consumption for those who cannot get private jobs. The return, in number of workers cared for, and in commodities available to each worker, should show a constantly increasing ratio to money invested. The funds are being invested in increasing skill and self-reliance of the unemployed.

It is extremely important in organizing such a program to allow for the utmost variety in organization, to fit the type of self-help in each area to specific local conditions. It is also important to allow for wide variation in the type of local participation and of financial assistance, in order to encourage both the local community and the unemployed workers to take the largest possible share in participation.

June 5, 1939
Book 196: Part II
# New Investments and Expenditures

<table>
<thead>
<tr>
<th>Projects which are in part or in whole self-liquidating:</th>
<th>To be spent in calendar year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Extension of the United States Housing program</td>
<td>800</td>
</tr>
<tr>
<td>2. Reduction of F.H.A. maximum interest from 5 to 4 percent on houses costing less than $6000</td>
<td>OK</td>
</tr>
<tr>
<td>3. Temporary Dwelling Authority for a 4-year private enterprise program involving an appropriation for administration and subsidy costs of $500,000,000 if the 10 billion dollar program is completed</td>
<td>10,000</td>
</tr>
<tr>
<td>4. Expansion of Farm Tenancy Program, self-liquidating portion alone (in addition to present program of 165 million, of which 110 million are self-liquidating)</td>
<td>530</td>
</tr>
<tr>
<td>5. Loans to farmers and cooperative groups for purposes of soil conservation (terracing, drainage, forest station and prevention of soil erosion) - loans at 1 percent interest amortized over 20 years - (Project being explored by the Department of Agriculture)</td>
<td>100</td>
</tr>
<tr>
<td>6. Expansion of rural electrification program. (This program of $110 million is in addition to the present program of $40 million)</td>
<td>110</td>
</tr>
<tr>
<td>7. Rural telephone administration</td>
<td>100</td>
</tr>
</tbody>
</table>
8. Non-Federal public works program made possible with the assistance of annual grants in form of half the servicing charges (similar to the present PWA)  
   1,000  500

9. Non-Federal public works program of self-financing type at low rates of interest (projects not eligible for PWA grants)  

10. Federal works program which can be treated as self-liquidating only if service charges are financed by special tax  
    2,000  500

11. Federal toll authority (self-liquidating toll roads, canals, bridge projects)  
    1,000  300

12. Extension of short-term and long-term loans for the purpose of promoting foreign trade  
    500  300

13. Recreation camps and hostels (partly self-liquidating)  
    200  50

14. Railroad equipment program  
    (a) Loans to railroads by RFC for purchase of equipment  
        200  50
    or  
    (b) Federal corporation to purchase and lease equipment to the railroads  
        1,000  500

15. Government acquisition, control and operation of bankrupt railroads (being investigated)  
    5,000  3,000

B. Projects which are not self-liquidating:

16. Rapid expansion of the Food Stamp Plan for distributing surplus commodities to all communities and extension to cover more commodities, including cotton textiles, clothing and dairy projects  
    150  150
The present appropriation asked for ($13 million added to $90 million otherwise available) will leave $100 million available for the Food Stamp Plan for the fiscal year 1940. This program asks for $150 million more. The $250 million which would then be available for the Food Stamp Plan would take care of the bulk of the eligible persons now receiving some form of public assistance.

17. Expansion on a nationwide basis of the self-help cooperatives, now successfully operated in Washington, D. C., Richmond and many Western States. (Appropriation covers expenditures for fiscal years 1940 and 1941)

18. Farm tenancy program involving direct relief to the extremely low income groups and medical and dental care for these families, and camps for migratory farm laborers

<table>
<thead>
<tr>
<th></th>
<th>200</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Total</td>
<td>23,040</td>
<td>8,625</td>
</tr>
</tbody>
</table>

The above program of expenditures and investments totals roughly $25 billion and covers from one to four years of operation, depending upon the item.

Of this $25 billion program, about $8 billion can be expended during the calendar year 1940.

These sums are not all employment-creating expenditures. Of the $8 billion additional expenditures called for under this program for 1940, from $4 to $5 billion would be expended directly or indirectly on additional employment. That would mean an absorption of from two to three million unemployed and, both direct and indirect, from four to six million persons during 1940.

We believe that this program, if adopted in its entirety, would assure an increase in the National Income of $10 billion during the calendar year 1940.
Extension of U. S. Housing Program

Of the $500 million provided by the United States Housing Act in 1937 to be available for loans for slum clearance and low-rent housing $435 million has already been loaned and $225 million has been earmarked, making a total of $660 million. At the present time the U.S.H.A. is authorized to make grants-in-aid of $26 million a year to assist local housing projects. Substantially all U.S.H.A. funds have already been committed. Over 22,000 units have already been gotten under way and $55 million has actually been spent. The peak of the program will be reached in February 1940. At the present time 5,000 units are being started each month.

The small amount of funds actually expended under the U.S.H.A. program up to the present is chiefly attributable to the difficulties in land acquisition. The loan is made before the actual acquisition of land. The buying up of numerous small plots involves protracted delay.

Judging from the past experience of the U.S.H.A., the amount of this additional appropriation that may be expected to be spent in 1940 is probably only a small fraction of the appropriation. It apparently takes a long time before new contracts are negotiated and actually put into operation.
Creation of a new Temporary Dwelling Authority with the sole objective of achieving a $10 billion construction program during the next four years by private enterprise - with special emphasis on the construction of low rental and low cost homes.

This authority to be given the power to borrow in the open market via the Treasury $10 billion of obligations guaranteed as to interest and principal by the Government. An appropriation approximating 5 percent of the construction undertaken would cover administrative and subsidy costs.

Powers granted to this authority to include the following:

(1) To make loans to responsible private individuals, corporations or local governments for the construction of low cost housing at rates equivalent to the cost of borrowing by the United States Government on similar obligations with the power to amortize loans over a period not exceeding 50 years. Loans not to exceed 90 percent of the total cost of construction and acquisition of land.

(2) To make any or all of the following conditions part of the extension of credit:

(a) Establishment of maximum rentals with a given standard of housing.

(b) Where circumstances would require it to guarantee a rate of return to private enterprise undertaking construction.

(c) To subsidize building by grant of WPA and NYA labor for providing public utility facilities such as sewerage, sidewalks, lights, paving, streets, etc., where necessary to induce private enterprise to carry out the project.

(d) Arrange contracts between labor and builder on an annual wage basis for the purposes of reducing the cost of building or rentals to the ultimate consumer.

(e) To negotiate with the Interstate Commerce Commission for reduction of freight rates on materials.
(f) To negotiate for cooperative purchasing of building materials with the assistance of the Procurement Division of the Treasury.

(g) To bring suit against any corporation or trade association which is engaging in illegal monopoly practices.

(h) Establishment of limited dividends.

(i) To coordinate housing with other community projects in order to achieve the maximum efficiency of the construction industry and maximum community planning.

(j) Creation of a research laboratory organization for the purpose of exploiting all past experience and current research in the field of building materials, assembled houses, and new methods of construction toward the objective of purchasing more dwellings at lower cost.

(k) Creation of a permanent committee for the purpose of keeping constant surveillance over items entering into the building cost to prevent unjustified increases and to initiate whatever steps are possible within the law to prevent such increases.

(l) Power to negotiate with local governments for the purpose of securing tax reductions or exemptions.

The success or failure of this program depends entirely upon the administrator appointed. If the man selected is completely sympathetic with the objective and is aggressive and imaginative enough to overcome the innumerable obstacles it is quite possible that he can increase expenditures on housing from $2 to $3 billion during 1940. Unless the man is of very high competence with the right point of view the plan will be a failure.
Budget of the Farm Security Administration for the Fiscal Year 1940 as recommended by the President.

1. For rehabilitation supplemental loans to approximately 150,000 of the present borrowers and initial loans to approximately 75,000 low-income farm families ... $ 84,457,150.

2. For direct relief in the form of grants to needy farm families, particularly in areas affected by droughts, floods, etc. .................. 20,000,000.

3. For loans to approximately 5000 farm tenants to enable them to purchase farms ... 23,750,000.

4. For construction of labor camps to provide sanitary living facilities for approximately 20,000 migratory farm laborers and their families ............. 5,000,000.

5. For farm and home management assistance, investigation of applications, and for making, collecting and servicing loans and grants ................... 18,879,975.

6. For providing voluntary farm debt adjustment service to debt burdened farmers ... 1,946,575.

7. For management, operations and expenses of completed resettlement projects ........ 2,500,000.

8. For expenses in connection with the administration of the farm tenancy loan program .................................................. 1,250,000.

9. For providing needed water facilities in arid and semi-arid areas .................. 500,000.

10. For expenses of administering the rural rehabilitation loan, direct relief, migratory labor camp and voluntary farm debt adjustment programs ................. 7,173,450.

TOTAL ................................................ $ 165,457,150.
Budget of the Farm Security Administration for the fiscal year 1940 as recommended by the President as it would be presented under the triple budget system

<table>
<thead>
<tr>
<th></th>
<th>Annual Budget for Non-Recoverable Expenditures</th>
<th>Investment Budget for Recoverable Expenditures</th>
<th>Investment Budget for Non-Recoverable Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>For rehabilitation loans</td>
<td>$ 16,891,430</td>
<td>$ 67,565,720</td>
</tr>
<tr>
<td>2.</td>
<td>For direct relief</td>
<td>20,000,000</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>For loans to farm tenants for purchase of farms</td>
<td>2,375,000</td>
<td>21,375,000</td>
</tr>
<tr>
<td>4.</td>
<td>For migratory labor camps</td>
<td>500,000</td>
<td>$ 4,500,000</td>
</tr>
<tr>
<td>5.</td>
<td>For farm and home management assistance and other services</td>
<td>18,879,975</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>For farm debt adjustment services and assistance</td>
<td>1,946,575</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>For management and operation of resettlement projects</td>
<td>2,100,000</td>
<td>400,000</td>
</tr>
<tr>
<td>8.</td>
<td>For administration of farm tenancy loan program</td>
<td>1,250,000</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>For water facilities</td>
<td>50,000</td>
<td>450,000</td>
</tr>
<tr>
<td>10.</td>
<td>For administration of rehabilitation loan, direct relief, and migratory labor camp programs</td>
<td>7,173,450</td>
<td></td>
</tr>
</tbody>
</table>

**Total**

$ 71,166,130   $ 89,790,720   $ 4,500,000
Explanatory Notes

1. Rehabilitation loans have been made to about 760,000 farm families averaging about $330 each. These loans are generally repayable over a period of from 3 to 5 years at 5% interest. More than $115,000,000 has already been repaid out of a total loaned of more than $390,000,000. The collections amount to approximately two-thirds of the matured loans. It is estimated that 30% of all amounts loaned are recoverable. This budget will provide for supplemental loans to approximately 150,000 present loan borrowers and about 75,000 loans to new borrowers. These loans are made for the purchase of farm and home equipment, work stock, live stock, farm and home operating supplies and for family subsistence to farm families who cannot obtain adequate credit on reasonable terms from any other source.

2. Direct relief has been extended to approximately 735,000 to destitute farm families of which approximately 105,000 are receiving such aid at the present time. This relief is in the form of grants averaging $20 per family per month. The majority of such expenditures have been concentrated in the northern great plains area where consecutive droughts have occurred over a long period of years. This budget will provide relief for the equivalent of about 35,000 families per month. These grants are for the purpose of meeting minimum subsistence needs of extremely low-income farm families who are the victims of droughts, floods, and other catastrophes; also, to indigent families living in rural areas who cannot obtain aid from other sources and who but for these emergency grants might suffer from hunger and disease.

3. Loans to enable farm tenants to acquire farms have been made to approximately 6,500 families. These loans are repayable over 40 years at 3% interest. The first loans were made in the latter part of the fiscal year 1938 and therefore the first repayments are just now falling due. Since these loans are secured by first mortgages, it is conservatively estimated that at least 90% of the expenditures will be recovered. This budget will provide for the making of approximately 5000 loans to farm tenants for the purchase of farms and incidental repairs and improvements to farm homes and buildings.
4. Labor camps are being developed in the following states: Washington, Oregon, Idaho, California, Nevada, Texas, and Florida. These camps will provide about 8000 shelters, tent platforms and other simple accommodations for migratory farm workers and their families. These facilities will accommodate about 30,000 families per year. This budget will provide similar accommodations for approximately 20,000 additional families and for maintenance and operation: the camps already developed. In this estimate, these camps are amortized over a ten year period although their physical life will probably exceed 50 years.

5. The purpose of these activities are to provide for assistance to and cooperation with rural rehabilitation borrowers in the purchase of appropriate equipment, livestock, fertilizers and other operating goods as specified in their loan agreements; and for regular and periodic assistance to borrowers in management practices specified in their farm and home plans, including land use, labor use, agricultural conservation, soil erosion control; the use of certified seed, pure bred sires, high analysis fertilizers, feed rations; livestock management, crop cultivation, feed production, gardening, food conservation; home production, preparation and conservation of meat, eggs and milk; clothing preparation; health and sanitation; and participation in equipment, livestock breeding, food preservation and other group and cooperative services.

While borrowers are required to give security for their rural rehabilitation loans, they are unable to obtain adequate credit from other sources. The security they have to offer would probably not be acceptable to regular credit institutions. Assistance and guidance in farm and home management practices are necessary so that the borrower will be able to manage his own farm successfully under approved agricultural practices and thus be rehabilitated and able to repay the rehabilitation loan. Supervision is required to protect the expenditure of government funds and prevent loss and dissipation by improper management by the borrower. This type of assistance is equal in importance to the actual loan in effecting permanent rehabilitation.

It is necessary to investigate the need and eligibility of each farm family applying for such assistance in the form of a loan and/or grant; to prepare a farm and home plan and/or a budget to be used as a basis of approval of such loan and/or grant and as a guide in the most effective use of the proceeds by the farmer and his family; to inspect leases for terms of tenure, and search county records for liens on property offered as security for loans; to record liens and mortgages taken to secure such loans; to service and collect repayments on loans when due, from the proceeds of crops, livestock and livestock products when harvested and/or marketed; to reinvestigate each borrower on the proposed renewal or extension or supplemneting of such loan or grant at the expiration of the period for which originally made; to prepare notes, mortgages and other evidences of indebtedness offered by borrowers; to repossess and sell chattels and crops of borrowers who abandon their farm operations or who fail to comply with the terms of their farm plans, budgets and/or loan agreements; and to make receipts for and remit to the
Treasury loan repayments and proceeds of sale of repossessed chattels and crops; and to account for, record and audit such transactions in county and regional offices.

The funds to be used for these purposes are necessary to take care of an estimated cumulative increase of approximately 75,000 in the number of standard and emergency loan borrowers. It is estimated that the total active cases at the beginning of the 1940 fiscal year will be approximately 650,000 families of whom 480,000 will be serviced by the preparation of either revised farm and home plans, and/or budgets in connection with supplemental loans. These families will also be serviced by the preparation of renewals and extensions of notes and mortgages as well as new notes and mortgages, and in the making of collections and remittances. Of the remaining borrowers about 60,000 are expected to repay their loans in full and the rest will be serviced in connection with voluntary conveyances and/or repossessions, and resale of mortgaged property.

6. The debts of approximately 100,000 farmers have been reduced from a total of about $332,000,000 to approximately $244,000,000 which is about 26%. Through this reduction, farmers have been able to pay local taxes which were delinquent in excess of $4,600,000. In addition to direct debt reductions, assistance has been given through arranging time extensions and reducing interest rates.

The purpose of this activity is to carry on voluntary debt adjustment activities between farmer debtors and creditors, with a view to bringing excessive debts within the ability of the debtor farmer to re-finance and/or repay. A large number of farmers eligible for rehabilitation services as well as many farmers in higher income brackets have burdensome debts, which they are unable to pay. These debts include grocery and clothing bills, medical and veterinary bills, feed, fertilizer and equipment bills, and chattel and real estate mortgages or interest thereon. In order to make a sound loan to a borrower or place a farmer in a position where he can operate his farm without danger of foreclosure it is necessary to adjust his debts by extension, reduction, refinancing or otherwise according to his ability to pay and his individual circumstances.

The funds for this activity are to be expended in supervising such debt adjustment activities of rural rehabilitation district and county supervisors, who cooperate with voluntary county farm debt adjustment committees in citing and adjusting debts. It is also to be expended in reimbursing members of county farm debt adjustment committees for out-of-pocket expenses incurred in connection with debt adjustment activities; and for supplies necessary for making and reporting farm debt adjustments.

7. Approximately 146 rural and suburban projects have been developed providing farms and homes for about 13,500 families. Many of these projects were started by other agencies and have been transferred to and completed by the Farm Security Administration. This budget will provide for the management and operation of these projects including work relief on projects occupied by part-time workers.
unable to obtain sufficient employment and for emergency land development.

8. The Bankhead-Jones Farm Tenant provides that not in excess of 5% of the funds appropriated each fiscal year shall be available for the expenses of administration of the Farm Tenancy loan program. This estimate has been made in accordance with that provision.

9. The purpose of this item is to provide needed water facilities to rural rehabilitation farm families by the proper use and control of the water resources of the semi-arid areas principally in the Western and Southwestern portions of the United States. Facilities for water storage, conservation and utilization will be provided through the construction and erection of dams, reservoirs, installation and laying of pipe lines, well digging and drilling.

This work will require the services of construction personnel including engineers and necessary clerical and labor assistance. In most instances, employment will be furnished needy farm laborers, tenant farmers, needy farm owners, and relief laborers living in the area wherein the work under this activity is to be prosecuted. It is estimated that 90% of these expenditures will be recovered.

10. This budget item will provide for all the various costs and expenses incidental to the administration of the rehabilitation loan, direct relief, migratory labor camp and voluntary farm debt adjustment programs as authorized under the present and prior appropriation acts.
Proposed Supplemental Budget of the Farm Security Administration for the Fiscal Year 1940.

1. For rehabilitation loans to approximately 400,000 low-income farm families who are known to be eligible and in need of assistance $ 200,000,000.

2. For loans to approximately 200,000 farm families for minor repairs and improvements to farm homes and buildings 100,000,000.

3. For loans to associations for the purchase of land and development of farms and homes for approximately 20,000 low-income farm families 130,000,000.

4. For loans to approximately 20,000 farm tenants to enable them to purchase farms 95,000,000.

5. For providing needed water facilities in arid and semi-arid areas 10,000,000.

6. For direct relief to approximately 400,000 extremely low-income farm families, particularly for providing sanitary privies, necessary kitchen utensils, bedding, etc. 80,000,000.

7. For direct relief to approximately 500,000 extremely low-income farm families for medical and dental services essential to minimum standards of health 50,000,000.

8. For construction of labor camps to provide sanitary living facilities for approximately 30,000 migratory farm laborers and their families 20,000,000.

9. For expenses in connection with the administration of the farm tenancy loan program 5,000,000.

10. For farm and home management assistance, investigation of applications and for making, collecting and servicing loans and grants 16,000,000.

11. For expenses of administering the rural rehabilitation loan, repair and improvement loan, rural housing loan, direct relief and migratory labor camp programs 4,000,000.

TOTAL $ 670,000,000.
Proposed Supplemental Budget of the Farm Security Administration for the fiscal year 1940

Explanatory Notes (13)

1. This estimate would provide for loans to approximately 400,000 low-income farm families in addition to the 760,000 who have received loans and the 75,000 who would receive loans under the present recommended budget. These new loans would probably average about $500 each and ought to be amortized over periods ranging up to 10 years. If these loans were to run for periods of from 3 to 5 years at 5 percent interest, it is estimated that at least 80 percent would eventually be repaid. If the period of repayment were extended to 10 years, it is likely that the amount recoverable would be as high as 95 percent. The purpose of rehabilitation loans, the amounts previously loaned and the amounts already collected are stated in the notes attached to Table 2.

2. Of the 1,235,000 families who would have received rehabilitation loans under this proposed expanded program, it is estimated that not less than 200,000 farm families are living on farms which are badly in need of minor repairs and improvements to farm homes and buildings. These loans would provide for the construction of outbuildings, such as barns for live stock, tobacco barns, chicken houses, fencing, screening, roofing, etc. It is estimated that these repair and improvement loans would average $500 each and should be repayable over a period of 20 years at 1 percent interest. On this basis it is believed that at least 95 percent of the loans would be recovered.

3. Approximately 20,000 low-income farm families could be provided with productive farms and decent dwelling houses under this estimate of $130,000,000. It is believed that good agricultural land can be acquired at an average cost of about $50 per acre and that farms, complete with necessary outbuildings, fencing and a suitable dwelling, can be produced at an over-all cost of about $6,500 each, including all technical expenses and land acquisition costs. At a 1 percent interest rate and an amortization period of 30 years, it is believed that at least 95 percent of the expenditures would be recoverable.

4. Loans to farm tenants for the purchase of farms could be made to approximately 20,000 families as this estimate. 70 percent such loans are made for a period of 40 years at 3 percent interest. In the meantime, it is estimated that not less than 90 percent of the expenditures are recoverable since such loans are secured by first mortgages. The purpose of these loans and the progress to date are described in the notes attached to Table 2.
5. This item would provide water facilities through the development of wells, ditches, pipe lines, storage dams, reservoirs, etc., for approximately 10,000 families and would be concentrated largely in arid and semi-arid areas of the United States. It is estimated that at least 90 percent of all expenditures for this purpose would be recovered. A fuller description of the purpose of this work will be found in the notes attached to Table 2.

6. This estimate would permit grants to be made to approximately 400,000 extremely low-income farm families for the purpose of constructing sanitary privies, purchasing necessary kitchen utensils, particularly those required for the canning and preservation of the family food supply and for minimum furnishings, such as beds and mattresses. In the past, the direct relief program has provided primarily for food and subsistence requirements only, as more fully described in the notes attached to Table 2.

7. It is estimated that at least 500,000 extremely low-income farm families are in need of medical and dental services essential to minimum standards of health necessary to permit the physical labor of operating farms, and school attendance by the children.

8. This sum would provide facilities for approximately 30,000 migratory farm laborers and their families, in addition to the 50,000 families already provided for as described in the notes attached to Table 2.

9, 10, 11. These items are for the purpose of covering various services and assistance, and costs incidental to administration as more fully described in the notes attached to Table 2.
**Proposed Budget for the Farm Security Administration for the Fiscal Year 1940**
Combining the Budget Recommended by the President and the
Proposed Supplemental Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For rehabilitation loans</td>
<td>$284,757,150</td>
</tr>
<tr>
<td>2. For minor repairs and improvement loans</td>
<td>100,000,000</td>
</tr>
<tr>
<td>3. For loans to associations for purchase of land and development of farms and homes</td>
<td>130,000,000</td>
</tr>
<tr>
<td>4. For loans to farm tenants for purchase of farms</td>
<td>118,750,000</td>
</tr>
<tr>
<td>5. For direct relief</td>
<td>150,000,000</td>
</tr>
<tr>
<td>6. For providing water facilities</td>
<td>10,500,000</td>
</tr>
<tr>
<td>7. For migratory labor camps</td>
<td>25,000,000</td>
</tr>
<tr>
<td>8. For administration of farm tenancy loan program</td>
<td>6,250,000</td>
</tr>
<tr>
<td>9. For farm and home management assistance and other services</td>
<td>34,879,975</td>
</tr>
<tr>
<td>10. For administration of various loan, direct relief and migratory labor camp programs</td>
<td>11,173,450</td>
</tr>
<tr>
<td>11. For voluntary farm debt adjustment services</td>
<td>1,946,575</td>
</tr>
<tr>
<td>12. For management, operations and expenses of completed resettlement projects</td>
<td>2,500,000</td>
</tr>
</tbody>
</table>

**TOTAL**                                                              | $375,757,150 |
Proposed budget for the Farm Security Administration for the fiscal year 1940 combining the budget recommended by the President and the proposed supplemental budget as the combination would be presented under the triple budget system.

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Budget for Non-Recoverable Expenditures</th>
<th>Investment Budget for Recoverable Expenditures</th>
<th>Investment Budget for Non-Recoverable Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For rehabilitation loans</td>
<td>$56,891,430</td>
<td>$27,565,720</td>
<td></td>
</tr>
<tr>
<td>2. For repair and improvement loans</td>
<td>5,000,000</td>
<td>95,000,000</td>
<td></td>
</tr>
<tr>
<td>3. For loans to associations for purchase and development of farms and farm homes</td>
<td>6,500,000</td>
<td>123,500,000</td>
<td></td>
</tr>
<tr>
<td>4. For loans to farm tenants for purchase of farms</td>
<td>11,875,000</td>
<td>106,875,000</td>
<td></td>
</tr>
<tr>
<td>5. For direct relief (all purposes)</td>
<td>150,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. For water facilities</td>
<td>1,050,000</td>
<td>9,450,000</td>
<td>$22,500,000</td>
</tr>
<tr>
<td>7. For migratory labor camps</td>
<td>2,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. For administration of farm tenancy loan program</td>
<td>6,250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. For farm and home management assistance and other services</td>
<td>34,879,975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. For administration of various loan, direct relief, and migratory labor camp programs</td>
<td>11,173,450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. For farm debt adjustment services and assistance</td>
<td>1,946,575</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item Description</td>
<td>Annual Budget for Non-Recoverable Expenditures</td>
<td>Investment Budget for Recoverable Expenditures</td>
<td>Investment Budget for Non-Recoverable Assets</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>12. For management, operations and expenses resettlement projects</td>
<td>$2,100,000</td>
<td>$400,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$290,166,130</td>
<td>$562,790,720</td>
<td>$22,500,000</td>
</tr>
</tbody>
</table>

Regraded Unclassified
Soil Conservation Loans

Soil conservation districts, organized under state laws as local governmental sub-divisions, are developing and effectuating programs of better land views including forest station, erosion control, flood control, water conservation and utilization, and other land views adjustments. These local districts now receive a very small amount of Federal assistance under the Erosion Control Act of 1935; and as time goes on they may receive assistance under the Water Facilities Act of 1937, the Flood Control Act of 1936, Title III of the Farm Tenant Act, and possibly the Agricultural Adjustment Act of 1938. All such Federal assistance, however, is predicated upon the assumption that the local districts will be responsible for and finance a major share of the various types of work necessary to agricultural stability and conservation.

The ultimate private cost will be large -- in terms of hundreds of millions of dollars -- but inevitable; over a period of years it seems inevitable too that Federal participation in the work will be substantial because there are definite public values in fundamental conservation work. This work, studies show, improves farm and thus also community income over a period of years; therefore farmers can afford to pay a substantial portion of the cost. The difficulty is of course that in many areas farmers have no cash available. Projects carefully selected and soundly conceived would be self-liquidating; $100 million would be a feasible amount for the calendar year 1940.
SELF-LIQUIDATING LOANS FOR RURAL ELECTRIFICATION

In the event that additional funds might be made available, the Rural Electrification Administration requests that $110,000,000 be provided for self-liquidating loans for rural electrification, in accordance with the following summary:

$110,000,000 is total for loans.

$ 72,000,000 for loans for line construction.
terms: self-liquidating within a period of twenty-five years. Interest rate approximately 2½ per cent.

$ 2,000,000 for loans for construction of generating plant and equipment.
terms: self-liquidating within a period of twenty-five years. Interest rate approximately 2½ per cent.

$ 5,000,000 for the installation of farm wiring.
terms: self-liquidating within a period of seven years. Interest rate 1 per cent.

$ 4,500,000 for the acquisition and installation of plumbing and water systems.
terms: self-liquidating within a period of seven years. Interest rate 1 per cent.

$ 24,000,000 for financing the purchase of electric appliances for farm and home use.
terms: self-liquidating within a period of seven years. Interest rate 1 per cent.

$ 2,500,000 for the construction of cold storage locker plants.
terms: self-liquidating within a period of seven years. Interest rate 1 per cent.
The Current Status of Rural Electrification

The Edison Electric Institute reports that on December 31, 1938, there were approximately 1,406,000 farms in the United States receiving central station electric service. One farm in five in the United States had electricity at the beginning of this year. This contrasts with a ratio of one farm in ten, four years ago, when the federal rural electrification program was started.

Since the creation of the Rural Electrification Administration in May 1935, there has been unprecedented progress in extending electric service in rural areas and the number of farms receiving electric service has doubled.

Requests for Loans Exceed Available Funds

For some months the Rural Electrification Administration has discouraged applications for loans in order to avoid finding itself burdened with a large number of disappointed applicants to whom loans could not be made because sufficient funds would not be available. Despite this unresponsive attitude, applications for loans have continued to pour into the Rural Electrification Administration.

Applications on hand and reported to be in the course of preparation are some $60,000,000 in excess of the Rural Electrification Administration's regular appropriation for loans for the fiscal year 1940. If a reasonable prospect for additional funds were to make it possible for the Rural Electrification Administration to encourage applications,
there would be no question of its ability to lend the $72,000,000 requested for the construction of rural electric lines and the $38,000,000 for wiring, appliances, running water systems, etc., needed to insure adequate use of electricity and, by so doing, help close the gaps between the living standard of the farmer and that of his city cousin.

Fifty millions of the $72,000,000 is in demand for financing the construction of rural lines in just 13 states. This demand is distributed as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>$1M</th>
<th>State</th>
<th>$1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>$2,000,000</td>
<td>Kentucky</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Georgia</td>
<td>$2,000,000</td>
<td>Minnesota</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>$7,000,000</td>
<td>Missouri</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Indiana</td>
<td>$5,000,000</td>
<td>Nebraska</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Iowa</td>
<td>$7,000,000</td>
<td>Pennsylvania</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>$2,000,000</td>
<td>Texas</td>
<td>$7,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wisconsin</td>
<td>$3,000,000</td>
</tr>
</tbody>
</table>

**Program Popular - Outlet for Private Power**

This demand affords an indication of the strength of the rural electrification movement. The rural electrification program of the federal government is proving itself universally popular with the farmer and a steady stream of letters testifies to the favor with which it is regarded by farmers, educators, public officials, manufacturers and labor. It has been heartily endorsed by every national farm organization.

The new rural electric distribution lines provided for by appropriations made to date will make electricity available to more than half a million farm homes in forty-four states. The nationwide character of this program may be readily seen by reference to Appendix A. As these new lines have been energized and as a quarter of a million rural
families have had the benefits of electricity for the first time, the favor with which the program is regarded has increased and the demands for further extensions of service have been intensified.

Four years ago, practically the only opposition to this program came from some of the private utility companies. Today, except in very few states, most of this opposition is rapidly disappearing as the private utility companies find a profitable market for their surplus energy in the demands of rural electric cooperatives for wholesale power. The majority of the rural electric line projects financed to date by the Rural Electrification Administration purchase the energy which they distribute from private power companies. Evidencing this change of attitude, the Georgia Power Company, of the Commonwealth and Southern system, advertises with pride that among the many services which it is rendering the State of Georgia one of the foremost is the supplying of wholesale energy to twenty-two REA-financed rural electric cooperatives.

No Competition with Private Utilities

The non-competitive feature of the rural electrification program is assured by Section 4 of the Rural Electrification Act of 1936, which provides that "The Administrator is authorized and empowered -- to make loans -- for the furnishing of electric energy to persons in rural areas who are not receiving central station service." (Underlining added). There has been a painstaking observance of this non-competitive
injunction of the statute and if the requested funds for loans for rural electrification are made available, they will be used to bring electricity to those people in rural areas who are without service.

**Industry Benefits from Rural Line Construction**

It is anticipated that approximately 65 per cent of the funds requested will be used for loans for the construction of rural electric lines. The program to date of the Rural Electrification Administration has demonstrated the wide distribution of benefits arising from the construction of these rural lines. The map attached as Appendix B shows the origin of many of the materials used. The keen competition of fabricators and vendors of the various materials used in rural line construction for an increasing portion of the total volume of business is explained by the fact that for every $100,000,000 loaned for rural line construction, approximately $12,500,000 goes into poles, $3,000,000 into line hardware and cross-arms, $500,000 into insulators, $12,000,000 into transformers, $8,000,000 into lightning arresters, cut-outs and brackets, $500,000 into grounding equipment $3,500,000 into guy wires, clamps, rods, and anchors, $1,000,000 into service wire, $2,500,000 into meters, and into conductors, the largest single item, almost $21,500,000 to be distributed among the copper, aluminum and steel interests.

**Generating Plants for Isolated Areas**

In connection with the request for $2,000,000 for loans for the construction of generating plants or generating equipment, it is pertinent
to note that less than 2 per cent of the funds of the Rural Electrification Administration have been allotted for these purposes. It is desirable to have a limited amount available for these purposes in order to be able to provide sources of energy for remote rural areas.

**Equipment Loans Benefit Projects and Industry**

In its endeavor to acquaint the farmer who is receiving electricity for the first time with the many profitable uses of electricity and in its endeavor to make it possible for the farmer to use electricity extensively in the farm home and in farming operation, the Rural Electrification Administration is creating social values and is at the same time improving the quality of its loans through increasing the gross revenues of the projects it has financed.

In order to achieve these desirable social and financial goals, it is necessary that loans be made to enable the farmer to install adequate wiring, to purchase needed electrical equipment for his farm and family, and to put in sanitary running water systems serviced by electric pumps.

The Rural Electrification Administration has found that on the average the farmer spends approximately $100 for wiring and $200 for electric appliances. The average farm plumbing installation costs about $200 and it is anticipated that, by group installation and by mass production, this figure can be cut in half. Appropriations to date will provide electric service for approximately 500,000 farms and
the requested additional $72,000,000 would provide this service for more than 150,000 additional farms.

The foregoing figures provide a gauge as to the size of the virgin market being opened up for wiring, electric appliances, plumbing and water systems. Manufacturers, wiring contractors, appliance distributors, and labor will benefit by the manufacture, distribution and installation of the equipment purchased by the farmer as a direct result of having electricity available to him for the first time.

A survey of 74 rural electric line projects showed that, after an average length of electric service of only six months, 86 per cent had purchased radios, 81 per cent had purchased hand irons, 47 per cent had purchased washing machines, 25 per cent had purchased refrigerators, 17 per cent had purchased water pumps and 9 per cent had purchased small motors.

The recent development of the cold storage locker plant has decreased the living costs of the farmer, improved his diet and helped to diversify his farming operations. The $2,500,000 requested for loans for the construction of these plants would provide approximately 100 of these plants in carefully selected locations. These loans would be self-liquidating through the medium of the rentals charged for the lockers and since they are substantial consumers of electricity they would strengthen the rural electrification projects whose lines would service them.
Legal Aspects

The Rural Electrification Act of 1936 authorizes the Rural Electrification Administration to engage in the activities covered by this request for additional funds, although to date most federal financing of electrical appliances has been done by the Electric Home and Farm Authority. A broader program encouraging the acquisition of electric appliances for the farm and for the rural home will require the Rural Electrification Administration to finance many of these acquisitions.

It is desirable that any bill making available the requested funds should provide an exemption from paragraphs (c) and (d) of section 3 of the Rural Electrification Act of 1936, which provide a formula for making mandatory allotments of a certain proportion of the loans to each state. Granting this exemption would expedite the program by making it possible to lend the funds in those states where they can be used without delay.

It is also desirable that such a bill should provide a 1 percent rate of interest on loans whose maturities do not exceed seven years. Such a provision, reducing the cost of financing, will materially aid the appliance industry by stimulating appliance sales.

Provision must also be made for a substantial increase in administrative expenses to enable the Rural Electrification Administration to carry the new program forward effectively and expeditiously.

Scheduling of the Program

Based on the three following conditions, it is anticipated that
the following schedule could be achieved:

1) Provided that there was sufficient assurance by early August 1939 of the likelihood of new funds being available for loans by January 1, 1940, to permit building up an increased staff and initiating preparatory field work, and

2) Provided that loan contracts could be executed legally by January 15, 1940, and

3) Provided that adequate administrative funds are available.

All figures are cumulative.

<table>
<thead>
<tr>
<th>Allotments Made</th>
<th>Loan Contracts Executed</th>
<th>Construction, Installation or Acquisition Completed</th>
<th>Funds Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>By March 31, 1940 $ 80,000,000</td>
<td>$ 40,000,000</td>
<td>$ 5,000,000</td>
<td>$ 2,500,000</td>
</tr>
<tr>
<td>By June 30, 1940 $110,000,000</td>
<td>$ 90,000,000</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>By September 30, 1940</td>
<td>$100,000,000</td>
<td>$55,000,000</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>By December 31, 1940</td>
<td>$110,000,000</td>
<td>$80,000,000</td>
<td>$60,000,000</td>
</tr>
</tbody>
</table>

Balance of program to be completed in the first six months of 1941.

Loans Are Reasonably Secure

The Rural Electrification Act of 1936 provides that these loans shall be self-liquidating and that they shall not be made "unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed." While it may be too early to pass final judgment as to these loans, it is noteworthy that over 90 per cent of the borrowers are meeting their
payments on loans for lines and for generating plants, and approximately 98 per cent of the borrowers are meeting their payments on loans for wiring and plumbing.

June 12, 1939
SUGGESTED LOANS

by a

RURAL TELEPHONE ADMINISTRATION

Summary of Proposal

It is suggested that a Rural Telephone Administration be created with broad powers, including that of making loans for the construction of new telephone lines, for the rehabilitation of old lines and for the financing of such incidental acquisitions and mergers as may be required. $100,000,000 should be set aside for loans by this new Administration. The loans should be self-liquidating within 25 years and bear interest at 2½ percent and should be made primarily to telephone companies which are cooperative or mutual in character.

Any program designed to stimulate industry and create additional employment by means of self-liquidating loans should include the lending of funds for providing telephone service to those rural families which are now without such service and to rebuilding and rehabilitating the major portion of existing farm telephone lines so as to modernize existing farm telephone facilities and provide an acceptable standard of rural telephone service. Such public sources of information as have been consulted indicate that only one farm family in three has telephone service and most of the telephone plant providing this farm service is quite obsolete and in very bad condition. The last 20 years have seen no progress in extending telephone service to additional farm families and it is generally understood that the
large telephone systems are not interested in extending farm telephone service. Federal assistance is clearly indicated.

Existing Farm Cooperative and Mutual Companies

A recent survey indicated that there were some 2,600 mutual and cooperative telephone companies. In addition to these there were some 31,000 mutual and cooperative connecting telephone lines and systems. Those covered by the survey reported an investment in plant and equipment of approximately $31,000,000 against which less than $400,000 was owed.

It can be seen from the foregoing that farmer cooperatives are an important factor in the rural telephone field. The debt-free character of their plant will materially simplify the problem of reconstructing or rehabilitating it on the basis of long term federal loans. Many of these existing rural telephone cooperatives and, under favorable conditions, many of the 600 rural electric cooperatives are prospective borrowers of federal funds for the construction of new telephone lines to serve rural areas where telephone service is not today available.

Program Non-Competitive and Profitable to Existing Telephone Companies

The activities of the suggested Rural Telephone Administration would be, by statute and by its nature, non-competitive in character. There would be no competition with existing telephone companies and in
building new lines the rendering of service would be limited to those rural families who are without telephone service at the present time.

It is anticipated that such a non-competitive program would be very beneficial to the major telephone systems in the United States and it is believed that the support of these existing telephone systems could be enlisted for the proposed program.

Every new telephone provides business for existing exchanges and is a potential source of toll charges for long distance calls. Every existing telephone subscriber with unsatisfactory telephone service, whether or not such service is due to obsolete equipment or to badly depreciated lines and plant, tends to be a liability to the telephone industry. The improvement in his service through rebuilding the lines serving him will tend to make him a better customer and to increase the volume of his business which adds to the revenues of existing exchanges and toll systems.

The proposed program, as the suggested $100,000,000 of loans is being translated into construction and rehabilitation, will add to the revenues of the largest private telephone system in still another way, for it is anticipated that a considerable proportion of the required telephone equipment will be purchased from its manufacturing affiliate.

Specific Industries Benefited

It is estimated that approximately $80,000,000 will be required for the purchase of telephone equipment, poles, conductor and other material needed for the suggested program. Listed below are some of the
industrial concerns which would profit from this business:

**Telephone Equipment Companies**

- Western Electric Company
- Kellogg Switchboard and Supply Company
- North Electric Manufacturing Company
- Cook Electric Company
- Automatic Electric Company
- Stromberg-Carlson
- Leich Sales Corporation

**Pole Supplying Companies**

- Brown Brothers Preserving Company
- Frost Lumber Industries
- Joslyn Manufacturing & Supply Company
- Pensacola Creosoting Company
- Wood Preserving Corporation
- E. J. Carney
- Valentine Clark Corporation
- Eppinger & Russell Company
- Long Bell Lumber Company
- T. J. Moss Tie Company
- Republic Creosoting Company
- American Creosoting Company
- T. M. Partridge Company
- F. B. Marska Cedar Company

**Conductor Companies**

- Aluminum Company of America
- Anaconda Steel Company
- American Steel & Wire Company
- Copperweld Steel
- Phelps-Dodge
- General Cable
- Rome Cable
- Kennecott Copper
- U. S. Rubber Company

The railroad industry and the trucking industry will profit from the long heavy hauls of poles, conductor and equipment which will be required to bring the needed materials to the construction crews.

It is anticipated that in excess of 30,000,000 man-hours of labor, most of it unskilled or semi-skilled, would be required for construction. This estimate does not include the indirect labor, the total of which would be several times as great as that of the construction labor, nor does it include any measure of the services of engineers, lawyers and other professional men and technicians throughout the United States.
1,250,000 Farm Families Benefited

It is estimated that loans provided by the proposed program would make possible the building or rebuilding of rural telephone lines to serve more than one and one quarter million farm families.

Scheduling of Program

Considerable further study of the problems involved in the proposed program is required to provide an accurate estimate of the progress it can be expected to make.

It is tentatively estimated that under favorable conditions, and with efficient administration, the program can make the following progress:

All figures are cumulative.

<table>
<thead>
<tr>
<th>Date</th>
<th>Allotments Made</th>
<th>Loan Contracts Executed</th>
<th>Construction Completed</th>
<th>Funds Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1940</td>
<td>$10,000,000</td>
<td>$5,000,000</td>
<td>$2,500,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Dec. 31, 1940</td>
<td>$40,000,000</td>
<td>$25,000,000</td>
<td>$10,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>June 30, 1941</td>
<td>$90,000,000</td>
<td>$65,000,000</td>
<td>$35,000,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>Dec. 31, 1941</td>
<td>$100,000,000</td>
<td>$90,000,000</td>
<td>$60,000,000</td>
<td>$45,000,000</td>
</tr>
<tr>
<td>June 30, 1941</td>
<td></td>
<td>$100,000</td>
<td>$85,000,000</td>
<td>$70,000,000</td>
</tr>
</tbody>
</table>

Balance of program to be completed in 1942.

The above is predicated on the assumption that preliminary organization work and the assembling of the nucleus of an Administration can be started in the early fall of 1939.
Quality of the Loans

The statute setting up the proposed Administration should provide that the Administrator find and certify that in his judgment the security for the loan is reasonably adequate and that such loans will be repaid within the time agreed. On the basis of available data, it is estimated by engineers with some experience in rural telephone work that, by providing an acceptable standard of rural service and an average monthly charge of approximately $1.75 for each connection, these rural telephone systems will, with reasonably efficient management, produce sufficient revenue to pay the necessary operating expenses and to amortize the loans required to build them.

June 11, 1939
### Funds Available on July 1, 1939, for Public Works and Estimated Expenditures for the Fiscal Year 1940

(In millions of dollars)

<table>
<thead>
<tr>
<th>Program</th>
<th>Available July 1, 1939-1940</th>
<th>Estimated expenditures fiscal year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>General public works program</td>
<td>85</td>
<td>59</td>
</tr>
<tr>
<td>Rural Electrification Administration</td>
<td>65</td>
<td>43</td>
</tr>
<tr>
<td>U. S. Maritime Commission</td>
<td>165</td>
<td>80</td>
</tr>
<tr>
<td>Army</td>
<td>116</td>
<td>69</td>
</tr>
<tr>
<td>Navy</td>
<td>67</td>
<td>42</td>
</tr>
<tr>
<td>Works Progress Administration</td>
<td>1,577</td>
<td>1,477</td>
</tr>
<tr>
<td>Public Works Administration</td>
<td>575</td>
<td>380</td>
</tr>
<tr>
<td>Public buildings</td>
<td>116</td>
<td>62</td>
</tr>
<tr>
<td>Good roads</td>
<td>255</td>
<td>212</td>
</tr>
<tr>
<td>Reclamation projects</td>
<td>88</td>
<td>65</td>
</tr>
<tr>
<td>Tennessee Valley Authority</td>
<td>47</td>
<td>40</td>
</tr>
<tr>
<td>Rivers and harbors and flood control</td>
<td>325</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>3,481</td>
<td>2,687</td>
</tr>
</tbody>
</table>

| Army (aviation, ordnance, etc.)              | 310                          | 164                                    |
| Navy (ship construction, aviation, ordnance, etc.) | 432                          | 336                                    |
|                                              | 742                          | 500                                    |
|                                              | 2,187                        |                                        |

HDW/lsr
6/9/39
Outline of Proposal

1. Obtain legislation for a new federal corporation or authority, tied in with the Bureau of Public Roads, with the powers:
   
a. To finance state and local authorities in land acquisition and construction of traffic facilities, including superhighways, bridges, tunnels, and municipal express highways and boulevards through congested or slum areas;

b. To acquire, or to finance the acquisition of, land for the rights of way of above projects, and adjacent land whose value will be increased as the result of such project, and to finance the development of such adjacent land;

c. Program to be undertaken when its costs may reasonably be covered from (1) tolls, (2) rentals, (3) profits on resale, (4) concessions, (5) current highway income from gas taxes, etc.

d. To issue debentures and bonds for sale to the public (directly or through R.F.C.), with federal guarantee of principal and interest;

e. The authority to operate on a revolving fund basis.

2. Start at once the acquisition of land and the construction, where feasible, of the attached list of projects, resulting in expenditures as follows: (fiscal years)

<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>For land</td>
<td>207</td>
<td>161</td>
<td>88</td>
<td>36</td>
</tr>
<tr>
<td>For construction</td>
<td>618</td>
<td>961</td>
<td>609</td>
<td>173</td>
</tr>
<tr>
<td>Total</td>
<td>825</td>
<td>1,122</td>
<td>697</td>
<td>209</td>
</tr>
</tbody>
</table>

More projects could be developed subsequently, maintaining the volume of construction for a number of years additional, if that was found desirable.

3. The projects included in the above program are believed to be self-liquidating as a whole, the excess income from some projects covering the partial deficits from others. The estimated income is made up in part of tolls, and in part of rents and profits on excess land.
4. Not more than 25 per cent of this program duplicates construction that would otherwise be undertaken under regular road funds, and therefore at least 75 per cent of it is a net addition to probable current expenditures.

5. In London, construction of boulevards through congested areas has been found practical on a self-liquidating basis, the rentals from the property adjoining two new thoroughfares from Holborn to the Strand--Kingsway and Aldwyck--being sufficient to completely repay all costs. The project was initiated in 1899 and three quarters of the cost has already been paid back. There are great possibilities for similar projects in American cities, particularly in connection with slum clearance programs, parks, etc.
<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I General Statement</td>
<td>1</td>
</tr>
<tr>
<td>II Suggested General Principals to be Included in Legislation</td>
<td>11</td>
</tr>
<tr>
<td>III Summary Table of Expenditures By Purpose and Fiscal Years</td>
<td>14</td>
</tr>
<tr>
<td>IV Statement of Percentage of Self-Liquidation</td>
<td>15</td>
</tr>
<tr>
<td>V Map Showing Location of Tentative Projects</td>
<td>16</td>
</tr>
<tr>
<td>VI Tentative Program of Individual Projects</td>
<td>17</td>
</tr>
</tbody>
</table>
Three general methods are available for the total or partial self-liquidation of the cost of traffic facilities. These are:

1. Tolls collected from the traffic,
2. The acquisition of bordering land and subsequent sale or lease at a profit (method of excess taking),
3. Operation at a profit of certain traffic services such as gasoline filling stations, lunch rooms and rest hotels or the lease of concessions to supply such services.

The possibilities of successful use of each of these methods and the limitations of each are indicated as follows:

Tolls. - Liquidation of the cost of traffic facilities through toll collection depends upon the attraction of toll-paying traffic in sufficient volume to recover the cost of the facility at a rate of toll payable by the traffic. As toll highways must generally compete with more or less adequate free highways serving the same traffic sources, their patronage depends upon the offering of substantially more attractive facilities. Such superior attraction, at the present stage of free highway development, must
include complete elimination of cross traffic at grade, a maximum of separation of the lines of moving traffic on the toll facility itself, complete or virtually complete elimination of obstruction and danger of collision with vehicles entering the toll highway, involving the necessity of limited access and entrances at relatively long intervals. As the large majority of existing highway usage consists of trips of shorter length than the essential interval between entrances to a toll facility, the proportion of traffic now moving over free highways paralleling the line of any proposed toll facility which could use the toll facility, if offered, is necessarily—a relatively small part. Of such part a considerable proportion must be counted unavailable because of inability or unwillingness to pay any toll. This is inevitable in view of the fact that the large percentage of highway users are persons whose incomes lie in the groups below $2500 per year. Combination of the above factors: namely the necessity of offering super-facilities involving high costs, the elimination of short distance traffic, and the elimination of an additional group of users who are unwilling or unable to pay, results in the requirement of a relatively high rate of toll, payable by only a small proportion of the existing free highway movement. In general there is a greater prospect of the use of toll facilities by trucks than by passenger cars. At best it is believed that no more than 1/3 of the total movement which would use a free super-highway with limited access can be counted upon as available for the payment of tolls on a competing toll facility. This would generally be from 10 to 15 percent of the existing total movement on the present main highways between similar destination points.
In general the prospects of self-liquidation by tolls are more favorable for tunnels and bridges than for highways. In the case of these latter facilities, the competition of free facilities may generally be excluded and the toll cost offset by savings of time, distance, and vehicle operating cost; 100% self-liquidation is possible where the facility is wisely located.

Excess Taking. - The acquisition of an excess of land bordering upon a traffic facility in rural territory with the expectation of subsequent disposal at a profit is generally inconsistent with operation of the traffic facility as either a toll facility or a freeway of limited access. Increase in the value of the land may generally be expected only where free access to the traffic facility is provided. Where access is denied the effect of the facility upon the value of bordering land may be actually detrimental. There may be, however, a considerable possibility of profit in the acquisition of land at or in the near vicinity of the entrances to either a toll facility or a freeway of limited access. Acquisition of considerable tracts of land at such points would permit the development of what may be described as highway towns and such tracts offer attractive opportunity of development as the sites of low-cost housing, rural resettlement and a decentralized, semi-rural industry. Government acquisition of the land will permit absolute control of the development and a substantial profit may be possible over a period of years which will offset the cost of the traffic facility.
It is in cities that the method of excess taking offers perhaps the most attractive possibilities. The experience in London with the financing of the Kingsway and Northumberland Avenue improvements is indicative of what may be expected.

The Kingsway improvement was sanctioned in 1899. It resulted in the creation between Holborn and the Strand of two great thoroughfares - Kingsway and Aldwyck - out of a mass of mean streets and slums which formerly stood on the site. The scheme provided for the construction of new thoroughfares 100 feet wide, having a total length of approximately three-quarters of a mile. More than 600 properties, covering an area of approximately 28 acres, were acquired for the improvement and demolished. The area of the land dedicated to public streets was about 12-1/4 acres, leaving about 15-3/4 acres of surplus lands available for recoupment purposes. From these lands the London County Council receives about £143,000 annually in ground rents and the buildings erected on the lands have cost approximately £5,000,000. A sum of £966 a year is received by the Council in respect of betterment charges.
A total of £735,507 has been received from the sale of sites and other sites valued at £225,191 were transferred in settlement of claims on a reinstatement basis. The total debt charges incurred for the improvement to March 31, 1936 (£5,209,563), plus the net debt outstanding at that date (£3,208,607), amounted to £8,418,170. Against this the aggregate rents received, plus the value of the leased sites, amounted to £6,009,931. The difference (£2,408,239) may therefore be said to represent the net cost to the taxpayer up to March 31, 1936. The annual net charges to be carried by taxes (that is, the total debt charges less the rents and improvement charges), which in 1935-36 amounted to £60,752, will be reduced as loan charges diminish. In the year 1955-56 it is anticipated that there will be a small surplus of £2,000. This and ensuing surpluses will be a credit to the tax account year by year. A large part of the debt will become extinguished in 1961-62, so that the total debt charges in that year will decrease by about £114,177.

In 1965-66 the surplus for the year is estimated at £1,113,725, increasing later to £1,400,000, the debt being finally paid off in 1987-88. The properties will thereafter be an unencumbered asset, so far as existing debt is concerned.

It is understood that a somewhat similar experience has followed the construction of Northumberland Avenue from Trafalgar Square to the Embankment, in connection with which there was a similar use of the method of excess taking for the financing of this now direct artery.

This English experience is of particular interest in view of the urgent need that exists at present in many of the older and larger
cities of the United States, to do three things: (1) Open up the
block plan of the old business section so as to provide wider streets
for the accommodation of present and expected heavy traffic flows and
also to provide really adequate facilities for the disposal or parking
of the vehicles of workers during the working day; (2) the cutting
through to such business sections of express arteries joining them
with the principal rural highways and residential and suburban sections
(more than half of all traffic on the main highways approaching most
cities is destined to or bound from the business section); (3) the
reclamation of the belt of decaying property that generally fringes
the old business section, resulting from the outward movement of
residents who now find it unnecessary to live close to the places of
business, (in this fringe there lies the possibility of providing
the additional space necessary for opening up of the business section
block plan and also the development of both low-cost and high-cost
downtown apartment housing).

The three types of development here mentioned are not simply
desirable. They are, as we look to the immediate future, imperative.
They can be properly carried out only if they are carried out under a
single unified plan which provides for all three. The attempt to deal
with them separately will inevitably engender a conflict of purpose
and economic loss. If they are dealt with together the large public
cost may be in considerable measure recovered by the certain increase
in the value of the land and property affected; and this seems to offer
the only prospect of public recovery of such costs.
Examples of the effectiveness of express highways joining the business section with the outer suburbs and rural main highways are supplied by the Westchester County Parkways in combination with the improvements of other main arteries, such as the Westside improvements in New York City, and by the recently constructed St. Louis express highway. This latter project has a total length of approximately 41.5 miles, of which 34.7 miles are without, and 6.8 miles within, the city limits. Two important units in the 41.5 mile route lie on developed thoroughfares involving no current improvements. The most interesting section is that which has been built as a depressed freeway within the city, passing under all of the cross streets. While the conception and plan of this section is perhaps not as bold as it might well have been, the excellent express service it furnishes is abundantly indicative of the value of such improvements. The actual cost of acquiring property for the improvement was approximately $825,000, in spite of the fact that a considerable portion of the route lies through a public park. The cost of the construction work was approximately $1,600,000. In this case the method of excess taking was not employed.

Provision of, or Lease of Concessions to Provide, Traffic Services. — On traffic facilities operated either as toll facilities or as freeways of limited access, the control of access and abutting land makes possible a public monopoly of the services of motor fuel sale and catering to the subsistence and lodging necessities of travelers. These services may be publicly operated or may be operated through concession to private operators, in either case
substantial profit. An interesting example of the possibility in this direction is found in the plan of the German Government to operate rest hotels at convenient intervals along the elaborate system of Reichsautobahnen.

Federal Aid in Acquisition of Rights of Way for Free Highways

The proposed Federal authority would make possible financing of the construction of traffic facilities in any of the above described ways. The authority proposed is intentionally made broad enough also to permit another form of aid to the development of the free highway facilities that are becoming urgently necessary, specially in and near the metropolitan areas. The increase of traffic in such areas is fast making it necessary to enlarge the existing two-lane highways built during the last 20 years to provide four or more lanes. Such multiple-lane highways must, in the interest of safety, have dividing spaces to separate the traffic flowing in opposite directions.

Because of the large volume of their traffic, it is highly important that free movement be assured by a control of access and the use of abutting property. All of this will entail the public acquisition of a large amount of right of way in areas where land costs are necessarily high. Each year now the needed mileage increases but its provision by the States is hampered by the difficulty, or in some cases the virtual impossibility, of acquiring the necessary land.

In this way a large volume of expensive but absolutely necessary
improvement is being dangerously deferred, and will accumulate a formidable burden of expenditure within a few years. It is highly desirable that this inevitable expenditure be spread over as long a period as possible and, to that end, it is desirable that means be found to aid the States in acquiring the essential rights of way. The means suggested is the purchase of such rights of way by the proposed Federal agency and rental to the several State highway departments, over a long period, on terms which will recover to the United States the amount invested, either without interest or with nominal interest. By this means it is believed that the difficulties (and in some cases constitutional inhibitions) with which the States are confronted in the effort to negotiate loans, may be overcome. It is believed that practically all State highway departments now possess sufficient authority to permit them to pay a rental for right of way supplied, and although in some cases it will not be possible for the present State authorities to commit their successors, it is believed that obligations thus incurred will be as fully honored as any contractual obligations between the Federal Government and the States. It is repeated that the purpose of this method is the provision of right of way necessary to facilitate the construction of vitally needed free highway facilities.

**Tentative List of Self-liquidating Projects**

There is attached a tentative list of projects involving the provision of traffic facilities which can be set in motion promptly and which will be either in whole or in considerable part self-liquidating.
certain of these projects there is the probability of operation a profit. Others will doubtless fail to produce a revenue sufficient to liquidate the investment in them. Taken together there is the possibility that the losses on certain projects will be compensated by profits on others.

The proposal contemplates a pooling of all revenues and liabilities of the suggested Federal Authority and such a selection of projects as to maintain a reasonable balance between revenues and liabilities in the operations as a whole over a period of years.

There is also attached a general outline of the basic features that should be included in legislation designed to create the Federal Authority and to effectuate the purposes herein proposed.
Legislation to set up a Federal Authority for acquiring lands for traffic facilities and for developing excess lands so acquired should embody the following:

1. The Authority should be set up under the Secretary of Agriculture with the Chief, Bureau of Public Roads, as Administrator, the Bureau of Public Roads organization to be expanded and utilized.

2. The Authority should have corporate status, should have a capitalization of $50,000,000, to be subscribed by the Secretary of the Treasury, and should be empowered to issue obligations in the form of notes, bonds, or other debentures of not to exceed $1,000,000,000 in any one year, the total of such obligations outstanding at any one time not to exceed $5,000,000,000. Such obligations should be guaranteed upon their face by the United States and should the Authority be without money to pay the same, principal and interest, when due and on demand such payment should be made by the Secretary of the Treasury who should succeed to all the rights of the holder.

3. The Authority, subject to the Civil Service laws and the Classification Act, as amended, should have power to select, employ, and fix the compensation of such officers, employees, or agents as it may deem necessary for the performance of its duties, and to expend any moneys in its possession in meeting the necessary expenses of its operation.
4. The Authority should be given power to acquire lands,
interests or interests in lands, by purchase, gift, condemnation,
or otherwise, and to arrange for the utilization of lands or
interests in lands so acquired by sale or lease to the States and
their political or other subdivisions or to private persons, firms,
or corporations, and to make loans to such private persons, firms,
or corporations for the development of traffic facilities or other
authorized facilities on such lands.

5. The Authority should be empowered where condemnation is
necessary in acquiring any lands or interests in lands to proceed
under such Federal or State laws as will most expeditiously place
it in possession of such lands or interest in lands for the purpose
intended.

6. The Authority should have the power to recapture any
lands sold or leased, including any developments thereon, on
failure of the purchaser or lessee to carry out the purchase or
lease agreement, and to complete such developments and to retain
and operate the same pending arrangements for other utilization
and operation thereof.

7. It may occur that a whole tract of land adjacent to the
right of way necessary for the traffic facility can be purchased
at no greater or less cost than to acquire only part of it and to
pay resulting damages to the owner of the remainder. No limit, there¬fore, which will interfere with acquiring the whole of tracts of land under such circumstances should be prescribed as to width of acquisition.

8. The Authority should have the power to formulate and keep current a program of projects for the location and construction of highways, bridges, tunnels, viaducts, grade crossings, and other structures designed to facilitate traffic flow or reduce traffic hazards, including the development of areas adjacent to such facilities to provide for suitable roadside development, emergency landing fields and flight strips for airplanes, locations for development of industries, low-rent and low-cost housing projects, and other business enterprises.

9. The proceeds of the sale or leasing of any properties by the Authority shall be utilized by the Authority in amortizing its outstanding obligations and in meeting its administrative expenses, the purpose being that the Authority so far as feasible and practicable shall be self-liquidating over a long period of time.
### Statement of Estimated Possible Expenditures

(By Fiscal Years)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Millions of Dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for Land - all purposes</td>
<td>491.55 :</td>
<td>206.85 :</td>
<td>160.80 :</td>
<td>87.90 :</td>
<td>36.00 :</td>
</tr>
<tr>
<td>&quot; Constr. &quot;</td>
<td>2,361.15 :</td>
<td>618.00 :</td>
<td>961.35 :</td>
<td>609.20 :</td>
<td>172.60 :</td>
</tr>
<tr>
<td>Grand Total</td>
<td>2,852.70 :</td>
<td>824.85 :</td>
<td>1,122.15 :</td>
<td>697.10 :</td>
<td>208.60 :</td>
</tr>
</tbody>
</table>

Allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct right of way</td>
<td>211.70 :</td>
<td>89.10 :</td>
<td>69.20 :</td>
<td>37.90 :</td>
<td>15.50 :</td>
</tr>
<tr>
<td>Construction on right of way</td>
<td>1,242.55 :</td>
<td>324.90 :</td>
<td>506.05 :</td>
<td>320.60 :</td>
<td>91.00 :</td>
</tr>
<tr>
<td>Total</td>
<td>1,454.25 :</td>
<td>414.00 :</td>
<td>575.25 :</td>
<td>358.50 :</td>
<td>106.50 :</td>
</tr>
</tbody>
</table>

Excess Land

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction on excess land</td>
<td>279.85 :</td>
<td>117.85 :</td>
<td>91.50 :</td>
<td>50.10 :</td>
<td>20.40 :</td>
</tr>
<tr>
<td>Total</td>
<td>1,118.60 :</td>
<td>233.10 :</td>
<td>455.30 :</td>
<td>288.60 :</td>
<td>81.60 :</td>
</tr>
</tbody>
</table>

Total

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,398.45 :</td>
<td>410.95 :</td>
<td>546.80 :</td>
<td>338.70 :</td>
<td>102.00 :</td>
</tr>
</tbody>
</table>
STATEMENT OF ESTIMATED PERCENTAGE
OF SELF-LIQUIDATION OF TENTATIVE PROGRAM OF PROJECTS

Based on an average appreciation of 20% of excess land and construction thereon, the program of $2,852.7 million is estimated to be self-liquidating over a period of 50 years.

Based on an average appreciation of 106% of excess land only, the program is estimated to be self-liquidating over a period of 50 years.

Based on Direct Construction of Traffic facilities, the program is estimated to be 76% self-liquidating.
(1) A through highway of divided roadway type with a minimum of four traffic lanes and all-grade crossings eliminated from Richmond, Virginia, to Boston, passing west of Washington, Baltimore, Philadelphia, Trenton and New York with approaches to cities, estimated length 526 miles; estimated cost, including 300 feet of right of way for construction only, 300 million dollars.

As a toll facility estimated to be 80 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 140 million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 560 million dollars. Appreciation of land value necessary to make project self-liquidating 42 percent. Appreciation of land and construction value necessary to make project self-liquidating 9.5 percent.
(2) Bridges over Little Egg Inlet and Brigantine Inlet to connect U. S. Route 9 near Tuckerton and Atlantic City and avoid a circuitous route between Tuckerton and Atlantic City; estimated length of project 5 miles, estimated cost including 300-foot right of way for construction only 10 million dollars.

As a toll facility estimated to be 30 percent self-liquidating on the above cost.

Additional land adjacent to the right of way estimated to cost 200 thousand dollars. Appreciation of land and construction value necessary to make project self-liquidating 71 percent.
(2) A tunnel under the Delaware River in the vicinity of Chester, Pennsylvania, with approaches, is estimated to cost 15 million dollars.

As a toll facility estimated to be 50 percent self-liquidating on the above cost.

Additional land adjacent to the tunnel acquired through excess condemnation. Estimated to cost one million dollars. Estimated construction which may be generated on such land 4 million dollars.

Appreciation of land value to make project self-liquidating 750 percent. Appreciation of land and construction value to make project self-liquidating 47 percent.
(4) Delaware River bridge or tunnel at Wilmington. A bridge and a tunnel have been considered at this point and a commission appointed by the Governor of Delaware now investigating the feasibility of both. The bridge originally proposed was estimated to cost between 7 and 8 million dollars. It has been strongly opposed by both the Army and Navy Departments. The proposed tunnel with approaches is estimated to cost 16 million dollars. The War Department stipulated that it must be sunk to -50 elevation. The location heretofore considered for both tunnel and bridge is about 3 miles south of Wilmington where the crossing is a little less than a mile wide.

As a toll facility estimated to be 70 percent self-liquidating on the above cost.

Appreciation of construction value necessary to make project self-liquidating 30 percent.
(5) Bridge over Baltimore Harbor. Plans are developed for a bridge connecting the Fairfield section of Baltimore on the south side of the harbor with the Canton section on the north side of the harbor by means of a bridge the through truss spans of which total 6,790 feet. The bridge, with approaches, is estimated to cost 11 million dollars. This bridge will provide for a possible connection between the Governor Nice highway, east of Baltimore toward Philadelphia, and the Baltimore-Washington road south of Baltimore by-passing Baltimore on the east.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

Additional land acquired through excess condemnation, Estimated to cost three and one-half million dollars for 1,000 feet average on each side of right of way exclusive of the bridge and from the connection with the Governor Nice highway to the connection with the Baltimore-Washington road. Estimated construction which may be generated on such land 14 million dollars.
(6) A bridge across Chesapeake Bay between Sandy Point near Annapolis and Kent Island, with approaches, is estimated to cost 15 million dollars.

As a toll facility estimated to be 70 percent self-liquidating on the above cost.

No additional land adjacent to the right of way is to be acquired through excess condemnation. Appreciation of right of way and construction value necessary to make project self-liquidating 30 percent.
(7) Bridge over Mackinac Straits. Surveys are now
made for a bridge to run from a point north of Mackinaw
City on Route 51 to the southernmost point of the northern
coastline of Michigan east of St. Ignace. The length will be
a little over 4 miles and the cost is estimated to be 30 million
dollars.

As a toll facility estimated to be 25 percent self-
liquidating on the above cost.

Appreciation of construction value necessary to make
project self-liquidating 75 percent.
A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from a connection with Angola, Indiana, on the Chicago-Buffalo Road to Detroit; estimated length 114 miles, estimated cost including 200-foot right of way for construction only 40 million dollars.

As a toll facility estimated to be 60 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 13 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 52 million dollars. Appreciation of land value necessary to make project self-liquidating 123 percent. Appreciation of land and construction value necessary to make project self-liquidating 30 percent.
(9) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from the Illinois-Indiana line in the vicinity of New, Indiana, eastwardly, and to the south of Toledo, Cleveland, and Erie to Buffalo, New York, with approaches to cities; estimated length 490 miles, estimated cost including 300-foot right of way for construction only $175,000.

As a toll facility estimated to be 65 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 52 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 208 million dollars. Appreciation of land value to make project self-liquidating 118 percent. Appreciation of land and construction value necessary to make project self-liquidating 27 percent.
10. A depressed highway along Congress Street in Chicago from the Loop to the western city limits. The estimated cost of land used for the construction is 20 million dollars and the estimated cost of construction 5 million dollars - the total cost of construction being 25 million dollars including right of way.

This project is not considered as a toll facility.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 10 million dollars. Estimated construction which may be generated on such land 40 million dollars. Appreciation of land value necessary to make project self-liquidating 250 percent. Appreciation of land and construction value necessary to make project self-liquidating 71 percent.
(11) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from the Illinois-Wisconsin State line to the Indiana State line in the vicinity of Gary, Indiana, being an outer through belt line with necessary approach connections to Chicago, estimated length 96 miles, estimated cost, including 100-foot right of way for construction only, $6 million dollars.

As a toll facility estimated to be 50 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $5 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land $60 million dollars. Appreciation of land value necessary to make project self-liquidating 153 percent. Appreciation of land and construction value necessary to make project self-liquidating 38 percent.
(12) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated for the major portion of the distance between the Wisconsin-Illinois line and Milwaukee, Fond du Lac, Oshkosh, and Green Bay, with approaches to cities, estimated length about 175 miles; estimated cost including 300-foot right of way for construction only 40 million dollars.

As a toll facility estimated to be 75 percent self-liquidating on the above cost. Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 12 million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 48 million dollars. Appreciation of land value necessary to make project self-liquidating 83 percent. Appreciation of land and construction value necessary to make project self-liquidating 20 percent.
(13) An interstate bridge between Wisconsin and Minnesota on U. S. Route 12 across the St. Croix River at Stillwater, Wisconsin. Estimated cost $1,500,000.

As a toll facility estimated to be 100 percent self-sustaining on the above cost if the existing inadequate toll bridge is abandoned.
(14) A high-level bridge between Duluth, Minnesota, and Superior, Wisconsin, at the head of Lake Superior. The estimated cost of this project, with approaches, is 4 million dollars.

As a toll facility estimated to be 75 percent self-liquidating on the above cost.

Additional land adjacent to the approaches acquired through excess condemnation. Estimated to cost $200,000. Estimated construction which may be generated on such land $800,000. Appreciation of land value necessary to make project self-liquidating 500 percent. Appreciation of land and construction value necessary to make project self-liquidating 24 percent.
(15) A belt-line highway around St. Paul and Minneapolis, Minnesota, including one bridge across the Mississippi River near St. Paul, with all grade crossings eliminated, estimated length 51 miles; estimated cost including 300-foot right of way for construction only 15 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 5 million dollars for 1,000 feet average on each side of the right of way for one-third the length of highway. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 196 percent. Appreciation of land and construction value necessary to make project self-liquidating 49 percent.
A bridge across the Mississippi River at Dubuque, estimated to cost $3 million dollars. It may be necessary to close and abandon the present inadequate bridges.

As a toll facility estimated to be 100 percent self-sustaining on the above cost.

Additional land adjacent to the approaches to this structure acquired through excess condemnation. Estimated to cost $800,000. Estimated cost of construction which may be supported on such land $800,000.
(17) A bridge across the Mississippi River at Clinton, Iowa, estimated to cost 3 million dollars.

As a toll facility estimated to be 100 percent self-liquidating on the above cost if the present inadequate and poorly located bridges are abandoned.

Additional land adjacent to the approaches to this structure acquired through excess condemnation. Estimated to cost $300,000. Estimated construction which may generated on such land $800,000.
(16) A through highway consisting of two lanes with
land acquisition for four lanes, between Savannah and
Newnan, Georgia, with all grade crossings eliminated,
estimated length 70 miles; estimated cost including 300-foot
right of way for construction only 15 million dollars.

As a toll facility estimated to be 35 percent self-
liquidating on the above cost.

Additional land adjacent to the right of way acquired
through excess condemnation. Estimated to cost $2,300,000
for 1,000 feet average on each side of right of way for one-
third the length of highway. Estimated construction which
may be generated on such land $9,300,000. Appreciation of
land value necessary to make project self-liquidating 490 per-
cent. Appreciation of land and construction value necessary
to make project self-liquidating 65 percent.
(19) A through highway, two lane, with land acquisition for four lanes, with all grade crossings eliminated, from Jacksonville to Miami, length 325 miles, with approaches at cities; estimated cost including 300-foot right of way for construction only 30 million dollars.

As a toll facility estimated to be 80 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 10 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 40 million dollars. Appreciation of land value necessary to make project self-liquidating 60 percent. Appreciation of land and construction value necessary to make project self-liquidating 15 percent.
(20) A causeway from Gulfport, Mississippi, to Shippen Island. This is a recreational project serving the Mississippi coast for the States of Mississippi, Alabama, and Louisiana. It would be about 12 miles long and is estimated to cost $3 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $500,000. Estimated cost of construction which may be generated on such land 2 million dollars. Appreciation of land value necessary to make project self-liquidating 260 percent. Appreciation of land and construction value necessary to make project self-liquidating 52 percent.
(21) A bridge across the Mississippi River at
Memphis, Tennessee, with approaches, is estimated to cost
8 million dollars.

As a toll facility estimated to be 100 percent self-
liquidating, if the present inadequate free combination
railroad and highway bridge is abandoned for highway traffic.

Additional land adjacent to right of way acquired
through excess condemnation. Estimated to cost $1,500,000.
Estimated construction which may be generated on such land
6 million dollars.
A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Houston to Galveston, Texas, estimated length 51 miles; estimated cost including 300-foot right of way for construction only 8 million dollars.

As a toll facility estimated to be 60 percent self-liquidating on the above cost.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost one million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 4 million dollars. Appreciation of land value necessary to make project self-liquidating 320 percent. Appreciation of land and construction value necessary to make project self-liquidating 35.6 percent.
(33) The improvement of Central Boulevard in Dallas, Texas; estimated cost, including necessary right of way, $6 million dollars.

While there is a possibility of operating this improvement as a toll facility, this project at this time is considered as a non-toll facility.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $5 million dollars. Estimated construction which may be generated on such land $20 million dollars. Appreciation of land value necessary to make project self-liquidating 160 percent. Appreciation of land and construction value necessary to make project self-liquidating 61.5 percent.
A through highway of divided roadway type with a maximum of four traffic lanes and all grade crossings eliminated from Dallas to Fort Worth, Texas, with necessary connections to the cities, estimated length 25 miles; estimated cost including 300-foot right of way for construction only, $16,500,000.

As a toll facility estimated to be 75 percent self-liquidating on the above cost.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost 2 million dollars. Estimated construction which may be generated on such land 8 million dollars. Appreciation of land value necessary to make project self-liquidating 170 percent. Appreciation of land and construction value necessary to make project self-liquidating 21.5 percent.
(26) Front Street arterial development in Portland, Oregon; estimated cost, including right of way for construction, $12,000,000.

This is not considered as a self-liquidating toll facility. There is a possibility of this project being handled by loan and grant. The demand for improvement has been insistent but negotiation will probably be difficult.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost 5 million dollars. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 248 percent. Appreciation of land and construction value necessary to make project self-liquidating 71.4 percent.
(26) A bridge over the Columbia River near The Dalles in Oregon; estimated cost $1,500,000 including cost of right of way necessary for construction.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

It is probable that cooperation might possibly be arranged with the Washington Toll Bridge Authority in connection with construction of this facility.
(27) and (28) Two bridges near Wenatchie in Washington—one over the Columbia River and the Great Northern Railroad, and the other over the Columbia River alone; estimated cost, including necessary right of way for construction only, $4,250,000.

As toll facilities these two projects are estimated to be 100 percent self-liquidating on the above cost. It is possible that cooperation with the Washington Toll Bridge Authority might be arranged for the construction of these two projects.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated cost $250,000. Estimated construction which may be generated on such land one million dollars.
(29) A tunnel in the Snoqualmie Pass east of Seattle, Washington, estimated length 2.6 miles, tunnel to be a single facility with two sidewalks and the necessary ventilating equipment installed; estimated cost 4 million dollars.

The liquidation of this project through tolls alone would be doubtful. If the State would abandon surface route it is estimated that this project would be 100 percent self-sustaining on the above cost.
(30) Acquisition of right of way to be leased to State highway departments for construction by them with State and Federal-aid funds, estimated expenditure 30 million dollars a year. This would generate construction of approximately 120 million dollars a year.
Loans to Latin America for the Industrial Development of Latin America

1. Latin America presents a remarkable opportunity for economic development. Only capital and technical skill are needed to develop the area so that it could provide for a much larger population, for a higher standard of living and a greatly expanded foreign trade.

Latin America has the full natural resources of a continent still undeveloped. The industrial revolution has but barely begun in large areas in Latin America. It has a variety of climate, soil, harbors, minerals, valuable forest products and great agricultural possibilities.

2. If Latin America could obtain sufficient capital under favorable terms and conditions and if that capital could be devoted exclusively to productive development of the various countries, Latin America could within a generation become a prosperous and friendly neighbor and a great market for American products. It is quite within the realm of possibility that if properly developed our economic relations with Latin America could become within a generation as important as our economic relations with the rest of the world combined.

3. We have now a surfeit of both the capital and technical skill that Latin America so badly needs. To raise Latin America from its present status to that of a progressive, prosperous neighbor calls for a bold program conceived and executed in a spirit appropriate to the possibilities and involving economic aid in amounts commensurate with the task and provided under conditions consonant with our Good Neighbor policy. Each of the countries to the south of us have, of course, their special problems and economic assistance to each of them will vary in...
form, amount, terms and conditions. Yet all of the Latin American countries have in common the one handicap which we can remove to our mutual advantage, i.e., shortage of capital and technical skill.

4. Most instances of our recent assistance to Latin American countries are not the kind contemplated in this memorandum. Small loans used indirectly to provide government funds for the purpose of helping defaulted Latin American countries service their debts to foreign investors or to influence local political alignments are ineffective for the objectives herein envisaged. Nor are loans to facilitate exports to those countries on the scale undertaken, however desirable on their own account sufficient. They touch only one small part of the problem and on a scale absurdly small in proportion to the broad task that could be performed.

Economic developments to Latin America could be an important part of a domestic recovery program. It presents to us an even more important part of our international political program of peace, security and encouragement of democracy. This is no time for a timorous or traditional approach to the task. Now is the time to harmonize our economic program with our new political program of a Good Neighbor policy. Here is the opportunity for the exercise of great economic statesmanship at a point in history which may well prove decisive.

5. What can we do about it now?

(a) The program should be placed under the supervision of a Cabinet member who approaches the problem from a broad gauged point of view, who would not be bound by the traditions of his organization or hamstrung by deep-rooted hierarchy.
(b) Create by legislation a government bank whose sole function should be to assist in promoting the long-run economic development of Latin America.

The bank should have a capital of $300 million in common stock, purchased entirely by the government, with the power to issue $700 million in bonds guaranteed by the government as to interest and principal. The bank would have the power to issue an additional billion dollars in guaranteed bonds as the need arose. The purchase of common stock to $300 million might come out of the gold profit now in the Stabilization Fund or out of the $1.5 billion unissued silver certificates. Thus it would not involve an increase in the deficit.

6. The bank could make three types of loans.

(a) The most important type would be in the form of long-term loans for productive purposes. The loans in general should be devoted to domestic rehabilitation programs, including public works, creation of new industries and the modernization and expansion of existing industries. The program selecting the types of industries to be encouraged could be worked out by a joint planning board. The loans should be made under the following terms and conditions:

(1) Loans to be offered at low rates of interest, not more than 1 percent in excess of the cost of borrowing by the bank.

(2) The proceeds of the loan must be used exclusively for the purpose of developing public works and industrial enter-
prizes of a kind which will add to the productivity of the borrowing country in the not too distant future. The investments should be such as would eventually provide foreign exchange to repay the loans and which would be of a kind to increase trade with the United States.

(3) The borrowing country should be required to provide in local currency a proportion of the amount invested by the bank.

(4) Control and equity ownership of the projects must remain in the hands of the borrowing government or its nationals, although the United States might retain the power of active technical participation to insure efficient expenditure of the funds. At least 75 percent of the dollar loans made available must be expended in the United States and all imported goods or foreign services utilized in the construction of the project must be purchased in the United States.

(b) Extension of gold or silver loans for purposes of monetary stability. These loans need not be large in amount and should be for a short term and renewable. The loan should be so safeguarded as to prevent its use for purposes not contributing to the economic development of the borrowing country.

(c) The establishment of revolving credits for the financing of American exports to Latin America.

Loans made under the conditions indicated above will not only make substantial contributions to recovery now but will pave the path for greater business during the coming decades. It will serve to insure for the United States in the years to come a greater share of a greater volume of foreign trade.
There will likewise be much smaller losses in the loans than has been true in the past. One of the important reasons why loans to Latin American countries have had such a bad record of default is that the effective rates of interest have been exorbitantly high, and the bulk of the funds borrowed have not been employed for productive purposes or when so employed have been insufficiently used. The long run productivity of South American industries was not developed to provide the resources to meet the service charges. Economic enterprise in Latin America as developed by private foreign capital in the past has been directed toward exploiting those countries without adequate attention to their fundamental capacity and long-run interests. A low rate of interest accompanied by safeguards that the fund will be efficiently and wisely used will provide a far greater degree of security that the loans will be gladly and voluntarily repaid.

Furthermore, loans could be made under conditions which would improve our trade relations and protect them against further incumbrances by countries pursuing practices inimical to our trade. The proposed loan should be supplemented by measures designed to increase the ability of Latin American countries to meet their obligations that would be involved in the adoption of the above proposals. These measures could include stimulation of American tourist travel to Latin America, through grants of special rates on American vessels and by promotion of improved travel routes and by careful surveys of Latin American products with a view of promoting increased consumption in the United States of Latin American products, etc.
The above program is not dollar diplomacy; it is essentially different from so-called dollar diplomacy in that the latter meant the exploitation of a weak country by private American commercial and industrial interests with the aid of the American Government. This program would have as its base the development of industrial enterprises in Latin America that would be under the control and ownership of the borrowing country or their nationals and that there is no part of the program which envisages any action by the United States Government or threat of such action, subtle or overt, which would interfere with the inherent sovereignty and rights of those countries. The program is completely in the spirit of democracy for the objective of the mutual advantage of the United States and Latin America.
We need the additional business now China needs the goods and the

The need for China to carry through the proposals, would go far toward stimulating the success of the economic program, both short term and long term, of a loan or of the proposal to increase the yen. The loan may be of immediate use but the proposal to increase the yen would be far more permanent and would increase China's economic position. The loan would be a great contribution to a financial reorientation. The need to increase the yen would be very great. The two proposals together make a complete answer to the question of the yen's usefulness than each proposed alone.

China should apply for a loan of 100 million in the United States as a

The loan introduced in the loan

China and the neighboring people of China in the interest of the national interests and the present economic condition to encourage the yen. The loan is not a

further loan not to be immediately close.

The loan is to be used for the purpose of freeing the yen.

The loan is to be used to promote and encourage the extension of a loan of 100 million to China.

Regraded Unclassified
Extension of Credit to Russia and Settlement of Outstanding Debts

An extension of $250 million credit to Russia could accomplish three main things:

(1) Make substantial contributions to the solution of our surplus cotton problem.

(2) Be an important factor in helping recovery in the United States.

(3) Settle the outstanding debts between Russia and the United States, and clear the decks for future economic collaboration between the two most powerful countries in the world which, irrespective of their political differences, constitutes for the United States an important factor for economic improvement.

The proposal in outline is as follows:

(a) Negotiate for a settlement of the intergovernmental and private debts. A settlement can probably be reached at this time which would involve payments amounting to $15 to $20 million a year by Russia.

(b) The extension of a $250 million credit to Russia to be used exclusively for the following purposes and under the following conditions:

(1) $150 million to be expended within the next two years on products made chiefly of cotton, which are processed in the United States. This should absorb from one to two million bales of our surplus stocks.

(2) $50 million to be expended in the United States on machinery.

(3) $25 million to be expended on goods consisting chiefly of leather.

(4) $25 million to be expended on miscellaneous manufactured items.

(5) All imports to be shipped only on United States or Russian boats.
(6) Russia to agree not to reexport any of the material she purchases in the United States and not to export any raw cotton or textiles in excess of the value of exports of the three preceding years.

Terms of the loan: Ten year loan, amortized monthly at the rate of 10 percent a year and interest payments payable quarterly at 8 percent a year, and the difference between the cost to the government of borrowing and the 8 percent to be applied towards the settlement of their public and private debt to the United States.

The loan can be financed by special government guaranteed serial notes and hence not appear in the budget. Or it could be financed out of silver seigniorage at no cost. If it were financed out of silver seigniorage, it would help get the support of the silver interests who are eager to have the government make some use of the silver seigniorage.

(It may be worth considering that both the Russian loan and the Chinese loan, as well as the Latin American loans, may be all financed by special government guaranteed serial notes and hence not appear in the budget, or out of silver seigniorage at no cost.)

The effects of such a loan on (a) the current business situation and (b) the international political situation, would be startling.

(a) The cotton textile industry in the United States would have the biggest boom that it has experienced in many years. (The New England and Southeastern States would benefit very substantially and their representatives in Congress would be keenly aware of such benefits.)

(b) We would sell one to two million bales of cotton, which, I believe, is more cotton than the export subsidy scheme will dispose of. Moreover, the sale to Russia will not depress the price of the other cotton we sell, nor will it supply cotton at low prices to the aggressor nations, nor will it injure Brazil as will other plans for increasing cotton exports. Russia is probably the only market
in the world where we can sell cotton goods without interfering with world markets. Russia has an adequate supply of raw cotton but has inadequate means for processing that cotton.

Likewise, machine goods and leather industries would benefit which would give some added legislative support from the cattle states and industrial states.

From the point of view of Russia, the loan would probably be eagerly welcomed for the following reasons:

(1) Russia would be so anxious to improve her relations with the United States, for political as well as economic reasons, that she probably would consider this plan a small cost for such a purpose.

(2) Russia is badly in need of finished commodities, particularly of the character indicated above.

(3) Russia has ample supplies of raw cotton, but reports indicate that there is a shortage of processing equipment and a shortage of finished goods.

(4) Russia is probably eager to build up stocks of finished goods in preparation for international emergencies.

(5) Russia has adequate supplies of gold to easily take care of the current payments the loan would require. Russia is probably a good risk since she has met all of the obligations contracted for under the new regime.
Vacation Health Camps and Hostels

This project is to establish a series of vacation camps, resort centers and hostels all over the country to which young men and women and families could go for short periods of time, paying a fee to cover operating expenses. If this project were undertaken on a large scale the fee could be lower, probably about $1 a day. The camps could be under the supervision of the N.Y.A. and an interdepartmental committee representing the appropriate services -- National Parks Service, Forestry Service, Health Service, etc. -- which would have a hand in planning activities, all of which would be voluntary.

Camps in the South and on the West Coast could be open during the winter and some camps in the North would be open during the winter sports season. Small lodges and camping grounds could be provided nearby to make possible hiking trips through rough country.

One objective of this program would be to take a leaf from the dictators' books and stimulate recreational and healthful travel by young people to different parts of the United States. Transportation should, if possible, be provided free by means of special arrangements with the railroads and youths in the East should be sent West and those in the West should be sent East, etc.

Camps to be subsidized by the allocated services of W.P.A., C.C.C., N.Y.A., Forest Service, U.S. Public Health, etc. An appropriation of $50 million for the purpose of construction of camps, advertising, special administration, etc.

This program would involve approximately $200 million, of which $50 million could be expended during the coming year for construction and preparation of camps. For this project to be successful services, food, etc., would have to be provided at prices only sufficient to cover operating expenses, which should be made low through the cooperation of the various services. The first year the expenditures in camps by individuals taking advantage of facilities could reach $100 million but such expenditures would not be additional expenditures, inasmuch as the bulk of it would have been spent in any case in some other way.
UNITED STATES RAILROAD EQUIPMENT AUTHORITY

Proposal

Establish a railroad equipment authority, with capital stock owned by the Treasury, empowered to issue guaranteed debentures for the purpose of contracting for the purchase of new railroad rolling stock to be rented or leased to railroads.

Advantages

1. The stimulation of recovery

Expenditures of some $500 million on railroad equipment could be assured in the first year of operation. Apart from the stimulation this would afford the economy in general, it would provide work for the railroads’ own car shops and increase traffic for the roads themselves.

2. The removal of future bottlenecks

Preliminary estimates indicate that in order to handle the volume of traffic consequent upon the continuance of recovery at a desirable rate, yearly expenditures on rolling stock of about $800 million at present prices would have to be incurred in the period 1939-41. From the standpoint of the national economy, it would obviously be to our interest to utilize idle plant and labor in the immediate future in order to relieve the shortages, stoppages, and bottlenecks that will arise in freight traffic, the railroad equipment industry and in the steel industry with the continuance of recovery.
3. **A contribution to future stability**

The railroad equipment field has traditionally a feast and famine character and is consequently an important source of economic instability. A Federal authority, not pressed by financial considerations or immediate profit considerations, could level off the peaks and valleys of railroad equipment buying.

In addition, variation in rental rates for equipment would offer a highly desirable alternative to variations in freight rates as a means of bringing about greater stability in railroad net earnings.

4. **National defense**

A modernized supply of rolling stock adequate to handle the volume of traffic incident upon war appears to be an indispensable element in any comprehensive program of national defense. Moreover, experience in the handling of a national car pool will be invaluable in the event of war.

5. **Betterment of the financial structure of railroads**

The gradual substitution of rented and leased rolling stock for owned equipment would permit a reduction in the debt of railroads and a substitution of variable for fixed charges. Moreover, the proposal offers a means whereby the Government could stimulate private expenditures without getting deeper involved in the complicated financial structure of the railroads.
6. **Improved efficiency**

The proposal, through making possible continuous buying, greater standardization, and more liberal provisions for research, should permit very substantial reductions in costs to be achieved. It should also permit more efficient utilization of rolling stock in the handling of empties, etc.

7. **Relation to the "railroad problem"**

The proposal could be adopted independently and without prejudice to any comprehensive program of reorganization and consolidation of the railroads, which may take a long time to accomplish.

---

**Objections to the Proposal**

1. **Government ownership**

The proposal does, of course, involve a degree of Government ownership, so far as rolling stock is concerned. It may be pointed out here, however, that

   a. It is only a degree removed from the present practice of making loans to financially shaky roads;

   b. It is far removed from the actual Government operation of railroads as is practiced in certain other democratic countries such as Canada and Sweden;

   c. It is proposed that the Government operations be confined to research and ordering, renting or leasing equipment and that no construction or repair be undertaken in Government shops.
2. Loss to the Government

It may be objected that the authority's equipment will be used only during peak periods and years of exceptionally high traffic volume and that for the rest "the Government will be left holding the bag".

This objection can easily be disposed of by pointing out that this all depends on the terms of leasing or daily rentals. If they are set sufficiently low, it will pay the railroads to use the authority's equipment, and rely on old high-repair-cost equipment for peak requirements. Low rentals rates will also constitute an inducement to retire old equipment.

This way out, however, raises another objection. If rentals are set too low, the revenues of the authority will be inadequate to service its obligations and keep its equipment in good repair. It should, however, for the following reasons, prove possible for the authority to set sufficiently low rentals to induce the railroads to use its equipment and yet not suffer a loss:

a. It will have the advantage of borrowing at lower interest rates than the railroads can secure;

b. Being a very large and continuous buyer of standardized equipment it should be able to secure greater price concessions than any individual road could obtain;

c. There should be economies consequent upon the growth of a national car pool;

d. It will be in a position to charge higher rentals in good years to recoup any losses sustained in bad years.
Finally, it must be kept in mind that even though the authority should actually show a loss, this would not be incompatible with a large net national gain in more stable and higher national income, production and employment.

3. Technical difficulties

The proposal has been examined by a number of operating railroad men and although problems have been pointed out in connection with repairs, zoning, storage, etc., it appeared to be the general consensus that the problems would be similar to those now encountered in connection with "foreign" cars and the private leasing companies, such as Pacific Fruit Express, and various ways of meeting these problems were at hand.

In connection with the determination of the volume of new equipment of various types, it would appear feasible to make far better national estimates of the number of different types of freight cars and locomotives that a certain volume of traffic will require than could possibly be arrived at as the sum of individual estimates made independently by the various roads.

4. Inequities as between roads

Some companies have normally an excess of cars and others a deficiency. Some companies, therefore, would be in a better position to take advantage of low rentals on new equipment while others might suffer a loss of revenue now derived from the use of their cars by other lines.
Again, many roads now build a substantial amount of equipment in their own shops and individual hardships might result from the inevitable changes in the location of work consequent upon national bidding for a single buyer. These changes might be tempered by policies of the authority in distributing new equipment, repair and reconditioning work.

**Alternatives**

The alternatives appear to be either to do nothing or to stimulate railroad equipment purchases through loans to railroads from the R.F.C. on favorable terms.

It is said that if the R.F.C. should announce that it was prepared to purchase equipment trust certificates

a. up to 100 percent of the cost of new equipment,

b. at a 2 percent rate,

c. for comparatively long maturities,

d. the offer to be available for a limited period only,

a very large amount of anticipatory railroad equipment buying might be induced.

While this alternative is far better than doing nothing at all, it appears inferior on various counts to the proposal to establish an equipment authority.
1. **It lacks flexibility**

The chief objection, from the compensatory fiscal policy viewpoint, is that an emergency loan operation does not provide a mechanism through which the Government could operate continuously, and outside the budget, to smooth out fluctuations in expenditures in an important field. The economic problem confronting us is not a short term one. It will confront us in 1941 and thereafter as surely as in 1940.

With reference to the immediate situation, it is almost impossible to forecast the extent to which a favorable loan offer would be taken up. Once announced, it would be difficult to change the terms. If a big rush of orders ensued, deliveries would have to be spread over a future period, or else a temporary bottleneck would occur. If few orders came in, the terms could not be lowered further or the offer extended without arousing a sense of grievance on the part of those who had already availed themselves of the offer.

2. **There are definite obstacles in the way of offering terms that will really be effective**

The R.F.C. must consider the soundness of each individual loan and cannot explicitly rely upon averaging and upon higher interest returns in good years offsetting low returns in bad, as could the proposed authority. The most favorable terms offered to date by the R.F.C. were in connection with the purchase of equipment
trust certificates of the Southern Railroad for 100 percent of the cost of freight cars, at 4 percent, and for fifteen years.

In bad years, when on national economic grounds, expenditures on railroad equipment are most desirable, the credit of the railroads is weakest and, confronted with surplus equipment on the one hand and financial difficulties on the other, they would be most reluctant to borrow and purchase new equipment even on the most favorable terms.

3. **A loan operation does not offer a good possibility for securing cost reductions and efficiencies**

Each loan being an individual loan, there does not exist the same opportunity to derive the economies arising from large, continuous orders of standardized equipment, or from research, or from car pooling.

4. **Other implications**

Further large loans to the railroads would involve the Government still more in the complex financial structure of railroads, and would result in a further increase in railroad debt and fixed charges. Moreover, it would be difficult to refuse to other borrowers the particularly favorable terms that would have to be offered to the railroads.
FOOD STAMP PLAN

The Food Stamp Plan makes it possible for persons getting public assistance to increase their food purchases by 50 percent; their increased purchases are made entirely from among farm products determined to be "in surplus." This is the way it works:

1. Studies indicate that persons getting public assistance spend an average of about $1.00 a week per person for food.

2. On a voluntary basis, each person may buy a minimum of $1.00's worth of orange stamps a week for each member of the family. These are good for any food at any grocery store.

3. Persons buying orange stamps receive half again as many blue stamps free. These also are good at any grocery store but only for foods found to be "in surplus" by the Secretary of Agriculture. (Chiefly dairy products, fruits and vegetables; meats could easily be handled by this method, however.)

4. Grocers paste the stamps on $3.00 cards and redeem them largely at their banks. The government pays the banks from the same funds now used to purchase surplus commodities directly in carlots for shipment to the various states which in turn make distribution to families through food depots.

If participation throughout the country were the same as in Rochester, New York, some fifteen million eligible people would take advantage of this program. It would add 50¢ worth of food to each meal for each person who is now spending 50¢ a meal.
If the Congress passes the 237 million dollar appropriation for the Food Stamp program, the present diversion program, in addition to the 90 million dollar total would be available, about 100 million dollars to the 195 million dollar total would be available, about 100 million dollars to the purposes of Section 32 and the Conference Committee, in addition to the 237 million dollar appropriation for the coming fiscal year.

It would cost about 90 million dollars a year. Because of administrative problems connected with a new program, it appears to be clear to spend only 200 million dollars on such a program for the coming fiscal year.
STAMP PLAN FOR SURPLUS COTTON GOODS

In his Little Rock speech of May 26, Secretary Wallace indicated that we might extend the Food Stamp Plan principle to certain kinds of cotton goods. He said:

"The consumption of cotton goods in our own country is far lower than it ought to be because the families who need these goods most can't afford to buy them. A study covering 300,000 families was recently made of this subject and preliminary figures are now available.

They indicate that families with incomes of $5,000 and over spend nearly eight times as much money for cotton goods as non-relief families with incomes of less than $500 are able to spend.

If the 20 million families getting less than $2,000 a year spent as much for cotton goods as those getting between $2,000 and $3,000 a year, the cotton farmer would have a home outlet for an additional two million bales of cotton. Such a situation would add over half a billion dollars a year to the income of the cotton South, of which part would go to the cotton farmer and part would go to employ people in our cotton mills, on our railroads, and in our wholesale and retail dry goods stores throughout the country.

People having the lowest incomes buy the heavier kind of cotton goods first. This is because they need mattresses, comforters, blankets, sheets, towels, overalls, piece goods from which they can make clothes for all their children. If they bought such items as these, approximately 20 cents out of every dollar spent would go directly to the cotton farmer; roughly 50 cents out of every dollar would cover the cost of manufacturing, most of which would go to employ labor in our cotton mills; and about
30 cents out of every dollar would cover the cost of transportation and merchandising in our wholesale and retail dry goods stores.

"This is not a complete solution for the cotton problem, of course, but I feel as strongly as I did at Fort Worth last fall that the nation ought to find ways and means of turning its abundance of raw cotton into a greater abundance of cotton goods for our own people."

Preliminary tables supporting these statements are attached.

100 million dollars for the coming fiscal year would be enough to take care of the cotton goods requirements of the families now getting public assistance. It would move 400,000 bales of cotton through the normal channels of trade and, in addition to the groups now supporting the Food Stamp Plan, such a program undoubtedly would receive the approval of labor groups as well as of textile manufacturers. Were an additional 100 million dollars added, a great deal could be done for low-income groups not receiving public aid, although they could not be brought up to the maximum level indicated by the Secretary in his Little Rock speech. This, of course, would not be desirable the first year.

About 90% of the press has supported the Stamp Plan on an experimental basis. The country apparently is in a psychological mood to utilise the surpluses we have learned how to produce.
EXPANSION OF SELF-HELP ACTIVITIES

The self-help program is a program for organization of workshops in which unemployed people can use their idle time to make goods or provide services which they need for their own immediate use.

There are over five million people in the United States seeking work but employed neither in private industry nor in Governmental work programs.

Types of self-help are available for workers in virtually all parts of the United States. They range from processing of farm products in cities and towns near farm areas, to bakeries, canneries, sewing rooms, laundries, dry cleaning, wood cutting, and furniture repair in urban centers like Washington, D. C. Self-help programs can be adapted to elderly workers on old-age pensions, to unemployed workers on relief, to unskilled urban workers not on relief, to migrants from rural areas, and to highly skilled workers in their dull season. There is a place for some type of self-help on each step of the "workers' staircase".

It is assumed that nearly a million non-farm workers could be organized into self-help exchanges within two years. Assuming an average of 750,000 for the second year of operations, about 350,000 to 400,000 could probably be organized by the end of the first year.

Funds would be used for quarters, equipment, raw materials, motor trucks, light, gas, electricity, and personnel. A high-grade staff is needed for organization, management, and development of crafts and skill. The self-help program should not be a vocational training program, but emphasis on very high quality of management and craftsmanship are all-essential.

Insofar as possible State, local and private agencies would be encouraged to contribute raw materials, rental of quarters and possibly equipment.

Most Exchanges will probably provide part-time work as a supplement to, rather than a substitute for, private industry. Here the per capita cost should be about $200 per worker. The cost would be higher where the local situation made it desirable to provide full-time work, as in stranded communities, or where a new and economically sound product might be developed out of local resources.

Such workshops for the unemployed would provide the frame-
work for quick expansion of productive activity in periods of rising unemployment.

Assuming a $200 average the cost of the program the second year would be about $150,000,000. An amount equal to about half this, $50,000,000 could be spent in the first year. Every dollar of this money is spent with private industry.

The expenditure for staff and initial purchases of equipment would be relatively high in the beginning. The benefits are the return to private industry of workers who "graduate" from self-help, and productive activity and increasing consumption for those who cannot get private jobs. The return, in number of workers cared for, and in commodities available to each worker, should show a constantly increasing ratio to money invested. The funds are being invested in increasing skill and self-reliance of the unemployed.

It is extremely important in organizing such a program to allow for the utmost variety in organization, to fit the type of self-help in each area to specific local conditions. It is also important to allow for wide variation in the type of local participation and of financial assistance, in order to encourage both the local community and the unemployed workers to take the largest possible share in participation.

June 5, 1939
Book 196: Part III
6/14/39 - Original taken to White House

Draft #3.
## Expenditures from Appropriations or Funds

### Available for Aid to Farmers

(In millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940 (estimated)</th>
<th>1939 (estimated)</th>
<th>1938</th>
<th>1937</th>
<th>1936</th>
<th>1935</th>
<th>1934</th>
<th>1933</th>
<th>1932</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Agriculture:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Adjustment</td>
<td>1,904.2</td>
<td>139.0</td>
<td>259.6</td>
<td>54.9</td>
<td>53.1</td>
<td>396.8</td>
<td>711.8</td>
<td>289.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural contract</td>
<td>256.0</td>
<td>.3</td>
<td>.4</td>
<td>3.0</td>
<td>116.8</td>
<td>135.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soil Conservation and Domestic</td>
<td>1,461.3</td>
<td>400.0</td>
<td>400.0</td>
<td>303.8</td>
<td>357.2</td>
<td>.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Allotment Act</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Adjustment Act of 1938</td>
<td>190.0</td>
<td>150.0</td>
<td>40.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Farm Tenant Act</td>
<td>60.7</td>
<td>30.8</td>
<td>26.8</td>
<td>3.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Crop Insurance Act</td>
<td>13.0</td>
<td>5.0</td>
<td>8.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Farm Security Administration:</td>
<td>843.5</td>
<td>128.0</td>
<td>111.7</td>
<td>72.6</td>
<td>78.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,728.7</td>
<td>853.1</td>
<td>914.7</td>
<td>544.9</td>
<td>736.8</td>
<td>670.6</td>
<td>717.2</td>
<td>291.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Farm Credit Administration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crop Loans</td>
<td>97.0</td>
<td>12.8</td>
<td>12.3</td>
<td>3.6</td>
<td>27.4</td>
<td>1.3</td>
<td>4.4</td>
<td>52.4</td>
<td>37.1</td>
<td>61.9</td>
</tr>
<tr>
<td>Federal Farm Mortgage Corp.</td>
<td>221.0</td>
<td>7.3</td>
<td>8.0</td>
<td>5.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>199.9</td>
<td>.1</td>
<td>-</td>
</tr>
<tr>
<td>Federal Land Banks</td>
<td>472.5</td>
<td>29.7</td>
<td>29.9</td>
<td>69.8</td>
<td>64.2</td>
<td>60.0</td>
<td>48.0</td>
<td>46.1</td>
<td>125.0</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>541.3</td>
<td>4.6</td>
<td>.1</td>
<td>7.9</td>
<td>18.0</td>
<td>20.4</td>
<td>158.7</td>
<td>222.0</td>
<td>66.0</td>
<td>136.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,231.8</td>
<td>54.4</td>
<td>50.3</td>
<td>71.2</td>
<td>38.3</td>
<td>202.3</td>
<td>415.6</td>
<td>105.0</td>
<td>323.1</td>
<td>-</td>
</tr>
<tr>
<td>Commodity Credit Corporation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>.1</td>
<td>-</td>
<td>97.0</td>
<td>.1</td>
<td>2.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital impairment</td>
<td>273.3</td>
<td>60.0</td>
<td>119.0</td>
<td>94.3</td>
<td>-</td>
<td>97.0</td>
<td>.1</td>
<td>2.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>373.3</td>
<td>60.0</td>
<td>119.0</td>
<td>94.4</td>
<td>-</td>
<td>97.0</td>
<td>.1</td>
<td>2.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td>6,433.8</td>
<td>967.5</td>
<td>1,084.0</td>
<td>80.5</td>
<td>810.4</td>
<td>805.9</td>
<td>919.6</td>
<td>709.8</td>
<td>103.0</td>
<td>323.1</td>
</tr>
</tbody>
</table>

---

Notes:
- Excess of repayments, debit.
- Excludes of loans which are not included in the Budget.

Accounts and Deposits: June 13, 1939

Agri. Bill in Senate adds $378 M to 1940.
<table>
<thead>
<tr>
<th></th>
<th>Available July 1, 1939-40</th>
<th>Estimated expenditures fiscal year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>General public works program</td>
<td>85</td>
<td>53</td>
</tr>
<tr>
<td>Rural Electrification Administra</td>
<td>65</td>
<td>43</td>
</tr>
<tr>
<td>U. S. Maritime Commission</td>
<td>165</td>
<td>80</td>
</tr>
<tr>
<td>Army</td>
<td>116</td>
<td>63</td>
</tr>
<tr>
<td>Navy</td>
<td>67</td>
<td>42</td>
</tr>
<tr>
<td>Works Progress Administration</td>
<td>1,577</td>
<td>1,477</td>
</tr>
<tr>
<td>Public Works Administration</td>
<td>575</td>
<td>380</td>
</tr>
<tr>
<td>Public buildings</td>
<td>116</td>
<td>62</td>
</tr>
<tr>
<td>Good roads</td>
<td>255</td>
<td>212</td>
</tr>
<tr>
<td>Reclamation projects</td>
<td>88</td>
<td>65</td>
</tr>
<tr>
<td>Tennessee Valley Authority</td>
<td>47</td>
<td>40</td>
</tr>
<tr>
<td>Rivers and harbors and flood control</td>
<td>325</td>
<td>170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,481</strong></td>
<td><strong>2,687</strong></td>
</tr>
<tr>
<td>Army (aviation, ordnance, etc.)</td>
<td>310</td>
<td>164</td>
</tr>
<tr>
<td>Navy (ship construction, aviation, ordnance, etc.)</td>
<td>432</td>
<td>336</td>
</tr>
</tbody>
</table>
A. Projects which are in major part or in whole self-liquidating:

1. Increase in the borrowing powers of the United States Housing Authority by $800 million

2. Reduction of F.H.A. maximum interest in accord with the decline in long-term borrowing rates on high grade securities. The Federal Mortgage Association (under R.F.C.) buying rate for F.H.A. mortgages should be reduced correspondingly in order to make effective the reduction in the F.H.A. rates

3. Expansion of the self-liquidating portion of the Farm Tenancy Program to reach up to an additional 500,000 families of very low income who have not yet received any assistance from the Farm Tenancy Program. Present program calls for $165 million expenditure, of which $110 million is self-liquidating. This proposal would reduce the appropriation for the self-liquidating portion of the program to $100 million and grant power to borrow up to an additional $500 million in the fiscal year 1940 for self-liquidating projects developed during that year.

4. Expansion of rural electrification program to reach a maximum of one and a quarter million rural families not now receiving electric service nor likely to receive such service in the near future. Present program calls for expenditure of $40 million for the next fiscal year. This proposal provides for a $50 million appropriation and borrowing capacity up to ten times that amount for a ten year self-liquidating project

5. Federal toll authority. Self-liquidating toll roads, canals, bridge projects. Program submitted by Bureau of Public Roads calls for a $3 billion program for the next four years. Possibly $1 billion would be completely self-liquidating, of which $300 million might be expended in the calendar year 1940. The proposal is to give this Authority borrowing capacity up to $1 billion for the four year program
6. Extension of short-term and long-term loans for the purpose of promoting foreign trade. An expenditure of $500 million over the next couple of years for such purposes is feasible, of which $300 million could be used in 1940.

7. To stimulate construction of non-Federal public works of purely self-financing type the President could direct the RFC to make the loans at a sufficiently low rate of interest to stimulate borrowing for this purpose. The rate of interest envisaged as necessary to get results is a lower rate than the RFC customarily charges. No additional legislation will be necessary as the RFC already possesses this power.

8. Railroad equipment construction. The main sector of private enterprise in which expenditures have lagged and where the most serious bottlenecks will arise in the event of further marked recovery is railroad equipment.

Substantial expenditures can be secured in this field either

(a) By securing specific authorization for the RFC to make equipment loans at low rates of interest to the full cost of equipment for longer than customary maturities and to have the funds available for such purposes increased. Such loans should be available only for orders placed within a year and interest could well be waived for a two year period.

(b) By establishing a self-financing railroad equipment authority to purchase and lease equipment to the railroads. In this way we could make absolutely certain that necessary equipment in sizeable volume would be constructed in the next twelve months.

Neither of these methods would involve any charge on the budget, if the RFC is authorized to subscribe to the capital of the equipment corporation.
B. Projects which are not self-liquidating:

9. Rapid expansion of the Food Stamp Plan for distributing surplus commodities to all communities and extension to cover more commodities, including cotton textiles, clothing and dairy projects.

The present appropriation asked for ($113 million added to $90 million otherwise available) will leave $100 million available for the Food Stamp Plan for the fiscal year 1940. This program asks for $200 million more. The $300 million which would then be available for the Food Stamp Plan would take care of the bulk of the eligible persons now receiving some form of public assistance.

10. Expansion on a nation-wide basis of the self-help cooperatives, now successfully operated in Washington, D. C., Richmond and many Western States. (Appropriation of $200 million covers expenditures for fiscal years 1940 and 1941).

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,650</td>
</tr>
</tbody>
</table>

The above program calls for an expenditure and investment during the calendar year of 1940 of approximately $1.6 billion.

These sums are not all employment-creating expenditures. Of the $1.6 billion additional expenditures called for under this program in 1940, probably about $1 billion would create direct and indirect employment in the first instance. It is estimated that by the end of the calendar year 1940 at least one million more men would be employed as a result of this program.

If, in addition to the above program, something effective is done for non-Federal public works and for railroad equipment the increase in employment would be substantially higher.
Extension of U. S. Housing Program

Of the $800 million provided by the United States Housing Act in 1937 to be available for loans for slum clearance and low-rent housing $435 million has already been loaned and $225 million has been earmarked, making a total of $660 million. At the present time the U.S.H.A. is authorized to make grants-in-aid of $25 million a year to assist local housing projects. Substantially all U.S.H.A. funds have already been committed. Over 22,000 units have already been gotten under way and $55 million has actually been spent. The peak of the program will be reached in February 1940. At the present time 5,000 units are being started each month.

The small amount of funds actually expended under the U.S.H.A. program up to the present is chiefly attributable to the difficulties in land acquisition. The loan is made before the actual acquisition of land. The buying up of numerous small plots involves protracted delay.

Judging from the past experience of the U.S.H.A., the amount of this additional appropriation that may be expected to be spent in 1940 is probably only a small fraction of the appropriation. It apparently takes a long time before new contracts are negotiated and actually put into operation.
The budget recommended by the President for the Farm Security Administration for the fiscal year 1940 totals $165,457,150. Of this sum $110,153,725 is self-liquidating.

The proposed supplemental budget includes $500,000,000 in self-liquidating items, as follows:

I. $160,000,000 FOR REHABILITATION LOANS TO REACH APPROXIMATELY 300,000 LOW INCOME FARM FAMILIES, WHO ARE KNOWN TO BE ELIGIBLE AND IN URGENT NEED OF SUCH ASSISTANCE.

During the last four years 760,000 needy families have received such loans. At least 80 percent will be repaid at 5 percent interest. Losses are largely due to seven years of unprecedented drought in the Great Plains area. Under normal weather conditions, such loans should be 95 percent recoverable. They ordinarily are repayable over a five-year period.

Rehabilitation loans are spent for seed, livestock, family subsistence, and equipment needed to make these families self-supporting on the land. If they do not receive such aid, many of these 300,000 families inevitably will become dependent on relief.

The entire supplemental $160,000,000 could be disbursed within the 1940 fiscal year, if it were made available before November 1, 1939. If it were not available before March 1, 1940, not more than $80,000,000 of this supplemental sum could be disbursed within the fiscal year, because in general rehabilitation loans must be made at the beginning of the cropping season.

II. $100,000,000, TO REACH 200,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS FOR MINOR IMPROVEMENTS AND REPAIRS TO FARM HOMES AND BUILDINGS.

It is estimated that approximately 3,000,000 farm homes — largely occupied by sharecropper and tenant families — are inadequate by minimum health and living standards.

Loans averaging $500 each would be used for construction of sanitary privies, repairing wells to provide a safe water supply, screening windows, repairing home, and constructing tobacco barns, smoke houses, fences, and similar structures. Such loans would be virtually 100 percent recoverable.
Ordinarily such loans would be made to tenants who hold long-term leases. Such a loan program therefore would be a powerful instrument for improvement of the tenure system.

The program could be expected to cause a marked improvement in the health and income-producing capacity of the borrowers. Fencing, for example, would make possible a much greater degree of diversification on Southern farms, resulting in improved diet and less dependence on cash crops such as cotton.

This program could be put under way very quickly, since plans for each type of structure already have been prepared. Virtually the entire $100,000,000 would be spent either for durable goods or for construction.

III. $130,000,000, TO REACH 20,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS TO CO-OPERATIVE ASSOCIATIONS FOR PURCHASE OF LAND AND DEVELOPMENT OF FARMS AND HOMES.

It is believed that good agricultural land — particularly in the Mississippi Delta and Pacific Northwest areas — can be acquired at an average cost of $50 an acre; and that 60-acre farms, complete with homes, outbuildings, and fencing, can be developed for about $6,500 each, including all technical expense and land purchase costs.

This program could be put under way rapidly, because plans already have been prepared and a considerable number of large plantations are now under lease by co-operative associations with option to buy. Homes could be speedily erected by prefabrication methods, which already have proved highly successful, at a cost of about $1,100 each. This is believed to be the lowest cost at which comparable houses have ever been built, either by the Government or private industry.

Such a program would be a beginning toward replacing the collapsing plantation-sharecropper system with a more stable system of diversified, partially co-operative agriculture. Since these loans would be secured by land and physical properties, practically the entire sum could be considered as recoverable. Except for the $60,000,000 which would be spent for land, these expenditures would be for durable goods and construction.
IV. $100,000,000, TO REACH 20,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS TO SHARECROPPERS AND TENANTS TO ENABLE THEM TO PURCHASE FARMS.

This would be an expansion of the present Bankhead-Jones Farm Tenant program, and could be put into operation without delay. Since the loans would be secured by first mortgages, virtually the entire sum would be recoverable.

V. $10,000,000 TO REACH 10,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS TO PROVIDE WATER FACILITIES IN ARID AND SEMI-ARID REGIONS.

This program would finance the construction of irrigation wells, small dams, ditches, pipe lines, reservoirs and livestock watering facilities in the 17 Western States.

It would enable farmers in the Great Plains area to change over from wheat-raising to a more stable type of diversified agriculture. Consequently it would materially assist in halting wind erosion, resulting from improper farming practices.

Since the loans are secured by mortgages on land and water-conserving structures, the program would be at least 90 percent self-liquidating.

This work would be an expansion of the present water-facilities program, and could be started without delay.
Budget of the Farm Security Administration for the Fiscal Year 1940 as recommended by the President.

1. For rehabilitation supplemental loans to approximately 150,000 of the present borrowers and initial loans to approximately 75,000 low-income farm families ... $84,457,150.

2. For direct relief in the form of grants to needy farm families, particularly in areas affected by droughts, floods, etc. ... 20,000,000.

3. For loans to approximately 5000 farm tenants to enable them to purchase farms ... 23,750,000.

4. For construction of labor camps to provide sanitary living facilities for approximately 20,000 migratory farm laborers and their families ... 5,000,000.

5. For farm and home management assistance, investigation of applications, and for making, collecting and servicing loans and grants ... 18,879,975.

6. For providing voluntary farm debt adjustment service to debt burdened farmers ... 1,946,575.

7. For management, operations and expenses of completed resettlement projects ... 2,500,000.

8. For expenses in connection with the administration of the farm tenancy loan program ... 1,250,000.

9. For providing needed water facilities in arid and semi-arid areas ... 500,000.

10. For expenses of administering the rural rehabilitation loan, direct relief, migratory labor camp and voluntary farm debt adjustment programs ... 7,173,450.

TOTAL ... $165,457,150.
Rural Electrification Program

This proposal calls for a reorganization of the present Rural Electrification administration, which would give that agency the authority to borrow in the open market and to operate on the basis of a revolving fund in a manner similar to which the Commodity Credit Corporation now operates. The proposal calls for an appropriation by Congress of $50 million and power to borrow five or ten times that amount, depending upon the scale of operations that this authority is expected to conduct during the next ten years.
SELF-LIQUIDATING LOANS FOR RURAL ELECTRIFICATION

In the event that additional funds might be made available, the Rural Electrification Administration requests that $110,000,000 be provided for self-liquidating loans for rural electrification, in accordance with the following summary:

$110,000,000 is total for loans.

$ 72,000,000 for loans for line construction.
   terms: self-liquidating within a period of twenty-five years. Interest rate approximately 2\(\frac{1}{2}\) per cent.

$ 2,000,000 for loans for construction of generating plant and equipment.
   terms: self-liquidating within a period of twenty-five years. Interest rate approximately 2\(\frac{1}{2}\) per cent.

$ 5,000,000 for the installation of farm wiring.
   terms: self-liquidating within a period of seven years. Interest rate 1 per cent.

$ 4,500,000 for the acquisition and installation of plumbing and water systems.
   terms: self-liquidating within a period of seven years. Interest rate 1 per cent.

$ 24,000,000 for financing the purchase of electric appliances for farm and home use.
   terms: self-liquidating within a period of seven years. Interest rate 1 per cent.

$ 2,500,000 for the construction of cold storage locker plants.
   terms: self-liquidating within a period of seven years. Interest rate 1 per cent.
The Current Status of Rural Electrification

The Edison Electric Institute reports that on December 31, 1938, there were approximately 1,406,000 farms in the United States receiving central station electric service. One farm in five in the United States had electricity at the beginning of this year. This contrasts with a ratio of one farm in ten, four years ago, when the federal rural electrification program was started.

Since the creation of the Rural Electrification Administration in May 1935, there has been unprecedented progress in extending electric service in rural areas and the number of farms receiving electric service has doubled.

Requests for Loans Exceed Available Funds

For some months the Rural Electrification Administration has discouraged applications for loans in order to avoid finding itself burdened with a large number of disappointed applicants to whom loans could not be made because sufficient funds would not be available. Despite this unreceptive attitude, applications for loans have continued to pour into the Rural Electrification Administration.

Applications on hand and reported to be in the course of preparation are some $60,000,000 in excess of the Rural Electrification Administration's regular appropriation for loans for the fiscal year 1940. If a reasonable prospect for additional funds were to make it possible for the Rural Electrification Administration to encourage applications,
there would be no question of its ability to lend the $72,000,000 re-
quested for the construction of rural electric lines and the $38,000,000
for wiring, appliances, running water systems, etc., needed to insure adequate
use of electricity and, by so doing, help close the gaps between the
living standard of the farmer and that of his city cousin.

Fifty millions of the $72,000,000 is in demand for financing
the construction of rural lines in just 13 states. This demand is dis-
tributed as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Georgia</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Indiana</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Iowa</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Missouri</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Texas</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$3,000,000</td>
</tr>
</tbody>
</table>

Program Popular - Outlet for Private Power

This demand affords an indication of the strength of the rural
electrification movement. The rural electrification program of the feder-
al government is proving itself universally popular with the farmer and
a steady stream of letters testifies to the favor with which it is re-
garded by farmers, educators, public officials, manufacturers and labor.
It has been heartily endorsed by every national farm organization.

The new rural electric distribution lines provided for by ap-
propriations made to date will make electricity available to more than
half a million farm homes in forty-four states. The nationwide character
of this program may be readily seen by reference to Appendix A . As
these new lines have been energized and as a quarter of a million rural
families have had the benefits of electricity for the first time, the
favor with which the program is regarded has increased and the demands
for further extensions of service have been intensified.

Four years ago, practically the only opposition to this pro-
gram came from some of the private utility companies. Today, except
in very few states, most of this opposition is rapidly disappearing as
the private utility companies find a profitable market for their sur-
plus energy in the demands of rural electric cooperatives for wholesale
power. The majority of the rural electric line projects financed to
date by the Rural Electrification Administration purchase the energy
which they distribute from private power companies. Evidencing this
change of attitude, the Georgia Power Company, of the Commonwealth and
Southern system, advertises with pride that among the many services
which it is rendering the State of Georgia one of the foremost is the
supplying of wholesale energy to twenty-two REA-financed rural electric
cooperatives.

No Competition with Private Utilities

The non-competitive feature of the rural electrification
program is assured by Section 4 of the Rural Electrification Act of
1936, which provides that "The Administrator is authorized and empowered --
to make loans -- for the furnishing of electric energy to persons in
rural areas who are not receiving central station service." (Underlining
added). There has been a painstaking observance of this non-competitive
injunction of the statute and if the requested funds for loans for rural electrification are made available, they will be used to bring electricity to those people in rural areas who are without service.

Industry Benefits from Rural Line Construction

It is anticipated that approximately 65 per cent of the funds requested will be used for loans for the construction of rural electric lines. The program to date of the Rural Electrification Administration has demonstrated the wide distribution of benefits arising from the construction of these rural lines. The map attached as Appendix B shows the origin of many of the materials used. The keen competition of fabricators and vendors of the various materials used in rural line construction for an increasing portion of the total volume of business is explained by the fact that for every $100,000,000 loaned for rural line construction, approximately $12,500,000 goes into poles, $3,000,000 into line hardware and cross-arms, $500,000 into insulators, $12,000,000 into transformers, $8,000,000 into lightning arresters, cut-outs and brackets, $500,000 into grounding equipment $3,500,000 into guy wires, clamps, rods, and anchors, $1,000,000 into service wire, $2,500,000 into meters, and into conductors, the largest single item, almost $21,500,000 to be distributed among the copper, aluminum and steel interests.

Generating Plants for Isolated Areas

In connection with the request for $2,000,000 for loans for the construction of generating plants or generating equipment, it is pertinent.
to note that less than 2 per cent of the funds of the Rural Electrification Administration have been allotted for these purposes. It is desirable to have a limited amount available for these purposes in order to be able to provide sources of energy for remote rural areas.

**Equipment Loans Benefit Projects and Industry**

In its endeavor to acquaint the farmer who is receiving electricity for the first time with the many profitable uses of electricity and in its endeavor to make it possible for the farmer to use electricity extensively in the farm home and in farming operation, the Rural Electrification Administration is creating social values and is at the same time improving the quality of its loans through increasing the gross revenues of the projects it has financed.

In order to achieve these desirable social and financial goals, it is necessary that loans be made to enable the farmer to install adequate wiring, to purchase needed electrical equipment for his farm and family, and to put in sanitary running water systems serviced by electric pumps.

The Rural Electrification Administration has found that on the average the farmer spends approximately $100 for wiring and $200 for electric appliances. The average farm plumbing installation costs about $200 and it is anticipated that, by group installation and by mass production, this figure can be cut in half. Appropriations to date will provide electric service for approximately 500,000 farms and
the requested additional $72,000,000 would provide this service for
more than 150,000 additional farms.

The foregoing figures provide a gauge as to the size of the
virgin market being opened up for wiring, electric appliances,
plumbing and water systems. Manufacturers, wiring contractors, appli-
cance distributors, and labor will benefit by the manufacture, distri-
bution and installation of the equipment purchased by the farmer as a
direct result of having electricity available to him for the first time.

A survey of 74 rural electric line projects showed that,
after an average length of electric service of only six months, 86 per
cent had purchased radios, 81 per cent had purchased hand irons, 47 per
cent had purchased washing machines, 25 per cent had purchased refriger-
ators, 17 per cent had purchased water pumps and 9 per cent had pur-
chased small motors.

The recent development of the cold storage locker plant has
decreased the living costs of the farmer, improved his diet and helped
to diversify his farming operations. The $2,500,000 requested for
loans for the construction of these plants would provide approximately
100 of these plants in carefully selected locations. These loans would
be self-liquidating through the medium of the rentals charged for the
lockers and since they are substantial consumers of electricity they
would strengthen the rural electrification projects whose lines would
service them.
Legal Aspects

The Rural Electrification Act of 1936 authorizes the Rural Electrification Administration to engage in the activities covered by this request for additional funds, although to date most federal financing of electrical appliances has been done by the Electric Home and Farm Authority. A broader program encouraging the acquisition of electric appliances for the farm and for the rural home will require the Rural Electrification Administration to finance many of these acquisitions.

It is desirable that any bill making available the requested funds should provide an exemption from paragraphs (c) and (d) of section 3 of the Rural Electrification Act of 1936, which provide a formula for making mandatory allotments of a certain proportion of the loans to each state. Granting this exemption would expedite the program by making it possible to lend the funds in those states where they can be used without delay.

It is also desirable that such a bill should provide a 1 per cent rate of interest on loans whose maturities do not exceed seven years. Such a provision, reducing the cost of financing, will materially aid the appliance industry by stimulating appliance sales.

Provision must also be made for a substantial increase in administrative expenses to enable the Rural Electrification Administration to carry the new program forward effectively and expeditiously.

Scheduling of the Program

Based on the three following conditions, it is anticipated that
the following schedule could be achieved:

1) Provided that there was sufficient assurance by early August 1939 of the likelihood of new funds being available for loans by January 1, 1940, to permit building up an increased staff and initiating preparatory field work, and

2) Provided that loan contracts could be executed legally by January 15, 1940, and

3) Provided that adequate administrative funds are available.

All figures are cumulative.

<table>
<thead>
<tr>
<th></th>
<th>Allotments Made</th>
<th>Loan Contracts Executed</th>
<th>Construction, Installation or Acquisition Completed</th>
<th>Funds Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>By March 31, 1940</td>
<td>$ 80,000,000</td>
<td>$ 40,000,000</td>
<td>$ 5,000,000</td>
<td>$ 2,500,000</td>
</tr>
<tr>
<td>By June 30, 1940</td>
<td>$110,000,000</td>
<td>$ 90,000,000</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>By September 30, 1940</td>
<td>$100,000,000</td>
<td>$ 55,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By December 31, 1940</td>
<td>$110,000,000</td>
<td>$80,000,000</td>
<td></td>
<td>$60,000,000</td>
</tr>
</tbody>
</table>

Balance of program to be completed in the first six months of 1941.

Loans Are Reasonably Secure

The Rural Electrification Act of 1936 provides that these loans shall be self-liquidating and that they shall not be made "unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed."

While it may be too early to pass final judgment as to these loans, it is noteworthy that over 90 per cent of the borrowers are meeting their
payments on loans for lines and for generating plants, and approximately 98 per cent of the borrowers are meeting their payments on loans for wiring and plumbing.
ROAD PROGRAM

The public roads projects are still being investigated. It appears that there is some doubt as to whether a $3 billion program of self-liquidating projects over the next five years is feasible.

It also appears that if a program of self-liquidating projects is undertaken at once that it is not likely that more than $200 million to $300 million will be expended during the calendar year 1940. Further information on these points is expected to be available within a week. Field investigations are now being completed designed to yield definitive information on the project.

The specific projects proposed to date are in the following pages.
Outline of Proposal

1. Obtain legislation for a new federal corporation or authority, tied in with the Bureau of Public Roads, with the powers:

a. To finance state and local authorities in land acquisition and construction of traffic facilities, including super-highways, bridges, tunnels, and municipal express highways and boulevards through congested or slum areas;

b. To acquire, or to finance the acquisition of, land for the rights of way of above projects, and adjacent land whose value will be increased as the result of such project, and to finance the development of such adjacent land;

c. Program to be undertaken when its costs may reasonably be covered from (1) tolls, (2) rentals, (3) profits on resale, (4) concessions, (5) current highway income from gas taxes, etc.

d. To issue debentures and bonds for sale to the public (directly or through R.F.C.), with federal guarantee of principal and interest;

e. The authority to operate on a revolving fund basis.

2. Start at once the acquisition of land and the construction, where feasible, of the attached list of projects, resulting in expenditures as follows: (fiscal years)

<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>For land</td>
<td>207</td>
<td>161</td>
<td>88</td>
<td>36</td>
</tr>
<tr>
<td>For construction</td>
<td>618</td>
<td>961</td>
<td>609</td>
<td>173</td>
</tr>
<tr>
<td>Total</td>
<td>825</td>
<td>1,122</td>
<td>697</td>
<td>209</td>
</tr>
</tbody>
</table>

More projects could be developed subsequently, maintaining the volume of construction for a number of years additional, if that was found desirable.

3. The projects included in the above program are believed to be self-liquidating as a whole, the excess income from some projects covering the partial deficits from others. The estimated income is made up in part of tolls, and in part of rents and profits on excess land.
4. Not more than 25 per cent of this program duplicates construction that would otherwise be undertaken under regular road funds, and therefore at least 75 per cent of it is a net addition to probable current expenditures.

5. In London, construction of boulevards through congested areas has been found practical on a self-liquidating basis, the rentals from the property adjoining two new thoroughfares from Holborn to the Strand—Kingsway and Aldwych—being sufficient to completely repay all costs. The project was initiated in 1899 and three quarters of the cost has already been paid back. There are great possibilities for similar projects in American cities, particularly in connection with alum clearance programs, parks, etc.
<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>General Statement</td>
</tr>
<tr>
<td>II</td>
<td>Suggested General Principals to be Included in Legislation</td>
</tr>
<tr>
<td>III</td>
<td>Summary Table of Expenditures By Purpose and Fiscal Years</td>
</tr>
<tr>
<td>IV</td>
<td>Statement of Percentage of Self-Liquidation</td>
</tr>
<tr>
<td>V</td>
<td>Map Showing Location of Tentative Projects</td>
</tr>
<tr>
<td>VI</td>
<td>Tentative Program of Individual Projects</td>
</tr>
</tbody>
</table>
Three general methods are available for the total or partial self-liquidation of the cost of traffic facilities. These are:

1. Tolls collected from the traffic,
2. The acquisition of bordering land and subsequent sale or lease at a profit (method of excess taking),
3. Operation at a profit of certain traffic services such as gasoline filling stations, lunch rooms and rest hotels or the lease of concessions to supply such services.

The possibilities of successful use of each of these methods and the limitations of each are indicated as follows:

Tolls: - Liquidation of the cost of traffic facilities through toll collection depends upon the attraction of toll-paying traffic in sufficient volume to recover the cost of the facility at a rate of toll payable by the traffic. As toll highways must generally compete with more or less adequate free highways serving the same traffic sources, their patronage depends upon the offering of substantially more attractive facilities. Such superior attraction, at the present stage of free highway development, must
include complete elimination of cross traffic at grade, a maximum of separation of the lines of moving traffic on the toll facility itself, complete or virtually complete elimination of obstruction and danger of collision with vehicles entering the toll highway, involving the necessity of limited access and entrances at relatively long intervals. As the large majority of existing highway usage consists of trips of shorter length than the essential interval between entrances to a toll facility, the proportion of traffic now moving over free highways paralleling the line of any proposed toll facility which could use the toll facility, if offered, is necessarily a relatively small part. Of such part a considerable proportion must be counted unavailable because of inability or unwillingness to pay any toll. This is inevitable in view of the fact that the large percentage of highway users are persons whose incomes lie in the groups below $2500 per year. Combination of the above factors; namely the necessity of offering super-facilities involving high costs, the elimination of short distance traffic, and the elimination of an additional group of users who are unwilling or unable to pay, results in the requirement of a relatively high rate of toll, payable by only a small proportion of the existing free highway movement. In general there is a greater prospect of the use of toll facilities by trucks than by passenger cars. At best it is believed that no more than 1/3 of the total movement which would use a free super-highway with limited access can be counted upon as available for the payment of tolls on a competing toll facility. This would generally be from 10 to 15 percent of the existing total movement on the present main highways between similar destination points.
In general the prospects of self-liquidation by tolls are more favorable for tunnels and bridges than for highways. In the case of these latter facilities, the competition of free facilities may generally be excluded and the toll cost offset by savings of time, distance, and vehicle operating cost; 100% self-liquidation is possible where the facility is wisely located.

Excess Taking. — The acquisition of an excess of land bordering upon a traffic facility in rural territory with the expectation of subsequent disposal at a profit is generally inconsistent with operation of the traffic facility as either a toll facility or a freeway of limited access. Increase in the value of the land may generally be expected only where free access to the traffic facility is provided. Where access is denied the effect of the facility upon the value of bordering land may be actually detrimental. There may be, however, a considerable possibility of profit in the acquisition of land at or in the near vicinity of the entrances to either a toll facility or a freeway of limited access. Acquisition of considerable tracts of land at such points would permit the development of what may be described as highway towns and such tracts offer attractive opportunity of development as the sites of low-cost housing, rural resettlement and a decentralized, semi-rural industry. Government acquisition of the land will permit absolute control of the development and a substantial profit may be possible over a period of years which will offset the cost of the traffic facility.
It is in cities that the method of excess taking offers perhaps the most attractive possibilities. The experience in London with the financing of the Kingsway and Northumberland Avenue improvements is indicative of what may be expected.

The Kingsway improvement was sanctioned in 1899. It resulted in the creation between Holborn and the Strand of two great thoroughfares - Kingsway and Aldwyck - out of a mass of mean streets and slums which formerly stood on the site. The scheme provided for the construction of new thoroughfares 100 feet wide, having a total length of approximately three-quarters of a mile. More than 600 properties, covering an area of approximately 28 acres, were acquired for the improvement and demolished. The area of the land dedicated to public streets was about 12-1/4 acres, leaving about 15-3/4 acres of surplus lands available for recoupment purposes. From these lands the London County Council receives about £143,000 annually in ground rents and the buildings erected on the lands have cost approximately £5,000,000. A sum of £965 a year is received by the Council in respect of betterment charges.
A total of £735,507 has been received from the sale of sites and other sites valued at £225,191 were transferred in settlement of claims on a reinstatement basis. The total debt charges incurred for the improvement to March 31, 1936 (£5,209,363), plus the net debt outstanding at that date (£3,208,607), amounted to £8,418,170. Against this the aggregate rents received, plus the value of the leased sites, amounted to £6,009,931. The difference (£2,408,239) may therefore be said to represent the net cost to the taxpayer up to March 31, 1936. The annual net charges to be carried by taxes (that is, the total debt charges less the rents and improvement charges), which in 1935-36 amounted to £60,752, will be reduced as loan charges diminish. In the year 1955-56 it is anticipated that there will be a small surplus of £2,000. This and ensuing surpluses will be a credit to the tax account year by year. A large part of the debt will become extinguished in 1961-62, so that the total debt charges in that year will decrease by about £114,177. In 1965-66 the surplus for the year is estimated at £114,725, increasing later to £146,000, the debt being finally paid off in 1967-68. The properties will thereafter be an unencumbered asset, so far as existing debt is concerned.

It is understood that a somewhat similar experience has followed the construction of Northumberland Avenue from Trafalgar Square to the Embankment, in connection with which there was a similar use of the method of excess taking for the financing of this new direct artery.

This English experience is of particular interest in view of the urgent need that exists at present in many of the older and larger
cities of the United States, to do three things: (1) Open up the
block plan of the old business section so as to provide wider streets
for the accommodation of present and expected heavy traffic flows and
also to provide ready adequate facilities for the disposal or parking
of the vehicles of workers during the working day; (2) the cutting
through to such business sections of express arteri es joining them
with the principal rural highways and residential and suburban sections
(more than half of all traffic on the main highways approaching most
cities is destined to or bound from the business section); (3) the
reclamation of the belt of decaying property that generally fringes
the old business section, resulting from the outward movement of
residents who now find it unnecessary to live close to the places of
business, (in this fringe there lies the possibility of providing
the additional space necessary for opening up of the business section
block plan and also the development of both low-cost and high-cost
downtown apartment housing).

The three types of development here mentioned are not simply
desirable. They are, as we look to the immediate future, imperative.
They can be properly carried out only if they are carried out under a
single unified plan which provides for all three. The attempt to deal
with them separately will inevitably engender a conflict of purpose
and economic loss. If they are dealt with together the large public
cost may be in considerable measure recovered by the certain increase
in the value of the land and property affected; and this seems to offer
the only prospect of public recovery of such costs.
Examples of the effectiveness of express highways joining the business section with the outer suburbs and rural main highways are supplied by the Westchester County Parkways in combination with the improvements of other main arteries, such as the Westside improvements in New York City, and by the recently constructed St. Louis express highway. This latter project has a total length of approximately 41.5 miles, of which 34.7 miles are without, and 6.8 miles within, the city limits. Two important units in the 41.5 mile route lie on developed thoroughfares involving no current improvements. The most interesting section is that which has been built as a depressed freeway within the city, passing under all of the cross streets. While the conception and plan of this section is perhaps not as bold as it might well have been, the excellent express service it furnishes is abundantly indicative of the value of such improvements. The actual cost of acquiring property for the improvement was approximately $825,000, in spite of the fact that a considerable portion of the route lies through a public park. The cost of the construction work was approximately $1,600,000. In this case the method of excess taking was not employed.

Provision of, or Lease of Concessions to Provide, Traffic Services. - On traffic facilities operated either as toll facilities or as freeways of limited access, the control of access and abutting land makes possible a public monopoly of the services of motor fuel sale and catering to the subsistence and lodging necessities of travelers. These services may be publicly operated or may be operated through concession to private operators, in either case.
at a substantial profit. An interesting example of the possibility in this direction is found in the plan of the German Government to operate rest hotels at convenient intervals along the elaborate system of Reichsautobahnen.

Federal Aid in Acquisition of Rights of Way for Free Highways

The proposed Federal authority would make possible financing of the construction of traffic facilities in any of the above described ways. The authority proposed is intentionally made broad enough also to permit another form of aid to the development of the free highway facilities that are becoming urgently necessary, specially in and near the metropolitan areas. The increase of traffic in such areas is fast making it necessary to enlarge the existing two-lane highways built during the last 20 years to provide four or more lanes. Such multiple-lane highways must, in the interest of safety, have dividing spaces to separate the traffic flowing in opposite directions. Because of the large volume of their traffic, it is highly important that free movement be assured by a control of access and the use of abutting property. All of this will entail the public acquisition of a large amount of right of way in areas where land costs are necessarily high. Each year now the needed mileage increases but its provision by the States is hampered by the difficulty, or in some cases the virtual impossibility, of acquiring the necessary land. In this way a large volume of expensive but absolutely necessary
Improvement is being dangerously deferred, and will accumulate a formidable burden of expenditure within a few years. It is highly desirable that this inevitable expenditure be spread over as long a period as possible and, to that end, it is desirable that means be found to aid the States in acquiring the essential rights of way. The means suggested is the purchase of such rights of way by the proposed Federal agency and rental to the several State highway departments, over a long period, on terms which will recover to the United States the amount invested, either without interest or with nominal interest. By this means it is believed that the difficulties (and in some cases constitutional inhibitions) with which the States are confronted in the effort to negotiate loans, may be overcome. It is believed that practically all State highway departments now possess sufficient authority to permit them to pay a rental for right of way supplied, and although in some cases it will not be possible for the present State authorities to commit their successors, it is believed that obligations thus incurred will be as fully honored as any contractual obligations between the Federal Government and the States. It is repeated that the purpose of this method is the provision of right of way necessary to facilitate the construction of vitally needed free highway facilities.

Tentative List of Self-liquidating Projects

There is attached a tentative list of projects involving the provision of traffic facilities which can be set in motion promptly and which will be either in whole or in considerable part self-liquidating.
On certain of these projects there is the probability of operation at a profit. Others will doubtless fail to produce a revenue sufficient to liquidate the investment in them. Taken together there is the possibility that the losses on certain projects will be compensated by profits on others.

The proposal contemplates a pooling of all revenues and liabilities of the suggested Federal Authority and such a selection of projects as to maintain a reasonable balance between revenues and liabilities in the operations as a whole over a period of years.

There is also attached a general outline of the basic features that should be included in legislation designed to create the Federal Authority and to effectuate the purposes herein proposed.
Legislation to set up a Federal Authority for acquiring lands for traffic facilities and for developing roads, and such lands so acquired should be used for the following:

1. The Authority should be set up under the Secretary of Agriculture with the Chief, Bureau of Public Roads, as Administrator, the Bureau of Public Roads organization to be expanded and utilized.

2. The Authority should have corporate status, should have a capitalization of $50,000,000, to be subscribed by the Secretary of the Treasury, and should be empowered to issue obligations in the form of notes, bonds, or other debentures of not to exceed $1,000,000,000 in any one year, the total of such obligations outstanding at any one time not to exceed $5,000,000,000. Such obligations should be guaranteed upon their face by the United States and should the Authority be without money to pay the same, principal and interest, when due and on demand such payment should be made by the Secretary of the Treasury who should succeed to all the rights of the holder.

3. The Authority, subject to the Civil Service laws and the Classification Act, as amended, should have power to select, employ, and fix the compensation of such officers, employees, or agents as it may deem necessary for the performance of its duties, and to expend any moneys in its possession in meeting the necessary expenses of its operation.
4. The Authority should be given power to acquire lands, or rights or interests in lands, by purchase, gift, condemnation, or otherwise, and to arrange for the utilization of lands or interests in lands so acquired by sale or lease to the States and their political or other subdivisions or to private persons, firms, or corporations, and to make loans to such private persons, firms, or corporations for the development of traffic facilities or other authorized facilities on such lands.

5. The Authority should be empowered where condemnation is necessary in acquiring any lands or interests in lands to proceed under such Federal or State laws as will most expeditiously place it in possession of such lands or interest in lands for the purpose intended.

6. The Authority should have the power to recapture any lands sold or leased, including any developments thereon, on failure of the purchaser or lessee to carry out the purchase or lease agreement, and to complete such developments and to retain and operate the same pending arrangements for other utilization and operation thereof.

7. It may occur that a whole tract of land adjacent to the right-of-way necessary for the traffic facility can be purchased at no greater or less cost than to acquire only part of it and to
pay resulting damages to the owner of the remainder. No limit, therefore, which will interfere with acquiring the whole of tracts of land under such circumstances should be prescribed as to width of acquisition.

5. The Authority should have the power to formulate and keep current a program of projects for the location and construction of highways, bridges, tunnels, viaducts, grade crossings, and other structures designed to facilitate traffic flow or reduce traffic hazards, including the development of areas adjacent to such facilities to provide for suitable roadside development, emergency landing fields and flight strips for airplanes, locations for development of industries, low-rent and low-cost housing projects, and other business enterprises.

9. The proceeds of the sale or leasing of any properties by the Authority shall be utilized by the Authority in amortizing its outstanding obligations and in meeting its administrative expenses, the purpose being that the Authority so far as feasible and practicable shall be self-liquidating over a long period of time.
pay resulting damages to the owner of the remainder. No limit, therefore, which will interfere with acquiring the whole of tracts of land under such circumstances, should be prescribed as to width of acquisition.

8. The Authority should have the power to formulate and keep current a program of projects for the location and construction of highways, bridges, tunnels, viaducts, grade crossings, and other structures designed to facilitate traffic flow or reduce traffic hazards, including the development of areas adjacent to such facilities to provide for suitable roadside development, emergency landing fields and flight strips for airplanes, locations for development of industries, low-rent and low-cost housing projects, and other business enterprises.

9. The proceeds of the sale or leasing of any properties by the Authority shall be utilized by the Authority in amortizing its outstanding obligations and in meeting its administrative expenses, the purpose being that the Authority so far as feasible and practicable shall be self-liquidating over a long period of time.
## Statement of Estimated Possible Expenditures

*By Fiscal Years*

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total for Land - all purposes</strong></td>
<td>2,361.15</td>
<td>618.00</td>
<td>961.35</td>
<td>609.20</td>
<td>172.60</td>
</tr>
<tr>
<td>Constr.</td>
<td>491.55</td>
<td>206.85</td>
<td>160.80</td>
<td>87.90</td>
<td>36.00</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>2,852.70</td>
<td>824.85</td>
<td>1,122.15</td>
<td>697.10</td>
<td>208.60</td>
</tr>
</tbody>
</table>

Allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct right of way</strong></td>
<td>1,242.55</td>
<td>324.90</td>
<td>506.05</td>
<td>320.60</td>
<td>91.00</td>
</tr>
<tr>
<td>Construction on right of way</td>
<td>211.70</td>
<td>89.10</td>
<td>69.20</td>
<td>37.90</td>
<td>15.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,454.25</td>
<td>414.00</td>
<td>575.25</td>
<td>358.50</td>
<td>106.50</td>
</tr>
<tr>
<td><strong>Excess Land</strong></td>
<td>1,118.60</td>
<td>293.10</td>
<td>455.30</td>
<td>288.60</td>
<td>81.60</td>
</tr>
<tr>
<td>Construction on excess land</td>
<td>279.85</td>
<td>117.85</td>
<td>91.50</td>
<td>50.10</td>
<td>20.40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,398.45</td>
<td>410.95</td>
<td>546.80</td>
<td>338.70</td>
<td>102.00</td>
</tr>
</tbody>
</table>
STATEMENT OF ESTIMATED PERCENTAGE
OF SELF-LIQUIDATION OF TENTATIVE PROGRAM OF PROJECTS

Based on an average appreciation of 20% of excess land and construction thereon the program of $2,852.7 million is estimated to be self-liquidating over a period of 50 years.

Based on an average appreciation of 106% of excess land only the program is estimated to be self-liquidating over a period of 50 years.

Based on Direct Construction of Traffic facilities the program is estimated to be 76% self-liquidating.
(1) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Richmond, Virginia, to Boston, passing west of Washington, Baltimore, Philadelphia, Trenton and New York with approaches to cities, estimated length 525 miles; estimated cost, including 300 feet of right of way for construction only, 300 million dollars.

As a toll facility estimated to be 80 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 140 million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 560 million dollars. Appreciation of land value necessary to make project self-liquidating 42 percent. Appreciation of land and construction value necessary to make project self-liquidating 9.5 percent.
(2) Bridges over Little Egg Inlet and Brigantine Inlet to connect U. S. Route 9 near Tuckerton and Atlantic City and avoid a circuitous route between Tuckerton and Atlantic City: estimated length of project 5 miles, estimated cost including 300-foot right of way for construction only 10 million dollars.

As a toll facility estimated to be 30 percent self-liquidating on the above cost.

Addition land adjacent to the right of way estimated to cost 200 thousand dollars. Appreciation of land and construction value necessary to make project self-liquidating 71 percent.
(3) A tunnel under the Delaware River in the vicinity of Chester, Pennsylvania, with approaches, is estimated to cost 15 million dollars.

As a toll facility estimated to be 50 percent self-liquidating on the above cost.

Additional land adjacent to the tunnel acquired through excess condemnation. Estimated to cost one million dollars. Estimated construction which may be generated on such land 4 million dollars.

Appreciation of land value to make project self-liquidating 750 percent. Appreciation of land and construction value to make project self-liquidating 47 percent.
(4) Delaware River bridge or tunnel at Wilmington. Both a bridge and a tunnel have been considered at this point and a commission appointed by the Governor of Delaware is now investigating the feasibility of both. The bridge previously proposed was estimated to cost between 7 and 8 million dollars. It has been strongly opposed by both the War and Navy Departments. The proposed tunnel with approaches is estimated to cost 16 million dollars. The War Department has stipulated that it must be sunk to -50 elevation. The location heretofore considered for both tunnel and bridge is about 2 miles south of Wilmington where the crossing is a little less than a mile wide.

As a toll facility estimated to be 70 percent self-liquidating on the above cost.

Appreciation of construction value necessary to make project self-liquidating 30 percent.
(5) Bridge over Baltimore Harbor. Plans are developed for a bridge connecting the Fairfield section of Baltimore on the south side of the harbor with the Canton section on the north side of the harbor by means of a bridge the through truss spans of which total 6,790 feet. The bridge, with approaches, is estimated to cost 11 million dollars. This bridge will provide for a possible connection between the Governor Nice highway, east of Baltimore toward Philadelphia, and the Baltimore-Washington road south of Baltimore by-passing Baltimore on the east.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

Additional land acquired through excess condemnation. Estimated to cost three and one-half million dollars for 1,000 feet average on each side of right of way exclusive of the bridge and from the connection with the Governor Nice highway to the connection with the Baltimore-Washington road. Estimated construction which may be generated on such land 14 million dollars.
(6) A bridge across Chesapeake Bay between Sandy Point near Annapolis and Kent Island, with approaches, is estimated to cost 15 million dollars.

As a toll facility estimated to be 70 percent self-liquidating on the above cost.

No additional land adjacent to the right of way is to be acquired through excess condemnation. Appreciation of right of way and construction value necessary to make project self-liquidating 30 percent.
(7) Bridge over Mackinac Strait. Surveys are now being made for a bridge to run from a point north of Mackinaw City on Route 51 to the southernmost point of the northern peninsula of Michigan east of St. Ignace. The length will be a little over 4 miles and the cost is estimated to be 30 million dollars.

As a toll facility estimated to be 25 percent self-liquidating on the above cost.

Appreciation of construction value necessary to make project self-liquidating 75 percent.
(8) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from a connection with Angola, Indiana, on the Chicago-Buffalo road to Detroit; estimated length 114 miles, estimated cost including 300-foot right of way for construction only 40 million dollars.

As a toll facility estimated to be 60 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 13 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 52 million dollars. Appreciation of land value necessary to make project self-liquidating 123 percent. Appreciation of land and construction value necessary to make project self-liquidating 30 percent.
(9) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from the Illinois-Indiana line in the vicinity of Gary, Indiana, eastwardly, and to the south of Toledo, Cleveland, and Erie to Buffalo, New York, with approaches to cities; estimated length 490 miles, estimated cost including 300-foot right of way for construction only $175,000.

As a toll facility estimated to be 65 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 52 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 208 million dollars. Appreciation of land value to make project self-liquidating 118 percent. Appreciation of land and construction value necessary to make project self-liquidating 27 percent.
(10) A depressed highway along Congress Street in Chicago from the Loop to the western city limits. The estimated cost of land used for the construction is 20 million dollars and the estimated cost of construction 5 million dollars - the total cost of construction being 25 million dollars including right of way.

This project is not considered as a toll facility.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 10 million dollars. Estimated construction which may be generated on such land 40 million dollars. Appreciation of land value necessary to make project self-liquidating 250 percent. Appreciation of land and construction value necessary to make project self-liquidating 71 percent.
(11) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from the Illinois-Wisconsin State line to the Indiana State line in the vicinity of Gary, Indiana, being an outer through belt line with necessary approach connections to Chicago, estimated length 96 miles; estimated cost, including 300-foot right of way for construction only, 46 million dollars.

As a toll facility estimated to be 50 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 15 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 60 million dollars. Appreciation of land value necessary to make project self-liquidating 153 percent. Appreciation of land and construction value necessary to make project self-liquidating 38 percent.
(12) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated for the major portion of the distance between the Wisconsin-Illinois line and Milwaukee, Fond du Lac, Oshkosh, and Green Bay, with approaches to cities, estimated length about 175 miles; estimated cost including 300-foot right of way for construction only 40 million dollars.

As a toll facility estimated to be 75 percent self-liquidating on the above cost. Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 12 million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 43 million dollars. Appreciation of land value necessary to make project self-liquidating 83 percent. Appreciation of land and construction value necessary to make project self-liquidating 20 percent.
(13) An interstate bridge between Wisconsin and Minnesota on U. S. Route 12 across the St. Croix River at Hudson, Wisconsin. Estimated cost $1,500,000.

As a toll facility estimated to be 100 percent self-liquidating on the above cost if the existing inadequate toll bridge is abandoned.
(14) A high-level bridge between Duluth, Minnesota, and Superior, Wisconsin, at the head of Lake Superior. The estimated cost of this project, with approaches, is 4 million dollars.

As a toll facility estimated to be 75 percent self-liquidating on the above cost.

Additional land adjacent to the approaches acquired through excess condemnation. Estimated to cost $200,000. Estimated construction which may be generated on such land $800,000. Appreciation of land value necessary to make project self-liquidating 500 percent. Appreciation of land and construction value necessary to make project self-liquidating 34 percent.
(15) A belt-line highway around St. Paul and Minneapolis, Minnesota, including one bridge across the Mississippi River near St. Paul, with all grade crossings eliminated, estimated length 51 miles; estimated cost including 300-foot right of way for construction only 15 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 5 million dollars for 1,000 feet average on each side of the right of way for one-third the length of highway. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 196 percent. Appreciation of land and construction value necessary to make project self-liquidating 49 percent.
(16) A bridge across the Mississippi River at Dubuque, Iowa, estimated to cost $3 million dollars. It may be necessary to acquire and abandon the present inadequate bridges.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

Additional land adjacent to the approaches to this structure acquired through excess condemnation. Estimated to cost $200,000. Estimated cost of construction which may be generated on such land $800,000.
(17) A bridge across the Mississippi River at Clinton, Iowa, estimated to cost $3 million dollars.

As a toll facility estimated to be 100 percent self-liquidating on the above cost if the present inadequate and poorly located bridges are abandoned.

Additional land adjacent to the approaches to this structure acquired through excess condemnation. Estimated to cost $200,000. Estimated construction which may generated on such land $800,000.
(18) A through highway consisting of two lanes with land acquisition for four lanes, between Savannah and Brunswick, Georgia, with all grade crossings eliminated, estimated length 70 miles; estimated cost including 300-foot right of way for construction only 15 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $2,300,000 for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land $2,200,000. Appreciation of land value necessary to make project self-liquidating 490 percent. Appreciation of land and construction value necessary to make project self-liquidating 65 percent.
(19) A through highway, two lane, with land acquisition for four lanes, with all grade crossings eliminated, from Jacksonville to Miami, length 325 miles, with approaches at cities; estimated cost including 300-foot right of way for construction only 30 million dollars.

As a toll facility estimated to be 80 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 10 million dollars for 1,000 feet average on each side of right of way for one-third the length of highway. Estimated construction which may be generated on such land 40 million dollars. Appreciation of land value necessary to make project self-liquidating 60 percent. Appreciation of land and construction value necessary to make project self-liquidating 15 percent.
(20) A causeway from Gulfport, Mississippi, to Ship Island. This is a recreational project serving the Mississippi coast for the States of Mississippi, Alabama, and Louisiana. It would be about 12 miles long and is estimated to cost 2 million dollars.

As a toll facility estimated to be 35 percent self-liquidating on the above cost.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost $500,000. Estimated cost of construction which may be generated on such land 2 million dollars. Appreciation of land value necessary to make project self-liquidating 260 percent. Appreciation of land and construction value necessary to make project self-liquidating 52 percent.
(21) A bridge across the Mississippi River at Memphis, Tennessee, with approaches, is estimated to cost 6 million dollars.

As a toll facility estimated to be 100 percent self-liquidating, if the present inadequate free combination railroad and highway bridge is abandoned for highway traffic.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost $1,500,000. Estimated construction which may be generated on such land 6 million dollars.
A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Houston to Galveston, Texas, estimated length 51 miles; estimated cost including 300-foot right of way for construction only 8 million dollars.

As a toll facility estimated to be 60 percent self-liquidating on the above cost.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost one million dollars for 1,000 feet average on each side of right of way for one-third the length of the highway. Estimated construction which may be generated on such land 4 million dollars. Appreciation of land value necessary to make project self-liquidating 320 percent. Appreciation of land and construction value necessary to make project self-liquidating 35.6 percent.
(23) The improvement of Central Boulevard in Dallas, Texas: estimated cost, including necessary right of way, 8 million dollars.

While there is a possibility of operating this improvement as a toll facility, this project at this time is considered as a non-toll facility.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated to cost 5 million dollars. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 160 percent. Appreciation of land and construction value necessary to make project self-liquidating 61.6 percent.
(24) A through highway of divided roadway type with a minimum of four traffic lanes and all grade crossings eliminated from Dallas to Fort Worth, Texas, with necessary connections to the cities, estimated length 33 miles; estimated cost, including 300-foot right of way for construction only, $13,600,000.

As a toll facility estimated to be 75 percent self-liquidating on the above cost.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost 2 million dollars. Estimated construction which may be generated on such land 8 million dollars. Appreciation of land value necessary to make project self-liquidating 170 percent. Appreciation of land and construction value necessary to make project self-liquidating 21.8 percent.
(25) Front Street arterial development in Portland, Oregon; estimated cost, including right of way for construction, $12,400,000.

This is not considered as a self-liquidating toll facility. There is a possibility of this project being handled by loan and grant. The demand for improvement has been insistent but negotiation will probably be difficult.

Additional land adjacent to right of way acquired through excess condemnation. Estimated to cost 5 million dollars. Estimated construction which may be generated on such land 20 million dollars. Appreciation of land value necessary to make project self-liquidating 248 percent. Appreciation of land and construction value necessary to make project self-liquidating 71.4 percent.
A bridge over the Columbia River near The Dalles in Oregon: estimated cost $1,500,000 including cost of right of way necessary for construction.

As a toll facility estimated to be 100 percent self-liquidating on the above cost.

It is probable that cooperation might possibly be arranged with the Washington Toll Bridge Authority in connection with construction of this facility.
(27) and (28) Two bridges near Wenatchie in Washington — one over the Columbia River and the Great Northern Railroad, and the other over the Columbia River alone; estimated cost, including necessary right of way for construction only, $4,250,000.

As toll facilities these two projects are estimated to be 100 percent self-liquidating on the above cost. It is possible that cooperation with the Washington Toll Bridge Authority might be arranged for the construction of these two projects.

Additional land adjacent to the right of way acquired through excess condemnation. Estimated cost $250,000. Estimated construction which may be generated on such land one million dollars.
(29) A tunnel in the Snoqualmie Pass east of Seattle in Washington, estimated length 2.6 miles, tunnel to be a two lane facility with two sidewalks and the necessary ventilating equipment installed; estimated cost 4 million dollars.

The liquidation of this project through tolls alone is doubtful. If the State would abandon surface route it is estimated that this project would be 100 percent self-liquidating on the above cost.
(30) Acquisition of right of way to be leased to State highway departments for construction by them with State and Federal-aid funds, estimated expenditure 30 million dollars a year. This would generate construction of approximately 120 million dollars a year.
Loans to Latin America for the Industrial Development of Latin America

1. Latin America presents a remarkable opportunity for economic development. Only capital and technical skill are needed to develop the area so that it could provide for a much larger population, for a higher standard of living and a greatly expanded foreign trade.

Latin America has the full natural resources of a continent still undeveloped. The industrial revolution has but barely begun in large areas in Latin America. It has a variety of climate, soil, harbors, minerals, valuable forest products and great agricultural possibilities.

2. If Latin America could obtain sufficient capital under favorable terms and conditions and if that capital could be devoted exclusively to productive development of the various countries, Latin America could within a generation become a prosperous and friendly neighbor and a great market for American products. It is quite within the realm of possibility that if properly developed our economic relations with Latin America could become within a generation as important as our economic relations with the rest of the world combined.

3. We have now a surplus of both the capital and technical skill that Latin America so badly needs. To raise Latin America from its present status to that of a progressive, prosperous neighbor calls for a bold program conceived and executed in a spirit appropriate to the possibilities and involving economic aid in amounts commensurate with the task and provided under conditions consonant with our Good Neighbor policy. Each of the countries to the south of us have, of course, their special problems and economic assistance to each of them will vary in
form, amount, terms and conditions. Yet all of the Latin American countries have in common the one handicap which we can remove to our mutual advantage, i.e., shortage of capital and technical skill.

4. Most instances of our recent assistance to Latin American countries are not the kind contemplated in this memorandum. Small loans used indirectly to provide government funds for the purpose of helping defaulted Latin American countries service their debts to foreign investors or to influence local political alignments are ineffective for the objectives herein envisaged. Nor are loans to facilitate exports to those countries on the scale undertaken, however desirable on their own account sufficient. They touch only one small part of the problem and on a scale absurdly small in proportion to the broad task that could be performed.

Economic developments to Latin America could be an important part of a domestic recovery program. It presents to us an even more important part of our international political program of peace, security and encouragement of democracy. This is no time for a timorous or traditional approach to the task. Now is the time to harmonize our economic program with our new political program of a Good Neighbor policy. Here is the opportunity for the exercise of great economic statesmanship at a point in history which may well prove decisive.

5. What can we do about it now?

(a) The program should be placed under the supervision of a Cabinet member who approaches the problem from a broad gauged point of view, who would not be bound by the traditions of his organization or hamstrung by deep-rooted hierarchy.
(b) Create by legislation a government bank whose sole function should be to assist in promoting the long-run economic development of Latin America.

The bank should have a capital of $300 million in common stock, purchased entirely by the government, with the power to issue $700 million in bonds guaranteed by the government as to interest and principal. The bank would have the power to issue an additional billion dollars in guaranteed bonds as the need arose. The purchase of common stock to $300 million might come out of the gold profit now in the Stabilization Fund or out of the $1.5 billion unissued silver certificates. Thus it would not involve an increase in the deficit.

6. The bank could make three types of loans.

(a) The most important type would be in the form of long-term loans for productive purposes. The loans in general should be devoted to domestic rehabilitation programs, including public works, creation of new industries and the modernization and expansion of existing industries. The program selecting the types of industries to be encouraged could be worked out by a joint planning board. The loans should be made under the following terms and conditions:

1. Loans to be offered at low rates of interest, not more than 1 percent in excess of the cost of borrowing by the bank.

2. The proceeds of the loan must be used exclusively for the purpose of developing public works and industrial enter-
prices of a kind which will add to the productivity of the borrowing country in the not too distant future. The investments should be such as would eventually provide foreign exchange to repay the loans and which would be of a kind to increase trade with the United States.

3) The borrowing country should be required to provide in local currency a proportion of the amount invested by the bank.

4) Control and equity ownership of the projects must remain in the hands of the borrowing government or its nationals, although the United States might retain the power of active technical participation to insure efficient expenditure of the funds. At least 75 percent of the dollar loans made available must be expended in the United States and all imported goods or foreign services utilized in the construction of the project must be purchased in the United States.

(b) Extension of gold or silver loans for purposes of monetary stability. These loans need not be large in amount and should be for a short term and renewable. The loan should be so safeguarded as to prevent its use for purposes not contributing to the economic development of the borrowing country.

c) The establishment of revolving credits for the financing of American exports to Latin America.

Loans made under the conditions indicated above will not only make substantial contributions to recovery now but will pave the path for greater business during the coming decades. It will serve to insure for the United States in the years to come a greater share of a greater volume of foreign trade.
There will likewise be much smaller losses in the loans than has been true in the past. One of the important reasons why loans to Latin American countries have had such a bad record of default is that the effective rates of interest have been exorbitantly high, and the bulk of the funds borrowed have not been employed for productive purposes or when so employed have been insufficiently used. The long run productivity of South American industries was not developed to provide the resources to meet the service charges. Economic enterprise in Latin America as developed by private foreign capital in the past has been directed toward exploiting those countries without adequate attention to their fundamental capacity and long-run interests. A low rate of interest accompanied by safeguards that the fund will be efficiently and wisely used will provide a far greater degree of security that the loans will be gladly and voluntarily repaid.

Furthermore, loans could be made under conditions which would improve our trade relations and protect them against further incursions by countries pursuing practices inimical to our trade. The proposed loans should be supplemented by measures designed to increase the ability of Latin American countries to meet their obligations that would be involved in the adoption of the above proposals. These measures could include stimulation of American tourist travel to Latin America, through grants of special rates on American vessels and by promotion of improved travel routes and by careful surveys of Latin American products with a view of promoting increased consumption in the United States of Latin American products, etc.
The above program is not dollar diplomacy; it is essentially different from so-called dollar diplomacy in that the latter meant the exploitation of a weak country by private American commercial and industrial interests with the aid of the American Government. This program would have as its base the development of industrial enterprises in Latin America that would be under the control and ownership of the borrowing country or their nationals and that there is no part of the program which envisages any action by the United States Government or threat of such action, subtle or overt, which would interfere with the inherent sovereignty and rights of those countries. The program is completely in the spirit of democracy for the objective of the mutual advantage of the United States and Latin America.
A $100 million loan to China

The time is ripe to propose to Congress the extension of a $100 million ten-year credit to be used by China for the purchase of whatever American products she wishes.

On economic and on political grounds a loan of $100 million to China at this time is opportune. As a political move it would be decisive in the Far Eastern situation and hasten the defeat of Japan, and might well bring hostilities to an immediate close.

A loan of $100 million at this time would give to the United States a favored position in the development and reconstruction in China which will inevitably take place within the next few years. China has 400,000,000 people and the present hostilities are rapidly removing the fetters which have prevented the industrial revolution from making progress throughout China, particularly in the West. The loan is not a bad risk, particularly if made at low rates of interest, and the close tie between the United States and the revitalized Central Government of China and the awakened people of China is infinitely more valuable than the risk involved in the loan.

China could easily spend $100 million in the United States in a year. The experience of the $25 million loan indicates that such expenditures can be distributed throughout the country in such way as to make the loan very popular. The $25 million loan previously made was very popular. The conditions now are more conducive to a favorable reaction than they were at that time. The proper program of education, as to the economic effects, both short term and long term, of such a loan and of its political significance, would go far toward insuring the success of the loan in Congress.

We need the additional business now; China needs the goods and the economic assistance more than ever. The loan would be a great contribution to the defense of democracy and to the President's foreign policy. It would, in a real economic sense, cost us nothing even though we never were repaid a cent of the loan.
Extension of Credit to Russia and Settlement of Outstanding Debts

An extension of $250 million credit to Russia could accomplish three main things:

(1) Make substantial contributions to the solution of our surplus cotton problem.

(2) Be an important factor in helping recovery in the United States.

(3) Settle the outstanding debts between Russia and the United States, and clear the decks for future economic collaboration between the two most powerful countries in the world which, irrespective of their political differences, constitutes for the United States an important factor for economic improvement.

The proposal in outline is as follows:

(a) Negotiate for a settlement of the intergovernmental and private debts. A settlement can probably be reached at this time which would involve payments amounting to $15 to $20 million a year by Russia.

(b) The extension of a $250 million credit to Russia to be used exclusively for the following purposes and under the following conditions:

(1) $150 million to be expended within the next two years on products made chiefly of cotton, which are processed in the United States. This should absorb from one to two million bales of our surplus stocks.

(2) $50 million to be expended in the United States on machinery.

(3) $25 million to be expended on goods consisting chiefly of leather.

(4) $25 million to be expended on miscellaneous manufactured items.

(5) All imports to be shipped only on United States or Russian boats.
(6) Russia to agree not to reexport any of the material she purchases in the United States and not to export any raw cotton or textiles in excess of the value of exports of the three preceding years.

Terms of the loan: Ten year loan, amortized monthly at the rate of 10 percent a year and interest payments payable quarterly at 5 percent a year, and the difference between the cost to the government of borrowing and the 5 percent to be applied towards the settlement of their public and private debt to the United States.

The loan can be financed by special government guaranteed serial notes and hence not appear in the budget. Or it could be financed out of silver seigniorage at no cost. If it were financed out of silver seigniorage, it would help get the support of the silver interests who are eager to have the government make some use of the silver seigniorage.

(It may be worth considering that both the Russian loan and the Chinese loan, as well as the Latin American loans, may be all financed by special government guaranteed serial notes and hence not appear in the budget, or out of silver seigniorage at no cost.)

The effects of such a loan on (a) the current business situation and (b) the international political situation, would be startling.

(a) The cotton textile industry in the United States would have the biggest boom that it has experienced in many years. (The New England and Southeastern States would benefit very substantially and their representatives in Congress would be keenly aware of such benefits.)

(b) We would sell one to two million bales of cotton, which, I believe, is more cotton than the export subsidy scheme will dispose of. Moreover, the sale to Russia will not depress the price of the other cotton we sell, nor will it supply cotton at low prices to the aggressor nations, nor will it injure Brazil as will other plans for increasing cotton exports. Russia is probably the only market...
in the world where we can sell cotton goods without interfering with world markets. Russia has an adequate supply of raw cotton but has inadequate means for processing that cotton.

Likewise, machine goods and leather industries would benefit which would give some added legislative support from the cattle states and industrial states.

From the point of view of Russia, the loan would probably be eagerly welcomed for the following reasons:

(1) Russia would be so anxious to improve her relations with the United States, for political as well as economic reasons, that she probably would consider this plan a small cost for such a purpose.

(2) Russia is badly in need of finished commodities, particularly of the character indicated above.

(3) Russia has ample supplies of raw cotton, but reports indicate that there is a shortage of processing equipment and a shortage of finished goods.

(4) Russia is probably eager to build up stocks of finished goods in preparation for international emergencies.

(5) Russia has adequate supplies of gold to easily take care of the current payments the loan would require. Russia is probably a good risk since she has met all of the obligations contracted for under the new regime.
The need for a continuing non-Federal public works program

**Large volume in 1920's.** - During the 1920's the public works programs by States and municipalities constituted an important element in the aggregate capital expenditures of the country. These capital expenditures, which were maintained in large volume during those years, provided an offset to savings and consequently were a major factor in making possible the sustained high level of national income that characterized the period. In financing their new construction programs, which averaged about $2,000,000,000 a year from 1921 through 1930, local governments provided an offset to savings to the extent of nearly $1,000,000,000 a year in that period. Municipal expenditures for construction declined sharply after 1931, however, and despite the stimulation offered by Federal grants in recent years, non-Federal public works since 1954 have not been over half as large as they were in the late Twenties. In fact the fiscal operations of municipalities, taken as a whole, instead of providing an offset to the savings of the community are still actually contributing to the accumulation of such funds. In view of the apparent limited opportunity for capital outlays by private enterprise on a scale that will assure the absorption of the increased private savings that may be expected to accompany rising national income, it appears to be imperative from the standpoint of achieving sustained recovery that public investment shall continue in large volume for perhaps many years to come. Reliance must be placed
upon local governments to share their part of such a program.

Deterrents to non-Federal public works. — Although there is a substantial volume of useful projects that communities would construct provided substantial Federal financial assistance were available, as is evidenced by the applications in response to the recent P.W.A. program, there are several reasons why these projects might be abandoned or postponed if such assistance is withdrawn.

An important reason for this conclusion is that a considerable part of the construction programs of local governments in the 1920’s came in response to pressing deficiencies. For example, new highways and educational facilities, which accounted for over $1,600,000,000 a year of public construction or 71 percent of the total in the late Twenties, were needed badly because of the rapid growth of vehicle traffic and of enrollments. Although there is still plenty of room for new construction and particularly for modernization programs in these fields, the need is not so urgent as when the growth factors cited above were present. The most desirable types of public construction at present appear to be hospitals, sanitation projects, recreational facilities, and the like, which also might be postponed by municipalities unless there is a strong incentive provided through Federal aid.
Another difficulty is that many municipalities are unable or unwilling to add to their large amount of indebtedness acquired in the Twenties, although local governments in the aggregate have actually reduced debt since about 1935. In addition, real estate assessments have been declining, thus tending to reduce the principal source of local revenues. The prospective heavier relief and social security requirements are also deterrents to State and local governments undertaking large-scale public works programs under present conditions.

Prospective decline in non-Federal public works in 1940. - Expenditures under the present non-Federal P.W.A. program are expected to reach a peak this summer at a substantially higher level than in any previous year and, allowing for seasonal factors, the decline from this level will be a gradual one until the summer of 1940. At that time, however, they will slump off rapidly and by the winter months expenditures will be of negligible proportions. So long as a possibility exists that a new Federal public works program may be inaugurated, local governments will be extremely unlikely to undertake important public works which are financed solely from their own funds. There is no assurance that private investment will increase fast enough to counteract the depressing effects on construction activity of this prospective slump in public works. It appears essential, therefore, that immediate action be taken to provide the necessary legislation for a new program in order to be certain that actual construction can be under way by next summer.
Budgetary aspects of new Federal grants to municipalities

A new program involving outright cash grants of a sizable percentage of the cost of non-Federal projects similar to the present program is subject to an important objection from a budgetary standpoint. According to the official estimates the Federal deficit for the fiscal year 1940 will amount to $3,500,000,000. The Senate already has voted about $400,000,000 for agricultural benefits, not included in these estimates, bringing the contemplated deficit to $3,700,000,000. A P.W.A. program to provide $1,000,000,000 of non-Federal construction on the basis of a 45 percent grant would add $450,000,000 more, thus increasing the deficit to well over $4,000,000,000. This would be the highest deficit in any year with the single exception of 1936, which included the payment of the veterans' bonus. In view of this budgetary situation, it will be difficult, if not impossible, to obtain Congressional approval for a P.W.A. non-Federal public works program. Even if Congress voted the program, a $4,000,000,000 deficit would appear of alarming proportions to a large part of the public.

Proposed program

In an effort to obtain the stimulating effects of substantial non-Federal public works expenditures and at the same time to avoid the heavy charge on the Federal budget that is involved under the present system of 45 percent cash grants, the following proposal is presented for consideration. It provides special inducements to local governments to continue public construction projects by giving a much larger
subsidy in the form of Federal annual contributions to servicing the debt incurred by the municipality to finance a given project than that which would be allowed in the form of an outright cash grant.

Illustrative alternatives

1. The annual contribution method. - The Federal contributions to municipalities would be given in an annual amount equal to 50 percent of the annual debt service on the municipal borrowings which were incurred to finance the cost of the projects. These annual Federal payments would be made both on loans made to the municipalities by the Public Works Authority of the United States Government and on loans obtained elsewhere, provided that the rate of interest on the latter loans does not exceed 3 percent per annum. The new interest rate charged by the United States Public Works Authority would also be 3 percent. It should also be required that the Federal annual contribution should not exceed 3 1/2 percent of the cost of the project.

2. The outright cash grant. - In lieu of the above annual contributions, the United States Government would give outright cash grants equal to 25 percent of the construction cost of the new projects.

Charge against the budget

Changing over to an annual contribution method of Federal assistance to new municipal public works would greatly reduce the current charge on the Federal budget. Assuming that the average ultimate maturity of municipal bonds involved in the program would be 26 years (which is about average maturity of the borrowing under the recent P. W. A. programs) with debt service in approximately equal annual installments, the annual Federal contributions of 50 percent of carrying charges would amount to slightly over 2 3/4 percent of the cost of the projects on a 3 percent interest basis. A $1,000,000,000 P. W. A. program would require, therefore, a current budget outlay of about $27,800,000 instead of $450,000,000 under the present system.
It should also be mentioned that annual contributions of the proposed amount would be somewhat more attractive from the financial standpoint than the present system of 45 percent grant to a municipality which borrows the remaining 55 percent to finance the project.

The alternative Federal grants might be limited in amount to $50,000,000 per annum which, if completely taken, would mean $200,000,000 of public construction. One advantage of not eliminating the cash grant entirely is that the change to the new system would be less abrupt. Moreover, some communities might still be attracted even with the smaller grant in the event borrowing was not feasible for one reason or another.

**Justification of annual contribution method**

The main reason for annual contributions is that this method spreads the cost over the life of the project. The public works program consists chiefly of heavy construction projects which have a long life or, in other words, of those projects which constitute the more permanent additions to the public wealth of communities throughout the country. Projects of this type are generally financed from the proceeds of borrowing instead of from current revenues because it would place an unjustifiable burden upon present taxpayers to require the immediate payment of the entire cost of improvements that will be returning benefits to the public over a long period of years in the future. Thus, by giving Federal aid in the form of annual contributions the Federal share of the cost, as well as that of the municipality,
is paid for at the time the benefits are received by the public. This is a true "pay-as-you-go" method for meeting the cost of public projects that provide services to the municipality year in and year out.

There seems reason to believe that only by introducing some such method of giving Federal assistance can we be assured of a continuing non-Federal public works program. The P. W. A. programs of the past have always been considered as emergency measures and have been allowed to lapse from time to time. This approach militates against proper administrative timing of expenditures so that the program can be used most effectively in promoting general business recovery and stability.

Precedents for program

Annual contributions have long been the accepted method by which the Government of Great Britain gives subsidies to local governments for the stimulation of desirable social services. This principle was also incorporated in the U. S. Housing Authority program and, although a cash grant is optional to the local housing authorities, the annual contributions are so much more attractive the U. S. Housing Authority has not had a single application for a grant to date.

Possible objections

The chief obstacle to the proposed program is that it involves an increase in borrowing by the States and municipalities.
This creates a number of legal and practical difficulties depending upon local circumstances. A few of the more important types are discussed briefly below.

1. Constitutional debt limitations. - A large number of local governments are subject to statutory debt limitations based upon assessed value of property, population, etc. This is the same problem which has confronted the present program to a slightly smaller extent and the P. W. A. and R. F. C. have aided numerous cities in finding ways around such limitations. The issuance of revenue bonds which generally are not subject to statutory debt limitations, the use of special tax obligations, and the creation of special Governmental corporations and authorities are among the devices designed for this purpose. In view of the success of these methods and the experience that is now available which could be applied to the similar problems that would arise under the new program, it appears unlikely that constitutional debt limitations would create an insurmountable difficulty.

2. Tax limitations which operate as practical debt limits. - Certain municipalities are not permitted to contract debt charges unless sufficient tax revenue is available to meet such charges. In some cases of this kind, additional taxes would have to be provided even though the Federal Government is making annual contributions so that the carrying charges for the municipality, itself, are not increased as compared with the cash grant method. A special problem would arise if the municipality had a statutory limitation on the tax rate. This is in the nature of a psychological difficulty because with the annual contribution of the Government there would be no increase in debt carrying charges, as compared with a cash grant of equal value. For this reason, it should be much easier to correct this technicality in the law to permit the municipality to take advantage of the Government's offer. Another possibility which has been suggested is that municipal bonds could be sold to the Government on a low interest basis to correspond to the Federal contributions and the Government could append a contract calling for the additional annual payments when the bonds are resold to the general public. Such a bond would probably have a better market than the obligation of a municipality that does not carry such a specific pledge of the Federal contributions.

3. Bond elections. - The larger debt authorization that would be involved in this program would probably be more difficult to obtain in those communities where elections are required. This is, of course, an illogical view of the matter, and there is some evidence that voters in municipal elections are more conscious of the carrying charges rather than the "gross" debt figure. The only way to overcome the prejudice, however, appears to be public education to show the benefits of the proposed project and to point out how much the Federal Government is actually contributing to its cost.
Conclusion

While there are difficulties that might confront particular public bodies in qualifying for Federal assistance under the proposed program, they do not appear to be of such a serious character as to prevent the attainment of a sizable non-Federal public works program for the latter half of 1940. The P. W. A. has a backlog of pending applications for projects totaling $1,760,000,000, and many of these would still be eligible. Moreover, many public bodies have expressed a desire to submit applications for grants since the closing date last September. In fact, the experience under the various Federal programs has always been that eligible projects are in excess of available funds. If legislation were passed now there should be sufficient time to work out the necessary administrative and technical problems that might be encountered in connection with individual situations.

Over a longer period if Federal assistance took the form of annual contributions there can be little doubt that most States and municipalities would adjust their practices or laws so that necessary and desirable projects could continue to qualify for the Federal aid.
June 12, 1939.

RAILROAD EQUIPMENT

1. **The urgent need for new equipment.**

   The railroads' inventory of both freight cars and locomotives has deteriorated steadily both in numbers and in quality. The railroads today have some 600 to 700 thousand fewer freight cars than they had in the late twenties, and are continuing to retire cars at the rate of 100 thousand per annum. The supply of freight cars is now at the lowest point since 1907. The shrinkage has been so great that even at the very low peak of carloadings in 1938 the railroads had barely more surplus cars than they had during the twenties. In other words, any increase in peak traffic requirements above the 1938 level would encounter a shortage of freight cars, would result in delayed deliveries, and hence would tend to stimulate industrial buying for inventory purposes.

   Careful studies have been made of the amount of railway equipment necessary to handle the traffic requirements that would follow from relatively full employment. These studies indicate that should full recovery be achieved within a three-year period the amount of additional equipment physically necessary to handle the peak traffic requirements without delay would aggregate two and one-half billions or some eight hundred million a year for three years. The railway equipment industry could not handle this volume of business. The railroads constitute the most serious potential bottleneck and threat to an orderly recovery.
A careful canvass of plant and equipment in all the industrial fields reveals that the only substantial accumulated backlog is in railway equipment. It appears highly unlikely that, in the absence of special incentives and inducements the railroads will on their own initiative take any steps to obviate this threatened shortage. The general practice is to refrain from ordering new equipment until there is an actual necessity for such equipment. In other words, they will take no steps to meet the threatened shortage until the shortage actually occurs.

Not only are the roads not adding to their equipment, but they are not even maintaining their existing equipment. At the present time 46 percent of the freight cars are over 20 years of age, and 25 percent are over 25 years of age. In other words, there are some 425,000 freight cars over 25 years of age. Various studies have been made indicating that high repair bills on aged stock would make the replacement of such stock by new cars economic. Despite these studies, however, the railroads are not buying new equipment and are spending very large amounts in current repair bills.

Not only is the shrunken supply and the deteriorating condition of the existing stock of railroad equipment a serious threat to the orderly character of any recovery movement that may be initiated, but it would also prove to be a very serious weakness in the event of war. In such a contingency the deficiency in our traffic-carrying ability will be far
more serious than the potential deficiency in our electric power generating capacity. Any comprehensive program of national preparedness, therefore, should include provision for the expansion and modernization of railroad equipment.

2. The stimulation of new equipment expenditures.

It appears to be the general consensus among people who have studied the problem that a negligible amount of equipment buying will take place this year unless a special stimulus or inducement is offered. It is therefore proposed that the RFC should offer particularly favorable borrowing terms to the roads for a strictly limited period for the purpose of purchasing new equipment. These terms would have to be unusually favorable to secure the desired effect, as the stronger roads can now issue equipment trust certificates on a two percent basis.

In order to make the proposal effective, therefore, the RFC should offer to loan up to 100 percent of the cost of new equipment for longer than usual maturities, at a two percent rate of interest, not to start until two years after the equipment is purchased. This last provision should overcome the objection offered by the roads that they do not wish to borrow and pay interest for equipment they may not need for a year or so. Finally, this offer should be limited to orders placed within a year, deliveries to be made within a two year period.

The RFC has a revolving fund of $350 million set up in 1935 for the purpose of making equipment loans. At the present time about $100
million of this fund is unobligated and this total could be increased by perhaps an additional $50 million through the sale of railway obligations now held by the RFC and by the cancellation of stale commitments. It would be desirable to increase the available funds even though this would entail new legislation. The RFC is empowered under existing law to fix the terms and conditions under which loans are made, subject to the approval of the Interstate Commerce Commission. However, there appears to be some feeling in the RFC that if particularly favorable terms were to be offered to roads, specific Congressional authorization of such terms should be secured.

3. Some general comments.

A proposal of the sort outlined above should encounter little political opposition as it is a type of expenditure that most people heartily approve of as being truly "productive," it would not entail any additional charges on the Federal budget, and it would provide a direct stimulus to the depressed heavy industries. The RFC would take little risk in making loans on modern equipment as, regardless of what happens to the railroads, such equipment will always be in demand. The general position of the railroads would be improved through the reduction in operating expenses which would follow from a modernization of the rolling stock.
December 12, 1938.

PROPOSAL TO ESTABLISH A FEDERAL RAILROAD EQUIPMENT AUTHORITY

1. To stimulate recovery now and prevent bottlenecks later in freight traffic, equipment making facilities and steel, it is suggested that a federal corporation be established, which, from the proceeds of the sale of its own guaranteed debentures, will contact for the purchase of new railroad equipment to be rented or leased to railroads.

2. Railroad equipment has declined both in quantity and quality greatly since 1929 with the result that at the time of this year's relatively low peak of car loadings the number of surplus cars was little greater than the irreducible minimum of the twenties. To meet the needs of full recovery in three years the railroads should spend from $600 million to $800 million yearly on new rolling stock. This year they will spend $75 million.

3. In addition to stimulating recovery now and preventing bottlenecks in the future, adoption of the proposal would permit an extension of long-term economic stability in what has hitherto been a highly unsteadying field, it would give rise to large economies as a result of a continuous program, standardization, research, and the gradual development of a national car pool, it would permit a reduction in railroad debt and a substitution of variable for fixed charges, it would, through the provision of low rentals, induce the retirement of much almost obsolete equipment which now burdens the railroads with high operating and repair costs, and, finally, it would make for a valuable contribution to our national defense.

4. The proposal has been discussed with practical railroad men and technical problems appear to differ little from those now encountered by the private car leasing companies and in the interchange of railroad cars.

5. The proposal promises to be immediately more effective and to be superior on various other counts to the alternative of attempting to induce railroads to borrow more money on favorable terms for the purchase of rolling stock.
Proposed: Establish a railroad equipment authority, with capital stock owned by the Treasury, empowered to issue guaranteed debentures for the purpose of contracting for the purchase of new railroad rolling stock to be rented or leased to railroads.

1. The Stimulation of Recovery

Expenditures of some $500 million on railroad equipment could be assured in the first year of operation. Apart from the stimulation this would afford the economy in general, it would provide work for the railroads' own car shops and increased traffic for the roads themselves.

2. The Removal of Future Bottlenecks

Preliminary estimates indicate that in order to handle the volume of traffic consequent upon the continuance of recovery at a desirable rate, yearly expenditures on rolling stock of about $600 million at present prices would have to be incurred in the period 1939-41. From the standpoint of the national economy it would obviously be to our interest to utilize idle plant and labor in the immediate future in order to relieve the shortages, stoppages, and bottlenecks that will arise in freight traffic, the railroad equipment industry and in the steel industry with the continuance of recovery.

3. A Contribution to Future Stability

The railroad equipment field has traditionally a feast and famine character and is consequently an important source of economic
instability. A federal authority, not pressed by financial consid-
erations or immediate profit considerations, could level off the peaks
and valleys of railroad equipment buying.

In addition, variation in rental rates for equipment would
offer a highly desirable alternative to variations in freight rates
as a means of bringing about greater stability in railroad net earnings.

4. National Defense

A modernized supply of rolling stock adequate to handle the
volume of traffic incident upon war appears to be an indispensable
element in any comprehensive program of national defense. Moreover,
experience in the handling of a national car pool will be invaluable
in the event of war.

5. Betterment of the Financial Structure of Railroads

The gradual substitution of rented and leased rolling stock
for owned equipment would permit a reduction in the debt of railroads
and a substitution of variable for fixed charges. Moreover, the pro-
posal offers means whereby the government could stimulate private
expenditures without getting deeper involved in the complicated finan-
cial structure of the railroads.

6. Improved Efficiency

The proposal, through making possible continuous buying greater
standardization, and more liberal provisions for research, should per-
mit very substantial reductions in costs to be achieved. It should
also permit more efficient utilization of rolling stock in the hand-
ling of empties, etc.
7. Relation to the "Railroad Problem"

The proposal could be adopted independently and without prejudice to any comprehensive program of reorganization and consolidation of the railroads, which may take a long time to accomplish.
Objections to the Proposal:

1. **Government Ownership.**

   The proposal does, of course, involve a degree of Government ownership, so far as rolling stock is concerned. It may be pointed out here, however that

   (a) it is only a degree removed from the present practice of making loans to financially shaky roads.

   (b) it is far removed from the actual Government operation of railroads as is practiced in certain other democratic countries such as Canada and Sweden,

   (c) it is proposed that the Government operations be confined to research and ordering, renting or leasing equipment and that no construction or repair be undertaken in Government shops.

2. **Loss to the Government**

   It may be objected that the Authority's equipment will be used only during peak periods and years of exceptionally high traffic volume and that for the rest "the Government will be left holding the bag."

   This objection can easily be disposed of by pointing out that this all depends on the terms of leasing or daily rentals. If they are set sufficiently low, it will pay the railroads to use the Authority's equipment, and rely on old high-repair-cost equipment for peak requirements. Low rental rates will also
constitute an inducement to retire old equipment.

This way out, however, raises another objection. If rentals are set too low, the revenues of the authority will be inadequate to service its obligations and keep its equipment in good repair. It should, however, for the following reasons, prove possible for the authority to set sufficiently low rentals to induce the railroads to use its equipment and yet not suffer a loss:

(a) It will have the advantage of borrowing at lower interest rates than the railroads can secure;

(b) being a very large and continuous buyer of standardized equipment it should be able to secure greater price concessions than any individual road could obtain;

(c) there should be economies consequent upon the growth of a national car pool;

(d) it will be in a position to charge higher rentals in good years to recoup any losses sustained in bad years.

Finally, it must be kept in mind that even though the Authority should actually show a loss, this would not be incompatible with a large net national gain in more stable and higher national income, production and employment.

3. Technical Difficulties

The proposal has been examined by a number of operating railroad men and although problems have been pointed out in connection with repairs, zoning, storage, etc., it appeared to be the general
consensus that the problems would be similar to those now encountered in connection with "foreign" cars and the private leasing companies, such as Pacific Fruit Express, and various ways of meeting these problems were at hand.

In connection with the determination of the volume of new equipment of various types, it would appear feasible to make far better national estimates of the number of different types of freight cars and locomotives that a certain volume of traffic will require than could possibly be arrived at as the sum of individual estimates made independently by the various roads.

4. Inequities as Between Roads

Some companies have normally an excess of cars and others a deficiency. Some companies, therefore, would be in a better position to take advantage of low rentals on new equipment while others might suffer a loss of revenue now derived from the use of their cars by other lines.

Again, many roads now build a substantial amount of equipment in their own shops and individual hardships might result from the inevitable changes in the location of work consequent upon national bidding for a single buyer. These changes might be tempered by policies of the Authority in distributing new equipment, repair and reconditioning work.
Alternatives:
The alternatives appear to be either to do nothing or to stimulate railroad equipment purchases through loans to railroads from the R. F. C., on favorable terms.

It is said that if the R. F. C. should announce that it was prepared to purchase equipment trust certificates
(a) up to 100 percent of the cost of new equipment,
(b) at a 2½ percent rate,
(c) for comparatively long maturities,
(d) the offer to be available for a limited period only,
a very large amount of anticipatory railroad equipment buying would be induced.

While this alternative is far better than doing nothing at all, it appears inferior on various counts to the proposal under discussion.

1. It Lacks Flexibility.

The chief objection, from the compensatory fiscal policy viewpoint, is that an emergency loan operation does not provide a mechanism through which the Government could operate continuously, and outside the budget, to smooth out fluctuations in expenditures in an important field.

With reference to the immediate situation, it is almost impossible to forecast the extent to which a favorable loan offer would be taken up. Once announced, it would be difficult to change the terms. If a big rush of orders ensued, deliveries would have to be spread over a future period, or else a temporary bottleneck would occur. If few
orders came in, the terms could not be lowered further or the offer extended without arousing a sense of grievance on the part of those who had already availed themselves of the offer.

2. There are definite obstacles in the way of offering terms that will really be effective.

The R. F. C. must consider the soundness of each individual loan and cannot explicitly rely upon averaging and upon higher interest returns in good years offsetting low returns in bad, as could the proposed Authority. The most favorable terms offered to date by the R. F. C. were in connection with the purchase of equipment trust certificates of the Southern Railroad for 100 percent of the cost of freight cars, at 4 per cent, and for fifteen years.

In bad years, when on national economic grounds, expenditures on railroad equipment are most desirable, the credit of the railroads is weakest and, confronted with surplus equipment on the one hand and financial difficulties on the other, they would be most reluctant to borrow and purchase new equipment even on the most favorable terms.

3. A loan operation does not offer a good possibility for securing cost reductions and efficiencies.

Each loan being an individual loan, there does not exist the same opportunity to derive the economies arising from large, continuous orders of standardized equipment, or from research, or from car pooling.

4. Other implications

Further large loans to the railroads would involve the Government still more in the complex financial structure of railroads, and would
result in a further increase in railroad debt and fixed charges. Moreover, it would be difficult to refuse to other borrowers the particularly favorable terms that would have to be offered to the railroads.
FOOD STAMP PLAN

The Food Stamp Plan makes it possible for persons getting public assistance to increase their food purchases by 50 percent; their increased purchases are made entirely from among farm products determined to be "in surplus". This is the way it works:

1. Studies indicate that persons getting public assistance spend an average of about $1.00 a week per person for food.

2. On a voluntary basis, such persons may buy a minimum of $1.00's worth of orange stamps a week for each member of the family. These are good for any food at any grocery store.

3. Persons buying orange stamps receive half again as many blue stamps free. These also are good at any grocery store but only for foods found to be "in surplus" by the Secretary of Agriculture. (Chiefly dairy products, fruits and vegetables; meat could easily be handled by this method, however.)

4. Grocers paste the stamps on $1.00 cards and redeem them largely at their banks. The Government pays the banks from the same funds now used to purchase surplus commodities directly in carlots for shipment to the various states which in turn make distribution to families through food depots.

If participation throughout the country were the same as in Rochester, New York, some fifteen million eligible people would take advantage of this program. It would add 2½ worth of food to each meal for each person who is now spending 5¢ a meal.
That would cost about 360 million dollars a year. Because of administrative problems connected with a new program, it appears to be wiser to spend only 250 million dollars on such a program for the coming fiscal year.

If the Congress passes the 113 million dollar appropriation for the purposes of Section 32 now before the Conference Committee, in addition to the 90 million dollars otherwise available, about 100 million dollars of the 203 million dollar total would be available for distributing surplus foods to the needy. (The remaining 103 million dollars is needed to carry out such work as the cotton export subsidy program, the wheat export subsidy program, the peanut diversion program, et cetera.) An additional 150 million dollars, therefore, would be needed to extend the Food Stamp program to 15,000,000 eligible people during the coming fiscal year.

The Food Stamp Plan has received wide praise from the right as well as from the left. Both groups, however, have indicated we might consider its extension to low-income people not getting public assistance. Were such families making less than $750 a year made eligible to participate, studies of consumer incomes made by the National Resources Committee indicate that another 15,000,000 people would thereby become eligible — and the cost of the program would be about doubled. The "right-to-eat" at least 7½ worth of food a meal would apparently meet with the support of farmers, and low-income housewives, as well as that of retailers. It would, of course, make a great contribution to the public health, particularly insofar as children are concerned.
STAMP PLAN FOR SURPLUS COTTON GOODS

In his Little Rock speech of May 26, Secretary Wallace indicated that we might extend the Food Stamp Plan principle to certain kinds of cotton goods. He said:

"The consumption of cotton goods in our own country is far lower than it ought to be because the families who need these goods most can't afford to buy them. A study covering 300,000 families was recently made of this subject and preliminary figures are now available.

They indicate that families with incomes of $5,000 and over spend nearly eight times as much money for cotton goods as non-relief families with incomes of less than $500 are able to spend.

"If the 20 million families getting less than $2,000 a year spent as much for cotton goods as those getting between $2,000 and $3,000 a year, the cotton farmer would have a home outlet for an additional two million bales of cotton. Such a situation would add over half a billion dollars a year to the income of the cotton South, of which part would go to the cotton farmer and part would go to employ people in our cotton mills, on our railroads, and in our wholesale and retail dry goods stores throughout the country.

"People having the lowest incomes buy the heavier kind of cotton goods first. This is because they need mattresses, comforters, blankets, sheets, towels, overalls, piece goods from which they can make clothes for all their children. If they bought such items as those, approximately 20 cents out of every dollar spent would go directly to the cotton farmer; roughly 50 cents out of every dollar would cover the cost of manufacturing, most of which would go to employ labor in our cotton mills; and about
30 cents out of every dollar would cover the cost of transportation and merchandising in our wholesale and retail dry goods stores.

"This is not a complete solution for the cotton problem, of course, but I feel as strongly as I did at Fort Worth last fall that the nation ought to find ways and means of turning its abundance of raw cotton into a greater abundance of cotton goods for our own people."

Preliminary tables supporting these statements are attached.

100 million dollars for the coming fiscal year would be enough to take care of the cotton goods requirements of the families now getting public assistance. It would move 400,000 bales of cotton through the normal channels of trade and, in addition to the groups now supporting the Food Stamp Plan, such a program undoubtedly would receive the approval of labor groups as well as of textile manufacturers. Were an additional 100 million dollars added, a great deal could be done for low-income groups not receiving public aid, although they could not be brought up to the maximum level indicated by the Secretary in his Little Rock speech. This, of course, would not be desirable the first year.

About 90% of the press has supported the Stamp Plan on an experimental basis. The country apparently is in a psychological mood to utilize the surpluses we have learned how to produce.
EXPANSION OF SELF-HELP ACTIVITIES

The self-help program is a program for organization of workshops in which unemployed people can use their idle time to make goods or provide services which they need for their own immediate use.

There are over five million people in the United States seeking work but employed neither in private industry nor in Governmental work programs.

Types of self-help are available for workers in virtually all parts of the United States. They range from processing of farm products in cities and towns near farm areas, to bakeries, canneries, sewing rooms, laundries, dry cleaning, wood cutting, and furniture repair in urban centers like Washington, D. C. Self-help programs can be adapted to elderly workers on old-age pensions, to unemployed workers on relief, to unskilled urban workers not on relief, to migrants from rural areas, and to highly skilled workers in their dull season. There is a place for some type of self-help on each step of the "workers' staircase".

It is assumed that nearly a million non-farm workers could be organized into self-help exchanges within two years. Assuming an average of 750,000 for the second year of operations, about 350,000 to 400,000 could probably be organized by the end of the first year.

Funds would be used for quarters, equipment, raw materials, motor trucks, light, gas, electricity, and personnel. A high-grade staff is needed for organization, management, and development of crafts and skill. The self-help program should not be a vocational training program, but emphasis on very high quality of management and craftsmanship are all-essential.

Insofar as possible state, local and private agencies would be encouraged to contribute raw materials, rental of quarters and possibly equipment.

Most Exchanges will probably provide part-time work as a supplement to, rather than a substitute for, private industry. Here the per capita cost should be about $200 per worker. The cost would be higher where the local situation made it desirable to provide full-time work, as in stranded communities, or where a new and economically sound product might be developed out of local resources.

Such workshops for the unemployed would provide the frame-
work for quick expansion of productive activity in periods of rising unemployment.

Assuming a $200 average the cost of the program the second year would be about $150,000,000. An amount equal to about half this, $50,000,000 could be spent in the first year. Every dollar of this money is spent with private industry.

The expenditure for staff and initial purchases of equipment would be relatively high in the beginning. The benefits are the return to private industry of workers who "graduate" from self-help, and productive activity and increasing consumption for those who cannot get private jobs. The return, in number of workers cared for, and in commodities available to each worker, should show a constantly increasing ratio to money invested. The funds are being invested in increasing skill and self-reliance of the unemployed.

It is extremely important in organizing such a program to allow for the utmost variety in organization, to fit the type of self-help in each area to specific local conditions. It is also important to allow for wide variation in the type of local participation and of financial assistance, in order to encourage both the local community and the unemployed workers to take the largest possible share in participation.

June 5, 1939