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and the New Deal**

File No. 1221

1939 April 27

Message to Congress - Work Relief

(Not printed at Government expense)

UNITED STATES

OF AMERICA



Congressional Record

PROCEEDINGS AND DEBATES OF THE 76th CONGRESS, FIRST SESSION

WORK RELIEF

Message from the President of the United States

To the Congress of the United States:

Six years ago this Nation was confronted with a situation calling for rapid and decisive action. Millions of workers were already jobless; their number was increasing, and the economic structure was threatened with collapse. In this crisis the vast reserves of the Federal Government were promptly made available, and emergency assistance was provided for all classes of the population who were in distress.

Since that time we have moved along a broad front to make permanent provision to meet various phases of the problem of unemployment and need. The Social Security Act provides aid for the aged, the blind, and for dependent children. Unemployment compensation, intended to tide workers over from one job to another, furnishes protection against short-term unemployment of the intermittent variety. Public works have employed many persons.

But there has been, and still is, a vast number of unemployed workers for whom some other protection must be provided.

It is very important to remember that the fundamental decision which was made in connection with the problem of providing for the needy able-bodied unemployed was whether provision should be made through the medium of work or a dole. I have on numerous occasions expressed my conviction that the proper solution was work, but I desire to take this opportunity to reaffirm my conviction in that regard.

In fact, for 6 years it has been the definite national policy to give work to the needy unemployed who are able to work instead of handing out charity to them in the form of food.

It is admitted that the cost per individual of a work program is higher than that of a dole. However, I firmly believe that the advantages which accrue from the maintenance of the morale and self-respect of the worker and the creation of permanent public assets fully justify this increased cost, and that the adoption of the dole as the solution of this problem would be disastrous.

When those who talk glibly and without much information about cutting the cost of relief are pinned down to facts, they are obliged to admit that they can offer only two alternative

plans—to cut down the number of needy persons receiving relief or to cut the per capita work payments; or, in other words, make a definite beginning toward the substitution of a dole for work.

It is those same individuals who, picking out a handful of instances in the administration of a huge undertaking, seek to deplete the people of this country into the belief that the minor exception is the rule. Let any one of these critics undertake the job of administration himself. That is a challenge which will be avoided but not answered.

There is wide discussion at the present time of various proposals for handling unemployment relief through a system of grants of Federal funds to States with various matching requirements. I believe that such a system has many disadvantages as there are local political units in the Nation. If grants to States are used for direct relief, we have all the disadvantageous features of the dole which I have previously described. If, on the other hand, such grants are to be used to finance locally conducted work programs, inefficiency and evasion through lack of coordination and uniformity are bound to result. Under either the dole or local work programs the administrative cost will inevitably be much larger than under a federally operated work program.

Furthermore, I am of the opinion that the adoption of a system of direct grants of Federal funds to States would result in the creation of pressure groups striving to increase the amount of such grants, which would bring about a demand for increased appropriations which both the present Congress and future Congresses would find it extremely difficult to resist.

In my message of April 14, 1938, I recommended to the Congress a series of measures designed to check the deflationary processes and the failure of consumers' demand which were occurring at that time. Since the adoption by the Congress of the recovery program outlined in that message, the index of industrial production has increased more than one-quarter. The national income, which amounted to \$63,000,000,000 in 1938, is now running at a rate which should increase it to \$67,000,000,000 in 1939. This I regard

CONGRESSIONAL RECORD

as all important, because, as stated in my message of last April, I believe that if the national income can be increased to \$80,000,000,000, our whole economic picture will greatly improve and the problem of unemployment will become much less acute. However, I wish to repeat what I said at that time: I do not believe that this increase in national income can be brought about solely by the expenditure of public funds for relief and recovery purposes.

From the standpoint of private employment, the economic situation has greatly improved. Employment declined steadily and drastically from 1929 to 1932. Improvement began in 1933, and by the early fall of 1933 almost 10,000,000 more persons had jobs than were employed during the month when this administration took office. Average non-agricultural employment during 1937 was within 1,000,000 of the annual average for 1929. After a temporary setback last year we are now regaining the lost ground. There is every reason to believe that average employment during 1939 will be well in excess of that for 1932. I wish to stress the point that when the situation is viewed in terms of employment, the losses sustained from 1929 to 1932 had practically been wiped out by 1937.

We have found, however, that in spite of substantial recovery as indicated by the amount of employment, the volume of unemployment continues at high levels. This is due in large measure to two factors. The first of these is that the net increase in the labor supply, due to the growth of the working population, is in excess of 500,000 workers annually.

The second prime factor in this picture is the increasing output of the individual worker. At the recovery peak in 1937, when industrial production was at approximately the 1929 level, there were still about 8,000,000 unemployed. From this and subsequent experience it is apparent that comparatively high levels of production mean substantially less employment than formerly.

In any consideration of the problem of unemployment relief it must be borne in mind that the program adopted to meet it must be envisioned to extend over a considerable period of time. The reason for this is that this Nation, in common with the entire world, is undergoing a process of readjustment, particularly in connection with the production and distribution of goods. Once our productive capacity can be restored to most pre-depression conditions, the problem of unemployment will persist and the measures adopted to deal with it must, therefore, be carefully thought out and their operation planned to extend well into the future.

In determining the numbers of persons for whom work on a Federal program should be provided, it is necessary to consider the number of needy able-bodied unemployed. The total unemployment estimates for the Nation run to very large totals, but it must be remembered that these totals cover all persons who desire a job and include many who do not actually have to have a job. In other words, there are in all the unemployment estimates large numbers of persons who can sustain themselves either by reason of private resources or because they can be supported within the family group to which they belong. It is, of course, to be desired that industry should expand to such a degree as to provide employment for all who desire it, in meeting the problem of need within the limits of the funds which can reasonably be made available for the purpose, the emphasis must necessarily be placed upon the number of unemployed individuals who are actually in need of wages in order to secure the necessities of life.

For the current fiscal year the Congress has provided for the Works Progress Administration appropriations totaling approximately \$3,250,000,000. With these funds the Works Progress Administration has provided employment for a maximum of 3,350,000 persons and is currently employing approximately 2,800,000. The average employment provided for the fiscal year will be approximately 3,000,000 persons.

In my Budget message of January 3, 1939, I stated that "Supplemental estimates of appropriations will be submitted

to meet the requirements of the Works Progress Administration, the National Youth Administration, and the Farm Security Administration for the fiscal year 1940," and that \$1,750,000,000 was the amount estimated for expenditure by these three agencies. I feel that this amount plus such balances of the appropriation for the current year as remain unobligated on June 30, 1939, should cover not only all obligations to be incurred by these agencies during the fiscal year 1940 but the necessary administrative expenses connected therewith which may be incurred by the General Accounting Office, the Civil Appropriations Authority, the Treasury, and the United States Employees' Compensation Commission, including compensation payments.

For the fiscal year 1940 I recommend, therefore, that the sum of \$1,477,000,000 be provided for the Works Progress Administration together with any balances of the appropriation for the current year which may remain unobligated on June 30, 1939. This represents a reduction of one-third below the amount provided in the current fiscal year and will permit the employment of slightly more than an average of 2,000,000 persons during the 12 months beginning July 1, 1939. Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation.

After a review of the accomplishments of jobless workers employed on Works Progress Administration projects I am impressed with what can be achieved through a program that not only provides jobs for distressed workers but also stimulates production and tends to induce further recovery. I commend to your attention the miles of roads and streets that have been built, the number of bridges and public buildings that have been constructed, and the worth-while accomplishments in the fields of education, recreation, sanitation and health, and conservation and flood control. Notwithstanding these accomplishments there is a vast amount of worth-while work remaining to be done. Expenditures in these fields represent permanent, tangible additions to our national wealth.

It is my opinion that the operations of the Works Progress Administration during the next fiscal year should be carried on much as at present, but with the reduction that will be possible because of expected increases in private employment and a consequent decline in the need for work relief. Organizational changes which I expect to be made under the authority granted in the recent Reorganization Act will, I anticipate, make possible important economies resulting from the coordination of the operations of various Federal agencies which are engaged in carrying out our projects.

I wish to state with emphasis, since the opposite view is frequently expressed, that the program of the Works Progress Administration should, as at present, include some projects of the nonconstruction type to meet the needs of those unemployed workers whose training is such that they are not adapted to employment on construction projects. The provision of work for these people at occupations which will conserve their skills is of prime importance, and the emphasis placed upon construction projects should not obscure the necessity for this portion of the program.

A committee of the House of Representatives, under the authority of an enabling resolution, is now conducting an investigation of the Works Progress Administration. I sincerely hope that this investigation will be guided along constructive lines, and if this is done I feel sure that its outcome will be to demonstrate the wisdom of the measures which have been adopted to meet the needs of the unemployed. In discussions of the projects of the Works Progress Administration there is a tendency to enlarge upon criticism of a few isolated projects to an extent which obscures the real character and value of the program as a whole. In an undertaking of this size there are inevitably individual instances which

CONGRESSIONAL RECORD

3

may be subject to criticism, but when the criticism of a very small fraction of the work being carried on is magnified to such an extent as to obscure the great good that is being achieved on the whole all sense of proportion and relative value is lost.

In my message to the Congress of January 5, 1939, I suggested that a study be made of the methods by which funds appropriated to the Works Progress Administration should be distributed. Any formula that may be devised for this purpose and written into legislation should take into account not only the factor of population, but also the constantly changing economic and unemployment conditions in various sections of the country. Allocations should be made on the basis of jobs to be provided and not on the local basis of funds to be distributed. Furthermore, the formula should not be too rigid and should permit a substantial amount of administrative discretion in order to provide sufficient flexibility to meet special situations and relief crises.

The matter of the contributions of sponsors to Works Progress Administration projects has been satisfactorily covered by the provisions of the Emergency Relief Appropriation Act of 1938, which placed a limit upon the amount of Federal funds that can be used for purposes other than the payment of wages. I suggest a continuation of this practice rather than the imposition of a percentage basis on which sponsors would be required to participate. While an appropriation made available for an entire fiscal year, negotiations with sponsors can be conducted upon a much more satisfactory basis, and it can be confidently expected that the proportion of sponsors' contributions will be appreciably increased. The complications which have arisen during the current fiscal year from the fact that three separate appropriations have been made to finance the operations of the Works Progress Administration have militated against efficiency of operation and made it difficult to secure the fullest financial participation of sponsors on projects.

The Congress has recently made provisions against improper political activity on the part of persons connected with the work-relief program—provisions affecting not only Federal employees, but all persons who may be in a position to bring improper pressure to bear. Such legislation was recommended in my message of January 5, 1939, and has my hearty endorsement. However, I am afraid that the active enforcement of the Works Progress Administration and of the other agencies connected with the work-relief program are concerned. I believe that the political provisions just mentioned would be more constructive, and their enforcement would be simpler, if the Congress would place such employees within the classified civil service.

The greatest single resource of this country is its youth, and no progressive government can afford to ignore the needs of its future citizens for adequate schooling and for that useful work which establishes them as a part of its economy. To ignore this need is to undermine the very basis of democracy which requires the constant renewal of its vitality through the absorption of its young people.

The National Youth Administration, as an entity now within the Works Progress Administration, has during the past 4 years developed a program which has proved its effectiveness in meeting this need. Its program is primarily one of work: work to enable needy students to receive an education, and work to enable unemployed needy young people to get out of school to make use of their capacities for public benefit and so in turn to earn a wage and acquire that work experience so essential to future effective employment. The National Youth Administration has supplemented its work program with other services directed toward increasing the effectiveness of young people as workers and securing their placement in regular employment.

It is my belief that we should now give official recognition to the fact that the needs of youths are different from those of unemployed older workers. I further believe that, based on the demonstrated ability of its program to meet these

needs at low cost, and our knowledge of the wide and still unmet among young people for its services, Congress should provide for an expansion of its activities.

For the National Youth Administration I am requesting an appropriation of \$123,000,000 for the fiscal year 1940 together with the unobligated balances on June 30, 1939, of the appropriation to that Administration for the current fiscal year.

I am requesting further that the National Youth Administration be established as an independent agency to continue and expand its program for assisting needy young people. This will not increase existing overhead.

While the amount which I am recommending will not meet all the needs of all our young people, it will mean that education, training, work experience, and help toward private employment can be extended to many needy young people who are now eagerly waiting to take their place in our society as responsible workers and citizens.

It has been the function of the Farm Security Administration to provide assistance for hundreds of thousands of destitute and low-income farm families through supervised loans and guidance in sound farming practices, through adjustment of farmers' debts, and, where necessary, by direct subsistence grants. This program has won the confidence of millions of Americans, has enabled them, largely through their own efforts, to become self-supporting American citizens and to assume their rightful place in rural life. Aside from the further development of camps for migratory farm laborers, construction under the resettlement program will have been completed by the close of the current fiscal year, although in a few instances it may be necessary to provide funds for land-development work.

For the foregoing activities of the Farm Security Administration I recommend an appropriation of \$123,000,000 for the fiscal year 1940, together with such balances of the current appropriation as may remain unobligated on June 30, 1939.

Owing to the language of the Emergency Relief Appropriation Acts for the last 2 years it has been necessary to use funds allocated to or appropriated to the Department of Agriculture to provide for relief for Indians who come under the jurisdiction of the Department of the Interior. I feel that it would be preferable to have these funds appropriated directly to the department primarily responsible for the welfare of the Indians.

In view of the foregoing, I recommend an appropriation of \$1,350,000 for the Indian Service for the fiscal year 1940 to be available for the continuation of Indian rehabilitation and relief projects, including necessary administrative expenses.

For the following agencies, for administrative expenses incident to carrying out the purposes for which the foregoing appropriations have been requested, I recommend the amounts indicated:

(1) Civil Aeronautics Authority.....	\$250,000
(2) General Accounting Office.....	5,225,000
(3) Treasury Department.....	
(a) Procurement Division.....	85,200,000
(b) Division of Disbursements.....	2,560,000
(c) Office of the Treasurer.....	675,000
(d) Bureau of Customs.....	250,000
(e) Division of Accounts and Deposits.....	6,000,000
(f) Public Health Service.....	300,000
(4) U. S. Employees' Compensation Commission.....	14,925,000
	5,220,000

The funds recommended for appropriation to the United States Employees' Compensation Commission are sufficient to provide for the reimbursement of Federal hospitals for hospitalization of persons paid from relief appropriations in the same manner as they are now reimbursed for the hospitalization of other Federal employees paid from regular appropriations. I feel that the necessary authority to make such payments should be included in this year's legislation.

I request also that in connection with the foregoing appropriations, as in the past, provision be made to continue the

CONGRESSIONAL RECORD

work of the National Emergency Council, the National Resources Committee, and the rural rehabilitation program of the Puerto Rico Reconstruction Administration. For this purpose I recommend the following appropriations for the fiscal year 1940:

(1) National Emergency Council.....	\$1,500,000
(2) National Resources Committee.....	10,000,000
(3) Puerto Rico Reconstruction Administration.....	10,000,000

In order that the agencies concerned may have an opportunity to formulate definite plans for the next fiscal year it is desirable that the necessary legislation be enacted at as early a date as possible and that the funds be made available on the passage of this legislation.

It may be of interest to the Congress to know that through the Department of State we have received many assertions that there are few unemployed persons in the nations which have accepted totalitarian forms of government.

In those nations private employment takes care of a smaller proportion of their employable citizens than private employment does in the United States.

This means that Government employment is responsible for the care of a larger portion of the employable population than in this country—creating, in fact, a Government em-

ployment system, based in great part on the manufacture of munitions, which costs far more than our system.

The principal difference is that in the nations to which I refer, this employment is called employment, whereas in the United States it is called relief.

Actually, our system of work relief is relatively far cheaper than the totalitarian method and as at present constituted does take care of the great majority of the needy unemployed who are able to work.

I trust that the people will not be deceived by the terminology and will not assume that the totalitarian methods of government are more effective than our own.

The system which we have favored in the United States during the past 6 years is by no means perfect. It can be improved but not at the expense of substituting the dole for work relief nor by turning the management of works projects back to the sole care of the many thousands of local governments. It will be said by history, after much political smoke has cleared away, that the Federal Government's handling of work relief has been one of our most efficient administrative accomplishments.

THE WHITE HOUSE, April 27, 1939.

FRANKLIN D. ROOSEVELT.

BUREAU OF THE BUDGET

WASHINGTON

P.P.F.
IF

April 25, 1939.

MEMORANDUM FOR THE PRESIDENT:

I am presenting herewith proposed draft of Presidential message on relief. This has been re-drafted along the lines of your suggestions.

The statement which you asked me to check with the Treasury —

"Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation"

which appears on page 6, first complete paragraph, of the draft herewith, has been cleared officially with the Treasury, and is considered a correct statement at this time.

The figures have only been altered since you saw the original message to the extent of rounding them out.

Director

Franklin D. Roosevelt

Inclosure
(In dup.)

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(Signed) HAROLD D. SMITH
Director.

Inclosure
(In dup.)

P.P.P.
1F

PROPOSED DRAFT OF PRESIDENTIAL MESSAGE ON RELIEF
(April 24, 1939)

Six years ago this nation was confronted with a situation calling for rapid and decisive action. Millions of workers were already jobless; their number was increasing, and the economic structure was threatened with collapse. In this crisis the vast reserves of the Federal Government were promptly made available, and emergency assistance was provided for all classes of the population who were in distress.

Since that time we have moved along a broad front to make permanent provision to meet various phases of the problem of unemployment and need. The Social Security Act provides aid for the aged, the blind, and for dependent children. Unemployment compensation, intended to tide workers over from one job to another, furnishes protection against short-term unemployment of the intermittent variety. *Pu blic works have
everybody's money
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Draft A

But there has been, and still is, a vast number of unemployed workers for whom some other protection must be provided. It is very important to remember that the fundamental decision which ~~was~~ made in connection with the problem of providing for the needy able-bodied unemployed ~~was~~ whether ~~the~~ provision ~~would~~ be made through the medium of work or a dole. I have on numerous occasions expressed my conviction that the proper solution ~~was~~ work, but I desire to take this opportunity to reaffirm my conviction in that regard. It is admitted that the cost per individual of a work program is higher than that of a dole. However, I firmly believe that the advantages which accrue from the maintenance

of the morale and self-respect of the worker and the creation of permanent public assets fully justify this increased cost, and that the adoption of the dole as the solution of this problem would be disastrous.

Inset B4 There is wide discussion at the present time of various proposals for handling unemployment relief through a system of grants of Federal funds to states with various matching requirements. I believe that such a system has ~~many~~ ^{as many as there are local political units} disadvantages. If grants to states are used for direct relief, we have all the disadvantageous features of the dole which I have previously described. If, on the other hand, such grants are to be used to finance locally conducted work programs, inefficiency and confusion through lack of coordination and uniformity are bound to result. Under either the dole or local work programs the administrative cost will inevitably be much larger than under a Federally operated work program.

Inset C7 Furthermore, I am of the opinion that the adoption of a system of direct grants of Federal funds to states would result in the creation of pressure groups striving to increase the amount of such grants, which would bring about a demand for increased appropriations which both the present Congress and future Congresses would find it extremely difficult to resist.

In my message of April 14, 1938, I recommended to the Congress a series of measures designed to check the deflationary processes and the failure of consumers' demand which were occurring at that time.

Since the adoption by the Congress of the recovery program outlined in that message, the index of industrial production has increased more than one-quarter. The national income, which amounted to \$62,000,000,000 in 1938, is now running at a rate which should increase it to \$67,000,000,000 in 1939. This I regard as all-important, because as stated in my message of last April, I believe that if the national income can be increased to \$80,000,000,000 our whole economic picture will greatly improve and the problem of unemployment will become much less acute. However, I wish to repeat what I said at that time: I do not believe that this increase in national income can be brought about solely by the expenditure of public funds for relief and recovery purposes.

From the standpoint of private employment, the economic situation has greatly improved. Employment declined steadily and drastically from 1929 to 1932. Improvement began in 1933, and by the early fall of 1937 almost 10,000,000 more persons had jobs than were employed during the month when this Administration took office. Average non-agricultural employment during 1937 was within 1,000,000 of the annual average for 1929. After a temporary setback last year, we are now regaining the lost ground. There is every reason to believe that average employment during 1939 will be well in excess of that for 1938. I wish to stress the point that when the situation is viewed in terms of employment, the losses sustained from 1929 to 1932 had practically been wiped out by 1937.

We have found, however, that in spite of substantial recovery as indicated by the amount of employment, the volume of unemployment continues at high levels. This is due in large measure to two factors. The first of these is that the net increase in the labor supply, due to the growth of the working population, is in excess of 500,000 workers annually. This accounts for from one-third to one-half of the present volume of unemployment.¹ The second prime factor in this picture is the increasing output of the individual worker. At the recovery peak in 1937, when industrial production was at approximately the 1929 level, there were still about 8,000,000 unemployed. From this and subsequent experience, it is apparent that comparatively high levels of production mean substantially less employment than formerly.

In any consideration of the problem of unemployment relief it must be borne in mind that the program adopted to meet it must be envisioned to extend over a considerable period of time. The reason for this is that this nation, in common with the entire world, is undergoing a process of readjustment, particularly in connection with the production and distribution of goods. Until our economic machinery can be realigned to meet present-day conditions, the problem of unemployment will persist and the measures adopted to deal with it must, therefore, be carefully thought out and their operation planned to extend well into the future.

In determining the numbers of persons for whom work on a Federal program should be provided, it is necessary to consider the number of needy able-bodied unemployed. The total unemployment estimates

for the nation run to very large totals, but it must be remembered that these totals cover all persons who desire a job and include many who do not actually have to have a job. In other words, there are in all the unemployment estimates large numbers of persons who can sustain themselves either by reason of private resources or because they can be supported within the family group to which they belong. It is, of course, to be desired that industry should expand to such a degree as to provide employment for all who desire it, but in meeting the problem of need within the limits of the funds which can reasonably be made available for the purpose, the emphasis must necessarily be placed upon the number of unemployed individuals who are actually in need of wages in order to secure the necessities of life.

For the current fiscal year, the Congress has provided for the Works Progress Administration appropriations totaling approximately \$2,250,000,000. With these funds the Works Progress Administration has provided employment for a maximum of 3,350,000 persons and is currently employing approximately 2,800,000. The average employment provided for the fiscal year will be approximately 3,000,000 persons.

In my Budget message of January 3, 1939, I stated that "Supplemental estimates of appropriations will be submitted to meet the requirements of the Works Progress Administration, the National Youth Administration and the Farm Security Administration for the fiscal year 1940", and that \$1,750,000,000 was the amount estimated for expenditure

by these three agencies. I feel that this amount plus such balances of the appropriation for the current year as remain unobligated on June 30, 1939, should cover not only all obligations to be incurred by these agencies during the fiscal year 1940 but the necessary administrative expenses connected therewith which may be incurred by the General Accounting Office, the Civil Aeronautics Authority, the Treasury, and the U. S. Employees' Compensation Commission, including compensation payments.

For the fiscal year 1940 I recommend, therefore, that the specific sum of \$1,477,000,000 be provided for the Works Progress Administration, together with any balances of the appropriation for the current year which may remain unobligated on June 30, 1939. This represents a reduction of one-third below the amount provided in the current fiscal year and will permit the employment of slightly more than an average of 2,000,000 persons during the twelve months beginning July 1, 1939. Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation.

After a review of the accomplishments of jobless workers employed on Works Progress Administration projects, I am impressed with what can be achieved through a program that not only provides jobs for distressed workers but also stimulates purchasing power and

tends to induce further recovery. I commend to your attention the miles of roads and streets that have been built, the number of bridges and public buildings that have been constructed, and the worth-while accomplishments in the fields of education, recreation, sanitation and health, and conservation and flood control. Notwithstanding these accomplishments there is a vast amount of worth-while work remaining to be done. Expenditures in these fields represent permanent, tangible additions to our national wealth.

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I wish to state with emphasis, since the opposite view is frequently expressed, that the program of the Works Progress Administration should, as at present, include projects of the non-construction type to meet the needs of those unemployed workers whose training is such that they are not adapted to employment on construction projects. The provision of work for those people at occupations which will conserve their skills is of prime importance, and the emphasis placed upon

construction projects should not obscure the necessity for this portion of the program.

A Committee of the House of Representatives,^F under the authority of an enabling Resolution, is now conducting an investigation of the Works Progress Administration. I sincerely hope that this investigation will be guided along constructive lines, and if this is done I feel sure that its outcome will be to demonstrate the wisdom of the measures which have been adopted to meet the needs of the unemployed. In discussions of the projects of the Works Progress Administration there is a tendency to enlarge upon criticism of a few isolated projects to an extent which obscures the real character and value of the program as a whole. In an undertaking of this size there are inevitably individual instances which may be subject to criticism, but when the criticism of a very small fraction of the work being carried on is magnified to such an extent as to obscure the great accomplishment that is being achieved, all sense of proportion and relative value is lost.

In my message to the Congress of January 5, 1939, I suggested that a study be made of the methods by which funds appropriated to the Works Progress Administration should be distributed. Any formula that may be devised for this purpose and written into legislation should take in account not only the factor of population, but also the constantly

changing economic and unemployment conditions in various sections of the country. Allocations should be made on the basis of jobs to be provided and not on the basis of funds to be distributed. Furthermore, the formula should not be too rigid ~~at the beginning~~ and should permit a substantial amount of administrative discretion in order to provide sufficient flexibility to meet special situations and relief crises.

The matter of the contributions of sponsors to Works Progress Administration projects has been satisfactorily covered by the provisions of the Emergency Relief Appropriation Act of 1938, which placed a limit upon the amount of Federal funds that can be used for purposes other than the payment of wages. I suggest a continuation of this practice rather than the imposition of a percentage basis on which sponsors would be required to participate. With an appropriation made available for an entire fiscal year, negotiations with sponsors can be conducted upon a much more satisfactory basis, and it can be confidently expected that the proportion of sponsors' contributions will be appreciably increased. The complications which have arisen during the current fiscal year from the fact that three separate appropriations have been made to finance the operations of the Works Progress Administration have militated against efficiency of operation and made it difficult to secure the fullest financial participation of sponsors on projects.

The Congress has recently made provisions against improper political activity on the part of persons connected with the work relief program—provisions affecting not only Federal employees, but all persons who may be in a position to bring improper pressure to bear. Such legislation was recommended in my message of January 5, 1939, and has my hearty endorsement. However, in so far as the administrative employees of the Works Progress Administration and of the other Agencies connected with the work relief program are concerned, I believe that the political provisions just mentioned would be more constructive, and their enforcement would be simpler, if the Congress would place such employees within the classified civil service.

The greatest single resource of this country is its youth, and no progressive government can afford to ignore the needs of its future citizens for adequate schooling and for that useful work which establishes them as a part of its economy. To ignore this need is to undermine the very basis of democracy which requires the constant renewal of its vitality through the absorption of its young people.

The National Youth Administration, as an entity within the Works Progress Administration, has during the past four years developed a program which has proved its effectiveness in meeting this need. Its program is primarily one of work: ^{work} to enable needy students to secure an education, and work to enable unemployed needy young people who are out of school to make use of their capacities for

public benefit and so in turn to earn a wage and acquire that work experience so essential to future effective employment. The National Youth Administration has supplemented its work program with other services directed toward increasing the effectiveness of young people as workers and securing their placement in regular employment.

It is my belief that we should now give official recognition to the fact that the needs of youth are different from those of unemployed older workers, ~~by establishing the National Youth Administration as an independent agency.~~ I further believe that, based on the demonstrated ability of its program to meet these needs at low cost, and our knowledge of the wide and still unmet need among young people for its services, Congress should provide for an expansion of its activites.

For the National Youth Administration I am requesting an appropriation of \$123,000,000, for the fiscal year 1940 together with the unobligated balances on June 30, 1939, of the appropriation to that Administration for the current fiscal year.

I am requesting further that the National Youth Administration be established as a separate agency to continue and expand its program for assisting needy young people. This will not increase existing overhead.

While the amount which I am recommending will not meet all the needs of all our young people, it will mean that education, training, work experience, and help toward private employment can be extended to many needy young people who are now eagerly waiting to take their place in our society as responsible workers and citizens.

It has been the function of the Farm Security Administration to provide assistance for hundreds of thousands of destitute and low-income farm families through supervised loans and guidance in sound farming practices, through adjustment of farmers' debts, and, where necessary, by direct subsistence grants. This program has kept thousands of farmers off relief and has enabled them, largely through their own efforts, to become self-supporting American citizens and to assume their rightful place in rural life. Aside from the further development of camps for migratory farm laborers, construction under the resettlement program will have been completed by the close of the current fiscal year, although in a few instances it may be necessary to provide funds for land development work.

For the foregoing activities of the Farm Security Administration, I recommend an appropriation of \$123,000,000 for the fiscal year 1940, together with such balances of the current appropriation as may remain unobligated on June 30, 1939.

Owing to the language of the Emergency Relief Appropriation Acts, for the last two years it has been necessary to use funds allocated to or appropriated to the Department of Agriculture to provide for relief for Indians which come under the jurisdiction of the Department of the Interior. I feel that it would be preferable to have these funds appropriated directly to the Department primarily responsible for the welfare of the Indians.

In view of the foregoing I recommend an appropriation of \$1,350,000 for the Indian Service for the fiscal year 1940 to be avail-

able for the continuation of Indian rehabilitation and relief projects including necessary administrative expenses.

For the following agencies for administrative expenses incident to carrying out the purposes for which the foregoing appropriations have been requested I recommend the amounts indicated:

(1) Civil Aeronautics Authority	\$ 250,000
(2) General Accounting Office	5,225,000
(3) Treasury Department	
(a) Procurement Division	\$ 5,200,000
(b) Division of Disbursements	2,500,000
(c) Office of the Treasurer	675,000
(d) Secret Service	250,000
(e) Division of Accounts and Deposits	6,000,000
(f) Public Health Service	<u>300,000</u>
(4) U. S. Employees' Compensation Commission	14,925,000 5,250,000

The funds recommended for appropriation to the U. S. Employees' Compensation Commission are sufficient to provide for the reimbursement of Federal hospitals for hospitalization of persons paid from relief appropriations in the same manner as they are now reimbursed for the hospitalization of other Federal employees paid from regular appropriations. I feel that the necessary authority to make such payments should be included in this year's legislation.

Request also
I ~~feel~~ that in connection with the foregoing appropriations, as in the past, provision ~~should~~ be made to continue the work of the National Emergency Council, the National Resources Committee, and the rural rehabilitation program of the Puerto Rico Reconstruction Administration. For this purpose I recommend the following appropriations for

the fiscal year 1940:

(1) National Emergency Council	\$1,000,000
(2) National Resources Committee	990,000
(3) Puerto Rico Reconstruction Administration	10,000,000

In order that the Agencies concerned may have an opportunity to formulate definite plans for the next fiscal year it is desirable that the necessary legislation be enacted at as early a date as possible and that the funds be made available on the passage of this legislation.

PROPOSED DRAFT OF PRESIDENTIAL MESSAGE ON RELIEF
(April 24, 1939)

Six years ago this nation was confronted with a situation calling for rapid and decisive action. Millions of workers were already jobless; their number was increasing, and the economic structure was threatened with collapse. In this crisis the vast reserves of the Federal Government were promptly made available, and emergency assistance was provided for all classes of the population who were in distress.

Since that time we have moved along a broad front to make permanent provision to meet various phases of the problem of unemployment and need. The Social Security Act provides aid for the aged, the blind, and for dependent children. Unemployment compensation, intended to tide workers over from one job to another, furnishes protection against short-term unemployment of the intermittent variety.

But there has been, and still is, a vast number of unemployed workers for whom some other protection must be provided. It is very important to remember that the fundamental decision which must be made in connection with the problem of providing for the needy able-bodied unemployed is whether this provision shall be made through the medium of work or a dole. I have on numerous occasions expressed my conviction that the proper solution was work, but I desire to take this opportunity to reaffirm my conviction in that regard. It is admitted that the cost per individual of a work program is higher than that of a dole. However, I firmly believe that the advantages which accrue from the maintenance

of the morale and self-respect of the worker and the creation of permanent public assets fully justify this increased cost, and that the adoption of the dole as the solution of this problem would be disastrous.

There is wide discussion at the present time of various proposals for handling unemployment relief through a system of grants of Federal funds to states with various matching requirements. I believe that such a system has many disadvantages. If grants to states are used for direct relief, we have all the disadvantageous features of the dole which I have previously described. If, on the other hand, such grants are to be used to finance locally conducted work programs, inefficiency and confusion through lack of coordination and uniformity are bound to result. Under either the dole or local work programs the administrative cost will inevitably be much larger than under a Federally operated work program.

Furthermore, I am of the opinion that the adoption of a system of direct grants of Federal funds to states would result in the creation of pressure groups striving to increase the amount of such grants, which would bring about a demand for increased appropriations which both the present Congress and future Congresses would find it extremely difficult to resist.

In my message of April 14, 1938, I recommended to the Congress a series of measures designed to check the deflationary processes and the failure of consumers' demand which were occurring at that time.

Since the adoption by the Congress of the recovery program outlined in that message, the index of industrial production has increased more than one-quarter. The national income, which amounted to \$62,000,000,000 in 1938, is now running at a rate which should increase it to \$67,000,000,000 in 1939. This I regard as all-important, because as stated in my message of last April, I believe that if the national income can be increased to \$80,000,000,000 our whole economic picture will greatly improve and the problem of unemployment will become much less acute. However, I wish to repeat what I said at that time: I do not believe that this increase in national income can be brought about solely by the expenditure of public funds for relief and recovery purposes.

From the standpoint of private employment, the economic situation has greatly improved. Employment declined steadily and drastically from 1929 to 1932. Improvement began in 1933, and by the early fall of 1937 almost 10,000,000 more persons had jobs than were employed during the month when this Administration took office. Average non-agricultural employment during 1937 was within 1,000,000 of the annual average for 1929. After a temporary setback last year, we are now regaining the lost ground. There is every reason to believe that average employment during 1939 will be well in excess of that for 1938. I wish to stress the point that when the situation is viewed in terms of employment, the losses sustained from 1929 to 1932 had practically been wiped out by 1937.

We have found, however, that in spite of substantial recovery as indicated by the amount of employment, the volume of unemployment continues at high levels. This is due in large measure to two factors. The first of these is that the net increase in the labor supply, due to the growth of the working population, is in excess of 500,000 workers annually. This accounts for from one-third to one-half of the present volume of unemployment. The second prime factor in this picture is the increasing output of the individual worker. At the recovery peak in 1937, when industrial production was at approximately the 1929 level, there were still about 8,000,000 unemployed. From this and subsequent experience, it is apparent that comparatively high levels of production mean substantially less employment than formerly.

In any consideration of the problem of unemployment relief it must be borne in mind that the program adopted to meet it must be envisioned to extend over a considerable period of time. The reason for this is that this nation, in common with the entire world, is undergoing a process of readjustment, particularly in connection with the production and distribution of goods. Until our economic machinery can be realigned to meet present-day conditions, the problem of unemployment will persist and the measures adopted to deal with it must, therefore, be carefully thought out and their operation planned to extend well into the future.

In determining the numbers of persons for whom work on a Federal program should be provided, it is necessary to consider the number of needy able-bodied unemployed. The total unemployment estimates

for the nation run to very large totals, but it must be remembered that these totals cover all persons who desire a job and include many who do not actually have to have a job. In other words, there are in all the unemployment estimates large numbers of persons who can sustain themselves either by reason of private resources or because they can be supported within the family group to which they belong. It is, of course, to be desired that industry should expand to such a degree as to provide employment for all who desire it, but in meeting the problem of need within the limits of the funds which can reasonably be made available for the purpose, the emphasis must necessarily be placed upon the number of unemployed individuals who are actually in need of wages in order to secure the necessities of life.

For the current fiscal year, the Congress has provided for the Works Progress Administration appropriations totaling approximately \$2,250,000,000. With these funds the Works Progress Administration has provided employment for a maximum of 3,350,000 persons and is currently employing approximately 2,800,000. The average employment provided for the fiscal year will be approximately 3,000,000 persons.

In my Budget message of January 3, 1939, I stated that "Supplemental estimates of appropriations will be submitted to meet the requirements of the Works Progress Administration, the National Youth Administration and the Farm Security Administration for the fiscal year 1940", and that \$1,750,000,000 was the amount estimated for expenditure

by these three agencies. I feel that this amount plus such balances of the appropriation for the current year as remain unobligated on June 30, 1939, should cover not only all obligations to be incurred by these agencies during the fiscal year 1940 but the necessary administrative expenses connected therewith which may be incurred by the General Accounting Office, the Civil Aeronautics Authority, the Treasury, and the U. S. Employees' Compensation Commission, including compensation payments.

For the fiscal year 1940 I recommend, therefore, that the specific sum of \$1,477,000,000 be provided for the Works Progress Administration, together with any balances of the appropriation for the current year which may remain unobligated on June 30, 1939. This represents a reduction of one-third below the amount provided in the current fiscal year and will permit the employment of slightly more than an average of 2,000,000 persons during the twelve months beginning July 1, 1939. Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation.

After a review of the accomplishments of jobless workers employed on Works Progress Administration projects, I am impressed with what can be achieved through a program that not only provides jobs for distressed workers but also stimulates purchasing power and

tends to induce further recovery. I commend to your attention the miles of roads and streets that have been built, the number of bridges and public buildings that have been constructed, and the worth-while accomplishments in the fields of education, recreation, sanitation and health, and conservation and flood control. Notwithstanding these accomplishments there is a vast amount of worth-while work remaining to be done. Expenditures in these fields represent permanent, tangible additions to our national wealth.

It is my opinion that the operations of the Works Progress Administration during the next fiscal year should be carried on much as at present but with the reduction that will be possible because of expected increases in private employment and a consequent decline in the need for work relief. Organizational changes which I expect to make under the authority granted in the recent Reorganization Act will, I anticipate, make possible important economies resulting from the coordination of the operations of various Federal agencies which are engaged in the carrying out of projects.

I wish to state with emphasis, since the opposite view is frequently expressed, that the program of the Works Progress Administration should, as at present, include projects of the non-construction type to meet the needs of those unemployed workers whose training is such that they are not adapted to employment on construction projects. The provision of work for those people at occupations which will conserve their skills is of prime importance, and the emphasis placed upon

construction projects should not obscure the necessity for this portion of the program.

A Committee of the House of Representative, under the authority of an enabling Resolution, is now conducting an investigation of the Works Progress Administration. I sincerely hope that this investigation will be guided along constructive lines, and if this is done I feel sure that its outcome will be to demonstrate the wisdom of the measures which have been adopted to meet the needs of the unemployed. In discussions of the projects of the Works Progress Administration there is a tendency to enlarge upon criticism of a few isolated projects to an extent which obscures the real character and value of the program as a whole. In an undertaking of this size there are inevitably individual instances which may be subject to criticism, but when the criticism of a very small fraction of the work being carried on is magnified to such an extent as to obscure the great accomplishment that is being achieved, all sense of proportion and relative value is lost.

In my message to the Congress of January 5, 1939, I suggested that a study be made of the methods by which funds appropriated to the Works Progress Administration should be distributed. Any formula that may be devised for this purpose and written into legislation should take into account not only the factor of population, but also the constantly

changing economic and unemployment conditions in various sections of the country. Allocations should be made on the basis of jobs to be provided and not on the basis of funds to be distributed. Furthermore, the formula should not be too rigid at the beginning and should permit a substantial amount of administrative discretion in order to provide sufficient flexibility to meet special situations and relief crises.

The matter of the contributions of sponsors to Works Progress Administration projects has been satisfactorily covered by the provisions of the Emergency Relief Appropriation Act of 1938, which placed a limit upon the amount of Federal funds that can be used for purposes other than the payment of wages. I suggest a continuation of this practice rather than the imposition of a percentage basis on which sponsors would be required to participate. With an appropriation made available for an entire fiscal year, negotiations with sponsors can be conducted upon a much more satisfactory basis, and it can be confidently expected that the proportion of sponsors' contributions will be appreciably increased. The complications which have arisen during the current fiscal year from the fact that three separate appropriations have been made to finance the operations of the Works Progress Administration have militated against efficiency of operation and made it difficult to secure the fullest financial participation of sponsors on projects.

The Congress has recently made provisions against improper political activity on the part of persons connected with the work relief program—provisions affecting not only Federal employees, but all persons who may be in a position to bring improper pressure to bear. Such legislation was recommended in my message of January 5, 1939, and has my hearty endorsement. However, in so far as the administrative employees of the Works Progress Administration and of the other Agencies connected with the work relief program are concerned, I believe that the political provisions just mentioned would be more constructive, and their enforcement would be simpler, if the Congress would place such employees within the classified civil service.

The greatest single resource of this country is its youth, and no progressive government can afford to ignore the needs of its future citizens for adequate schooling and for that useful work which establishes them as a part of its economy. To ignore this need is to undermine the very basis of democracy which requires the constant renewal of its vitality through the absorption of its young people.

The National Youth Administration, as an entity within the Works Progress Administration, has during the past four years developed a program which has proved its effectiveness in meeting this need. Its program is primarily one of work: Work to enable needy students to secure an education, and work to enable unemployed needy young people who are out of school to make use of their capacities for

public benefit and so in turn to earn a wage and acquire that work experience so essential to future effective employment. The National Youth Administration has supplemented its work program with other services directed toward increasing the effectiveness of young people as workers and securing their placement in regular employment.

It is my belief that we should now give official recognition to the fact that the needs of youth are different from those of unemployed older workers, by establishing the National Youth Administration as an independent agency. I further believe that, based on the demonstrated ability of its program to meet these needs at low cost, and our knowledge of the wide and still unmet need among young people for its services, Congress should provide for an expansion of its activities.

For the National Youth Administration I am requesting an appropriation of \$123,000,000, for the fiscal year 1940 together with the unobligated balances on June 30, 1939, of the appropriation to that Administration for the current fiscal year.

I am requesting further that the National Youth Administration be established as a separate agency to continue and expand its program for assisting needy young people. This will not increase existing overhead.

While the amount which I am recommending will not meet all the needs of all our young people, it will mean that education, training, work experience, and help toward private employment can be extended to many needy young people who are now eagerly waiting to take their place in our society as responsible workers and citizens.

It has been the function of the Farm Security Administration to provide assistance for hundreds of thousands of destitute and low-income farm families through supervised loans and guidance in sound farming practices, through adjustment of farmers' debts, and, where necessary, by direct subsistence grants. This program has kept thousands of farmers off relief and has enabled them, largely through their own efforts, to become self-supporting American citizens and to assume their rightful place in rural life. Aside from the further development of camps for migratory farm laborers, construction under the resettlement program will have been completed by the close of the current fiscal year, although in a few instances it may be necessary to provide funds for land development work.

For the foregoing activities of the Farm Security Administration, I recommend an appropriation of \$123,000,000 for the fiscal year 1940, together with such balances of the current appropriation as may remain unobligated on June 30, 1939.

Owing to the language of the Emergency Relief Appropriation Acts, for the last two years it has been necessary to use funds allocated to or appropriated to the Department of Agriculture to provide for relief for Indians which come under the jurisdiction of the Department of the Interior. I feel that it would be preferable to have these funds appropriated directly to the Department primarily responsible for the welfare of the Indians.

In view of the foregoing I recommend an appropriation of \$1,350,000 for the Indian Service for the fiscal year 1940 to be avail-

able for the continuation of Indian rehabilitation and relief projects including necessary administrative expenses.

For the following agencies for administrative expenses incident to carrying out the purposes for which the foregoing appropriations have been requested I recommend the amounts indicated:

(1) Civil Aeronautics Authority	\$ 250,000
(2) General Accounting Office	5,225,000
(3) Treasury Department	
(a) Procurement Division	\$ 5,200,000
(b) Division of Disbursements	2,500,000
(c) Office of the Treasurer	675,000
(d) Secret Service	250,000
(e) Division of Accounts and Deposits	6,000,000
(f) Public Health Service	<u>300,000</u>
(4) U. S. Employees' Compensation Commission	14,925,000 5,250,000

The funds recommended for appropriation to the U. S. Employees' Compensation Commission are sufficient to provide for the reimbursement of Federal hospitals for hospitalization of persons paid from relief appropriations in the same manner as they are now reimbursed for the hospitalization of other Federal employees paid from regular appropriations. I feel that the necessary authority to make such payments should be included in this year's legislation.

I feel that in connection with the foregoing appropriations, as in the past, provision should be made to continue the work of the National Emergency Council, the National Resources Committee, and the rural rehabilitation program of the Puerto Rico Reconstruction Administration. For this purpose I recommend the following appropriations for

the fiscal year 1940:

(1) National Emergency Council	\$1,000,000
(2) National Resources Committee	990,000
(3) Puerto Rico Reconstruction Administration	10,000,000

In order that the Agencies concerned may have an opportunity to formulate definite plans for the next fiscal year it is desirable that the necessary legislation be enacted at as early a date as possible and that the funds be made available on the passage of this legislation.

Mr. Sibley for you
This one for you
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RELIEF MESSAGE

FINAL DRAFT
B.P.E.

Six years ago this nation was confronted with a situation calling for rapid and decisive action. Millions of workers were already jobless; their number was increasing, and the economic structure was threatened with collapse. In this crisis the vast reserves of the Federal Government were promptly made available, and emergency assistance was provided for all classes of the population who were in distress.

Since that time we have moved along a broad front to make permanent provision to meet various phases of the problem of unemployment and need. The Social Security Act provides aid for the aged, the blind, and for dependent children. Unemployment compensation, intended to tide workers over from one job to another, furnishes protection against short-term unemployment of the intermittent variety. Public works have employed many persons.

But there has been, and still is, a vast number of unemployed workers for whom some other protection must be provided.

It is very important to remember that the fundamental decision which was made in connection with the problem of providing for the needy able-bodied unemployed was whether provision should be made through the medium of work or a dole. I have on numerous occasions expressed my conviction that the proper solution was work, but I desire to take this opportunity to reaffirm my conviction in that regard.

In fact for six years it has been the definite national policy to give work to the needy unemployed who are able to work instead of handing ~~them~~ out charity in the form of food.

It is admitted that the cost per individual of a work program is higher than that of a dole. However, I firmly believe that the advantages which accrue from the maintenance of the morale and self-respect of the worker and the creation of permanent public assets fully justify this increased cost, and that the adoption of the dole as the solution of this problem would be disastrous.

When those who talk glibly and without much information about cutting the cost of relief are pinned down to facts, they are obliged to admit that they can offer only two alternative plans -- to cut down the number of needy persons receiving relief or to cut the per capita workpayments, or in other words, make a definite beginning towards the substitution of a dole for work.

It is these same individuals who, picking out a handful of instances in the administration of a huge undertaking ~~which of necessity necessarily~~ seek to delude the people of this country into the belief that the minor exception is the rule. Let any one of these critics undertake the job of administration himself. That is a challenge which will be avoided but not answered.

There is wide discussion at the present time of various proposals for handling unemployment relief through a system of grants of Federal funds to states with various matching requirements. I believe that such a system has as many disadvantages as there are local political units in the nation. If grants to states are used for direct relief, we have all the disadvantageous features of the dole which I have previously described. If, on the other hand, such grants are to be used to finance locally conducted work programs, inefficiency and confusion through lack of coordination and uniformity are bound to

result. Under either the dole or local work programs the administrative cost will inevitably be much larger than under a Federally operated work program.

~~How can mere partisans answer that simple fact?~~

Furthermore, I am of the opinion that the adoption of a system of direct grants of Federal funds to states would result in the creation of pressure groups striving to increase the amount of such grants, which would bring about a demand for increased appropriations which both the present ~~and~~ ^{Congress} and future Congresses would find it extremely difficult to resist.

In my message of April 14, 1938, I recommended to the Congress a series of measures designed to check the deflationary processes and the failure of consumers' demand which were occurring at that time. Since the adoption by the Congress of the recovery program outlined in that message, the index of industrial production has increased more than one-quarter. The national income, which amounted to \$62,000,000,000 in 1938, is now running at a rate which should increase it to \$67,000,000,000 in 1939. This I regard as all-important, because as stated in my message of last April, I believe that if the national income can be increased to \$60,000,000,000 our whole economic picture will greatly improve and the problem of unemployment will become much less acute. However, I wish to repeat what I said at that time: I do not believe that this increase in national income can be brought about solely by the expenditure of public funds for relief and recovery purposes.

From the standpoint of private employment, the economic situation has greatly improved. Employment declined steadily and drastically from

1929 to 1932. Improvement began in 1933, and by the early fall of 1937 almost 10,000,000 more persons had jobs than were employed during the month when this Administration took office. Average non-agricultural employment during 1937 was within 1,000,000 of the annual average for 1929. After a temporary setback last year, we are now regaining the lost ground. There is every reason to believe that average employment during 1939 will be well in excess of that for 1938. I wish to stress the point that when the situation is viewed in terms of employment, the losses sustained from 1929 to 1932 had practically been wiped out by 1937.

We have found, however, that in spite of substantial recovery as indicated by the amount of employment, the volume of unemployment continues at high levels. This is due in large measure to two factors. The first of these is that the net increase in the labor supply, due to the growth of the working population, is in excess of 500,000 workers annually. ~~This accounts for from one-third to one-half of the present volume of unemployment.~~

The second prime factor in this picture is the increasing output of the individual worker. At the recovery peak in 1937, when industrial production was at approximately the 1929 level, there were still about 8,000,000 unemployed. From this and subsequent experience, it is apparent that comparatively high levels of production mean substantially less employment than formerly.

In any consideration of the problem of unemployment relief it must be borne in mind that the program adopted to meet it must be envisioned to extend over a considerable period of time. The reason for this is that this nation, in common with the entire world, is undergoing a

a process of readjustment, particularly in connection with the production and distribution of goods. Until our economic machinery can be realigned to meet present-day conditions, the problem of unemployment will persist and the measures adopted to deal with it must, therefore, be carefully thought out and their operation planned to extend well into the future.

In determining the numbers of persons for whom work on a Federal program should be provided, it is necessary to consider the number of needy able-bodied unemployed. The total unemployment estimates for the nation run to very large totals, but it must be remembered that these totals cover all persons who desire a job and include many who do not actually have to have a job. In other words, there are in all the unemployment estimates large numbers of persons who can sustain themselves either by reason of private resources or because they can be supported within the family group to which they belong. It is, of course, to be desired that industry should expand to such a degree as to provide employment for all who desire it, but in meeting the problem of need within the limits of the funds which can reasonably be made available for the purpose, the emphasis must necessarily be placed upon the number of unemployed individuals who are actually in need of wages in order to secure the necessities of life.

For the current fiscal year, the Congress has provided for the Works Progress Administration appropriations totaling approximately \$2,250,000,000. With these funds the Works Progress Administration has provided employment for a maximum of 3,350,000 persons and is currently employing approximately 2,800,000. The average employment provided for the fiscal year will be approximately 3,000,000 persons.

In my Budget message of January 3, 1939, I stated that "Supplemental estimates of appropriations will be submitted to meet the requirements of the Works Progress Administration, the National Youth Administration and the Farm Security Administration for the fiscal year 1940", and that \$1,750,000,000 was the amount estimated for expenditure by these three agencies. I feel that this amount plus such balances of the appropriation for the current year as remain unobligated on June 30, 1939, should cover not only all obligations to be incurred by these agencies during the fiscal year 1940 but the necessary administrative expenses connected therewith which may be incurred by the General Accounting Office, the Civil Aeronautics Authority, the Treasury, and the U. S. Employees' Compensation Commission, including compensation payments.

For the fiscal year 1940, I recommend, therefore, that the specific sum of \$1,477,000,000 be provided for the Works Progress Administration together with any balances of the appropriation for the current year which may remain unobligated on June 30, 1939. This represents a reduction of one-third below the amount provided in the current fiscal year and will permit the employment of slightly more than an average of 2,000,000 persons during the twelve months beginning July 1, 1939. Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation.

After a review of the accomplishments of jobless workers employed on Works Progress Administration projects, I am impressed with what can be achieved through a program that not only provides jobs for distressed workers but also stimulates purchasing power and tends to induce further

recovery. I commend to your attention the miles of roads and streets that have been built, the number of bridges and public buildings that have been constructed, and the worth-while accomplishments in the fields of education, recreation, sanitation and health, and conservation and flood control. Notwithstanding these accomplishments there is a vast amount of worth-while work remaining to be done. Expenditures in these fields represent permanent, tangible additions to our national wealth.

It is my opinion that the operations of the Works Progress Administration during the next fiscal year should be carried on much as at present but with the reduction that will be possible because of expected increases in private employment and a consequent decline in the need for work relief. Organizational changes which I expect to be made under the authority granted in the recent Reorganization Act will, I anticipate, make possible important economies resulting from the coordination of the operations of various Federal agencies which are engaged in the carrying out of projects.

I wish to state with emphasis, since the opposite view is frequently expressed, that the program of the Works Progress Administration should, as at present, include some projects of the non-construction type to meet the needs of those unemployed workers whose training is such that they are not adapted to employment on construction projects. The provision of work for those people at occupations which will conserve their skills is of prime importance, and the emphasis placed upon construction projects should not obscure the necessity for this portion of the program.

A Committee of the House of Representatives, under the authority of an enabling Resolution, is now conducting an investigation of the Works Progress Administration. I sincerely hope that this investigation will be guided along constructive lines, and if this is done I feel sure that

its outcome will be to demonstrate the wisdom of the measures which have been adopted to meet the needs of the unemployed. In discussions of the projects of the Works Progress Administration there is a tendency to enlarge upon criticism of a few isolated projects to an extent which obscures the real character and value of the program as a whole. In an undertaking of this size there are inevitably individual instances which may be subject to criticism, but when the criticism of a very small fraction of the work being carried on is magnified to such an extent as to obscure the great ~~accomplishment~~ ^{good} ~~on the whole,~~ all sense of proportion and relative value is lost.

In my message to the Congress of January 5, 1939, I suggested that a study be made of the methods by which funds appropriated to the Works Progress Administration should be distributed. Any formula that may be devised for this purpose and written into legislation should take in account not only the factor of population, but also the constantly changing economic and unemployment conditions in various sections of the country. Allocations should be made on the basis of jobs to be provided and not on the local basis of funds to be distributed. Furthermore, the formula should not be too rigid and should permit a substantial amount of administrative discretion in order to provide sufficient flexibility to meet special situations and relief crises.

The matter of the contributions of sponsors to Works Progress Administration projects has been satisfactorily covered by the provisions of the Emergency Relief Appropriation Act of 1938, which placed a limit upon the amount of Federal funds that can be used for purposes other than the payment of wages. I suggest a continuation of this practice rather

than the imposition of a percentage basis on which sponsors would be required to participate. With an appropriation made available for an entire fiscal year, negotiations with sponsors can be conducted upon a much more satisfactory basis, and it can be confidently expected that the proportion of sponsors' contributions will be appreciably increased. The complications which have arisen during the current fiscal year from the fact that three separate appropriations have been made to finance the operations of the Works Progress Administration have militated against efficiency of operation and made it difficult to secure the fullest financial participation of sponsors on projects.

The Congress has recently made provisions against improper political activity on the part of persons connected with the work relief program--provisions affecting not only Federal employees, but all persons who may be in a position to bring improper pressure to bear. Such legislation was recommended in my message of January 5, 1939, and has my hearty endorsement. However, in so far as the administrative employees of the Works Progress Administration and of the other agencies connected with the work relief program are concerned, I believe that the political provisions just mentioned would be more constructive, and their enforcement would be simpler, if the Congress would place such employees within the classified civil service.

The greatest single resource of this country is its youth, and no progressive government can afford to ignore the needs of its future citizens for adequate schooling and for that useful work which establishes them as a part of its economy. To ignore this need is to undermine the very basis of democracy which requires the constant renewal of its vitality.

through the absorption of its young people.

The National Youth Administration, as an entity now within the Works Progress Administration, has during the past four years developed a program which has proved its effectiveness in meeting this need. Its program is primarily one of work: work to enable needy students to secure an education, and work to enable unemployed needy young people who are out of school to make use of their capacities for public benefit and so in turn to earn a wage and acquire that work experience so essential to future effective employment. The National Youth Administration has supplemented its work program with other services directed toward increasing the effectiveness of young people as workers and securing their placement in regular employment.

It is my belief that we should now give official recognition to the fact that the needs of youth are different from those of unemployed older workers. I further believe that, based on the demonstrated ability of its program to meet these needs at low cost, and our knowledge of the wide and still unmet need among young people for its services, Congress should provide for an expansion of its activities.

For the National Youth Administration I am requesting an appropriation of \$123,000,000, for the fiscal year 1940 together with the unbilled balances on June 30, 1939, of the appropriation to that Administration for the current fiscal year.

I am requesting further that the National Youth Administration be established as a separate agency to continue and expand its program for assisting needy young people. This will not increase existing overhead.

While the amount which I am recommending will not meet all the needs of all our young people, it will mean that education, training, work

experience, and help toward private employment can be extended to many needy young people who are now eagerly waiting to take their place in our society as responsible workers and citizens.

It has been the function of the Farm Security Administration to provide assistance for hundreds of thousands of destitute and low-income farm families through supervised loans and guidance in sound farming practices, through adjustment of farmers' debts, and, where necessary, by direct subsistence grants. This program has kept thousands of farmers off relief and has enabled them, largely through their own efforts, to become self-supporting American citizens and to assume their rightful place in rural life. Aside from the further development of camps for migratory farm laborers, construction under the resettlement program will have been completed by the close of the current fiscal year, although in a few instances it may be necessary to provide funds for land development work.

For the foregoing activities of the Farm Security Administration, I recommend an appropriation of \$123,000,000 for the fiscal year 1940, together with such balances of the current appropriation as may remain unobligated on June 30, 1939.

Owing to the language of the Emergency Relief Appropriation Act, for the last two years it has been necessary to use funds allocated to or appropriated to the Department of Agriculture to provide for relief for Indians which come under the jurisdiction of the Department of the Interior. I feel that it would be preferable to have these funds appropriated directly to the Department primarily responsible for the welfare of the Indians.

In view of the foregoing I recommend an appropriation of \$1,350,000 for the Indian Service for the fiscal year 1940 to be available for the continuation of Indian rehabilitation and relief projects including necessary administrative expenses.

For the following agencies for administrative expenses incident to carrying out the purposes for which the foregoing appropriations have been requested I recommend the amounts indicated:

(1) Civil Aeronautics Authority	\$ 250,000
(2) General Accounting Office	5,225,000
(3) Treasury Department	
(a) Procurement Division	\$ 5,200,000
(b) Division of Disbursements	2,500,000
(c) Office of the Treasurer	675,000
(d) Secret Service	250,000
(e) Division of Accounts and Deposits	6,000,000
(f) Public Health Service	<u>300,000</u>
(4) U. S. Employees' Compensation Commission	14,925,000
	5,250,000

The funds recommended for appropriation to the U. S. Employees' Compensation Commission are sufficient to provide for the reimbursement of Federal hospitals for hospitalization of persons paid from relief appropriations in the same manner as they are now reimbursed for the hospitalization of other Federal employees paid from regular appropriations. I feel that the necessary authority to make such payments should be included in this year's legislation.

I request also that in connection with the foregoing appropriations, as in the past, provision be made to continue the work of the National Emergency Council, the National Resources Committee, and the rural rehabilitation program of the Puerto Rico Reconstruction Administration. For this purpose I recommend the following appropriations for the fiscal

year 1940:

(1) National Emergency Council	\$1,000,000
(2) National Resources Committee	990,000
(3) Puerto Rico Reconstruction Administration	10,000,000

In order that the Agencies concerned may have an opportunity to formulate definite plans for the next fiscal year it is desirable that the necessary legislation be enacted at as early a date as possible and that the funds be made available on the passage of this legislation.

It may be of interest to the Congress to know that through the Department of State we have received many assertions that there are few unemployed persons in the nations which have accepted totalitarian forms of government.

In those nations private employment takes care of a smaller proportion of their employable citizens than private employment does in the United States.

This means that government employment is responsible for the care of a larger portion of the employable population than in this country—creating in fact a government employment system, based in great part on the manufacture of munitions, which costs far more than our system.

The principal difference is that in the nations to which I refer, this employment is called employment, whereas in the United States it is called relief.

Actually, our system of work relief is relatively far cheaper than the other method and as at present constituted does take care of the great majority of the needy unemployed who are able to work.

I trust that the people will not be deceived by the terminology and will not assume that the totalitarian methods of government are more effective than our own.

The system which we have favored in the United States during the past six years is by no means perfect. It can be improved but not at the expense of substituting the dole for work relief nor by turning the management of works projects back to the sole care of the many thousands of local governments. It will be said by history, after much political smoke has cleared away, that the Federal Government's handling of work relief has been one of our most efficient administrative accomplishments.

FRANKLIN D. ROOSEVELT

RELIEF MESSAGE

FINAL DRAFT

Six years ago this nation was confronted with a situation calling for rapid and decisive action. Millions of workers were already jobless; their number was increasing, and the economic structure was threatened with collapse. In this crisis the vast reserves of the Federal Government were promptly made available, and emergency assistance was provided for all classes of the population who were in distress.

Since that time we have moved along a broad front to make permanent provision to meet various phases of the problem of unemployment and need. The Social Security Act provides aid for the aged, the blind, and for dependent children. Unemployment compensation, intended to tide workers over from one job to another, furnishes protection against short-term unemployment of the intermittent variety. Public works have employed many persons.

But there has been, and still is, a vast number of unemployed workers for whom some other protection must be provided.

It is very important to remember that the fundamental decision which was made in connection with the problem of providing for the needy able-bodied unemployed was whether provision should be made through the medium of work or a dole. I have on numerous occasions expressed my conviction that the proper solution was work, but I desire to take this opportunity to reaffirm my conviction in that regard.

In fact for six years it has been the definite national policy to give work to the needy unemployed who are able to work instead of handing ~~them~~ ^{to them} out charity in the form of food.

It is admitted that the cost per individual of a work program is higher than that of a dole. However, I firmly believe that the advantages which accrue from the maintenance of the morale and self-respect of the worker and the creation of permanent public assets fully justify this increased cost, and that the adoption of the dole as the solution of this problem would be disastrous.

When those who talk glibly and without much information about cutting the cost of relief are pinned down to facts, they are obliged to admit that they can offer only two alternative plans — to cut down the number of needy persons receiving relief or to cut the per capita payments, or in other words, make a definite beginning towards the substitution of a dole for work.

It is these same individuals who, picking out a handful of instances in the administration of a huge undertaking which of necessity reaches into their community seek to delude the people of this country into the belief that the minor exception is the rule. Let any one of these critics undertake the job of administration himself. That is a challenge which will be avoided but not answered.

There is wide discussion at the present time of various proposals for handling unemployment relief through a system of grants of Federal funds to states with various matching requirements. I believe that such a system has as many disadvantages as there are local political units in the nation. If grants to states are used for direct relief, we have all the disadvantageous features of the dole which I have previously described. If, on the other hand, such grants are to be used to finance locally conducted work programs, inefficiency and confusion through lack of coordination and uniformity are bound to

result. Under either the dole or local work programs the administrative cost will inevitably be much larger than under a Federally operated work program.

~~Now our mere partisans answer that simple fact.~~

Furthermore, I am of the opinion that the adoption of a system of direct grants of Federal funds to states would result in the creation of pressure groups striving to increase the amount of such grants, which would bring about a demand for increased appropriations which both the present Congress and future Congresses would find it extremely difficult to resist.

In my message of April 14, 1938, I recommended to the Congress a series of measures designed to check the deflationary processes and the failure of consumers' demand which were occurring at that time. Since the adoption by the Congress of the recovery program outlined in that message, the index of industrial production has increased more than one-quarter. The national income, which amounted to \$62,000,000,000 in 1938, is now running at a rate which should increase it to \$67,000,000,000 in 1939. This I regard as all-important, because as stated in my message of last April, I believe that if the national income can be increased to \$80,000,000,000 our whole economic picture will greatly improve and the problem of unemployment will become much less acute. However, I wish to repeat what I said at that time: I do not believe that this increase in national income can be brought about solely by the expenditure of public funds for relief and recovery purposes.

From the standpoint of private employment, the economic situation has greatly improved. Employment declined steadily and drastically from

1929 to 1932. Improvement began in 1933, and by the early fall of 1937 almost 10,000,000 more persons had jobs than were employed during the month when this Administration took office. Average non-agricultural employment during 1937 was within 1,000,000 of the annual average for 1929. After a temporary setback last year, we are now regaining the lost ground. There is every reason to believe that average employment during 1939 will be well in excess of that for 1938. I wish to stress the point that when the situation is viewed in terms of employment, the losses sustained from 1929 to 1932 had practically been wiped out by 1937.

We have found, however, that in spite of substantial recovery as indicated by the amount of employment, the volume of unemployment continues at high levels. This is due in large measure to two factors. The first of these is that the net increase in the labor supply, due to the growth of the working population, is in excess of 500,000 workers annually. ~~This accounts for from one-third to one-half of the present volume of unemployment.~~

The second prime factor in this picture is the increasing output of the individual worker. At the recovery peak in 1937, when industrial production was at approximately the 1929 level, there were still about 8,000,000 unemployed. From this and subsequent experience, it is apparent that comparatively high levels of production mean substantially less employment than formerly.

In any consideration of the problem of unemployment relief it must be borne in mind that the program adopted to meet it must be envisioned to extend over a considerable period of time. The reason for this is that this nation, in common with the entire world, is undergoing a

a process of readjustment, particularly in connection with the production and distribution of goods. Until our economic machinery can be realigned to meet present-day conditions, the problem of unemployment will persist and the measures adopted to deal with it must, therefore, be carefully thought out and their operation planned to extend well into the future.

In determining the numbers of persons for whom work on a Federal program should be provided, it is necessary to consider the number of actually able-bodied unemployed. The total unemployment estimates for the nation run to very large totals, but it must be remembered that these totals cover all persons who desire a job and include many who do not actually have to have a job. In other words, there are in all the unemployment estimates large numbers of persons who can sustain themselves either by reason of private resources or because they can be supported within the family group to which they belong. It is, of course, to be desired that industry should expand to such a degree as to provide employment for all who desire it, but in meeting the problem of need within the limits of the funds which can reasonably be made available for the purpose, the emphasis must necessarily be placed upon the number of unemployed individuals who are actually in need of wages in order to secure the necessities of life.

For the current fiscal year, the Congress has provided for the Works Progress Administration appropriations totaling approximately \$2,250,000,000. With these funds the Works Progress Administration has provided employment for a maximum of 3,350,000 persons and is currently employing approximately 2,800,000. The average employment provided for the fiscal year will be approximately 3,000,000 persons.

In my Budget message of January 3, 1939, I stated that "Supplemental estimates of appropriations will be submitted to meet the requirements of the Works Progress Administration, the National Youth Administration and the Farm Security Administration for the fiscal year 1940", and that \$1,750,000,000 was the amount estimated for expenditure by these three agencies. I feel that this amount plus such balances of the appropriation for the current year as remain unobligated on June 30, 1939, should cover not only all obligations to be incurred by these agencies during the fiscal year 1940 but the necessary administrative expenses connected therewith which may be incurred by the General Accounting Office, the Civil Aeronautics Authority, the Treasury, and the U. S. Employees' Compensation Commission, including compensation payments.

For the fiscal year 1940 I recommend, therefore, that the specific sum of \$1,477,000,000 be provided for the Works Progress Administration together with any balances of the appropriation for the current year which may remain unobligated on June 30, 1939. This represents a reduction of one-third below the amount provided in the current fiscal year and will permit the employment of slightly more than an average of 2,000,000 persons during the twelve months beginning July 1, 1939. Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation.

After a review of the accomplishments of jobless workers employed on Works Progress Administration projects, I am impressed with what can be achieved through a program that not only provides jobs for distressed workers but also stimulates purchasing power and tends to induce further

recovery. I call to your attention the miles of roads and streets that have been built, the number of bridges and public buildings that have been constructed, and the worth-while accomplishments in the fields of education, recreation, sanitation and health, and conservation and flood control. Notwithstanding these accomplishments there is a vast amount of worth-while work remaining to be done. Expenditures in these fields represent permanent, tangible additions to our national wealth.

It is my opinion that the operations of the Works Progress Administration during the next fiscal year should be carried on much as at present but with the reduction that will be possible because of expected increases in private employment and a consequent decline in the need for work relief. Organizational changes which I expect to be made under the authority granted in the recent Reorganization Act will, I anticipate, make possible important economies resulting from the coordination of the operations of various Federal agencies which are engaged in the carrying out of projects.

I wish to state with emphasis, since the opposite view is frequently expressed, that the program of the Works Progress Administration should, as at present, include some projects of the non-construction type to meet the needs of those unemployed workers whose training is such that they are not adapted to employment on construction projects. The provision of work for those people at occupations which will conserve their skills is of prime importance, and the emphasis placed upon construction projects should not obscure the necessity for this portion of the program.

A Committee of the House of Representatives, under the authority of an enabling Resolution, is now conducting an investigation of the Works Progress Administration. I sincerely hope that this investigation will be guided along constructive lines, and if this is done I feel sure that

its outcome will be to demonstrate the wisdom of the measures which have been adopted to meet the needs of the unemployed. In discussions of the projects of the Works Progress Administration there is a tendency to enlarge upon criticism of a few isolated projects to an extent which obscures the real character and value of the program as a whole. In an undertaking of this size there are inevitably individual instances which may be subject to criticism, but when the criticism of a very small fraction of the work being carried on is magnified to such an extent as to obscure the great ^{general} accomplishment that is being achieved, ^{on the whole,} all sense of proportion and relative value is lost.

In my message to the Congress of January 6, 1939, I suggested that a study be made of the methods by which funds appropriated to the Works Progress Administration should be distributed. Any formula that may be devised for this purpose and written into legislation should take in account not only the factor of population, but also the constantly changing economic and unemployment conditions in various sections of the country. Allocations should be made on the basis of jobs to be provided and not on the local basis of funds to be distributed. Furthermore, the formula should not be too rigid and should permit a substantial amount of administrative discretion in order to provide sufficient flexibility to meet special situations and relief crises.

The matter of the contributions of sponsors to Works Progress Administration projects has been satisfactorily covered by the provisions of the Emergency Relief Appropriation Act of 1938, which placed a limit upon the amount of Federal funds that can be used for purposes other than the payment of wages. I suggest a continuation of this practice rather

than the imposition of a percentage basis on which sponsors would be required to participate. With an appropriation made available for an entire fiscal year, negotiations with sponsors can be conducted upon a much more satisfactory basis, and it can be confidently expected that the proportion of sponsors' contributions will be appreciably increased. The complications which have arisen during the current fiscal year from the fact that three separate appropriations have been made to finance the operations of the Works Progress Administration have militated against efficiency of operation and made it difficult to secure the fullest financial participation of sponsors on projects.

The Congress has recently made provisions against improper political activity on the part of persons connected with the work relief program--provisions affecting not only Federal employees, but all persons who may be in a position to bring improper pressure to bear. Such legislation was recommended in my message of January 5, 1939, and has my hearty endorsement. However, in so far as the administrative employees of the Works Progress Administration and of the other Agencies connected with the work relief program are concerned, I believe that the political provisions just mentioned would be more constructive, and their enforcement would be simpler, if the Congress would place such employees within the classified civil service.

The greatest single resource of this country is its youth, and no progressive government can afford to ignore the needs of its future citizens for adequate schooling and for that useful work which establishes them as a part of its economy. To ignore this need is to undermine the very basis of democracy which requires the constant renewal of its vitality.

through the absorption of its young people.

The National Youth Administration, as an entity now within the Works Progress Administration, has during the past four years developed a program which has proved its effectiveness in meeting this need. Its program is primarily one of works work to enable needy students to secure an education, and work to enable unemployed needy young people who are out of school to make use of their capacities for public benefit and so in turn to earn a wage and acquire that work experience so essential to future effective employment. The National Youth Administration has supplemented its work program with other services directed toward increasing the effectiveness of young people as workers and securing their placement in regular employment.

It is my belief that we should now give official recognition to the fact that the needs of youth are different from those of unemployed older workers. I further believe that, based on the demonstrated ability of its program to meet these needs at low cost, and our knowledge of the wide and still unmet need among young people for its services, Congress should provide for an expansion of its activities.

For the National Youth Administration I am requesting an appropriation of \$123,000,000, for the fiscal year 1940 together with the unbilled balances on June 30, 1939, of the appropriation to that Administration for the current fiscal year.

I am requesting further that the National Youth Administration be established as a separate agency to continue and expand its program for assisting needy young people. This will not increase existing overhead.

While the amount which I am recommending will not meet all the needs of all our young people, it will mean that education, training, work

experience, and help toward private employment can be extended to many needy young people who are now eagerly waiting to take their place in our society as responsible workers and citizens.

It has been the function of the Farm Security Administration to provide assistance for hundreds of thousands of destitute and low-income farm families through supervised loans and guidance in sound farming practices, through adjustment of farmers' debts, and, where necessary, by direct subsistence grants. This program has kept thousands of farmers off relief and has enabled them, largely through their own efforts, to become self-supporting American citizens and to assume their rightful place in rural life. Aside from the further development of camps for migratory farm laborers, construction under the resettlement program will have been completed by the close of the current fiscal year, although in a few instances it may be necessary to provide funds for land development work.

For the foregoing activities of the Farm Security Administration, I recommend an appropriation of \$125,000,000 for the fiscal year 1940, together with such balances of the current appropriation as may remain unobligated on June 30, 1939.

Owing to the language of the Emergency Relief Appropriation Acts, for the last two years it has been necessary to use funds allocated to or appropriated to the Department of Agriculture to provide for relief for Indians which come under the jurisdiction of the Department of the Interior. I feel that it would be preferable to have these funds appropriated directly to the Department primarily responsible for the welfare of the Indians.

In view of the foregoing I recommend an appropriation of \$1,350,000 for the Indian Service for the fiscal year 1940 to be available for the continuation of Indian rehabilitation and relief projects including necessary administrative expenses.

For the following agencies for administrative expenses incident to carrying out the purposes for which the foregoing appropriations have been requested I recommend the amounts indicated:

(1) Civil Aeronautics Authority	\$ 250,000
(2) General Accounting Office	5,225,000
(3) Treasury Department	
(a) Procurement Division	\$ 5,200,000
(b) Division of Disbursements	2,500,000
(c) Office of the Treasurer	675,000
(d) Secret Service	250,000
(e) Division of Accounts and Deposits	6,000,000
(f) Public Health Service	<u>300,000</u>
(4) U. S. Employees' Compensation Commission	14,925,000
	5,250,000

The funds recommended for appropriation to the U. S. Employees' Compensation Commission are sufficient to provide for the reimbursement of Federal hospitals for hospitalization of persons paid from relief appropriations in the same manner as they are not reimbursed for the hospitalization of other Federal employees paid from regular appropriations. I feel that the necessary authority to make such payments should be included in this year's legislation.

I request also that in connection with the foregoing appropriations, as in the past, provision be made to continue the work of the National Emergency Council, the National Resources Committee, and the rural rehabilitation program of the Puerto Rico Reconstruction Administration. For this purpose I recommend the following appropriations for the fiscal

year 1940:

(1) National Emergency Council	\$1,500,000
(2) National Resources Committee	990,000
(3) Puerto Rico Reconstruction Administration	10,000,000

In order that the Agencies concerned may have an opportunity to formulate definite plans for the next fiscal year it is desirable that the necessary legislation be enacted at as early a date as possible and that the funds be made available on the passage of this legislation.

It may be of interest to the Congress to know that through the Department of State we have received many assertions that there are few unemployed persons in the nations which have accepted totalitarian forms of government.

In those nations private employment takes care of a smaller proportion of their employable citizens than private employment does in the United States.

This means that government employment is responsible for the care of a larger portion of the employable population than in this country—creating in fact a government employment system, based in great part on the manufacture of munitions, which costs far more than our system.

The principal difference is that in the nations to which I refer, the employment is called employment, whereas in the United States it is called relief.

Actually, our system of work relief is relatively far cheaper than the other method and as at present constituted does take care of the great majority of the needy unemployed who are able to work.

I trust that the people will not be deceived by the terminology and will not assume that the totalitarian methods of government are more effective than our own.

The system which we have favored in the United States during the past six years is by no means perfect. It can be improved but not at the expense of substituting the dole for work relief nor by turning the management of works projects back to the sole care of the many thousands of local governments. It will be said by history, after much political smoke has cleared away, that the Federal Government's handling of work relief has been one of our most efficient administrative accomplishments.

FRANKLIN D. ROOSEVELT

RELIEF MESSAGE

FINAL DRAFT

Six years ago this nation was confronted with a situation calling for rapid and decisive action. Millions of workers were already jobless; their number was increasing, and the economic structure was threatened with collapse. In this crisis the vast reserves of the Federal Government were promptly made available, and emergency assistance was provided for all classes of the population who were in distress.

Since that time we have moved along a broad front to make permanent provision to meet various phases of the problem of unemployment and need. The Social Security Act provides aid for the aged, the blind, and for dependent children. Unemployment compensation, intended to tide workers over from one job to another, furnishes protection against short-term unemployment of the intermittent variety. Public works have employed many persons.

But there has been, and still is, a vast number of unemployed workers for whom some other protection must be provided.

It is very important to remember that the fundamental decision which was made in connection with the problem of providing for the needy able-bodied unemployed was whether provision should be made through the medium of work or a dole. I have on numerous occasions expressed my conviction that the proper solution was work, but I desire to take this opportunity to reaffirm my conviction in that regard.

In fact for six years it has been the definite national policy to give work to the needy unemployed who are able to work instead of handing them out charity in the form of food.

It is admitted that the cost per individual of a work program is higher than that of a dole. However, I firmly believe that the advantages which accrue from the maintenance of the morale and self-respect of the worker and the creation of permanent public assets fully justify this increased cost, and that the adoption of the dole as the solution of this problem would be disastrous.

When those who talk glibly and without much information about cutting the cost of relief are pinned down to facts, they are obliged to admit that they can offer only two alternative plans -- to cut down the number of needy persons receiving relief or to cut the per capita work payments, or in other words, make a definite beginning towards the substitution of a dole for work.

It is these same individuals who, picking out a handful of instances in the administration of a huge undertaking, ~~which may necessarily reaches into the community~~ seek to delude the people of this country into the belief that the minor exception is the rule. Let any one of these critics undertake the job of administration himself. That is a challenge which will be avoided but not answered.

There is wide discussion at the present time of various proposals for handling unemployment relief through a system of grants of Federal funds to states with various matching requirements. I believe that such a system has as many disadvantages as there are local political units in the nation. If grants to states are used for direct relief, we have all the disadvantageous features of the dole which I have previously described. If, on the other hand, such grants are to be used to finance locally conducted work programs, inefficiency and confusion through lack of coordination and uniformity are bound to

result. Under either the dole or local work programs the administrative cost will inevitably be much larger than under a Federally operated work program.

How can more participants answer that simple fact?

Furthermore, I am of the opinion that the adoption of a system of direct grants of Federal funds to states would result in the creation of pressure groups striving to increase the amount of such grants, which would bring about a demand for increased appropriations which both the present Congress and future Congresses would find it extremely difficult to resist.

In my message of April 14, 1938, I recommended to the Congress a series of measures designed to check the deflationary processes and the failure of consumers' demand which were occurring at that time. Since the adoption by the Congress of the recovery program outlined in that message, the index of industrial production has increased more than one-quarter. The national income, which amounted to \$62,000,000,000 in 1938, is now running at a rate which should increase it to \$67,000,000,000 in 1939. This I regard as all-important, because as stated in my message of last April, I believe that if the national income can be increased to \$80,000,000,000 our whole economic picture will greatly improve and the problem of unemployment will become much less acute. However, I wish to repeat what I said at that time: I do not believe that this increase in national income can be brought about ~~greatly~~ by the expenditure of public funds for relief and recovery purposes.

From the standpoint of private employment, the economic situation has greatly improved. Employment declined steadily and drastically from

1929 to 1932. Improvement began in 1933, and by the early fall of 1937 almost 10,000,000 more persons had jobs than were employed during the month when this Administration took office. Average non-agricultural employment during 1937 was within 1,000,000 of the annual average for 1929. After a temporary setback last year, we are now regaining the lost ground. There is every reason to believe that average employment during 1939 will be well in excess of that for 1938. I wish to stress the point that when the situation is viewed in terms of employment, the losses sustained from 1929 to 1932 had practically been wiped out by 1937.

We have found, however, that in spite of substantial recovery as indicated by the amount of employment, the volume of unemployment continues at high levels. This is due in large measure to two factors. The first of these is that the net increase in the labor supply, due to the growth of the working population, is in excess of 500,000 workers annually. ~~This accounts for from one-third to one-half of the present volume of unemployment.~~

The second prime factor in this picture is the increasing output of the individual worker. At the recovery peak in 1937, when industrial production was at approximately the 1929 level, there were still about 8,000,000 unemployed. From this and subsequent experience, it is apparent that comparatively high levels of production mean substantially less employment than formerly.

In any consideration of the problem of unemployment relief it must be borne in mind that the program adopted to meet it must be envisioned to extend over a considerable period of time. The reason for this is that this nation, in common with the entire world, is undergoing a

process of readjustment, particularly in connection with the production and distribution of goods. Until our economic machinery can be realigned to meet present-day conditions, the problem of unemployment will persist and the measures adopted to deal with it must, therefore, be carefully thought out and their operation planned to extend well into the future.

In determining the numbers of persons for whom work on a Federal program should be provided, it is necessary to consider the number of needy able-bodied unemployed. The total unemployment estimates for the nation run to very large totals, but it must be remembered that these totals cover all persons who desire a job and include many who do not actually have to have a job. In other words, there are in all the unemployment estimates large numbers of persons who can sustain themselves either by reason of private resources or because they can be supported within the family group to which they belong. It is, of course, to be desired that industry should expand to such a degree as to provide employment for all who desire it, but in meeting the problem of need within the limits of the funds which can reasonably be made available for the purpose, the emphasis must necessarily be placed upon the number of unemployed individuals who are actually in need of wages in order to secure the necessities of life.

For the current fiscal year, the Congress has provided for the Works Progress Administration appropriations totaling approximately \$2,250,000,000. With these funds the Works Progress Administration has provided employment for a maximum of 3,350,000 persons and is currently employing approximately 2,800,000. The average employment provided for the fiscal year will be approximately 3,000,000 persons.

In my Budget message of January 3, 1939, I stated that "Supplemental estimates of appropriations will be submitted to meet the requirements of the Works Progress Administration, the National Youth Administration and the Farm Security Administration for the fiscal year 1940", and that \$1,750,000,000 was the amount estimated for expenditure by these three agencies. I feel that this amount plus such balances of the appropriation for the current year as remain unobligated on June 30, 1939, should cover not only all obligations to be incurred by these agencies during the fiscal year 1940 but the necessary administrative expenses connected therewith which may be incurred by the General Accounting Office, the Civil Aeronautics Authority, the Treasury, and the U. S. Employees' Compensation Commission, including compensation payments.

For the fiscal year 1940 I recommend, therefore, that the specific sum of \$1,477,000,000 be provided for the Works Progress Administration together with any balances of the appropriation for the current year which may remain unobligated on June 30, 1939. This represents a reduction of one-third below the amount provided in the current fiscal year and will permit the employment of slightly more than an average of 2,000,000 persons during the twelve months beginning July 1, 1939. Barring unforeseen and unpredictable developments, we are justified in expecting an upward trend in the volume of employment between now and June 30, 1940, and the sum just named represents my judgment as to the amount that should be provided on the basis of that expectation.

After a review of the accomplishments of jobless workers employed on Works Progress Administration projects, I am impressed with what can be achieved through a program that not only provides jobs for distressed workers but also stimulates purchasing power and tends to induce further

recovery. I commend to your attention the miles of roads and streets that have been built, the number of bridges and public buildings that have been constructed, and the worth-while accomplishments in the fields of education, recreation, sanitation and health, and conservation and flood control. Notwithstanding these accomplishments there is a vast amount of worth-while work remaining to be done. Expenditures in these fields represent permanent, tangible additions to our national wealth.

It is my opinion that the operations of the Works Progress Administration during the next fiscal year should be carried on much as at present but with the reduction that will be possible because of expected increases in private employment and a consequent decline in the need for work relief. Organizational changes which I expect to be made under the authority granted in the recent Reorganization Act will, I anticipate, make possible important economies resulting from the coordination of the operations of various Federal agencies which are engaged in the carrying out of projects.

I wish to state with emphasis, since the opposite view is frequently expressed, that the program of the Works Progress Administration should, as at present, include some projects of the non-construction type to meet the needs of those unemployed workers whose training is such that they are not adapted to employment on construction projects. The provision of work for those people at occupations which will conserve their skills is of prime importance, and the emphasis placed upon construction projects should not obscure the necessity for this portion of the program.

A Committee of the House of Representatives, under the authority of an enabling Resolution, is now conducting an investigation of the Works Progress Administration. I sincerely hope that this investigation will be guided along constructive lines, and if this is done I feel sure that

its outcome will be to demonstrate the wisdom of the measures which have been adopted to meet the needs of the unemployed. In discussions of the projects of the Works Progress Administration there is a tendency to enlarge upon criticism of a few isolated projects to an extent which obscures the real character and value of the program as a whole. In an undertaking of this size there are inevitably individual instances which may be subject to criticism, but when the criticism of a very small fraction of the work being carried on is magnified to such an extent as to obscure the great accomplishment that is being achieved, all sense of proportion and relative value is lost.

In my message to the Congress of January 5, 1939, I suggested that a study be made of the methods by which funds appropriated to the Works Progress Administration should be distributed. Any formula that may be devised for this purpose and written into legislation should take in account not only the factor of population, but also the constantly changing economic and unemployment conditions in various sections of the country. Allocations should be made on the basis of jobs to be provided and not on the local basis of funds to be distributed. Furthermore, the formula should not be too rigid and should permit a substantial amount of administrative discretion in order to provide sufficient flexibility to meet special situations and relief crises.

The matter of the contributions of sponsors to Works Progress Administration projects has been satisfactorily covered by the provisions of the Emergency Relief Appropriation Act of 1938, which placed a limit upon the amount of Federal funds that can be used for purposes other than the payment of wages. I suggest a continuation of this practice rather

than the imposition of a percentage basis on which sponsors would be required to participate. With an appropriation made available for an entire fiscal year, negotiations with sponsors can be conducted upon a much more satisfactory basis, and it can be confidently expected that the proportion of sponsors' contributions will be appreciably increased. The complications which have arisen during the current fiscal year from the fact that three separate appropriations have been made to finance the operations of the Works Progress Administration have militated against efficiency of operation and made it difficult to secure the fullest financial participation of sponsors on projects.

The Congress has recently made provisions against improper political activity on the part of persons connected with the work relief program--provisions affecting not only Federal employees, but all persons who may be in a position to bring improper pressure to bear. Such legislation was recommended in my message of January 5, 1939, and has my hearty endorsement. However, in so far as the administrative employees of the Works Progress Administration and of the other Agencies connected with the work relief program are concerned, I believe that the political provisions just mentioned would be more constructive, and their enforcement would be simpler, if the Congress would place such employees within the classified civil service.

The greatest single resource of this country is its youth, and no progressive government can afford to ignore the needs of its future citizens for adequate schooling and for that useful work which establishes them as a part of its economy. To ignore this need is to undermine the very basis of democracy which requires the constant renewal of its vitality.

through the absorption of its young people.

The National Youth Administration, as an entity now within the Works Progress Administration, has during the past four years developed a program which has proved its effectiveness in meeting this need. Its program is primarily one of work: work to enable needy students to secure an education, and work to enable unemployed needy young people who are out of school to make use of their capacities for public benefit and so in turn to earn a wage and acquire that work experience so essential to future effective employment. The National Youth Administration has supplemented its work program with other services directed toward increasing the effectiveness of young people as workers and securing their placement in regular employment.

It is my belief that we should now give official recognition to the fact that the needs of youth are different from those of unemployed older workers. I further believe that, based on the demonstrated ability of its program to meet these needs at low cost, and our knowledge of the wide and still unmet need among young people for its services, Congress should provide for an expansion of its activities.

For the National Youth Administration I am requesting an appropriation of \$123,000,000, for the fiscal year 1940 together with the unobligated balances on June 30, 1939, of the appropriation to that Administration for the current fiscal year.

I am requesting further that the National Youth Administration be established as a separate agency to continue and expand its program for assisting needy young people. This will not increase existing overhead.

While the amount which I am recommending will not meet all the needs of all our young people, it will mean that education, training, work

experience, and help toward private employment can be extended to many needy young people who are now eagerly waiting to take their place in our society as responsible workers and citizens.

It has been the function of the Farm Security Administration to provide assistance for hundreds of thousands of destitute and low-income farm families through supervised loans and guidance in sound farming practices, through adjustment of farmers' debts, and, where necessary, by direct subsistence grants. This program has kept thousands of farmers off relief and has enabled them, largely through their own efforts, to become self-supporting American citizens and to assume their rightful place in rural life. Aside from the further development of camps for migratory farm laborers, construction under the resettlement program will have been completed by the close of the current fiscal year, although in a few instances it may be necessary to provide funds for land development work.

For the foregoing activities of the Farm Security Administration, I recommend an appropriation of \$123,000,000 for the fiscal year 1940, together with such balances of the current appropriation as may remain unobligated on June 30, 1939.

Owing to the language of the Emergency Relief Appropriation Acts, for the last two years it has been necessary to use funds allocated to or appropriated to the Department of Agriculture to provide for relief for Indians which come under the jurisdiction of the Department of the Interior. I feel that it would be preferable to have these funds appropriated directly to the Department primarily responsible for the welfare of the Indians.

In view of the foregoing I recommend an appropriation of \$1,350,000 for the Indian Service for the fiscal year 1940 to be available for the continuation of Indian rehabilitation and relief projects including necessary administrative expenses.

For the following agencies for administrative expenses incident to carrying out the purposes for which the foregoing appropriations have been requested I recommend the amounts indicated:

(1) Civil Aeronautics Authority	\$ 250,000
(2) General Accounting Office	5,225,000
(3) Treasury Department	
(a) Procurement Division	\$ 5,200,000
(b) Division of Disbursements	2,500,000
(c) Office of the Treasurer	675,000
(d) Secret Service	250,000
(e) Division of Accounts and Deposits	6,000,000
(f) Public Health Service	300,000
	14,925,000
(4) U. S. Employees' Compensation Commission	5,250,000

The funds recommended for appropriation to the U. S. Employees' Compensation Commission are sufficient to provide for the reimbursement of Federal hospitals for hospitalization of persons paid from relief appropriations in the same manner as they are now reimbursed for the hospitalization of other Federal employees paid from regular appropriations. I feel that the necessary authority to make such payments should be included in this year's legislation.

I request also that in connection with the foregoing appropriations, as in the past, provision be made to continue the work of the National Emergency Council, the National Resources Committee, and the rural rehabilitation program of the Puerto Rico Reconstruction Administration. For this purpose I recommend the following appropriations for the fiscal

year 1940:

(1) National Emergency Council	\$1,500,000
(2) National Resources Committee	990,000
(3) Puerto Rico Reconstruction Administration	10,000,000

In order that the Agencies concerned may have an opportunity to formulate definite plans for the next fiscal year it is desirable that the necessary legislation be enacted at as early a date as possible and that the funds be made available on the passage of this legislation.

It may be of interest to the Congress to know that through the Department of State we have received many assertions that there are few unemployed persons in the nations which have accepted totalitarian forms of government.

In these nations private employment takes care of a smaller proportion of their employable citizens than private employment does in the United States.

This means that government employment is responsible for the care of a larger portion of the employable population than in this country--creating in fact a government employment system, based in great part on the manufacture of munitions, which costs far more than our system.

The principal difference is that in the nations to which I refer, the employment is called employment, whereas in the United States it is called relief.

Actually, our system of work relief is relatively far cheaper than the other method and as at present constituted does take care of the great majority of the needy unemployed who are able to work.

I trust that the people will not be deceived by the terminology and will not assume that the totalitarian methods of government are more effective than our own.

The system which we have favored in the United States during the past six years is by no means perfect. It can be improved but not at the expense of substituting the dole for work relief nor by turning the management of works projects back to the sole care of the many thousands of local governments. It will be said by history, after much political smoke has cleared away, that the Federal Government's handling of work relief has been one of our most efficient administrative accomplishments.

FRANKLIN D. ROOSEVELT