

ECONOMICS
of
PLANNING PUBLIC WORKS

BY
John Maurice Clark
Professor of Economics, Columbia University

A study made for the NATIONAL PLANNING BOARD
of the
FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

STATES GOVERNMENT PRINTING OFFICE - - - - - WASHINGTON, D. C., 1935

the Superintendent of Documents, Washington, D. C. - - - - - Price 25 cents

PREFACE

This volume presents a part of the research work carried on by a staff serving under the National Planning Board (later incorporated in the National Resources Board). The National Planning Board was set up under the Public Works Administration but distinct from the work of carrying out the current Public Works program, and consisted of Mr. Frederick A. Delano, chairman, and Profs. Wesley C. Mitchell and Charles E. Merriam. Under this Board a number of distinct but related researches were carried out. A study of the general problem of economic and social planning was made by Dr. Lewis L. Lorwin of the Brookings Institution and Prof. A. F. Harichs of Brown University. In the field of Public Works, recent experience was surveyed by Dr. Arthur D. Gayer of Barnard College, physical aspects by a panel of planning engineers under Mr. Russell V. Black, administrative aspects by Mr. Frederick Powell who succeeded Dr. Leonard White after the latter was called to other duties, and economic aspects by the present author, with the assistance of Dr. J. Wilner Sundelson on the financial angles of the problem.

This sketch of the organization of the research may serve to explain what is left out of this volume, as well as what is included. Detailed history and statistics of the recent experience in this country will be found in Dr. Gayer's study, to be published by the National Bureau of Economic Research; and only such basic facts are included here as are necessary to an understanding of the problem. The physical possibilities of Public Works in this country are dealt with in Mr. Black's study. Administrative problems are dealt with only incidentally. What remains affords a sufficient range of problems, centering in the one which is most vital for the country today: How may Public Works be so handled as to contribute as much as they are capable of contributing to industrial stability?

Acknowledgments are due to the Board and to its executive officer, Mr. Charles W. Eliot 2d, who has afforded every facility for the study and furnished much valuable material. Mr. C. R. Chambers of the Division of Economics and Statistics of the Public Works Administration has cooperated whole-heartedly, and placed his records at the author's disposal. On financial conditions in State and local governments Mr. Lent D. Upson of the Bureau of the Census and Mr. Wylie Kilpatrick of the Public Works Administration have furnished both data and suggestive discussion. The chapter on the cumulative effects of Public Works expenditures has been read by Prof. J. W. Angell and Alvin H. Hansen; and their criticisms have resulted in materially improving the treatment; though needless to say they are not responsible for the views expressed or the conclusions reached. As for those who have contributed by conference and conversation, the author can only express a general debt of gratitude to them for the help they have rendered.

The conclusions reached in this study will naturally not find universal agreement. The author holds that it is possible for Public Works expenditures, rightly handled, to furnish a real stimulus to business in a depression; and some will object to that view in any form. He also concludes that there are limits to the possibility of lifting ourselves in this way, that this method alone cannot haul us out of a serious depression, and that some ways of attempting may very easily result instead in imbedding us more firmly in slough. And some will reject such counsels of caution and moderation.

Unfortunately, these major conclusions are not susceptible of such hard-and-fast proof as a scientist properly likes to demand. They are scientific probabilities—largely deductions from assumptions carefully selected on the basis of available evidence as to the important controlling conditions. The controlling conditions are many, some of them capriciously variable, reaching into the human imponderables. Some of these probabilities approach certainty; others are much more doubtful. It takes courage to act on such probabilities, and caution to act without running unnecessary risks. And it is this combination of courage and caution which, with good will as a foundation, is the prime necessity if we are to come safely through the inspiring and disquieting enterprise of social experimentation to which the country is now committed.

This study of economic aspects was made within rather severe time limitations, during the spring and summer of 1934, and pressure of other duties has prevented the author from making any general revision taking account of later developments. If such revision had been made, warnings against expecting too much might have been made stronger; but nothing seems to have happened to alter the general character of the conclusions reached as to the kind of action which needs to be taken.

JOHN MAURICE CLARK.

TABLE OF CONTENTS

	Page
I. THE BACKGROUND OF THE AMERICAN PROBLEM.	1
A. Introduction.	
B. Work Relief or Relief Work.	
C. Public Works as an Antidote to Depressions.	
D. The Development of City and Regional Planning.	
HARMONIES AND CONFLICTS BETWEEN THE PURPOSES IN VIEW.	18
III. RELIEF WORK: ADVANTAGES AND DISADVANTAGES AS COMPARED WITH DOLES OR INSURANCE.	22
A. General Characteristics of Relief Work.	
B. Unemployment Insurance or Reserves.	
C. Outright Relief.	
D. Conclusion.	
IV. VARIETIES OF ECONOMIC DISLOCATIONS.	31
A. Importance of the Question.	
B. General Character of Business Movements.	
C. The Shorter Type of Business Cycle.	
D. The Different Phases of a Cycle.	
E. Possible Longer Cycles.	
F. Noncyclical Disturbing Factors.	
G. Progressive Changes, and their Possible Disturbing Effects.	
H. Present Prospects.	
V. TYPES OF PUBLIC WORKS PROJECTS.	54
A. General Grading According to Value of Urgency.	
B. Particular Characteristics Bearing on Choice of Projects.	
C. Conclusions.	
VI. VARIETIES OF TIMING POLICY.	61
A. The Contraction Side of Timing.	
B. The Expansion Side of Timing.	
C. Expansion without Contraction: A Progressive Increase in Public Spending.	
VII. LIMITATIONS ON ALTERING NATURAL TIMING OF PUBLIC WORKS.	71
A. General Limitations.	
B. Political and Administrative Difficulties.	
VIII. PREPARATORY MEASURES.	75
IX. CUMULATIVE EFFECTS OF PUBLIC EXPENDITURES.	80
A. Indirect Primary Employment and Production.	
B. Secondary Effects: the Problem.	
C. Secondary Effects: the Successive-Spendings Approach.	
D. Secondary Effects: the Approach via Volume and Velocity of " Circulating Medium.	
E. Differences and Attempted Reconciliation.	
F. Recent Experience in the United States.	

TABLE OF CONTENTS

X. NULLIFYING INFLUENCES.

- A. Contraction of Expenditures in the General Budget while Public Works are Expanding.
- B. Methods of Raising Funds which May Counteract the Effect of Spending them so far as Concerns Stimulus to Business or the Sustaining of Purchasing Power.
- C. Public Expenditures which Will Ultimately Reduce the Field for Private Investment.
- D. Reactions in the Field of International Trade and Exchange.
- E. Conclusion.

XI. PROBLEMS AND METHODS OF FINANCING.

- A. General Need of Fiscal Overhauling.
- B. The General Financial Stringency.
- C. The Stabilization of Public Spending Power.
- D. Borrowing and Repayment.
- E. Kinds of Taxes To Be Used.
- F. The Relation of Federal, State, and Local Finance.
- G. Limits on a Public Works Program Imposed by Financial Considerations.

XII. PROBLEMS OF LABOR POLICY.

- A. Selection of Workers.
- B. The Avoidance of the Use of Machinery.
- C. Wages and Hours.
- D. Employment Exchanges.

XIII. THE CONSTRUCTION INDUSTRIES IN RELATION TO A PUBLIC WORKS PROGRAM.

XIV. SPECIAL PROBLEMS IN PARTICULAR FIELDS.

- A. Public Utilities as Adjuncts to a Public Works Program.
- B. Transportation Coordination.
- C. Watershed Authorities.
- D. Land Utilization.
- E. The Problem of Low-Cost Housing.
- F. Efforts at Self-Help or Self-Sufficing Production.

XV. THE PLACE OF PUBLIC WORKS PLANNING IN A GENERAL POLICY.

- A. An Organic Network of Problems.
- B. Interrelationships of the Public Works Problem.
- C. Conclusions Bearing on Basic Governmental Organization.

XVI. CONCLUSIONS BEARING ON A PUBLIC WORKS PROGRAM.

- A. Essential Elements in a Consistent Policy.
- B. Optional Features of a Public Works Program.
- C. A Minimum Program.
- D. A Sample Program of a More Adequate Sort.
- E. Program of Permanent Expansion of Public Works to Absorb Oversavings.
- F. Conclusion.

APPENDIX.

Fiscal Aspects of Planned Public Works.