AMERICA SPENDS $3,500,000,000 YEARLY ON PUBLIC WORKS

Governmental Construction of All Kinds Constitutes Between 35 and 40 Per Cent of All Construction

TOTAL EXPENDITURES ANALYZED


PUBLIC works constitute between 35 and 40 per cent of all construction both public and private in the United States, and in 1928 and 1929 amounted to roughly $3,500,000,000 a year, having risen to this level from somewhat less than two billions in 1925, according to the results of a survey made by the National Bureau of Economic Research, Inc., for the Committee on Recent Economic Changes, of the President's Conference on Unemployment.

This survey immediately in charge of Dr. Leo Wolman, of the National Bureau's Research Staff, under the general direction of Drs. Edwin F. Gay and Wesley C. Mitchell, directors of research, furnishes the factual basis of a report and recommendations for the planning and control of public works as a stabilizing factor made by the Committee of which Arch W. Shaw, of Chicago and New York, is chairman.

The complete text of the National Bureau's fact-finding survey and the report of the Committee are being issued in a bound volume of 300 pages by the National Bureau of Economic Research, entitled Planning and Control of Public Works.

The largest single category of public construction is road building," says the National Bureau's report. "Road building in 1928 accounted for an expenditure of more than one and one half billion dollars.

Twenty Per Cent Spent in New York State

"Outlays by the federal government on public works are less than ten per cent of the total in the country. The federal government and all governments within the geographical area of New York State together account in recent years for 20 per cent of the total expenditures on public construction in this country.

"This proportion will probably be exceeded during 1930 because of the increased budgets of the federal government, and of the governments of New York City and New York State.

"Of the outlays of the federal government on public works more than a third is spent on public roads and more than one-half on roads and ship building.

ESTIMATED TOTAL VOLUME OF PUBLIC AND PRIVATE CONSTRUCTION IN THE UNITED STATES, 1923-1928.

"The leading expenditures of state governments are on road building, the elimination of grade crossings, and on public buildings.

"American municipalities spend their appropriations for permanent improvements largely for improving the facilities of transportation, in the form of expenditures for subways, bridges, viaducts, street extensions and widening; on public buildings, largely schools and hospitals; and on improving the facilities of water supply and sewage disposal."

Behind in Improvement Programs

The National Bureau's report points out that while it is impossible to make a statistical estimate of the probable expenditures on public works in the next years it is clear that the principal spending agencies are behind in their programs of permanent improvements. The future programs of American governments reflect the pressing physical requirements of our communities and their rising standards of living. Except in the case of communities whose growth has stopped or whose rate of growth has been retarded, the problems of traffic congestion, or water supply and sewage disposal, and of ade-
America Spends $3,500,000,000 Yearly on Public Works

(Continued from page 1)

state hospital expansion; school facilities appear to impose on American government spending the mounting outlays for such purposes in the future.

But if the public debt and the burden of a rising tax rate arc the most serious limiting factors on the public expenditure for public works, all local governments are limited by consti-
tutional provision in their taxing power. In general, debt-incurred power is fixed by the relation between the outstanding debt and assessed valuation of property.

Since 1919, it would appear that the tax rate and the per capita debt burden have increased more rapidly than the assessed valuation of property. Sample studies of the margins of unused debt power, however, indicate that the bulk of American governments were not in 1929 and 1930, at least, in a state of financial embarrassment, because of the operations of these constitutional limitations. A not inconsiderable factor in the situation has been the creation of quasi-public authorities. With the increase in the construction of highways, where improved practices and better planning may in the future reduce these ranges as they have been reduced in many other types of construction.

Proposed Controls Discussed

"In the question of the use of proposed controls over public works, there are essentially two objectives. One is the elimination of any and all waste in the administration of the public agencies. The method of "the proper utilization" of various projects, which is being employed; it has led to the undertaking of works not really necessary in the public interest; and to great wastes in the administration of the job.

"The method of the 'proper utilization' involves as it does the retardation of public works, has produced further difficulties. In many periods public construction is subject to natural retardation due to money stringency, a tight labor market, the rising cost of materials, or like factors. The public works program also would soon seem to be far behind in their programs for meeting the tight necessities of the place, and it is only when the need has been delayed far beyond the normal period. Thus the Supervising Architect of the Treasury is told, when he has increased his staff of architects, engineers, and draftsmen to facilitate the planning, that the amount of public works of a given period have been increased in 1930 to roughly $500,000,000, and in 1931 to roughly $600,000,000. These staffs are engaged in facilitating the clearing of titles to sites for government construction.

"Retardation would, therefore, meet with resistance on the part of public officials. The most feasible form of controlling the public works program is the establishment of a national building agency, which would be responsible for the acceleration of works already projected. The effective acceleration of construction would be an example in the management of our many government agencies.

Problem of Timing

"Where, then, have we been? The control have become available, acceleration of the program of public construc-
tion. For instance, the administration of such control, the crucial question is obviously the direction of expenditure. Before the expenditures. The profound significance of the time ele-
ments involved in these years is the large number of contracts in con-
tracts awarded for public works and public utilities as compared with the movement of contracts awarded for other types of construction as well as with fluctuations in general business conditions in the country. This study made by Wesley C. Mitchell and Simon Kuznets of the National Bureau of Economic Research, in which they find that the period from 1919 to 1930, contracts awarded for public works and public utilities accelerated to cyclical movements in business. Thus, in the cyclical movements, Philadelphia, the construction of public works and utilities turned down at recession, and continued to decline all the way through the recession of the next cycle. But of the other groups, residential, commercial and industrial building, only industrial showed the same degree of behavior, although they ceased declining during the last period of business contraction. Again in the cycle, 1912-1921, public works and utilities declined to early and continued to decline mildly through the first phase of the next revival. In this cycle, both commercial and residential building started to recover earlier. During the cycle 1921-1924, however, when there had been a large and persistent increase in the volume of both public works and utilities, there was a rapid rise in the contrac-
tions to 1929 in the public works and utilities the revival of general building activity.

"From this tentative analysis it is clear that the proper timing of expansions in the public works programs may well have palpable effects on the course of general busi-
ness. It is clear that the recession of 1921-1922 affected some evidence also that it is possible to overcome ad-
ministrative difficulties, and that the psychological elements already planned, and to hasten the planning and execution of new ones. In the operations of the departments of the federal government, there are many illustrations of the changes in the time spent on the clearing of titles to sites for public works, or for real estate. The Veterans' Bureau, called for olds on hospitals earlier than had been origi-
nally contemplated. The difference made available amounts of Federal Aid Highway funds to the states several years ago, which it is on the basis of legislative decisions, the Federal Aid Highway funds were increased from $75,000,000 in 1915 to $175,000,000 in 1919, and from $200,000,000 in 1921.

"No satisfactory appraisal of the effects of various meas-
ures was available for some time after the close of 1910, when the statistical record of the decline of business was the same. But since 1923, the figures to be had as the report pages through the press have made it possible to follow the effect on the public works, and permits the three years of the period of decline to 1929, these figures show an increase in the trend of public works and utilities, and the declination of public works and utilities. During the same period all other types of construction have shown a decline of about seven per cent, residential building being the principal factor in the decrease."
Midyear Finds Bureau With Four 1930 Studies Completed; Eleven Others Under Way

Since the first of the year the National Bureau of Economic Research has published the results of three scientific investigations in book form, has sent to the printer completed manuscript for a fourth publication, and is prosecuting as rapidly as scientific thoroughness permits eleven other studies.

Books published in the first half of the year are:
The National Income and Its Purchasing Power.
Corporation Contributions to Organized Community Welfare Services.
Planning and Control of Public Works.

In the hands of the printer, for publication in the early fall is the completed manuscript of Volume II of International Migrations. In this volume, a group of distinguished students of population and migration will analyze and interpret statistics collected by Dr. Imre Ferenzi, of the International Labour Office, and published last summer by the National Bureau.

Carrying forward and supplementing material summarized in Recent Economic Changes in the United States, which was published by the National Bureau in the spring of 1929, Professor Frederick C. Mills of the National Bureau's Research staff is engaged upon a study of International Economic Tendencies. This will cover the pre-war years 1901-1913 and the post-war years 1919-1923 in four countries, the United States, Great Britain, Germany and France. Subjects that will be covered are: growth of population, supply and cost both of capital and of credit, profits, the technical equipment of industry and the physical volume of production, volume of trade, wholesale and retail prices, employment, unemployment and wages. This investigation is expected to show the direction, rate and stability of changes in the various economic activities and will compare the movement of different economic elements in the periods and countries studied.

Investigations Under Way

Among the other investigations being carried on by the members of the Research staff of the National Bureau are the following:

Sickness Insurance in the United States;
Interest Rates since 1857;
Wages and Labor Costs;
Prices of Agricultural and non-agricultural commodities;
Unemployment in the United States;
Profits;
Productivity of Labor in Industry;
Mechanization of Industry;
Seasonal Variations in production, stocks, shipments and orders.

In addition, Dr. Wesley C. Mitchell is continuing work on the second volume of his treatise on Business Cycles, and Dr. Willard L. Thorp is completing the editing of the first volume of an encyclopaedia of statistical series.

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