U.S. JOB CREATION PROGRAMS IN THE 1930S[1]

By Philip Harvey[2]

INTRODUCTION

In 1929 the United States GDP was $7831 per capita expressed in 2006 dollars. The average unemployment rate was 3.2 percent. Four years later, per capita GDP had fallen to $5577, and the unemployment rate had risen to 25.2 percent, with about 27 percent of the labor force employed in agriculture.

In 2006 South Africa's purchasing power parity (PPP) GDP was approximately $13,000 per capita expressed in U.S. dollars, and the unemployment rate was approximately 25.5 percent, with about 30 percent of the labor force employed in agriculture.

In other words, although the United States is far more wealthy than South Africa today, the American economy was less wealthy in the 1930s than South Africa is today, average income levels were lower, the same proportion of the labor force was unemployed, and approximately the same percentage of the labor force was employed in agriculture. It is important to keep this comparison in mind when studying the American policy response to the unemployment crisis it faced in the 1930s, since otherwise that response might be incorrectly viewed as illustrating the options open to a developed rather than a developing economy.

What makes United States employment policy in the 1930s so interesting for our purposes is that it arguably constituted the most ambitious effort any market economy has ever undertaken to use direct job creation by government to simultaneously combat joblessness, relieve poverty, stimulate economic growth, and expand the production of public goods and services. At its peak in absolute terms (January 1934), the American job creation effort provided jobs for 4.6 million persons in a labor force of approximately 51 million. Over the five years that it was fully operational, the country's job creation effort provided work for an average of 39 percent of all unemployed workers. Given the scope of this effort, it is reasonable to ask what developing countries today can learn from it.

POLITICAL ORIGINS AND ECONOMIC CONTEXT

The Great Depression was the most severe, although not the longest-lasting economic contraction in United States history. Beginning in August 1929, the contraction lasted 44 months. Coincidentally, it ended the very same month (March 1933) that Franklin D. Roosevelt assumed the U.S. Presidency and launched his so-called "New Deal" to respond to the crisis. As noted above, the economy shrank dramatically during this contraction. National income fell to approximately half its former size, and if only non-farm employees are counted, unemployment rose from 5.3 percent in 1929 to 36.3

[1] Report commissioned by the Human Sciences Research Council (HSRC), Pretoria, South Africa, as part of the HSRC's Mid-Term Review of the South Africa government's Expanded Public Works Program (EPWP). See Anna McCord, "EPWP Mid-Term Review: Component 1: International PWP Comparative Study," Human Sciences Research Council (September 2007).

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percent in 1932. Moreover, the economy remained severely depressed even after the trough of the business cycle was passed. During President Roosevelt's first four-year term in office, the nation's unemployment rate averaged 22.1 percent, and it dipped below 20 percent only in 1936. The economy did not reach its pre-depression level of output until 1941, and the "Great Depression" designation generally is used to refer to the entire decade of the 1930s.

The American President during the four-year contraction that ushered in the Great Depression was Herbert Hoover. Despite his reputation today as a diehard conservative, Hoover was not a free-market ideologue. He considered laissez-faire a doctrine of the past and believed that public works spending could and should be used to reduce unemployment in periods of economic contraction. In responding to the Great Depression, however, he argued that the paramount need was to restore business confidence, and this led him to resist the kind of fiscal policies that would have been necessary to finance a large public works initiative. Consistent with this view, his strategy for responding to the mass joblessness of the depression was to promote businesses expansion while encouraging voluntary action to provide for the relief needs of the population. Consistent with this view, he maintained that the relief challenge could and should be met by self-help initiatives organized at the local level. Hoover expressed this position in the following terms.

> This is not an issue as to whether people shall go hungry or cold in the United States. It is solely a question of the best method by which hunger and cold shall be prevented. It is a question as to whether the American people on one hand will maintain the spirit of charity and mutual self- help through voluntary giving and the responsibility of local government as distinguished on the other hand from appropriations of the Federal Treasury for such purposes. . . .The basis of successful relief in national distress is to mobilize and organize the infinite number of agencies of self-help in the community. That has been the American way of relieving distress among our own people and the country is successfully meeting its problem in the American way today (Charles, 1963: 9-10).

As was the case during recessions and depressions in the late nineteenth and early twentieth centuries, state and local governments, along with private relief agencies, tried to respond to the needs of the unemployed, but they were overwhelmed by the magnitude of the task. Total public and private relief expenditures in 120 urban areas (containing approximately one third of the nation's entire population) increased from $43.7 million in 1929 to $308.2 million in 1932 (Geddes, 1937: 29-31). This amounted to a 900 percent increase in real terms, because average prices declined over 20 percent during the period.

At the same time that claims on relief systems were mushrooming, public resources were shrinking. Real federal tax receipts fell 37 percent between 1929 and 1932 (U.S. Bureau of the Census, 1975: 1104, Series Y335-Y338). Since state and local government revenue was derived mainly from taxes on property rather than income and excise taxes, their receipts were more stable, actually increasing in real terms between 1927 and 1932 by 23 percent (Ibid.: 1126, Series Y655 and 224, Series F5), but this meant the effective state and local tax burden, measured against either personal income or declining real property values, rose dramatically. The decline in property values not only eroded the tax base of state and local governments; it made it increasingly difficult for local governments to float bonds (Burns and Williams, 1941: 16). The same forces had an even greater effect on the ability of private charities to raise funds for relief purposes, as evidenced by their declining relative share of all relief spending between 1929 and 1932 (Geddes, 1937:31).

Strained beyond its fiscal capacities and called upon to relieve mass unemployment with institutions that traditionally had treated the unemployed as morally suspect, the nation's state and local relief system effectively collapsed. In 1932, only a quarter of the unemployed received any relief whatsoever (Piven and Cloward, 1972: 60), and the amount of aid actually distributed to individual recipients was painfully inadequate. In January 1933, the average weekly General Relief grant averaged only $3.27 nation-wide (Burns and Williams, 1941: 134, Table 4), roughly equivalent in purchasing power to $43.31 in 2000 (R116 based on purchasing power parities developed by the World Health Organization). In New York City, the nation's largest metropolis, the average weekly family grant was only $2.39 (Schlesinger, 1957: 174). Average weekly wages in manufacturing at the time equaled $16.65 nationally (U.S. Bureau of the Census, 1975: 164, 170), roughly equivalent in purchasing power to $220.55 in 2000 or PPP R589).

When the Roosevelt administration assumed office in early 1933, a consensus existed across the relevant political spectrum that some form of government intervention in the economy was necessary to meet the relief needs of the population, reduce unemployment, and facilitate a return to prosperity. The continuing debate concerned the form this intervention should take. The Roosevelt administration was eclectic and pragmatic in the strategies it pursued, guided by varied and often conflicting visions of how the economy should be structured. The administration also had to contend with other centers of power and interest both inside and outside government.

The policies that emerged in this context reflected compromises, not the pure application of a particular ideological agenda. Any attempt to identify a common strain of thought in the development of the Roosevelt administration's "New Deal" runs the risk of conveying the false impression that there was a single New Deal view on the subject rather than a range of views.

With that caveat in mind, it can be said that the New Dealers shared a broadly common view of the general nature of the nation's joblessness problem. This view directly contradicted the presumption embedded in the nation's existing poor law system and supported by the teaching of classical and neo-classical economists that joblessness was a voluntary condition. The New Dealers believed that joblessness was caused by a lack of jobs, not by a failure on the part of jobless individuals to seek or accept work. They believed that cutting wages would likely increase joblessness, rather than reduce it, because of its depressing effect on consumer purchases. They believed the goal of government initiatives addressing the problem of joblessness should be to close the economy's job gap, not to correct the moral failings of jobless individuals or to put pressure on them to seek and accept presumptively available work. Concerns about the negative effects public assistance might have on jobless individuals persisted, but they were overwhelmed by concerns about the negative effects of joblessness itself. The New Dealers believed that society had an obligation to offer aid to persons denied the opportunity to be self-supporting, and that the stigma associated with the receipt of such assistance under the existing poor law system was inappropriate.

Consistent with the eclecticism of the Roosevelt administration, a variety of reforms were initiated addressing the joblessness problem. Some of these reforms focused directly on the problem of unemployment, as with the administration's direct job creation initiatives), and some of them focused on other issues (such as the regulation of child labor or the provision of old age pensions) with the knowledge that they would have an indirect effect on unemployment. All of these reforms pursued a common strategy consistent with the New Dealers' shared view of the nature of the unemployment problem. Their goal was to narrow the economy's job gap either by increasing the number of jobs available or by reducing the number of job seekers competing for work.

The most obvious strategy devised by the New Dealers to close the economy's job gap was to use public funds to create jobs. They did this in two ways. The first was to increase federal funding for contracted public works. The second was to establish public employment programs for needy workers in which the government itself acted as the employer. In addition to the direct job-creation effect of these initiatives, it was believed they would stimulate job creation in the private sector by increasing both consumer purchasing power and capital goods orders (National Resources Planning Board, 1942: 234 n. 42).

The New Deal's contracted public works initiative was implemented mainly through the Public Works Administration (PWA) established in the summer of 1933. The New Deal's direct-job creation effort was embodied in four major programs – the Civilian Conservation Corps (CCC) established in the spring of 1933, the Civil Works Administration (CWA) established as an emergence initiative using PWA funds in the winter of 1933-34, the Works Progress Administration (WPA), established in 1935, and the National Youth Administration (NYA), also established in 1935. The CWA lasted only 4 months, but the CCC, WPA and NYA all continued until the early 1940s when they were all phased as spending on World War II and a dramatic expansion of the armed forces pushed the unemployment rate down to full employment level (1.9 percent in 1943). Each of the New Deal's employment programs had distinctive features that warrant discussion.

THE CIVILIAN CONSERVATION CORPS (CCC)

The Civilian Conservation Corps (CCC) was the New Deal's first employment program and its most popular one. The idea for the CCC grew out of a dual commitment to federal sponsorship of conservation measures and to the provision of "work relief." The New Dealers distinguished "work relief" from both "direct relief" (the payment of cash or in-kind income assistance benefits to the unemployed) and "work for relief" (requiring public assistance recipients to work for their public assistance benefits – a form of public assistance that is commonly referred to as "workfare" today).

Legislation proposing the establishment of the CCC was introduced within three weeks of President Roosevelt's inauguration as President in early March 1932, and it was enacted by the end of the month. The legislation authorized the establishment of a series of rural camps where unemployed, single male youths would be offered employment doing conservation work. By the middle of June, 1933, 1300 such camps had been established, and by the end of July a full complement of 300,000 enrollees were at work.

Each of the camps accommodated about 200 enrollees and specialized in a particular type of conservation work – including reforestation, pest control, park improvement, soil conservancy, and forest-fire prevention. The camps were also intended to provide vocational and general education classes in the evenings and on weekends, but that part of the program was never fully implemented.

Project selection, technical planning, and the actual supervision of the workforce were the responsibility of the Interior and Agriculture Departments of the federal government working in cooperation with state and local conservation agencies. The operation of the camps as residential facilities was the responsibility of the War Department. Recruitment of the work force was delegated to the Department of Labor which. It was this assignment of responsibility to pre-existing agencies, and their willingness to undertake a new mission while cooperating with other government agencies that allowed such a rapid implementation of the program.

Wage rates for the program were legislatively set at $30 per month plus room and board. This was approximately equivalent in purchasing power to $397.38 in 2000 (R1061). The CCC later estimated that the room and board it provided program participants was worth another $30 per month. At $60 per month in cash and in-kind support, monthly earnings in the CCC were higher than those provided by any other New Deal job-creation program in which the government hired its own workforce, with the exception of the Civil Works Administration (CWA) which briefly paid higher average wages during the winter of 1933-34 (see below).

On the other hand, the program's hourly wage rate was lower than that paid in most other New Deal job-creation programs, since it maintained a 40 hour work week compared to the 30 hour week adopted in most of the other programs. The program's wage was also slightly below the average earnings of unskilled male workers in manufacturing at the time, which equaled about $65 per month with an average work week of 37.4 hours.

Because of the low hourly rates paid to CCC participants, organized labor strongly opposed the program's establishment. Unions feared the CCC would set a precedent for general wage cuts, especially since the program was not statutorily limited to single youths. Because of the role proposed for the War Department in administering the program, labor leaders also criticized the proposed legislation as a step towards the "militarization of labour."

The Roosevelt administration blunted this criticism by issuing an administrative order limiting the program to single, male youths, and by naming a Vice President of the Machinists Union as its director. Once established, the program attracted little continuing opposition. In July 1936, 83 percent of the respondents in a national opinion poll favored continuation of the program, and in April 1938 nearly 80 percent favored making it permanent. The program's approval rating was generally the highest of any New Deal initiative (Gallup Opinion Index: 23).

The organization of CCC camps is illustrated by one such establishment located in rural Iowa (in the middle of the United States) during 1935 and 1936. This particular camp accommodated 125 enrollees with a staff of about 10 army personnel (including a medical officer and Chaplain in addition to mess and barracks officers). In addition to these army personnel, the camp had a staff of 10 employees from the U.S. Department of Agriculture Soil Conservation Service. The Soil Conservation Service personnel included a Superintendent, two field engineers, four foremen, a motor pool supervisor, and a tool supervisor. The Civilian staff did not live at the camp, but most of the army personnel did.

The division of responsibility between the military and civilian staff was very clear. They shared office space at the camp, but the civilian staff had nothing to do with the residential operations of the camp, and the military personnel had nothing to do with the work projects.

The camp did soil conservation work. The enrollees built small check dams out of fencing material, straw, and debris; constructed larger dams (2 to 3 meters high) of reinforced concrete; dug erosion flumes; terraced hillsides; and planted trees. For the most part, only unskilled labor was required to perform this work.

All of the work was done on private land. This was not the common practice in the CCC. Most of the program’s projects were carried out on public land. At this particular camp, though, the Senior Field Engineer would visit farms and walk the land with the owners, discussing what conservation measures the CCC could perform. The farmers had to provide construction materials or pay the CCC for any which it provided. No charge was made for CCC labor, and the farmer was not involved in supervising the actual work. Design work and drawings were completed by the Assistant Field Engineer under the direction of the Senior Field Engineer and then assigned to work crews.

The work crews consisted of 25 to 30 program participants under the supervision of a single foreman, but assisted by “company leaders” and “project assistants.” Ten enrollees in each camp were exempted from normal eligibility requirements to facilitate the recruitment of workers with special skills. The exempt jobs were for a “company leader,” five “project assistants” (assistant leaders), one steward, and three cooks. These workers also received a premium wage – $36 per month for Assistant Leaders and $45 per month for Leaders.

The work crews rode out to the work site each day by truck (driven by CCC enrollees), and a hot meal was brought to them from the camp at mid-day by army personnel. All tools were provided by the CCC, and they were generally of good quality. The work performed by the work crews also was consistently reported as being of excellent quality.

Quotas for CCC enrollment were originally distributed among the states strictly on the basis of population, but relative need was later taken into account. Some such allocation was necessary as the program was very popular and consequently oversubscribed. Individuals could enroll in the CCC for no more than two years, but the number of young men eligible for the program far exceeded the available spaces. Enrollment in the CCC generally ranged between 250,000 and 300,000, while from 1933 to the end of the decade the number of unemployed males in the eligible age group averaged more than two million. Thus the program provided employment for between 12.5 and 15 percent of its target population when it was established, and a higher proportion as unemployment rates gradually declined over the course of the decade.

As noted above, responsibility for the recruitment of enrollees was delegated to the U.S. Department of Labor. It worked through state-administered selecting agencies which, in turn, almost always assigned the actual selecting authority to local relief agencies. The Veterans Administration was also empowered to assign an allotted number of program positions to veterans.

During its first two years of operation, eligibility requirements for the program specified only that enrollees be unemployed and between the ages of 18 and 25. In 1935 eligibility was tightened to limit enrollment to applicants from families receiving public relief. In 1937 the original, more liberal eligibility requirements were partially restored by extending eligibility to any unemployed youth whose family circumstances were such that they could not achieve an “average” standard of living, but still with preference given to applicants from families who were receiving relief. At the same time the permissible age range for enrollees was lowered to between 17 and 23 years. In 1940, a further approach to the original standard was made with the extension of eligibility to youths from families in “moderate” circumstances.

Despite these variations in official eligibility criteria, the state-level selecting agencies always displayed a marked tendency to limit enrollment to youths from families on relief. This was because the selecting agencies generally used local relief agencies to screen applicants, and those agencies had a strong incentive to refer relief recipients in order to lighten the local relief burden. Indeed, this expectation was built into the program, since a CCC administrative directive required that employment priority be assigned on the basis of “relative need” whenever the number of applicants for the program exceeded the number of spaces available, and applicants willing to make a substantial allotment from their earnings to relatives who were either on relief or certified as eligible for relief were granted first priority. Applicants without potential dependents but who were themselves eligible for relief had second priority.

The program’s payroll policy also contributed to this end. Of their $30 monthly wage, CCC enrollees received only $8 in cash. The other $22 was paid either directly to their families on the explicit understanding that it would reduce the financial responsibility of local relief agencies, or, in the case of enrollees without dependents, to a special account in the enrollees name where the money accumulated until the enrollee left the program. It was not until the relief rolls began to shrink dramatically in the early 1940s that the CCC began to enroll significant numbers of unemployed youths from non-relief families.

Altogether, a total of 3 million young men passed through the CCC from its inauguration in the summer of 1933 until it was terminated in the summer of 1942. The total cost of the program during its nine year duration was about $320 million a year, equivalent to about $4.2 billion in 2000 or PPP R11.3 billion. Enrollee wages accounted for only 29-36 percent of overall program expenditures (National Resources Planning Board, 1942: 274). The balance of program expenditures consisted of the operational costs of the camps (including the salaries of non-participant staff) and purchases of tools, equipment and materials used to carry out the work projects. Since only about a third of all program expenditures were devoted to direct labor costs, it reasonably can be assumed that the CCC's indirect employment effects were quite large, but no estimate of those effects is available.

The CCC model is one that can and has been adapted to other conditions. The Jobs Corps established in the United States in 1964 and still operating today with enrollment of about 70,000 youths at a time is modeled on the CCC but operates in urban rather than rural areas. Programs like these tend to be very popular, and this makes the CCC model an attractive one for governments interested in introducing a direct job-creation element into its employment policies.

Whether such programs are deemed successful depends on whether they are judged based on their current or post-participation effects on enrollees. The contemporaneous effects of enrollment are almost always assessed as highly beneficial. The health, fitness, morale boosting, and work discipline effects of the CCC were highly regarded. At the same time, considerable doubt was expressed as to whether the post-enrollment employment experience of CCC enrollees was enhanced by their participation in the program (National Resources Planning Board, 1942: 261-65, 272-80, 464).

This is a recurring theme in the assessment literature of job-creation programs. The view that program success should be judged by the post-enrollment experience of participants is rooted in notions that the causes of poverty and joblessness reside in individuals, whether or not they are deemed to be at fault for their condition. According to this view, the success of a job-creation program should be judged on the basis of whether program participants acquire the skills and motivation necessary to obtain employment after they leave the program.

The view that program success should be judged by the experience of participants during the period of their enrollment is based on the view that joblessness and the poverty that attends it are caused by the economy's failure to provide enough jobs for everyone who wants to work. According to this view, jobs programs should be judged by their success in helping to fill the economy's job gap with good quality employment opportunities.

By the former criterion, the CCC was viewed as not particularly successful. By the latter criterion, the program was viewed as very successful. What this tells us is that the perceived success of job-creation programs depends as much on how people view the programs' goals as on the actual performance of the programs themselves.

The Public Works Administration (PWA)

The PWA was established in the early months of President Roosevelt's first term of office with an initial \$3.3 billion authorization (equivalent to approximately \$43.7 billion in 2000 or PPP R116.7 billion) intended to "prime the pump" of the nation's moribund economy with a major infusion of public works spending. This was a sizable fiscal commitment for a government whose total outlays during 1933 totaled only \$4.6 billion in an economy whose GDP totaled only \$56.4 billion. Congress intended for these funds to be fully committed, if not fully spent within 2 years, so the net fiscal stimulus contemplated was on the order of 2-3 percent of GDP a year.

The program took much longer to spend its authorization than was contemplated, and other job-creation programs were adopted in the interim, but the PWA remained the primary source of funding for large-scale public works in the United States between mid-1933 and the end of the decade. Reauthorized and granted additional funding several times during this period, the PWA made grants totaling about $2.3 billion to state and local governments and another $1.8 billion to other federal government agencies for the support of public works construction projects. State and local governments contributed another $1.9 billion to this sum, though a significant portion of their contribution was financed by the PWA. Thus, a total of approximately $6 billion was spent on PWA projects between mid 1933 and the end of the decade, an average if about 1.3% of GDP annually (Burns and Williams: 70-71). This was equivalent to about $79.5 billion in 1980 or PPP R212 billion. The program was phased out in the 1940s as previously authorized projects were completed and the economy transitioned to a war footing.

The legislation authorizing the program stated that it's intended goal was to "increase the consumption of industrial and agricultural products by increasing purchasing power, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry and to conserve natural resources."[3] To achieve those goals the PWA was authorized to spend money on a wide variety of conventional public works, indeed "any projects of the character heretofore constructed or carried on either directly by public authority or with public aid to serve the interests of the general public."[4] The PWA did not fund the provision of public services, though many of its construction projects were designed to support improvements in the delivery of such services – e.g., schools, hospitals, courthouses, prisons, and other public buildings.

Between its establishment in mid 1933 and March 1939, PWA projects furnished approximately 1.7 billion hours of direct employment and paid wages totaling just over $1.2 billion. This translates into an average wage of 70 cents per hour ($9.27 in 2006 or PPP R25. For most of this period persons employed on PWA projects were permitted to work no more than 30 hours per week. Based on this work week figure, the program provided an average of 183,204 jobs at any point in time on PWA projects, a figure that amounted to only .3 percent of the nation's labor force.

For each dollar spent on direct labor costs, however, PWA projects spent an average of $1.79 on materials, and a careful study of the indirect employment effects of those purchases conducted by the U.S. Bureau of Labor Statistics estimated that approximately 2.5 jobs were created producing materials used on PWA jobs for every job directly created by the program itself (Public Works Administration, 1939: 18-30). Adding these jobs to the average of 183,204 jobs provided directly on PWA projects at any point between mid-1933 and mid-1939 results in an estimated employment effect of 485,000, or about .9 percent of the nation's labor force at the time.

This estimate of the program's employment effects is still incomplete, though, because it does not include jobs created as a result of purchases of capital equipment or the expenditure of program wages and contractor profits. Since direct labor costs and

[3] National Industrial Recovery Act of 1933, 48 Stat. 195, Sec. 1.

[4] Ibid., Sec. 202.

purchases of materials accounted for only about 56% of overall program expenditures, capital equipment costs obviously absorbed a major portion of those expenditures.

It does not seem unreasonable to assume that the indirect employment effects of capital equipment purchases, combined with the indirect employment effects of expenditures of program wages likely surpassed the 485,000 jobs attributed to the program's direct purchases of labor and materials. If so, the overall employment effect of the program likely exceeded a million jobs, or 1.9 percent of the nation's labor force in exchange for an annual investment that we have noted averaged about 1.3 percent of GDP between 1933 and 1939.

The PWA's formal role in creating the projects that generated this employment was restricted to the provision of funds to other federal government agencies or to state and local governments and other public agencies. Federal government agencies could receive up to 100% funding from the PWA for their projects, while state and local governments and agencies could receive PWA grants covering up to 30% of the cost of labor and materials for their approved projects (a figure that was increased to 45% in 1935).

This description, however, understates the role played by the agency. Because of the limited fiscal capacity of state and local governments at the time, many were not in a position to finance their 55-70 percent share of the cost of PWA-funded projects. To address this problem the PWA not only established a bonding unit that purchased state and local government securities to finance their share of the cost of PWA projects, it helped state governments rewrite their laws to allow for the necessary borrowing and actively assisted both state and local governments in creating agencies to undertake PWA-funded financing and construction activities.

The PWA also worked with state and local governments in developing project plans. Often a local government agency would come to the PWA with little more than an idea and some conceptual drawings. The PWA's staff would work with them to complete both the technical and financial planning necessary to turn the idea into an actual project. The PWA also supervised the competitive bidding process for the letting of all program-funded contracts and closely supervised contract compliance during the construction process. As a result of the multi-faceted assistance provided by the PWA to state and local governments, the program made a major contribution to the development of state and local government fiscal and public-works management capacities (Public Works Administration, 1939: 49-92).

It took time to establish the agency structures needed to do this work, and the PWA was widely criticized for its slow start-up in actually spending program funds. Nevertheless, the procedures and capacities the agency established at the outset insured that the PWA was never the target of significant complaints of waste or corruption. Moreover, once the program was fully operational it was able to move very quickly to implement new projects. The PWA actively encouraged state and local governments to develop and maintain a "reservoir" of public works projects for which planning was complete and agency approval had been obtained. Then, when the need arose to expand the program quickly, these projects could be implemented without delay – often in just a few weeks (Public Works Administration, 1939: 12-14). This capacity was proven in

1938 when the U.S. economy suffered a recession in the midst of its recovery from the Great Depression and PWA spending was quickly expanded for counter-cyclical purposes.

PWA projects were scattered throughout the country. Program-funded projects were undertaken in all but 3 of the country's 3,071 counties. Some of these projects were immense, such as the Grand Coulee dam, still the largest concrete structure in the United States and the third-largest hydro-electric facility in the world. More typical were the program's 11,079 highway and street projects, which accounted for over 15 percent of all program spending and its 7488 school construction projects which accounted for 14 percent of all program spending (mostly large high schools). Other major project categories included local sewage and water systems, flood control and water navigation projects, railway and subway improvement projects, post offices, courthouses and other government buildings, naval ship construction, and low-cost residential housing. Between 1933 and 1939, PWA projects accounted for the construction of about 70 per cent of all new schools in the United States; 65 per cent of all courthouses, city halls and sewage disposal plants; 35 per cent of all hospitals and public health facilities; and 10 per cent of all roads, bridges, subways, and similar engineering structures.

All PWA project hiring and construction was done by private contractors. As noted above, the maximum work-week for individuals employed on these projects was originally set at 30 hours, though this was later raised to the industry standard of 40 hours. The program also required that all contracts include "such provisions as are necessary to insure . . . that all employees shall be paid just and reasonable wages which shall be compensation sufficient to provide, for the hours of labor as limited, a standard of living in decency and comfort . . . and that the maximum of human labor shall be used in lieu of machinery wherever practicable and consistent with sound economy and public advantage."[5] This minimum wage was set by the PWA, usually at the level of prevailing local wage rates for similarly qualified labor. The wage rates were generally viewed as sufficient to insure a reasonable standard of living, though that depended on the number of persons supported with the wage. The preference for labor-intensive methods of production was interpreted to require the use of such methods only where they were equally economical as more capital-intensive methods.

Contractors were required to fill project positions first from among qualified applicants referred by union hiring halls and state employment agencies. This meant that a de-facto preference was accorded to the unemployed over currently employed workers. No similar preference was accorded to recipients of public aid, though many of them obtained employment by virtue of their qualifications. No job-training component was included in the program, and employers were free to reject applicants who were unqualified for open positions. To prevent discrimination under the guise of such considerations, quotas were established for the hiring of African American workers in both skilled and unskilled occupations, a rare policy innovation at the time and one that was not followed in other New Deal employment programs. The PWA also monitored and enforced contractor compliance with applicable labor laws, including the National Labor Relations Act (NLRA) enacted in 1935 to protect the right of workers to organize

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[5] Ibid., Section 206.

trade unions. No restrictions were placed on the length of time a person could remain in a PWA funded-job, though all such employment was limited by the amount of time it took to complete a particular project. Since most PWA projects were large-scale undertakings, PWA project employment often lasted for years.

The PWA was an exemplary program of its type, creating large numbers of jobs both directly and indirectly through the implementation of a well-administered counter-cyclical public works construction program. For developing countries, the key lesson to be learned from the PWA is that the job-creation effect of public works programs depends mainly on its indirect employment effects rather than through its direct hiring.

This is both a strength and a weakness of the strategy. It's what makes counter-cyclical public-works spending relatively effective as a job-creation measure during recessions, when an economy is likely to have substantial excess capacity. On the other hand, at the top of the business cycle, when an economy is unlikely to have significant excess capacity, the indirect employment effects of a public-works program is likely to be dissipated as increased demand translates into wage and price inflation rather than increased output. Whether public works spending is likely to have significant indirect employment effects in a developing economy accordingly depends on how the private sector is likely to respond to increased public works spending. Will it be able to respond quickly with increased domestic production? Will it respond mainly by increasing imports? Or will it respond mainly by raising prices? The answer to these questions are crucial to estimating the likely employment effects of a public works spending program in a developing country.

Instituting a program like the PWA in a developing country could accelerate the development process by providing stable markets for emerging industries, but expanding the program beyond a certain level could easily prove counterproductive. Choosing projects or mandating methods of production that minimized the likelihood that supply constraints would be encountered could help, but public works projects tend to be quite capital intensive even when labor-intensive projects and methods of production are selected.

While this caveat urges caution in the use of public works spending as a job-creation strategy in developing countries, the PWA provides an excellent model for building the public works planning and management capacities of all levels of government in those countries.

First, the PWA model shows that it is possible to undertake complex construction tasks with substantial local control without waste or corruption. By concentrating existing expertise at the federal level and using those persons, in effect, to train regional and local government officials to plan, finance and execute local construction projects under close supervision by the federal agency, a PWA-style public-works program can make a major contribution to the development of sub-national government capacity in this area.

Second, the stockpiling of fully planned construction projects in the pipeline of a PWA-style public-works program makes just as much sense for developing countries susceptible to exogenous economic shocks and regional economic crises as it does for an economy subject to endogenous cyclical fluctuations. It's not the existence of the business cycle that renders a PWA-style program useful. It's the existence of events –

whatever their nature – that cause local, regional or national economic contractions. Unfortunately, there are many such events.

Third, the PWA illustrates how the existence of involuntary unemployment can be turned, under the right conditions, into a source of public wealth. Americans are still enjoying today what the PWA built 70 years ago. If the lessons taught by the PWA had been better learned, they would be enjoying many more public improvements constructed during recessions and in regionally or locally depressed areas in the intervening years. Developing countries could enjoy similar benefits.

Fourth, the PWA illustrates that even with a collapsing tax base, a sovereign government that is committed to combating unemployment can mobilize national resources to create a program like the PWA. As noted above, federal government spending totaled $4.6 billion the year President Roosevelt came into office and the PWA was established. Federal government revenues that year totaled only $2.0 billion, so despite the fact that the federal government was operating with a budget deficit larger than its total revenues, the Congress, with the President's encouragement, voted to spend an additional $3.3 billion on the PWA. It wasn't that President Roosevelt believed in deficit financing. Keynes *General Theory* was not even published until 1936, and President Roosevelt accepted the economic orthodox which proclaimed the desirability of maintaining a balanced government budget. It's just that he and the American Congress believed that addressing the needs of 12 million unemployed Americans and their families was more important than balancing the budget. And it's fortunate they did. It now is generally recognized that the orthodox view to which President Roosevelt's predecessor had adhered was counterproductive.

Having paying customers at your door does far more to boost business confidence than a balanced government budget, and when President Roosevelt cut government spending to reduce the federal government's budget deficit in 1937 and 1938, it ushered in a serious recession within the Great Depression. That does not mean increased deficit spending is always desirable, but one lesson to take away from the PWA experience is not to accept unthinkingly claims that the maintenance of business confidence (i.e., an "attractive investment environment") requires balanced government budgets. Intelligent deficit spending can be an engine of economic growth.

THE CIVIL WORKS ADMINISTRATION (CWA)

Because it was so short-lived, the Civil Works Administration (CWA) is the least well-known of the New Deal's major job-creation programs, but it played a crucial role in the development of the New Dealers' thinking about social welfare policy. Accordingly, it warrants special study.

The public assistance regime that existed in the United States prior to the 1930s was a product of state as opposed to federal law. With deep roots in the English poor law, this regime was designed to distinguish the deserving from the undeserving poor, to stigmatize all the poor as a means of discouraging dependency, and to dispense aid in meager amounts in order to minimize program costs. The system was predicated on the assumption that the able-bodied poor generally were at fault for their own condition and accordingly should be denied aid except when there was good reason to believe that their joblessness was genuinely involuntary. In the latter case, their willingness to work should be tested by requiring them to perform hard labor. Since the purpose of this work was to test the applicant's willingness to work rather to supply the applicant with work, there often was little or no relation between the amount of work required and the amount of aid dispensed. It also was common to require that the work test be performed in public to add an element of humiliation to its deterrent effect. Aid recipients were commonly termed "paupers" – both as a formal statutory designation and in common usage – and in many jurisdictions they were required to execute formal declarations of destitution and incapacity. This was generally referred to as "pauper's oath." Poor law administrators were commonly called 'poor masters" or "overseers of the poor," designations with a long history in the poor law but also redolent of associations with slavery. (Burns and Williams, 1941: 11-20).

With the onset of the modern business cycle in the second half of the 19th century, this system began to be supplemented during recessions, at least in larger cities, with ad-hoc efforts by public officials to provide emergency relief to the unemployed in the form of temporary work assignments. These "work relief" initiatives typically were short-lived, lasting only a few months at the deepest point of the recession. The work performed usually consisted of menial outdoor tasks such as street cleaning and snow removal. Interestingly, these initiatives were almost never instituted or run by local relief officials. (Harvey, 1999: 36-40).

This system was ill-equipped to respond to the Great Depression. The unemployed had never been deemed an appropriate object of "pauper relief," and though the provision of small amounts of work relief to the unemployed was not unusual during recessions, there was no experience with providing such aid for extended periods of time. Consequently, what little public aid the unemployed received between 1929 and 1933 was usually accompanied by work requirements that varied widely from a straightforward work test to low-quality, ad hoc work relief. Leaf-raking was both ubiquitous and emblematic of the kind of work required.

When the Roosevelt administration entered office in the spring of 1933 the nation's public relief system was in a state of fiscal collapse, and it was despised by the unemployed for its unsympathetic treatment of applicant for relief. As noted above, only a quarter of the unemployed were receiving any public assistance at all when Roosevelt assumed the Presidency, and aid levels were painfully inadequate.

Despite the system's multiple failings, the Roosevelt administration's first step in these policy waters was a cautious one. Rather than restructuring the system, legislation was enacted authorized the distribution of $500 million over two years to existing state and local relief agencies. The only reform element in this legislation was that half the funds were to be distributed at the discretion of the Director of a newly created Federal Emergency Relief Administration (FERA), thereby affording the Federal government at least some leverage in pressing for reforms at the state and local level.

In other words Congress did not undertake at first to restructure or replace the nation's existing public relief system but merely to see it through the economic crisis. Believing the need for federal assistance to the relief system would be temporary, Congress provided for the demise of the FERA in the same legislation that established the agency. Thus, while the provision of federal funds for poor relief was an unprecedented step in the United States, it was not a particularly bold one compared to other New Deal initiatives.

The FERA's Director, Harry Hopkins, did try to use his control over the dispersal of funds to effect change in the system. He had two principle goals. The first was to increase average aid levels. The second was to improve the quality of work relief programs. The first of these goals was easy to achieve since local relief officials had no objection to dispensing federal money. But the second goal was another matter. Steeped in the poor law tradition, the people who administered the system resisted FERA's blandishments, and Hopkins had no authority either to replace them or direct their activities. All he could do was deny them FERA grants, but that would only hurt the relief recipients he was determined to treat with greater sympathy and dignity.

Stymied in their reform efforts, FERA officials devoted considerable energy to thinking about the kind of system that should replace the existing one. The key flaw in the system, in their view, was its assumption that the able-bodied poor did not want to work.

> [People] suggest that we make relief as degrading and shameful as possible so that people will want to get "off." Well – I've been dealing with unemployed people for years in one way and another and they do want to get off – but they can't, apparently, get "off" into private industry. Well – if they can't get off into private industry, where can they turn if they can't turn to their government? What's a government for? And these people can be useful to America; they can do jobs no one else can afford to do – these slums, for instance. No private concern can afford to make houses for poor people to life in, because any private concern has got to show a profit. Why, we've got enough work to do right here in America, work that needs to be done and that no private concern can afford to touch, to lay out a program for twenty years and to employ every unemployed person in this country to carry it out (Leuchtenburg, 1968: 74-75).

Hopkin's chief assistant, Aubrey Williams, described the trajectory of their thinking in a conceptual memo drafted in the fall of 1933. "Relief as such should be abolished," Williams wrote. Instead, the unemployed should be offered real jobs paying good daily wages, doing truly useful work that suited their individual skills. The unemployed should not be forced to submit to a means test to obtain this employment, and their earnings should not be limited to a public assistance "need" level. In other words, the goal should be to provide quality employment of the sort normally associated with contracted public works, but at lower cost and with less bureaucratic delay. To minimize both cost and start-up time, the government should serve as its own contractor in providing this work, and the projects undertaken should be both less elaborate and more labor-intensive than conventional public works (Schwartz, 1984: 36).

What was truly revolutionary about this formulation was not only that it aspired to create work relief jobs that were indistinguishable from regular employment, but that it also aspired to eliminate the stigmatizing distinction between public relief recipients and other workers. Hopkins' goal was to treat able-bodied recipients of public relief with the same respect accorded unemployed workers employed on public works projects, and to extend the helping hand of public aid to unemployed workers who had not been reduced to destitution. The goal of work relief, according to this model, should be to give unemployed workers what the economy denied them – decent paying jobs. As Hopkins commented in a 1936 speech:

> I am getting sick and tired of these people on the W.P.A. and local relief rolls being called chiselers and cheats. . . . These people . . . are just like the rest of us. They don't drink any more than the rest of us, they don't lie any more, they're no lazier than the rest of us -- they're pretty much a cross section of the American people. . . . I have never believed that with our capitalistic system people have to be poor. I think it is an outrage that we should permit hundreds and hundreds of thousands of people to be ill clad, to live in miserable homes, not to have enough to eat; not to be able to send their children to school for the only reason that they are poor. . . . I have gone all over the moral hurdles that people are poor because they are bad. I don't belief it. A system of government on that basis is fallacious (Leuchtenberg, 1995: 254-55).

Frustrated by their inability to implement the reforms they sought in local relief practices, Hopkins approached President Roosevelt in early November 1933 with a proposal that an emergency employment program be established along the lines Willims had described. Hopkins proposed the establishment of a program that would operate separately from the existing relief system and which would provide immediate employment to 4 million jobless workers. Recognizing that the PWA was conceived to perform that function, he emphasized to Roosevelt that the new program would complement rather than conflict with the PWA by concentrating on smaller-scale projects that could be started and terminated on short notice.

Roosevelt mused that it would take about $400 million to put 4 million people to work through the winter. Noting that the NIRA was broadly-enough worded that money could be taken out of the PWA's appropriation to fund such an initiative, he surprised Hopkins by accepting his proposal on the spot. A week later the Civil Works Administration (CWA) was formally established by executive order, with Hopkins at its head and a budget allocation of $400 million diverted from the PWA (Schwartz, 1984: 37-39).

To understand the subsequent fate of the CWA it is important to understand that Roosevelt's motives in accepting Hopkins' proposal were different from Hopkins' own. Hopkins wanted to reform work relief – permanently and totally. Roosevelt's goal was more limited. He wanted a temporary employment program to fill the gap left by the slow start-up of the PWA, something that would tide the unemployed over the winter while providing a quick "pump-priming" to the economy. Disappointed by Ickes' slow pace in getting the PWA up and running, and concerned about growing political unrest among the unemployed, Roosevelt was quick to embrace Hopkin's proposal, but his long-term commitment to Hopkins' and Williams' vision of work relief was still untested. Hopkins understood this. At a December 6 staff meeting he responded to a suggestion that Congress might be persuaded to make the program permanent by cautioning his colleagues that he did not think it was "humanly impossible for anybody to inject any chance of permanence in this thing" (Adams, 1977: 61).

What Hopkins and his staff accomplished under these conditions is startling. Though it lasted only 5 months from its establishment in early November 1933 to its effective termination in early April 1934, the CWA still stands as the largest public employment program ever established in the United States – with a peak employment of 4.2 million in a labour force of 51 million. In other words, it provided employment to about 8 percent of the nation's work force during the winter of 1933-34. A program of similar relative dimensions in the United States today would have to create 12 million jobs. Moreover, the CWA also was the New Deal program whose administrative structure, eligibility requirements, and wage policy came closest to achieving the policy goals Hopkins and Williams had formulated in the fall of 1933.

The administrative task of establishing the CWA – which moved from nothing more than an idea to a fully-operational program with 4 million employees in about 10 weeks time – was gargantuan. It employed six and one half times as many people as the rest of the federal government combined.

To illustrate the scale of this task relative to the existing capacities of the federal government, it is useful to note what was required simply to distribute that many paychecks. At the time the CWA was established the federal government was writing an average of about 33 million paychecks a year. During the next four and a half months an additional 60 million were issued. To insure that the first batch of one million would be available on time, President Roosevelt ordered several federal agencies to suspend normal operations in order to provide the CWA what it needed. The U.S. Government Printing Office undertook its largest single order ever in delivering enough check-writing paper. The Bureau of Printing and Engraving scheduled triple shifts to print the checks which were then flown by the Postal Service's fledgling pilot corps to local Veterans Administration offices – the agency designated as the program's paymaster because it was the largest and most heavily automated federal disbursing system then in existence (Schwartz, 1984: 48-50).

The CWA's administrative structured mirrored FERA's. In fact, the entire FERA staff was seconded by Hopkins to work on the CWA while continuing to perform their normal duties for the FERA. Parallel assignments were typical. Hopkins served as both FERA and CWA Director and the existing FERA staff similarly assumed dual roles. At the state level, Emergency Relief Administrators appointed by Hopkins to supervise the distribution of FERA funds were now called on to administer the CWA. To fill out this structure a much expanded staff was recruited, and whereas the existing FERA staff was dominated by social workers – like Hopkins himself – the new personnel tended to be engineers, managers, and economic planners. This infusion of administrators whose interests lay in production rather than social work caused some tension, but it also facilitated the CWA's break with older work relief practices. The new staff clearly viewed their task as the establishment of an emergency employment program for unemployed workers rather than providing public assistance to the poor.

Since the $400 million Roosevelt turned over to Hopkins came from funds appropriated under the National Industrial Recovery Act (NIRA) the CWA was subject to the same statutory restrictions as the PWA. The most important of these was that the funds could be used only for the planning and execution of construction projects. To allow for the employment of persons for whom such work would not be suitable, FERA funds were used to establish a parallel Civil Works Service (CWS) Program administered by the same officials that ran the CWA. Altogether the FERA contribution amounted to $89 million, with the CWS accounting for ten percent of combined CWA/CWS enrollment.

The program's administrative structure also included a Women's Division which, like the CWS, used FERA funds to establish non-construction work projects for working-class women while also encouraging the hiring of women in non-construction positions in CWA construction projects. These efforts were not particularly successful. The Women's Division staff consisted mainly of people with backgrounds in voluntary charity work. They tended to hold more traditional views of the functions of work relief and, consequently, the projects they organized (mainly sewing rooms) tended to be run more like traditional work relief programs than CWA and CWS projects. The CWA also failed in its goal of filling at least 10% of all positions with women. In the end, women accounted for only 7.5% of total employment in CWA, CWS and Women's Division projects combined (Schwartz, 1984: 158-80).

Non-whites also received disparate treatment. Discrimination on the basis of race or color was prohibited in the application of eligibility and wage standards, but segregation was permitted in project assignments. In some areas of the country separate projects were established for white and non-white workers. The CWA staff in Washington did not direct this activity, but they failed to object to it. It also was common for skilled minority workers to be discriminatorily categorized as unskilled. On the other hand, non-white workers were paid the same as white workers with the same job classification, and this was enough to precipitate significant political opposition to the CWA in the South where employers relied extensively on cheap black labour (Charnow, ___: 40-41).

Altogether the combined CWA/CWS program cost $976 million (1.4 percent of GDP), with the federal government providing over 90 percent of that total. When the program's initial allocation of $400 million in PWA funds was exhausted in February 1934, an additional $337 million was obtained from Congress to allow the program to wind down in an orderly fashion. The balance of the federal contribution consisted of FERA funds. The 10 percent of program costs contributed by State and local governments was provided in the form of payments for materials and supplies used in CWA work projects. The program's goal was to require local sponsors of work projects to bear all such non-labour costs, and they did so to a substantial degree.

Participant earnings totaled $750 million or approximately 79 percent of total program cost. This was a much higher ratio than for the PWA and CCC, reflecting the intentional selection of labor-intensive projects and the fact that CWA employees were not provided room and board in addition to their wages as CCC enrollees were. No studies were conducted of the indirect employment effects of CWA expenditures, but they probably were substantial. Program wages almost surely were spent very quickly to make purchases of high labor-content consumer goods from relatively labor-intensive retail vendors. It would be surprising if the capital equipment and materials that commanded such a large portion of PWA budgets had as large an indirect labor content as these consumer purchases.

Given the structural links between the CWA and the FERA, Hopkins and his associates were unable to create a program as devoid of associations with public relief as they wanted. This fact is nowhere more apparent than in the CWA's eligibility standards. The root of the problem lay in the fact that only 4.2 million jobs were created at a time when unemployment stood at approximately 11.5 million. This meant that program jobs had to be allocated among the unemployed.

Since Hopkins immediate goal was to replace locally-administered FERA work relief projects with federally-administered CWA projects, the decision was made to reserve half of all CWA positions for persons on relief. This meant that eligibility for those positions was made contingent on submission to a means test. The other 2.4 million jobs were filled using normal hiring criteria for public employment. No means test was required to apply for those 2.4 million positions, and hiring decisions were supposed to be based exclusively on considerations of skill, training and experience. In accordance with this policy, the first round of CWA hiring involved the transfer of 1.5 million former FERA work relief recipients to the CWA payroll.

A total of 9 million people applied for the 2.4 million program jobs available without means-testing. To emphasize the non-relief character of this hiring, it was performed by the newly organized United States Employment Service (USES) rather than local relief offices. However, relief offices also were swamped with new applicants for public aid, since job seekers quickly realized that qualifying for relief was a surer means of getting a CWA job than applying for one through the USES.

Special hiring procedures also were adopted for skilled craftsmen. Instead of requiring applicants for these positions to apply through the USES, unions were allowed to refer their members in accordance with customary procedures for the trades in question. More importantly, the CWA agreed not to fill these positions from among USES applicants unless a local union failed to refer enough qualified workers. In other words, the CWA formally adopted a union shop policy for the skilled trades; however, local CWA administrators often ignored this policy unless local unions insisted on its observance (Schwartz, 1984: 105-09).

The area in which the CWA broke most decisively with prior work relief practices was in its earnings policy. Customary practice in work relief programs had been to limit an individual's earnings to the individual's "budget deficiency" – that is, the difference between their available resources and their "need" as determined by local relief officials. Consequently, the number of hours an individual was required to work in a traditional work relief program depended on the size of the individual's budget deficiency, and this was true of FERA-funded work relief projects as well. Thus, despite a minimum wage which would have generated a $12 weekly income (equivalent in purchasing power to $158.95 in 2000 or PPP R425) for a 40 hour work week, actual earnings on FERA-funded work relief projects averaged less than $5 per week (equivalent inpurchasing power to $66.23 in 2000 or PPP R177) in the period immediately preceding the establishment of the CWA.

No such working-hour limitation existed under the CWA. Hourly wage minimums were higher, but the more important difference was that everyone worked the same number of hours. The result was that average weekly earnings among CWA workers were three times as great as the benefits received by FERA-funded work-relief recipients

Because the CWA's original funding came from the PWA, Hopkins also felt bound to use its wage scale – even though he was not statutorily required to do so and privately thought the CWA scale was too high (Schwartz, 1984: 117-18). The minimum hourly rates for unskilled workers were under this scale were $.40, $.45 and $.50 respectively (equivalent to $5.30, $5.96 and $6.63 in 2000 or PPP R14, R16, and R18), depending on the area of the country in which the program operated. The corresponding rates for skilled workers were $1.00, $1.10 and $1.20 (equivalent to $13.25, $14.57 and $15.90 in 2000 or PPP R35, R39 and R42). In highway construction, though, the usual rates paid by state highway departments were used, with a minimum set at $.30 per hour (equivalent to $3.97 in 2000 or PPP R11) (Charnow: 58 n. 23). It also was national policy (though often ignored at the local level) to recognize locally negotiated union contracts in the construction trades as determinative of prevailing wage rates.

The hourly rates paid by the CWA were controversial because they often were higher than the rates employers in particular regions (especially the South) or industries (especially agriculture) were accustomed to paying. What this debate tended to ignore was that actual earnings were much lower than the published standards suggested because of the program's relatively short work week of 30 hours (the maximum work week permitted under the NIRA – the source of the PWA funding transferred to the CWA). When these funds began to run out in mid-January, the program workweek was shortened still farther to 24 hours per week in order to spread the remaining work as widely as possible. As a result, average program earnings declined from about $15 per week (equivalent to about $198.69 in 2000 or PPP R531) to about $11.30 per week (equivalent to about $149.68 in 2000 or PPP R400). For purposes of comparison, average weekly earnings of privately employed workers equaled about $20 in 1933 (equivalent to about $264.92 in 2000 or PPP R708).

Hopkins goal was to give the unemployed work in jobs that utilized their existing skills, but both statutory and practical limitations made this impossible. First, as previously noted, statutory restrictions limited the CWA to construction projects. Second, a pre-existing FERA policy required that projects be performed only on public property. Third, no project was supposed to be undertaken that would duplicate work normally performed by state and local government employees. Fourth, no projects were supposed to be approved that could qualify for funding by the PWA.

Project selection also was constrained by timing issues and the desire to maximize the program's employment effect. This meant projects had to be labor intensive and capable of completion in a short period of time. It also meant they couldn't require significant advance planning or be hard to shut down on short notice. Finally, project selection also was subject to weather and political constraints.

Although the CWA hired its own workforce and carried out all projects without relying on private contractors, the CWA model called for projects to be sponsored by other government agencies at either the local, state or federal level. At the state and local level the sponsoring agency was expected to provide plans for the project and contribute the cost of the materials and supplies used in it, but that was the extent of their involvement. As a general rule, the program adhered to this model and state and local governments were enthusiastic in proposing projects. At the federal level the CWA assumed all program costs but still relied on sponsoring agencies to propose and plan the projects.

The quality of the sponsored projects varied widely. First, by taking over all FERA-funded work projects from the local relief officials who had been administering them, the CWA burdened itself with an initial portfolio of poor-quality activities. While the CWA gained direct administrative control over these projects, it took time to implement significant quality improvements. As noted above, these projects comprised a substantial share of all program activities, employing 1.5 million former FERA work-relief enrollees at the outset of the program's operations and additional CWA employees as more were hired.

A second large group of projects originated with suggestions for new undertakings by local government officials. Approval authority for these projects was exercised by state CWA Administrators whose review of the projects was often cursory. The quality of these projects varied greatly. Where sponsors had already developed plans for suitable construction projects, the activities tended to be quite successful and provided good value in terms of finished product. Where advance planning had not been completed, the results were less satisfactory, though the CWA's newly recruited and very competent Engineering Division was able to achieve steady improvement in the quality of the program's construction work over the life of the program.

A third large group of projects originated at the federal level. These projects were sponsored by a variety of federal government agencies including the Treasury Department, the Departments of the Interior and Agriculture, the Commerce Department, and the War Department. Most of these projects were developed in collaboration with CWA staff and also required the approval of a special office established within the Engineering Division that vetted them for quality control purposes. By all accounts the CWA's highest quality projects were found in this group.

As for the type of work performed, the single largest category of CWA projects consisted of road work. These projects accounted for 35 percent of all project expenditures and employed close to half of the program's entire workforce. Former FERA work-relief projects mostly consisted of this type of work. The road work consisted mainly of minor repairs and improvements rather than new construction. In many rural areas this was the only type of CWA work available.

The CWA administration was not happy with the predominance of road work in the program's activities. This type of project was associated both historically and in the public's mind with the kind of work relief the CWA was supposed to replace. Indeed a large proportion of these projects were taken over from FERA-funded programs. The difference between these earlier programs and their CWA counterparts was not immediately apparent to the public walking or driving by a CWA work crew. The fact that these projects were more visible than other, higher quality projects, also made it more difficult for the CWA leadership to explain the innovative character of the CWA to the public.

Nevertheless, the social utility of this work should not be overlook. Road repairs are valuable, and the CWA improved over 250,000 miles of roads. Sometimes these projects were very large. In Chicago, the second largest city in the United States, 11,500 CWA workers laid brick pavements in a major street-improvement project.

The next largest category of CWA projects consisted of construction and repair work on public buildings. This type of work accounted for about 15 percent of project expenditures. Approximately 60,000 public buildings were repaired or constructed, two-thirds of which were schools. Public health and sanitation activities constituted another major activity. Almost 2300 miles of sewer lines were laid or repaired, swamp-drainage projects to fight malaria employed 30,000 CWA workers, and 17,000 unemployed coal miners were employed sealing abandoned coal mines to protect ground-water supplies. CWA workers also were employed in emergency disaster relief – either fighting floods or assisting in post-flood clean-up and repair work.

Other CWA project categories included improvements to public recreational facilities and improvements to public transportation and utility systems. Over 3700 playgrounds and 200 public swimming pools were constructed along with countless comfort stations, park benches and water fountains. Surprisingly, the CWA built 469 airports and improved another 529, but this was the dawning of the aviation age and the facilities in question mainly consisted of unpaved landing fields.

Because the CWS was not limited to Construction projects and employed professionals, the projects it undertook were more varied. Since most of these projects were sponsored by federal government agencies, they also benefited from the attention of the CWA's Washington staff. Professional associations also assisted in the design and management of many of these projects.

Large numbers of unemployed teachers were employed by the CWS. Education projects started under FERA provided jobs for 50,000 laid-off teachers in local schools. Another 13,000 kept small rural school open through the winter. 33,000 were employed in adult education and nursery school programs. Adult education classes staffed by CWS teachers were attended by 800,000 people during the winter of 1933-34, and 60,700 pre-school children attended CWS nursery schools. The latter were generously staffed and provided warm clothes, hot meals, medical care, and parent education services in addition to childcare.

23,000 CWS nurses staffed a nationwide child health study, and 10,000 more were employed in a variety of other programs. The U.S. Coast and Geodetic Survey sponsored a triangulation and mapping project that employed 15,000 CWS workers. An aerial mapping project charted hundreds of U.S. cities and employed another 10,000 CWA workers. The National Park Service and the Library of Congress undertook a survey of the nation's historic buildings that provided work for 1200 draftsmen. Over 70,000 people were employed in CWS pest-eradication campaigns, and a group of 94 Alaskan Indians were employed restocking the Kodiak Islands with snowshoe rabbits.

Cultural projects were also undertaken. A well-organized Public Works of Art Project sponsored by the Treasury Department employed 3000 artists. Actors staged dramatic works in hospitals, schools and libraries. Opera singers toured the Ozark mountain region. CWS orchestras gave free concerts in major cities. The CWS also provided staffing assistance to public libraries and research assistance for scholarly projects. The Smithsonian Institution (the federal government's national museum) employed 1000 CWS workers at archeological excavations in 5 states.

The single largest category of CWS employment, though, consisted of work performed on statistical surveys. The Department of Commerce employed 11,000 CWS workers to conduct a census of real property in 60 cities. An Urban Tax-Delinquency Survey documented the fiscal condition of 309 cities. The CWA's own Statistical Division employed 35,000 CWS workers to collect and record data and documentation concerning program operations, labor market conditions, and the nation's public relief problem.

The establishment of a program as large, as complicated and as innovative as the CWA within a span of weeks was a major administrative achievement. A War Department engineer assigned to study the program compared it favorably to the country's mobilization effort in World War I (Schlesinger, 1958: 271). A New Deal historian commented that the "CWA stands out in all American history as one of the greatest peacetime administrative feats ever completed" (Charles, 1963: 65).

The CWA was a remarkable experiment, more ambitious in its goals than any other New Deal employment program. It contemplated nothing less than the replacement of means-tested work relief with a promise of public employment paying good wages doing work of genuine social utility. The quick demise of the program in a period of bold initiatives to reorder the institutional structure of the nation's economy shows how difficult this goal was to attain. Still, Hopkins and his associates continued to work towards it, hoping that by stepwise movement they could win the political support needed to establish a more sustainable, if less ambitious version of the CWA. We shall see that this is exactly what the establishment of the Works Progress Administration (WPA) in 1935 achieved.

The major lesson to be learned from the CWA concerns the vision it embodied, however imperfectly. That vision challenged three important orthodoxies. The first was the assumption that the able-bodied poor were responsible for their own condition. Although discredited by the Great Depression, this assumption still survived in the nation's public relief system. Hopkins and his associates believed the able-bodied poor were no more responsible for their joblessness than unemployed members of the middle classes. As Hopkins commented, "They don't drink any more than the rest of us, they don't lie any more, [and] they're no lazier than the rest of us" (Hopkins quote)

The second orthodoxy challenged by the CWA was the assumption that helping the able-bodied poor to obtain work required a different strategy than helping other categories of unemployed workers. In simple terms, the prevailing view then (as it is today) was that helping the able-bodied poor to overcome their joblessness requires changes in them, whereas helping other unemployed workers requires changes in the economy – specifically, the creation of more jobs. The CWA was premised on the contrary assumption that the reason the jobless poor didn't work was the same reason other categories of unemployed workers remained idle. There weren't enough jobs to go around. And the remedy for this problem was similarly the same for the poor and non-poor alike. Create the jobs they needed.

Finally, the CWA challenged the assumption that social welfare policy should limit itself to relieving the non-able-bodied poor while applying pressure to the able-bodied poor to go to work. Providing the actual jobs the able-bodied poor needed to escape their poverty was viewed as someone else's responsibility. Hopkins and his associates accepted that it was not their responsibility as social welfare administrators to fix what ailed the private economy, but they believed it was their job to provide jobs for the unemployed when the private economy did not. That was as natural a function of social welfare policy, in their view, as distributing food to the poor during a famine.

Finally, while it is noteworthy that the CWA acted as its own contractor, in contrast to the PWA's reliance on private contractors, this distinction was not central to the vision that guided Hopkins and his associates. The CWA could not have accomplished what it did on such short notice if it had relied on private contractors. Nevertheless, all the work projects undertaken by the CWA could have been contracted out, or particular functions associated with the operation of those work projects could have been contracted out. It would have required the development of new types of public contract to insure that the program's social welfare functions were performed adequately, but the choice between private contracting and public operation should not be viewed as raising issues of principle. One style of administration may work better in certain circumstances and the other in different circumstances.

It also would be possible to delegate operational responsibility for a CWA-style program to state or local governments, but adopting that management structure would require the development of additional procedures to monitor agency compliance with the program's social welfare goals. The New Dealers were wary of separating the funding function from the administrative function in operating its jobs programs, because they feared both outright corruption and what latter came to be know as "fiscal substitution" – the tendency for state and local governments to use job-creation programs funded by the federal government to replace public sector workers who otherwise would have to be paid with local resources. Finally, Hopkins and his staff were wary of delegating operational responsibility for the CWA to state and local governments because of their experience with FERA program management, where local relief officials acted as a bulwark against change rather than as a catalyst for reform.

NEW-DEAL WORK RELIEF IN THE 1934-35 PERIOD

Following the termination of the CWA, the FERA once again assumed responsibility for funding the nation's relief effort. Hopkins and his associates continuing to direct the activities of that agency after the demise of the CWA, and even though the CWA was politically unsustainable, they made a concerted effort to preserve as much as they could of the CWA model in FERA work relief programs. Once again the FERA had to rely on local relief officials to administer the work relief projects it funded, and employment on those projects was limited once again to persons on relief. The common work-week established under the CWA also was lost, as hours of work were once again determined by applying the "budget deficiency" principle. Work relief participants worked as many hours as were necessary to "earn" their family's public assistance grant. At first, the \$.30 cent an hour minimum wage rate that previously had applied to FERA-funded work relief programs was reinstated. However, under political pressure from low-wage employers, particularly in the South, the \$.30 cent per hour minimum was was abandoned in November 1934. Henceforth wage rates depended exclusively on locally-prevailing wages, with no minimum wage floor. In some regions wage rates were reduced to \$.10 or \$.15 an hour by local relief officials. Consequently, earning on FERA work relief projects averaged only \$6.50 per week (equivalent to \$83.53 in 2000 or PPP R223) from the spring of 1934 (when the FERA program was reinstated following the demise of the CWA) through the summer of 1935 (when FERA began to pass off its work-relief projects to the newly-established WPA).

On the other hand, under Hopkins' leadership, the FERA did establish a number of special programs that experimented with new forms of work relief. Perhaps the most interesting of these innovations consisted of "production for use" projects undertaken in cooperation with the Federal Surplus Relief Corporation (FSRC). The FSRC purchased surplus agricultural commodities in an effort to maintain farm prices and hence the livelihoods of farmers. The FSRC and the FERA cooperated to distribute these surplus commodities to relief recipients outside market channels. This distribution was accomplished on an "over-and-above" basis, to prevent local relief agencies to consider the commodities received from the FSRC in determining the budget deficiencies of relief recipients.

What made this program interesting from our perspective is that a number of FERA-funded work relief projects were established to process FSRC commodities before they were distributed. This included canning fresh fruit and vegetables and the production of clothing and bedding from surplus cotton. The most ambitious of these "production for use" projects was the so-called "Ohio Plan" which rented idle factories in the state of Ohio and then reopened them as work relief facilities using government-surplus commodities as raw materials to produce consumer products for distribution to relief recipients.

Business opposition to the "production for use" movement was fierce. Complaints were made that the FERA projects competed with private producers and hence reduced unsubsidized employment. This argument was specious since the commodities at issue were distributed for free to people who otherwise would not have been able to afford the items in question. The real source of business opposition to the "production for use" movement was more accurately reflected in complaints that the projects challenged the private enterprise system and were a dangerous step down the road to government control of all industry. This opposition was strong enough that the FERA terminated its production for use projects.

Other special programs introduced or expanded by the FERA during this period included special work programs for transients, for needy college students, and for destitute farmers. Transient work projects were offered in special reception centers and camps established with FERA funds to provide a resting place and social services to the transient population (a group that tended to be either ignored or treated with particular harshness by local relief officials). The college student aid program provided part-time work for college students who otherwise might have been forced to drop out of college. The farmers' program provided needy farmers with working-capital (in the form of loans and debt adjustment) along with grants of food, fuel and other necessities to permit them to go back to work on their own farms.

When FERA reassumed responsibility for funding work relief in the spring of 1934, project enrollment stood at only 1.1 million. It grew steadily over the next 9 months, peaking at 2.4 million in January 1935. Thereafter FERA work relief enrollment began to decline and beginning the following summer FERA work relief projects were either phased out or transferred to the WPA. Overall, employment on FERA work-relief projects between April 1934 and July 1935 averaged 2.0 million.

A total of about 240,000 projects costing $1.3 billion (1.5 percent of GDP per year on an annualized basis) were carried out by FERA work relief projects during this period. The nature of these projects was similar to that of the CWA's projects, with road work still predominating. Direct labor costs comprised an average of 89.4% of total project costs.

THE WORKS PROGRESS ADMINISTRATION (WPA)

In June 1934, shortly after the termination of the CWA, President Roosevelt appointed a cabinet level "Committee on Economic Security" to develop a comprehensive social welfare strategy that would be responsive to the American people's desire for "some safeguard against misfortunes which cannot be wholly eliminated in this manmade world of ours" (Committee on Economic Security, 1935: 70). Hopkins served as a member of this Committee (the only one who was not a member of the President's Cabinet) and was principally responsible for developing the Committee's proposal for responding to the problem of unemployment.

The Committee's report occupies an important position not only in the development of New Deal social welfare policy but in the emergence of the social welfare vision later expressed in the economic and social provisions of the Universal Declaration of Human Rights. The Committee proposed a two-legged social welfare policy – one leg to address the economic security needs of people who were not expected to be self-supporting and the other leg to address the economic security needs of those members of society who could support themselves if work was available for them. To provide economic security for people who either could not work or were not expected to work, the Committee proposed the establishment of a series of non-stigmatizing income transfer programs designed to insure that all such persons were guaranteed a reasonable subsistence. For people who were capable of supporting themselves the Committee proposed that the federal government provide what they called "employment assurance."

> Since most people must live by work, the first objective in a program of economic security must be maximum employment. As the major contribution of the Federal Government in providing a safeguard against unemployment we suggest employment assurance – the stimulation of private employment and the provision of public employment for those able-bodied workers whom industry cannot employ at a given time. Public-work programs are most necessary in periods of severe depression, but may be needed in normal times, as well, to help meet the problems of stranded communities and overmanned or declining industries (ibid: 74-75) .

Given Hopkins' role in developing this proposal it is hardly surprising that it reflects the reform vision he and his colleagues had been pursuing since the fall of 1933.

But that proposal is here enhanced by its linkage to the reforms proposed by the Committee to meet the economic security needs of persons who were not expected to be self-supporting. If fully implemented, the two legs of the social welfare system proposed by the Committee would effectively secure what later came to be known as the right to work and the right to income security (United Nations, 1948).

As in the case of the CWA, Hopkins was not able to get all that he wanted from either the President or the Congress. Indeed, based on his experience with the CWA, Hopkins aimed lower, and the Works Progress Administration (WPA), established in the summer of 1935 in response to the Committee's proposal, represented a calculated estimate of just how far the employment assurance idea could be pushed at that particular historical juncture. It can be described with a fair degree of accuracy as "CWA Lite."

A key feature of the CWA model carried over to the WPA was the way in which responsibility and authority for the agency's work projects was divided between the federal agency and local governments. Local governments sponsored the vast majority of WPA projects and paid about 20% of their cost on average (Burns and Williams, 1941: 139, Table 7). Federal and state agencies also sponsored WPA projects, but the number of such projects and the proportion of all program employment provided by them was small (Burns and Williams, 1941: 57).

Local sponsors proposed projects, were responsible for provided all drawings for construction projects, and participated to varying degrees in supervising the implementation of the projects. Some projects were carried out entirely by the WPA with nothing more than occasional inspections by the local sponsor. In other cases the local sponsor provided the entire supervisory workforce with WPA inspectors merely insuring that program regulations were observed.

The WPA staff worked proactively with local governments and non-governmental organizations to develop new ideas for projects, especially in the non-construction fields. Since the WPA possessed a wealth of information concerning widely diverse projects operated under a variety of circumstances, WPA staff served as a viaduct for the dissemination of new ideas and best practices throughout the country. Tension and some conflict did exist between the WPA and sponsors. Not all local project proposals were approved for funding, and when sponsors performed active supervisory functions on WPA projects, the division of authority between the sponsor's staff and the WPA staff had to be worked out. Nevertheless, experts who studied this aspect of WPA operations tended to be very positive in their assessments (National Resources Planning Board, 1942: 393-94). The WPA's operational model was viewed as achieving the advantages of both decentralized and centralized government control. The projects selected truly did respond to local needs, while national standards of performance in carrying out the projects were maintained.

The WPA also was able to operate its work projects according to an "enterprise" rather than a "relief" model. WPA workers were employees rather than relief recipients. Although they had to qualify for relief in order to work for the WPA, they were hired to fill specific job classifications on the basis of their experience and qualifications relative to other qualified applicants for WPA employment. Once hired, they were federal employees who received a monthly paycheck from the federal government based on the number of hours of work they actually performed and without any reference to the extent of their "need." If the income they received from their WPA earnings still left them poor enough to qualify for relief (a fairly common occurrence for WPA workers with large families) they could apply for relief from their local relief agency, but it had nothing to do with the WPA. WPA wage rates varied with skill level and by region; a common work week was followed, and normal workplace discipline was maintained. WPA workers were covered by workers compensation (insurance coverage for workplace accidents) and were permitted to organize unions. In all of these respects the WPA achieved Hopkins goal of providing work that looked and felt like real employment.

On the other hand, there were other important aspects of the CWA model that Hopkins was not able to incorporate in the WPA. The most important of these was that, except for limited exceptions in skilled occupations, WPA employment was limited to public relief recipients. This meant that persons seeking WPA employment had to submit to a means test. Even worse, except in instances where local agencies could not perform the required inspections, eligibility certifications were the province of local relief officials who applied local eligibility standards. The WPA could reject persons referred for project employment who were deemed unqualified or not employable, but it could not certify individual eligibility.

This meant the employment/relief linkage that Hopkins wanted to end remained intact at a key point in the hiring process. The WPA offered real jobs, but to apply for one workers first had to apply for and be declared eligible for public relief.

It is not clear whether the decision to organize the program on this basis was made strictly for practical reasons or as a matter of principle, but President Roosevelt made it clear in his 1935 State of the Union Message to Congress that his goal was to use direct job creation in programs like the WPA to provide employment only for that portion of the unemployed population that was receiving public relief – not all the unemployed (National Resources Planning Board, 1942: 237). He estimated that there were 3.5 million such persons, and the funding he sought from Congress to establish the WPA was intended to provide that number of jobs.

There is a major discrepancy between this goal and the "employment assurance" proposal advanced by the Committee on Economic Security (which was presented to the President just 11 days after the State of the Union Message in which he proposed the 3.5 million goal). In effect, President Roosevelt adopted the Committee's proposal only to the extent necessary to guarantee work for those unemployed workers who had fallen into destitution. Until you had fallen that low you were on your own.

As indicated above, it is not clear whether President Roosevelt adopted this position for reasons of expediency or principle. In 1935 overall unemployment averaged 9.5 million in the United States. To provide jobs to all those persons would have required budget allocations 2 to 3 times as large as those required to fund the WPA's goal of creating 3.5 million jobs. Roosevelt simply may have thought it unrealistic to seek that much spending authority. He was under constant pressure from conservatives within his administration to cut federal spending rather than increase it. If he felt constrained purely for financial reasons, humane considerations might dictate that available job-creation funds be spent on those among the unemployed whose need was greatest. On the other hand, it also is possible that he remained unpersuaded by the Committee that the federal government should undertake to provide "employment assurance" for workers in general.

Roosevelt was strongly committed to relieving poverty, and he accepted that the best way of relieving poverty among the unemployed poor was to provide them decent jobs, but his views concerning the best way to reduce unemployment were more conventional. He believed in fiscal "pump priming," but he likely assumed that major reductions in overall unemployment levels had to await private sector recovery.

As it turned out, the WPA was never able to provide work even for all members of its target population. The number of unemployed workers certified for employment in the WPA but waiting assignment due to a lack of available positions ranged from over 500,000 to almost 900,000 at any point in time. The WPA itself estimated that the number of persons who could have qualified for project work (i.e., by qualifying for relief) but were not employed in the program ranged from 600,000 to 1.3 million (National Resources Planning Board, 1942: 238).

The program's wage policy also reflected compromise. The program's rejection of the "budget deficiency" principle distinguished it from conventional "work for relief" programs, but earnings were kept below private industry levels. The program's goal was to provide a "security wage" that was above relief levels but below the level of earning available from private sector employment. At first this was achieved by setting hourly wage rates below prevailing market levels while working a normal 40 hour work week. Within a year, however, this practice had evolved (under pressure from organized labour) into one in which the work week on each project was reduced to the extent necessary so the hourly wage rates on the project would equal prevailing private sector levels without changing monthly earning totals. Then, in mid-1939, a uniform workweek was instituted once again, and hourly wage rates were effectively cut by 14 percent (Rose, 1994: 98). In other words, the WPA "security wage" principle remained intact throughout the program's life, but it was combined with different hourly wage and work week policies.

The maximum monthly earnings of WPA workers varied widely by skill level , region, and rural or urban setting. The program's initial wage scale ranged from a low of $19 per month for unskilled labor in the rural South (equivalent to $238.82 in 2000 or PPP R638) to a high of $94 per month for technical and professional employees in urban areas in the North and West (equivalent to $1181.52 in 2000 or PPP R3156). Over time this gap narrowed. By July 1939 the comparable wage scale ranged from a low of $31.20 for unskilled labor in the rural South (equivalent to $386.52 or PPP R1032) to a high of $94.90 for technical and professional employees in urban areas in the North and West (equivalent to $1175.67 in 2000 or PPP R3140). The mean wage paid to all WPA workers between August 1935 and June 1940 equaled $.50 per hour (equivalent to $6.19 in 2000 or PPP R17) and $54 per month (equivalent to $668.98 in 2000 or PPP R1787) (National Resources Planning Board, 1942: 236, 341; Burns and Williams, 1941: 138).

Studies comparing WPA earnings levels to standard budgets and direct surveys of the living conditions of WPA workers showed that the vast majority were unable to achieve an adequate standard of living unless their program employment was supplemented by private employment – something only a very small proportion of program participants were able to achieve. A WPA-prepared "Emergency Budget" designed to simulate a “poverty line” budget for a family of four was priced at between $67.77 and $86.67 per month in 30 cities in June, 1940 (equivalent to between $833.57 and $1066.04 in 2000 or PPP R2226 and PPP R2847). The wage scale for the lowest class of unskilled WPA workers in those cities provided only 60.0 percent to 70.8 percent of that amount (ibid: 177).

Construction projects accounted for about 79 percent of all project costs, with about half of this consisting of new construction and the other half repairs. Road construction accounted for 39.2 percent, public buildings 10.4 percent, publicly owned or operated utilities 10.1 percent, recreational facilities 8.6 percent, conservation 3.8 percent, and airfields 2.2 percent. Among non-construction activities, sewing rooms accounted for 6.6 percent of all project costs, research and surveys 2.0 percent, educational programs 2.0 percent, public records 1.5 percent, and library projects 1.0 percent.

The WPA built or repaired 565,000 miles of roads, with much of the work focusing on expanding and improving farm-to-market roads in rural areas. Over 28,000 new public buildings were constructed (including 4,800 schools) and 72,000 more were repaired or improved (including 31,700 schools). The program built approximately 2,750 new athletic fields, and 2700 new playgrounds. About 9,000 playgrounds were improved. The program built 700 swimming pools and about 15,500 other recreational facilities including golf courses, tennis and handball courts, ski jumps, outdoor theaters, and band shells (Burns and Williams, 1941: 58-60).

Non-construction projects included the same range of activities the CWA and FERA undertook. In the fall of 1940, for example, WPA workers staffed literacy and naturalization classes attended by 245,000 adults and served 70 million school lunches in 18,677 schools (ibid: 60). Production for use made a modest comeback, particularly in WPA sewing rooms where more technologically sophisticated methods of production were introduced. Mattress-production was once again introduced in the guise of “sewing and mattress projects” utilizing surplus cotton supplies, though once again these projects were terminated in the face of fierce objections from the private-sector. An extensive Federal Arts Project supported a wide range of cultural activities and cultural production throughout the country. Murals painted by WPA artists still grace many public buildings. A Federal Theater project won broad critical praise until the left-of-center political content of some of its productions and the fact that some companies used integrated casts in non-stereotyped roles led to a Congressionally mandated termination of the project in 1939.

The quality of WPA-produced goods and services is generally reported to have been high, but the efficiency of its production methods is acknowledged to have been lower in most instances than in private enterprises or regular public sector activities. The reduced efficiency is attributable partly to the fact that production methods were more labor intensive than in regular production, and partly to the lower quality of the WPA workforce. When the WPA commenced operations its workforce had been unemployed for an average of over two years (National Resources Planning Board, 1942: 125), and given the relatively narrow range of occupations available in the program, far fewer workers had relevant work experience than those who worked in the private or regular public sectors (ibid: 243-49). The WPA workforce also was older and poorer than workers employed in private firms and the regular public sector. That this workforce could produce products of standard quality (albeit more slowly than other workers) reflects the strong control the WPA's staff exercised over the projects it approved and supervised.

Total direct program employment in the WPA average 2.4 million per month from December 1935 through June 1940, and program cost over the same period averaged $2.3 billion per year (approximately 2.6 percent of GDP). As indicated above, the federal government paid about 80 percent of those costs and state and local governments about 20 percent. During the same period the WPA provided jobs to an average of 28 percent of the unemployed at any point in time, with a peak of 39.1 percent in October 1936. If WPA employment is combined with CCC and National Youth Administration (NYA) employment – then jobs were provided in direct job creation programs for an average of 37 percent of the unemployed with a peak of 52.4 percent in May 1937. Since these figures ignore the indirect employment effect of the programs, they understate the contribution they made to reducing unemployment, but no estimate of their aggregate impact appears to have been attempted.

Since the WPA's structure was a composite of features carried over from either the CWA or FERA work relief programs, there is not much to be learned from the program that has not been noted already. There are two points, however, that are worth emphasizing.

The first is the particular success of the relationship between the WPA and local government sponsors of its projects. Intergovernmental relations are often fraught with tension, jealousy and resentment – as the WPA's staff's own experience in the FERA period illustrates. The combination of mainly federal financing and complete federal administrative control, combined with substantial local control over project selection, appears to have struck a balance that served the interests and capitalized on the capacities of both levels of government.

The second point is the success of the WPA in producing good quality goods and services with a workforce drawn from that portion of the nation's entire workforce whose services are least desired by regular employers. The 28 percent of the unemployed who provided work by the WPA was the segment of the unemployed population that had been unemployed the longest and suffered the greatest destitution and demoralization. From the perspective of employers, they constituted the bottom of the barrel – the portion of the workforce that would be last hired in an economic recovery and first fired in another recession. Not surprisingly, this workforce did not work as efficiently as the employed workforce, but it is equally remarkable that what they produced was of standard quality.

This latter point underscores the waste of involuntary unemployment, even when it is concentrated among the least qualified members of the labor force. People are not like trucks. They cannot be left to rust away when their productive services are no longer wanted. Societies still must feed, clothe and house the unemployed (and their families) no matter however miserably and half-heartedly that task is accomplished. Societies also must pay a range of indirect costs that result from the negative social effects of leaving the unemployed in idleness and their families without hope. That being the case, it is of no small importance to see that despite its shortcomings, a well organized work relief program like the WPA can use this labor force to good account – producing goods and services that enrich the community while restoring hope and dignity to the lives of the workers it employs.

What is the cost of that output? Conventionally it is equated to the sum of wages, materials, and administrative expenses required to operate the program. In reality it is substantially less than that, since the program saves society the direct cost of supporting those who otherwise would have no work, along with a variety of indirect costs. If it is possible to operate a reasonably productive job-creation program with the labor force the WPA had at its disposal, it should be possible to operate a job creation program providing "employment assurance" to better qualified segments of the unemployed population.

National Youth Administration

One of the initiatives the FERA inaugurated in the period between the termination of the CWA and the inauguration of the WPA was a part-time employment program for needy college students. When the WPA was established, the administration of this program was assigned to a separate division within the WPA known as the National Youth Administration (NYA). In 1938 the NYA was separated from the WPA but continued to function as an independent federal agency.

The NYA took over the administration of the college student program operated by the FERA and extended coverage under that program to elementary and high school students and to graduate students.

In addition to this "School Work Program" the NYA also established and administered a program of special work projects for out-of-school youths. These work projects were similar to those operated by the WPA except they were limited to youth, provided only part-time employment, and included a formal training component. This initiative was known as the NYA Out-Of-School Program. Together, the School Program and the Out-Of-School Program employed on average almost twice as many people as the CCC.

NYA School Work Program: The NYA School program did not operate its own work projects. Instead, it entered into agreements with schools to both determine the eligibility of students for assistance and to provide them part-time work within the school. The NYA paid their wages, but they were assigned jobs and supervised by the schools. The schools also provided all supplies and materials required to employ the students. Students who wished to enroll in the program applied to the school, college or university they wanted to attend. To be eligible the student had to be between the ages of 16 and 24, attend day classes, carry at least a three quarters schedule, and need financial assistance in order to continue their schooling. If the school certified the student as eligible, it had to provide the student part-time employment within the school and supervise that employment. The only thing the NYA did was pay the students wages. It did so directly rather than providing the funds to the school.

Minimum and maximum allowed earnings were set nationally by the NYA and varied with the level of school. In 1940 the allowed monthly earnings for elementary and high school students were set at $3 to $6 for elementary and high school students (equivalent to $36.90 to $73.80 in 2000 or PPP R99 to PPP R197), $10 to $20 for college students (equivalent to $123 to $246 in 2000 or PPP R329 to PPP R657), and $20 to $30 for graduate students (equivalent to $246 to $369 in 2000 or PPP R657 to PPP R986). The hourly wage rate was set to equal local prevailing wage rates for the type of work performed, and maximum hours were set for both school days and non-school days. "Department assistance" accounted for 40 percent of the jobs provided by schools; "construction and maintenance" and "clerical assistance and service" each accounted for 25 percent; and "semiprofessional assistance" accounted for 10 percent (National Resources Planning Board, 1942: 271).

In June 1940 the monthly earnings of 212,647 elementary and high school students employed under the School Program averaged $4.74 (equivalent to $58.30 in 2000 or PPP R156); the earnings of 99,657 undergraduates averaged $12.68 (equivalent to $155.96 in 2000 or PPP R417); and the earnings of 1,655 graduate students averaged $21.72 (equivalent to 267.16 in 2000 or PPP R714). The overall average for all students was $7.38 per month (equivalent to $90.77 in 2000 or PPP R242) (ibid: 66). These earnings were less than the cost of attending school. In California, for example, the monthly budget of a high school student living at home was estimated to average $10.00 (equivalent to $123 in 2000 or PPP R329) (ibid: 278). The program helped defray the expenses of attending school, but it did not cover those expenses. Nevertheless the aid provided appears to have been decisive in allowing many students to attend school. A study of persons who applied for but were denied aid found that the vast majority were not attending school 9 months latter.

Between 1936 and 1940 the NYA School Program provided employment for an average of 362,000 students a month during the school year. The annual average cost of the program was estimated at approximately $75 per student (equivalent to $915.96 in 2000 or PPP R2447). Since all non-labor costs and almost all administrative costs were covered by the schools, these wage payments constituted virtually the only cost of operating the program.

NYA Out-Of-School Program: The Out-Of-School Program was organized in a manner similar to the WPA. Projects were sponsored by local public agencies and operated by the NYA itself with varying degrees of participation by the sponsoring agency. There was a major difference, though, in the gender composition of the workforce and in the diversity of the projects. A much higher proportion of the workforce on NYA projects consisted of women – 43 percent in May 1940 – and the occupational distribution of jobs was more diverse. Sixty-five percent of those women were employed as "clerical and service workers," and another 24 percent were "production workers." The latter group consisted mainly of "seamstresses," "weavers," "mattress makers," and other "clothing and textile workers." Among male enrollees, 35 percent were employed as "clerical and service workers," 32 percent as "construction and shop workers," and 12 percent as "production workers" (ibid: 267).

NYA projects also include a higher proportion of non-construction activities than the WPA. During the program's early years the NYA focused on four types of activities: "community development and recreation, rural youth development, public-service training, and research" (ibid: 46). Later the projects involved more construction. Still, during the year ending June 30, 1940, 33 percent of all NYA projects were categorized as “clerical and semiprofessional,” 29 percent as “workshops and production, and only 28 percent as “construction” (ibid: 266).

All NYA projects were supposed to include a training component, though this appears to have been organized on an ad hoc rather than a centrally coordinated basis (ibid: 267-69). During the program’s first two years, though, a broad effort was made to foster apprenticeship training in NYA projects, an initiative guided by a Federal Committee on Apprentice Training (FCAT) that was funded by the NYA. Then, in 1937, the FCAT was transferred to the Labor Department and the formal apprenticeship training program within the NYA atrophied (ibid: 46). Unlike the CCC, the vast majority of NYA workers resided with their families or independently. Still, about 10 percent of the projects were carried out in residential centers. These were located mainly in sparsely-populated areas where commuting from home to work in the program on a daily basis would have been impractical.

Eligibility for the NYA Out-Of-School Program was limited to youths between the ages of 18 and 25 who were certified in need and who could “benefit from” the training and work experience provided by the program (ibid: 67). For several years after the program was established, enrollment was limited to individuals from families who were on relief or had someone employed in the WPA. In 1938 the program’s means-test was relaxed to expand eligibility, and the NYA took over the task of certifying eligibility in accord with this new means test. In 1939 the programs means test was relaxed still farther, so that an individual could qualify for enrollment if they were “a member of a family whose income is insufficient to provide the basic needs of all members of the family, including the youth member, regardless of whether the family is receiving any form of public assistance” (ibid: 46). Enrollees were required to register with the State Employment Service and accept any bona fide offer of private employment (Burns and Williams, 1941: 67).

At first the NYA used the same wage scale as the WPA, except that program enrollees worked only 1/3 of the hours and received 1/3 of the pay of their WPA counterparts. Over time variations were introduced in the NYA workweek, depending on the needs of specific projects, and the wage scale was simplified. In June 1940 only two wage classes paying rates that varied by region remained. The “Class A” wage applied to “junior foreman and crew leaders” and the “Class B” wage applied to unskilled workers. The Class A wage was $6 a month higher than the Class B wage in each of the regions (equivalent to $73.80 in 2000 or PPP R197) (National Resources Planning Board, 1942: 47). During the year ending June 30, 1940 NYA Out-Of-School Program wages averaged $15.15 a month (equivalent to $186.34 in 2000 or PPP R498) with average monthly hours of 57 (ibid: 67). This corresponded to an hourly rate of pay of $.27 an hour (equivalent to $3.32 in 2000 or PPP R9), well below the WPA average of $.50 an hour (equivalent to about $6.11 in 2000 or PPP R16).

Program enrollment in the program averaged about 205,000 a month from its inception through 1940. NYA expenditures for both the School Program and the Out-Of-School Program averaged $71.2 million a year (about .08 percent of GDP), with the federal government paying 89.9 percent of that total and state and local public sector sponsors paying the other 10.1 percent. No data is available concerning the ratio of labor to non-labor costs in the program.

Lessons To Be Learned From New Deal Job-Creation Programs

The most interesting lesson to be learned from this review of New Deal job creation initiatives concerns the New Dealers' vision of the role of work in the delivery of public assistance. Rejecting the traditionally unsympathetic view of the able-bodied poor that had dominated public assistance policy for centuries, the New Dealers believed the able-bodied poor were no different than other people who had been left jobless by the Great Depression. The cause of their joblessness did not lie within them but in the economy's failure to provide enough jobs to employ them.

Based on this view of the unemployed, the New Dealers thought the role of social welfare policy should be to offer unemployed workers the jobs the economy denied them – real jobs paying real wages doing genuinely useful work. The reforms that flowed from this vision departed fundamentally and dramatically from past social welfare practices, even though the social welfare administrators that implemented the reforms had to compromise their goals to a significant extent due to a lack of political and financial support.

The system they wanted to establish is worth contemplating. It would have offered jobs to all unemployed workers without a means test; the jobs would have been essentially indistinguishable from those offered by regular private and public sector employers; and the program's workforce would have been used to expand the production of useful pubic goods and services. In other words, the social welfare system would have been used to close the economy's job gap. This policy would have been pursued not as a substitute for efforts to end the Great Depression by other means, and certainly not for the purpose of discouraging private sector growth. Its purpose simply would have been to acknowledge that efforts to achieve full employment rarely succeed in providing work for all job-seekers, and that providing "employment assurance" for a country's workers therefore requires the government to stand ready to employ those persons the private sector cannot employ.

This conception of the role of work in public assistance policy is just as unorthodox today as it was in the 1930s. It does not oppose just the currently prevailing conservative view that public aid recipients should be required to work to deter them from applying for aid and to discourage their "dependency." It also opposes the currently prevailing centrist view that work requirements should be imposed as part of an "insertion" strategy designed to give aid recipients the skills, experience and motivation they need to compete for available jobs. The problem with both of these orthodoxies, from a New Deal perspective, is that they presume the economy provides enough jobs for everyone who really wants to work. The New Dealers' social welfare strategy is designed for an economy that does not provide enough jobs for all job seekers.

Most of the advice currently offered developing countries concerning the use of job creation programs is based on the conservative and centrist orthodoxies described above. Job creation programs targeting the poor should be based on a "workfare" model. Participation in the program should be means-tested; benefits should be set at the subsistence level; recipients should be required to work for an hourly wage at or below the prevailing level; and relatively short time limits on participation should be imposed.

The New Deal alternative would reject all of these limitations in principle and relax them in practice to the extent politically and fiscally possible.

It could be argued, of course, that whatever applicability the New Deal model might have in economic downturns like the Great Depression, it is not applicable to the different circumstances that apply in most developing countries today. The most important distinction is that mass unemployment during an economic downturn is attributable to the underutilization of existing productive capacity whereas mass unemployment in developing economies is attributable to structural changes in the economy (e.g., from labor-intensive agricultural production in rural areas to capital-intensive manufacturing and service-based production in urban areas) and to deficits in the country's aggregate productive capacity.

This difference is real, but does it call into question the usefulness of the New Deal model in developing countries or simply suggest that care should be taken in deciding how the model should be applied in that context. The key issues requiring investigation concern the cost of implementing the New Deal strategy and whether the feedback effects of a large-scale job-creation program would reinforce or interfere with the process of economic development more broadly. It is reasonable to assume that a New-Deal-style job-creation program will tend to generate positive multiplier effects during a recession, thereby promoting recovery while at the same time reducing the program's effective cost to government. Would this tendency also exist in a developing economy or would the program's multiplier effects be dissipated (and possibly aggravate inflationary tendencies) due to supply constraints?

In contrast to the unanswered questions that exist concerning the likely effects of the New Deal model on the economic development process in a country like South Africa, there is little reason to view the model's social effects as similarly contingent. Whether a person is left jobless by a recession or a structural shift in a developing economy, the New Deal model's promise of real employment is almost certainly going to prove more beneficial to the unemployed than workfare. The problem is that these benefits might be unsustainably costly to achieve.

Thus, a complete assessment of the applicability of the New Deal model to South Africa would have to consider both the strategy's economic development effects (which could be helpful or harmful) and its social effects (which are more certainly beneficial but possibly too costly to maintain). It is beyond the scope of this evaluation to assess these effects or to weigh them, but given the attractiveness of the New Deal model, a careful analysis pursuing these issues seems warranted.

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