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ADVISORY COMMITTEE TO THE PRESIDENT ON ECONOMIC POLICY

Recommendation

An Advisory Committee to the President on Economic Policy should be established to coordinate the policies of the various monetary and fiscal agencies of the Government and to work out plans for dealing with monetary, fiscal and price problems relating to the defense program and to the ultimate transition to a peace-time basis. This committee, under the chairmanship of the Vice President, might be composed of the Secretary of the Treasury, the Federal Loan Administrator, the Chairman of the Board of Governors of the Federal Reserve System, and the member of the Defense Commission in charge of prices. One of the Administrative Assistants to the President could act as the committee's secretary. The Director of the Budget could, if it were thought desirable, sit in as an observer.

Reasons for Recommendation

1. The Broad Need for a Committee. Some progress has been made in coordinating the physical side of the defense program. No progress, however, has been made in coordinating its financial counterpart. Consequently, there are now a number of different departments and agencies all concerned with one or more aspects of what is in essence a single large problem. As the defense program gains momentum there is increasing danger and likelihood of conflicting or duplicating policies being adopted. There are almost bound to arise individual disagreements as to whether or to what extent recourse should be had to the use of monetary controls, fiscal controls, direct credit or rationing controls. Some differences, of course, will always exist. Many others, however, could be resolved round a table. As a means of relieving pressure on the President and in the interests of developing consistent and comprehensive programs, there is urgent need of an administrative device to insure that conflicting or duplicating policies be avoided, that the areas of controversy that must be settled by the President be reduced and that alternative courses of action to be placed before the President be clearly and sharply defined. A frequent cause of disagreements on policy matters is traceable to differences in the factual and analytical studies on which policies are based. The suggested committee would facilitate an interchange of views and a narrowing of differences at the technical level.

Finally, the suggested committee, under the chairmanship of the Vice President, would afford a means of coordinating policies of the Executive and Legislative Branches of the Government and of lessening misunderstanding between these branches. In so doing, it would enhance the influence and usefulness of the office of Vice President.

2. Terms of Reference and Nature of Problems.

The terms of reference of the proposed committee may be indicated by the nature of the problems that are imminent or prospective. These include questions of direct or indirect methods of preventing price distortions; precautions against possibilities of future credit inflation; budgetary requirements of defense and post-defense activities and their financing; related questions of interest rates and the type and timing of taxation integrated with the basic objective of sustained production and employment; maintenance of economic balance, particularly as it affects agriculture and consumers. These and many other related matters require analysis and coordination through a representative committee that can act in an advisory capacity under the President's direction.

3. Composition of Committee.

(a) The Vice President: Various advantages would flow from the designation of the Vice President as Chairman of the Committee. It would provide the most satisfactory way of keeping him in touch with the policies of the Administration and the range of considerations that entered into their making. Being comparatively free from administrative duties and having the interests that he has, it is to be expected that he would take an active part in the work of the committee.

(b) The Secretary of the Treasury: Because of his direct responsibilities in the field of taxation and Government financing and the Treasury's monetary and banking powers.

(c) The Federal Loan Administrator should probably be a member because of the magnitude of the domestic and foreign loans made by his agencies and the influence on interest rates he can exert.

(d) The Chairman of the Board of Governors: Because of the responsibilities of the Federal Reserve System in the monetary and general credit field.

(e) The Commissioner on Prices of the Defense Commission: It is obviously desirable that a liaison be established between the Finance Committee and the Defense Commission. The responsibilities of the Commissioner on Prices relate most closely to the work of the proposed committee and it so happens that he is also a member of the Priorities Board.

As it appears to be established as a general principle that no member of the President's staff should serve on a policy-forming committee reporting to the President through someone else, the Director of the Budget is not suggested as a member. On matters pertaining to the budget, however, he could sit in as an observer, if it were thought desirable.

It is most desirable that the committee have a secretary to keep records, prepare an agenda and reports, and insure that the technical studies required by the committee are forthcoming. The selection of a secretary from any one of the agencies represented raises obvious difficulties. It is recommended, therefore, that the Administrative Assistant to the President in the general field of fiscal and monetary matters be made secretary.