

February 17, 1939

It is proposed that an investigation be made of fundamental factors which may stand in the way of attaining full employment and a steadily increasing national income. Specific recommendations based on the findings of these investigations should be made so that policy might be formulated which would lead to an increase in the national income. The following are some of the basic questions to which the investigation should be directed. (Questions marked *** are urgent, requiring immediate study, those marked ** are less urgent, and those marked * are least urgent.)

- *** 1. What are the prospects for continued recovery in 1939 and 1940? How soon may we expect the national income to reach a level of \$80 billion a year? What are the threats to continued recovery?
- *** 2. Which important industries lagged in the 1933-38 period, making less than a reasonable contribution to the increase in the national income during that period? Which industries were foremost in the recovery? What can be done to stimulate lagging industries, increasing their contribution to the national income?
- * 3. How far is the claim that new investment is being seriously blocked by specific Government measures justified?
- * 4. To what extent does new capital investment for plant expansion and new industrial development come from (a) cash assets, (b) borrowing, (c) sale of equity securities? Is this capital raised through (a) organized security exchanges, (b) individuals, (c) banks, (d) other institutional investors? How do these figures compare with the 1923-29 period and what is their significance?
- * 5. To what extent are depreciation reserves not being reinvested?
- ** 6. Do industries or specific ventures with reasonably bright prospects have any difficulty obtaining the necessary capital in satisfactory form? If so, what can be done about it?

** 7. To what extent would private investment be stimulated were the Federal Government carefully to delineate the areas of our national economy to which it proposes to confine its investment program in the near future, leaving other areas exclusively for development by private enterprise? Is it possible for the Government to specify exactly -- by industry, or location or function -- the field of investment activity to which it proposes to confine itself?

*** 8. What elements of our tax structure -- Federal, State, or local -- serve substantially to retard the growth of the national income through their effect on consumption or new investment? What modifications which would stimulate the growth of the national income could be made in (a) upper bracket personal surtaxes, (b) loss carryovers, (c) averaging of income, (d) capital gains taxation, (e) consolidated corporation returns, (f) taxation of dividends, (g) corporation undistributed profits, capital stock or excess profits taxation, (h) depreciation allowances, (i) payroll taxes, (j) sales and other excise taxes?

* 9. Would the attainment and maintenance of a substantially higher national income require a change in the existing ratio of savings to consumption?

* 10. To what extent would a redistribution of our national income contribute to the attainment and maintenance of a higher national income?

** 11. The claim is made that private industry by itself can not profitably absorb current savings. Were this true, a continued high national income would be impossible unless the Government provided investment opportunities for capital through public works, etc. What evidence is there that supports this claim?

* 12. Is there justification for the claim that Government spending on public works or WPA projects results in a decrease in spending in behalf of private enterprise?

*** 13. What measures could the Government take, either directly or in cooperation with State and local governments to increase government investments in self-liquidating enterprises without adding to the budgetary deficit?

- * 14. Which types of Federal Government expenditures operate to increase the national income most and which least? To what extent is it possible to shift from those that increase income least to those that increase income most?
- *** 15. How large a volume of unemployment must we expect to make provision for during the next five years, and what means should be used?
- *** 16. To what extent, if at all, does the present social insurance program constitute a drag on recovery? What changes could be made that would aid in the attainment of a higher national income?
- * 17. Is there a foreseeable danger of inflation or deflation arising from current fiscal or monetary policies? What changes in our monetary, banking, and fiscal mechanisms and controls can be made to improve the adequacy and effectiveness of monetary and fiscal policy and the timing of operations to avoid inflation or deflation?
- * 18. Is there a danger that recovery may be checked by higher interest rates? What bearing does this possibility have on Treasury and Federal Reserve monetary policies and on Treasury financing policies?
- * 19. How far, if at all, is the existence of an unbalanced budget a psychological deterrent to recovery? If the deterrent exists, is it sufficiently serious to warrant an increase in taxes, a decrease in expenditures, or both in order to balance the budget? To what extent could this deterrent, if it exists, be modified by the introduction of private business concepts into Government accounting?
- * 20. How rapid a reduction in net Government expenditures would be consistent with a continuation of private recovery?
- * 21. Would a substantial increase in the public debt have any important effect on the public credit?
- * 22. What is the burden and incidence of the public debt?
- ** 23. Are monopolistic practices such as price, production, and patent controls retarding investment or consumption? If so, how might such controls be removed, modified, or offset?

** 24. Would the collection and publication of current information on inventories, new and unfilled orders, etc., lessen the danger of over-production which results only in excessive inventory accumulation?

** 25. To what extent, in what fields and with what effects on our national income has the Government contributed to an uneconomic price structure, and, if there are harmful effects, how can they be eliminated?

* 26. Is expansion being retarded by lack of skilled labor? If so, how can we correct the situation?

* 27. Are particular wage rates, labor laws, or labor practices -- such as union apprenticeship, membership requirements, or output controls -- acting as deterrents on recovery?

*** 28. For what specific products can we expect a substantial increase or decrease in exports during the next two years? What, if any, removable obstacles lie in the path of important increases in our total exports?

** 29. What steps can be taken to protect our economy from possible adverse developments abroad arising from (a) foreign exchange developments, (b) trade and exchange policies of other Governments, (c) war, (d) international capital movements, (e) business recession abroad?