

C O P Y

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON 25, D. C.

EDWIN G. NOURSE, CHAIRMAN
LEON H. KEYSERLING, VICE CHAIRMAN
JOHN D. CLARK

April 7, 1947

Dear Mr. President:

The enclosed review of the first quarter of 1947 and of economic conditions at the beginning of the second quarter has been prepared by this Council after considering the quarterly survey presented to us by our professional staff.

The price situation has become a matter of even more concern than it was when you issued your Economic Report on January 8. The advance in prices which seemed to have been halted throughout January has been resumed, with the threat to continued prosperity which arises from inflation. Even so, we do not despair of halting these inflationary forces by following prudent Government policies.

To this end the Council recommends the following program:

1. Continuation of efforts to persuade business executives to reduce prices promptly and as far as permitted by absolutely necessary costs.
2. Refusal to reduce income taxes at this time.
3. Reduction of the public debt by paying off bonds held by the commercial banks as rapidly and as extensively as funds are available.
4. Use of the executive power to restrict inflationary credit, and especially installment credit, putting this authority of the Federal Reserve Board of Governors on a permanent basis.

The accompanying report explains briefly the way in which each of these policies strengthens counter-inflationary forces.

Respectfully,

Edwin G. Nourse, Chairman

Leon H. Keyserling, Vice-Chairman

John D. Clark