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It is proposed that an analysis be made of certain fundamental factors related to the shorter term objective of an $80 billion national income and upon the longer term objective of full employment and a steadily rising national income. Specific recommendations based on the findings of this study will be made. The analysis will be focused on two broad subjects:

I - The ascertainment of existing deterrents to private enterprise and the measures that may be taken to remove them and to stimulate recovery.

II- Anticipatory action that may be taken to prevent the emergence of factors that would endanger an orderly and sustained approach to full recovery.

Basic Questions

In order to determine the necessity and magnitude of additional steps to attain the stated objectives, it is first desirable to answer three basic questions:

1. What levels of production, consumption and capital investment would prevail (a) with an $80 billion national income, (b) with full employment, taking into account probable price changes?

2. What level of employment would prevail with an $80 billion national income, taking into account probably price changes?

3. How far, on the basis of existing programs and expectations, is the national income likely to increase in the next two years?

I

A. Existing Deterrents to Private Enterprise and Their Removal.

1. Lagging Industries.

Which industries and branches of agriculture have lagged in the recovery, and why? What specific things (other than those indicated below) might be done to increase the anticipated volume of capital expenditures in: (a) the railroads, (b) the utilities, (c) building, (d) other durable goods fields?

2. Excess Capacity.

To what extent is the existence of idle plant acting as a deterrent to new capital expenditures? How much increase in consumer demand would absorb idle capacity in various fields? How far can an increase in consumer demand be brought about by:

a. an excess of government cash expenditures over receipts?
b. changes in the tax structure,
c. changes in the types of government expenditures?

3. Taxes.

What elements of our Federal, state or local tax structures, bearing on property, individual or corporate income, payrolls or sales, have particularly adverse effects on consumption or new investment? What modifications in the type and methods of assessment and collection of various taxes might stimulate capital investment? Would the abolition or restriction of tax exempt securities encourage new private capital expenditures?

4. Excess Saving.

Have our savings been geared to a higher rate of growth in population, technological advance, emergence of new industries, foreign lending, etc., than we now possess? If so, has this acted as a drag on recovery? What measures are appropriate to meet this situation, if it exists?

5. Availability of capital.

Insofar as the difficulty in securing loans and equity money for expansion appears to be a deterrent, to what extent could this be remedied through:

a. provision of better underwriting facilities,
b. changes in the Securities Exchange Act or regulations of the S.E.C.,
c. the establishment of a new type of government capital supplying agency,
d. the R.F.C.,

e. changes in state laws governing investment of insurance and trustee funds,
f. further reductions in mortgage and other interest rates on loans to ultimate borrowers?
g. further modification of laws and regulations relating to bank loans and investments

6. Monopolistic Practices.

Is the existence of monopolistic elements, such as price, production and patent controls, retarding investment or consumption? If so, how might such controls be removed, modified or offset?

7. Prices.

Are present price relationships and trends acting as deterrents? What action might be taken with reference to prices in certain fields that would stimulate recovery?

8. Profit Margins.

In which industries, if any, are inadequate or excessive profit margins acting as deterrents?

9. Labor.

Are particular wage rates acting as deterrents? Are certain labor practices, such as trade union apprenticeship and membership requirements, and output controls, acting as deterrents? What action in respect to these factors might be taken that would be in the interests of both labor and of recovery? Is labor legislation, such as the Wages and Hours Act and the National Labor Relations Act, acting as a deterrent?

10. Agriculture.

Insofar as present agricultural price and productio policies and the carryover of agricultural commodities are acting as deterrents, what changes or additional measures appear appropriate?

11. Marketing Legislation.

Insofar as existing legislation in the marketing fields with reference to retail price maintenance, fair trade laws, etc., acts as a deterrent, what changes appear appropriate?

12. Private debt Burden.

Are excessive debt structures as in the railroads and utilities, or defaulted debt as in the mortgage field, retarding new investment? How might the deterrent effects, if any, arising from these sources be moderated?

13. Social Insurance.

To what extent, if at all, does the present social insurance program constitute a drag on recovery? What changes might be made in the program which, while retaining the contributory principle, would aid in the attainment of a higher national income?

14. Government Competition.

To what extent, if any, are private capital expenditures being deterred by uncertainty over the future role which is to be played by Government activities of a nature competitive with private enterprise? To what extent could this deterrent, if it exists, be lessened or removed by a further clarification of the Government's policy on these matters?

15. Foreign Developments.

What are the existing deterrents to recovery arising from conditions abroad? How might these deterrents be alleviated or removed? How can our foreign trade be increased?

16. Budget.

How far, if at all, is the existence of an unbalanced budget a psychological deterrent? If the deterrent exists, is it sufficiently serious to warrant an increase in taxes or 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?

17. Other Governmental policies.

To what extent, if at all, have other governmental policies in the fiscal, monetary, railroad, utility and other fields not mentioned above, acted to deter long term investment?

B. Other Measures to Stimulate Recovery

1. Fiscal Policy.

(a) What measures could the government take, either independently, or in cooperation with state and local governments, to increase government investments in self-liquidating enterprises without competing with private industry and without adding to the budgetary deficit?

(b) How might the maximum volume of desirable investment by local bodies be secured with the minimum charge on the Federal budget?

2. Monetary Policy.

Can any further steps be taken in the field of monetary policy to stimulate recovery?

II

THREATS TO ORDERLY AND SUSTAINED RECOVERY

1. Monopolistic Practices.

In which industries and at what level of production will monopolistic practices and controls result in excessive price advances? How may this be prevented or relieved?

2. Bottlenecks in Productive Capacity.

In which industries and at what level of production will be the lack of adequate plant capacities retard expansion? How may this be prevented or relieved?

3. Labor Shortages and Disputes.

At what points and at what level of increased production will the lack of adequate skilled labor retard expansion? How may this be prevented or relieved? What devices promise more amicable relations between employers and labor?

4. Over-Production of Inventories.

How far might the collection and publication of current information on inventories, new and unfilled orders, etc., lessen the danger of over-accumulation of inventories?

5. Speculation.

Are present controls sufficient to prevent disastrous stock and commodity speculation?

6. Adverse Developments Abroad.

What steps can be taken to protect our economy from possible adverse developments associated with:

a. foreign exchange developments,
b. foreign trade and exchange policies of foreign governments,
c. war,
d. international capital movements,
e. business recession abroad?

7. Deficiency of Consumer Buying Power.

Is there a danger that recovery will be checked by a deficiency of consumer buying power (i.e., by the tendency of savings to increase faster than the demand for new capital)? If so, what action can be taken to forestall this danger?

8. Excessive Swings in Consumer Credit.

Is there a danger that the orderly character of the recovery will be threatened by excessive changes in the outstanding volume of consumer credit?

9. Faulty Timing of Monetary and Fiscal Operations.

(a) Is there a danger that recovery may be checked through higher interest rates? What bearing does this have on Treasury and Federal Reserve monetary policies and Treasury financing policies?

(b) How rapid a reduction in net government expenditures would be consistent with a continuation of private recovery?

III

SUPPLEMENTARY QUESTIONS

1. Danger of Inflation or Deflation.

Is there any foreseeable danger of (a) inflation, (b) deflation arising from the fiscal and monetary policies currently being followed? What changes in our monetary, banking and fiscal mechanisms and controls can be made to improve the adequacy and effectiveness of monetary policy and the timing of fiscal operations to avoid inflation and deflation?

2. Public Credit.

Would a substantial increase in the public debt have any important effect on the public credit?

3. Public Debt Burden.

What is the burden and incidence of the public debt?

4. Trend of Interest Rates.

What are the more important considerations bearing on the future course of long term interest rates?

5. Trend of Price Level.

What would be the most desirable trend in the general price level in the next few years?

6. Changes in Basic Underlying Conditions.

To what extent have the outlets for private capital expenditures and the possibilities for sustained full employment been affected by the slackening in the growth of population and by other modifications in basic underlying factors conditioning our economic growth?