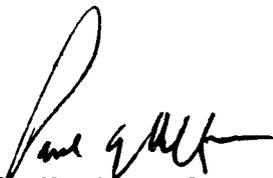
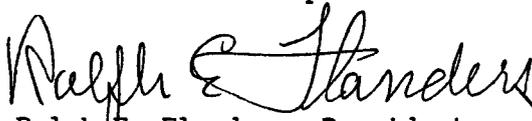


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which every student interested in an
expanded economy should read.



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T O W A R D M O R E J O B S A N D M O R E F R E E D O M

A Statement on National Policy

by

The Research Committee

of the

Committee for Economic Development

Neither the Policy Statement which follows, nor any other statement by the C.E.D. Research Committee, can claim either indirectly or by inference to represent the views of the Trustees, Regional, District or State Chairmen, or the more than 2,900 local C.E.D. committees and their 60,000 members. Up to the date of publication, they have not participated in the background discussion between businessmen and economists leading toward the development of the statements. The statements are offered to these committees and to all others interested, as an aid to clearer understanding of steps to be taken in reaching and maintaining high level of productive employment and a steadily rising standard of living.

FOREWORD

Toward More Jobs and More Freedom is a policy statement of the Research Committee of the Committee for Economic Development on the problem of achieving and maintaining a high level of production and employment in a free economy. The approach to the problem is objective and strictly non-political. No position is taken for or against pending legislation on "full employment" such as Senate Bill No. 380 (the Murray Bill) which is now in a formative stage. An attempt is made to set forth the nature of the problem, to define the responsibilities of the various elements of our society and of government for its solution, and to recommend steps which will lead to the development of a well-conceived and integrated program. This statement does not pretend to answer all the questions or, in itself, to offer a balanced program. If, as the nation seeks the solution of this complex problem, it contributes to an understanding of the issues involved and the principles that should be followed, it will have served its purpose.

TOWARD MORE JOBS AND MORE FREEDOM

An Outline of the Statement Which Follows

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T O W A R D M O R E J O B S A N D M O R E F R E E D O M

Jobs and Freedom: Anxiety over jobs has become acute. Millions of veterans and war workers are, or will shortly be, looking for new jobs. Memories of depression and mass unemployment in the last decade are still vivid -- thrown into strong relief by the recent experience of wartime full employment.

Our anxiety over jobs is matched by our uneasiness as to the future of our individual freedoms. In some countries full employment has been achieved only at the cost of personal liberties.

A natural consequence of our anxieties about jobs and freedoms is the discussion and debate now going on about the part government should play in securing high employment. Widely divergent attitudes are expressed. Some demand that the government guarantee jobs to all who are able and willing to work; that it maintain a standing offer of government employment for anybody who does not find private employment. They hold that unless this "right to work" is enforceable by law, freedom is an empty word. At the other extreme some maintain that any sort of "interference" by the government in economic life is destructive. They insist that our economic problems will be solved by a return to laissez-faire and predict that unless this is done our American way of life is doomed. Even the setting of a national employment goal, they say, is fraught with dangers to our free institutions.

Common sense warns us against both extremes. To ignore the demand for greater assurance of job opportunities is to invite individual frustration and social unrest which could lead to destructive economic and social changes. On the other hand, to be overwhelmed by this demand is equally dangerous. Concentration of public policy on the one objective of high employment in the short run, at whatever cost and to the exclusion of all other considerations, might well lead to national disaster, including ultimate depression and unemployment. Either extreme might lead to ill-considered actions: we could march boldly and innocently into conditions which would destroy our free society and result in some form of state dictatorship.

There are values in our free society which all wish to preserve. Our society is dedicated to the idea that individuals should have maximum opportunity to realize their individual capacities -- materially, intellectually, and spiritually. The prime value we place on the growth and development of the individual finds expression in all phases of our national life. In politics it takes the form of representative government; in economics, the form of private competitive enterprise and individual self-reliance.

We have fared well as a people, both politically and economically. More of our people have enjoyed more freedom and greater material benefits than have the people of any other land. Our standard of living has been the highest in the world. With six per cent of the world's population, we produce one-quarter of the world's goods. But too many of our people have not fared well enough. Too many of our people have not had adequate opportunities for growth and development. Too often our progress has been interrupted by recurring depressions and mass unemployment.

We have a dual date with destiny. We must strive to attain and maintain abundant productive employment. We must at the same time preserve and strengthen

economic and political freedom. This is the challenge. We see no necessary conflict between these two objectives. They can and should be complementary.

If we are to meet this challenge, if we are to strengthen our freedoms and obtain the greatest possible number of jobs freely offered and freely held, we must be guided by the following principles:

1. We must begin, where we are, with what we have, in order to make the most of what we possess in resources, in institutions, and in "know-how."
2. We must accept free enterprise as our economic way of life. We must discover its shortcomings and find ways to correct them. We must not dissipate our energies in fruitless lip-service or superficial criticism, or worse still, in self-serving action which undermines the system. All of us -- in government, labor, agriculture, and business -- must work positively and aggressively to make our free enterprise system function with maximum effectiveness.
3. All elements in our society and government, representing the people as a whole, have responsibilities which they must recognize and discharge.

In this Statement, we are concerned with the problem of achieving and maintaining high productive employment in the years ahead rather than with the more special issues arising in the current transition period. We attempt first to clarify the nature of the problem; second, to locate responsibility for its solution; and third, to define the particular responsibilities of government and to point the way toward their effective performance.

I. HIGH EMPLOYMENT: THE NATURE OF THE PROBLEM

In our opinion, we shall probably have a satisfactory high level of employment if, shortly after reconversion, in addition to two or three million persons in the armed forces, there are 53 to 56 million civilians at work. This means employing seven to ten million more civilians than in 1940.

A. The Sources of Jobs

In 1940 private employment, including self-employment and employment by individuals and corporations, accounted for roughly 90 per cent of the total; all public bodies -- federal, state, and local -- provided about 10 per cent. There may be some expansion of peacetime public employment; but, even with an enlarged volume of public works, no major change in this ratio can be anticipated. The overwhelming proportion of the needed jobs will have to be provided, as they have always been provided in peacetime in this country, by the private sector of the economy. In this sector trade and services are growing sources of jobs. Agriculture, which employed 18 per cent of American workers in 1940, is a declining source of jobs. Manufacturing has consistently provided not more than 25 per cent of peacetime jobs. The trade and service occupations, growing steadily, by 1940 accounted for nearly 40 per cent of all employment and today offer the greatest promise of job expansion.

B. The Creation of Jobs

In both the public and private sectors of the economy real jobs are not created for their own sake. They stem from, and are a by-product of, the production of goods and services which people want and can buy. Jobs cannot be created merely by adding names to payrolls. Productive employment can be expanded only by expanding production.

1. In the public sector, useful jobs grow out of public administration, the construction of public works, and the operation of public services. Some public enterprise is carried on for profit. Generally, however, the creation and expansion of public jobs depend on political decisions as to the kind and scale of services government is to provide. Profit considerations do not restrict job creation, a circumstance which is both an advantage and a disadvantage. It permits more flexibility in the timing of expenditures -- expansion can often be scheduled when general business conditions are depressed; but the absence of the automatic check provided by the profit and loss account makes it difficult to secure proper standards of productivity and usefulness. Unless such standards are set up and maintained there may be wastage of public funds. There is almost certain to be a wastage of human resources also since "made" jobs do not provide opportunity for growth and development of the individual but invite mental and moral degeneration.

2. In the private sector of the economy, jobs are created by production and distribution of goods and services undertaken in anticipation of a profit. First, some one must have an idea for a product or service for which others are able and willing to pay. The idea is only the beginning. It must be backed by savings or credit and translated into action before it becomes the source of jobs. In a modern industrial economy, the creation of jobs demands the risk of increasing amounts of capital to provide the machines and horsepower on which productive efficiency and high living standards largely depend. While the amount of investment

required per employee in trade and services is smaller than in most manufacturing, it also has increased steadily as a result of competitive pressures that call for larger outlays for store fixtures, mechanical equipment, and modern business aids. For the small business unit or for the newcomer setting up a business of his own, even the relatively small amount of capital needed may be difficult to obtain and may involve large personal risks.

The seven to ten million additional jobs needed in the immediate postwar years call for an over-all expansion in the output of goods and services from 30 to 45 per cent above the level prevailing in 1940. That means that there must be a free flow of ideas and a willingness on the part of hundreds of thousands of enterprisers and millions of investors to risk many billions of dollars. These investments must run the gauntlet of the market. Some will prove profitable, some unprofitable; and much new (as well as old) investment will be lost in the process. Unless there is a chance for a profit in proportion to the risks undertaken, new risks will not be assumed, new production plans will not be put into practice, new jobs will not be born.

In a free society, no rival has been found in peacetime for the profit motive as a dynamic agent. The profit motive enlists the ingenuity of millions of people in the search for products and services for which customers will part with their dollars. No other incentive has been so successful in stimulating the inventiveness and resourcefulness of so many people. A reasonable hope for profit is essential to healthy and vigorous free enterprise -- the most promising basis for the creation of abundant and varied opportunities in productive jobs.

C. Special Problems of the Transition

We are now dismantling the greatest industrial war machine the world has ever known. The transition from war to peace in which we are engaged is a period of opportunity -- and of danger -- for the free enterprise system.

Production for a market long starved for many civilian goods, and buttressed beyond any past experience with accumulated spending power in the hands of consumers, points toward new peacetime production records. The Committee for Economic Development, through the regional and local organizations of its Field Development Division, has been working in 2,900 communities to stimulate and help the individual manufacturer and distributor throughout the country to study his prospects and to formulate his plans for an anticipated higher level of operations and employment.

But there are immense problems to be solved before these programs for postwar markets can be carried out successfully. Many of these must be met by government. Thousands of war facilities must be converted to civilian uses. Millions of individuals must change their locations and adapt their skills to the needs of civilian production. Businessmen must expand their investments and assume the risks of production for a free market. Failure to make these adjustments promptly could result in such general pessimism that the economy would flounder in prolonged depression. On the other hand, premature removal of all wartime restrictions, releasing backed-up demands and accumulated spending power, could start an inflationary price boom beyond the power of added production to check. Both contingencies must be faced and prevented if we are to achieve high productive employment and keep it.

This statement is not specifically concerned with the problems of the transition but with the longer-range problems of employment. However, most of the work of the Research Committee of the Committee for Economic Development has thus far been concentrated mainly on these transition issues. We recognize that the manner in which these transitional issues are met will affect importantly our ultimate ability to secure abundant employment within the framework of a free society.

D. Problems in Maintaining High Production and Employment

The problems in maintaining high productive employment are as broad and complex as the whole economy. Obviously, we cannot analyze them fully here. In this section we discuss briefly the problems arising out of fluctuating market demand and the obstacles to high employment caused by insufficient competition and insufficient mobility of resources.

1. Employment and Market Demand

America's capacity to produce a richly varied pattern of goods and services has been amply demonstrated. We have not yet shown a corresponding ability to maintain peacetime market demand for goods and services at satisfactory levels. Since businessmen cannot produce unless they sell, we cannot have an economy of continuing high production and high employment unless we can maintain a steady high market demand for the goods and services produced.

2. Purchasing Power and "Willingness to Spend"

Market demand for goods and services is made up of the combined demands of individual consumers, of business firms, and of the government. It includes demand for consumers' goods -- perishables, like food; semi-durables, like clothing; durables, like household appliances, automobiles and houses -- and for producers' or capital goods like factory buildings, machinery, inventories, and farm implements. The demand for goods and services by the government is not necessarily limited by the current size of government revenues. Except for these government purchases, however, market demand depends on (1) whether consumers and businessmen have enough money to purchase the goods and services produced, and (2) whether they are willing to spend, or to invest in business assets.

In our modern industrial economy, the willingness of consumers and businessmen to spend or invest their money is influenced by a complex set of factors. Advertising and selling are potent influences in creating markets for new goods and expanding markets for all types of products. Effective merchandising, in the future as in the past, will contribute much toward increased willingness to spend. But advertising and selling pressures, of themselves, are not enough to maintain high market demands. Other factors are of such potency that wide fluctuations have been a normal experience. Among these factors are our high standard of living, characterized by a substantial proportion of postponable expenditures in the consumer's budget; heavy investment in durable capital goods and inventories, the demand for which is readily postponable when business confidence wavers; a credit system which has magnified the effects of waves of optimism and pessimism; and a tax system which has failed to offset, and has often intensified, the fluctuations in disposable income (income after taxes).

3. High Standards of Living as a Source of Instability

High standards of living -- and ours are the highest in the world -- create a hazard for the stability of employment. We take proper pride in the fact that the American workingman can purchase, out of his normal income, goods and services that in other lands are within the reach only of the wealthy. But this very fact -- that a substantial part of his income is spent in the satisfaction of wants that are not essential to his day-to-day existence -- is a source of instability in demand. The purchase of a new automobile, of new household appliances, of a new house or of an extra suit of clothes can be readily postponed; vacation plans can be abandoned. These things can happen and do happen even when people have money in the bank.

4. Investment in Capital Goods as a Source of Instability

Business expenditures are even more postponable than consumer expenditures. Modern competition requires that a constantly increasing volume of business spending go into capital goods -- into buildings, industrial machinery, office and store equipment, and into inventories -- to permit low-cost production and to provide the conveniences which the buyer expects. Continued investment in capital goods of this character is as indispensable to the maintenance of employment as is spending for consumer goods. Only through such investment can the savings of both individuals and business firms find their way into the stream of expenditures. Businessmen can afford to increase their holdings of these capital goods only when the actual or anticipated volume of consumption demand promises a reasonable profit on the added investment. These purchases are postponable; and, when profit prospects are dreary, they often are postponed even though ample cash reserves are available.

5. Instability and Confidence

The fact that purchases of both consumer-durable and capital goods can be readily postponed and hence precipitate a fall in demand can have cumulative and serious effects on the level of employment. With a fall of his sales, the manufacturer must either cut his price or curtail his output. But a drop in price will often cause a further reduction in demand in anticipation of even lower prices. If he reduces his output, he must also stop his purchases of new capital goods, curtail his purchases of materials and parts from other firms, and reduce his employment. The effect spreads at a rising pace throughout the economy. Employment and money incomes are further lessened and bring a further reduction in demand and a further curtailment of production, employment, and incomes. Thus, an initial unwillingness to spend rapidly generates an inability to spend for lack of income.

It clearly follows that any program aimed at stability of employment at high levels must take account of the attitudes of consumers and businessmen towards the future. Their feeling of optimism sustains market demand and makes it grow; their feeling of pessimism results, as we have seen, in a progressive decline of market demand and, therefore, of production and employment. Hence the individual's confidence in the continuity of his income and of job opportunities and the businessman's confidence in the prospects of a reasonable profit are essential for the maintenance of economic stability. They should be given much consideration in the formulation of a positive policy aiming at the goal of high productive employment.

6. Credit as a Source of Instability

Whether money is "easy" or "tight" -- whether credit is obtainable generally at a low or a high rate of interest or not at all -- is determined in our economy (1) by policy decisions in the Treasury, in the Federal Reserve System, and in other federal agencies; (2) by the actions of federal and state supervisory authorities; and (3) by the composite of myriad decisions made by individual bankers and others who grant credit in the light of their appraisal of the business outlook. These decisions sometimes have an all-pervasive and crucial influence on the business activity of our country. In general their net effect has been to make credit more easily available in prosperity and less easily available in depression and to widen periodic swings in market demand.

The institutions, policies, and practices in the field of credit need careful study and appraisal, as factors in business fluctuations.

7. Taxes as a Source of Instability

The influence of taxes on the stability of incomes, and hence on the stability of demand and employment, takes on new importance with every increase in the percentage of total national income absorbed by taxes. When federal taxes took less than 2 per cent of total national income they were probably a factor of minor importance. With federal expenditures in the postwar period reaching levels that may require as much as 15 per cent of the national income, the structure of the tax system and the amount and timing of tax collections will be factors of primary importance. In the past we have collected too little in taxes in periods of prosperity and too much in periods of depression; thus, the tax system has often operated to encourage inflation and to deepen depression. In the future, this powerful force should as far as possible be prevented from aggravating instability in market demand.

8. Competition, Mobility, and High Employment

Purchasing power and the confidence that produces willingness to exercise it, tax policy and credit policy -- all these have their impact on employment. They are elements of the picture but they are not all of it. If increased demand spends itself in driving prices up rather than in drawing workers and savings into production, we shall get not continuing high employment but inflation with danger of ultimate collapse.

The level of employment that can be attained and maintained without price inflation is limited by the mobility of capital and labor and the effectiveness of competition. Unless businessmen are in position to know about and take prompt advantage of market opportunities; unless workers are able to move out of areas of declining employment into areas of expanding employment; unless the barriers which limit competition in business and the barriers which restrict migration and transfer of labor to new jobs are reduced -- hundreds of thousands, perhaps millions, of workers will go jobless who might otherwise have employment.

9. Summary

In this section, we have tried to bring into focus some of the major problems incident to the creation of jobs and to the achievement and maintenance of employment at high levels. The problems posed are deeply rooted in the social and economic life of the nation. They cannot be solved by a simple formula -- by public spending alone, by fiscal or monetary devices alone, or by a series of uncoordinated prescriptions for each area of the economy. They can only be met if all elements of our society, including government as representing the people as a whole, recognize and discharge their respective responsibilities.

II. HIGH LEVELS OF EMPLOYMENT AND PRODUCTION -- WHOSE RESPONSIBILITY?

The maintenance of high employment is a responsibility shared by all participants in our economy -- job-seekers, job-holders, employers, labor leaders -- by local communities and by the government. All must separately and jointly promote the conditions necessary for abundant employment. No single group or agency can assume sole or ultimate responsibility for jobs in a free society, although the role of government has become so important that its responsibilities are discussed in a separate section following this one.

A. Joint Responsibilities

In discharging their several responsibilities, all groups and individuals are mutually interdependent. All of the major segments of our economy -- business, labor, and agriculture -- have a common interest in maintaining high employment and expanding production.

Employers, as well as the self-employed, have a vital interest in rising standards of living which permit expanding markets for their products. The interests of business as a whole are best served by passing on a substantial part of the savings flowing from higher productivity in the form of lower prices and higher wages.

Workers and labor leaders -- directly concerned with high wages and low prices -- promote their own interests when they, too, contribute toward the productive efficiency upon which high wages and low prices depend. Increased output per worker, through improved technology, is essential to a steady rise in real wages.

Both employers and labor leaders, in pursuit of this common goal generally profit in the long run by opposing restrictive policies that lower output and raise costs. Taking a long view of self-interest is, in fact, a first step toward harmonizing objectives which, on the surface, often appear to clash. To the extent that long-run group interests converge on high employment and high productivity, they coincide with the interests of the community as a whole.

This unity of long-term interests emphasizes the need for restraint on the part of individuals and groups tempted to turn to government for special favors or alleviation of short-term difficulties. Artificial price maintenance, restrictive trade and labor practices, subsidies for particular groups, and other impairments of competitive markets generally operate counter to the public interest and, in the long run, counter to the interests of the class of which the self-serving individual or group is a member. Moreover, they place the free enterprise system in jeopardy.

Joint action by employers and labor leaders, as the Committee for Economic Development has found in its Field Development work, can be particularly effective in planning for the economic development of local communities. Acceptance by local communities of responsibility for solving their own employment problems can make a vital contribution to the solution of the national employment problem.

B. Responsibilities of Individual and Groups

1. The individual worker cannot be held solely responsible for keeping himself employed at all times under modern economic conditions. But if he wants

employment, he does have the responsibility of making the most effective use of the opportunities available. For a job-holder this means giving a good day's work for a good day's pay, and steady effort to improve his competence. For a job-seeker, it means taking advantage of all facilities for general education and for the development of salable skills as well as actively seeking opportunities to use them.

2. Labor leaders are responsible for protecting and advancing the interests of the employees they represent. In their collective bargaining activities they must recognize the joint responsibility they share with management for high employment and productive efficiency, upon which the long-run advantage of the workers depends. By far the greatest real gains to labor have come from increasing the size of the total pie to be shared.

3. Businessmen, within the framework of a competitive economy, have a primary responsibility to operate their businesses profitably. It is a responsibility they owe to their stockholders and associates, to their workers, and to the public. Without profits the businessman, as job-maker, cannot long provide expanding job opportunities or stability of existing employment. Since profits depend on the loyalty and ability of workers, as well as on technical skill in management, the businessman should create in his enterprise conditions that encourage the maximum growth and development of the capabilities of employees.

Profits and employment both depend in large part on the ability of the business manager to adapt his operations to changing market requirements. A business manager should have ready at all times intelligent, courageous plans for carrying on and expanding his business -- plans developed to the point where they can be applied quickly. In fulfilling these responsibilities, in conjunction with the more comprehensive plans for community and regional development already mentioned, the business manager makes his best contribution to the achievement and maintenance of high levels of employment.

* * * * *

Merely defining the responsibilities for high productive employment which must be separately and jointly assumed by individuals, labor leaders and businessmen does not assure that those responsibilities will be adequately discharged. We cannot rely on good will alone, or even on enlightened self-interest. Where the powers to restrict or to monopolize exist, whether they be in the hands of individuals or groups, there is need for government regulations, potential or actual, to insure that the power is not abused. More important still, there is need to preserve and improve competition throughout the economy so that such restrictive powers may be severely limited. Defining responsibilities, however, does serve the useful purpose of providing individuals and groups with a yardstick against which to appraise their own behavior; a yardstick which should also prove valuable in guiding us to those changes in our free enterprise system which will offer greater rewards to those who meet their responsibilities. Such measures are important. If these responsibilities are not discharged, a tremendous price will be paid in jobs that might have been, in income that failed to be produced, and in freedom that could have been.

III. THE RESPONSIBILITIES OF GOVERNMENT

The whole people acting through government, and especially through the federal government, have crucial responsibilities for promoting and maintaining high levels of productive employment. Although under American political philosophy government's powers are limited, few any longer doubt that the policies and actions of the government will be decisive in shaping the economy. The economic role of government is as yet imperfectly understood. A government of limited powers cannot fulfill a guarantee so unlimited as that of jobs for all. But its opportunities for wise and constructive action are as great as its responsibilities.

The basic criterion against which all policies and actions should be measured is their ultimate effect upon the character and capacity of individual citizens. The impact of any policy on personal self-reliance, resourcefulness, and inventiveness is of overwhelming significance. America is a strong country. The secret of that strength lies in the industry, fortitude, and ingenuity of millions of average citizens and in the institutions which nurture these qualities. Our future strength will depend upon our success in safeguarding and expanding the opportunities of the individual for personal growth and development, in giving scope to his creative instinct.

The most vital function of government in fostering employment is, we are convinced, to establish conditions under which a free enterprise system can operate most effectively and to counteract the tendencies in that system toward booms and depressions. The effect of some government policies of recent years has been a favorable to these objectives, of others unfavorable. No clear-cut, consistent philosophy has been followed. The magnitude of the existing public debt and the anticipated volume of regular public expenditures make government policy so dominant a factor in the economy that clarity, consistency and coordination become imperative.

Government's role as a direct employer is a minor one. In 1940 the federal government provided about five per cent of the total civilian employment -- one job out of twenty -- in its regular establishment and in the construction of public works. Some expansion in both the volume and percentage of employment by the federal government may be necessary, even desirable. But even on the unrealistic assumption that federal employment in useful, productive work could be quickly doubled, or even trebled in an emergency, this would be a palpably inadequate method for coping with mass unemployment.

We know that both the Congress and executive agencies have given much study to those policies which have an important bearing on the level of employment. Many private groups have also engaged in extensive research and have offered recommendations as to policy changes in various fields. During the past three years the Research Committee of the Committee for Economic Development, with the aid of a staff of economists, has been studying the special problems of the transition period and the more general problems of achieving and maintaining high levels of employment and production after the transition. The Committee for Economic Development has sponsored reports (many already published) by authorities in their respective fields covering such problems as the liquidation of war production; the demobilization of wartime economic controls; the demobilization of manpower and reemployment; provision for unemployed workers in the transition; the financing of industry during transition; postwar tax reforms to encourage production and employment; the

problems of agriculture; the special problems of small business; international trade and domestic employment; and business arrangements in foreign trade. Based on these and similar studies, the Research Committee has issued Policy Statements incorporating in detail its own considered judgments as to the proper policies required to achieve our high employment objective. Published Policy Statements now include:

Postwar Employment and the Settlement of Terminated War Contracts

Postwar Employment and the Liquidation of War Production

Postwar Employment and the Removal of Wartime Controls

A Postwar Federal Tax Plan for High Employment

The Bretton Woods Proposals

International Trade, Foreign Investment and Domestic Employment

The Problem of Changeover Unemployment

These Policy Statements and the Research Studies do not add up to a balanced program for attaining and maintaining high employment. The most important project of the Research Division of the Committee for Economic Development -- the High Employment Study -- is not yet finished although a detailed outline has been prepared and many aspects of the subject have already been assigned for separate study. This work is continuing and will be completed.

The time has come when the various studies by public and private agencies should be reviewed, their recommendations appraised, and the areas for further investigation mapped out. The time has come to make a beginning toward a program of action. Urgently needed now is a working group in the Executive Branch of the government and a working group in Congress with one specific assignment, and one only -- the development of a coordinated and progressive program of measures designed to meet the responsibilities of the federal government for a more stable and prosperous society. Therefore, we propose that the President and the Congress affirm that the attainment and maintenance of high-level production and employment in the United States within the framework of a free enterprise economy is a major objective of national policy.

To implement this declaration of policy we recommend the immediate appointment of:

(1) A President's Commission on Full Employment. This Commission should be headed by a representative of the President. It should be a small working body composed of the ablest men to be found. Its members should be chosen as representatives of the general public interest (particular economic groups or viewpoints can be represented through advisory groups). The Commission should be serviced by a staff of the most competent authorities in the various fields. It should make policy recommendations to the President periodically, beginning as promptly as possible. It should lay the groundwork for the development of a continuing and coordinated program of government action.

(2) A Joint Congressional Committee on Full Employment. This Committee should be composed of the ranking members of Senate and House Committees which now deal with major problems affecting the economy. It too should be adequately staffed. It should receive reports from the President with regard to such matters and should work toward the development of a coordinated Congressional policy.

In the balance of this statement, the Research Committee of the Committee for Economic Development discusses the major areas of government responsibility and makes certain recommendations and suggestions as to further lines of inquiry for the consideration of the proposed Commission and Committee.

A. Vitalizing Initiative and Competition

Private enterprise is the principal job-maker in our society but it cannot function effectively in the absence of a vigorous spirit of enterprise. It is a primary responsibility of government, therefore, to stamp out practices that restrict competition; to provide information and assistance that will improve the quality of business decisions; to establish conditions that stimulate inventiveness and the assumption of production risks; and, finally, to provide services that will increase the effective mobility of labor.

1. Planning for competition is urgently needed. When business and labor, as well as government, have planned to combat depression, they have too often directed their planning against competition by price maintenance schemes, freezing of trade practices and similar measures. We need a re-examination of the various ways in which competition is now infringed by possible abuses of patents, international trade cartels, and monopolistic practices such as combinations in restraint of trade on the part of both business and labor. We need also a thorough study of how competition actually functions, what it can and cannot do to mitigate depressions, and how its action in this respect is obstructed, together with careful consideration of alternative forms of competition and alternatives to competition. Out of this investigation should come realistic policies for dealing with monopolistic practices, for extending the area of effective competition, and for promoting stability in ways that will supplement competition and not restrain or extinguish it. In particular, this should include positive action to encourage and facilitate the entry of new businesses and the expansion of existing businesses wherever there are opportunities for increased production and employment.

2. Promotion of new and small business is especially important. It is essential for the preservation and strengthening of our private enterprise economy at any time; but particularly important now because the anticipated expansion of trade and services offers unusual opportunities for small business firms and for the self-employed. There are about 1,700,000 businesses exclusive of agriculture in the United States that employ fewer than 100 workers each; they account, in aggregate, for roughly 45 per cent of the total business employment. New and small businesses personify the spirit of private enterprise; they provide one of the nation's greatest laboratories for new ideas and new products; they promote flexibility and competition in our economy and give scope for the individual's talents and abilities. They are among the most effective instruments for developing those American characteristics in which we so firmly believe.

The government should remove obstacles that interfere with the establishment of new business and with the growth of small business, as well as afford positive help to them in overcoming their special handicaps. One of these is their lack of opportunity to secure equity capital (except at high cost), even after they have given proof of capable management. Another is the tax system with its bias against risk taking. The effort to improve conditions under which small business operates should not include measures that would restrict competition or otherwise interfere with the flexibility of the market.

3. Provision of information by government is important because businessmen need data on economic conditions and trends which they cannot obtain through their

own efforts. Considerable information of this kind is currently collected and published by various government agencies. It should be fitted to the requirements of business, improved in quality and made available more promptly. It should also be more effectively publicized.

Among important data not now adequately provided are comprehensive and promptly available statistics on inventories and new orders. Other key statistics for forecasting and detecting trends of business activity and national income need to be improved in quality and in promptness of publication. Studies relating to specific areas and industries would be of great use both to established businesses and to the planning of new ventures.

Information on modern business techniques and on new developments and opportunities in business operations might be extended. Such information would be of particular use to small and new businesses. In collaboration with business organizations and state and local governments, the federal agencies could thus contribute to improving and extending the "know-how" of small businesses and thereby help them to do a better job.

4. The tax structure exerts a major influence on incentives both to spend and to assume business risks. Within the requirements of adequate revenue, the tax system should impose the least possible restriction upon an expansion of production and employment. Quoting from the C. E. D. Policy Statement, A Postwar Federal Tax Plan for High Employment, "particular care should be taken not to discourage the launching of new enterprises and the natural urge of every businessman to try to make his business grow." Elements in the wartime tax structure which demand attention from this point of view are discussed in detail in this C. E. D. Policy Statement. In general, they look to lifting excessive burdens on rewards for risk-taking, to reducing excises which limit consumption, and to placing main reliance on an equitable system of personal income taxes. We stress the importance of eliminating double taxation and permitting the averaging of gains and losses both for individuals and for corporations in order to provide greater equity among individuals and business firms and to promote greater willingness to assume production risks.

Early clarification and announcement of tax policy is a prerequisite to the stimulation of confidence and therefore the expansion of investment and employment.

5. Mobility of labor is essential to reaching and maintaining high levels of employment in a progressive economy. Government, at federal, state and local levels, can take positive measures which will increase this mobility. In addition to the elimination of restrictive practices already mentioned, the most important steps include the strengthening of labor exchanges; improvement of information provided to job-seekers about employment opportunities; more effective placement and referral of job-seekers; provision for the training and retraining of workers; and financial assistance, where needed, to permit and encourage the job-seeker to move to the location of the job.

B. Providing Public Services and Public Works

1. Public services are means by which we, the people, acting through our government, protect and strengthen our natural resources, human and material; lift up the standards of health, education and welfare for ourselves and our children at all levels of individual income; mitigate individual misfortune; and execute projects not appropriate to private action. The extent to which such services should be undertaken depends on the urgency of the need for them, their cost, and the alternative uses of the resources employed. They should not be undertaken merely as

a means to make work, unless we are willing to confess ourselves bankrupt of better ways to cope with depression and unemployment.

- a. Destitution in old age and unemployment are hazards all of us face. Anxiety engendered by these risks is a deterrent to personal growth and development, and a deterrent to personal confidence in the future. In an ideal individualistic society each citizen would insure himself against these risks. Practically, if any considerable percentage of citizens is to be so protected, a compulsory system of insurance is required. In theory the individuals benefiting should pay the full cost of such insurance. But we, as a people, acting as a social unit, have much to gain by having every one protected against these risks. The Research Committee favors, therefore, a wide expansion of social security coverage at the earliest possible time even though this requires a government contribution to the cost. The limiting factor is cost; but both complete coverage and the liberalization of benefits should be the goal.

Unemployment compensation, rather than relief payments or "made work," should be the basic method of providing for those temporarily unemployed. Insurance against the loss of job income is a social tool of great importance. It should be extended as rapidly as possible to reach the entire working population. Maximum weekly benefits should be promptly raised to appropriate levels in all states. The maximum period of payments should be increased to at least six months and the way left open for an even longer period should the need develop. It is assumed, of course, that payments should be subject to the work test and should never be large enough to make unemployment attractive.

- b. Education and public health programs are of vital importance in providing opportunities for the growth and development of our people. Of all the nation's assets, human resources have the greatest value. Education and public health programs afford opportunities for expanding useful employment in public enterprise, but these programs cannot, for the most part, be readily expanded and contracted and therefore are not important factors in offsetting business fluctuations.
- c. Other public services include a wide variety of items covering protection of life and property, and a host of other services associated with public health, education and welfare. For the most part, these services are more readily accelerated than decelerated and therefore have a limited value as means of offsetting changes in the level of business activity. The construction of facilities needed to provide such services is considered in the discussion of public works.

2. Public works, including conservation of natural resources, are a well-recognized responsibility at all levels of government. They should be projects of public usefulness which improve the standard of living or add to the productive efficiency of the economy but which cannot be adequately carried out under the sole stimulus of the profit motive.

The category of public works includes projects having a wide variety of economic characteristics. Light public works like deferrable maintenance, construction and improvement of roads, provision of health, recreational and cultural facilities, some public housing and some public building construction, and grading and similar work relating to soil conservation are flexible in planning and execution. They can be organized into projects which, once brought to the blueprint

stage, can be initiated promptly (and with discrimination among the areas and materials affected by their construction), completed within a relatively short period of time, and terminated quickly. Except for those projects which are so urgently needed that they cannot be postponed, these light public works may be planned and carried out so as to help compensate for changes in the general level of business activity or, alternatively, to help cope with temporarily depressed conditions in local or regional areas.

Heavy public works like power and irrigation dams, large bridges, navigation improvements, and substantial buildings commonly call for more extended planning, have a long construction period and, once started, cannot be stopped or slowed down without serious waste. Flexibility in this class of project is limited mainly to the timing of their initiation.

Public works cannot be relied upon, either solely or even mainly, to maintain high productive employment. The volume of useful and well-conceived projects that is also postponable is far too limited, the scope for prompt expansion and prompt contraction is far too meager, to permit public works to be used as an adequate or feasible means of absorbing mass unemployment or stabilizing changes in employment throughout the economy.

On the other hand, there is much evidence that public works, especially when backed up by a positive program of aids for private housing construction, can be used effectively to approximate a more realistic objective -- the stabilization of the construction industry. They have not been so used in the past. On the contrary, public works, governed by the financial convenience of federal, state and local governments and by false conceptions of what government could "afford," have generally added to the cyclical gyrations of the construction industry. They have been started when business was booming and government revenues were high, deferred when business was depressed and revenues were low. If public works are to make their potential contribution toward the stabilization of construction, federal, state and local authorities must develop a program of useful, postponable public works (both light and heavy) to the blueprint stage. They must also devise means whereby such works can be postponed when private activity is strong and initiated selectively on short notice in case private economic activity slackens.

As far as feasible, public works should be carried out by private companies selected for the purpose through competitive bidding, so that these undertakings will strengthen rather than infringe upon the free-enterprise structure of our economy.

C. Maintaining Demand Without Inflation

Earlier in this paper we discussed the problems incident to the maintenance of high peacetime consumption -- the difficulties which must be resolved if we are to avoid dangerously wide fluctuations in market demand. Here government fiscal and monetary policies are a major influence. The direct effect of the collection of taxes, of the expenditure of public funds, of the control of credit, and the indirect effect of the whole body of government fiscal and monetary policies on the confidence of individuals and businessmen exert perhaps the greatest leverage government has on production and employment.

In the postwar period this leverage will be more powerful than ever before. Our federal public debt will be \$250 billion or more. Our anticipated public expenditures, federal, state and local, will exceed \$30 billion per year. The administration of that debt, the manner of collecting and spending such a huge volume

of public funds, can be crucial to business activity. The only question is whether this influence will be for better or for worse.

1. The unprecedented importance of monetary policy raises vital questions. Are the policies of the past adequate to the new situation? For example, the Federal Reserve System has employed a variety of measures -- changes in discount rates and in requirements of loans eligible for rediscount, changes in reserve requirements, open-market operations and more recently certain selective or qualitative credit controls -- to adapt the quantity of money and credit to the needs of the economy. In view of the accumulation in private hands of government securities directly convertible into cash, and in view of the volume of currency outstanding, will such measures be sufficient in the postwar period to damp inflationary price pressures or, conversely, to promote expansion? What new measures may be needed? What changes may be required in existing controls over the volume and the terms of credit if this powerful instrument is to serve the purpose of maintaining high productive employment?

2. The balance of government revenues and expenditures likewise raises fundamental questions. It is generally agreed that an annual balance of the budget is impractical -- that an attempt to balance in a depression year might work against recovery. And yet it is agreed that a peacetime increase in the public debt should be avoided and that as much debt should be retired as is consistent with maintaining high levels of employment and production. To this end, would it not be practicable to plan government revenues and expenditures so as to balance out at some defined level of high employment?

When market demand is weak, what fiscal measures may best be used to increase it? A reduction of tax revenues, by increasing disposable incomes, will add to market demand. So too will additional public expenditures which also increase consumer incomes. The desired effect, however, depends on promptness of action. If the desired effect can be accomplished automatically, so much the better. "Pay-as-you-go" income taxes result in automatic reduction of tax revenues as incomes decline and automatic increase of tax revenues as incomes rise. If the budget is so set up as to balance at high employment with stable prices, the pay-as-you-go tax works against either deflation or inflation. And the larger the degree of reliance on the personal income tax for revenue, the more important is this stabilizing effect.

In this area many "billion dollar questions" need to be answered: Should unemployment compensation tax receipts and disbursements be planned to balance at high employment levels and thus act as an automatic stabilizer toward such levels? Should the stabilizing effects of currently collected taxes be augmented by providing for reductions to go into effect temporarily when employment or national income falls below specified levels? What principles of balance should be adopted for Old Age and Survivors' Insurance to prevent it from having serious deflationary effects? In the fields of government expenditures, which items can be expanded and contracted rapidly enough to help maintain stability in national income? How can the fiscal and monetary policies of various government agencies be coordinated and focussed on stability at a high level of employment and production? What reorganization of government is necessary to this end? And finally, what limits to effective use of monetary and fiscal measures are set by lack of price competition and lack of

mobility of resources? How can the effects of increased demand be prevented from running off into price inflation instead of inducing expansion of production and employment?*

D. Foreign Economic Policies

Internal economic policies must be related to the conditions of the world economy. Quoting from the C. E. D. Policy Statement on International Trade, Foreign Investment and Domestic Employment: "The United States has a major interest in the expansion of world commerce. We are a powerful industrial nation. We need vast quantities of goods and services of many kinds. We have a large margin of efficient production capacity which can be put to work making things for international trade. We can exchange these things with the people of other countries who, themselves, make other things available for trade -- other things better or cheaper or different than we can or want to make."

The effects of all national policies upon foreign countries should also be carefully weighed. No country can long remain prosperous and safe in a world of distressed nations. National policies which harm other nations should give way to mutually beneficial measures.

More specifically, quoting further from the C. E. D. Policy Statement, "the channels for postwar trade should be cleared by prompt and final settlement of war debts and other obligations owed to the United States Government at the end of the war; the United States should take the lead in its own interest in a program to bring about a great reduction in the artificial barriers to trade between nations, whether they take the form of tariffs, import quotas, restrictive exchange practices, subsidies, or restrictive business agreements."

We believe that international movements of capital should be governed by economic rather than political considerations. As in the domestic area, capital transactions should be carried out by private enterprise wherever possible.

E. Agricultural Policy

The interest of all the people in the prosperity of agriculture has long been recognized by our government. The Committee for Economic Development now has in preparation a statement in which agricultural policy will be discussed. It is the unanimous opinion of the members of the Research Committee that the greatest contribution that can be made toward prosperity of agriculture is to maintain high-level employment and production.

*Footnote by John F. Fennelly to Section C on "Maintaining Demand Without Inflation"

The prospects for achieving economic stability by governmental manipulation of fiscal and monetary controls seem to me most unpromising, and the net result of such an attempt much more likely to be progressive inflation rather than stability. If a smoothing out of the wide fluctuations in demand and the maintenance of a free society are our genuine objectives, a much more hopeful line of inquiry would be a careful re-examination of our whole banking and credit structure in an effort to determine how best we can achieve a maximum degree of credit stability with a minimum of governmental interference.

In any event, the postwar problems involved in merely putting our national financial house in order, i.e., balancing the budget and managing our monumental debt, appear so great, and the beneficial results from a successful solution of these problems to clear, that fiscal and monetary policies designed to achieve other objectives should be given a definitely subordinate role.

CONCLUSIONS

Final victory in World War II has come more swiftly than we dared hope. It has brought a momentous triumph for our arms. Now we are faced with the question, will we lose the peace as we lost it after World War I?

Fortunately, we shall not again be victimized by nostalgia for "normalcy." No one wants to go back to conditions as they were in the 1930's or even in the 1920's. All are agreed that we must go forward to a better world. But this time we are faced with new and different dangers. The tempo of our war economy has been such, its illusion of prosperity so dazzling, that too many people feel that the new and better world can be achieved easily and quickly. In their impatience they may in all sincerity embrace methods which will put our free society in danger.

In this Statement we have tried to point the way toward a clarification of responsibilities -- of individuals, of groups, and of government. We believe that the recognition and discharge of these responsibilities will promote the creation of abundant job opportunities and strengthen our political economic life. The achievement of this objective requires that government formulate and administer coordinated policies designed to promote and to sustain national prosperity.

As a first step we have proposed an affirmation by the President and the Congress that the attainment of high-level production and employment in the United States within the framework of a free enterprise economy is a major objective of national policy.

To implement this declaration of policy, we have further proposed the immediate appointment of a President's Commission on Full Employment and of a Joint Congressional Committee on Full Employment. These bodies would review studies already completed by various private and public agencies and develop a coordinated and progressive program of measures designed to meet the appropriate responsibilities of the federal government.

The entire future of our country rests upon our finding a sound answer to the question of what a government of a free people can and should do to promote the attainment of an economy of abundant production and employment. This is a prerequisite to winning the peace. But it is only a first step. Even if our government meets its full responsibilities, we cannot win the peace unless we the people, acting in our individual capacities, meet our individual responsibilities. It is going to take courage, imagination, and toil on the part of all of us to realize our goal of more jobs and more freedom.

APPENDIX

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RESEARCH STUDIES AND POLICY STATEMENTS

Committee for Economic Development

I. Policy Statements by the Research Committee

Postwar Employment and the Settlement of Terminated War Contracts

Postwar Employment and the Liquidation of War Production

Postwar Employment and the Removal of Wartime Controls

A Postwar Federal Tax Plan for High Employment

The Bretton Woods Proposals

International Trade, Foreign Investment and Domestic Employment

The Problem of Changeover Unemployment

A policy statement on agriculture in a developing economy is in preparation.

II. Studies by the Research Staff

The Liquidation of War Production A. D. H. Kaplan: McGraw-Hill, July, 1944

Demobilization of Wartime Economic Controls J. M. Clark; McGraw-Hill, January, 1945

Manpower Demobilization and Reemployment Robert E. Nathan and Emmet Welch; in preparation.

Providing for Unemployed Workers in the Transition Richard A. Lester; McGraw-Hill, January, 1945

Financing Industry during the Transition from War to Peace Charles C. Abbott; in preparation.

Monetary and Banking Policies in the Postwar Transition Period John K. Langum; in preparation.

Postwar Tax Reform to Encourage Production and Employment Harold Groves

a. Preliminary report, Production, Jobs and Taxes; McGraw-Hill, June, 1944.

b. Final report, Postwar Taxation and Economic Progress; in press.

Agriculture in an Unstable Economy Theodore W. Schultz; in press.

International Trade and Domestic Employment Calvin B. Hoover; McGraw-Hill, September, 1945

Incentives for Investment Claire E. Griffin; in preparation.

Special Problems of Small Business A. D. H. Kaplan (assisted by J. K. Wexman); in preparation.

Business Arrangements in Foreign Trade Edward S. Mason; in preparation.

The "Billion Dollar Questions" Gardiner C. Means, Howard B. Myers, Theodore O. Yntema; in preparation.

The High Employment Study

This is the most important project of the Committee for Economic Development Research Division. A detailed outline of this study has been prepared. Considerable work has already been done on the problems which will arise in the transition to a peacetime economy. Many aspects of the long-range problem of achieving and maintaining high employment without inflation have been assigned for separate study. These special studies will form the basis of a final summary report.

III. Supplementary Papers

The Economics of a Free Society William Benton; Fortune, October, 1944.

Personnel Problems of the Postwar Transition Period Charles A. Myers; Committee for Economic Development, December, 1944

World Politics, Employment, and Enterprise; with Special Reference to the Future Relations of the United States and Russia Harold D. Lasswell; in press.

Incidence of Taxation William Vickrey; in preparation.

Changes in Substantive Law, Legal Processes and Government Organization to Maintain Conditions Favorable to Competition Corwin Edwards; in preparation.

Distribution of Income William Vickrey; in preparation.